Name________________________________

Applied Analytics

Five hours **Barry M Frohlinger**

INSTRUCTIONS:

1. This examination consists of two parts
   - Seven [7] questions totaling 100 points
   - set of financial statements for DaimlerChrysler.

   Place your name on the first page of each part.
2. Place all answers in spaces following questions. **WRITE LEGIBLY** **Do not write on the backs of the pages.**
3. Always identify **specific accounts & amounts** use the Company's account titles.
4. If you can't determine an amount, show $X and explain in words.
5. Clearly label each figure (if "plug", say so).
6. Round all dollar amounts and show calculations.
7. **Support** your conclusions.
8. **Time**: You will have **five** hours to answer the questions.
   Allocate your time wisely.
   Do not devote an inordinate time to any question.
9. When completed, return both (i) question pages and (ii) set of financial statements.

10. **Write neatly, in the space provided. DO NOT WRITE ON THE BACKS OF THE PAGES, NOR ATTACH ANY ADDITIONAL SHEETS. YOU MUST WRITE LEGIBLY.**

I have read and understand the instructions for the exam.

________________________________ ________________

Signature Date

See the set of financial statements for DaimlerChrysler [Consolidated].

DaimlerChrysler. operates a C&I business **[Industrial Business]** and an FI business [**DaimlerChrysler Financial Services**]. MAKE SURE THAT YOU ANALYZE THE CORRECT COMPANY in the questions.

REQUIRED:

1. **[40 points]** Complete the analytically adjusted income statement ***for DaimlerChrysler [the C&I company]*** for 2000 on the next two pages. You must complete the entire form, LINES nos. 1 - 40 [reported first].

A. Complete lines 1- 40 reported, making sure that you properly format the income statement.

B. You have decided to make the following changes **[IN ADDITION TO COMPLETING THE PROPERLY FORMATTED LINES 1 - 40].**

Chg. #1: You believe that the following ***three gains*** relate to prior years:
1. the gain from forming a new company European Aeronautic Defence and Space Company EADS N.V. [EADS] relate to prior years.
2. the gain from the disposition of the controlling interest in debis Systemhaus relate to prior years
3. the gain from the sale of the fixed installation activities of the Rail Systems business unit relate to prior years

Chg. #2: [see note 6] You believe that the following ***two charges*** relates to prior years:
1. the writedown of Euro 0.5 billion on the carrying value of leased vehicles related gain relates to prior years.
2. the writedown of the "Z-Car" project relating to the smart brand in the amount of Euro 0.5 billion relates to prior years

Chg. #3: You believe that the charge for following the EU directive for Euro 0.3 billion relates to prior years.

Chg. #4**:** You believe that the gain from sale of property in Note 7 relates to prior years.

FINALLY, CALCULATE THE ADJUSTED COLUMN.

INCOME STATEMENT for ________________________________ [000's omitted]

	Line	Reported ***2000***	Chg #1	Chg #2	Chg #3	Chg #4	Adjusted ***2000***
➢**OPERATING:**							
Net sales (+ other operating revenue)	1						
Less costs & operating expenses:							
Cost of sales	2						
Selling & administrative	3						
______________________ . . .	4						
______________________ . . .	5						
______________________ . . .	6						
=Operating income	7						
➢**NON-OPERATING:**							
+Interest income	8						
±Other income (expense)	9						
± ______________________ . . .	10						
± ______________________ . . .	11						
=EBIT	12						
-Interest expense	13						
=Pretax income	14						
Income tax (provision) benefit	15						
=Income before segregated items	16						
➢**ITEMS SEGREGATED FOR ANALYSIS [net of tax]:**							
+Equity in income of unconsolidated co.	17						
-Minority interest in consolidated co.	18						
±Income(loss) of discontinued operations	19						
± ______________________	20						
± ______________________	21						
=Income before items below	22						
➢**ITEMS THAT RELATE TO MORE THAN ONE YEAR [net of tax]:**							
+Gain (loss) on disposal of discontin. oper.	23						
______________________	24						
______________________	25						
______________________	26						
______________________	27						
=Net income	28						

INCOME STATEMENT for ____ [000's omitted]

ˆNOTES:

	Line	Reported **_2000_**	Chg #1	Chg #2	Chg #3	Chg #4	Adjusted **_2000_**
[a] Income tax analysis:							
Statutory rate	29	%	%	%	%	%	%
Expected tax at statutory rate	30						
± ______________________	31						
± ______________________	32						
± ______________________	33						
± Other differences	34						
= Income tax provision	35						

[b] If these amounts are ***not shown*** separately above, disclose below:

