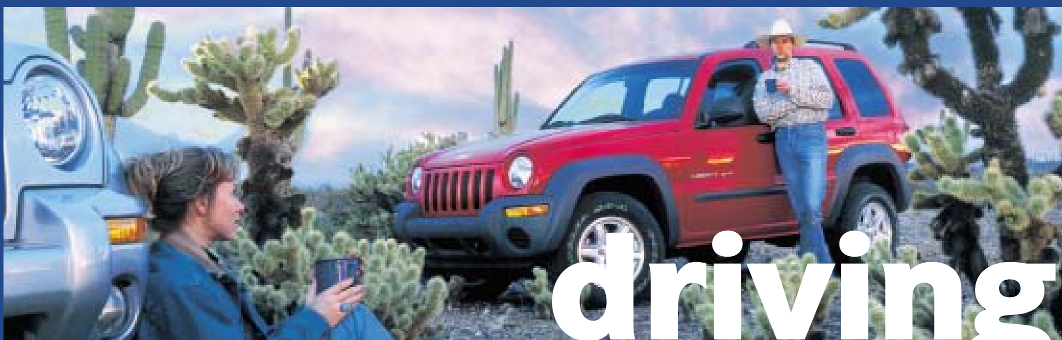
DaimlerChrysler



driving...

Annual Report 2000

Key Figures

DaimlerChrysler Group

amounts in millions	00 US $[1]	00 €	99 €	98 €	00:99 change in %
Revenues	152,446	162,384	149,985	131,782	+8
European Union	47,267	50,348	49,960	44,990	+1
of which: Germany	24,399	25,988	28,393	24,918	(8)
North America	90,067	95,939	87,083	72,681	+10
of which: US	79,331	84,503	78,104	65,300	+8
Other Markets	15,112	16,097	12,942	14,111	+24
Employees (at year-end)		416,501	466,938	441,502	(11)
Research and Development Costs	6,942	7,395	7,575	6,693	(2)
Investments in Property, Plant and Equipment	9,756	10,392	9,470	8,155	+10
Cash Provided by Operating Activities	15,037	16,017	18,023	16,681	(11)
Operating Profit	9,155	9,752	11,012	8,593	(11)
Operating Profit Adjusted[2]	4,894	5,213	10,316	8,583	(49)
Net Operating Income	4,115	4,383	7,032	6,359	(38)
Value Added	(1,023)	(1,090)	2,140	1,753	-
Net Income	7,411	7,894	5,746	4,820	+37
Per Share (in US $/€)	7.39	7.87	5.73	5.03	+37
Net Income Adjusted[2]	3,268	3,481	6,226	5,350	(44)
Per Share (in US $/€)[2]	3.26	3.47	6.21	5.58	(44)
Total Dividend	2,214	2,358	2,358	2,356	0
Dividend per Share (in €)		2.35	2.35	2.35	0

[1]) Rate of exchange: €1 = US $0.9388 (based on the noon buying rate on Dec. 29, 2000).
[2]) Excluding one-time effects, see pages 56-60.

amounts in millions

Mercedes-Benz Passenger Cars & smart	00 US $	00 €	99 €	% change
Operating Profit	2,014	2,145	2,703	(21)
Operating Profit Adjusted	2,698	2,874	2,703	+6
Revenues	41,026	43,700	38,100	+15
Investments in Property, Plant and Equipment	1,968	2,096	2,228	(6)
R & D	2,104	2,241	2,043	+10
Unit Sales		1,154,861	1,080,267	+7
Employees (Dec. 31)		100,893	99,459	+1

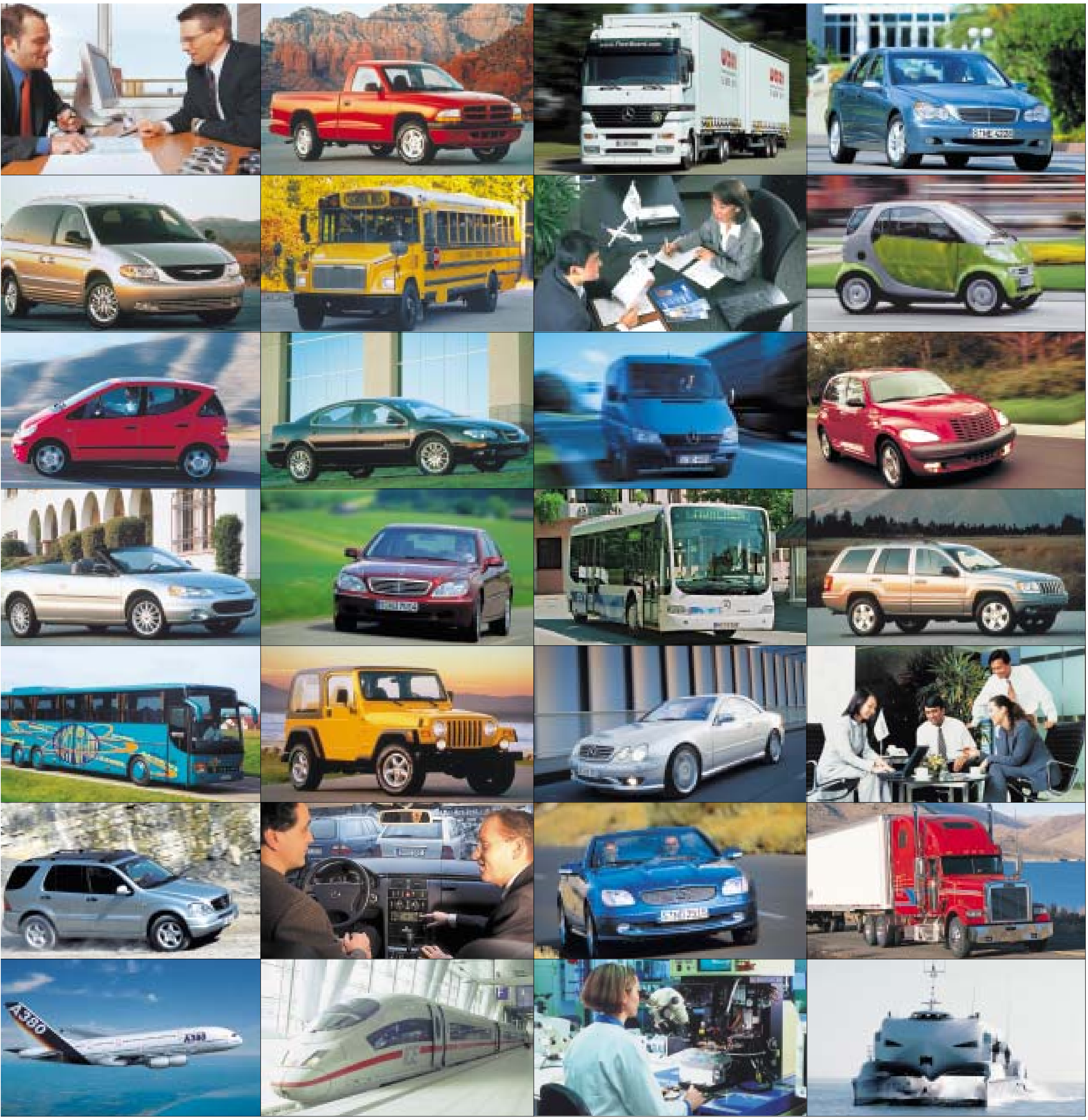
Chrysler Group	00 US $	00 €	99 €	% change
Operating Profit	470	501	5,051	(90)
Operating Profit Adjusted	499	531	5,190	(90)
Revenues	64,188	68,372	64,085	+7
Investments in Property, Plant and Equipment	5,951	6,339	5,224	+21
R & D	2,306	2,456	2,000	+23
Unit Sales		3,045,233	3,229,270	(6)
Employees (Dec. 31)		121,027	124,837	(3)

Commercial Vehicles	00 US $	00 €	99 €	% change
Operating Profit	1,042	1,110	1,067	+4
Operating Profit Adjusted	1,081	1,151	1,067	+8
Revenues	27,054	28,818	26,695	+8
Investments in Property, Plant and Equipment	1,024	1,091	770	+42
R & D	861	917	827	+11
Unit Sales		548,955	554,929	(1)
Employees (Dec. 31)		94,999	90,082	+5

Services	00 US $	00 €	99 €	% change
Operating Profit	2,307	2,457	2,039	+21
Operating Profit Adjusted	602	641	1,026	(38)
Revenues	16,453	17,526	12,932	+36
Investments in Property, Plant and Equipment	265	282	324	(13)
Employees (Dec. 31)		9,589	26,240	(63)

Aerospace	00 US $	00 €	99 €	% change
Operating Profit	3,524	3,754	730	+414
Operating Profit Adjusted	423	451	730	(38)
Revenues	5,057	5,387	9,191	(41)
Investments in Property, Plant and Equipment	215	229	336	(32)
R & D	992	1,057	2,005	(47)
Employees (Dec. 31)		7,162	46,107	(84)

Other	00 US $	00 €	99 €	% change
Operating Profit	(58)	(62)	(399)	+84
Operating Profit Adjusted	(265)	(282)	(221)	(28)
Revenues	5,879	6,262	5,852	+7
Investments in Property, Plant and Equipment	333	355	588	(40)
R & D	679	724	700	+3
Employees (Dec. 31)		45,974	46,080	(0)



Products & Services

Strong brands, ground-breaking technologies, innovative products and first-class services have made DaimlerChrysler one of the most respected companies in the world.

...the future

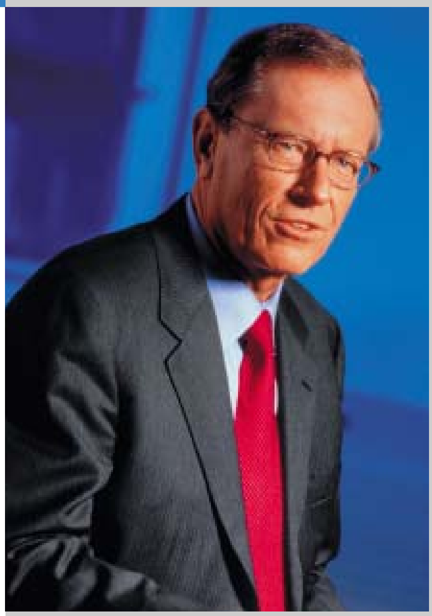
At DaimlerChrysler we share a vision for the future.

Doing what we have always done – but even more efficiently. Harnessing our expertise, energy, experience and global resources. Partnering with other technology leaders to build the best cars, trucks and buses – for all our customers, in all our markets.

All this to deliver the future first. And to deliver long-term value for shareholders.

Chairman's Letter

- Operating profit of €9.8 billion (1999: €11.0 billion) reflects significant one-time effects totaling €4.5 billion
- Net income rose by 37% to €7.9 billion. Adjusted for one-time effects, net income fell from €6.2 billion to €3.5billion
- Earnings per share rose by 37% to €7.87; adjusted for one-time effects, earnings per share were down from €6.21 to €3.47
- Revenues adjusted increased by 12% to €162.4 billion
- Worldwide 4.75 million cars, light trucks and commercial vehicles sold (1999: 4.86 million units)
- Comprehensive measures to increase profitability initiated



Jürgen E. Schrempp
Chairman

Dear Shareholders,

The year 2000 was one in which decisive strategic decisions were taken. At the same time the company was faced with enormous operational challenges in North America. These arose principally from the dramatic fall in profits at the Chrysler Group.

It is important to look at the bigger DaimlerChrysler picture in making a realistic assessment of the company's potential.

Performance in 2000

In its history of more than a century the Mercedes-Benz brand has never sold as many cars in a single year. We also achieved record figures for revenues and profitability. All the indicators point to further profitable growth in the years ahead.

With its extended range of products and expansion into new markets, the smart has successfully established itself as an appealing young brand in Europe. This positive trend should continue in the future.

As the world's largest manufacturer of commercial vehicles, DaimlerChrysler last year again increased annual profits. This was achieved regardless of a dramatic decline in North American sales, which specifically hit the regional market leader, Freightliner.

With Freightliner strengthened by the acquisition of the Canadian commercial vehicle manufacturer, Western Star, we are now in a powerful strategic position in North America. Moreover, the takeover of Detroit Diesel has further reinforced our global position as the leading manufacturer of diesel engines.

Results for DaimlerChrysler Services were also negatively affected by the downward trend in used vehicle prices and higher refinancing costs in the US.

After two very successful years, sales and profits for the Chrysler Group fell off sharply during the second half of 2000. This was caused by the deterioration of the market in North America and our internal cost structures. Thus, at the end of February, we set out specific milestones with a clearly defined turnaround timeframe. By 2002 the Chrysler Group will reach break-even and in 2003 the company will report significant profits.

With our support, an effective program of restructuring has been initiated at Mitsubishi Motors. Mitsubishi also expects to break-even during the 2001 financial year.

Strategic Thrust

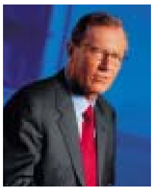
In the long term our aim is to make DaimlerChrysler the world's leading automobile manufacturer and we have devised the right strategy to achieve this.

Last year we continued to focus on the automotive business. We now earn over 90 percent of our revenue in this sector. EADS' successful listing on the stock exchange, the joint venture between debis Systemhaus and Deutsche Telekom and the initiation of Adtranz' sale to Bombardier were all steps towards reinforcing this focus. They also demonstrated our ability in recent years to create further value in our businesses.

Our strategy for the automotive business has four key elements:

1. A strong presence in the markets of Europe, America and Asia.

Our global presence will enable us to profit from the world's growth markets and counteract regional fluctuations. Complementing our European and US operations, the alliance with Mitsubishi Motors and our stake in Hyundai will now provide us with broad access to the markets in Asia, which we would not have been able to penetrate with our existing



brands and products. Moreover we have the option to increase our shareholding in Mitsubishi to any level after three years.

No other automotive company has such a positive balance in its global structure. Indeed, the close collaboration between our international businesses continues to invigorate this organisation in every sense.

2. A full-line portfolio of highly attractive brands.

With its range of six car and eight commercial vehicle brands DaimlerChrysler now covers almost all the important markets and customer segments from volume to premium brands.

Each of our brands is clearly positioned and enjoys a leading position in its respective segment or is on course to achieve this status. Their full potential will be unlocked through a well-targeted multi-brand management.

3. A comprehensive product range to satisfy every customer.

With products ranging from the smallest vehicle through premium cars to heavy-duty trucks, from the smart to the PT Cruiser, the Jeep or the Mercedes-Benz S-Class to the Freightliner Century Class, we can now offer all customers products tailored to their lifestyles, as well as financial and professional requirements.

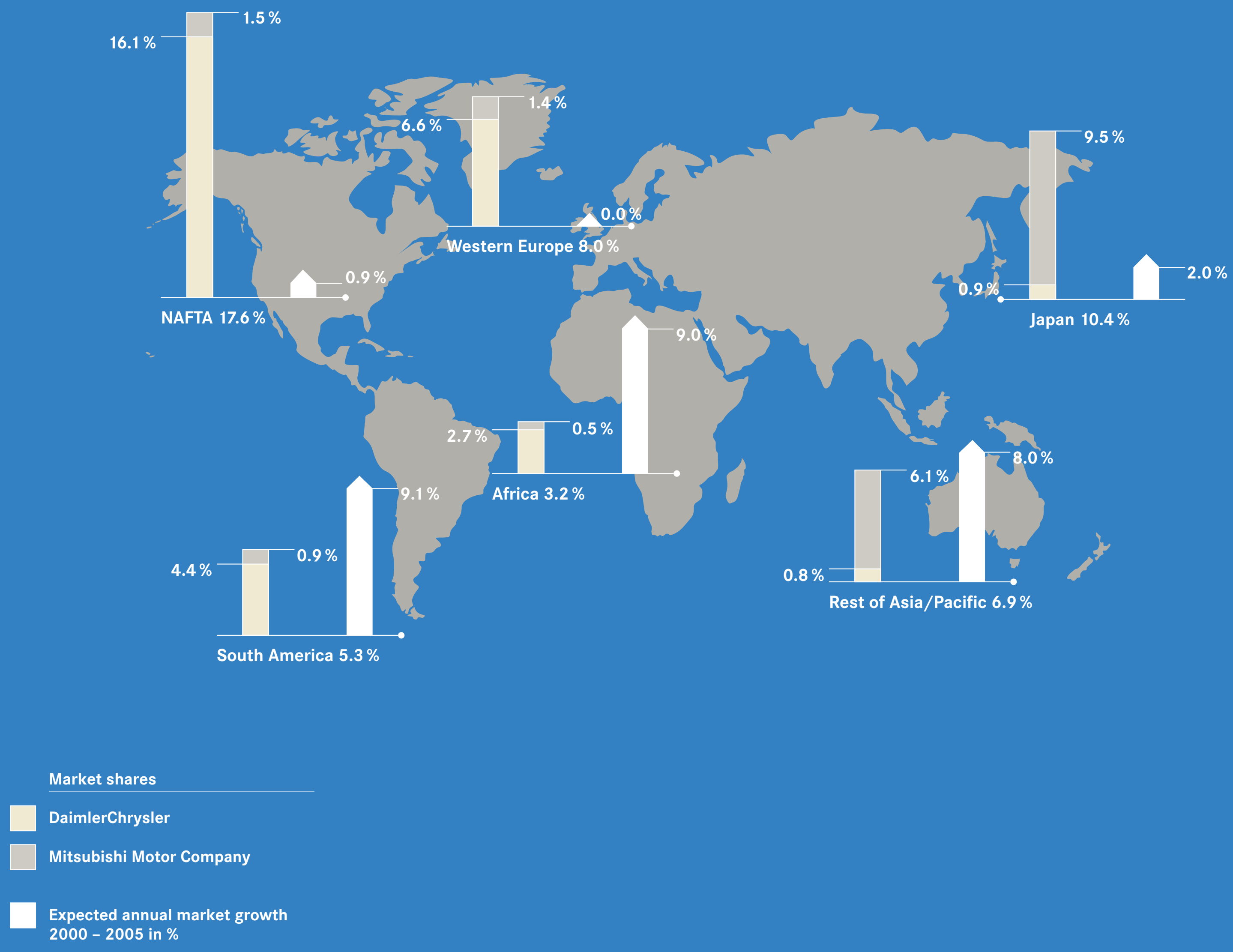
4. Technological and innovative leadership.

DaimlerChrysler is working today on answers to questions which will be asked tomorrow. Over the next three years alone we will invest 45 billion Euro to reinforce our position as technological leader in the automotive industry.

This will enable us to supply our customers with clear practical benefits such as active and passive safety, or so-called “intelligent” vehicles which, at an early stage, are able to recognize hazards and support the driver.

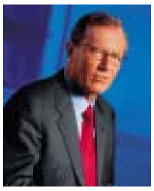
In this respect, DaimlerChrysler’s size provides us with another decisive advantage. The passing on of Mercedes-Benz innovations to other brands in the Group

World Automotive Markets 2000
(Passenger Cars and Commercial Vehicles)



Source: DRI 01/01

“No other automotive company has such a positive balance in its global structure. Indeed, the close collaboration between our international businesses continues to invigorate this organisation in every sense.”



will enable us to continue investing heavily in research and technology and improve our rates of amortization. This at the same time creates competitive advantages for our products and offers our suppliers and partners larger volumes. We will then be able to retain these innovations exclusively within our Group for longer periods.

Group Management

We have set up the Executive Automotive Committee (EAC), a Board of Management Committee, which I will be heading, together with Jürgen Hubbert.

The EAC will always act in the overall interest of the Group, its customers and shareholders.

We will standardize the electronic architecture in our vehicles. We will use similiar modules, components and aggregates across many of our products. And we will halve the number of platforms within the Group over the next 10 years.

One of the primary objectives of the EAC will be to ensure implementation of these projects in a manner sympathetic to the positioning of the respective brands. This means there will be no dilution of our brands – and of Mercedes-Benz in particular.

Milestones for the Future

We have outlined to you as the shareholders of our company, as well as to the general public, the specific milestones the Board of Management has committed itself to reach over the next three years.

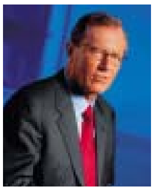
During this period we will:

- increase the lead position enjoyed by Mercedes-Benz in the premium segment,
- successfully complete the Chrysler turnaround,
- secure the success of all our activities in commercial vehicles, while building on our position as global market leader and returning Freightliner to profit,
- improve the profitability of the services sector,
- and establish a close and profitable alliance with Mitsubishi Motors.

Our Automotive Brands

Our Strategic Partners

"Each of our brands is clearly positioned and enjoys a leading position in its respective segment or is on course to achieve this status. Their full potential will be unlocked through a well-targeted multi-brand management."



In 2003 we will approach again our previous high level of profitability.

It is undoubtedly unusual in this industry to set out specific milestones in this way. We are doing so because we are totally convinced that DaimlerChrysler through a series of clearly defined and logical, consistent steps, will, within the foreseeable future, achieve its goal of becoming the leading automobile manufacturer.

We have exceptionally professional people; development programs for our top managers, and a broadly-based offensive to raise qualifications across the whole company still further. These factors ensure that we have the people and the necessary resources to make our strategy work.

The challenges have been clearly identified, the responses defined. The Board of Management, together with our 416,000 employees are already hard at work implementing the solutions. We owe all our employees our gratitude.

There is a deep personal commitment on our part to meet the challenges of the future, and our central responsbility to shareholders, in a way that adds real growth to this companies value.

Everything in our power will be done to achieve this.

That is our pledge.

Jürgen Schrempp

Our Employees

“We have the people and the necessary resources to make our strategy work.”

- Goal-oriented management and decentralized responsibility
- Performance-related remuneration and incentives
- Global executive management development
- More than 3,300 new graduates and young professionals in the company
- Among the leaders for vocational training

Employees by Region

	Dec. 31, 2000
Africa	5,545
Asia	3,759
Australia	1,221
Europe	232,192
North America	158,557
South America	15,227
DaimlerChrysler	**416,501**

The Board of Management

MANFRED BISCHOFF
Aerospace & Industrial Businesses,
Board Member Mitsubishi Motors
Corporation
Appointed until 2003

ECKHARD CORDES
Commercial Vehicles
Appointed until 2003

GÜNTHER FLEIG
Human Resources & Labor Relations Director
Appointed until 2004

MANFRED GENTZ
Finance & Controlling
Appointed until 2003

JÜRGEN HUBBERT
Mercedes-Benz Passenger
Cars & smart
Appointed until 2003

WOLFGANG BERNHARD
Chief Operating Officer Chrysler Group,
Deputy Member of the Board
Appointed until 2003

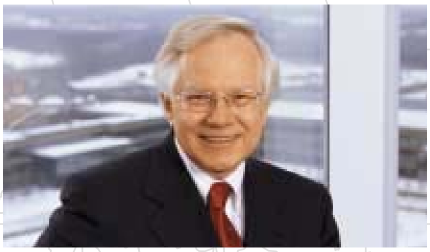
Retired from the Board of Management:
Robert J. Eaton, March 31, 2000
James P. Holden, November 18, 2000
Thomas C. Gale, December 31, 2000

JÜRGEN E. SCHREMPP
Chairman of the Board of Management
Appointed until 2003

KLAUS MANGOLD
Services
Appointed until 2003

THOMAS W. SIDLIK
Procurement & Supply Chrysler Group & Jeep Operations, Board Member Hyundai Motor Company
Appointed until 2003

GARY C. VALADE
Global Procurement & Supply
Appointed until 2003



KLAUS-DIETER VÖHRINGER
Research & Technology
Appointed until 2003

DIETER ZETSCHE
Chrysler Group
Appointed until 2003

Business Review

Expanded Global Presence

- **Operating profit of €9.8 billion reflects significant one-time effects totaling €4.5 billion, and is below last year's level (€11.0 billion)**
- **Adjusted for one-time effects, operating profit fell €5.1 billion to €5.2 billion, mainly due to tougher conditions in the US market and the specific difficulties encountered by Chrysler Group, where operating profit was €0.5 billion (1999: €5.1 billion)**
- **Net income rose by 37% to €7.9 billion. Adjusted for one-time effects, net income fell from €6.2 billion to €3.5 billion. Earnings per share rose by 37% to €7.87; adjusted for one-time effects, earnings per share were down from €6.21 to €3.47**
- **A dividend of €2.35 per share is proposed (1999: €2.35)**
- **Revenues, adjusted for changes in the consolidated group, increased by 12% to €162.4 billion, a record level for the Group**
- **Sharper focus on automotive businesses**

CHALLENGES IN NORTH AMERICA. DaimlerChrysler's operating profit of was €9.8 billion in the year under review, as compared to €11.0 billion in 1999. After adjusting for one-time effects of €4.5 billion, operating profit fell to €5.2 billion (1999: €10.3 billion). The decrease was primarily a result of lower earnings at Chrysler Group and the Services division. Intense competition in the US, higher marketing costs and start-up costs for new products as well as increased refinancing costs and lower residual values on leased vehicles for Financial Services put particular pressure on earnings. Operating profit adjusted for one-time effects increased once again at the Mercedes-Benz Passenger Cars & smart and the Commercial Vehicles divisions.

DaimlerChrysler's net income increased 37% to €7.9 billion, earnings per share rose to €7.87 (1999: €5.73). Adjusted for one-time effects, net income fell to €3.5 billion (1999: €6.2 billion) and earnings per share to €3.47 (1999: €6.21).

Net operating income, the basis for calculating return on net assets, totaled €4.4 billion, falling short of last year's high figure of €7.0 billion. The resulting rate of return of 7.4% (1999: 13.2%) was below the 9.2% required to cover the cost of capital. (see pp. 56-60)

Operating Profit

in millions	00 US $	00 €	99 €
DaimlerChrysler Group	9,155	9,752	11,012
Mercedes-Benz Passenger Cars & smart*)	2,698	2,874	2,703
Chrysler Group*)	499	531	5,190
Commercial Vehicles*)	1,081	1,151	1,067
Services*)	602	641	1,026
Aerospace*)	423	451	730
Other*)	(265)	(282)	(221)
DaimlerChrysler Group*)	4,894	5,213	10,316

*) adjusted for one-time effects

COMPANY-WIDE COST-REDUCTION PROGRAM. In order to ensure the competitiveness of our products and increase future earnings, in the year under review we examined cost structures at all divisions and corporate departments and introduced measures designed to reduce costs. The programs cover all stages of the value chain. We have introduced a comprehensive turnaround program at the Chrysler Group. This program should help Chrysler return to profitability, despite an extremely competitive environment. (see p. 22-23)

€2.35 DIVIDEND. We are proposing to our shareholders a dividend of €2.35 per share (1999: €2.35). With a total dividend payout of €2,358 million, DaimlerChrysler is paying the highest dividend among the companies included in the German DAX 30 index.

FAVORABLE GLOBAL ECONOMIC TRENDS. Global economic developments were generally favorable in 2000. When weighted to reflect the share of the Group's revenues generated in each country, economic expansion in DaimlerChrysler's markets increased from 3.3% in 1999 to 4.4% in the year under review. This was primarily a result of continued growth in North America, recovery in Western Europe and a return to greater stability in various emerging markets in Asia and South America. The Japanese economy recovered from its stagnation of the previous year, recording growth of almost 2%.

In terms of exchange rates, the euro remained weak in 2000. Over the year, the euro depreciated 13.3% against the US dollar, 7.5% against the British pound and 18% against the yen.

INTENSIFIED COMPETITION IN THE AUTOMOTIVE INDUSTRY. Despite generally favorable economic conditions, competition in the automotive industry intensified significantly and the consolidation process continued. This is primarily due to excess capacity worldwide, rising interest rates and fuel prices, and the very high demand of recent years. The latter resulted in most of the vehicles on the road being replaced with new automobiles in many markets. (see pp. 26, 30, 34)

REVENUES INCREASED BY 12%. On a comparative basis, revenues at DaimlerChrysler increased by 12% to €162.4 billion in 2000. This figure takes into account the fact that the companies of the DaimlerChrysler Aerospace Group (with the exception of MTU Aero Engines) and debis IT Services were removed from the consolidated group on July 1 and October 1, respectively. We achieved growth in revenues in the US (€84.5 billion; +8%), in the European Union (€24.4 billion; +13%) and in Asia (€5.9 billion; +23%). Mercedes-Benz Passenger Cars & smart and Services were the major contributors to revenue growth.

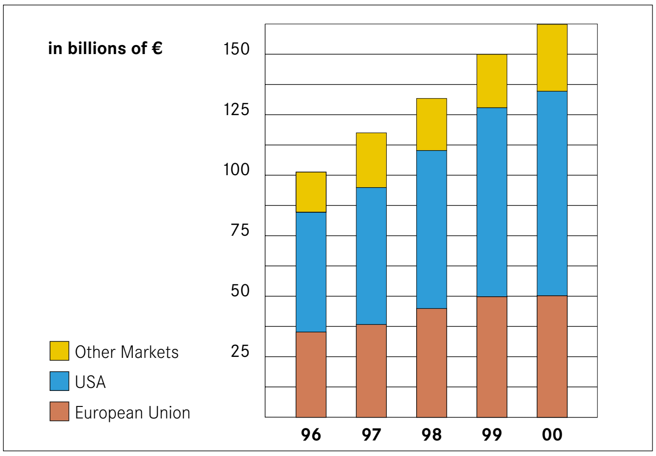
VEHICLE SALES AT PREVIOUS YEAR'S LEVEL. Despite the difficulties in the US passenger car, light truck and commercial vehicle markets, total sales of DaimlerChrysler vehicles reached 4.75 million units in 2000, around the same level as in the previous year (4.86 million).

Mercedes-Benz Passenger Cars & smart boosted unit sales by 7% to a new high of 1.15 million vehicles, strengthening its position in nearly all of its key markets. Although the German market shrank overall, we increased our market share to 13.2% (1999: 11.1%). (see pp. 26-29)

Revenues

in millions	00 US $	00 €	99 €
DaimlerChrysler Group	152,446	162,384	149,985
Mercedes-Benz Passenger Cars & smart	41,026	43,700	38,100
Chrysler Group	64,188	68,372	64,085
Commercial Vehicles	27,054	28,818	26,695
Services	16,453	17,526	12,932
Aerospace	5,057	5,387	9,191
Other	5,879	6,262	5,852

Consolidated Revenues



Unit sales by Chrysler Group fell to 3.05 million units (1999: 3.23 million) as a result of the extremely competitive US market and the introduction of numerous new models. (see pp. 30-33)

Despite a sharp drop in demand for heavy trucks in the US, unit sales at the Commercial Vehicles division totaling 549,000 trucks, vans and buses were similar to the high levels of the previous year (1999: 554,900). (see pp. 34-37)

EXPANSION OF FINANCIAL SERVICES. The Services division recorded a 36% increase in revenues to €17.5 billion (+51% on a comparative basis), despite the consolidation of debis IT Services only through September 30, 2000. The revenue increase was largely attributable to the financial services business in North America. In November 2000, it was decided to further develop the financial services business by expanding the existing Mercedes-Benz Finanz GmbH into a full bank. The DaimlerChrysler Bank will offer its customers traditional vehicle leasing and financing packages, but also a comprehensive range of banking services. (see pp. 38-39)

GROWTH CONTINUES AT OTHER BUSINESSES. After adjusting for changes in the consolidated group, revenues at the Aerospace division increased by 4%. Growth at the MTU Aero Engines and Civil Aircraft business units played a key role. (see pp. 40-41)

Adtranz contributed €3.9 billion (+9%) to the total revenues of €6.3 billion of DaimlerChrylser's other industrial businesses. Automotive Electronics accounted for €1.1 billion (+20%) and MTU/Diesel Engines €1.0 billion (+8%). (see pp. 42-43)

FOCUS ON THE AUTOMOTIVE BUSINESS. As part of our strategy of focusing on the automotive business, we transferred the information technology activities of DaimlerChrysler Services AG to a new joint venture with Deutsche Telekom. To this end, Deutsche Telekom acquired 50.1% of debis IT Services through a capital increase. And in August 2000, we reached an agreement whereby the international aeronautics and rail-technology company, Bombardier, will acquire DaimlerChrysler Rail Systems GmbH (Adtranz). We expect the transaction to be completed in the first half of 2001, pending approval by European antitrust authorities.

EADS SUCCESSFULLY LAUNCHED. On July 10, 2000, shares of the European Aeronautic Defence and Space Company (EADS) were traded for the first time at the stock exchanges in Frankfurt, Paris and Madrid. The IPO also marked the successful completion of the merger of Aerospatiale Matra, Construcciones Aeronáuticas S.A. (CASA) and DaimlerChrysler Aerospace (Dasa). DaimlerChrysler holds approximately 33% of EADS, making it the company's largest shareholder. EADS itself owns 80% of the Airbus Integrated Company (AIC) as well as 75% of the European space technology company, Astrium, which was launched in May.

TARGETED ACQUISITIONS IN NORTH AMERICA. In October 2000, we acquired the remaining shares of Detroit Diesel Corporation (DDC), a company in which DaimlerChrysler already had a 21.3% equity interest. DDC is one of the world's leading manufacturers of diesel engines for heavy trucks and off-highway applications. The integration of the Powertrain business unit, MTU/Diesel Engines and DDC to form the new DaimlerChrysler Powersystems business unit within the Commercial Vehicles division will make DaimlerChrysler the world's leading producer of heavy-duty diesel engines for on and off-highway applications. The planned cooperation with Caterpillar in the field of medium-sized diesel engines and fuel systems opens up new opportunities in the engines business and will further expand our leading position.

The acquisition of the Canadian truck and bus manufacturer, Western Star, further strengthens our position in North America in the premium segment for heavy trucks and buses.

SETTING A NEW COURSE IN ASIA. In order to further expand our global market position and seize opportunities available in the fast-growing Asian markets, we made important strategic moves in the year under review. (see pp. 44-45)

In October 2000, we acquired 34% of Mitsubishi Motors Corporation (MMC). The alliance with MMC covers the design, development, production and sale of passenger cars and light trucks. One aspect of our cooperation will be the development and production of a small car for the European market at the Netherlands Car B.V., Nedcar, company, which will be operated as a 50:50 joint venture. This project, known as Z car, has already been approved and will extend DaimlerChrysler's smart car family.

DaimlerChrysler also acquired a stake of 9% in the Hyundai Motor Company (HMC). Among other things, cooperation with Hyundai may involve a 50:50 joint venture in South Korea for the development, production and marketing of commercial vehicles.

E-BUSINESS ACTIVITIES CONSOLIDATED. In October 2000, DaimlerChrysler established DCXNET Holding in order to more strongly promote the transformation of the company into a completely networked enterprise. All the Group's current and future e-business investments and equity interests are to be consolidated into DCXNET Holding, which forms the core of the Group-wide "DCXNET Initiative." The latter is designed to make all areas of the company – from purchasing to sales – faster, more efficient and more competitive. (see pp. 46-47)

416,501 EMPLOYEES. At the end of 2000, DaimlerChrysler had a total workforce of 416,501 employees (1999: 466,938). Adjusted for changes in the consolidated group, the number of employees decreased by 1,252. (see pp. 54-55)

HIGHER EFFICIENCY IN PURCHASING. Daimler-Chrysler purchased goods and services worth €113.3 billion in 2000. 28% of the procurement volume was accounted for by the Mercedes-Benz Passenger Cars & smart division, 44% by Chrysler Group, 19% by the Commercial Vehicles division and 9% by other businesses. We continued to develop our Extended Enterprise® program and launched numerous pilot projects to reduce costs throughout the entire value chain as part of our comprehensive "Total Cost of Ownership" approach. (see pp. 52-53)

€17.8 BILLION TO SECURE THE FUTURE. In the year under review, DaimlerChrysler invested €10.4 billion in property, plant and equipment and €7.4 billion in research and development. Due to the integration of DaimlerChrysler Aerospace into EADS on July 1, 2000, these figures are not comparable with those of the preceding year. More than 92% of the investment in property, plant and equipment was accounted for by the automotive business. In the Mercedes-Benz Passenger Car & smart division, the biggest share was invested in the new C-Class models. Among the most important projects for Chrysler Group were preparations for the new minivan, the Dodge Stratus, the Chrysler Sebring models, the Dodge Ram and the Jeep® Liberty. The major investments at the Commercial Vehicles division were for the assembly of the Sprinter in North America and for the production of the new Vaneo compact van. At the end of the year 2000, more than 30,000 people were employed in research and development at DaimlerChrysler worldwide. More than 75% of the investment in this area was directed at securing the future of the automotive business. (see pp. 48-49)

Investments in Property, Plant and Equipment

in millions	00 US $	00 €	99 €
DaimlerChrysler Group	9,756	10,392	9,470
Mercedes-Benz Passenger Cars & smart	1,968	2,096	2,228
Chrysler Group	5,951	6,339	5,224
Commercial Vehicles	1,024	1,091	770
Services	265	282	324
Aerospace	215	229	336
Others	333	355	588

Research and Development Costs

in millions	00 US $	00 €	99 €
DaimlerChrysler Group	6,942	7,395	7,575
Mercedes-Benz Passenger Cars & smart	2,104	2,241	2,043
Chrysler Group	2,306	2,456	2,000
Commercial Vehicles	861	917	827
Aerospace	992	1,057	2,005
Others	679	724	700

The DaimlerChrysler Shares

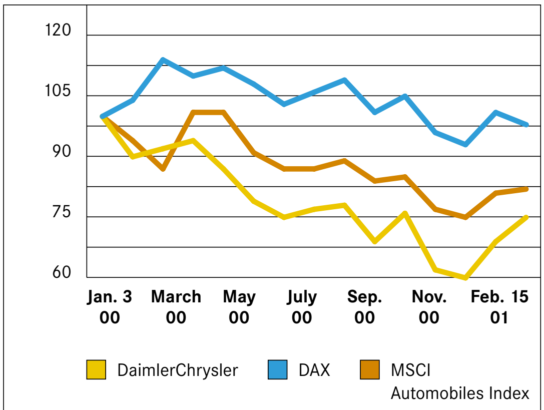
A Broad Shareholder Base

- **Declining trend of international stock markets**
- **MSCI World Automobile Index down 25% by the end of 2000**
- **Challenging US business a drag on the DaimlerChrysler share price**
- **More information provided to stockholders on the Internet**

WEAKER EQUITY MARKETS. After large fluctuations during the year, stock exchanges in North America and Europe closed the year 2000 on a weaker note. The Dow Jones Industrial Average was 6% lower than at the end of 1999. The Nasdaq Composite, a technology, media and telecommunications index, fell by 39%, the Dow Jones Euro Stoxx 50 Index lost 3% by the end of the year and the British FTSE 100 Index was 10% lower than a year before. Japan's Nikkei Index fell by 27% to 13,786. The auto industry index of the Dow Jones Euro Stoxx fluctuated between 220 and 250 for most of the year 2000, by the end of the year it had fallen 17% to 219.

The German stock index (DAX) reached its peak for the year of 8,136 on March 7, 2000. After that, prime lending-rate increases by the US Federal Reserve Board and the European Central Bank combined with the fall of the euro against the dollar caused a drop to a level between 7,000 and 7,400. The strong rise in the price of crude oil that started in late summer, more cautious assessments of corporate profits and the falling euro triggered another round of sinking stock prices in autumn. Over the whole of the year, the DAX fell 8% to 6,434. International stock markets had slightly recovered by the middle of February. In the first few weeks of the year 2001, both the DAX and the Dow Jones rose by 2% and 1%, respectively. The Euro Stoxx automotive industry index improved by 14%.

Share Price Index



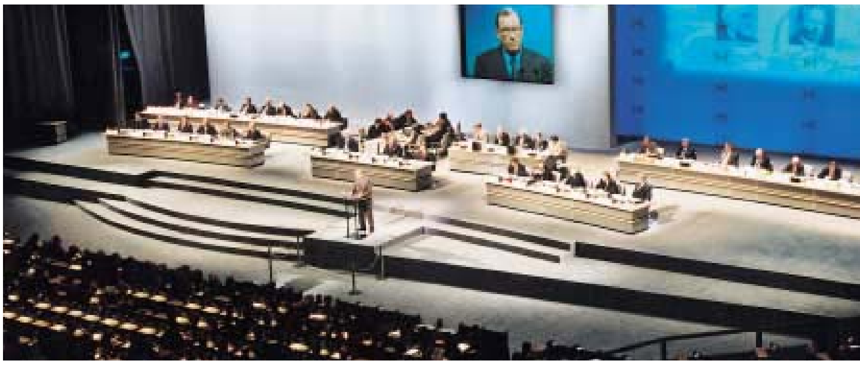
DAIMLERCHRYSLER SHARE-PRICE MOVEMENTS. DaimlerChrysler's stock started 2000 at its peak for the year of €79.97. As the year progressed, unfavorable expectations for the future profit situation in North America had a negative impact on the stock's developments. The share price hit a low of €42.70 on December 28, 2000, after analysts reduced their profit forecasts for DaimlerChrysler in 2000 and 2001 due to lower earnings expectations in the second half of the year, tougher competition in North America and uncertainty about the restructuring measures being formulated for Chrysler Group. DaimlerChrysler shares ended the year 2000 at a price of €44.74 – 42% lower than at the end of 1999. By February 15, 2001, the price had recovered, with the shares trading at €55.23 (+23%).

HIGH TRADING VOLUMES. At the end of 2000, DaimlerChrysler ranked eighth in the German DAX 30 share index with a weighting of 5.1%. In the Dow Jones Euro Stoxx 50 index it had a weighting of 1.8%. Trading in DaimlerChrysler stock worldwide amounted to a volume of about 1.0 billion shares in 2000 (1999: 1.1 billion). Of this figure, about 127 million shares were traded on US stock exchanges (1999: 177 million) and about 888 million in Germany, including Xetra trading (1999: 872 million).

BROAD SHAREHOLDER BASE. DaimlerChrysler has a broad shareholder base of over 1.9 million shareholders. Institutional investors, including Deutsche Bank (12%) and the Emirate of Kuwait (7%), hold around 75% of total share capital, with 25% being held by individual investors. The proportion of European investors increased to about 75%, while approximately 17% of our capital stock is in US hands.

INVESTOR RELATIONS MAKE MORE USE OF NEW MEDIA. In the year 2000 we continued to send quarterly information and news of other important events as Investor Relations releases to approximately 2000 investors and analysts by e-mail and fax. The same information was simultaneously provided to the news agencies and posted on the Internet.

On our Investor Relations site on the Internet (www.daimlerchrysler.com) we offer a wide range of information. Basic information helps newcomers to get to know the company and its shares. Investor and analyst conferences, the management report from the annual shareholders' meeting and other important events are transmitted live on the Internet. Up-to-date company news and intraday share prices can be accessed at wap.dcx.com with compatible mobile phones. All stockholders and interest groups therefore enjoy equal and simultaneous access to identical information.



In the year 2000, the work of our Investor Relations department in general and our Internet site in particular again received numerous awards and first prizes, for example, from the business magazines, Capital, Focus and Wirtschaftswoche, and from the investors' newspaper, Börse Online. Nonetheless, we are committed to continue improving DaimlerChrysler's investor relations work.

At the 2000 shareholders' meeting we were the first European company to offer shareholders the service of casting proxy votes on the Internet. This electronic facility with maximum security provides stockholders with more time to place their votes as they wish.

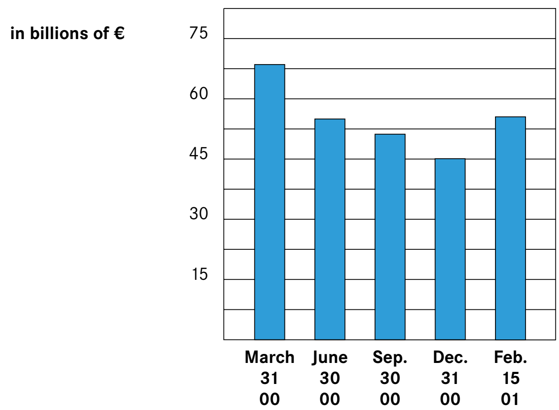
More than 13,000 shareholders attended the DaimlerChrysler Annual Meeting in 2000 to keep fully informed on their company's activities.

Statistics per Share

	00 US $	00 €	99 €
Net Income (basic)[1]	3.26	3.47	6.21
Net Income (diluted)[1]	3.24	3.45	6.16
Dividend		2.35	2.35
Stockholders' Equity (Dec. 31)	39.68	42.27	35.94
Number of Shares in millions (Dec. 31)		1,003.3	1,003.3
Share price: Year-end	41 1/5	44.74	77.00
High	78 11/16	79.97	95.79
Low	37 7/8	42.70	63.26

[1]) Excluding one-time effects.

DaimlerChrysler Market Capitalization



Outlook

Global Networks

- **Due to difficult market conditions in North America, Group operating profit in 2001 expected to be below previous year's level**
- **Continued growth anticipated at Mercedes-Benz Passenger Cars & smart**
- **Commercial Vehicles expected to be affected by market downturn in North America**
- **Comprehensive turnaround plan to be implemented at Chrysler Group will result in a significant restructuring charge. Operating loss at Chrysler Group expected in 2001**
- **Refocusing Mitsubishi Motors is expected to create opportunities in Asia**
- **Concentration of our Services business on the automotive value chain**
- **Investment of €43 billion in the future of DaimlerChrysler**

GENERALLY STABLE ECONOMIC CONDITIONS. For the planning period of 2001 through 2003 we expect generally satisfactory macroeconomic conditions in our most important markets. However, after recording above-average growth rates in 2000, not only the North American economies but also those of Western Europe are likely to weaken in 2001. The Japanese economy is growing again, but is unlikely to recover its former dynamism in the next few years. On the other hand, high growth rates are expected in the Asian emerging markets, in South America and in Eastern Europe. Overall, we anticipate that the global economy will expand by about 3% annually during the 2001-2003 planning period.

This section, the "Improving Profitability" section and other sections in this annual report contain forward-looking statements based on beliefs of DaimlerChrysler management. The words "anticipate", "believe", "estimate", "expect", "intend", "plan", "project" and "should" and similar expressions identify forward-looking statements. Such statements reflect the current views and assumptions of DaimlerChrysler regarding the future and are subject to risks and uncertainties. Many factors could cause the actual results and performance of DaimlerChrysler to be materially different, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products, lack of acceptance of new products or services, inability to meet efficiency and cost reduction objectives and changes in business strategy. Actual results may vary materially from those projected here. DaimlerChrysler does not intend or assume any obligation to update these forward looking statements.

TOUGHER COMPETITION IN THE AUTOMOTIVE INDUSTRY. We expect a continuation of relatively high unit-sales levels in automotive markets during the period 2001 through 2003, although demand in North America is likely to weaken considerably compared to the extremely high unit sales in 1999 and 2000. We anticipate stabilization at a high level in Western Europe during the planning period, and expect demand to rise significantly in Asia and South America. Advancing globalization, shorter product life cycles, high production capacities and rising pressure on costs will cause competition to intensify in all market segments, despite high unit sales worldwide, thus providing impetus for more consolidation within the industry.

€148 BILLION REVENUES IN 2003. Based on our current order situation and on expectations for our markets, we plan to achieve revenues of €140 billion in 2001. The 14% decline compared to the record set in 2000 (€162.4 billion) is partly due to changes in the consolidated group, but also due to the expected market downturn in the US and exchange-rate effects. Reductions in revenues totaling €9 billion caused by changes in the consolidated group are primarily due to the transaction involving Dasa and debis Systemhaus; in the year 2000, these two companies were fully consolidated until the end of June and the end of September, respectively. Furthermore, the revenues of Adtranz are only included in our planning until the expected date of sale of this unit. As a result of the difficult situation in the American market our forecast of a higher valuation of the euro against the US dollar, we assume that lower revenues will be generated in the US. This will particularly impact Chrysler Group and Freightliner.

By 2003, despite tougher competition in the automotive industry, we expect revenues to reach around €148 billion. These projections are based on an assumed moderate appreciation of the euro against the US dollar, the British pound and the Japanese yen. We expect to achieve our highest growth rates in Asia, South America and Eastern Europe.

BETTER EARNINGS IN 2002. Due to difficult market conditions in North America, earnings for the current year are not expected to equal those attained in 2000. There will also be a significant charge related to the turnaround plan at Chrysler Group in 2001. In addition, the refocusing of Mitsubishi Motors, which is included in our financial statements at equity, is expected to negatively impact our operating profit. However, as a result of these programs and increased efficiencies through the networking of our global activities, we expect the Group's operating profit to improve again in 2002.

FURTHER GROWTH AT MERCEDES-BENZ PASSENGER CARS & SMART. Mercedes-Benz Passenger Cars & smart will carefully expand its product range in the coming years and thus strengthen its market position worldwide. This year, the successful new C-Class will be supplemented by the new station wagon and sport-coupe versions. Mercedes-Benz will also launch the new SL roadster. New products in the year 2002 will include the new E-Class and the Maybach luxury sedan, which will reinforce DaimlerChrysler's leading position in the top market segment.

In the coming years we will selectively expand the smart brand, and in 2004 we will launch a four-seater model, termed the Z car, which is to be developed together with our partner, Mitsubishi Motors. Mitsubishi will also offer a vehicle under its own brand name using the same platform and major components.

TURNAROUND PLAN AT THE CHRYSLER GROUP. On the basis of a comprehensive turnaround plan, the Chrysler Group expects to improve its competitive position and long-term profitability. In addition to the measures already implemented to reduce costs, new products and intensified cooperation both within the DaimlerChrysler Group and with our partners in Asia will help us to achieve this goal.

In order to adapt its cost structures and production levels to current market conditions by the end of 2002, Chrysler Group intends to close or idle six plants and, by the end of 2003, to reduce its workforce by about 26,000 employees. With a two-stage plan we also want to cut the costs of materials and services. The first stage is to reduce prices by 5% in 2001. Then, in cooperation with suppliers, cost-saving potential of an additional 10% is to be realized by the end of 2002. (see pp. 22-23)

Chrysler Group will invest around €13 billion in property, plant and equipment, and will spend around €6 billion on research and development from 2001 through 2003, So that it can continue to provide innovative and high-quality products.

Revenues

in billions of €	2001 Plan	2003 Target
DaimlerChrysler Group	140	148
Mercedes-Benz Passenger Cars & smart	43	46
Chrysler Group	57	59
Commercial Vehicles	27	32
Services	15	15
Others	4	4

OPPORTUNITIES FOR COMMERCIAL VEHICLES. The Commercial Vehicles division will continue to extend the international reach of its activities. We expect growth impetus particularly from the new Vaneo compact van and the launch of the Sprinter under the Freightliner brand in North America in 2001. We also see further potential in vehicle-related services, which will transform our wide range of commercial vehicles into a comprehensive transport system.

In the component business, long-term cost advantages and new growth opportunities will arise through the merger of the Powertrain business unit, MTU/Diesel Engines and Detroit Diesel Corporation to form the new Powersystems business unit.

REFOCUSING OF MITSUBISHI MOTORS.
The refocusing of Mitsubishi Motors aims to achieve a rapid turnaround and to secure positive and improving results in the future. Appropriate cost-cutting measures have been initiated, such as negotiations with suppliers to obtain substantial price reductions of 15% within three years. Production capacity is to be decreased by 20% and the workforce will be adjusted accordingly. And in the coming years, Mitsubishi Motors will launch new, innovative products in all market segments with significant volume.
(see p. 23)

REORIENTATION OF SERVICES. In the future, the Services division will concentrate even more on providing services along the automotive value chain and supporting the sales of the Group's products by means of innovative financial services. There will be additional long-term growth potential from the development of Mercedes-Benz Finanz GmbH into DaimlerChrysler Bank, which will be able to provide a substantially wider range of banking services. With a modified leasing strategy in North America, we will achieve a more differentiated penetration for certain models, while promoting the sale of used vehicles by means of innovative marketing measures. In this way we intend to achieve a significant improvement in the profitability of the leasing business in the NAFTA region throughout the planning period.

CONTINUED GROWTH AT EADS. EADS (European Aeronautic Defence and Space Company) is included in our consolidated financial statements at equity, in line with our 33% stake in the company. EADS expects a generally positive business trend in the coming years, particularly due to a record order backlog of 1,626 aircraft at Airbus Industrie and the decisions to build both the A400M military transport aircraft and the new A380 wide-body airliner.

A look into the future: With two new vehicles DaimlerChrysler demonstrates the progress made with the development of fuel-cell engines. Both the NECAR 5 (New Electric Car), which is based on the Mercedes-Benz A-Class, and the Jeep® Commander 2 use this technology for environment-friendly and unusually quiet driving.

INCREASING REVENUES AT OTHER BUSINESSES.
Aircraft manufacturers' high order backlogs as well as positive decisions on the A400M transport aircraft, the Eurofighter program and the production of the A380 wide-body aircraft,

Investments in Property, Plant and Equipment

in billions of €	2001 Plan	2001-03 Target
DaimlerChrysler Group	9.5	25.2
Mercedes-Benz Passenger Cars & smart	2.5	7.7
Chrysler Group	5.2	13.1
Commercial Vehicles	1.4	3.5
Services	0.1	0.2
Others	0.3	0.7

mean that the MTU Aero Engines business unit can expect continuous and profitable growth during the 2001-2003 planning period.

In the coming years, the Automotive Electronics unit will continue to profit from the increasing share of electronic components in cars.

GLOBAL NETWORKS. It is our goal to be the world's premier and most profitable automobile manufacturer. We have laid the foundations for this with the extension of our global presence, our alliance with Mitsubishi Motors and our stake in Hyundai Motor. We are now represented in all of the world's key markets. We have the right brands with which we can offer our customers tailored products worldwide in almost all market segments. In the coming years we will realize our full potential, optimize our product portfolio and leverage the company worldwide. To do this we will utilize the opportunities of e-business more intensively to redesign our internal processes and our relations with customers and suppliers.

€43 BILLION TO SECURE THE FUTURE. During the planning period 2001 through 2003, DaimlerChrysler plans expenditures of €43 billion on investments in property, plant and equipment, and on research and development. One of the key areas for these expenditures will be the development and preparation for production of about 60 new passenger car and commercial vehicle models, which are to be launched by 2005. This means that more than 80% of our current models will be replaced within the next five years. Major investments are also planned in the modernization of production facilities.

Research and Development

in billions of €	2001 Plan	2001-03 Target
DaimlerChrysler Group	5.8	17.4
Mercedes-Benz Passenger Cars & smart	2.3	6.9
Chrysler Group	2.0	5.9
Commercial Vehicles	1.0	3.0
Others	0.5	1.6

Improving Profitability

- **Chrysler Group extected to return to profit in 2002**
- **Increasing annual benefits of restructuring measures at the Chrysler Group planned to reach €7.2 billion (US $8.1 billion) by 2003**
- **Refocusing of Mitsubishi Motors initiated**
- **Advantages from sharing common components**
- **Extensive measures to cut costs at Freightliner**

Together with the operative planning, the Board of Management presented a comprehensive turnaround plan for the Chrysler Group to the Supervisory Board, which approved the plan on February 26, 2001. The Supervisory Board also reviewed a program to refocus the operations of Mitsubishi Motors Corporation, and discussed measures aimed at improving the profitability of Freightliner Corporation.

Chrysler Group – turnaround plan

The turnaround plan for Chrysler Group is composed of a number of measures, aimed both at cutting costs and boosting revenues, and is designed to improve financial performance and market position, and to lay the foundations for sustained positive results in the future. In total, the turnaround plan is intended to generate addtitional benefits through annual savings and profit improvement of €3.3 billion (US $3.1 billion) in 2001, rising to €5.2 billion (US $5.7 billion) in 2002 and €7.2 billion (US $8.1billion) in 2003. The plan covers the entire value chain and includes job cuts involving 26,000 employees. In order to further improve the competitiveness of the Chrysler Group's products, research and development expenditure will be maintained at the current high level.

MATERIAL COSTS. The costs of purchased materials and services are to be reduced in a two-stage process. The first stage is to reduce prices by 5% beginning in the year 2001. In cooperation with suppliers, cost-cutting potential of a further 10% is to be realized by the end of 2002. In this way, Chrysler Group intends to achieve total savings of €3.9 billion (US $4.4 billion) in 2003. Already in 2001, costs are to be reduced by €1.0 billion (US $0.9 billion).

PLANT COSTS. In order to adjust Chrysler Group's production capacity to current market conditions and maintain a high rate of capacity utilization, Chrysler Group will idle or close six plants, reduce the number of shifts in four plants and reduce line speeds in eight further plants. These measures include cutting 19,500 manufacturing jobs by the year 2003. About three quarters of the planned workforce reduction should be completed by the end of 2001. We anticipate that in addition to adjusting volumes, these measures will lead to increased productivity. As a result plant costs will be cut by €0.5 billion (US $0.5 billion) in the year 2001 and by an annual €0.6 billion (US $0.7 billion) from the year 2003, and the capacity utilization required for breakeven will be reduced from 113% to approximately 83%.

FIXED COSTS. Chrysler Group intends to reduce fixed costs by €0.7 billion (US $0.7 billion) in the year 2001 and €0.8 billion (US $0.9 billion) by the year 2003, in particular by more efficient processes in research and development department and at the head office.
The number of employees working at the head office is expected to be reduced by 20% and the size of the research and development staff is expected to be reduced by 10%, involving a total of 5,000 persons.
In addition, Chrysler Group intends to sell certain non-automotive assets.

INITIATIVES TO IMPROVE PROFITABILITY BY REVENUE ENHANCEMENT. In parallel with the cost-cutting strategy, Chrysler Group's turnaround program contains a number of measures which aim to further increase revenues. These measures include increasing exports, introducing new dealer incentives, and expanding the fleet and component businesses. In 2001, these steps and a reduction in cost of sales are expected to lead to a related increase in profitability of €1.1 billion (US $1.0 billion), rising to €1,9 billion (US $2.1 billion) by 2003.

REVITALIZED PRODUCT STRATEGY. Crucial to Chrysler Group's future, however, will be further successful new vehicles that excite our customers. Our product strategy is to develop outstanding and innovative vehicles at an attractive price for our customers, while earning appropriate returns for our shareholders. To achieve this, Chrysler Group will among other steps increasingly cooperate with Mercedes-Benz and Mitsubishi. In this way it will benefit from economies of scale, apply new technology in its vehicles and fulfill demanding cost targets while improving quality. As an example, we intend to develop the successors to the Neon model and the Sebring and Stratus models on common platforms with Mitsubishi Motors. In addition, we plan to use a number of Mercedes-Benz components in Chrysler Group vehicles such as transmissions, steering systems and diesel engines.

EFFECTS ON EARNINGS. For the year 2001, Chrysler Group anticipates an operating loss of between €2.2 billion (US $2.0 billion) and €2.6 billion (US $2.5 billion). Furthermore, the implementation of the planned measures will lead to a restructuring charge of around €3.0 billion (US $2.8 billion)in 2001, to be booked in the first quarter. In the following years, additional restructuring charges of up to €1.0 billion (US $1.1 billion) may be necessary. Chrysler Group plans to return to modest profitability in 2002; an operating profit of more than €2 billion (more than US $2.0 billion) is expected in 2003.

Mitsubishi Motors Corporation – measures to refocus the business

Sharing resources and utilizing economies of scale are also among the key elements of Mitsubishi Motors' alliance with DaimlerChrysler in the coming years. Mitsubishi has initiated an extensive restructuring program to achieve a sustained improvement in the currently dissatisfactory earnings situation and to improve product quality. As part of this program, Mitsubishi Motors intends to reduce its workforce by 9,500 persons (-14%) and to cut production capacity by 20%. In addition, in cooperation with suppliers materials costs are to be reduced by 15% by the year 2003. With this program, Mitsubishi Motors expects to return to profitability in the fiscal year 2001/2002 (ending March 31, 2002) and to achieve a return on sales of 2.5% and 4.5% in the two following years.

Mitsubishi Motors' extensive product spectrum, ranging from mini cars to luxury SUVs, is to be streamlined around a lower number of models that will be successful and profitable in their markets. This will make more targeted and efficient use of the company's development capacity. Cooperation with Chrysler Group and Mercedes-Benz, particularly the joint development and use of technologies, components and vehicle platforms, will create opportunities for both Mitsubishi and Chrysler Group to reduce costs while improving the quality and design of their vehicles. For example, Mitsubishi and smart have decided to jointly develop a new range of small cars, including a 4-seat model to extend the smart product range.

Freightliner – actions to improve profitability

Freightliner was negatively impacted by the sharp fall in demand for Class 8 heavy trucks in the US in 2000, and we expect further market shrinkage in 2001. For this reason, Freightliner already idled selected plants in the second half of 2000. Employment-reduction measures were initiated in December 1999 and largely completed by February 2001, with the result that the size of the workforce has been reduced by a total of about 8,000 persons (-38%). As well as adjusting capacity to current market conditions, in 2001 savings of the magnitude of over €300 million are planned to be made by cutting material costs by 3% and fixed costs by 22%.

With its young and attractive range of vehicles and the measures it has introduced to improve its earning power, Freightliner intends to make profits again in 2002. The company is excellently positioned for the market upswing that is expected in the medium term.

The new products to be launched by Freightliner in the US include the Sprinter as well as the new Freightliner owner-operator truck, Coronado, and the successor to the Business Class. In addition the Unimog from Mercedes-Benz and the Thomas Built SLF low-floor bus will follow.

Turnaround Plan for Chrysler Group
Planned Restructuring Benefits

in billions of € (US $)	2001	2002	2003
Material cost savings	1.0 (0.9)	2.3 (2.5)	3.9 (4.4)
Plant cost savings	0.5 (0.5)	0.6 (0.6)	0.6 (0.7)
Fixed cost savings	0.7 (0.7)	0.8 (0.9)	0.8 (0.9)
Revenues enhancement	1.1 (1.0)	1.6 (1.7)	1.9 (2.1)
Total	3.3 (3.1)	5.2 (5.7)	7.2 (8.1)

DaimlerChrysler Worldwide

North America

	Production locations	Sales organization locations	Revenues in millions of €	Workforce
Mercedes-Benz Passenger Cars & smart	1	465	11,112	2,010
Chrysler Group	41	5,075	62,814	118,024
Commercial Vehicles	19	465	10,277	22,719
Services	–	47	10,643	5,360
Aerospace	2	1	1,596	460
Other	5	31	766	7,878

South America

	Production locations	Sales organization locations	Revenues in millions of €	Workforce
Mercedes-Benz Passenger Cars & smart	1	513	429	1,355
Chrysler Group	4	215	998	1,201
Commercial Vehicles	2	513	1,722	12,078
Services	–	10	245	318
Aerospace	–	–	8	–
Other	1	33	72	275

Notes:

1. Segment Revenues.
2. Common sales locations for the Mercedes-Benz Passenger Cars & smart and Commercial Vehicles divisions.
3. Plus a further 36,857 employees engaged in joint sales for the Mercedes-Benz Passenger Cars & smart and Commercial Vehicles divisions.

Asia

	Production locations	Sales organization locations	Revenues in millions of €	Workforce
Mercedes-Benz Passenger Cars & smart	3	714	3,886	329
Chrysler Group	3	267	581	23
Commercial Vehicles	1	714	763	1,282
Services	–	3	103	43
Aerospace	–	–	138	–
Other	4	80	450	1,603

Europe

	Production locations	Sales organization locations	Revenues in millions of €	Workforce
Mercedes-Benz Passenger Cars & smart	8	3,599	26,945	92,804
Chrysler Group	2	1,344	3,634	1,760
Commercial Vehicles	15	3,599	15,024	58,036
Services	0	95	6,328	3,609
Aerospace	1	3	3,608	6,702
Other	42	84	4,862	35,843

Africa

	Production locations	Sales organization locations	Revenues in millions of €	Workforce
Mercedes-Benz Passenger Cars & smart	1	248	800	4,395
Chrysler Group	1	48	148	19
Commercial Vehicles	2	248	641	881
Services	–	3	115	125
Aerospace	–	–	33	–
Other	1	2	25	125

Australia/Oceania

	Production locations	Sales organization locations	Revenues in millions of €	Workforce
Mercedes-Benz Passenger Cars & smart	–	150	528	–
Chrysler Group	–	117	197	–
Commercial Vehicles	–	150	391	3
Services	–	2	92	134
Aerospace	–	–	4	–
Other	1	34	87	250

Mercedes-Benz Passenger Cars & smart

Worldwide Market Position Strengthened

- Operating profit adjusted for one-time effects rose 6% to €2.9 billion
- Sales increased 7% to 1.15 million vehicles
- More than 200,000 units sold for the first time in the US
- New C-Class extremely successful
- More than 100,000 smarts sold

amounts in millions	00 US $	00 €	99 €
Operating Profit	2,014	2,145	2,703
Operating Profit Adjusted	2,698	2,874	2,703
Revenues	41,026	43,700	38,100
Investments in Property, Plant and Equipment	1,968	2,096	2,228
R & D	2,104	2,241	2,043
Production		1,161,601	1,097,142
Sales (Units)		1,154,861	1,080,267
Employees (Dec. 31)		100,893	99,459

WORLD LEADER IN PREMIUM PASSENGER CARS. The Mercedes-Benz Passenger Cars & smart division is the world's leading manufacturer of premium passenger cars. Our products attract customers through their innovative engineering, safety, comfort, emotional appeal and pioneering design. Our brand recognition is high; in 2000 the Interbrand rating agency named Mercedes-Benz as the top premium automobile brand worldwide. In addition to our constant quest for technical and aesthetic excellence, we also give high priority to the future development of the business. The design of Mercedes-Benz cars aims to give visible, trend-setting shape to our innovative strengths, while continuing the great tradition of the brand through timeless detail solutions that are unmistakably Mercedes-Benz. This unique balance is the reason why design is one of many decisive arguments for purchasing a Mercedes-Benz car.

The smart brand stands for a highly emotive, individual and unique product that has already established itself as market leader in the micro-car segment in several European countries.

MIXED MARKET DEVELOPMENTS. Conditions in the key markets and market segments for the Mercedes-Benz Passenger Cars & smart division were mixed. Due to a significant market downturn in Germany, new registrations of passenger cars in Western Europe did not quite equal the high level of the previous year. Sales in the upper-end segment of the North American market surpassed the high figure for 1999, and the market situation slightly improved in South America and Japan. Strong growth was recorded in the emerging markets of Asia and in Eastern Europe.

RECORD SALES, REVENUES AND OPERATING PROFIT. The Mercedes-Benz Passenger Cars & smart division was able to significantly increase unit sales and revenues in nearly all important markets in 2000. Revenues set a new record of €43.7 billion (1999: €38.1 billion). Worldwide unit sales of passenger cars, SUVs and smart City coupes rose to 1,154,900 (1999: 1,080,300). Adjusted for one-time effects, operating profit increased by 6% to a new high of €2.9 billion. However, including the one-time effect of establishing an accrual for recycling end-of-life vehicles in the EU and one-time costs associated with repositioning of the smart brand, operating profit was below the high level of the previous year. (see pp. 56-57)

Advanced technology ensures extraordinary dynamism and driving enjoyment: The new C-Class model family with the sedan, the sport coupe and the station wagon.

RECORD YEAR FOR MERCEDES-BENZ. The Mercedes-Benz brand sold a record 1,052,700 passenger cars in 2000 (+5%). The biggest contributors to this growth were the M-Class, the S-Class and the C-Class, but the E-Class and the A-Class also performed well in the market. With a worldwide market share of 53%, the S-Class sedan was again by far the number one vehicle in its segment.

Sales of Mercedes-Benz passenger cars in Western Europe rose 4%. In Germany in particular, we significantly outperformed the general market trend and recorded large increases. As a result, our market share in the comparable segment increased to 15.4% in Western Europe (1999: 14.4%) and to 24.3% in Germany (1999: 21.6%). With sales of 205,600 units (+9%) we also sold more than 200,000 passenger cars in the US for the first time and increased our market share in the premium segment to 7.6% (1999: 7.4%). This was accomplished despite the fact that the new C-Class was not launched in the US until the end of September. In Japan, where the new C-Class was not introduced until the last quarter of 2000, registrations of new Mercedes-Benz vehicles failed to reach the previous year's extraordinarily high level, falling 4% to 48,500. However, sales developed positively in the emerging markets of Asia, South America and Eastern Europe as well as in Australia and the Middle East.

EXCELLENT LAUNCH FOR THE NEW C-CLASS. The new C-Class sedan was launched in Western European markets in May 2000. The vehicle's distinctive features are a newly-developed chassis, more powerful engines, an elegant design, and a total of 20 innovations as standard. Production of the new C-Class was rapidly increased after its launch. As a result, we were able to sell 147,900 new sedans by the end of the year. To enable us to meet the strong demand for the vehicle, we began producing a right-hand drive version at a new plant in South Africa in September 2000. The facility has an annual capacity of up to 40,000 vehicles. In 2001, we will also begin manufacturing up to 10,000 new C-Class vehicles annually in Brazil. Market launch of the sport coupe and the new C-Class station wagon is scheduled for spring 2001.

NEW MERCEDES-BENZ TECHNOLOGY CENTER. In order to reduce time to market for our product innovations, we have restructured our business systems in development, production, purchasing and sales and we have more closely integrated the individual stages of the value-added chain. All functions within the various vehicle projects are now concentrated at one location – the new Mercedes-Benz Technology Center (MTC) in Sindelfingen. The new structure will enable us to bring new products to the mass production stage in less time, with lower costs, and at an even higher level of quality than before.

GREATER FLEXIBILITY IN PRODUCTION. We have also introduced the globally-uniform Mercedes-Benz Production System (MPS) as a means of ensuring that the high production engineering and quality standards demanded by the Mercedes-Benz brand are met at all locations. Our goal here is to achieve best-practice leadership in core processes carried out under comparable conditions. It was the use of MPS that allowed us to reach the targeted daily production rate for the new C-Class sedan at the Sindelfingen and Bremen plants in half the time needed for the predecessor model.

Open in style – from folding sunroof to fully convertible. The smart convertible was developed from the City coupe and is available in two differently equipped versions.

Coupe driving culture at its most sophisticated: The Mercedes-Benz CL combines the most advanced technology available with exclusiveness as a standard feature.

We have also restructured our production facilities around the world to become more flexible, and are therefore better able to quickly adjust capacities to fluctuations in the demand for particular models.

MORE THAN 100,000 SMARTS SOLD. The innovative smart vehicle concept, combining fun and great utility with a compact yet comfortable and safe interior, has proved itself in practice and is becoming more and more popular. With sales of 102,100 vehicles (1999: 79,900), smart surpassed its target of 100,000 and now enjoys an excellent position in the micro-car segment in Western Europe. The smart cdi and the smart convertible were particularly successful, selling 20,600 and 16,900 units, respectively. The smart cdi is the most competitively priced “three-liter car” in Western Europe, and is now clearly the market leader for such ultra fuel-efficient vehicles. Germany is the most important market for smart cars, with sales of 47,400 units (+19%), followed by Italy with 25,900 (+35%). The smart was also introduced in the UK, Japan and Taiwan in 2000.

SMART COUPE UNVEILED. In September 2000, designers unveiled the smart roadster coupe at the Paris Auto Show. This sporty two-seater is based on the roadster that proved so popular when it was presented at the International Auto Show in Frankfurt in September 1999. It is scheduled for market launch in 2003.

SUCCESSFUL MOTOR SPORTS. In Formula 1 racing, which gave 88 hours exclusive worldwide exposure to the McLaren Mercedes Team, Mika Häkkinen took second place in the Drivers’ Championship after a tremendously exciting duel. David Coulthard took third place in the series and the McLaren Mercedes Team finished second in the Constructors’ Championship. Mercedes-Benz driver Bernd Schneider captured the Drivers’ Championship in the first year of the German Touring Car series and Mercedes-Benz was also the top team.

Unit Sales 2000*)	1,000 Units	00:99 in %
Mercedes-Benz	1,053	+5
of which: A-Class	198	(4)
C-Class	389	+10
of which: CLK	80	(4)
SLK	52	(2)
E-Class	247	+0
S-Class/SL	109	+10
M-Class	106	+17
G-Class	4	(10)
smart	102	+28
Mercedes-Benz and smart worldwide	1,155	+7
Europe	802	+7
of which: Germany	440	+6
Western Europe (excluding Germany)	348	+7
North America	221	+4
of which: US (retail sales)	206	+9
South America	20	+22
Asia / Australia (excl. Japan)	52	+50
Japan (new registrations)	49	(4)

*) Wholesale figures, unless otherwise indicated, including leased vehicles.

Chrysler Group

Addressing the Challenge

- Operating profit down to €0.5 billion (1999: €5.1 billion)
- Comprehensive measures to improve earnings
- Revenues up to €68.4 billion (1999: €64.1 billion) due to exchange-rate effects
- Unit sales of 3.05 million (1999: 3.23 million)
- Intense competition and high start-up costs for new models
- Various new models introduced

amounts in millions	00 US $	00 €	99 €
Operating Profit	470	501	5,051
Operating Profit Adjusted	499	531	5,190
Revenues	64,188	68,372	64,085
Investments in Property, Plant and Equipment	5,951	6,339	5,224
R & D	2,306	2,456	2,000
Production (Units)		2,963,822	3,178,566
Sales (Units)		3,045,233	3,229,270
Employees (Dec. 31)		121,027	124,837

ATTRACTIVE NEW PRODUCTS. Chrysler Group offers segment-defining passenger cars, minivans, sport-utility vehicles and light trucks through its Chrysler, Plymouth, Jeep® and Dodge brands. The business's strongest presence is in North America. In 2000, Chrysler Group's market share in the United States and Canada was 14.4%. While 2000 was a difficult year for Chrysler Group, new products like the Chrysler PT Cruiser enjoyed a particularly positive response. The new minivan also received excellent reviews from the trade press. Other exciting and innovative products such as the new Jeep Liberty and the Dodge Ram will follow in 2001.

INTENSE COMPETITION IN NORTH AMERICA. Due to the combination of positive economic conditions and lower prices through higher incentives, industry unit sales of cars and light trucks in North America increased in 2000. At the same time, numerous new models and high production capacity substantially increased competitive pressure. Nearly all manufacturers chose to increase already substantial incentives to induce customers to purchase new cars. The market segments of minivans, sport-utility vehicles and pickups, all particularly important for Chrysler Group, were affected by this development.

UNIT SALES OF 3.0 MILLION. Because of the competitive market situation in the US and model changes for many important products, Chrysler Group's unit sales of 3.05 million vehicles did not match the previous year's level (3.2 million vehicles). Whereas sales decreased by 6% to 2,858,500 vehicles in North America, sales in other markets were up 5% to 186,700 units. Aided by the strong dollar, Chrysler Group achieved revenues of €68.4 billion in 2000, representing an increase of 7% over 1999. A total of 94% of its business volume was generated in North America, 3% in the European Union, and 3% in other markets. Measured in US dollars, Chrysler Group's revenues fell by 8%. Operating profit decreased to €0.5 billion (1999: €5.1 billion). Chrysler Group's situation deteriorated in the second half of the year, when it reported an operating loss of €2.0 billion. The main reasons for this development were, as well as the generally tough competition in the US market, substantial increases in price incentives, particularly on older models, declining volumes and the costs associated with new products.

The 2002 Jeep® Liberty - delivering a unique combination of ruggedness, capability and superior on-road refinement that sets this all-new vehicle apart from the pack in true Jeep tradition.

A NEW DIRECTION FOR CHRYSLER. In 2001, the Chrysler Group is undergoing a comprehensive turnaround program that will address all aspects of the company. The wide-ranging program has six areas of focus: material management, plant management, fixed-cost management, restructuring operations, revenue management and product strategy. The first element of the turnaround plan was a 5% reduction of material costs for vehicles and general services, effective January 1, 2001, plus a further 10% reduction to be identified by the end of 2002. In addition, the Chrysler Group will be closing or idling six manufacturing facilities through 2002, while it reduces its workforce by approximately 20% (26,000 employees) over the next three years, with 75% of that target to be achieved by the end of 2001. Key to the success of the turnaround plan is teamwork with all of our partners – employees, unions, dealers and suppliers.

PT CRUISER STRENGTHENS CHRYSLER BRAND. No vehicle captured more attention in the North American market in 2000 than the Chrysler PT Cruiser, the North American Car of the Year. The highly individual, segment-busting vehicle contributed 141,200 sales to a strong year for the Chrysler brand, which totaled 694,200 units in 2000. Other product innovations also contributed to the Chrysler brand's success. With new features and improved engines, the new Town & Country and Voyager minivans, which have been available since September 2000, are set to maintain their longtime leadership in the minivan segment. The Chrysler Sebring family of coupes, sedans and convertibles was redesigned for 2001 with added power and even more elegant designs. Since its introduction, more than 248,400 Sebring Convertibles have been sold, making it North America's best-selling convertible. These new models, along with the recently redesigned 300M, LHS and Concorde, provide Chrysler with a fresh product line that covers the heart of the volume-leading vehicle segments.

NEW MODEL BUILDS ON JEEP® GLOBAL HERITAGE. Marking its 60th year in 2001, Jeep is expanding its lineup with the addition of the Liberty, a distinctive new sport-utility vehicle combining the legendary Jeep off-highway capability with superior on-road ride and handling. The Liberty will be available in mid-2001 and will ideally complement the brand's other products. The Grand Cherokee, the flagship of the brand, which combines four-wheel-drive capability with the comfort, technology and safety usually associated with luxury sedans, once again captured the coveted 4-Wheel & Off-Road Magazine's 4x4 of the Year award. Jeep achieved unit sales of 607,500 in 2000 (1999: 680,700).

THE DODGE DIFFERENCE. Two new products unveiled in early 2001 underscore the Dodge brand's reputation for offering bold, powerful and capable vehicles. The debut of the all-new 2003 Viper at the North American International Auto Show in Detroit demonstrated that the brand is raising the bar for American high-performance sports cars. The Ram pickup has long been known for its excellent design, roominess and engine power. The completely new Ram for the 2002 model year builds on these strengths, while offering new engines, chassis, suspension and brakes. In the compact pickup segment, the Dodge Dakota continues to gain market share and set sales records. For the fourth year in a row, the

The Dodge Ram provides an optimal combination of durability, reliability, comfort, convenience and safety features, which make it equally capable for commercial and personal use.

The Dodge Viper has always been more than just a car. With its heart-pounding 500 horsepower V-10 engine and bolder-than-bold look, Viper is truly in a class of its own. Here a look at the 2003 model.

Dakota led its segment in J. D. Power's Automotive Performance, Execution and Layout (APEAL) study. In 2000, the Dodge brand sold 1,695,400 vehicles (1999: 1,810,900).

CONCEPTS FOR THE FUTURE. A preview of the future of Chrysler Group brands is offered by the concept vehicles introduced at auto shows in early 2001. These include the powerful Chrysler Crossfire coupe; the bold, high-performance Dodge Super 8 sedan; the hybrid-powered Dodge PowerBox sport-utility; and the Jeep® Willys off-roader, which celebrates the brand's heritage while respecting environmental concerns. These concept cars demonstrate why Chrysler Group is the leader in automotive design. Their photographs can be seen at www.daimlerchrysler.com.

MANUFACTURING SYNERGIES. From wiring harnesses to sprinkler systems, from virtual manufacturing to laser welding, improvement opportunities are multiplying. For example, by installing a flexible conveyor system, previously used only by Mercedes-Benz, at its Sterling Heights, Michigan, assembly plant, Chrysler Group is able to build its new Sebring Convertible and its Chrysler Sebring and Dodge Stratus sedans on one line. We announced an investment of US $455 million in the Indiana Transmission Plant to produce a Mercedes-Benz-developed rear-wheel-drive transmission for use in future Chrysler, Jeep® and Dodge products. Overall, we expect flexible manufacturing efforts to facilitate savings of hundreds of millions of US $ in product launches through 2004.

OPPORTUNITIES IN E-COMMERCE. Advances in Chrysler Group product development are being driven by the Internet. Fast Car, a ground-breaking Internet-based program, enables major advances in communication, speed and quality by interconnecting the design, engineering, manufacturing, quality, finance, procurement and supply, and sales operations on a real-time basis. Chrysler Group is also utilizing the Internet to benefit its employees. In 2001, Dashboard Anywhere will allow employees to access the next generation of Chrysler Group's intranet from their homes. Five Star Market Centers allow Chrysler Group dealers to purchase products and commodities via the Web at Group volume prices.

Unit Sales 2000*)		1,000 Units	00:99 in %
Total		**3,045**	**(6)**
of which:	Passenger Cars	819	(10)
	Trucks	708	(5)
	Minivans	589	(14)
	SUVs (incl. PT Cruiser)	929	3
	USA	2,470	(8)
	Canada	267	(0)
	Mexico	121	+34
	Rest of the World	187	+5

*) Shipments (including leased vehicles).

Commercial Vehicles

Enhanced Global Positioning

amounts in millions	00 US $	00 €	99 €
Operating Profit	1,042	1,110	1,067
Operating Profit Adjusted	1,081	1,151	1,067
Revenues	27,054	28,818	26,695
Mercedes-Benz Trucks	7,501	7,990	7,414
Mercedes-Benz Vans	5,828	6,208	5,421
Mercedes-Benz /Setra Buses	2,929	3,121	2,593
Freightliner, Sterling, Thomas Built Buses	9,422	10,036	10,448
Powertrain	3,981	4,240	3,561
Investments in Property, Plant and Equipment	1,024	1,091	770
R & D	861	917	827
Production (Units)		552,471	555,418
Sales (Units)		548,955	554,929
Employees (Dec. 31)		94,999	90,082

- **Operating profit adjusted increased to €1.2 billion (1999: €1.1 billion)**
- **Revenues of €28.8 billion above previous year's level**
- **Unit sales declined slightly to 548,955 vehicles (1999: 554,929) due to weak market in North America**
- **Acquisition of Western Star and Detroit Diesel**

WORLD LEADER IN COMMERCIAL VEHICLES. The Commercial Vehicles division, which includes the brands, Mercedes-Benz, Freightliner, Sterling, Western Star, Setra, Thomas Built Buses, Orion and American LaFrance, is the world's leading manufacturer of commercial vehicles, as well as being one of the largest manufacturers of diesel engines for commercial vehicles. Our global production and development network is located primarily in Europe and North and South America.

LOWER DEMAND IN NORTH AMERICA. While growth in the Western European commercial vehicle market generally remained positive in the year under review despite a slight weakening in the German market, the demand for heavy and medium-sized trucks declined significantly in North America. On the other hand, markets in Brazil, Turkey, Eastern Europe and most Southeast Asian countries improved.

OPERATING PROFIT INCREASED. In spite of the challenging market situation in North America, revenues of €28.8 billion exceeded the high level of the previous year. We achieved further growth in South America (+28% to €1.7 billion) and in Western Europe (+7% to €14.0 billion), while our revenues in the US declined by 4% to €8.8 billion. In the other markets revenues rose by 41% to €4.3 billion. Worldwide, we sold 549,000 trucks, vans and buses in the year 2000 (1999: 554,900), not quite reaching the exceptionally high level of the previous year. Despite the distinct decline in North America, the division's overall operating profit increased slightly due to the positive results in Europe and South America.

MERCEDES-BENZ TRUCKS REMAIN VERY SUCCESSFUL. The Mercedes-Benz Trucks business unit offers trucks over 6 metric tons for long-distance and local delivery applications. Its most important markets are Western Europe, Turkey and South America. In the year under review, worldwide unit sales increased by 6% to 121,100. In Western Europe we sold 77,700 vehicles (1999: 79,400), attaining a market share of 22.1% (1999: 24.1%), and therefore maintained the position of the leading brand over 6 metric tons. At 5,400 units, sales in Turkey more than doubled the previous year's figure, and the 26,300 trucks sold in South America represented an increase of 20%. We are the market leader in Brazil and Argentina, where we have market shares of 37% (1999: 36%) and 35% (1999: 36%), respectively.

With the brands, Freightliner, Sterling and Western Star, DaimlerChrysler has an excellent position in North America and is market leader for heavy trucks.

MERCEDES-BENZ VANS LEAD IN WESTERN EUROPE. We sold 240,000 vans worldwide in 2000 (1999: 221,000). The most important markets were Germany, with 70,600 vehicles (+2%), and the other Western European countries (126,500; +5%). Mercedes-Benz was able to maintain its leading position in Western Europe in the 2 to 6 tons category with a market share of 18.5% (1999: 18.8%). Despite the difficult market situation in Argentina, our sales in South America reached the previous year's level of 12,000 vans.

STRONG GROWTH AT MERCEDES-BENZ AND SETRA BUSES. In the year 2000, DaimlerChrysler sold 27,500 complete buses and bus chassis (1999: 23,000) of the Mercedes-Benz and Setra brands worldwide. In both Western Europe (+4% to 6,800 units) and South America (+15% to 11,900 units), we were able to significantly increase bus sales and maintain our leading market position. Our market share reached 26.2% in Western Europe (1999: 25.0%), 59% in Brazil (1999: 67%) and 68% in Argentina (1999: 70%).

NEW MODELS INTRODUCED AT THE IAA. At the International Auto Show for Commercial Vehicles (IAA) in Frankfurt, DaimlerChrysler introduced the new Unimog module carrier U500, the heavy-duty Actros SLT, the Medio minibus and the OC500 bus chassis. The "Alu Sprinter" prototype demonstrated a new concept for the delivery vehicle of the future. At the spring auto show RAI in Amsterdam we presented the face-lifted Sprinter.

SERVICES OFFENSIVE. For many years now, we have offered customers in Europe a comprehensive service package in the form of Mercedes-Benz CharterWay. We also introduced a broad spectrum of additional services during the year under review. The telematics-based Internet service, FleetBoard, gives our customers the ability to optimize fleet management through an Internet platform. The MercedesService Card for van and trucks, and the OMNIPlus Service Card for buses are the first full-service cards that fully meet the requirements of the shipping and transport business. And our "Actros OnRoad Service" for trucks registered in Germany is unique in the industry: customers are provided with a replacement vehicle free of charge if the Mercedes-Benz service center needs more than eight hours to make the necessary repairs.

FREIGHTLINER, STERLING, THOMAS BUILT BUSES EXPERIENCE DIFFICULT ENVIRONMENT. In the US, the market for Class 8 trucks (15 metric tons and up) fell by 19% to 211,500 vehicles in 2000. This also affected DaimlerChrysler's North American brands, sales of which declined to 151,100 units (1999: 191,800). However, our leading market position in the US remained unchallenged. For Class 8 vehicles, our market share reached 36.1% (1999: 37.3%), and in Class 6/7 (from 8.8 to 15 tons), it was 24.4% (1999: 23.1%).

The Sprinter van, which has been very successful in Europe, will be introduced under the Freightliner brand name in the US in the first half of 2001. This will enable us to expand into yet another market segment.

MARKET POSITION EXTENDED WITH WESTERN STAR. To extend our position in the North American heavy-truck market even further, we acquired the Canadian premium manufacturer, Western Star. In the future, the Sterling and Western Star brands will be offered together all over North America through a single dealership

All of our activities in the components business will in future be concentrated in the new DaimlerChrysler Powersystems business unit.

In the 7.5-28 t segment, the Atego family offers an extremely varied family of vehicles for the most demanding transport applications.

network. Western Star also includes the bus brand, Orion, which complements our range of bus products in North America.

COMPETITIVE POSITION STRENGHTHENED BY COMPONENT STRATEGY. The Commercial Vehicles division's global component strategy aims to concentrate expertise, to create new growth opportunities and to improve efficiency in the development, production and marketing of components.

DETROIT DIESEL STRENGTHENS ENGINE BUSINESS. The acquisition of Detroit Diesel Corporation (DDC) in the US, one of the world's leading manufacturers of heavy-duty diesel engines for on-highway applications, is of central strategic importance for our commercial vehicles business. More stringent emission laws worldwide, shorter product cycles and increasing development costs are transforming the engine business into a crucial factor in reducing costs and achieving success. With DDC we will significantly increase the number of diesel engines we produce and thereby achieve cost reductions. In the future, the Powertrain business unit, MTU/Diesel Engines and DDC will be gathered together under the roof of the Commercial Vehicles division. All our activities in the components business will be concentrated in the new DaimlerChrysler Powersystems business unit. This will include engines of the Mercedes-Benz, DDC and MTU brands, as well as the product areas for transmissions, axles and steering units, and cooperations and alliances in this field. In addition, in November 2000 we announced a planned alliance in the engines business with Caterpillar covering mid-sized diesel engines, fuel systems and other powertrain components.

JOINT VENTURE WITH HYUNDAI. As a result of DaimlerChrysler's investment in the Korean Hyundai Motor Company, a 50:50 joint venture is being negotiated for the development, production and marketing of commercial vehicles. The joint venture will be an important step toward expanding our position in South Korea and throughout Asia.

Unit Sales 2000*)	1,000 Units	00:99 in %
World	549	(1)
of which: Vans (incl. V-Class)	249	+10
Trucks	249	(12)
Buses	49	+10
Unimogs	2	(5)
Europe	300	+5
of which: Germany	113	(1)
Western Europe (excl. Germany)	168	+5
of which: France	34	+13
UK	28	(3)
Italy	21	+3
North America	154	(20)
of which: USA	132	(23)
South America	51	+14
of which: Brazil	37	+23
Asia/Australia	25	+65

*) Wholesale (incl. leased vehicles).

Services

Focus on Financial Services

SERVICES ALONG THE AUTOMOTIVE VALUE CHAIN. In the 2000 financial year, DaimlerChrysler Services AG restructured its range of services. With the divestiture of debitel and Deutsche Telekom's acquisition of 50.1% of debis IT Services, the company will now concentrate on financial services and other services along the automotive value chain. With the decision to convert Mercedes-Benz Finanz GmbH into DaimlerChrysler Bank, another important step was taken to expand the division's financial services. As part of this new focus, we have also changed the company's name from debis AG to DaimlerChrysler Services AG.

STRONG GROWTH IN REVENUES, NEW BUSINESS AND CONTRACT VOLUME. Revenues continued to grow strongly in 2000, increasing from €12.9 billion to €17.5 billion. Adjusted for the effect of the consolidation of debis Systemhaus only through September 30, 2000, there was a 51% increase in revenues. Managed contract volume rose 27% to a new record of €126.3 billion. New business also increased sharply (€56.8 billion; +12%).

EARNINGS MARKED BY ONE-TIME EFFECTS. At €2.5 billion, unadjusted operating profit was above last year's level. Adjusted for one-time effects, however, it totaled €0.6 billion, less than last year's figure of €1.0 billion. Particularly in the second half of the year, rising refinancing costs and more intense competition in financial services led to growing pressure on margins and a significant decline in earnings in the US. The one-time effects were caused, on the one hand, by a gain of €2.3 billion from the disposition of a controlling interest in debis Systemhaus. On the other hand, due to falling used-car prices – especially in the US - we had to write down the carrying values of our leased vehicles by €0.5 billion. Special measures have now been taken to limit risks. These measures include more balanced penetration rates for each model in North America, extensive marketing measures to promote used-vehicle sales, and greater use of leading-edge systems for keeping track of residual-value trends in a timely manner.

NEW GROWTH POTENTIAL. Primarily as a result of sales-incentive programs for Chrysler, Dodge and Jeep vehicles, new business in North America increased significantly to €40.2 billion (1999: €35.6 billion). DaimlerChrysler Services was also able to sharply increase its European contract volume to €18.6 billion, thereby setting a new record and further strengthening its market position. The planned DaimlerChrysler Bank will enable us to offer our customers even more financial services in the future.

BOOMING CAR FLEET MANAGEMENT. Car Fleet Management experienced increased demand for integrated, brand-independent fleet solutions, such as in South Africa, where we took over fleet management for the telephone company, Telkom. Car Fleet Management continued to pursue its growth strategy of expansion through the acquisition of companies in Great Britain and Poland and the establishment of new locations in numerous markets. Europe's leading multi-brand car fleet operator is now active in nine countries. Worldwide we manage 148,000 service contracts and a total fleet of 67,000 vehicles.

CAPITAL SERVICES WITH A NEW FOCUS. For Capital Services the financial year was marked by a strategic refocus on areas of business with long-term profitability. Its managed portfolio rose 58% to €11.8 billion in 2000. In the segment of Aircraft Leasing, the acquisition of Ireland's AerFi Group has made debis AirFinance the world's third-biggest provider of operating leases for large commercial aircraft.

- Revenues increase 36% to €17.5 billion
- Pressure on margins dampened earnings
- New business and contract volume at high levels
- New name: DaimlerChrysler Services

amounts in millions	00 US $	00 €	99 €
Operating Profit	2,307	2,457	2,039
Operating Profit Adjusted	602	641	1,026
Revenues	16,453	17,526	12,932
Investments in Property, Plant and Equipment	265	282	324
Contract Volume	118,584	126,314	99,223
Employees (Dec. 31)		9,589	26,240

Tailor-made solutions through intensive consultation: Car Fleet Management offers multi-brand fleet management services and is present in all of Europe's key markets.

Aerospace

AEROSPACE RESTRUCTURED. On July 10, 2000, DaimlerChrysler Aerospace AG (Dasa), Aerospatiale Matra S.A., and Construcciones Aeronauticas S.A. (CASA) merged to form the European Aeronautic Defence and Space Company (EADS), the largest aerospace company in Europe and the third-largest in the world.

Following the IPO in Frankfurt, Paris and Madrid, DaimlerChrysler became the largest EADS shareholder with an equity interest of approximately 33%. In May 2000, Dasa combined its space-systems activities with those of the Anglo-French joint venture, Matra Marconi Space, to form Astrium, the largest European space-systems company, in which EADS controls a 75% stake.

As a result of these changes in ownership, since July 1, 2000, Dasa has no longer been included in DaimlerChrysler's consolidated financial statements. Instead, EADS is included at equity, in proportion to the stake held in EADS by DaimlerChrysler. Those activities of Dasa that are not integrated into EADS, primarily the Aero Engines business unit, will continue to be fully consolidated by DaimlerChrysler.

CONSOLIDATION EFFECTS INFLUENCE REVENUES AND OPERATING PROFIT. Due to the consolidation effects described above, revenues at the Aerospace division are only €5.4 billion in 2000 compared to €9.2 billion in 1999. However, revenues adjusted for these effects rose 4%. Operating profit, on the other hand, rose sharply to €3.8 billion (1999: €0.7 billion). Included in this figure are one-time effects from the exchange of a controlling interest in Dasa for shares of EADS, which totaled €3.3 billion. When adjusted for these one-time effects and the above-mentioned consolidation effects, operating profit decreased to €0.5 billion (1999: €0.7 billion).

EADS: POSITIVE BUSINESS DEVELOPMENT. EADS developed positively in its first business year. On a pro-forma basis, revenues rose from €22.6 billion to €24.2 billion over the previous year. This was due to an increase in deliveries of Airbus aircraft (+6%) and benefits resulting from the strong dollar, which continued to appreciate against the euro. Incoming orders increased 51% to €49 billion. The high number of orders in the Airbus program, space systems and helicopters (NH90) were the key factors at EADS. Orders at Airbus, for example, reached a record level of 1,626 aircraft.

A merger integration team was launched to secure the integration and success of EADS in the future. Meanwhile, more than 600 projects are under review, which will not only foster integration but also create substantial additional value.

MILESTONES FOR FUTURE EADS GROWTH. On June 23, 2000, the Airbus consortium agreed to convert itself into a corporation known as the Airbus Integrated Company (AIC). The conversion process will be completed by the establishment of AIC in spring 2001. EADS owns 80% of AIC, with the remaining 20% being held by the British company, BAE Systems. In addition, on December 19, 2000, Airbus decided to launch the A380 megaliner (formerly known as the A3XX). By the end of 2000, Airbus had received firm purchase options for 50 aircraft, thus confirming Airbus's positive market assessment for this product.

PROFITABLE GROWTH CONTINUES AT MTU AERO ENGINES. Together with its partners, the MTU Aero Engines business unit develops and produces engines for military and civil applications. It also performs servicing and maintenance on these engines. MTU Aero Engines operates at 10 locations worldwide. Significant growth in civil engines and the expansion of the unit's maintenance business led to a 21% increase in revenues to €2.1 billion. Incoming orders rose 56% to €2.4 billion as a result of the first series production orders for the Tiger military helicopter, considerably stronger demand for engines for the A320 series (V2500) and the growing maintenance business.

In order to ensure that this growth is maintained in the future, the business unit continued its expansion strategy in the maintenance sector in 2000 by establishing MTU Maintenance do Brasil and MTU Maintenance Zhuhai. The latter is a joint venture between China Southern Airlines and MTU Aero Engines. In addition, MTU is establishing a development center in the US. Further milestones in the growth strategy are the planned participation on the GP7000 engine for the A380 and on the TP400 engine for the A400M military transporter.

amounts in millions	00 US $	00 €	99 €
Operating Profit	3,524	3,754	730
Operating Profit Adjusted	423	451	730
Revenues	5,057	5,387	9,191
Investments in Property, Plant and Equipment	215	229	336
R & D	992	1,057	2,005
Employees (Dec. 31)		7,162	46,107

The A380, shown here in a wind-tunnel test, will be the biggest commercial aircraft ever produced in the world, with a capacity of up to 555 seats or 150 tons.

Creation of EADS

- **Successful stock market launch of EADS**
- **Revenues up 4% after adjustment for consolidation effects**
- **Operating profit influenced by one-time effect**
- **Decision to build the A380**

Other Industrial Businesses

Rail Systems, Automotive Electronics, MTU / Diesel Engines

RAIL SYSTEMS TO BE SOLD TO BOMBARDIER. In line with its focus on the automotive business and associated services, DaimlerChrysler will sell its Rail Systems business unit, Adtranz, to Bombardier, a Canadian-based international aeronautics and rail technology company. We expect the transaction to be completed in the first half of 2001, pending approval by EU antitrust authorities. Restructuring measures at Adtranz continued during 2000. As had been forcast, in the year 2000 the company showed a positive operating result. Activities which are not part of its core business, such as rail freight cars, train control systems, fixed installations, freight bogies and wheel sets, will be sold off before Adtranz is taken over by Bombardier.

In 2000, Adtranz was able to increase revenues by 9% to €3.9 billion. Incoming orders were up 24% to €4.1 billion. Important contracts were negotiated for regional and intercity trains in the UK, Israel, Sweden, Portugal and Germany. In addition, the first contracts to supply Adtranz's new regional train, Itino, were signed in Sweden. In the locomotive sector, Adtranz and DB Cargo presented the new dual-frequency locomotives. Adtranz expanded its market leadership in the subway sector in China with an order for an additional 156 metro cars for the city of Guangzhou. Adtranz also received tram orders from numerous German cities as well as from Finland, the UK and Switzerland. The first vehicles from the new, modern tram family, Incentro, were delivered and began operation in Nantes, France. In the rapidly growing service sector, Adtranz was able to strengthen its leading position by acquiring new customers and obtaining numerous orders. It also moved forward with the establishment of an international service network. For example, Adtranz was awarded the contract to service the "Sky Line" automatic airport shuttles at Frankfurt International Airport for the next nine years.

AUTOMOTIVE ELECTRONICS: DYNAMIC GROWTH. In 2000, revenues at the Automotive Electronics business unit (TEMIC) rose 20% to €1.1 billion. Incoming orders also increased to €1.2 billion (+13%). TEMIC thus strengthened its position as a leading supplier of electronics for powertrains and systems for safety and driving comfort. TEMIC's range of products includes electronics for powertrains and chassis, occupant comfort, occupant safety systems, electronic brake technology (ABS), sensor systems, automotive electric motors, and intelligent, radar-based distance-control systems.

In the year under review, TEMIC developed many innovative products for use in future vehicle generations. For example, TEMIC developed an electronic parking brake that will replace the

manually-operated handbrake currently used. In the field of direct-injection diesel engines, systems were developed that will further reduce fuel consumption and pollutant emissions. In the area of vehicle occupant safety, the PreCrash-Sensorik electronic system, which provides maximum occupant protection, was launched. In the field of electronic brake technology (ABS), TEMIC delivered its 30 millionth ABS regulator in October 2000. TEMIC is currently offering a new generation of ABS in which all functions – from the antilock braking system and acceleration (anti-squat) control all the way to the electronic stability program (ESP) – are integrated in a single housing. We believe TEMIC will continue to grow as a result of the increasing number of electronic components in motor vehicles. Taking into account the unfavorable US dollar exchange rate - TEMIC makes a large proportion of its purchases in the US - its earnings were satisfactory.

amounts in millions	00 US $	00 €	99 €
Rail Systems			
Revenues	3,661	3,900	3,562
Incoming Orders	3,891	4,145	3,331
Employees (Dec. 31)		19,918	23,239
Automotive Electronics			
Revenues	1,002	1,067	890
Incoming Orders	1,110	1,182	1,046
Employees (Dec. 31)		5,845	5,173
MTU/Diesel Engines			
Revenues	971	1,034	959
Incoming Orders	1,124	1,197	1,015
Employees (Dec. 31)		6,028	5,885

MTU/DIESEL ENGINES: PRODUCT OFFENSIVE. The MTU/Diesel Engines business unit increased revenues in 2000 by 8% to €1.0 billion, thus growing faster than the market as a whole. MTU posted revenue increases primarily in commercial applications for ships and in distributed power systems. Strong demand in the Asian region, coupled with the US dollar's appreciation against the euro (which improved MTU's position in comparison to its American competitors), led to a 29% increase in revenues in Asia.

In 2000, the business unit continued to successfully draw upon its experience as a systems provider in the market for rail vehicles. For example, MTU's "Powerpack" drive module, a complete drive unit for modern diesel-engine rail cars, was successfully launched. Interest in the module is growing, particularly in East and Southeast Asia.

MTU also continued the product offensive it had begun for the 2000 and 4000 production series. The new 8000 series was introduced at the Shipbuilding, Machinery and Marine Technology Trade Fair (SMM) in Hamburg in September, thereby expanding MTU's product portfolio into the upper range. The engine, which has been designed so that it can be used equally well in ships, distributed power systems and locomotives, sets new standards for economy and environmental compatibility. MTU's L'Orange subsidiary once again demonstrated its technological expertise with the development of efficient injection systems for diesel engines as well as the innovative common rail system. Earnings by MTU/Diesel Engines continued their positive trend.

Asian Opportunities

Takashi Sonobe, President of Mitsubishi Motors, and Rolf Eckrodt, COO, at the shareholders' meeting held in Tokyo on January 19, 2001.

Entering New Segments and Growth Markets

EXPANSION OF STRATEGIC POSITION IN ASIA. In order to further strengthen DaimlerChrysler's global market position in terms of product range and geographic coverage, and in particular to provide better access to the fast-growing markets in Asia, DaimlerChrysler acquired a stake of approximately 34% in Mitsubishi Motors Corporation (MMC) in October 2000 by means of a capital increase. We also purchased 9% of the stock of the Hyundai Motor Company (HMC) in September 2000.

These moves are part of our strategy to build a portfolio:

- That includes strong regional brands known throughout the world, and which have growth potential;
- That today already covers nearly all market segments for passenger cars and commercial vehicles with its existing products;
- That gives us additional expertise in the micro-car segment;
- That will ensure that DaimlerChrysler is less susceptible to cyclical, regional and segmental demand fluctuations through a well-balanced global presence;
- That facilitates the sharing of technologies and investments;
- That enables us to use common components in models with large volumes;
- That makes it possible for all partners to combine their purchasing and production volumes.

In order to implement our strategy as quickly as possible, we are already working with our partners on the sharing of segment-specific platforms and components. We will reduce the number of axle, transmission and engine variants and have initiated programs to combine purchasing and production volumes, in order to achieve substantially greater efficiency and significantly cut costs within our operative business.

THE ALLIANCE WITH MITSUBISHI MOTORS CORPORATION. Following the announcement in March 2000 of our intention to acquire a stake in Mitsubishi Motors Corporation, we conducted further negotiations with our partner that culminated in the following agreements in September 2000:

- The purchase price for the 34% holding in Mitsubishi Motors Corporation would be €2.4 billion (including the purchase of a convertible bond).
- DaimlerChrysler would name four members (one non-executive board member and three executive board members) to the 11-member board of directors of MMC, including the position of chief operating officer.
- DaimlerChrysler would provide the independently operating MMC management with additional personnel support.
- After a period of three years, DaimlerChrysler would be entitled to increase its stake in MMC without limitation.

Mitsubishi Motors Corporation

amounts in millions	1st half 00/01 Yen	1st half 99/00 Yen	99/00 Yen	99/00 €²)
Operating Income (Loss)¹)	(23,222)	(1,583)	22,473	210
Net Income (Loss)¹)	(75,629)	(38,534)	(23,331)	(218)
Capital Expenditures¹)	25,800	24,400	50,600	473
Revenues¹)	1,542,513	1,565,505	3,334,974	31,191
Unit Sales	675,000	676,000	1,498,000	1,498,000

¹) According to Japanese GAAP
²) Amounts are unaudited and have been converted into € solely for the readers' convenience at an exchange rate of €1 = yen 106.92, and €1 = won 1,177.08 (ECB rate Dec. 31, 2000)

Cooperation with MMC covers the design, development, production and sale of passenger cars and light trucks. One of the main areas of collaboration is the joint development and production of a small car for the European market. This project will be conducted by the Netherlands Car B.V. Nedcar company, a 50:50 joint venture.

BUSINESS DEVELOPMENTS AT MMC. Mitsubishi Motors, Japan's fourth-largest automaker, designs and produces small cars, full-size passenger cars, SUVs, light and heavy trucks and buses. In financial year 1999/2000, MMC manufactured approximately 1.6 million vehicles (1998/99: 1.7 million), of which some 40% were manufactured outside of Japan – in America, Europe, Asia and Oceania. During this period, MMC sold 1,498,000 units (1998/99: 1,625,000). Of these, 577,000 units were sold in Japan, 283,000 in Europe and 261,000 in North America. As a result, revenues totaled 3,335 billion yen in 1999/2000 (€31.2 billion). Operating income in 1999/2000 totaled 22.5 billion yen (€210 million), while net income at -23.3 billion yen (-€218 million) was negative.

In the first half of the 2000/01 financial year, sales of 675,000 units were at roughly the same level as the previous year (676,000 units). This was due to positive developments in North America and the ASEAN countries. However, revenues of 1,543 billion yen (€14.4 billion) were slightly down on the previous year's level (1,566 billion yen). Operating loss in the first half of 2000/01 was 23.2 billion yen (€217 million), significantly worse than the loss in the first half of 1999/2000 (1.6 billion yen). A net loss of 75.6 billion yen (€707 million) was strongly impacted by one-time effects in connection with recalls. The ordinary loss (income before one-time effects and taxes) was 29.5 billion yen (€276 million) for the first half of the year, compared to a loss of 27.2 billion yen for the respective period in 1999/2000.

MEASURES TO IMPROVE PROFITABILITY. In order to improve the company's business situation, in February 2001 the board of Mitsubishi Motors Corporation presented a new restructuring plan to ensure and significantly accelerate the return to profitability of Mitsubishi Motors Corporation and to achieve a sustained improvement in the company's financial strength.

THE HOLDING IN HYUNDAI MOTOR COMPANY. In September 2000, DaimlerChrysler acquired a 9% stake in Hyundai Motor Company (HMC) for a purchase price of approximately €450 million. Among other things, cooperation with the Hyundai Motor Company may involve a 50:50 joint venture in South Korea to develop, produce and market commercial vehicles.

Hyundai Motor Company is one of the youngest companies in the automotive industry. It develops and manufactures passenger cars, SUVs, vans, light and heavy-duty commercial vehicles and buses. In addition, Hyundai Motor Company controls approximately 30% of the automaker, Kia Motors Corp. Hyundai Motor sold 1.3 million vehicles in 1999, generating revenues of 14,245 billion won (€12.1 billion[2]) and net income of 414 billion won (€352 million) according to Korean GAAP.

POSITIVE TREND CONTINUES AT HYUNDAI. The positive developments of 1999, when Hyundai returned to profitability, continued in 2000. In the first six months ending June 30, 2000, Hyundai sold 722,000 vehicles (1999: 555,000) and increased revenues from 6,055 billion won in the first half of 1999 to 8,471 billion won (€7.2 billion). Operating income in the first half of 2000 increased to 608 billion won (€517 million) compared to 340 billion won for the first six months of 1999, while net income was up from 110 billion won in the first half of 1999 to 310 billion won (€263 million) in first half 2000.

E-Business Activities

Making DaimlerChrysler the first networked automotive company across its entire value chain

DaimlerChrysler recognized early on that e-business would bring about a massive change in the business environment requiring three kinds of action:

- To broaden our horizon and accept e-business as a real business platform;
- To analyze our activities against the back-drop of new challenges;
- To ensure rapid implementation.

In the spring of 2000, we subjected all business units and core functions to an intensive analysis. The objective was to find out what opportunities and challenges e-business presents.

This "eSBD" (e-business Strategic Business Dialog) identified many measures DaimlerChrysler must undertake to occupy a leading position in a networked economy over the long term. An initial e-action plan was developed for each business unit. This became the starting point for all plans the company has since developed or expanded.

THE DCXNET MISSION. The Internet has influenced all processes in the automotive industry - from suppliers, through product development, procurement, logistics, production, sales and customers.

DaimlerChrysler recognizes the Internet as a unique opportunity for enhancing its competitive ability internationally.

Only those companies which realize and utilize the tremendous competitive advantages of e-business will win a leading position in the networked economy. For this reason, the Board of Management has given top priority to e-business.

Our mission is to make DaimlerChrysler the first automotive company to be completely networked throughout its entire value chain. To this end we have consolidated all e-business efforts within the DCXNET Initiative, the nucleus of which is the DCXNET Holding company.

DCXNET COMPONENTS

The main goal of the DCXNET Initiative is to fully utilize the opportunities of the Internet along the value chain and to support and massively expand our current activities.

The DCXNET Initiative consists of four elements:

1. B2C – CUSTOMER CONNECT – NETWORKING THE CUSTOMER

Network the customer base:

- Attract customers on the Net
- Get interactive
- Enhance the buying experience
- Extend the customer relationship
- Extend the value chain

by using the Internet as a new business platform.

In the B2C area DaimlerChrysler has made the first moves to harness the Internet as a sales channel and make better use of it to gain new customers and boost customer loyalty.

e-business is connecting our people and processes throughout the entire value chain.

Be sure to visit our homepage at:

www.dcx.net

2. B2B – BUSINESS CONNECT – NETWORKING THE VALUE CHAIN

Network the value chain:

- Improve speed
- Improve efficiency
- Improve quality
- Reduce costs
- Eliminate waste

by wiring all functions throughout the company.

In a move to exploit the full potential of B2B, DaimlerChrysler is reviewing the full range of processes, from purchasing and development to production and sales. This process reengineering will optimize operations and thereby reduce costs. B2B brings advantages like reduced stockpiling, accelerated availability of goods, improved planning certainty and greater flexibility.

3. B2E/IB – WORKFORCE CONNECT/INTERNAL BUSINESS – NETWORKING OUR EMPLOYEES

Network the workforce:

- Enhance process efficiency
- Reduce overheads and bureaucracy
- Enable employees to take advantage of e-business
- Motivate and incentivize for e-work

by wiring the working environment.

When it comes to competitiveness, networking within the company itself also plays a vital role. With this in mind, DaimlerChrysler has widened the scope of its B2E activities. Today, almost every company employee can be contacted via the Internet. At the same time, employees can use DaimlerChrysler's intranet to access over a million pages of services and information in the company's knowledge base. Services featured include insurance plans, vehicle reservations, travel packages and so on.

4. TELEMATICS – VEHICLE CONNECT – NETWORKING OUR PRODUCTS

Network the vehicle:

- Offer a new generation of services
- Extend the customer relationship
- Support fleet management
- Assist remote maintenance and logistics
- Extend the value chain

by linking up with mobile services.

DaimlerChrysler has been setting technological standards in the field of telematics for some years now. In the US, more than 200,000 passenger cars have already been equipped for telematics services. When a customer buys a new car, this service is provided free of charge for the first year. About 94% of our customers decide in favor of extending the service after the end of the first year.

Our Freightliner commercial vehicles are fitted with the telematics system, Truck Productivity Computer™. This onboard computer offers the driver various services covering all aspects of the vehicle. The system is voice-operated in order to ensure safe operation while on the move.

Research and Technology

Leadership in Innovation

- **€7.4 billion invested in research and development in 2000**
- **Approximately €17.4 billion to be spent on research and development between now and 2003**
- **Considerable progress in fuel cell technology with NECAR 5**
- **Vision of accident-free driving**
- **Competitive edge through innovative concepts for drive systems and chassis**

LEADERSHIP IN INNOVATION AND TECHNOLOGY. DaimlerChrysler believes that distinguishing itself through innovation is an essential factor for continued success in the market. The central Research & Technology department is responsible for building the technological foundations for this in cooperation with the company's business units. Guaranteeing that DaimlerChrysler is a leader in innovation is the goal of more than 2,500 researchers in the central R&D department and over 28,000 men and women in the R&D units at our business divisions.

To achieve our goals, we spent €7.4 billion (1999: €7.6 billion) in 2000 (see page 15). The slight decline is due to the fact that the R&D expenditures for the activities transferred to EADS were no longer included in the consolidated financial statements in the second half of the year. To ensure that we will continue to set standards with our products in the future, we will invest an additional €17.4 billion in research and development between now and 2003.

The infrared laser night-sight system for vehicles, developed by DaimlerChrysler engineers, provides greater range of vision when driving at night. This also makes the roads safer for other drivers and pedestrians.

DRIVE SYSTEMS TECHNOLOGY FOR SUSTAINABLE MOBILITY. In 2000, DaimlerChrysler once again reached new milestones in fuel-cell drive systems. NECAR 5 and the Jeep Commander 2 concept car both run on methanol that is converted into hydrogen by an onboard reformer. In the case of NECAR 5, we succeeded in reducing the size of the fuel-cell system so that it could be installed in the underbody of a Mercedes-Benz A-Class vehicle. The car therefore provides around the same amount of space as a conventionally powered A-Class - an important step toward making the vehicle practical for everyday use.

If hybrid drive systems are to appeal to customers, the higher purchasing costs of the vehicles must be offset not only by lower fuel consumption but also by additional product benefits. To this end, we introduced two prototypes during the year under review: the "HyPer," based on the Mercedes-Benz A-Class, distinguishes itself through good acceleration and four-wheel drive capability. The Dodge RAM provides an electrical current when it is not moving to supply power for tools or recreational equipment.

We have also considerably expanded our expertise in internal combustion engines, especially in the area of supercharging technology. In mid-2000 we began operating a unique new thermal-air-flow test rig. This facility enables our researchers to develop and optimize innovative supercharged engines by accurately simulating normal operating conditions for the whole system.

THE VISION OF "ACCIDENT-FREE DRIVING." Based on what we know already today, "thinking" vehicles could make the vision of accident-free driving a reality in the not too distant future. Our researchers have already developed two new assistance systems.

In 2000, we introduced the Lane Assistant for commercial vehicles. This device warns the driver of unintentional lane changes with a rumbling sound as if he were driving over lane marker bumps. Approximately 38% of all accidents occur as a result of the driver becoming distracted or falling asleep at the wheel. The Lane Assistant may prevent many accidents of this kind.

The second system, the "electronic crumple zone," is an active brake system that uses radar to determine how far a truck is from the vehicle in front. If the driver fails to brake, the system intervenes automatically. 80% of rear-end collisions between trucks and 32% of all truck accidents on highways can be avoided with this system.

ACTIVE CHASSIS AND CRASH-OPTIMIZED STRUCTURAL DESIGNS. Now that Active Body Control has been brought onto the market in the Mercedes-Benz CL, we are turning our attention to the further development of the active chassis. Among other things, work here is focusing on electro-hydraulic systems that can be operated as needed. They promise greater fuel efficiency, while at the same time improving safety and comfort. These components have already proved themselves in test vehicles.

We are also working on crash-optimized structural designs in order to improve the protection of passengers and drivers. In addition, we are optimizing materials and construction techniques in terms of deformation, energy absorption and energy diversion in crashes. The studies are being aided by special simulation tools that will enable rapid development of inexpensive and weight-optimized structural designs.

Awards Honor Environmental Commitment

- Sustained environmental protection agreed on as a corporate goal
- Natural fiber project in South Africa fulfills economic, ecological and infrastructure criteria
- “European Environmental Reporting Award” and “German Environmental Reporting Award” for DaimlerChrysler
- Internal Environmental Leadership Award presented for the first time (ELA)

SUSTAINABILITY. DaimlerChrysler believes that corporate strategy and business decision-making should be geared toward increasing the value of the company over the long term. Sustainability is particularly important in this context. Long-term increases in corporate value are not possible without sufficient acceptance from the general population, which means taking social and ecological factors into consideration. Therefore it is not enough to simply monitor profitability, social responsibility and environmental protection across all value-added stages. We also need to make sure that the effects of the measures we implement – such as increased efficiency, higher levels of staff qualification, or reductions in emissions – provide benefits that continue far into the future.

Accordingly, environmental protection is a top priority at DaimlerChrysler. This is reflected in the considerable investment we make in this area. Currently it amounts about €1 billion a year.

NATURAL FIBER PROJECT IN SOUTH AFRICA. The demand for environment-friendly products in developed countries is the driving force behind the worldwide natural fiber initiative at DaimlerChrysler. Developing countries are also interested in technologies that provide for sustainable growth while conserving precious national resources. It was for these reasons that DaimlerChrysler initiated a natural fiber project in South Africa in 1997 as part of its participation in the Southern African Initiative of German Business (SAFRI).

In the course of the project, sisal was identified as the natural fiber most suitable for use in automobile construction. The fiber has the right properties and can be found in great quantities throughout South Africa, where it is of higher quality than sisal from other regions of the world.

Wider use of this profitable and competitive natural fiber product is creating jobs in South Africa and enabling rural communities to participate in global economic developments. For example, the inflow of capital has enabled communities to improve their infrastructures and therefore their own competitiveness. Farmers now have the opportunity to learn about modern agricultural technology, which they can also put to use in conserving natural resources. The first production component in the automotive industry made of sisal is the rear shelf in the new Mercedes-Benz C-Class produced in our East London plant in South Africa.

We are carrying out a similar project in Brazil. This project aims to use renewable natural resources to produce mats and filler materials, for use as padding in head restraints and seats, for example.

NATURAL FIBERS USED IN EXTERIOR PARTS FOR THE FIRST TIME. While natural fibers are being used in vehicle interiors in South Africa and Brazil, our researchers in Germany are already a stage further. For the first time, they are using natural fibers to reinforce exterior parts. In the new Travego long-distance bus, the engine and

In South Africa in September 2000, DaimlerChrysler started using sisal fibers in automobiles. As part of this project, the company transferred technology and expertise for the entire process chain to South Africa.

transmission capsule will be strengthened with flax fibers. The use of natural fibers in standard exterior parts is regarded as a milestone in materials science, as such parts are subject to substantially higher stresses than interior parts.

EUROPEAN ENVIRONMENTAL REPORTING AWARD. In the summer of 2000, DaimlerChrysler won the "European Environmental Reporting Award" of the Chamber of European Auditors for producing a particularly creative, interesting and clearly designed Environmental Report 1999. A total of 17 reports from 10 European countries reached the final round.

The international jury praised our report for combining a traditional environmental-data section and a magazine-style layout providing background information on environmental issues at DaimlerChrysler. In the view of the jury, the resulting mix of informative and entertaining elements enabled the report to reach a broad public and to increase awareness of this very important issue. DaimlerChrysler also won the "German Environmental Reporting Award."

ENVIRONMENTAL LEADERSHIP AWARD (ELA). In 2000, DaimlerChrysler conducted its first worldwide internal competition in environmental protection, culminating in the company's Environmental Leadership Award. The ELA initiative is not only designed to honor and promote employee efforts in the area of environmental protection; it also aims to identify best practices and implement them as widely as possible, thereby contributing to improving the profitability and competitiveness of DaimlerChrysler.

Most of the entries were projects focusing on the close relationship between economics and ecology. However, profitability, technological innovation and the transferability of projects into practice were also key criteria. Of the more than 100 projects entered for the award from all parts of the company, a prominent international jury consisting of internal and external specialists selected five winners.

Global Procurement

Worldwide Networked Supply Chain

- Significant savings achieved
- Central business organization established
- Total-cost-of-ownership approaches implemented
- E-business offers great potential

GLOBAL ORGANIZATIONS DEVELOPED FURTHER. All purchases for our automotive divisions are managed by Global Procurement & Supply (GP&S). In 2000, this volume rose to €103.1 billion (1999: €84.5 billion). The four purchasing organizations within GP&S, PS (Purchasing Services non-production material Germany), MEN (Commercial Vehicle Purchasing), MEP (Mercedes-Benz Passenger Cars and smart Purchasing) and P&S (Procurement and Supply DaimlerChrysler Corporation) operated very successfully: The quality of supplier parts improved and substantial savings were obtained from suppliers by further developing our cost-reduction measures.

To better exploit the potential of Group-wide procurement and logistics structures worldwide, we expanded centralized functions at GP&S. A central e-business organization and a central department for new cost-management systems were also established. A headquarters staff was also created for communications and strategies.

NETWORKED SUPPLY CHAINS. Business relationships with our suppliers are based on Extended Enterprise®, which coordinates links with all suppliers – with the emphasis on cooperation and networks. Extended Enterprise® is not limited to first-tier suppliers but extends to all partners, throughout the entire supply chain. GP&S continues to follow the philosophy of Extended Enterprise® as it pursues the goal of maintaining and strengthening its good relationships with suppliers. The main goal is to create the world's most effective supplier network and thus to boost corporate value. To this end we defined four value drivers: quality, system costs, technology and supply management. They determine the strategic focus of the company's procurement activities.

NEW COST MANAGEMENT APPROACH. In 2000, we addressed the issue of cost management in a particularly intensive manner. The concept of total cost of ownership (TCO) contains a completely new approach which, rather than concentrating on the actual price of a component, focuses on its total cost (i.e. for development, design, transport, installation and warranties throughout the component's entire life cycle). This comprehensive approach enables us to more clearly identify cost drivers and thereby to significantly improve our overall cost position. A total of 48 pilot projects were initiated in the year under review, resulting in significant savings.

MATERIAL-GROUP STRATEGIES DEFINED. We established strategies for more than 60 material groups for production and non-production material in the year under review, thereby covering about half of total purchasing volume. Our goal is to consolidate purchasing volumes across business units, identify suitable suppliers, and utilize new cost-reduction opportunities.

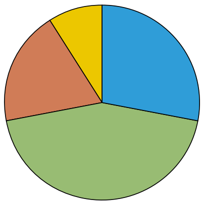
Merging brands and markets under one corporate roof also creates new growth potential for our suppliers, while demanding first-class performance from all the companies involved.

E-BUSINESS ACTIVITIES EXPANDED. In the field of e-business, we are focusing on electronic purchasing (e-procurement) and management of logistics processes (e-supply chain management). We believe that these areas offer great potential for improving our cost position and competitiveness. There will be better transparency and processes will become faster and more efficient. With more than 100 on-line auction events taking place in 2000, we and our partners gained valuable experience in the field of e-procurement. For the procurement of non-series materials, in 2000 we used Internet-based catalogs for the first time, from which purchasing staff can directly order consumable materials. In October 2000, DaimlerChrysler started to process e-procurement transactions through the business-to-business (B2B) Internet marketplace, "Covisint", which is operated by a joint venture between DaimlerChrysler, Ford, General Motors and Renault/Nissan. Our e-business activities are an important component of DaimlerChrysler's Group-wide DCXNET initiative. (see pp. 46-47)

PROSPECTS FOR THE FUTURE. Numerous new opportunities – particularly for GP&S – are unfolding through DaimlerChrysler's acquisition of Detroit Diesel Corporation and cooperation with Mitsubishi Motors Corporation and Hyundai Motor Company. Projects are currently being developed to identify and share best practices and optimize our global supply-base performance.

Purchasing Volume

€113.3 (1999 : €94.9) billion



Mercedes-Benz Passenger Cars & smart	28 %
Chrysler Group	44 %
Commercial Vehicles	19 %
Other	9 %

Human Resources

Employees (Dec. 31)	00	99
DaimlerChrysler Group	416,501	466,938
Mercedes-Benz Passenger Cars & smart	100,893	99,459
Chrysler Group	121,027	124,837
Commercial Vehicles	94,999	90,082
Sales Organization Automotive Businesses	36,857	34,133
Services	9,589	26,240
Aerospace	7,162	46,107
Other[1])	45,974	46,080

[1]) Headquarters, Other.

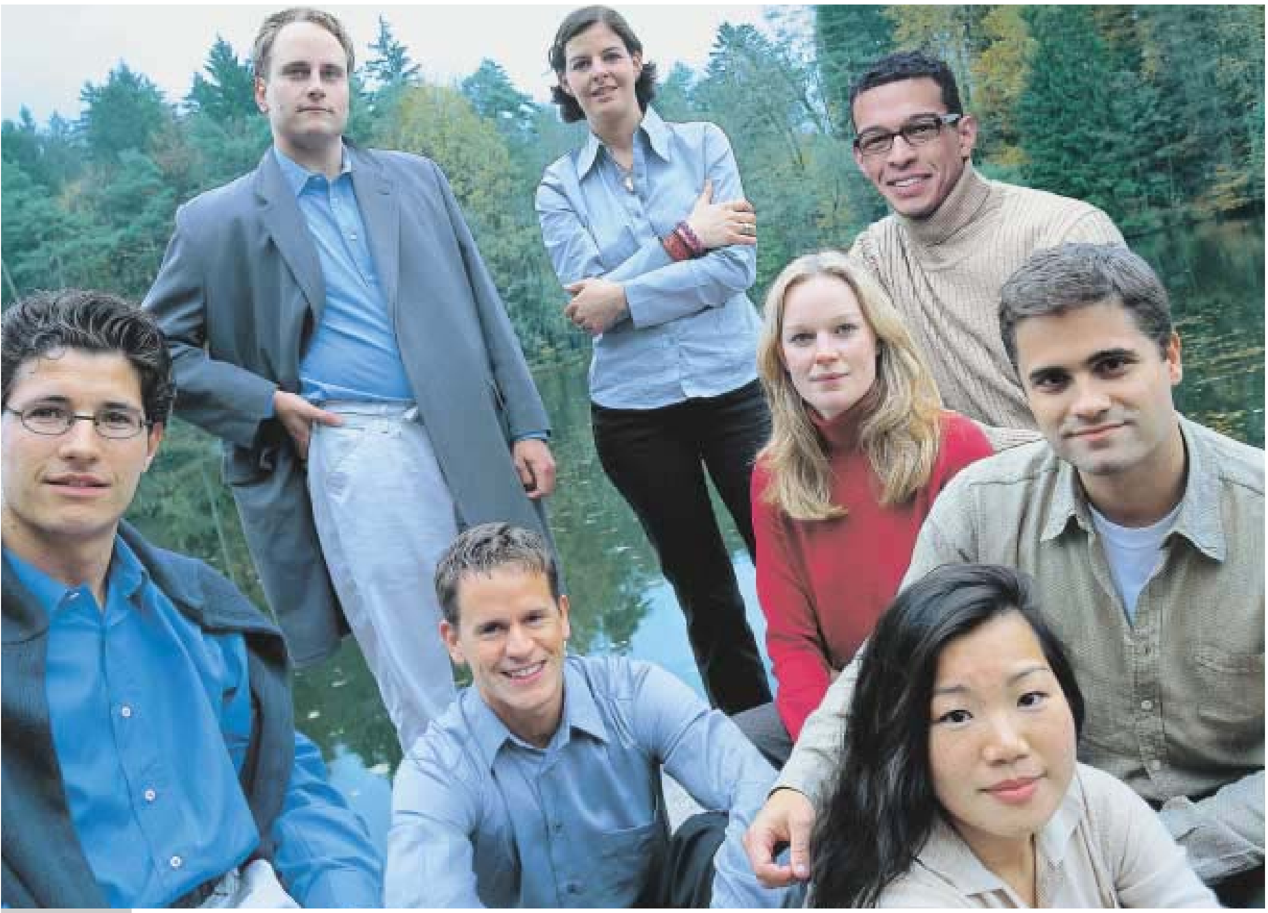
Global Human Resources Activities

- **Human resources activities networked worldwide**
- **Worldwide uniform standards defined for management planning and development**
- **Over 3,300 junior managers recruited and an increase of 500 in the number of trainees**

GLOBAL HUMAN RESOURCES STRATEGY ADOPTED. In order to better prepare employees for their tasks at DaimlerChrysler, in 2000 we adopted a uniform strategy for all human resources departments. As a result, our global human resources activities will focus on seven challenges: contribution to profitability, leadership development, building up expertise in e-business, enhancing our image as an attractive employer, valuing diversity, supporting mergers and acquisitions, and recognizing future trends at an early stage. Concrete measures developed within the framework of this strategy are already being implemented. Our declared goal is a uniform human resources policy for the entire Group, tailored to the shared needs of all business units.

PROJECT E-PEOPLE. DaimlerChrysler will introduce the Web-based standard software, Peoplesoft and PAISY IPW, as a means of better networking human resources activities and their administration and preparing the responsible departments for e-business. By 2003, 167,000 employees in Germany will be added to the 43,000 already administered by Peoplesoft in the US. The e-People project will also involve expanding self-service features for employees beyond the job postings, employee stock programs and employee investment funds already on offer.

E-BUSINESS FOR EMPLOYEES. Last year our employees were able to participate in numerous e-business qualification programs. We also decided to carry out a renewed qualification offensive and to improve access to intranet and Internet



The DaimlerChrysler international junior management group is a human resources program with international and Group-wide orientation and the goal of professional-izing the excellent potential of our junior managers.

information. A wide range of services provided by the human resources departments can already be directly accessed and used on our intranet.

LEAD – NEW INSTRUMENT FOR HUMAN RESOURCES DEVELOPMENT. With LEAD (Leadership Evaluation And Development) we have introduced uniform worldwide principles and transparent processes for management planning and development. LEAD covers the entire spectrum, from goal consensus and performance evaluation to assessment of potential and development planning. LEAD thus allows us to adjust our management resources to future needs.

VALUING DIVERSITY. In 2000, we decided on numerous measures designed to further promote inclusiveness throughout the Group. In this context, one of our goals is to better reflect the diversity of our customers and sales markets in our workforce structures. For example, as part of an Equal Opportunity Agreement reached jointly with employee representatives in Germany, DaimlerChrysler is to significantly increase the proportion of female managers.

MORE THAN 3,300 NEW GRADUATES EMPLOYED. DaimlerChrysler – one of the world's most attractive employers – was able to hire more than 3,300 highly qualified new graduates in 2000, some 70% of whom are engineers or have a degree in the natural sciences. In addition to standard recruiting measures, DaimlerChrysler was able to establish direct contact with high-potential individuals, including recruitments, through its groundbreaking presentations at the Internet jobfair 24 and the International E-Day.

NUMBER OF TRAINEES FURTHER INCREASED. The number of trainees increased again in 2000 by 500 to 10,600, with particularly strong growth in new occupations such as mechatronics specialist, automotive business specialist and production mechanic. Some 200 trainees were sent on foreign assignments in 2000.

416,500 EMPLOYEES WORLDWIDE. As of December 31, 2000, DaimlerChrysler employed 416,501 people worldwide (1999: 466,938). Of these, 196,861 (1999: 241,233) worked in Germany and 123,633 (1999: 123,928) in the US. Adjusted for the changes in the consolidated group (primarily Dasa and debis Systemhaus), our workforce decreased from 417,753 to 416,501 employees.

A THANK YOU TO OUR STAFF. We would like to thank all of our employees for their hard work and achievements. We also extend our thanks to employee representatives for their constructive cooperation.

Analysis of the Financial Situation

- **Operating profit of €9.8 billion lower than prior year; adjusted for one-time effects decreased to €5.2 billion (1999: €10.3 billion)**
- **Operating profit affected by intense competition in North America**
- **Operating profit contribution of Chrysler Group and Services decreased due to margin pressure and increased refinancing costs**
- **Net income increased by 37% to €7.9 billion; adjusted for one-time effects decreased to €3.5 billion (1999: €6.2 billion)**

DAIMLERCHRYSLER GROUP OPERATING PROFIT LOWER THAN PRIOR YEAR. The Group's operating profit declined by €1.3 billion to €9.8 billion, with earnings being greatly influenced by one-time effects in both years.

Operating profit was positively impacted by the exchange of the Group's controlling interest in DaimlerChrysler Aerospace for shares in the European Aeronautic Defence and Space Company (EADS), which resulted in a gain of €3.3 billion for the Group. In addition, Deutsche Telekom AG received a 50.1% stake in debis Systemhaus, by means of a capital increase, which resulted in a gain of €2.3 billion. Furthermore, the gain on the sale of Fixed Installations from the Rail Systems business unit and the gain resulting from a reduction of our equity interest in Ballard increased operating profit by a total of €0.2 billion.

These gains were partially offset by charges totaling €0.8 billion due to the strategic repositioning of smart and for the European Union's directive regarding the recycling of end-of-life vehicles, which requires automobile manufactures to pay a substantial portion of the costs of disposal. An impairment charge of €0.5 billion was also recorded on the carrying values of leased vehicles in the services segment.

Operating profit adjusted for one-time effects decreased to €5.2 billion (1999: €10.3 billion). The decline was principally caused by lower profit contributions from the Chrysler Group and Services segments, which were mainly the result of the intensified competitive situation in North America. The other segments were able to build upon their market position.

Last year's operating profit also included one-time effects totaling €0.7 billion (see p. 48).

MERCEDES-BENZ PASSENGER CARS & SMART. The operating profit of the Mercedes-Benz Passenger Car & smart segment of €2.1 billion was below the result of the previous year of €2.7 billion. Operating profit reflects impairment charges and other expenses of €0.5 billion recorded based on a strategic review of the smart brand stemming from the recent investment in Mitsubishi Motors Corporation (MMC) and the corresponding strategic alliance relating to the development of the Z car. As a result of the end-of-life vehicle directive passed by the European Union, the Mercedes-Benz Passenger Car & smart segment also recorded a charge of €0.3 billion in the current year. These charges were offset, in part, by a gain of €0.1 billion from the reduction of our equity interest in Ballard.

Adjusted for these one-time effects, operating profit improved by 6.3% to €2.9 billion, with the major contributions coming from the successful launch of the new C-Class sedan and the excellent market acceptance of the S-Class (including the CL coupe). Furthermore, sales of M-Class vehicles increased considerably, especially in Europe. The E-Class also performed well in its markets. At smart, operating losses, excluding the impairment charge, were reduced as a result of higher sales and the successful market introduction of the smart cabrio and cdi.

CHRYSLER GROUP. Operating profit from the Chrysler Group segment of €0.5 billion was significantly lower than the result of €5.1 billion from the preceding year. Due to intense competition in the North American market, the Chrysler Group had lower unit sales and higher sales incentives on many of its models. This situation particularly affected the key market segments of the Chrysler Group including minivans, sport-utility vehicles and pickup trucks. Also adversely impacting operating profit was a shift in product mix and increased fixed costs related to new products such as the new minivan, the PT Cruiser, the Dodge Stratus sedan, and the Chrysler Sebring sedan and convertible. This decrease was partially offset by higher vehicle pricing and lower profit based compensation costs. Extensive restructuring measures are planned to restore the profitability of the Chrysler Group. As a result, the operating profit of the Chrysler Group is expected to be adversely affected in 2001.

COMMERCIAL VEHICLES. The Commercial Vehicles segment profited from the strong increase in demand for vans in Europe and the recovery of the commercial vehicle business in South America and Turkey. In particular, unit sales in Brazil (our most important market in South America) rose by 23% over the preceding year. The decline in unit sales of Class 8 heavy trucks in North America also had an impact on Freightliner and led to a considerably lower profit contribution in 2000. Nevertheless, the Commercial Vehicles segment reported an operating profit of €1.1 billion – similar to the level achieved in 1999. With the continuation of the segment's strategic development through the acquisition of the remaining outstanding shares of Detroit Diesel Corporation and Western Star Trucks, its competitive position was decisively strengthened last year.

SERVICES. The Services segment achieved an increase in operating profit of €0.4 billion to €2.5 billion. However, operating profit in both years was affected by certain one-time effects. In October 2000, Deutsche Telekom received a 50.1% interest in debis Systemhaus through a capital investment in debis Systemhaus, the segment's IT services business, resulting in a gain of €2.3 billion. The gain from the debis Systemhaus transaction was partially offset by charges of €0.5 billion due to an impairment charge on the carrying values of leased vehicles. This one-time charge resulted from falling prices for used vehicles in North America and model-specific price incentives on new vehicles from the Chrysler Group. Operating profit in 1999 was also positively affected by €1.0 billion, primarily from the disposal of 42.4% of the stock of the segment's telecommunications business (debitel).

Excluding these one-time effects, operating profit declined €0.4 billion to €0.6 billion. The principal causes of the negative earnings trend were the high pressure on margins due to tougher competition in North America and higher costs of capital.

Since Deutsche Telekom's acquisition of a majority stake, debis Systemhaus has been included in the consolidated financial statements using the equity method of accounting, which does not affect the comparability of operating results.

AEROSPACE. The significant increase in operating profit by the Aerospace segment of €3.0 billion to €3.8 billion is primarily due to the gain from the exchange of the segment's controlling interest in DaimlerChrysler Aerospace for shares of EADS. Adjusted for this one-time effects, operating profit decreased by €0.3 billion to €0.5 billion. Operating profit for 2000 comprises the results of the former Dasa Group for six months and DaimlerChrysler's 33% share of EADS' operating profit for six months including the share of EADS' results from Aerospatiale Matra Group and CASA. Additionally, the activities which were not part of the transaction with EADS, in particular the MTU Aero Engines business unit, are still fully consolidated in DaimlerChrysler's financial statements and are included in the Aerospace segment. Due to the significant changes which occured within the aerospace segment, operating profit is not comparable between 1999 and 2000.

OTHER. The operating result from the Other segment improved by €0.3 billion to a loss of €0.1 billion. The operating loss was positively affected by one-time income of €0.2 billion, mainly due to the sale of Fixed Installations from the Rail Systems business unit. The prior year's result was negatively affected by one-time charges of €0.2 billion relating to measures taken to reduce capacity at Rail Systems.

Adjusted for these one-time effects, the operating result for the Other segment declined by €0.1 billion. The decline was primarily caused by expenditures for future-oriented projects at headquarter level such as the establishment of e-business activities. The operating result also reflected the Group's interest in the losses of Mitsubishi Motors Corporation of €46 million. The Rail Systems business unit, which recorded losses in the preceding year, showed a

Operating Profit by Segments
in millions

	00 US $	00 €	99 €
Mercedes-Benz Passenger Cars & smart	2,014	2,145	2,703
Chrysler Group	470	501	5,051
Commercial Vehicles	1,042	1,110	1,067
Services	2,307	2,457	2,039
Aerospace	3,524	3,754	730
Other	(58)	(62)	(399)
Eliminations	(144)	(153)	(179)
DaimlerChrysler Group	9,155	9,752	11,012
Adjusted for one-time effects	4,894	5,213	10,316

Operating Profit adjusted for one-time effects
in millions

	00 US $	00 €	99 €
Industrial Business	4,338	4,621	9,377
Financial Services	556	592	939
DaimlerChrysler Group	4,894	5,213	10,316

Consolidated Statements of Income
in millions

	00 US $	00 €	99 €
Revenues	152,446	162,384	149,985
Cost of sales	(126,558)	(134,808)	(120,082)
Selling, administrative and other expenses	(16,772)	(17,865)	(15,669)
Research and development	(5,949)	(6,337)	(5,737)
Other income	889	946	827
Income before financial income	4,056	4,320	9,324
Financial income, net	146	156	333
Inome before income taxes and extraordinary items	4,202	4,476	9,657
Effects of changes in German tax law	(247)	(263)	(812)
Income taxes	(1,630)	(1,736)	(3,721)
Total income taxes	(1,877)	(1,999)	(4,533)
Minority interests	(11)	(12)	(18)
Income before extraordinary items and cumulative effects of changes in accounting principles	2,314	2,465	5,106
Extraordinary items, net of taxes			
Gains on disposals of businesses	5,179	5,516	659
Losses on early extinguishment of debt	-	-	(19)
Cumulative effects of changes in accounting principles: transition adjustments resulting from adoption of SFAS 133 and EITF 99-20, net of taxes	(82)	(87)	-
Net income	7,411	7,894	5,746
Net income adjusted for one-time effects[1]**)**	3,268	3,481	6,226

[1]) 2000: Exchange of the Group's controlling interest in DaimlerChrysler Aerospace for shares in EADS, investment of Deutsche Telekom AG in debis Systemhaus, sale of Fixed Installations, dilution of equity interest in Ballard, repositioning of smart, EU directive regarding the recycling of end-of-life vehicles, impairment on carrying values of leased vehicles, effects of changes in German tax law

1999: Disposal of 42.4% of the shares of debitel AG, restructuring measures at Adtranz, charge for lump-sum retiree payments related to the UAW collective bargaining agreement, charge related to prior period securitization transactions, early extinguishment of debt, effects of changes in German tax law

slightly positive result for the current year. MTU/Diesel Engines achieved an increase in operating profit compared to the previous year. The positive contribution to earnings from the Automotive Electronics business unit was marginally lower compared to 1999.

Reconciliation to Operating Profit
in millions

	00 US $	00 €	99 €
Income before financial income	4,056	4,320	9,324
+ Pension and postretirement benefit expenses other than service cost	(264)	(281)	379
+ Operating income from affiliated, associated and related companies	(33)	(35)	17
+ Gains on disposals of businesses	5,475	5,832	1,140
+ Miscellaneous	(79)	(84)	152
Operating Profit	9,155	9,752	11,012

FINANCIAL INCOME BELOW PREVIOUS YEAR'S LEVEL.

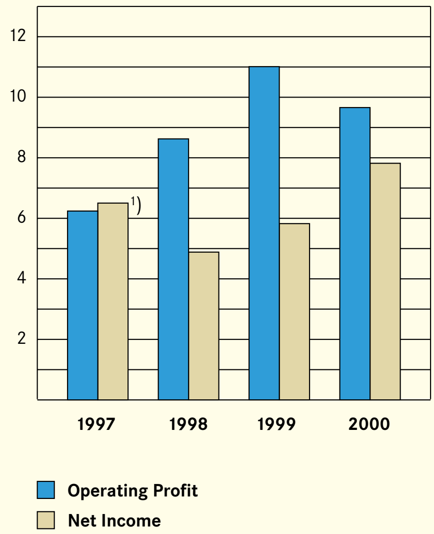
Financial income decreased by €0.1 billion to €0.2 billion in 2000. Investment income reflects the Group's percentage interest in the income or loss of its equity method investments in EADS (since July 2000), Mitsubishi Motors Corporation and debis Systemhaus (both since October 2000). The effect on operating profit of these investments amounted to a loss of €43 million and was allocated to the respective segment operating profits. However, this loss was offset by a positive contribution from other operating investments of €8 million.

Interest income, net, decreased due to the establishment of the DaimlerChrysler Pension Trust. At the end of 1999 and the beginning of 2000, cash and marketable securities totaling €5.5 billion were transferred to the Pension Trust, thereby reducing interest income. The interest income generated from these assets is no longer included in the Group's interest income, but reduces pension and postretirement benefit expenses and thus reflected in the income before financial income. For purpose of reconciliation to operating profit, interest income from pension and postretirement benefit expenses is not included in operating profit.

Also, financial income, net, was reduced by increased interest expense resulting from higher borrowings in the industrial business.

Furthermore, financial income, net, in 2000 was affected by the adoption of a new accounting standard for derivative financial instruments (SFAS 133). Due to exchange-rate developments in the preceding year, realized and unrealized losses from the settlement and valuation of currency hedging transactions, which could not be included for accounting purposes in a hedge relationship with an underlying transaction, had a negative effect on financial income. With the adoption of SFAS 133, a greater proportion of the Group's derivative financial instruments qualify for the use of hedge accounting. Last year's losses resulting from the valuation of derivative financial instruments were partially offset by gains from the sale of securities.

Development of Earnings
in billions of €



1) Net Income for 1997 includes €2.5 billion of special non-recurring tax benefits.

INCREASE IN NET INCOME INCLUDING ONE-TIME EFFECTS. Net income of €7.9 billion is 37% higher than the prior year. Basic earnings per share increased from €5.73 to €7.87.

Net income was influenced by a number of one-time charges and gains as described in the preceding paragraphs with respect to operating profit. The after-tax amount of these one-time effects was €4.8 billion (1999: €0.4 billion). As the Group's German companies are in an overall deferred tax asset position, the reduction of the tax rate from 40% to 25% (1999: from 45% to 40%) resulted in an expense of €0.3 billion (1999: €0.8 billion) from the write-down of these net deferred tax assets. One-time effects include gains of €5.5 billion (1999: €0.7 billion) classified as extraordinary due to accounting principles involving the use of the pooling-of-interests method. Additional one-time effects on earnings were recorded from the adoption of Statement of Financial Accounting Standards (SFAS) No. 133 (€12 million) and Emerging Issues Task Force (EITF) Issue No. 99-20 (-€99 million). In accordance with EITF 99-20, retained interests from the securitization of certain receivables in the Financial Services business were determined to be impaired resulting in a charge in the statement of income. According to U.S. GAAP these effects are shown separately.

Net income adjusted for these one-time effects decreased by €2.7 billion to €3.5 billion. Basic earnings per share adjusted for these one-time effects amounted to €3.47 for 2000 and €6.21 for 1999.

DIVIDEND OF €2.35 PER SHARE. We propose to the Annual Meeting on April 11, 2001, that for 2000 a dividend of €2.35 per share be distributed. With a total of 1,003 million shares outstanding, the amount to be distributed is €2,358 million.

PERFORMANCE MEASURES AS AN IMPORTANT COMPONENT OF CORPORATE MANAGEMENT. The performance measures developed by the DaimlerChrysler Group support management in its tasks of leading and controlling the entire company and its individual business units. The performance measures allow and encourage decentralized responsibility, interdivisional transparency and capital-market-oriented investment performance in all areas of the DaimlerChrysler Group.

For performance purposes, we differentiate between the Group level and the operating levels of the segments and business units. At the Group level, we use net operating income, a capital-market-oriented after-tax performance measure. After deducting the average cost of capital, we derive value added as an absolute performance measure. Additionally, net operating income is compared to the capital employed by the Group for the determination of the Group performance measure, return on net assets (RONA). Return on net assets demonstrates the extent to which the DaimlerChrysler Group achieves the rate of return required by its investors. The required rate of return, or the Group's average cost of capital, is defined as the minimum rate of return that investors expect on invested equity and borrowings. These capital costs are mainly determined by long-term bond rates combined with a risk premium for investments in stocks. Since the merger of Daimler-Benz and Chrysler in 1998 we use a weighted average cost of capital of 9.2% after taxes as a benchmark for the Group. Compared to current capital market conditions, this rate might be too high, however, it has remained unchanged for internal performance measurement to keep a high performance expectation from our business units. We are planning to review our cost of capital again in 2001 and might subsequently adjust the rate for the changed capital market conditions.

Net Assets and Return on Net Assets[1])

	00	99	00	99
	(annual average, in billions of €) Net Assets		% Return on Net Assets	%
DaimlerChrysler Group (after taxes)	59.5	53.2	7.4	13.2
Industrial business (before interest and taxes)	48.8	39.0	9.5	24.0
Mercedes-Benz Passenger Cars & smart	10.9	9.6	26.3	28.2
Chrysler Group	25.0	19.5	2.1	25.9
Commercial Vehicles	7.2	6.0	16.0	17.8
Services[2])	1.1	0.8	9.5	15.0
Aerospace[3])	2.7	2.2	16.7	33.8
Other Industrial businesses[4])	1.9	1.0	5.0	(29.1)
	Stockholders' Equity		Return on Equity[5])	
Financial Services	6.2	5.1	9.6	18.4

[1]) Adjusted for one-time effects
[2]) Excluding Financial Services
[3]) Due to the exchange of the Group's controlling interest in DaimlerChrysler Aerospace for shares in EADS figures for 1999 are not comparable.
[4]) Rail Systems, Automotive Electronics, MTU/Diesel Engines, Mitsubishi Motors Corporation (since October 2000); figures for 1999 are not comparable.
[5]) Before taxes

For the industrial business units, we use operating profit as an earnings measure, a commonly accepted performance measure before interest and taxes, which accurately reflects the areas of responsibility under the control of the business unit management. The industrial business units also use net assets which is defined as assets minus non-interest-bearing liabilities as a capital basis. The minimum required rate of return on net assets is 15.5%. For our financial services activities we apply, as is usual in this sector, return on equity as a performance measure. The target rate of return on equity is 20% (before taxes).

In 2000, net operating income, which is derived from net income, totaled €4.4 billion excluding one-time effects (€8.8 billion including one-time effects). In connection with an increase in net assets from €53.2 billion to €59.5 billion, return on net assets for the DaimlerChrysler Group amounted to 7.4% after taxes. The Mercedes-Benz Passenger Cars & smart segment significantly surpassed the 15.5% (before taxes) minimum required rate of return. The Commercial Vehicles division also exceeded the minimum required rate of return. Chrysler and Financial Services did not achieve the minimum required rate of return, primarily due to the unsatisfactory economic situation in North America.

Due to the decreased net operating income and higher net assets the DaimlerChrysler Group reported a negative value added of €1.1 billion (calculated based on 9.2% cost of capital after taxes).

Net assets are determined on the basis of book values, as shown in the following table.

Net Assets[1]) of the DaimlerChrysler Group
in millions

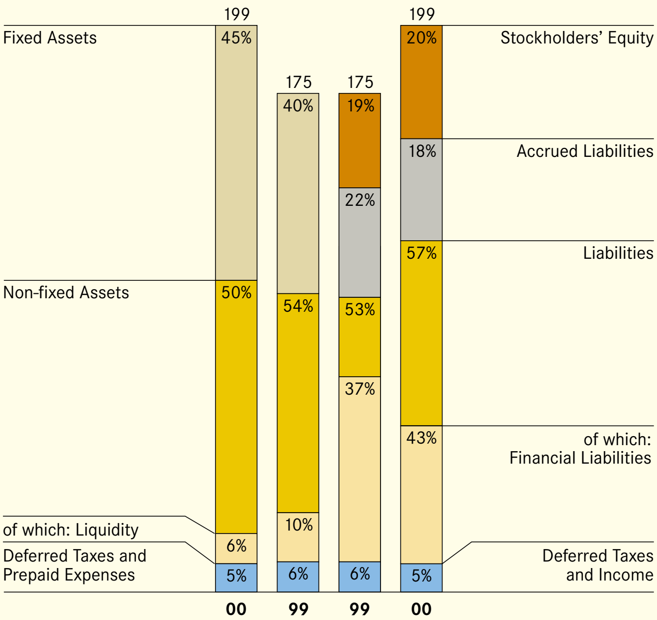
	00 €	99 €
Stockholders' equity[2])	42,713	36,060
Minority interests	519	650
Financial liabilities of the industrial segment	9,508	4,400
Pension provisions of the industrial segment	11,114	14,014
Net Assets	**63,854**	**55,124**

[1]) Represents the value at year-end; the average for the year was €59.5 billion (1999: €53.2 billion)
[2]) Adjusted for the effects from the application of SFAS 133.

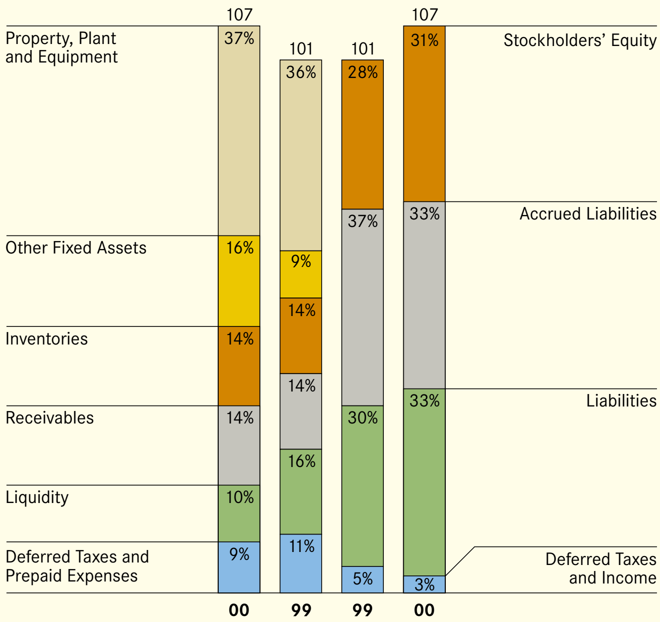
Reconciliation to Net Operating Income
in millions

	00 €	99 €
Net income	7,894	5,746
One-time effects	(4,413)	480
Net income adjusted for one-time effects	3,481	6,226
Minority interests	12	18
Interest expense related to industrial activities, after taxes	241	127
Interest cost of pensions related to industrial activities, after taxes	649	661
Net Operating Income	4,383	7,032

Balance Sheet Structure
in billions of €



Balance Sheet Structure of the Industrial Business
in billions of €



INCREASE IN TOTAL ASSETS. In 2000, the Group's total assets grew by 14% to €199.3 billion. The main reasons for this increase were the higher business volume achieved by the industrial business, the expansion of the leasing and sales-financing business and the stronger dollar compared with the preceding year. The assets and liabilities of the Group's US companies were translated on December 31, 2000 at an exchange rate of €1 = US$0.931 (1999: €1 = US$1.005), which resulted in correspondingly higher balance sheet positions in euros. Of the aggregate rise in total assets, €8.2 billion was explained by currency effects alone. In addition, total assets and total liabilities increased by €0.8 billion due to the introduction of the new accounting standard, SFAS 133, which means that all derivative financial instruments are now included at market value. Previously, only those derivatives that did not qualify for the use of hedge accounting were shown at market value. However, total assets and total liabilities decreased by approximately €1 billion and structural shifts occurred within the consolidated balance sheet due to the changes in consolidation resulting from the integration of parts of DaimlerChrysler Aerospace into EADS and the transaction involving debis Systemhaus, which are now shown using the equity method of accounting. Our equity interests in these companies are shown in investments in associated companies as part of financial assets. Their individual assets and liabilities are therefore no longer included in the consolidated balance sheet.

On the assets side, the expanding leasing and sales-financing business is reflected by the growth in equipment on operating leases (+24%) and receivables from financial services (+26%), which are higher than the percentage increases for other asset categories. The two positions total €82.4 billion or 41% of our total assets. The growing Financial Services business has resulted in correspondingly higher financial liabilities of €84.8 billion (1999: €64.5 billion). The stronger US dollar contributed €3.8 billion to the increase in the total of equipment on operating leases and receivables from financial services.

Property, plant and equipment rose by 10% to €40.1 billion. Higher investments in property, plant and equipment at the Chrysler Group and other production companies outside Germany and positive effects of currency conversion contributed approximately 50% to the rise.

Financial assets increased more than threefold over the preceding year and amount to €12.1 billion. This increase is primarily due to the inclusion of EADS, debis Systemhaus and Mitsubishi Motors Corporation using the equity method of accounting.

Inventories – net of advance payments received – totaled €16.3 billion (1999: €15.0 billion) in the consolidated balance sheet. As well as the positive currency translation effects (€0.5 billion), the increase in inventories is mainly due to higher stocks of used vehicles at Commercial Vehicles, especially in North America. Mercedes-Benz Passenger Cars & smart also contributed to the increase in inventories due to the growth in business and upcoming new product launches. Inventories as a percentage of total assets decreased from 9% to 8%.

Trade receivables and other receivables increased by 4.6% to €22.4 billion. A reduction due to the transition from full consolidation to the inclusion of EADS and debis Systemhaus using the equity method of accounting was offset by a higher volume of business by the Mercedes-Benz Passenger Cars & smart and Commercial Vehicles divisions. In addition other receivables increased due to the introduction of SFAS 133 by €0.8 billion and as a result of higher asset-backed securities in connection with the securitization of receivables in the financial services business €0.9 billion. The level of liquid funds declined from €18.2 billion to €12.5 billion. This was a reflection not only of the acquisitions carried out in 2000, but also of the cash outflow in connection with the integration of DaimlerChrysler Aerospace into EADS and an additional transfer of liquid funds into the DaimlerChrysler Pension Trust.

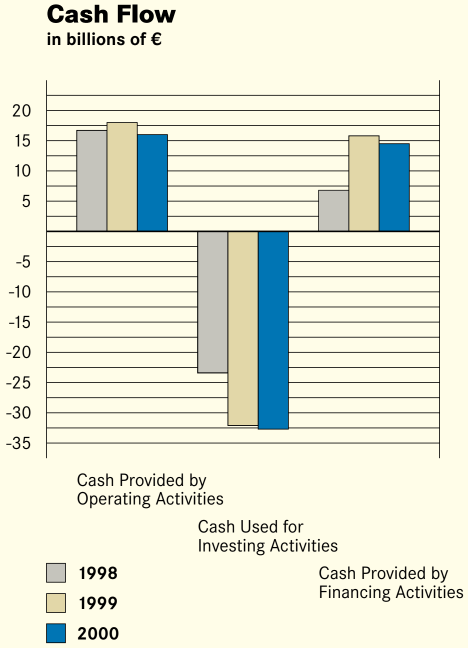
Stockholders' equity increased 18% from €36.1 billion to €42.4 billion, resulting from net income of €7.9 billion and a currency translation effect of €1.4 billion. The first-time inclusion of derivative financial instruments according to SFAS 133 led to a reduction in equity of €0.4 billion. The equity ratio net of dividend distribution rose from 19.3% to 20.1%. The equity ratio for the industrial business rose to 31.2% from 27.8% in the preceding year.

The Group's accrued liabilities decreased by €1.3 billion to €36.4 billion despite an increase from currency translation. This decrease was primarily the result of the at-equity reporting of businesses previously consolidated by the Group, principally DaimlerChrysler Aerospace and debis Systemhaus. Furthermore, additional cash and marketable securities were transferred into the DaimlerChrysler Pension Trust in January 2000, reducing accrued liabilities for pension obligations. The overall decrease in accrued liabilities was partially offset by increased accrued liabilities due to higher business volume and the application of SFAS 133.

Trade liabilities and other liabilities decreased by €1.2 billion to €24.9 billion (1999: €26.1 billion). Adjusted for currency translation effects and the aforementioned effects from DaimlerChrysler Aerospace and debis Systemhaus, an increase was reported due to the volume of business in the Mercedes-Benz Passenger Cars & smart and Commercial Vehicles segments.

CASH FLOW FROM OPERATING ACTIVITIES NEGATIVELY AFFECTED BY HIGHER WORKING CAPITAL. In 2000, cash provided by operating activities – adjusted for changes in the consolidated group and for exchange rate effects – declined by 11.1% compared to the very high level of the preceding year of €18.0 billion, but almost reached the level of 1998 at €16.0 billion. This resulted primarily from a decreased contribution of the Chrysler Group and an increase in working capital.

Cash used for investing activities of €32.7 billion (1999: €32.1 billion) was significantly impacted by the continued expansion of our leasing and sales-financing business. For the Financial Services business, cash used for investing activities amounted to €20.1 billion, 7.6% lower than in the previous year. This was particularly due to a decrease of €2.2 billion in net additions to equipment on operating leases, which was partly offset by higher receivables from financial services (up €0.4 billion to €8.7 billion). The cash flow from investing activities in the industrial business includes the acquisitions of interests in various companies (Mitsubishi Motors Corporation, Detroit Diesel Corporation, Western Star Trucks, Hyundai Motor Company and TAG McLaren) and the cash outflow in connection with the integration of DaimlerChrysler Aerospace into EADS.



Primarily to cover the capital needs of our growing Financial Services business, we entered into a considerable volume of long-term financial liabilities. Net borrowings decreased by €1.2 billion compared to 1999. Thus cash provided by financing activities decreased by €1.3 billion to €14.5 billion.

As a result of the developments discussed above, cash and cash equivalents with an original maturity of less than three months decreased by €1.7 billion to €7.1 billion (after adjusting for exchange-rate effects). Total liquidity, which also includes investments and securities with longer maturities, declined from €18.2 billion to €12.5 billion.

ONGOING INTERNATIONALIZATION OF OUR REFINANCING ACTIVITIES. The funding activities of the DaimlerChrysler Group increased further in 2000 primarily due to the continuing growth of the financial services business. To achieve this funding, a wide range of money-market and capital-market instruments were used, primarily facilitated by our worldwide group of regional holding and financing companies in various markets.

In addition to increasing our issues of global bonds in US dollars and benchmark bonds denominated in euros in 2000, we also increased our funding activities in Asia in order to access new investor groups. We successfully placed an issue in the Japanese bond market (Samurai bond) with a total volume of 220 billion yen (approximately €2.4 billion) and completed a transaction in Singapore dollars. Furthermore, in June we issued the world's first corporate e-bond, for which not only subscription but also secondary trading took place on the Internet. Considering prevailing market conditions funds were also raised in other currencies such as the Australian dollar, Canadian dollar, Norwegian krone, Pound Sterling and Swiss franc. The securitization of sales financing receivables, particularly in the US, was also continuously used as a source of funding.

The 364-day tranche of the global credit facility was extended by another 364 days in 2000 with unchanged terms, and was increased by US dollars 1 billion. This facility, established in 1999, comprises a total of three tranches with differing maturities and a current total volume of US dollars 18 billion. The Group has not yet used the credit lines available under this facility.

Our long-term credit rating was downgraded by Moody's Investors Services from A1 to A2, and by Standard & Poor's from A+ to A in the year under review, due to the lower operating result at the Chrysler Group, the necessity of large scale restructuring measures in this segment and expected lower unit sales for the automobile markets in North America.

EARLY RECOGNITION AND CONSISTENT MANAGEMENT OF FUTURE RISKS. In view of the global operations of DaimlerChrysler and the increasingly intense competition in all markets, the Group's business units are subject to many risks which are directly connected with entrepreneurial activity. We have developed and used effective monitoring and control systems for the early recognition and assessment of existing risks and the formulation of appropriate responses. With a view to the requirements of the German Business Monitoring and Transparency Law (KonTraG), we have integrated the Group's early-recognition systems into a risk-management system. The risk management system is an integral component of the entire planning, controlling and reporting process and is responsible for systematically identifying, assessing, monitoring and documenting risks. Risks are identified by management of the business segments and units applying predefined risk categories and assessed in terms of their probability of occurrence and possible extent of damage. The reporting of relevant risks is regulated by limit-levels defined by management. Within the framework of risk management, we have developed and implemented measures to avoid and reduce risks and to safeguard against their potential effects. The identified risks are regularly monitored by management.

The risk-management system of the DaimlerChrysler Group aims to ensure that management recognizes significant risks at an early stage and initiates appropriate measures. Compliance with the Group's uniform guidelines as defined in the risk-management manual is safeguarded by our internal auditors. In addition, the external auditors review the early-recognition system integrated in the risk-management system, in terms of its fundamental suitability for recognizing at an early stage any developments that might jeopardize the continued existence of the company.

RISKS FROM GENERAL ECONOMIC DEVELOPMENTS. Although the economy developed favorably in 2000, risks could arise for DaimlerChrysler's earnings situation if the economic slowdown that is expected this year for Western Europe and, in particular, North America were to worsen, since these markets are most important to DaimlerChrysler.

A prolonged economic decline in the US would result in a sustained loss of confidence combined with a downward spiral of consumers' and investors' expectations. This could trigger a collapse of domestic demand and significant stock market losses. The financing of the enormous US current-account deficit is an additional risk, as would be a renewed increase in the price of crude oil. Due to trading and capital-market links, an economic downturn or recession in the United States would also lead to significant recessionary pressure in Western Europe, Asia and South America.

Another potential risk is the possibility of further economic decline in Japan. This would affect not only an important sales market, but also DaimlerChrysler's strategic investment in Mitsubishi Motors Corporation. An economic decline in Japan would affect the economic situation in some of the emerging markets in Asia, which could also have a negative impact on DaimlerChrysler's investment in Hyundai Motor Company.

INDUSTRY- AND COMPANY-SPECIFIC RISKS. The automotive sector is marked by intensive global competition, where product features such as price, quality, reliability, safety and consumption, in addition to customer service and accompanying financing products, play an increasingly important role.

The level of competition prevalent in the automotive industry makes it critical to the success of automobile manufacturers to meet consumer demand with new vehicles developed over increasingly shorter product development cycle times. DaimlerChrysler's ability to strengthen its position within its traditional segments while expanding into additional market segments with innovative new products will play a key role in determining its future success. While profit margins for new niche products are usually good, a general shift in consumer preferences towards smaller low-margin vehicles driven by government regulations, environmental issues or increasing fuel prices would have a negative impact on DaimlerChrysler's profitability.

In the event of an economic downturn, particularly in North America and Europe, decreasing demand for automotive vehicles and overcapacity within the industry are likely to further intensify competitive pricing pressure. The price transparency and harmonization due to the introduction of the euro and the development of alternative distribution channels, resulting from the Internet or the potential expiration of the European Union “block exemption” (Gruppenfreistellungsverordnung) which allows automobile manufacturers to use exclusive distribution networks until 2002, are expected to contribute to further pricing pressure. To ensure future profitability in an increasingly competitive environment, DaimlerChrysler and other automobile manufacturers may be forced to increase efficiency by further reducing costs along the automotive value chain, including suppliers. Cost reductions by suppliers, however, could result in additional quality risks. Additionally, due to competition and economic developments manufacturers may be forced to further increase sales incentives and decrease production and capacity.

To restore the profitability of the Chrysler Group, we are planning to undertake extensive restructuring measures. The future financial performance of the Chrysler Group will depend to a large extent on a successful implementation of such measures. This will have an impact on the profitability of the DaimlerChrysler Group.

Our financial services business is primarily involved in leasing and financing Group products, mainly vehicles, to our customers and for our dealerships. Refinancing is carried out to a considerable extent through external capital markets. This gives rise not only to interest-rate changes and risk of default, but also to residual-value risks for the vehicles which are returned back to the Group for remarketing at the end of their leasing periods.

Through our 33% stake in EADS we also participate indirectly in the company’s risks. The success of EADS mainly depends on the competitiveness and market success of the Airbus aircraft. The market for civil aircraft is subject to cyclical fluctuations, as the worldwide volume of orders for new aircraft is determined by airlines’ profitability and fleet-renewal cycles.

RISK TRANSPARENCY IN CURRENCY, ASSET AND LIABILITY MANAGEMENT. In accordance with international banking standards for risk management, we have separated the trading areas from the administration functions of processing, financial accounting and financial controlling in terms of organization, location and systems. Derivative financial instruments are used only to hedge market risks in assets, liabilities and currency management.

ASSET AND LIABILITY MANAGEMENT. DaimlerChrysler holds a variety of interest-rate-sensitive assets and liabilities to manage the operative and strategic liquidity requirements of its operations. A substantial volume of interest rate sensitive assets and liabilities are related to the lease and sales financing business. In particular, the Group’s lease and sales financing business principally enters into transactions with customers resulting in fixed-rate long-term receivables. In order to finance these receivables, the Group issues variable-rate long-term debt, medium-term notes and commercial paper. These interest rate sensitive financial liabilities expose DaimlerChrysler to variability in interest payments due to changes in interest rates.

Following modern portfolio theory, DaimlerChrysler also holds investments in various equity securities to improve the return on its liquidity.

For the assessment and control of the risks connected with the financial instruments held by the Group, we use a risk limit set by the Board of Management, derived from the value-at-risk method, and in accordance with the regulations of the Bank for International Settlements. For this method we rely on the variance-covariance approach based on the Risk Metrics® model and the data supplied. In addition to the historical data for volatilities and correlations, information from other sources on interest and exchange rates, which is necessary for the evaluation of all instruments, is maintained in the financial risk controlling system.

The following table shows the value-at-risk figures calculated on the basis of a confidence level of 99% and a holding period of five days, quantifying the possible market fluctuations of interest-rate-sensitive financial instruments and the investment portfolio of the DaimlerChrysler Group. Risk-reducing effects from the correlation between individual market parameters are the reason for the overall risk being lower than the total of the individual risks.

Value-at-Risk in millions of €	12.31.2000	Average for 2000	12.31.1999
Interest-rate-sensitive financial instruments	126	128	81
Stocks and stock derivatives	87	95	105
Total	137	156	127

The significant growth in the financial services business in 2000 contributed to the overall rise in the value-at-risk figures for the interest rate sensitive instruments. As a result of the proactive management of our investment portfolio, in 2000 market-price risks were limited in a difficult stock market environment and thus we achieved a certain degree of risk compensation.

EXCHANGE-RATE RISKS REDUCED. The international orientation of our business activities results in cash receipts and payments denominated in various currencies. Net exposure, which is the difference between exports and imports in each currency, is regularly monitored within the framework of central currency management. Currency exposures are hedged with suitable financial instruments according to exchange-rate expectations, which are constantly reviewed. The net assets of the Group which are invested in subsidiaries and affiliated companies outside the euro zone are generally not hedged against currency risks.

Exchange-rate exposure for the DaimlerChrysler Group primarily exists for the currencies shown in the following table. This table shows the negative effects on pretax cash flows in 2001 and 2002 resulting from a hypothetical 10% appreciation of the euro, after consideration of the existing currency hedging through December 31, 2000. The tables showing the exchange-rate exposure do not include the parts of DaimlerChrysler Aerospace integrated in EADS.

Exchange-rate sensitivities in 2001 in billions of €	USD	CAD	GBP	JPY	Others	Total
Gross foreign currency exposure	11.4	7.7	3.7	2.1	3.0	27.9
Netting	(6.3)	(7.9)	(0.3)	(0.2)	(0.7)	(15.4)
Net currency exposure	5.1	(0.2)	3.4	1.9	2.3	12.5
Negative effect of a 10% appreciation of the euro[1])	0.09	-	0.13	0.05	0.12	0.39

Exchange-rate sensitivities in 2002 in billions of €	USD	CAD	GBP	JPY	Others	Total
Gross foreign currency exposure	11.8	7.5	3.5	2.3	2.9	28.0
Netting	(6.8)	(7.5)	(0.3)	(0.2)	(0.7)	(15.5)
Net currency exposure	5.0	-	3.2	2.1	2.2	12.5
Negative effect of a 10% appreciation of the euro[1])	0.17	-	0.21	0.08	0.16	0.62

[1]) On cash flows before taxes, after consideration of existing hedging contracts

RATING. Our long-term credit rating was downgraded by Moody's Investors Services from A1 to A2, and by Standard & Poor's from A+ to A in the year under review, due to the lower result at the Chrysler Group, the necessity of large scale restructuring measures in this segment and expected lower unit sales for the automobile markets in North America. A further downgrade would result in rising capital costs.

LEGAL RISKS. Like all internationally active automobile manufacturers, the DaimlerChrysler Group is affected by intensifying legal regulations in its various markets concerning the exhaust emissions and fuel consumption of its range of cars as well as their safety standards. Furthermore, there are several actions pending against companies of the DaimlerChrysler Group – as well as an investigation by the European Commission.

A number of shareholder lawsuits are pending in the United States against DaimlerChrysler and certain members of its Supervisory Board and Board of Management that allege 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 complaints seek relief ranging from substantial monetary damages to rescinding the business combination. DaimlerChrysler believes that these claims are without merit and intends to defend against them vigorously.

OVERALL RISK. No risks are apparent that could jeopardize the continued existence of the Group.

EVENTS AFTER THE END OF THE 2000 FINANCIAL YEAR. In January 2001, the Group sold its remaining 10% interest in debitel AG to Swisscom for proceeds of approximately €0.3 billion.

On January 18, 2001, the Group issued five separate tranches of euro, Pound Sterling and US dollar denominated notes bearing interest at rates ranging between 6.0% and 8.5% with maturity dates between 2004 and 2031 for net proceeds of approximately €7.5 billion.

In January 2001, DaimlerChrysler decided to restructure the operations of the Chrysler Group. During January discussions were held with Chrysler's unions, suppliers and certain of its business partners. The results were announced on January 29, 2001. DaimlerChrysler expects to reduce the segment's workforce by approximately 26,000 people through a combination of retirements, special programs, layoffs and attrition. In addition, management intends to idle six manufacturing plants over the next two years and to reduce shifts and line speeds at other facilities. When the detailed restructuring plan is sufficiently determined, management intends to make a formal announcement and recognize the related charges in the Group's consolidated financial statements.

No further developments beyond the ones described above have occured since the end of the 2000 financial year, which are of major significance to DaimlerChrysler and would lead to a changed assessment of the Group's position. The course of business in the first two months of 2001 confirms the statements made in the section Outlook.

Preliminary Note

The accompanying consolidated financial statements (consolidated balance sheets as of December 31, 2000 and 1999, consolidated statements of income, cash flows and changes in stockholders' equity for each of the financial years; 2000, 1999 and 1998) were prepared in accordance with United States generally accepted accounting principles (U.S. GAAP).

In order to comply with Section 292 a of the HGB (German Commercial Code), the consolidated financial statements were supplemented with a consolidated business review report and additional explanations. Therefore, the consolidated financial statements, which have to be filed with the Commercial Register and published in the Federal Gazette, comply with the Fourth and Seventh Directives of the European Community. For the interpretation of these directives we relied on the statement by the German Accounting Standards Committee.

The consolidated financial statements and the consolidated business review report as of December 31, 2000 prepared in accordance with Section 292 a of the HGB (German Commercial Code) and filed with the Commercial Register in Stuttgart under the number, HRB 19 360, will be provided to shareholders on request.

Statement by the Board of Management

The Board of Management of DaimlerChrysler AG is responsible for preparing the accompanying financial statements.

We have installed effective controlling and monitoring systems to guarantee compliance with accounting principles and the adequacy of reporting. These systems include the use of uniform guidelines group-wide, the use of reliable software, the selection and training of qualified personnel, and regular reviews by our internal auditing department.

With a view to the requirements of the German Business Monitoring and Transparency Act (KonTraG) we have integrated the Group's early warning systems into a risk management system. This enables the Board of Management to identify significant risks at an early stage and to initiate appropriate measures.

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft audited the consolidated financial statements, which were prepared in accordance with the United States generally accepted accounting principles, and issued the following auditors' report.

Together with the independent auditors, the Supervisory Board's Financial Audit Committee examined and discussed the consolidated financial statements including the business review report and the auditors' report in depth. Subsequently, the entire Supervisory Board reviewed the documentation related to the financial statements.

Jürgen Schrempp

Jürgen E. Schrempp

Manfred Gentz

Manfred Gentz

Independent auditors' report

The Board of Management
DaimlerChrysler AG:

We have audited the accompanying consolidated balance sheets of DaimlerChrysler AG and subsidiaries ("DaimlerChrysler") as of December 31, 2000 and 1999, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2000. 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 1999, and total revenues constituting 42 percent, 43 percent and 45 percent for the years ended December 31, 2000, 1999 and 1998, 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 United States generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 1998, DaimlerChrysler accounted for a material joint venture in accordance with the proportionate method of consolidation as is permitted under the Seventh Directive of the European Community and the Standards of the International Accounting Standards Committee. In our opinion, United States generally accepted accounting principles required that such joint venture be accounted for using the equity method of accounting. The United States Securities and Exchange Commission stated that it would not object to DaimlerChrysler's use of the proportionate method of consolidation as supplemented by the disclosures in Note 3.

In our opinion, based on our audits and the report of the other auditors, except for the use of the proportionate method of accounting in 1998, as discussed in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DaimlerChrysler as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000, in conformity with United States generally accepted accounting principles.

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".

Stuttgart, Germany
February 9, 2001

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Wiedmann
Wirtschaftsprüfer

Schmid
Wirtschaftsprüfer

Consolidated Statements of Income

	Note	2000 (Note 1) $	2000 €	1999 €	1998 €
		Consolidated Year ended December 31,			
Revenues	33	152,446	162,384	149,985	131,782
Cost of sales	6	(126,558)	(134,808)	(120,082)	(105,303)
Gross margin		25,888	27,576	29,903	26,479
Selling, administrative and other expenses	6	(16,772)	(17,865)	(15,669)	(14,592)
Research and development		(5,949)	(6,337)	(5,737)	(4,971)
Other income	7	889	946	827	1,099
Merger costs	1	–	–	–	(685)
Income before financial income		4,056	4,320	9,324	7,330
Financial income (expense), net	8	146	156	333	763
Income before income taxes		4,202	4,476	9,657	8,093
Effects of changes in German tax law		(247)	(263)	(812)	–
Income taxes		(1,630)	(1,736)	(3,721)	(3,014)
Total income taxes	9	(1,877)	(1,999)	(4,533)	(3,014)
Minority interests		(11)	(12)	(18)	(130)
Income before extraordinary items and cumulative effects of changes in accounting principles		2,314	2,465	5,106	4,949
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)		5,179	5,516	659	–
Losses on early extinguishment of debt, net of taxes		–	–	(19)	(129)
Cumulative effects of changes in accounting principles: transition adjustments resulting from adoption of SFAS 133 and EITF 90-20, net of taxes	10	(82)	(87)	–	–
Net income		7,411	7,894	5,746	4,820
Earnings per share	34				
Basic earnings per share					
Income before extraordinary items and cumulative effects of changes in accounting principles		2.31	2.46	5.09	5.16
Extraordinary items		5.16	5.50	0.64	(0.13)
Cumulative effects of changes in accounting principles		(0.08)	(0.09)	–	–
Net income		7.39	7.87	5.73	5.03
Diluted earnings per share					
Income before extraordinary items and cumulative effects of changes in accounting principles		2.30	2.45	5.06	5.04
Extraordinary items		5.10	5.44	0.63	(0.13)
Cumulative effects of changes in accounting principles		(0.08)	(0.09)	–	–
Net income		7.32	7.80	5.69	4.91

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

	Industrial Business Year ended December 31,			Financial Services Year ended December 31,		
	2000 €	1999 €	1998 €	2000 €	1999 €	1998 €
Revenues	147,260	139,929	124,010	15,124	10,056	7,772
Cost of sales	(120,912)	(111,668)	(99,129)	(13,896)	(8,414)	(6,174)
Gross margin	26,348	28,261	24,881	1,228	1,642	1,598
Selling, administrative and other expenses	(16,621)	(14,669)	(13,714)	(1,244)	(1,000)	(878)
Research and development	(6,337)	(5,737)	(4,971)	–	–	–
Other income	842	691	993	104	136	106
Merger costs	–	–	(685)	–	–	–
Income before financial income	4,232	8,546	6,504	88	778	826
Financial income (expense), net	166	327	740	(10)	6	23
Income before income taxes	4,398	8,873	7,244	78	784	849
Effects of changes in German tax law						
Income taxes						
Total income taxes	(2,152)	(4,340)	(2,732)	153	(193)	(282)
Minority interests	(11)	(16)	(128)	(1)	(2)	(2)
Income before extraordinary items and cumulative effects of changes in accounting principles	2,235	4,517	4,384	230	589	565
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)	(129)	–	–	–
Cumulative effects of changes in accounting principles: transition adjustments resulting from adoption of SFAS 133 and EITF 90-20, net of taxes	10	–	–	(97)	–	–
Net income	7,761	5.157	4,255	133	589	565
Earnings per share						
Basic earnings per share						
Income before extraordinary items and cumulative effects of changes in accounting principles	–	–	–	–	–	–
Extraordinary items	–	–	–	–	–	–
Cumulative effects of changes in accounting principles	–	–	–	–	–	–
Net income	–	–	–	–	–	–
Diluted earnings per share						
Income before extraordinary items and cumulative effects of changes in accounting principles	–	–	–	–	–	–
Extraordinary items	–	–	–	–	–	–
Cumulative effects of changes in accounting principles	–	–	–	–	–	–
Net income	–	–	–	–	–	–

(in millions of €, except per share amounts)

Consolidated Balance Sheets

	Note	2000 (Note 1) $	2000 €	1999 €	2000 €	1999 €	2000 €	1999 €
		Consolidated At December, 31			Industrial Business At December, 31		Financial Services At December, 31	
Assets								
Intangible assets	12	2,922	3,113	2,823	2,907	2,632	206	191
Property, plant and equipment, net	12	37,688	40,145	36,434	40,043	36,338	102	96
Investments and long-term financial assets	18	11,366	12,107	3,942	10,967	3,079	1,140	863
Equipment on operating leases, net	13	31,651	33,714	27,249	3,047	2,518	30,667	24,731
Fixed assets		83,627	89,079	70,448	56,964	44,567	32,115	25,881
Inventories	14	15,286	16,283	14,985	15,333	14,036	950	949
Trade receivables	15	7,506	7,995	8,840	7,617	8,522	378	318
Receivables from financial services	16	45,694	48,673	38,735	30	38	48,643	38,697
Other receivables	17	13,515	14,396	12,571	6,414	6,323	7,982	6,248
Securities	18	5,049	5,378	8,969	4,195	8,250	1,183	719
Cash and cash equivalents	19	6,691	7,127	9,099	6,445	8,197	682	902
Non-fixed assets		93,741	99,852	93,199	40,034	45,366	59,818	47,833
Deferred taxes	9	2,287	2,436	3,806	2,350	3,710	86	96
Prepaid expenses	21	7,423	7,907	7,214	7,782	7,076	125	138
Total assets (thereof short-therm 2000: €71,300; 1999: €70,111)		187,078	199,274	174,667	107,130	100,719	92,144	73,948
Liabilities and stockholders' equity								
Capital stock		2,449	2,609	2,565				
Additional paid-in capital		6,840	7,286	7,329				
Retained earnings		27,659	29,461	23,925				
Accumulated other comprehensive income		2,866	3,053	2,241				
Treasury stock		–	–	–				
Stockholders' equity	22	39,814	42,409	36,060	35,825	30,318	6,584	5,742
Minority interests		487	519	650	506	637	13	13
Accrued liabilities	24	34,211	36,441	37,695	35,772	37,155	669	540
Financial liabilities	25	79,594	84,783	64,488	9,508	4,400	75,275	60,088
Trade liabilities	26	14,323	15,257	15,786	14,875	15,484	382	302
Other liabilities	27	9,033	9,621	10,286	7,068	7,655	2,553	2,631
Liabilities		102,950	109,661	90,560	31,451	27,539	78,210	63,021
Deferred taxes	9	5,145	5,480	5,192	(639)	1,227	6,119	3,965
Deferred income	28	4,471	4,764	4,510	4,215	3,843	549	667
Total liabilities (thereof short-term 2000: €81,516; 1999: €83,315)		147,264	156,865	138,607	71,305	70,401	85,560	68,206
Total liabilities and stockholders' equity		187,078	199,274	174,667	107,130	100,719	92,144	73,948

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

Consolidated Statements of Changes in Stockholders' Equity

	Capital stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income: Cumulative translation adjustment	Available-for-sale securities	Derivative financial instru-ments	Minimum pension liability	Treasury stock	Total
Balance at January 1, 1998	2,391	2,958	21,892	893	269	–	(19)	(424)	27,960
Net income	–	–	4,820	–	–	–	–	–	4,820
Other comprehensive income (loss)	–	–	–	(1,402)	259	–	(1)	–	(1,144)
Total comprehensive income									3,676
Issuance of capital stock	163	3,913	–	–	–	–	–	–	4,076
Purchase and retirement of capital stock	–	–	–	–	–	–	–	(169)	(169)
Re-issuance of treasury stock	–	538	–	–	–	–	–	482	1,020
Dividends	–	–	(1,086)	–	–	–	–	–	(1,086)
Special distribution	–	–	(5,284)	–	–	–	–	–	(5,284)
Other	7	(135)	191	–	–	–	–	111	174
Balance at December 31, 1998	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

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

(in millions of €, except per share amounts)

Consolidated Statements of Cash Flows

	Consolidated Year ended December 31, 2000 (Note 1) $	2000 €	1999 €	1998 €
Net income	7,411	7,894	5,746	4,820
Income applicable to minority interests	11	12	18	130
Adjustments to reconcile net income to net cash provided by operating activities:				
Gains on disposals of businesses (see also Note 11)	(5,227)	(5,568)	(1,181)	(296)
Depreciation and amortization of equipment on operating leases	6,090	6,487	3,315	1,972
Depreciation and amortization of fixed assets	6,695	7,131	6,035	5,359
Change in deferred taxes	1,145	1,220	2,402	1,959
Equity income (loss) from associated companies	229	244	(23)	(59)
Cumulative effects of changes in accounting principles	82	87	–	–
Losses on early extinguishment of debt (extraordinary item)	–	–	19	129
Change in financial instruments	(84)	(90)	247	(191)
(Gains) losses on disposals of fixed assets/securities	(427)	(455)	(1,215)	(368)
Change in trading securities	21	22	495	251
Change in accrued liabilities	1,669	1,778	4,001	1,419
Changes in other operating assets and liabilities:				
– inventories, net	(822)	(876)	(2,436)	(976)
– trade receivables	(686)	(731)	(733)	(688)
– trade liabilities	(398)	(424)	1,331	1,827
– other assets and liabilities	(672)	(714)	2	1,393
Cash provided by operating activities	15,037	16,017	18,023	16,681
Purchases of fixed assets:				
– Increase in equipment on operating leases	(17,947)	(19,117)	(19,336)	(10,245)
– Purchases of property, plant and equipment	(9,756)	(10,392)	(9,470)	(8,155)
– Purchases of other fixed assets	(451)	(480)	(645)	(305)
Proceeds from disposals of equipment on operating leases	7,778	8,285	6,575	4,903
Proceeds from disposals of fixed assets	809	862	507	515
Payments for investments in businesses	(4,584)	(4,883)	(1,289)	(857)
Proceeds from disposals of businesses	292	311	1,336	685
Change in cash from exchange of businesses	(1,268)	(1,351)	–	–
Additions to receivables from financial services	(109,377)	(116,507)	(102,140)	(81,196)
Repayments of receivables from financial services:				
– Finance receivables collected	41,566	44,276	41,928	33,784
– Proceeds from sales of finance receivables	59,754	63,649	51,843	40,950
Acquisitions of securities (other than trading)	(7,309)	(7,786)	(4,395)	(4,617)
Proceeds from sales of securities (other than trading)	9,598	10,224	3,719	2,734
Change in other cash	188	200	(743)	(1,641)
Cash used for investing activities	(30,707)	(32,709)	(32,110)	(23,445)
Change in commercial paper borrowings and short-therm financial liabilities	(3,039)	(3,238)	9,333	2,503
Additions to long-term financial liabilities	27,466	29,257	13,340	9,491
Repayment of financial liabilities	(8,592)	(9,152)	(4,611)	(4,126)
Dividends paid (including profit transferred from subsidiaries)	(2,233)	(2,379)	(2,378)	(6,454)
Proceeds from issuance of capital stock (including minority interests)	105	112	164	4,076
Purchase of treasury stock	(83)	(88)	(86)	(169)
Proceeds from special distribution tax refund	–	–	–	1,487
Cash provided by (used for) financing activities	13,624	14,512	15,762	6,808
Effect of foreign exchange rate changes on cash and cash equivalents (maturing within 3 months)	470	501	805	(397)
Net incrase (decrease) in cash and cash equivalents (maturing within 3 months)	(1,576)	(1,679)	2,480	(353)
Cash and cash equivalents (maturing within 3 months)				
At beginning of period	8,225	8,761	6,281	6,634
At end of period	6,649	7,082	8,761	6,281

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

	Industrial Business Year ended December 31, 2000 €	1999 €	1998 €	Financial Services Year ended December 31, 2000 €	1999 €	1998 €
Net income	7,761	5,157	4,255	133	589	565
Income applicable to minority interests	11	16	128	1	2	2
Adjustments to reconcile net income to net cash provided by operating activities:						
Gains on disposals of businesses (see also Note 11)	(5,568)	(1,181)	(296)	–	–	–
Depreciation and amortization of equipment on operating leases	207	68	45	6,280	3,247	1,927
Depreciation and amortization of fixed assets	7,047	5,966	5,321	84	69	38
Change in deferred taxes	590	1,496	1,560	630	906	399
Equity income (loss) from associated companies	185	(10)	(38)	59	(13)	(21)
Cumulative effects of changes in accounting principles	(10)	–	–	97	–	–
Losses on early extinguishment of debt (extraordinary item)	–	19	129	–	–	–
Change in financial instruments	(76)	247	(191)	(14)	–	–
(Gains) losses on disposals of fixed assets/securities	(454)	(1,213)	(317)	(1)	(2)	(51)
Change in trading securities	22	495	251	–	–	–
Change in accrued liabilities	1,742	3,913	1,375	36	88	44
Changes in other operating assets and liabilities:						
– inventories, net	(725)	(2,387)	(1,040)	(151)	(49)	64
– trade receivables	(698)	(541)	(812)	(33)	(192)	124
– trade liabilities	(498)	1,222	1,668	74	109	159
– other assets and liabilities	(623)	(166)	36	(91)	168	1,357
Cash provided by operating activities	8,913	13,101	12,074	7,104	4,922	4,607
Purchases of fixed assets:						
– Increase in equipment on operating leases	(3,566)	(2,935)	(2,538)	(15,551)	(16,401)	(7,707)
– Purchases of property, plant and equipment	(10,340)	(9,407)	(8,118)	(52)	(63)	(37)
– Purchases of other fixed assets	(422)	(524)	(245)	(58)	(121)	(60)
Proceeds from disposals of equipment on operating leases	3,374	3,007	2,548	4,911	3,568	2,355
Proceeds from disposals of fixed assets	836	411	500	26	96	15
Payments for investments in businesses	(4,723)	(1,145)	(814)	(160)	(144)	(43)
Proceeds from disposals of businesses	298	1,336	682	13	–	3
Change in cash from exchange of businesses	(1,351)	–	–	–	–	–
Additions to receivables from financial services	133	(28)	63	(116,640)	(102,112)	(81,259)
Repayments of receivables from financial services:						
– Finance receivables collected	–	–	–	44,276	41,928	33,784
– Proceeds from sales of finance receivables	–	–	–	63,649	51,843	40,950
Acquisitions of securities (other than trading)	(5,594)	(3,958)	(2,015)	(2,192)	(437)	(2,602)
Proceeds from sales of securities (other than trading)	8,355	3,333	247	1,869	386	2,487
Change in other cash	385	(462)	(1,455)	(185)	(281)	(186)
Cash used for investing activities	(12,615)	(10,372)	(11,145)	(20,094)	(21,738)	(12,300)
Change in commercial paper borrowings and short-therm financial liabilities	(393)	(260)	(1,136)	(2,845)	9,593	3,639
Additions to long-term financial liabilities	2,523	918	322	26,734	12,422	9,169
Repayment of financial liabilities	2,324	439	944	(11,476)	(5,050)	(5,070)
Dividends paid (including profit transferred from subsidiaries)	(2,370)	(2,373)	(5,865)	(9)	(5)	(589)
Proceeds from issuance of capital stock (including minority interests)	(224)	82	3,561	336	82	515
Purchase of treasury stock	(88)	(86)	(169)	–	–	–
Proceeds from special distribution tax refund	–	–	1,487	–	–	–
Cash provided by (used for) financing activities	1,772	(1,280)	(856)	12,740	17,042	7,664
Effect of foreign exchange rate changes on cash and cash equivalents (maturing within 3 months)	471	750	(371)	30	55	(26)
Net incrase (decrease) in cash and cash equivalents (maturing within 3 months)	(1,459)	2,199	(298)	(220)	281	(55)
Cash and cash equivalents (maturing within 3 months)						
At beginning of period	7,859	5,660	5,958	902	621	676
At end of period	6,400	7,859	5,660	682	902	621

(in millions of €, except per share amounts)

Consolidated Fixed Assets Schedule

	Acquisition or Manufacturing Costs						
	Balance at January 1, 2000	Currency change	Change in consolidated companies	Additions	Reclassi-fications	Disposals	Balance at December 31, 2000
Other intangible assets	983	23	(190)	163	9	108	880
Goodwill	4,061	192	81	81	40	42	4,413
Intangible assets	5,044	215	(109)	244	49	150	5,293
Land, leasehold improvements and buildings including buildings on land owned by others	20,232	545	(1,977)	1,336	486	316	20,306
Technical equipment and machinery	30,673	1,247	(1,421)	3,970	741	1,476	33,734
Other equipment, factory and office equipment	20,416	870	(1,434)	3,525	300	2,797	20,880
Advance payments relating to plant and equipment and construction in progress	7,100	455	(137)	1,591	(1,583)	125	7,301
Property, plant and equipment	78,421	3,117	(4,969)	10,422	(56)	4,714	82,221
Investments in affiliated companies	1,062	19	(68)	339	(35)	405	912
Loans to affiliated companies	42	–	27	119	(2)	49	137
Investments in associated companies	546	19	5,452	2,930	(4)	747	8,196
Investments in related companies	1,323	57	(106)	905	(1)	409	1,769
Loans to associated and related companies	220	11	(37)	114	–	3	305
Long-term securities	785	–	(2)	142	–	8	917
Other loans	373	10	(89)	85	2	188	193
Investments and long-term financial assets	4,351	116	5,177	4,634	(40)	1,809	12,429
Equipment on operating leases[2]	32,678	2,082	(21)	19,117	47	11,296	42,607

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

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

Balance at January 1, 2000	Currency change	Change in consolidated companies	Additions	Reclassi-fications	Disposals	Balance at December 31, 2000	Balance at December 31, 2000	Balance at December 31, 1999	
Depreciations/Amortization							Book Value[1])		
519	8	(156)	153	(5)	66	453	427	464	Other intangible assets
1,702	74	(328)	279	8	8	1,727	2,686	2,359	Goodwill
2,221	**82**	**(484)**	**432**	**3**	**74**	**2,180**	**3,113**	**2,823**	**Intangible assets**
9,159	171	(1,435)	823	6	122	8,602	11,704	11,073	Land, leasehold improvements and buildings including buildings on land owned by others
19,575	602	(1,194)	3,122	(31)	1,240	20,834	12,900	11,098	Technical equipment and machinery
13,252	474	(1,167)	2,693	30	2,648	12,634	8,246	7,164	Other equipment, factory and office equipment
1	(1)	(1)	7	–	–	6	7,295	7,099	Advance payments relating to plant and equipment and construction in progress
41,987	**1,246**	**(3,797)**	**6,645**	**5**	**4,010**	**42,076**	**40,145**	**36,434**	**Property, plant and equipment**
117	–	(22)	33	(2)	6	120	792	945	Investments in affiliated companies
4	–	–	–	–	4	–	137	38	Loans to affiliated companies
16	2	(19)	1	–	–	–	8,196	530	Investments in associated companies
216	1	(24)	20	(6)	15	192	1,577	1,107	Investments in related companies
38	(1)	(37)	–	–	–	–	305	182	Loans to associated and related companies
1	–	–	–	–	–	1	916	784	Long-term securities
17	–	(6)	–	–	2	9	184	356	Other loans
409	**2**	**(108)**	**54**	**(8)**	**27**	**322**	**12,107**	**3,942**	**Investments and long-term financial assets**
5,574	**324**	**1**	**6,487**	**–**	**3,313**	**9,073**	**33,534**	**27,104**	**Equipment on operating leases[2])**

(in millions of €, except per share amounts)

Notes to Consolidated Financial Statements

BASIS OF PRESENTATION

1. THE COMPANY

The consolidated financial statements of DaimlerChrysler AG ("DaimlerChrysler" or the "Group") have been prepared in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP"), except that in 1998 the Group accounted for a material joint venture in accordance with the proportionate method of consolidation (see Note 3). All amounts herein are shown in millions of euros and for the year 2000 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 = $0.9388, the Noon Buying Rate of the Federal Reserve Bank of New York on December 29, 2000.

Certain prior year balances have been reclassified to conform with the Group's current year presentation. DaimlerChrysler was formed through the merger of Daimler-Benz Aktiengesellschaft ("Daimler-Benz") and Chrysler Corporation ("Chrysler") in November 1998 ("Merger"). Pursuant to the amended and restated business combination agreement dated May 7, 1998, 1.005 Ordinary Shares, no par value ("DaimlerChrysler Ordinary Share"), of DaimlerChrysler were issued for each outstanding Ordinary Share of Daimler-Benz and 0.6235 DaimlerChrysler Ordinary Shares were issued for each outstanding share of Chrysler common stock, stock options and performance shares. DaimlerChrysler issued 1,001.7 million Ordinary Shares in connection with these transactions.

The Merger was accounted for as a pooling of interests and accordingly, the historical results of Daimler-Benz and Chrysler for 1998 have been restated as if the companies had been combined for all periods presented. In connection with the Merger, €685 of merger costs (€401 after tax) were incurred and charged to expense in 1998. These costs consisted primarily of fees for investment bankers, attorneys, accountants, financial printing, accelerated management compensation and other related charges.

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 significantly influenced by activities of the financial services businesses. To enhance the readers' understanding of the Group's consolidated financial statements, the accompanying financial statements present, in addition to the consolidated financial statements, 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 businesses 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and the ability to exercise significant influence over operating and financial policies ("associated companies") are accounted for using the equity method. For a material joint venture in 1998, DaimlerChrysler used the proportionate method of consolidation (see Note 3). All other investments are accounted for at cost.

For business combinations accounted for under the purchase accounting method, all assets acquired and liabilities assumed are recorded at fair value. An excess of the purchase price over the fair value of net assets acquired is capitalized as goodwill and amortized over the estimated period of benefit on a straight-line basis.

The effects of intercompany transactions have been eliminated.

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 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 periods 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 income. Further, in such economies, depreciation and gains and losses from the disposal of non-monetary assets are determined using historical rates.
The exchange rates of the significant currencies of non-euro countries used in preparation of the consolidated financial statements were as follows (amounts for the year 1998 have been restated from Deutsche Marks into euros using the Official Fixed Conversion Rate of €1 = DM1.95583):

		Exchange rate at December 31,		Annual average exchange rate		
		2000	**1999**	**2000**	**1999**	**1998**
Currency:		**€1 =**	**€1 =**	**€1 =**	**€1 =**	**€1 =**
Brazil	BRL	**1.84**	**1.80**	**1.69**	**1.93**	**1.29**
Great Britain	GBP	**0.62**	**0.62**	**0.61**	**0.66**	**0.67**
Japan	JPY	**106.92**	**102.73**	**99.47**	**121.25**	**144.96**
USA	USD	**0.93**	**1.00**	**0.92**	**1.07**	**1.11**

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 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.

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 Subsidiary Stock – Gains resulting from the issuance of stock by a Group subsidiary or equity method investment which reduces DaimlerChrysler's percentage ownership are recorded in the statement of income.

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 34). Net income represents the earnings of the Group after minority interests. Basic and diluted earnings per Ordinary Share for the year ended December 31, 1998 have been restated to reflect the conversion of Daimler-Benz and Chrysler shares into DaimlerChrysler Ordinary Shares (see Note 1) and the dilutive effect resulting from the discount to market value at which the Daimler-Benz Ordinary Shares were sold in the rights offering (see Note 22).

(in millions of €, except per share amounts)

Intangible Assets – Purchased intangible assets, other than goodwill, are valued at acquisition cost and are amortized over their respective useful lives (3 to 40 years) on a straight-line basis. Goodwill derived from acquisitions is capitalized and amortized over 3 to 40 years. The Group periodically assesses the recoverability of its goodwill based upon projected future cash flows.

Property, Plant and Equipment – Property, plant and equipment is valued at acquisition or manufacturing costs less accumulated depreciation. Depreciation expense is recognized either using 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 – 17 to 50 years; site improvements – 8 to 20 years; technical equipment and machinery – 3 to 30 years; and other equipment, factory and office equipment – 2 to 15 years.

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 3 to 14 years using the straight-line method.

Long-Lived Assets – The Group accounts for long-lived assets in accordance with the provisions of Statement of Financial Accounting Standards ("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 by 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 of 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 values, if readily determinable. Unrealized gains and losses on trading securities, representing securities bought principally for the purposes of selling them in the near term, are included in income. Unrealized gains and losses on available-for-sale securities are included in accumulated other comprehensive income, net of applicable deferred income taxes. All other securities are recorded at cost. Unrealized losses on all marketable securities and investments that are other than temporary are recognized in income.

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 income 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 income. 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 and currency risks of identifiable assets, liabilities, or firm commitments, did not affect income until the underlying transaction was realized. Further information of the Group's financial instruments is included in Note 31.

Accrued Liabilities – The valuation of pension liabilities 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. The effects of 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.

New Accounting Pronouncements – In September 2000, the 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 revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain financial statement disclosures. SFAS 140 is effective for transactions occurring after March 31, 2001. The new disclosure requirements are effective for fiscal years ending after December 15, 2000. Adoption of this replacement standard is not anticipated to have a material effect on DaimlerChrysler's consolidated financial statements (see Note 32).

As of July 1, 2000, DaimlerChrysler adopted Emerging Issues Task Force Issue No. 99-20 ("EITF 99-20"), "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets." EITF 99-20 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 (see Note 10).

In July 2000, the Emerging Issues Task Force reached a final consensus on Issue 00-10, "Accounting for Shipping and Handling Fees and Costs." The Issue requires that all amounts billed to the customer in a sale transaction related to shipping and handling, if any, represent revenues earned for the goods provided and should be classified as revenue. DaimlerChrysler adopted the consensus effective October 1, 2000. Adoption of Issue 00-10 did not have a material impact on the Group's consolidated financial statements. With the adoption of EITF 00-10, DaimlerChrysler has elected to reclassify shipping and handling costs from selling expenses to cost of sales for all years presented. DaimlerChrysler classifies amounts billed to a customer in a sale transaction related to shipping and handling as revenue.

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 is effective for DaimlerChrysler in its financial statements beginning April 1, 2001, with earlier adoption encouraged. DaimlerChrysler will apply the consensus prospectively in 2001. DaimlerChrysler is currently determining the impact of the adoption of Issue 00-14 on the Group's consolidated financial statements.

3. SCOPE OF CONSOLIDATION

Scope of Consolidation - DaimlerChrysler comprises 485 foreign and domestic subsidiaries (1999: 549) and 1 joint venture (1999: 16); the latter is accounted for on a pro rata basis. A total of 108 (1999: 55) subsidiaries are accounted for in the consolidated financial statements using the equity method of accounting. During 2000, 45 subsidiaries and 1 joint venture were included in the consolidated financial statements for the first time. A total of 113 subsidiaries and 16 joint ventures 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 are explained further in the notes to the consolidated financial statements. A total of 255 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 (1999: 343). The effect of such non-consolidated subsidiaries for all years presented on consolidated assets, revenues and net income of DaimlerChrysler was approximately 1%. In addition, 6 (1999: 7) companies administering pension funds whose assets are subject to restrictions have not been included in the consolidated financial statements. The consolidated financial statements include 74 associated companies (1999: 109) 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.

Investment in Adtranz – In the first quarter of 1999, DaimlerChrysler acquired the remaining outstanding shares of Adtranz, a rail systems joint venture, from Asea Brown Boveri for $472 (€441). The acquisition was accounted for under the purchase method of accounting. The purchase price was allocated to assets acquired and liabilities assumed based on their estimated fair values. This allocation resulted in goodwill of €100, which is being amortized on a straight-line basis over 17 years. Prior to the acquisition in 1999, the Group accounted for its investment in Adtranz, including its 65 subsidiaries, using the proportionate method of consolidation. Accordingly, the consolidated financial statements of DaimlerChrysler for the year ended December 31, 1998 included DaimlerChrysler's 50% interest in the assets and liabilities, revenues and expenses and cash flows of Adtranz.

(in millions of €, except per share amounts)

Under U.S. GAAP, DaimlerChrysler's investment in Adtranz was required to be accounted for using the equity method of accounting. The differences in accounting treatment between the proportionate and equity methods would not have affected reported stockholders' equity or net income of DaimlerChrysler. Under the equity method of accounting, DaimlerChrysler's net investment in Adtranz would have been included within investments in the balance sheet and its share of the net loss of Adtranz together with the amortization of the excess of the cost of its investment over its share of the investment's net assets would have been reported as part of financial income, net in the Group's statement of income. Additionally, Adtranz would have impacted the Group's reported cash flows only to the extent of the investing cash outflow in 1998 of €159 resulting from a capital contribution by DaimlerChrysler. For purposes of its United States financial reporting obligation, DaimlerChrysler requested and received permission from the United States Securities and Exchange Commission to prepare its 1998 consolidated financial statements with this departure from U.S. GAAP. Summarized consolidated financial information of Adtranz follows for the year ended December 31, 1998. The amounts represent those used in the DaimlerChrysler consolidation, including goodwill resulting from the formation of Adtranz. Other companies included in the consolidated financial statements according to the proportionate method are not material.

Statement of income information	Year ended December 31, 1998
Revenues	1,658
Operating loss[1])	(322)
Net loss	(316)

[1]) The operating loss for 1998 includes impairment charge on goodwill of €64.

Cash flow information	Year ended December 31, 1998
Cash flows from:	
Operating activities	(130)
Investing activities	(84)
Financing activities	161
Effect of foreign exchange on cash	(2)
Change in cash (maturing within 3 months)	(55)
Cash (maturing within 3 months) at beginning of period	155
Cash (maturing within 3 months) at end of period	100

In 1998, cash maturing within 3 months includes €30 held by DaimlerChrysler AG in connection with internal cash concentration procedures.

In August 2000, DaimlerChrysler entered into an agreement to sell Adtranz (see Note 35).

4. EQUITY METHOD INVESTMENTS

At December 31, 2000, the significant investments in companies accounted for under the equity method were the following:

Company	Ownership Percentage
European Aeronautic Defence and Space Company ("EADS")	33.0%
Mitsubishi Motors Corporation ("MMC")	34.0%
debis Systemhaus ("dSH")	49.9%

Further information with respect to the transactions which resulted in the Group's holdings in EADS, MMC and dSH is presented in Note 5 *(Acquisitions and Dispositions)* and Note 11 *(Extraordinary Items)*. The aggregate quoted market prices as of December 31, 2000, for DaimlerChrysler's shares in EADS and MMC were €5,974 and €1,543, respectively.

The carrying value of the significant investments exceeded DaimlerChrysler's share of the underlying reported net assets by approximately €1,268 at December 31, 2000. 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. Goodwill is being amortized over 20 years.

The following tables present the combined, summarized financial information for the Group's significant equity method investments (amounts shown on a 100% basis):

Income statement information (for period included at equity):	Periods ended December 31, 2000
Revenues	19,213
Net loss	(590)

Balance sheet information:	At December 31, 2000
Fixed assets	34,161
Non-fixed assets	43,423
Total assets	77,584
Stockholders' equity	16,377
Minority interests	358
Accrued liabilities	16,718
Other Liabilities	44,131
Total liabilities and stockholders' equity	77,584

5. ACQUISITIONS AND DISPOSITIONS

Information on the sale of Adtranz' fixed installations business is included in Note 11.

On October 18, 2000, DaimlerChrysler acquired a 34% equity interest in MMC for approximately €2,200. At the closing date of the transaction, the Group also purchased MMC bonds with an aggregate face value of JPY19,200 and a stated interest rate of 1.7% for €206, 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 October 2000, DaimlerChrysler acquired all the remaining outstanding shares of Detroit Diesel Corporation for approximately €500. The acquisition of the remaining 78.6% interest in Detroit Diesel was accounted for under the purchase method of accounting and resulted in goodwill of approximately €250, which is being amortized on a straight-line basis over 20 years.

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 debis Systemhaus through a capital investment in debis Systemhaus (see Note 11).

In September 2000, DaimlerChrysler purchased a 9% equity interest in Hyundai Motor Company for approximately €450. DaimlerChrysler 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. The acquisition was accounted for under the purchase method of accounting and resulted in goodwill of approximately €380, which is being amortized on a straight-line basis over 20 years.

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 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, debis AG, a wholly-owned subsidiary of DaimlerChrysler, reduced its remaining interest in debitel AG to 10% (see Note 11).

Information on the acquisition of the remaining outstanding shares of Adtranz in 1999 is included in Note 3.

In March 1998, the Group's semiconductor business was sold to an American company, Vishay Intertechnology, Inc. Also, during 1998 the Group sold further interests, including the sale of 30% of its interests in LFK-Lenkflugkörpersysteme GmbH and 100% of its interests in CMS, Inc. and two real-estate-project-companies. The total pretax gains from these dispositions were approximately €300.

(in millions of €, except per share amounts)

Notes to Consolidated Statements of Income

6. FUNCTIONAL COSTS AND OTHER EXPENSES

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

Year ended December 31,	2000	1999	1998
Selling expenses	11,423	9,881	8,463
Administration expenses	5,726	5,145	5,217
Goodwill amortization and write-downs	279	215	227
Other expenses	437	428	685
	17,865	15,669	14,592

Other expenses in 1998 includes €229 related to settlement payments of Airbus obligations by DaimlerChrysler Aerospace Airbus GmbH to the Federal Republic of Germany.

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 view of the "Z-Car" project, 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. 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 were recorded related to fixed cost reimbursement agreements with MCC smart suppliers. The charges were recorded in cost of sales (€494) and other expenses (€42).

In 2000, DaimlerChrysler recorded an impairment charge in cost of sales of approximately €500 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 are comprised of:

Year ended December 31,	2000	1999	1998
Wages and salaries	21,836	21,044	19,982
Social levies	3,428	3,179	2,990
Net periodic pension cost (see Note 24a)	327	931	1,126
Net periodic postretirement benefit cost (see Note 24a)	830	783	866
Other expenses for pensions and retirements	79	221	69
	26,500	26,158	25,033

Number of employees (annual average):

Year ended December 31,	2000	1999	1998
Hourly employees	270,814	279,124	268,764
Salaried employees	165,117	170,539	152,415
Trainees/apprentices	13,663	13,898	12,760
	449,594	463,561	433,939

In 2000, 28 people (1999: 14,851 people; 1998: 36,024 people) were employed in joint venture companies.

In 2000, the total remuneration paid by Group companies to the members of the Board of Management of DaimlerChrysler AG amounted to €52.6, and the remuneration paid to the members of the Supervisory Board of DaimlerChrysler AG totaled €1.2. Disbursements to former members of the Board of Management of DaimlerChrysler AG and their survivors amounted to €29.5. An amount of €137.4 has been accrued in the financial statements of DaimlerChrysler AG for pension obligations to former members of the Board of Management and their survivors. As of December 31, 2000, no advances or loans existed to members of the Board of Management of DaimlerChrysler AG.

7. OTHER INCOME

Other income includes gains on sales of property, plant and equipment (€106, €132 and €99 in 2000, 1999 and 1998, respectively) and rental income, other than relating to financial services leasing activities (€178, €153 and €138 in 2000, 1999 and 1998, respectively). In 1998 gains on sales of companies of €389 were recognized in other income.

8. FINANCIAL INCOME, NET

	Year ended December 31, 2000	1999	1998
Income (loss) from investments of which from affiliated companies €24 (1999: €41; 1998: €(20))	73	19	(111)
Gains, net from disposals of investements and shares in affiliated and associated companies	1	41	37
Write-down of investments and shares in affiliated companies	(54)	(19)	(55)
Income (loss) from companies included at equity	(244)	23	59
Income (loss) from investments, net	(224)	64	(70)
Other interest and similar income of which from affiliated companies €20(1999: €17; 1998: €13)	1,268	1,382	1,327
Interest and similar expenses	(988)	(729)	(702)
Interest income, net	280	653	625
Income from securities and long-term receivables	161	913	231
Write-down of securities and long-term receivables	(3)	(17)	(10)
Other, net	(58)	(1,280)	(13)
Other financial income (loss), net	100	(384)	208
	156	333	763

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

The Group capitalized interest expenses related to qualifying construction projects of €181 (1999: €163; 1998: €186).

(in millions of €, except per share amounts)

9. INCOME TAXES

Income before income taxes consists of the following:

	Year ended December 31, 2000	1999	1998
Income before income taxes			
Germany	2,729	2,688	2,229
Foreign	1,747	6,969	5,864
	4,476	9,657	8,093

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

	Year ended December 31, 2000	1999	1998
Current taxes			
Germany	(45)	1,074	(267)
Foreign	1,160	1,538	1,322
Deferred taxes			
Germany	1,490	836	967
Foreign	(606)	1,085	992
	1,999	4,533	3,014

In 2000, the German government enacted new tax legislation which, among other changes, will reduce 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 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 is included in the consolidated statement of income in 2000. The effects of the reduction in the tax rate resulted in deferred tax expense of €373. The exemption from tax for certain gains from the sale of shares resulted in deferred tax benefit of €110 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 in the consolidated statement of income 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. The broadening of the tax base resulted in tax expense of €522.

For the year ending December 31, 2000, the German corporate tax law applied a split-rate imputation with regard to the taxation of the income of a corporation. In accordance with the tax law in effect for fiscal year 2000, retained corporate income is initially subject to a federal corporate tax of 40% (1999: 40%; 1998: 45%) 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 amounts to 42.2% (1999: 42.2%; 1998: 47.475%). Upon distribution of certain retained earnings generated in Germany to stockholders, the corporate income tax rate on the earnings is 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 or pay additional taxes on the distribution of retained earnings which existed as of December 31, 2000.

For German companies, the deferred taxes at December 31, 2000 are calculated using a federal corporate tax of 25% (1999: 40%; 1998: 45%) 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% (1999: 9.3%; 1998: 8.525%). Including the impact of the surcharge and the trade tax, the tax rate applied to German deferred taxes amounts to 38.5% (1999: 51.5%; 1998: 56%). The effect of the tax rate reductions in 2000 and 1999 on deferred tax balances are reflected separately in the reconciliations presented below.

A reconciliation of income taxes determined using the German corporate tax rate of 42.2% (1999: 42.2%; 1998: 47.475%) plus the after federal tax benefit rate for trade taxes of 9.3% (1999: 9.3%; 1998: 8.525%) for a combined statutory rate of 51.5% in 2000 (1999: 51.5%; 1998: 56%) is as follows:

	Year ended December 31,		
	2000	1999	1998
Expected expense for income taxes	2,305	4,973	4,532
Effect of changes in German tax laws	263	812	–
Credit for dividend distributions	(486)	(500)	(515)
Foreign tax rate differential	(346)	(966)	(1,012)
Changes in valuation allowances on German deferred tax assets	–	23	112
Effects of equity method investments	113	(12)	(30)
Amortization of non-deductible goodwill	52	33	78
Other	98	170	(151)
Actual expense for income taxes	1,999	4,533	3,014

Income tax credits from dividend distributions reflected mainly the tax benefits from the dividend distributions of €2.35 per Ordinary Share to be paid for each year.

Deferred income tax assets and liabilities are summarized as follows:

	December 31,	
	2000	1999
Property, plant and equipment	463	1,217
Equipment on operating leases	800	920
Inventories	664	1,424
Receivables	2,200	993
Net operating loss and tax credit carryforwards	915	1,011
Retirement plans	3,539	3,984
Other accrued liabilities	4,756	4,248
Liabilities	1,113	1,482
Deferred income	1,330	1,246
Other	471	568
	16,251	17,093
Valuation allowances	(335)	(363)
Deferred tax assets	15,916	16,730
Property, plant and equipment	(3,609)	(3,346)
Equipment on operating leases	(7,569)	(5,600)
Receivables	(2,386)	(3,278)
Prepaid expenses	(481)	(508)
Retirement plans	(2,325)	(2,187)
Other accrued liabilities	(1,010)	(671)
Taxes on undistributed earnings of foreign subsidiaries	(486)	(520)
Other	(1,094)	(2,006)
Deferred tax liabilities	(18,960)	(18,116)
Deferred tax liabilities, net	(3,044)	(1,386)

At December 31, 2000, the Group had corporate tax net operating losses ("NOLs") and credit carryforwards amounting to €2,309 (1999: €2,232) and German trade tax NOLs amounting to €1,882 (1999: €1,352). The corporate tax NOLs and credit carryforwards relate to losses of foreign and domestic non-Organschaft companies and are partly limited in their use to the Group. The valuation allowances on deferred tax assets of foreign and domestic operations decreased by €28. 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:

	December 31, 2000 Total	December 31, 2000 thereof non-current	December 31, 1999 Total	December 31, 1999 thereof non-current
Deferred tax assets	2,436	1,576	3,806	2,937
Deferred tax liabilities	(5,480)	(4,938)	(5,192)	(4,689)
Deferred tax liabilities, net	(3,044)	(3,362)	(1,386)	(1,752)

DaimlerChrysler provided foreign withholding taxes of €351 (1999: €343) on €7,028 (1999: €6,868) in cumulative undistributed earnings of foreign subsidiaries and additional German tax of €135 (1999: €177) on the future payout of these foreign dividends because these earnings are not intended to be permanently reinvested in those operations. Beginning in 1999, the German tax law requires that deductible expenses are reduced by 5% of foreign dividends received.

The Group did not provide income taxes or foreign withholding taxes on €15,543 (1999: €13,224) in cumulative earnings of foreign subsidiaries because these 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, the expense (benefit) for income taxes consists of the following:

	Year ended December 31, 2000	1999	1998
Expense for income taxes before extraordinary items	1,999	4,533	3,014
Income tax expense (benefit) of extraordinary items	324	470	(78)
Changes in accounting principles	(53)	–	–
Stockholders' equity for employee stock option expense in excess of amounts recognized for financial purposes	–	(31)	(212)
Stockholders' equity for items of other comprehensive income	(338)	(155)	296
	1,932	4,817	3,020

(in millions of €, except per share amounts)

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 (net of income tax benefits of €58).

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 (net of income tax expense of €5) in the statement of income and a net transition adjustment loss of €349 (net of income tax benefit of €367) in accumulated other comprehensive income. Adoption of SFAS 138 did not have an impact on the Group's consolidated statement of income.

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 resulting in an extraordinary after-tax gain of €89 (net of income tax expense of €52).

In October 2000, DaimlerChrysler and Deutsche Telekom combined their information technology activities in a joint venture. In accordance with an agreements announced on March 27, 2000, Deutsche Telekom received a 50.1% interest in dSH through an investment of approximately €4,600 for new shares of dSH. The agreements require a minimum annual dividend to be paid to DaimlerChrysler for each year through 2004. 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 remaining 49.9% interest in dSH. The Deutsche Telekom option is exercisable from January 1, 2002 through January 1, 2005, with the exercise period subject to a delay of up to two years at the option of the Group. The DaimlerChrysler option is exercisable from October 1, 2000 through January 1, 2005. The price for the purchase of the remaining 49.9% interest ranges from €4,600 to €4,900, depending upon when the option is exercised and various other factors. In 2000, the transaction resulted in an extraordinary after-tax gain of €2,345.

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. 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 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 in Ballard to 19%. The dilution of its ownership interest resulted in an extraordinary gain of €73.

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

The gains from each of the foregoing transactions are reported as extraordinary items 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 of accounting.

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

In December 1998, DaimlerChrysler extinguished €257 of the outstanding principal amount of its Auburn Hills Trust Guaranteed Exchangeable Certificates due 2020 (the "Certificates") at a cost of €454. The extinguishment of the Certificates resulted in an extraordinary after tax loss of €129 (net of income tax benefit of €78).

Notes to the 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 €140 (1999: €368). Depreciation expense and impairment charges on assets under capital lease arrangements were €188 (1999: €32; 1998: €38).

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, €32,639 represent automobiles and commercial vehicles (1999: €26,409).

Noncancellable future lease payments due from customers for equipment on operating leases at December 31, 2000 are as follows:

2001	6,924
2002	4,663
2003	1,954
2004	678
2005	241
thereafter	265
	14,725

(in millions of €, except per share amounts)

14. INVENTORIES

	At December 31, 2000	1999
Raw materials and manufacturing supplies	2,495	2,602
Work-in-process thereof relating to long-term contracts and programs in process €1,967 (1999: €2,000)	5,232	6,285
Finished goods, parts and products held for resale	10,726	9,887
Advance payments to suppliers	309	518
	18,762	19,292
Less: Advance payments received thereof relating to long-term contracts and programs in process €608 (1999: €1,166)	(2,479)	(4,307)
	16,283	14,985

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 €1,058 (1999: €691).

15. TRADE RECEIVABLES

	At December 31, 2000	1999
Receivable from sales of goods and services	8,506	8,859
Long-term contracts and programs, unbilled, net of advance payments received	200	779
	8,706	9,638
Allowance for doubtful accounts	(711)	(798)
	7,995	8,840

As of December 31, 2000, €261 of the trade receivables mature after more than one year (1999: €469).

16. RECEIVABLES FROM FINANCIAL SERVICES

	At December 31, 2000	1999
Receivables from:		
Sales financing	37,193	32,696
Finance leases	19,031	11,440
	56,224	44,136
Initial direct costs	177	143
Unearned income	(8,021)	(5,977)
Unguaranteed residual value of leased assets	1,183	1,032
	49,563	39,334
Allowance for doubtful accounts	(890)	(599)
	48,673	38,735

As of December 31, 2000, €28,138 of the financing receivables mature after more than one year (1999: €21,194).

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, 2000 are as follows:

2001	22,235
2002	10,416
2003	8,249
2004	5,053
2005	2,662
thereafter	7,609
	56,224

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

17. OTHER RECEIVABLES

	At December 31, 2000	1999
Receivables from affiliated companies	1,341	850
Receivables from related companies[1])	1,379	1,250
Retained interests in sold receivables and subordinated asset backed certificates	4,872	4,006
Other receivables and other assets	7,761	7,592
	15,353	13,698
Allowance for doubtful accounts	(957)	(1,127)
	14,396	12,571

[1]) 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, 2000, €2,101 of the other receivables mature after more than one year (1999: €3,390).

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:

	At December 31, 2000	1999
Debt securities	2,791	4,347
Equity securities	601	938
Equity-based funds	397	1,191
Debt-based funds	1,589	2,493
	5,378	8,969

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, 2000				At December 31, 1999			
		Fair	Unrealized			Fair	Unrealized	
	Cost	value	Gain	Loss	*Cost*	value	Gain	Loss
Available-for-sale	4,859	4,918	246	187	8,114	8,486	522	150
Trading	451	460	9	–	487	483	–	4
Securities	5,310	5,378	255	187	8,601	8,969	522	154
Investments and long-term financial assets available-for-sale	843	1,304	737	276	296	784	488	–
	6,153	6,682	992	463	8,897	9,753	1,010	154

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

	At December 31, 2000				At December 31, 1999			
		Fair	Unrealized			Fair	Unrealized	
	Cost	value	Gain	Loss	Cost	value	Gain	Loss
Equity securities	1,333	1,880	855	308	977	1,662	698	13
Debt securities issued by the German government and its agencies	122	123	1	–	159	167	8	–
Municipal securities	24	25	1	–	20	20	–	–
Debt securities issued by foreign governments	652	656	5	1	1,682	1,654	13	41
Corporate debt securities	536	537	6	5	1,234	1,210	–	24
Equity-based funds	323	397	80	6	935	1,191	276	20
Debt-based funds	1,692	1,590	14	116	2,526	2,495	15	46
Asset-backed securities	178	180	3	1	622	616	–	6
Other marketable debt securities	842	834	18	26	255	255	–	–
Available-for-sale	5,702	6,222	983	463	8,410	9,270	1,010	150
Trading	451	460	9	–	487	483	–	4
	6,153	6,682	992	463	8,897	9,753	1,010	154

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.

	At December 31,	
Available-for-sale	**2000**	**1999**
Due within one year	2,704	3,968
Due after one year through five years	735	1,806
Due after five years through ten years	430	477
Due after ten years	76	166
	3,945	6,417

(in millions of €, except per share amounts)

Proceeds from disposals of available-for-sale securities were €9,422 (1999: €2,481; 1998: €2,734). Gross realized gains from sales of available-for-sale securities were €275 (1999: €627; 1998: €98), while gross realized losses were €140 (1999: €4; 1998: €8). 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 €4,300 and €5,400 at December 31, 2000 and 1999, respectively, and consisted primarily of purchase agreements, commercial paper and certificates of deposit.

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include €45 (1999: €338) of deposits with original maturities of more than three months.

20. ADDITIONAL CASH FLOW INFORMATION

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

At December 31,	2000	1999	1998
Cash and cash equivalents originally maturing within 3 months	7,082	8,761	6,281
Cash and cash equivalents originally maturing after 3 months	45	338	308
Securities	5,378	8,969	12,160
Other	5	133	324
	12,510	18,201	19,073

The following represents supplemental information with respect to cash flows:

Year ended at December 31,	2000	1999	1998
Interest paid	5,629	3,315	2,553
Income taxes paid	775	1,883	993

21. PREPAID EXPENSES

Prepaid expenses are comprised of the following:

At December 31,	2000	1999
Prepaid pension cost	6,799	6,236
Other prepaid expenses	1,108	978
	7,907	7,214

As of December 31, 2000, €6,819 of the total prepaid expenses mature after more than one year (1999: €6,118).

22. STOCKHOLDERS' EQUITY

Number of shares issued and outstanding

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

Special Distribution

On May 27, 1998 the Daimler-Benz shareholders approved, and on June 15, 1998 Daimler-Benz paid, a special distribution of €10.23 (€10.04 after adjustment to reflect the approximately 20% discount to market value at which the Daimler-Benz Ordinary Shares and ADS were sold in the rights offering) per Ordinary Share/ADS.

Rights Offering

In June 1998, Daimler-Benz issued to holders of Daimler-Benz Ordinary Shares, ADS and convertible debt securities, rights to acquire up to an aggregate of 52.4 million newly issued Daimler-Benz Ordinary Shares and on June 25, 1998, Daimler-Benz issued and sold 52.4 million Daimler-Benz Ordinary Shares for net proceeds of €3,827. The rights issued by Daimler-Benz entitled the holders to purchase Daimler-Benz Ordinary Shares at approximately a 20% discount to the market price of Daimler-Benz Ordinary Shares. Basic and diluted earnings per Ordinary Share have been restated to reflect the dilutive effect resulting from the discount to market value at which the Daimler-Benz Ordinary Shares were sold in the rights offering.

Treasury Stock

In 2000, DaimlerChrysler purchased and re-issued approximately 1.4 million Ordinary Shares in connection with an employee share purchase plan.

During the second half of 1999, DaimlerChrysler purchased approximately 1.2 million of its Ordinary Shares and re-issued the shares to employees in connection with an employee share purchase plan.

In November 1998, Chrysler contributed 23.5 million shares of its common stock to the Chrysler Corporation Retirement Master Trust, which serves as a funding medium for and holds the assets of various pension and retirement plans of Chrysler.

Preferred Stock

On July 24, 1998, Chrysler redeemed all of the outstanding Chrysler Depositary Shares representing its Series A Convertible Preferred Stock.

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 and to issue Ordinary Shares of up to an aggregate nominal amount of €26 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. 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 €15,000 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 of capital stock. DaimlerChrysler is also entitled to grant up to 96,000,000 rights (representing up to a nominal amount of approximately €250 of capital stock) with respect to the DaimlerChrysler Stock Option Plan by April 18, 2005. Finally, DaimlerChrysler is authorized through October 18, 2001, to acquire treasury stock for certain defined purposes up to a maximum nominal amount of €256 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 a nominal amount of €508 including 7,600,000 notes which may be converted into 0.86631 newly issuable shares 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 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 2000, 92 (1999: 665; 1998: 3,713) 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 €383 with a nominal value of €511 each, including a total of 7,690,500 options which, on the basis of the option agreement (as amended), entitles the bearer of the option to subscribe for shares of DaimlerChrysler AG. The option price per share is €42.67 in consideration of exchange of the notes or €44.49 in cash. During 2000, options for the subscription of 10,416 (1999: 1,517,468; 1998: 5,027,002) newly issued DaimlerChrysler Ordinary Shares have been exercised.

Comprehensive income

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

	Year ended December 31,								
		2000			1999			1998	
	Pretax	Tax Effect	Net	Pretax	Tax Effect	Net	Pretax	Tax Effect	Net
Unrealized gains (losses) on securities:									
Unrealized holding gains (losses)	(250)	46	(204)	292	(163)	129	659	(354)	305
Reclassification adjustments for (gains) losses included in net income	61	(6)	55	(623)	313	(310)	(103)	57	(46)
Net unrealized gains (losses)	(189)	40	(149)	(331)	150	(181)	556	(297)	259
Net gains (losses) on derivatives hedging variability of cash flows:									
Unrealized derivative gains (losses)	(1,932)	978	(954)	–	–	–	–	–	–
Reclassification adjustments for (gains) losses included in net income	1,113	(567)	546	–	–	–	–	–	–
Net derivative gains (losses)	(819)	411	(408)	–	–	–	–	–	–
Foreign currency translation adjustments	1,474	(111)	1,363	2,431	–	2,431	(1,402)	–	(1,402)
Minimum pension liability adjustments	8	(2)	6	(13)	5	(8)	(2)	1	(1)
Other comprehensive income (loss)	474	338	812	2,087	155	2,242	(848)	(296)	(1,144)

(in millions of €, except per share amounts)

Miscellaneous
Minority stockholders of Dornier GmbH have the right to exchange their interests in Dornier for holdings of equal value in DaimlerChrysler Luft- und Raumfahrt Holding AG or Ordinary Shares of DaimlerChrysler AG and such options are exercisable at any time.

Under the German corporation law (Aktiengesetz), the amount of dividends available for distribution to shareholders is based upon the 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, 2000, DaimlerChrysler management has proposed a distribution of €2,358 (€2.35 per share) of the 2000 earnings of DaimlerChrysler AG as a dividend to the stockholders.

23. STOCK-BASED COMPENSATION

The Group currently has various stock appreciation rights (“SARs”) plans, two stock option plans and a performance-based stock award plan. Prior to the Merger, Chrysler had both fixed stock option and performance-based stock compensation plans. These Chrysler plans were terminated as a result of the Merger and all outstanding options and awards became vested and were converted into equivalent DaimlerChrysler Ordinary Shares. The Group accounts for all stock-based compensation plans in accordance with APB Opinion No. 25 and related interpretations.

Stock Appreciation-Based Plans
In the first half of 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 in 1998, the Group implemented a SAR plan (22.3 million SARs 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, 2000, 1999 and 1998 is presented below (SARs in millions):

	2000		1999		1998	
	Number of SARs	Weighted-avg. exercise price	Number of SARs	Weighted-avg. exercise price	Number of SARs	Weighted-avg. exercise price
Outstanding at beginning of year	45.8	€80.25	22.2	€64.58	–	€ –
Granted	–	–	11.4	89.70	22.3	64.58
Exchange of Stock Options for SARs	–	–	15.2	79.79	–	–
Exercised	(.)	82.42	(2.2)	64.91	(0.1)	64.58
Forfeited	(1.3)	78.52	(0.8)	76.07	–	–
Outstanding at year-end	44.5	82.87	45.8	80.25	22.2	64.58
SARs exercisable at year-end	33.6	€80.63	26.8	€72.77	11.3	€64.58

The Group grants performance-based stock awards to certain eligible employees with performance periods of up to 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 0.7 million performance-based stock awards in both 2000 and 1999.

Compensation expense or benefit 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 years ended December 31, 2000 and 1999, the Group recognized compensation benefit of €44 and €106, respectively, and for the year ended December 31, 1998 recognized compensation expense of €251 for SARs and performance-based stock awards.

Stock Option Plans

In April 2000, the Group's shareholders approved the DaimlerChrysler Stock Option Plan 2000 (the "Plan") which provides for the granting of stock options for the purchase of DaimlerChrysler Ordinary Shares to eligible employees. Options granted under the Plan are exercisable at a reference price per DaimlerChrysler Ordinary Share determined by the Supervisory Board 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%. During the first half of 2000, the Group issued 15.2 million options at a reference price of €62.30. In May 2000, certain shareholders challenged the approval of the Plan at the stockholders' meeting on April 19, 2000. In October 2000, a regional court in Stuttgart (the Landgericht) dismissed the case. The shareholders have subsequently appealed the decision.

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):

	2000		1999		1998	
	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	**0.1**	**€42.62**	15.5	€79.63	7.5	€65.60
Options granted	**15.2**	**74.76**	–	–	–	–
Bonds sold	–	–	–	–	8.2	92.30
Converted	–	–	–	–	(.)	42.62
Forfeited	**(.)**	**74.76**	–	–	–	–
Repayment	–	–	(0.2)	79.10	(0.2)	72.22
Exchanged for SARs	–	–	(15.2)	79.79	–	–
Outstanding at year-end	**15.3**	**74.65**	0.1	42.62	15.5	79.63
Exercisable at year-end	**0.1**	**€42.62**	0.1	€42.62	0.1	€42.62

Compensation expense of €13 was recognized in 2000 in connection with the stock option plans (1998: €38). No compensation expense was recognized in 1999.

(in millions of €, except per share amounts)

Chrysler Fixed Stock Option Compensation Plans
A summary of the status of fixed stock option grants under Chrysler's stock-based compensation plans as of and for the year ended December 31, 1998 is presented below (options in millions):

	1998	
	Chrysler shares under option	Weighted-average conversion price
Outstanding at beginning of year	30.7	$27.71
Granted	9.2	39.82
Exercised	(3.8)	23.38
Forfeited	(0.1)	30.60
Converted to DaimlerChrysler shares	(36.0)	31.24
Outstanding at end of year	–	–
Options exercisable at year-end	–	–

No compensation expense was recognized for Chrysler fixed stock option grants since the options had conversion prices of not less than the market value of Chrysler's common stock at the date of grant.

Chrysler Performance-Based Stock Compensation Plan
Chrysler's stock-based compensation plans also provided for the awarding of Performance Shares, which rewarded attainment of performance objectives. Performance Shares were awarded at the commencement of a performance cycle (two to three years) to each eligible executive (officers and a limited number of senior executives). At the end of each cycle, participants earned no Performance Shares or a number of Performance Shares, ranging from a set minimum to a maximum of 150% of the award for that cycle, as determined by a committee of Chrysler's Board of Directors based on the Chrysler's performance in relation to the performance goals established at the beginning of the performance cycle.

Compensation expense recognized for Performance Share awards was €65 for 1998. Unearned Chrysler Performance Share awards outstanding at the date of the Merger were 1.9 million. As a result of the Merger, all Performance Shares were vested and converted into DaimlerChrysler Ordinary Shares.

Miscellaneous
If compensation expense for stock-based compensation 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 income and basic and diluted earnings per share would have been reduced by approximately €12 and €127 (basic earnings per share: €0.01 and €0.13; diluted earnings per share: €0.01 and €0.13) in 2000 and 1998, respectively. 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 conjunction with the 2000 and 1998 Stock Option Plans 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):

	2000	1998
Expected dividend yield	3.8 %	2.45 %
Expected volatility	25.0 %	35.2 %
Risk-free interest rate	4.8 %	4.09 %
Expected lives (in years)	3	2
Fair value per option	€ 9.50	€19.38

The fair value of each Chrysler fixed stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants and resulting fair values in 1998:

	1998
Expected dividend yield	4.0 %
Expected volatility	29 %
Risk-free interest rate	5.7 %
Expected lives (in years)	5
Fair value per option	$9.20

The fair value of each Performance Share award was estimated at the date of grant based on the market value of a share of Chrysler common stock on the date of grant. Performance Share awards were recognized over performance cycles of two to three years. However, because all outstanding fixed stock option and Performance Share grants were vested as of the date of the Merger, for purposes of SFAS 123, all remaining compensation expense was recognized in 1998.

24. ACCRUED LIABILITIES

Accrued liabilities are comprised of the following:

	At December 31, 2000 Total	2000 Due after one year	1999 Total	1999 Due after one year
Pension plans and similar obligations (see Note 24a)	11,151	10,200	14,048	13,075
Income and other taxes	2,192	474	2,281	77
Other accrued liabilities (see Note 24b)	23,098	7,901	21,366	7,813
	36,441	18,575	37,695	20,965

a) Pension plans and similar obligations

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

	At December 31, 2000	1999
Pension liabilities (pension plans)	1,838	5,588
Accrued postretirement health and life insurance benefits	8,636	7,756
Other benefit liabilities	677	704
	11,151	14,048

In the fourth quarter of 1999, DaimlerChrysler AG established the "DaimlerChrysler Pension Trust" to provide for future pension benefit payments in Germany. DaimlerChrysler AG contributed €4,059 of securities to the Pension Trust, thereby reducing accrued pension liabilities. In 2000, DaimlerChrysler AG contributed an additional €1,419 of cash and securities to the Pension Trust. The reduction of the pension liabilities in 2000 principally results from the transactions involving dSH and DaimlerChrysler Aerospace.

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, 2000, plan assets were invested in diversified portfolios that consisted primarily of debt and equity securities, including 8.2 million shares of DaimlerChrysler Ordinary Shares with a market value of €361 in a U.S. plan, which were contributed in connection with the Merger. 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.):

	At December 31, 2000 German Plans	2000 Non-German Plans	At December 31, 1999 German Plans	1999 Non-German Plans
Change in Projected benefit obligations:				
Projected benefit obligations at beginning of year	13,123	19,578	12,599	16,010
Foreign currency exchange rate changes	–	1,403	–	2,664
Service cost	242	433	267	430
Interest cost	696	1,570	756	1,185
Plan amendments	2	148	–	1,983
Actuarial gains	(732)	(257)	(28)	(2,142)
Dispositions	(3,365)	(31)	–	–
Acquisitions and other	144	411	68	518
Benefits paid	(531)	(1,377)	(539)	(1,070)
Projected benefit obligations at end of year	9,579	21,878	13,123	19,578
Change in plan assets:				
Fair value of plan assets at beginning of year	7,034	25,823	2,898	19,424
Foreign currency exchange rate changes	–	1,897	–	3,309
Actual return on plan assets	458	(755)	226	3,463
Employer contributions	1,419	30	4,059	166
Plan participant contributions	–	29	–	27
Dispositions	(579)	–	–	–
Acquisitions and other	(15)	303	–	498
Benefits paid	(409)	(1,365)	(149)	(1,064)
Fair value of plan assets at end of year	7,908	25,962	7,034	25,823

(in millions of €, except per share amounts)

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

	At December 31, 2000 German Plans	At December 31, 2000 Non-German Plans	At December 31, 1999 German Plans	At December 31, 1999 Non-German Plans
Funded status*)	1,671	(4,084)	6,089	(6,245)
Unrecognized acturarial net gains (losses)	(123)	1,102	(691)	3,859
Unrecognized prior service cost	(8)	(3,496)	(7)	(3,530)
Unrecognized net obligation at date of initial application	–	(153)	–	(252)
Net amount recognized	1,540	(6,631)	5,391	(6,168)
Amounts recognized in the consolidated balance sheets consist of:				
Prepaid pension cost	–	(6,799)	–	(6,236)
Accrued pension liability	1,540	298	5,391	197
Intangible assets	–	(95)	–	(98)
Accumulated other comprehensive income	–	(35)	–	(31)
Net amount recognized	1,540	(6,631)	5,391	(6,168)

*) 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 2000	German Plans 1999	German Plans 1998	Non-German Plans 2000	Non-German Plans 1999	Non-German Plans 1998
Weighted-average assumptions:						
Discount rate	6.5	6.0	6.0	7.7	7.5	6.5
Expected return on plan assets	7.9	7.7	7.7	10.2	9.8	9.8
Rate of compensation increase	3.0	2.8	3.0	5.5	5.9	6.0

The components of net periodic pension cost were as follows:

	2000 German Plans	2000 Non-German Plans	1999 German Plans	1999 Non-German Plans	1998 German Plans	1998 Non-German Plans
Service cost	242	433	267	430	258	429
Interest cost	696	1,570	756	1,185	732	1,033
Expected return on plan assets	(625)	(2,487)	(223)	(1,872)	(203)	(1,514)
Amortization of:						
Unrecognized net actuarial losses (gains)	3	(18)	1	41	(2)	80
Unrecognized prior service cost	1	371	–	214	–	187
Unrecognized net obligation	–	146	–	129	–	126
Other	1	(6)	1	2	(3)	3
Net periodic pension cost	318	9	802	129	782	344

The projected benefit obligations and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were €1,764 and €343, respectively, as of December 31, 2000 and €13,934 and €7,818, respectively, as of December 31, 1999.

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, 2000, 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:

	At December 31, 2000	1999
Change in accumulated postretirement benefit obligations:		
Accumulated postretirement benefit obligations at beginning of year	10,527	9,886
Foreign currency exchange rate changes	829	1,645
Service cost	208	209
Interest cost	873	702
Plan amendments	444	246
Actuarial (gains) losses	523	(1,687)
Acquisitions and other	107	51
Benefits paid	(654)	(525)
Accumulated postretirement benefit obligations at end of year	12,857	10,527
Change in plan assets:		
Fair value of plan assets at beginning of year	2,816	1,574
Foreign currency exchange rate changes	224	273
Actual return on plan assets	(55)	241
Employer contributions	16	732
Benefits paid	(6)	(4)
Fair value of plan assets at end of year	2,995	2,816

(in millions of €, except per share amounts)

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

	At December 31, 2000	1999
Funded status*)	9,862	7,711
Unrecognized acturarial net gains (losses)	(270)	574
Unrecognized prior service cost	(956)	(529)
Net amount recognized	8,636	7,756

*) 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 %):

	2000	1999	1998
Weighted-average assumptions as of December 31:			
Discount rate	7.7	7.7	6.5
Expected return on plan assets	10.4	10.0	10.0
Health care inflation rate in following (or "base") year	7.5	5.8	6.0
Ultimate health care inflation rate (2005)	5.0	5.0	5.0

The components of net periodic postretirement benefit cost were as follows:

	2000	1999	1998
Service cost	208	209	189
Interest cost	873	702	646
Expected return on plan assets	(308)	(169)	(6)
Amortization of:			
Unrecognized net actuarial losses	5	10	14
Unrecognized prior service cost	54	31	23
Other	(2)	–	–
Net periodic postretirement benefit cost	830	783	866

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

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on total of service and interest cost components	141	(115)
Effect on accumulated postretirements benefit obligations	1,395	(1,163)

Prepaid Employee Benefits

In 1996 DaimlerChrysler established a Voluntary Employees' Beneficiary Association ("VEBA") trust for payment of non-pension employee benefits. At December 31, 2000 and 1999, the VEBA had a balance of €3,586 and €3,231, respectively, of which €2,864 and €2,698, respectively, were designated and restricted for the payment of postretirement health care benefits. Contributions to the VEBA trust during the years ended December 31, 1999 and 1998 were €727 and €292, respectively. No contributions to the VEBA trust were made in 2000.

b) Other accrued liabilities

Other accrued liabilities consisted of the following:

	At December 31, 2000	1999
Accrued warranty costs and price risks	7,715	7,505
Accrued losses on uncompleted contracts	804	993
Restructuring	260	595
Accrued personnel and social costs	2,503	3,409
Accrued sales incentives	3,588	2,429
Other	8,228	6,435
	23,098	21,366

Additions to and refunds from the accrued liability for sales incentives amounted to €8,386 and €7,413, respectively, for the year ended December 31, 2000.

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:

	Termination benefits	Exit costs	Total liabilities
Balance at January 1, 1998	555	173	728
Utilizations and transfers	(242)	(110)	(352)
Reductions	(12)	(19)	(31)
Additions	259	31	290
Balance at December 31, 1998	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

In connection with the Group's restructuring, provisions were recorded for termination benefits of €16 (1999: €183; 1998: €259), in 2000 principally within the Automotive Business of the former Daimler-Benz Group, in 1999 principally within directly managed businesses and DaimlerChrysler Aerospace and in 1998 principally within the Automotive Business of the former Daimler-Benz Group and DaimlerChrysler Aerospace. In connection with these restructuring efforts, the Group effected workforce reductions of approximately 2,600 employees (1999: 2,400; 1998: 7,100) and paid termination benefits of €135 (1999: €239; 1998: €413), of which €120 (1999: €168; 1998: €242) were charged against previously established liabilities. At December 31, 2000 the Group had liabilities for estimated future terminations for approximately 3,700 employees.

Exit costs in 2000, 1999 and 1998 primarily result from the restructuring of directly managed businesses.

25. FINANCIAL LIABILITIES

	Maturities	At December 31, 2000	1999
Notes/Bonds		8,094	7,892
Commercial paper		19,917	20,879
Liabilities to financial institutions		6,294	5,941
Liabilities to affiliated companies		345	466
Loans, other financial liabilities		205	257
Liabilities from capital lease and residual value guarantees		985	1,286
Short-term financial liabilities (due within one year)		35,840	36,721
Notes/Bonds of which due in more than five years: €7,673 (1999: €5,781)	2002–2097	40,773	21,440
Liabilities to financial institutions of which due in more than five years: €2,088 (1999: €2,455)	2002–2019	6,800	5,398
Liabilities to affiliated companies of which due in more than five years: €– (1999: €–)		149	145
Loans, other financial liabilities of which due in more than five years: €51 (1999: €53)		118	192
Liabilities from capital lease and residual value guarantees of which due in more than five years: €226 (1999: €258)		1,103	592
Long-term financial liabilities		48,943	27,767
		84,783	64,488

Weighted average interest rates for notes/bonds, commercial paper and liabilities to financial institutions are 7.0%, 6.3% and 5.6%, respectively, at December 31, 2000.

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 €1,858 (1999: €1,599).

(in millions of €, except per share amounts)

Aggregate nominal amounts of financial liabilities maturing during the next five years and thereafter are as follows:

	2001	2002	2003	2004	2005	thereafter
Financial liabilities	35,784	16,123	8,989	4,823	7,975	10,895

At December 31, 2000, the Group had unused short-term credit lines of €15,216 (1999: €12,821) and unused long-term credit lines of €12,819 (1999: €11,046). 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 and a revolving credit facility which allows DaimlerChrysler North America Holding Corporation, a wholly-owned subsidiary of DaimlerChrysler AG, to borrow up to $13 billion ($6 billion until 2004 and $7 billion until 2001). The $13 billion revolving credit facility serves as a back-up for commercial paper drawings.

26. TRADE LIABILITIES

	At December 31, 2000			At December 31, 1999		
	Total	Due after one year	Due after five years	Total	Due after one year	Due after five years
Trade liabilities	15,257	33	1	15,786	26	1

27. OTHER LIABILITIES

	At December 31, 2000			At December 31, 1999		
	Total	Due after one year	Due after five years	Total	Due after one year	Due after five years
Liabilities to affiliated companies	536	1	1	411	56	56
Liabilities to related companies	794	–	–	1,193	3	–
Other liabilities	8,291	1,283	161	8,682	229	9
	9,621	1,284	162	10,286	288	65

In 1999, liabilities to related companies were primarily obligations to Airbus Industrie G.I.E., Toulouse.

As of December 31, 2000, other liabilities include tax liabilities of €683 (1999: €871) and social benefits due of €713 (1999: €758).

28. DEFERRED INCOME

As of December 31, 2000, €1,057 of the total deferred income is to be recognized after more than one year (1999: €907).

Other Notes

29. LITIGATION AND CLAIMS

A number of shareholder lawsuits are pending in the United States against DaimlerChrysler and certain members of its Supervisory Board and Board of Management that allege 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 complaints seek relief ranging from substantial monetary damages to rescinding the business combination. DaimlerChrysler believes that these claims are without merit and intends to defend against them vigorously.

Various other claims and legal proceedings have been asserted or instituted against the Group, including some purporting to be class actions, and some which demand large monetary damages or other relief which could result in significant expenditures. 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.

30. COMMITMENTS AND CONTINGENCIES

Contingencies are presented at their contractual values and include the following:

	At December 31, 2000	1999
Guarantees	8,018	6,026
Notes payable	21	33
Contractual guarantees	354	303
Pledges of indebtedness of others	455	373
	8,848	6,735

(in millions of €, except per share amounts)

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. As discussed in Note 6, the Group's smart division recorded charges of €255 in December 2000 related to fixed cost reimbursement agreements with suppliers. 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, amounted to €881 (1999: €964; 1998: €984). Future minimum lease payments under rental and lease agreements which have initial or remaining terms in excess of one year at December 31, 2000 are as follows:

	Operating leases
2001	**590**
2002	**429**
2003	**339**
2004	**258**
2005	**194**
thereafter	**725**

31. 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 may be exposed to risks from changes in interest and currency exchange rates. In the course of day-to-day financial management, DaimlerChrysler purchases financial instruments, such as financial investments, variable- and fixed-interest bearing securities and equity securities. DaimlerChrysler uses derivative financial instruments to reduce various types of market risks. Without the use of 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 assessment procedures and controls for the use of financial instruments, including a clear segregation of duties with regard to operating financial activities, settlement, accounting and controlling.

Market risk in portfolio management is quantified according to the "value-at-risk" method which is commonly used among banks. Using historical variability of market values, potential changes in value resulting from changes of market prices are calculated on the basis of statistical methods. The maximum acceptable market risk is established by the board of management in the form of risk capital, approved for a period not exceeding one year. Adherence to risk capital limitations is regularly monitored.

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 may not be indicative 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:

	At December 31, 2000		At December 31, 1999	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial instruments (other than derivative instruments):				
Assets:				
Financial assets	**1,930**	**1,930**	**1,360**	**1,360**
Receivables from financial services	**48,673**	**49,377**	**38,735**	**38,835**
Securities	**5,378**	**5,378**	**8,969**	**8,969**
Cash and cash equivalents	**7,127**	**7,127**	**9,099**	**9,099**
Other	**5**	**5**	**133**	**133**
Liabilities:				
Financial liabilities	**84,783**	**86,265**	**64,488**	**64,954**
Derivative instruments:				
Assets:				
Currency contracts	**306**	**306**	**57**	**74**
Interest rate contracts	**556**	**556**	**34**	**348**
Liabilities:				
Currency contracts	**1,257**	**1,257**	**944**	**2,109**
Interest rate contracts	**1,004**	**1,004**	**61**	**590**

In determining the fair values of derivative instruments at December 31, 1999, certain compensating effects from underlying transactions (e.g. firm commitments and anticipated transactions) were not taken into consideration. At December 31, 1999, the Group had deferred net unrealized losses on forward foreign exchange contracts and options of €(1,148), purchased against firm foreign currency denominated sales commitments.

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 in the portfolio were estimated using quoted market prices. The Group has certain equity investments in related and affiliated companies not presented in the table, as certain of 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 fair value since they are priced at 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, 2000 and 1999.

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 interest rates currently available for debt with identical terms and remaining maturities. 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.

c) Notional amounts (prior to SFAS 133) and credit risk
The contract or notional amounts shown below do not always represent amounts exchanged by the parties and, thus, are not necessarily a measure for the exposure of DaimlerChrysler through its use of derivatives.

At December 31, 1999 the notional amounts of off-balance sheet financial instruments were as follows:

Currency contracts	**28,974**
Interest rate contracts	**25,911**

The Group may be 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, are 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.

(in millions of €, except per share amounts)

e) Accounting for and reporting of derivative instruments and hedging activities (SFAS 133)

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 between the euro, the U.S. dollar and other world currencies. DaimlerChrysler's businesses are exposed to transaction risk whenever revenues are denominated in a currency other than the currency in which the costs relating to those revenues are incurred. This risk exposure primarily affects the Mercedes-Benz Passenger Cars & smart segment. In that segment, revenues are denominated in the currencies of the countries in which cars are sold, but manufacturing costs are denominated 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, principally forward foreign exchange contracts and currency options. The Group does not enter into these types of derivative financial instruments for purposes other than risk management. Responsibility for managing DaimlerChrysler's currency exposures and use of currency derivatives is centralized within the Group's Currency Committee. The Currency Committee is comprised of members of senior management from each of the respective business units as well as from Corporate Treasury and Risk Controlling. Decisions concerning foreign currency hedging taken by the Currency Committee are implemented by Corporate Treasury. Risk Controlling regularly informs the Board of Management of the decisions of the Currency Committee as well as the actions of Corporate Treasury.

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. A substantial volume of interest rate sensitive assets and liabilities is related to the leasing and sales financing business. In particular, the Group's leasing and sales financing business enters into transactions with customers resulting in fixed-rate or floating-rate receivables. DaimlerChrysler's policy is to match funding in terms of maturities and interest rates for a substantial portion of these assets using bank loans, bonds and commercial paper. DaimlerChrysler uses derivative financial instruments including swaps, swaptions, forward rate agreements, futures, caps and floors to achieve the desired asset/liability structure. The Group 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 debt obligations 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.

The Group also holds investments in various equity and fixed income securities to improve the return on its liquidity. These securities subject DaimlerChrysler to risks due to changes in quoted market prices. Management believes it is prudent to limit the variability of a portion of the potential changes in market prices. To a much lesser extent than the risks from changing interest rates, 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 and fixed income securities price risk (interest rate 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 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, 2000, net gains of €15 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, to a much lesser extent, the amount of hedging ineffectiveness.

Information with Respect to Cash Flow Hedges
Changes in the value of forward foreign exchange contracts 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 or financing receivables are also reported in accumulated other comprehensive income. These amounts are subsequently reclassified into interest expense or financial income, respectively, as a yield adjustment in the same period in which the related interest on the floating-rate debt obligations or financing receivables affect earnings.

For the year ended December 31, 2000, net losses of €3, representing principally the component of the derivative instruments' gain/loss excluded from the assessment of the hedge effectiveness and, to a much lesser extent, the amount of hedging ineffectiveness, were recognized in revenues and financial income, net.

In 2000, DaimlerChrysler reclassified €267 of net losses (net of income tax benefit of €268) from accumulated other comprehensive income into the statement of income relating to the transition adjustment included in accumulated other comprehensive income on January 1, 2000 because the underlying transactions to which the reclassified amounts relate were recognized.

Also included in earnings are gains of €2 for the year ended December 31, 2000, 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 €301 of net losses included in accumulated other comprehensive income at December 31, 2000, will be reclassified into income during the next year. As of December 31, 2000, DaimlerChrysler had purchased derivative financial instruments with a maximum maturity of 48 months to hedge its exposure to the variability in future cash flows with 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, 2000, net gains of €104 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 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.

(in millions of €, except per share amounts)

32. RETAINED INTERESTS IN SOLD RECEIVABLES, AT FAIR VALUE AND SALES OF FINANCE RECEIVABLES

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

	At December 31, 2000	1999
Fair value of estimated residual cash flows, net of prepayments, from sold receivables, before expected future net credit losses	4,319	3,588
Expected future net credit losses on sold receivables	(389)	(257)
Fair value of net residual cash flows from sold receivables	3,930	3,331
Restricted cash accounts	202	169
Retained subordinated securities	684	268
Retained interests in sold receivables, at fair value	4,816	3,768

At December 31, 2000, 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:

	Assumption Percentage	Impact on Fair Value Based on Adverse 10% change	20% change
Prepayment speed, annualized	1.3%	(3)	(6)
Estimated net credit losses as a percentage of receivables sold	0.7%	(31)	(63)
Residual cash flow discount rate, annualized	12.0%	(70)	(138)
Interest rates on variable and adjustable notes	5.9%	(38)	(71)

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 Percentage as of:	Receivables Securitized in 1997	1998	1999	2000
December 31, 2000	3.0%	2.1%	1.1%	1.2%
December 31, 1999	2.7%	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, 2000.

Certain cash flows received and paid to securitization trusts for the year ended December 31, 2000:

Proceeds from new securitizations	15,883
Proceeds from collections reinvested in previous wholesale securitizations	46,285
Amounts reinvested in previous wholesale securitizations	(46,122)
Servicing fees received	283
Receipt of cash flows on retained interest in securitized receivables	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 year ended December 31, 2000, were as follows:

	Outstanding balance at	Delin-quencies > 60 days at	Net credit losses for the year ended
Retail receivables	46,377	232	576
Wholesale receivables	17,747	19	2
Total receivables managed	64,124	251	578
Less: receivables sold	(37,904)	(117)	(251)
Receivables held in portfolio	26,220	134	327

During the year ended December 31, 2000, DaimlerChrysler sold €17,122 and €38,778 retail and wholesale receivables, respectively. From these transactions, the Group recognized gains of €181 and €156 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) for the year ended December 31, 2000:

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

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

33. SEGMENT REPORTING

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, Plymouth, 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, information technology and telecommunications and media in 1998. In October 2000, the information technology activities were contributed into a joint venture. The Group's 49.9% interest in dSH is included at equity subsequent to that date.

Aerospace. The Aerospace segment is comprised of the continuing activities of the MTU Aero Engines business unit and, through July 10, 2000, the date that the Group's controlling interest in DaimlerChrysler Aerospace was exchanged for shares in EADS (see Note 11), the activities of the aerospace business. Subsequent to that date, the Group's 33% interest in EADS is accounted for using the equity method. In 1999 and 1998, this division comprised the development, manufacture and sale of commercial and military aircraft and helicopters, satellites and related space transportation systems, defense-related products, including radar and radio systems, and propulsion systems.

Other. Represents principally the directly managed businesses including the Group's share in MMC, rail systems (including 50% interest in Adtranz in 1998), automotive electronics and MTU/ Diesel Engines. Other 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 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 before financial income included in the consolidated statement of income, modified to exclude certain pension and postretirement benefit costs, to include certain financial income, net and to include or exclude certain miscellaneous items, principally representing merger costs in 1998. The pre-tax gains on the sales of shares in debitel of €1,140 (see Note 11) have been included in the measurement of the Services segment operating profit in 1999 since such amounts were included in the Group's measurement of the segment's performance. In 2000, in particular gains of €3,303 on the exchange of the Group's controlling interest in DaimlerChrysler Aerospace for shares of EADS and of €2,315 on the transaction involving debis Systemhaus were included in the Aerospace segment and the Services segment, respectively (see Note 11).

(in millions of €, except per share amounts)

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, 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, 2000, 1999 and 1998 follows:

	Mercedes-Benz Passenger Cars & smart	Chrysler Group	Commercial Vehicles	Services	Aero-space	Other	Elimi-nations	Consoli-dated
2000								
Revenues	40,822	67,405	27,621	15,322	5,368	5,846	–	162,384
Intersegment sales	2,878	967	1,197	2,204	19	416	(7,681)	–
Total revenues	43,700	68,372	28,818	17,526	5,387	6,262	(7,681)	162,384
Operating Profit (Loss)	2,145	501	1,110	2,457	3,754	(62)	(153)	9,752
Identifiable segment assets	19,355	53,660	14,826	94,369	8,435	26,916	(18,287)	199,274
Capital expenditures	2,096	6,339	1,091	282	229	355	–	10,392
Depreciation and amortization	2,038	3,878	809	6,603	166	297	(204)	13,587
1999								
Revenues	35,592	63,666	25,480	10,662	9,144	5,441	–	149,985
Intersegment sales	2,508	419	1,215	2,270	47	411	(6,870)	–
Total revenues	38,100	64,085	26,695	12,932	9,191	5,852	(6,870)	149,985
Operating Profit (Loss)	2,703	5,051	1,067	2,039	730	(399)	(179)	11,012
Identifiable segment assets	17,611	49,825	11,549	77,266	11,934	26,970	(20,488)	174,667
Capital expenditures	2,228	5,224	770	324	336	589	(1)	9,470
Depreciation and amortization	1,580	3,346	677	3,348	290	275	(187)	9,329
1998								
Revenues	30,859	56,350	22,374	10,371	8,722	3,106	–	131,782
Intersegment sales	1,728	62	788	1,039	48	420	(4,085)	–
Total revenues	32,587	56,412	23,162	11,410	8,770	3,526	(4,085)	131,782
Operating Profit (Loss)	1,993	4,255	946	985	623	(130)	(79)	8,593
Identifiable segment assets	17,098	38,121	11,936	49,625	12,970	20,055	(13,656)	136,149
Capital expenditures	1,995	3,920	832	285	326	797	–	8,155
Depreciation and amortization	1,310	2,837	692	2,038	289	293	(168)	7,291

Capital expenditures for equipment on operating leases for 2000, 1999 and 1998 for the Services segment amounted to €15,551, €16,401 and €7,707, respectively.

For the year ended December 31, 2000, Operating Profit (Loss) of the Services segment, the Aerospace segment and Other includes €1, €2 and €(46) from significant companies accounted for under the equity method, representing the Group's percentage share of those companies' Operating Profit (see Note 4). At December 31, 2000, the identifiable assets of the Services segment, the Aerospace segment and Other segment include investments in significant equity method investees of €2,152, €3,286 and €1,857, respectively.

A reconciliation to Operating Profit follows:

	2000	1999	1998
Income before financial income	4,320	9,324	7,330
Pension and postretirement benefit expenses other than service costs	(281)	379	688
Operating income from affiliated, associated and related companies	(35)	17	(15)
Gains on disposals of businesses	5,832	1,140	–
Miscellaneous	(84)	152	590
Consolidated operating profit	9,752	11,012	8,593

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

Revenues	Germany	European Union*)	U.S.	Other Americas countries	Asia	Other countries	Consolidated
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
1998	24,918	20,072	65,300	11,519	4,311	5,662	131,782

*) Excluding Germany.

Germany accounts for €17,450 of long-term assets (1999: €14,711; 1998: €12,953), the U.S. for €51,996 (1999: €43,036; 1998: €25,344) and other countries for €19,633 (1999: €12,701; 1998: €11,309).

(in millions of €, except per share amounts)

34. EARNINGS PER SHARE

The computation of basic and diluted earnings per share for "Income before extraordinary items and cumulative effects of changes in accounting principles" is as follows (in millions of € or millions of shares, except earnings per share):

	Year ended December 31, 2000	1999	1998
Income before extraordinary items and cumulative effects of changes in accounting principles – basic	2,465	5,106	4,949
Interest expense on convertible bonds and notes (net of tax)	18	18	20
Income before extraordinary items and cumulative effects of changes in accounting principles – diluted	2,483	5,124	4,969
Weighted average number of shares outstanding – basic	1,003.2	1,002.9	959.3
Dilutive effect of convertible bonds and notes	10.7	10.7	19.8
Shares issued on exercise of dilutive options	–	–	18.3
Shares purchased with proceeds of options	–	–	(11.8)
Shares applicable to convertible preferred stock	–	–	0.2
Shares contingently issuable	–	–	1.3
Weighted average number of shares outstanding – diluted	1,013.9	1,013.6	987.1
Earnings per share before extraordinary items and cumulative effects of changes in accounting principles			
Basic	2.46	5.09	5.16
Diluted	2.45	5.06	5.04

Options issued in connection with the 2000 Stock Option Plan were not included in the computation of diluted earnings per share because the options' underlying exercise price was greater than the average market price for DaimlerChrysler Ordinary Shares on December 31, 2000.

An income tax charge of €263 and €812 relating to changes in German tax laws was included in the consolidated statement of income 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). In 1998, merger costs of €401 (net of tax) impacted basic and diluted earnings per share by a decrease of €0.42 and €0.41.

In 1998, convertible bonds issued in connection with the 1998 Stock Option Plan were not included in the computation of diluted earnings per share because the options' underlying target stock price was greater than the market price for DaimlerChrysler Ordinary Shares on December 31, 1998.

35. PENDING TRANSACTION

In August 2000, DaimlerChrysler signed a sale and purchase agreement with the Canadian company Bombardier Inc. for the acquisition of DaimlerChrysler Rail Systems GmbH ("Adtranz"), for cash consideration. According to the sale and purchase agreement, the purchase price of $725 is subject to adjustments to reflect the proceeds from potential disposals of Adtranz' fixed installations and signaling businesses and adjustments based on the financial performance of Adtranz through the closing date of the transaction. The sale of Adtranz to Bombardier is still subject to appropriate regulatory approval by the European Commission.

36. SUBSEQUENT EVENTS

In January 2001, DaimlerChrysler decided to restructure the operations of the Chrysler Group. During January discussions were held with Chrysler's unions, suppliers and certain of its business partners. The results were announced on January 29, 2001. DaimlerChrysler expects to reduce the segment's workforce by approximately 26,000 people through a combination of retirements, special programs, layoffs and attrition. In addition, management intends to idle six manufacturing plants over the next two years and to reduce shifts and line speeds at other facilities. When the detailed restructuring plan is sufficiently determined, management intends to make a formal announcement and recognize the related charges in the Group's consolidated financial statements.

On January 18, 2001, the Group issued five separate tranches of euro, Pound Sterling and US dollars denominated notes bearing interest at rates ranging between 6.0% and 8.5% with maturity dates between 2004 and 2031 for net proceeds of approximately €7,500.

In January 2001, the Group sold its remaining 10% interest in debitel AG to Swisscom for proceeds of approximately €300.

Members of the Supervisory Board

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

Chairman

Erich Klemm *)
Sindelfingen
Chairman of the Corporate Works Council, DaimlerChrysler AG and DaimlerChrysler Group

Deputy Chairman

Robert E. Allen
Short Hills, N.J.
Retired Chairman of the Board and Chief Executive Officer of AT&T Corp.

Willi Böhm *)
Wörth
Senior Manager, Wage Accounting, Member of the Works Council, Wörth Plant, DaimlerChrysler AG

Sir John P. Browne
London
Group Chief Executive Officer of BP Amoco plc.

Manfred Göbels *)
Stuttgart
Director, Services and Mobility Concept, Chairman of the Management Representative Committee, DaimlerChrysler Group

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

Helmut Lense *)
Stuttgart
Chairman of the Works Council, Untertürkheim Plant, DaimlerChrysler AG

Peter A. Magowan
San Francisco
President of San Francisco Giants

Gerd Rheude *)
Wörth
Chairman of the Works Council, Wörth Plant, DaimlerChrysler AG

Wolf Jürgen Röder *)
Frankfurt am Main
Member of the Executive Council of German Metalworkers' Union
(since November 14, 2000)

Dr. rer. pol. Manfred Schneider
Leverkusen
Chairman of the Board of Management of Bayer AG

Peter Schönfelder *)
Augsburg
Chairman of the Works Council, Augsburg Plant, EADS Deutschland GmbH

Stefan Schwaab *)
Gaggenau
Vice Chairman of the Works Council, Gaggenau Plant, DaimlerChrysler AG
(since October 26, 2000)

G. Richard Thoman
Stamford
Former President and Chief Executive Officer of Xerox Corporation, Senior Advisor to Evercore Partners

Bernhard Walter
Frankfurt am Main
Former member of the Board of Management of Dresdner Bank AG

Lynton R. Wilson
Toronto
Chairman of the Board of CAE Inc.

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

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

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

Committees of the Supervisory Board:

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

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

Presidential Committee

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

Financial Audit Committee

Hilmar Kopper (Chairman)
Erich Klemm
Willi Böhm
Bernhard Walter

*) Employee-elected representatives

Retired from the Supervisory Board:

Rudolf Kuda *)
Frankfurt am Main
Retired Head of Department reporting to the Executive Council, German Metalworkers' Union

retired October 5, 2000

Herbert Schiller *)
Frankfurt am Main
Chairman of the Corporate Works Council, DaimlerChrysler Services AG

retired October 11, 2000

Report of the Supervisory Board

The Supervisory Board and the Board of Management met in four ordinary and one extraordinary meeting during the 2000 business year to discuss the state of DaimlerChrysler, the strategic development of the Group and its divisions, and various other topical issues.

The Presidential Committee met three times in 2000 to address Board of Management issues as well as questions concerning the company's corporate governance. The Financial Audit committee convened twice with the independent auditors to discuss in detail the financial statements for 1999 and the financial statement for the first half of 2000. The committee also engaged the KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, an auditing firm, with the annual audit, and also determined the audit emphasis for the business year. The Mediation Committee, a body stipulated by German industrial co-determination law, was not required to convene in 2000.

The Board of Management kept the Supervisory Board continually informed of the business and financial state of the company, the personnel situation, business developments at the company and its holdings, and investment plans and basic business policy questions through a comprehensive status report at each meeting as well as through monthly reports in writing. In addition, the Chairman of the Supervisory Board was regularly kept informed of matters through separate discussions with the Board of Management.

The agenda of the Supervisory Board was dominated by the strategic development of the company, particularly its focus on the automotive business, as well as further globalization measures at all business units. The major issue was the expansion of activities in Asia, primarily through the acquisition of equity interests in Mitsubishi Motors Corporation (MMC) and Hyundai Motor Company (HMC); the acquisition of Detroit Diesel Corporation and Western Star Holding; and the planned alliance with Caterpillar. Withdrawl from the non-automotive business was also reviewed. Other issues covered in financial year 2000 included questions concerning product quality and brand management as well as discussions surrounding the Group's e-business activities and the further development of corporate governance at DaimlerChrysler.

The meeting in February 2000 dealt with the 1999 consolidated and individual financial statements at DaimlerChrysler AG and preparations for the Annual Meeting. At the February meeting, the Supervisory Board also approved the early retirement of Robert J. Eaton from the Board of Management, effective March 31, 2000.

In March, the Supervisory Board approved the merger between debis IT Services and the IT Services division of Deutsche Telekom in the form of a joint venture. This transaction has provided debis IT Services with a strong partner with whom we will further expand information-technology activities as a strategic business division.

In the April 2000 meeting, which took place shortly before the Annual Meeting, the Supervisory Board approved the acquisition of a 34% share of the Japanese company, MMC, as well as the finalization of associated contracts. It is the view of the Supervisory Board that this transaction offers a good opportunity for the company to expand its activities in the Asian market and enter into various promising alliances, particularly in the small-car segment. In this context the Supervisory Board received in-depth information on the strategic situation in the Group's automotive business. The Supervisory Board was also given a detailed explanation of the DaimlerChrysler Risk Management System, which is designed in accordance with the requirements of KonTraG (German Business Monitoring and Transparency Law).

In the July meeting, the Supervisory Board approved the alliance with the Korean company, HMC, in the form of an initial 10% holding in the company. HMC is a suitable partner to help DaimlerChrysler expand its growing presence in the Asian market, particularly in terms of the important Korean market and the commercial-vehicle business throughout Asia. In the same meeting, the Supervisory Board also approved the acquisitions of the Canadian company, Western Star Holding, and the Detroit Diesel Corporation. This decision was assisted by a comprehensive presentation of the strategy and business developments at all of DaimlerChrysler's commercial-vehicle units.

In October, the Supervisory Board reviewed the strategic focus of the Services division in terms of further development of business and existing customer potential. In the same meeting, the Supervisory Board approved the sale of Adtranz to Bombardier Inc. as well as the sale by Adtranz of its Fixed Installations unit to Balfour Beatty plc. The Supervisory Board also approved the establishment of DCXNET as a holding company for e-business oriented investment and holding activities by DaimlerChrysler AG. In addition, the Supervisory Board approved the early retirement of Thomas C. Gale from the DaimlerChrysler AG Board of Management, effective December 31, 2000.

In an extraordinary meeting in November, the Supervisory Board was informed of the planned alliance with Caterpillar Inc. However, the focus of discussions between the Supervisory Board and the Board of Management was the situation at the Chrysler Group in financial year 2000, particularly in view of the negative developments in the second half of the year. In this context the Supervisory Board approved the premature departure of James P. Holden, effective November 18, 2000, and the transfer of his responsibilities to Dr. Dieter Zetsche, whose position at the Commercial Vehicles division were assumed by Dr. Eckard Cordes. Dr. Wolfgang Bernhard was named deputy member of the Board of Management for a period of three years, allowing him to assume the position of Chief Operating Officer of Chrysler Group. It is the view of the Supervisory Board that Chrysler Group now has a management team capable of returning it to its former strength. In this connection, the Supervisory Board emphasized its approval of the global strategic focus of the company and assured the Board of Management of its full support.

At the end of the year, the Supervisory Board reviewed the marketing success and the progress made with the A380 and approved the production of this wide-body airliner. A preliminary financing framework was decided upon for the period up to the Supervisory Board meeting on February 23, 2001.

The DaimlerChrysler financial statements for 2000 and the business review report were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Berlin and Frankfurt/Main, and certified without qualification.

The same applies to the consolidated financial statements according to US GAAP, which are supplemented by a business review report and additional notes pursuant to Section 292a of the German Commercial Code (HGB). In accordance with Section 292a, the US GAAP consolidated financial statements presented in this report grant exemption from the obligation to produce consolidated financial statements according to German law.

All financial statements and the appropriation of earnings proposed by the Board of Management, as well as the auditors' reports, were submitted to the Supervisory Board. These were inspected by the Financial Audit Committee and the Supervisory Board and discussed in the presence of the auditors. The Supervisory Board has declared itself in agreement with the results of the statutory audit and has established that there are no objections to be made.

In its meeting on February 23, 2001, the Supervisory Board took note of the consolidated financial statements for 2000, approved and thereby adopted the financial statements of DaimlerChrysler AG for 2000, and consented to the appropriation of earnings proposed by the Board of Management. Further major issues at the meeting were the medium-term corporate planning for 2001 – 2003, including investment, human resources and earnings objectives, and also the scope of financing limits for the year 2001.

The Supervisory Board expresses its gratitude to the DaimlerChrysler Board of Management and the company's employees for their tremendous individual efforts.

Stuttgart-Möhringen, February 2001

The Supervisory Board

Hilmar Kopper
Chairman

Major Subsidiaries of the DaimlerChrysler Group

	Ownership[1]) in %	Stockholders' Equity in millions[2]) of €	Revenues[3]) in millions of € 00	99	Employment at Year-End 00	99
Mercedes-Benz Passenger Cars & smart						
Micro Compact Car smart GmbH, Renningen[9])	**100.0**	**76**	**775**	**499**	**728**	**1,448**
Mercedes-Benz U.S. International, Inc., Tuscaloosa	**100.0**	**273**	**3,025**	**2,281**	**1,795**	**1,780**
Mercedes-Benz India Ltd., Poona	**86.0**	**51**	**42**	**30**	**329**	**328**
DaimlerChrysler South Africa (Pty.) Ltd., Pretoria[4])	**100.0**	**215**	**1,325**	**985**	**4,395**	**3,503**
Chrysler Group						
DaimlerChrysler Corporation, Auburn Hills[4])	**100.0**	**18,751**	**68,372**	**64,085**	**125,953**	**129,395**
DaimlerChrysler Canada, Inc., Windsor	**100.0**	*** [7])**	**16,277[6])**	**14,182[6])**	**17,242**	**17,331**
Eurostar Automobilwerk GmbH & Co. KG, Graz	**100.0**	*** [7])**	**520[6])**	**805[6])**	**1,401**	**1,464**
DaimlerChrysler de Mexico S.A. de C.V., Mexico City	**100.0**	*** [7])**	**8,591[6])**	**6,005[6])**	**10,919**	**11,235**
Commercial Vehicles						
EvoBus GmbH, Stuttgart[4])	**100.0**	**333**	**2,036**	**1,887**	**11,302**	**10,337**
Mercedes-Benz Lenkungen GmbH, Düsseldorf	**100.0**	**31**	**259**	**256**	**1,308**	**1,387**
Mercedes-Benz España S.A., Madrid	**100.0**	**267**	**2,601**	**2,448**	**4,950**	**4,992**
Detroit Diesel Corporation, Detroit[5])	**100.0**	**522**	**2,075**	**2,213**	**6,238**	**6,660**
Freightliner LLC, Portland[4])	**100.0**	**1,280**	**9,945**	**10,355**	**16,332**	**18,940**
Mercedes-Benz Mexico S.A. de C.V., Mexico-City[4])	**100.0**	**59**	**778**	**523**	**1,197**	**2,683**
DaimlerChrysler do Brasil Ltda., São Bernando do Campo	**100.0**	**446**	**2,018**	**1,427**	**10,865**	**10,677**
DaimlerChrysler Argentina S.A., Buenos Aires[4])	**100.0**	**265**	**698**	**469**	**1,143**	**1,209**
P.T. DaimlerChrysler Indonesia, Jakarta[4])	**95.0**	**47**	**138**	**59**	**1,251**	**1,246**
Mercedes-Benz Türk A.S., Istanbul	**66.9**	**188**	**827**	**471**	**4,175**	**3,427**

	Ownership[1]) in %	Stockholders' Equity in millions[2]) of €	Revenues[3]) in millions of €		Employment at Year-End	
			00	99	00	99
Vehicle Sales Organization						
Mercedes-Benz USA, Inc., Montvale[4])	100.0	270	10,907	8,607	1,508	1,457
DaimlerChrysler France S.A.S, La Chesnay[4])	100.0	162	3,002	2,577	1,990	1,751
DaimlerChrysler Belgium Luxembourg S.A., Brussels	100.0	76	1,135	948	622	554
DaimlerChrysler Nederland B.V., Utrecht[4])	100.0	59	1,148	1,032	647	579
DaimlerChrysler UK Ltd., Milton Keynes[4])	100.0	118	3,957	3,307	1,120	937
DaimlerChrysler Danmark AS, Copenhagen	100.0	21	286	262	344	310
DaimlerChrysler Sverige AB, Malmo	100.0	14	478	348	421	312
DaimlerChrysler Italia Holding S.p.A, Rome[4])	100.0	178	2,676	2,293	528	598
DaimlerChrysler Schweiz AG, Zurich	100.0	60	1,072	777	397	307
Mercedes-Benz Hellas S.A., Athens	100.0	42	222	174	157	153
DaimlerChrysler Japan Co. Ltd., Tokyo	100.0	37	2,705	2,222	412	597
DaimlerChrysler Australia/Pacific Pty. Ltd., Mulgrave/Melbourne[4])	100.0	161	1,001	773	834	849
Services						
DaimlerChrysler Services AG, Berlin	100.0	989	-	-	309	206
Mercedes-Benz Finanz GmbH, Stuttgart	100.0	545	280	232	1,024	840
Mercedes-Benz Leasing GmbH, Stuttgart	100.0	36	1,557	1,325	* [7])	* [7])
Chrysler Financial Company L.L.C., Southfield	100.0	526	4,799	3,016	4,059	3,846
Mercedes-Benz Credit Corporation, Norwalk	100.0	998	2,583	1,829	* [7])	* [7])
Chrysler Capital Company L.L.C., Stamford	100.0	753	90	168	46	47
Chrysler Insurance Company, Southfield	100.0	249	207	196	134	167
debis Financial Services Inc., Norwalk	100.0	230	330	197	185	213
Other Major Subsidiaries[8])						
DaimlerChrysler Rail Systems GmbH, Berlin	100.0	516	3,900	3,562	19,918	23,239
TEMIC TELEFUNKEN microelectronic GmbH, Nuremberg	100.0	336	1,067	890	5,845	5,173
MTU Motoren- und Turbinen-Union Friedrichshafen GmbH, Friedrichshafen	88.4	484	1,034	959	6,028	5,885
MTU Aero Engines GmbH, Munich	100.0	664	2,106	1,742	7,162	6,875

[1]) Relating to the respective parent company.
[2]) Stockholders' equity taken from national financial statements; stockholders' equity converted at year-end exchange rates.
[3]) Converted at average annual exchange rates.
[4]) Preconsolidated financial statements.
[5]) Only consolidated from October, 2000; full-year figure for revenues.
[6]) Included in the revenues of the preconsolidated financial statements.
[7]) Included in the consolidated financial statements of the parent company.
[8]) Amounts of individual business units according to US GAAP.
[9]) Preconsolidated financial statements in the previous year.

Five-Year-Summary

in millions of €	96	97	98	99	00
From the statements of income:					
Revenues	101,415	117,572	131,782	149,985	162,384
Personnel expenses	21,648	23,370	25,033	26,158	26,500
of which: Wages and salaries	17,143	18,656	19,982	21,044	21,836
Research and development costs	5,751	6,501	6,693	7,575	7,395
Operating profit	6,212	6,230	8,593	11,012	9,752
Operating margin	6.1%	5.3%	6.5%	7.3%	6.0%
Financial results	408	633	763	333	156
Income before income taxes and extraordinary items	5,693	6,145	8,093	9,657	4,476
Net operating income	–	4,946	6,359	7,032	4,383
Net operating income as % of net assets (RONA)	–	10.9%	12.7%	13.2%	7.4%
Net income	4,022	6,547	4,820	5,746	7,894
Net income per share (€)	4.09	4.28[1])	5.03	5.73	7.87
Diluted net income per share (€)	4.05	4.21[1])	4.91	5.69	7.80
Net income per share (excluding one-time effects) (€)	4.24	4.28	5.58	6.21	3.47
Diluted net income per share (excluding one-time effects) (€)	4.20	4.21	5.45	6.16	3.45
Cash dividend	–	–	2,356	2,358	2,358
Cash dividend per share (€)	–	–	2.35	2.35	2.35
Cash dividend including tax credit[2]) per share (€)	–	–	3.36	3.36	3.36
From the balance sheets:					
Property, plant and equipment, net	23,111	28,558	29,532	36,434	40,145
Leased equipment	7,905	11,092	14,662	27,249	33,714
Current assets	54,888	68,244	75,393	93,199	99,852
of which: Liquid assets	12,851	17,325	19,073	18,201	12,510
Total assets	101,294	124,831	136,149	174,667	199,274
Stockholders' equity	22,355	27,960	30,367	36,060	42,409
of which: Capital stock	2,444	2,391	2,561	2,565	2,609
Accrued liabilities	31,988	35,787	34,629	37,695	36,441
Liabilities	41,672	54,313	62,527	90,560	109,661
of which: Financial liabilities	25,496	34,375	40,430	64,488	84,783
Debt to equity ratio	114%	123%	133%	179%	200%
Mid- and long-term provisions and liabilities	36,989	45,953	47,601	55,291	75,349
Short-term provisions and liabilities	41,950	50,918	58,181	83,315	81,516
Current ratio	–	85%	79%	66%	67%
Net assets (average of the year)	–	45,252	50,062	53,174	59,489
Credit rating, long-term					
Standard & Poor's	–	–	A +	A +	A
Moody's	–	–	A 1	A 1	A 2
From the statements of cash flows:					
Investments in property, plant and equipment	6,721	8,051	8,155	9,470	10,392
Investments in leased equipment	4,891	7,225	10,245	19,336	19,117
Depreciation on property, plant and equipment	4,427	5,683	4,937	5,655	6,645
Depreciation on leased equipment	1,159	1,456	1,972	3,315	6,487
Cash provided by operating activities	9,956	12,337	16,681	18,023	16,017
Cash used for investing activities	(8,745)	(14,530)	(23,445)	(32,110)	(32,709)
From the stock exchanges:					
Share price at year-end Frankfurt (€)	–	–	83.60	77.00	44.74
New York (US $)	–	–	96 1/16	78 1/4	41 1/5
Average shares outstanding (in millions)	981.6	949.3	959.3	1,002.9	1,003.2
Average dilutive shares outstanding (in millions)	994.0	968.2	987.1	1,013.6	1,013.9
Average annual number of employees	419,758	421,661	433,939	463,561	449,594

[1]) Excluding one-time positive tax effects, especially due to extra distirbution of €10.23 per share.

[2]) For our stockholders who are taxable in Germany.

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Information

Publications for our shareholders:
DaimlerChrysler Annual Report
(German, English, French short version)
Form 20-F
(English)
DaimlerChrysler Services Annual Report
(German and English)
DaimlerChrysler Interim Reports for 1st, 2nd and 3rd quarters (German, English)
DaimlerChrysler Environmental Report
(German and English)

The financial statements of DaimlerChryler Aktiengesellschaft prepared in accordance with German GAAP were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft and an unqualified opinion was rendered thereon. These financial statements will be published in the Bundesanzeiger (Federal Official Gazette) and filed at the Commercial Register in Stuttgart.
The financial statements may be obtained from DaimlerChrysler free of charge.

These publications can be requested from:

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The information can also be ordered by phone or fax under the following number:
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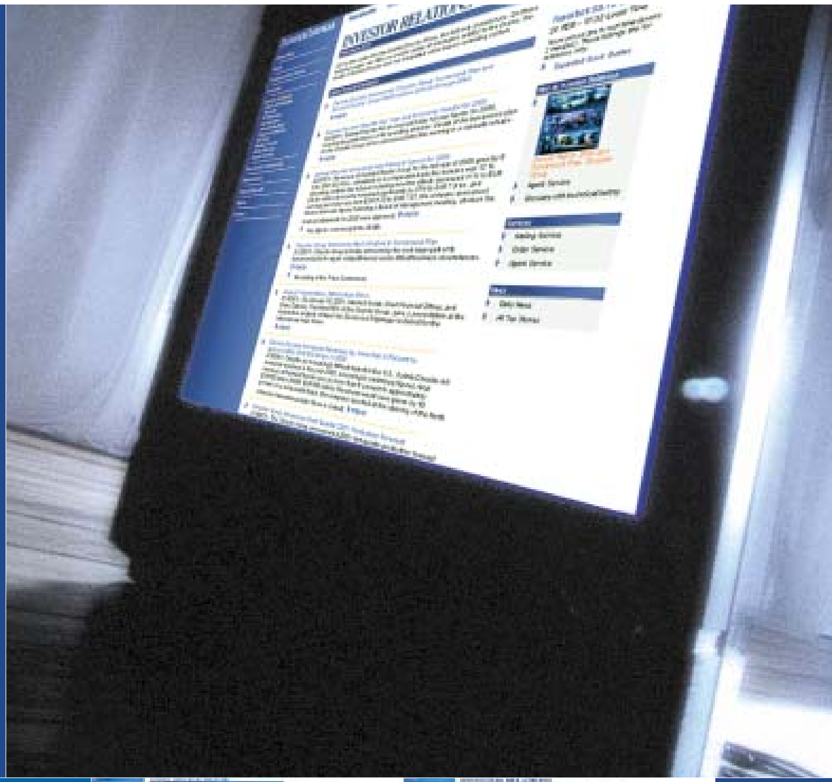
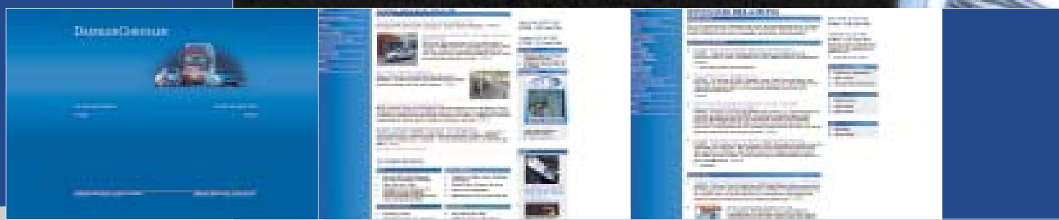
The complete Annual Report, Form 20-F and the interim reports are available on the Internet. The most important financial charts can also be accessed. Our address is:

www.daimlerchrysler.com

DaimlerChrysler online

Additional information on DaimlerChrysler is available on the Internet:
www.daimlerchrysler.com





www.daimlerchrysler.com

Financial Diary 2001

Annual Results Press Conference
February 26, 2001
10:00 a.m.
Mercedes-Benz Technology Center (MBTC)
Sindelfingen

Analysts' and Investors' Conference
February 26, 2001
2:00 p.m.
Stuttgart-Möhringen

Annual Meeting
April 11, 2001
10:00 a.m.
Messe Berlin (Berlin Exhibition Center)

Interim Report Q1/3 Month Results
April 25, 2001

Interim Report Q2/Half Year Results
July 26, 2001

Interim Report Q3/9 Month Results
October 23, 2001

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