	Line	Reported 2000	Chg #1	Chg #2	Chg #3	Chg #4	Adjusted 2000
Depreciation & amortization	36						
Research & development	37						
Implicit interest on operating leases . . .	38						
Non-operating inc(exp) on pension and postretirement	39						
Calculated EBITDA	40						

Calculations for NonOperating Pension:

Calculations for NonOperating Other Postretirement Benefits

2. **[6 points]** DaimlerChrysler discloses its lease obligations in Note 30. What analytical adjustment should a financial analyst make to include off-balance sheet leases on the 2000 balance sheet? ***[Assume that the amounts are material and demonstrate TWO alternative methods of calculating the lease amounts].***

3. [10 points] DaimlerChrysler's ***Pension plans*** and ***Other PostRetirement Benefits*** are described in Note 24. Complete the following table:

	Pensions	**PRBOTP**
Assets		
Obligation		
Net Economic Reality		
Accounting -Amount Reported on the Balance Sheet		

4. [11 points] Calculate Inventory Turnover Ratio In Days for DaimlerChrysler. Complete the following table:

		Fill in Amounts
Numerator	Inventory	
Denominator	Cost of Sales	
Ratio in days	======➔	

5 .[18 points] Calculate the following at Year End 2000:

1. DaimlerChrysler consolidated book value of equity ____________

2. Calculate DaimlerChrysler's consolidated tangible adjusted book equity ***adjusted for seven items: goodwill*[1]**, **pensions, PRBOTP, inventory, Debt, Marketable Securities and deferred tax[2]. First, the accounting amounts in the reported column. Then, insert the adjusted amounts in the adjusted column. Then calculate the effect on deferred tax and owners equity. Finally, calculate consolidated tangible adjusted book equity.**

	Reported Amount	Adjusted Amount	**Effect on Deferred Tax**	**Effect on Equity**
Goodwill				
Pensions				
PRBOTP				
Inventory				
Debt				
Marketable Securities				
Deferred Tax				

Consolidated tangible adjusted book equity

____

[1] You believe that the value of goodwill should be reduced to zero
[2] You believe that all deferred taxes should be treated as equity

6. **[10 points]** Calculate DaimlerChrysler's Financial Services Return on Yearend Assets [ROA] for the year 2000. <u>**Complete the table below.**</u>

Make sure that you adjust the income statement for two items:

1. Change the accounting for loan losses [loan loss provision] from an accrual approach to the net write-off of loans.
2. Adjust for any unusual items

Make sure that you adjust the assets for two items:

1. Change the accounting for loan losses [loan loss provision] from an accrual approach to the net write-off of loans.
2. Securitization of Accounts Receivable

	Reported	Change #1	Change #2	Adjusted
Net Income				
Assets				
ROA				

7. [5 points] Reconcile the <u>Consolidated</u> Tax Payable and the Deferred Tax Accounts during the year. [Combine all the deferred tax amounts into a single account].

Accrued income taxes	

Deferred Tax	

end of practice questions

INTRODUCTION

HISTORY

On May 7, 1998, Daimler-Benz Aktiengesellschaft and Chrysler Corporation entered into a business combination agreement, which their stockholders approved on September 18, 1998.

BUSINESS SUMMARY AND DEVELOPMENTS

The Group is engaged in the development, manufacture, distribution and sale of a wide range of automotive and transportation products, primarily passenger cars and commercial vehicles. It also provides a variety of financial and other services relating to the automotive value-added chain. The DaimlerChrysler Group has six business segments:

- MERCEDES-BENZ PASSENGER CARS & SMART
- CHRYSLER GROUP
- COMMERCIAL VEHICLES
- SERVICES
- AEROSPACE
- OTHER

In July 2000, DaimlerChrysler, the French Lagardere Group, the French government and the Spanish Sociedad Estatal de Participaciones Industriales (SEPI) combined their respective aerospace and defense activities consisting of Aerospatiale Matra S.A., DaimlerChrysler Aerospace AG and Construcciones Aeronauticas S.A. (CASA) in a new company called the European Aeronautic Defence and Space Company EADS N.V. (EADS). The transaction did not include DaimlerChrysler's aero engines business. As part of the transaction, DaimlerChrysler exchanged its controlling interest in DaimlerChrysler Aerospace for a 33% equity interest in EADS for which it accounts using the equity method of accounting.

In October 2000, DaimlerChrysler and Mitsubishi Motors Corporation formed an alliance regarding the design, development, production and distribution of passenger cars and light commercial vehicles, but excluding medium and heavy trucks and other commercial vehicles. DaimlerChrysler acquired a 34% equity interest in Mitsubishi Motors Corporation for approximately [EURO]2.2 billion. DaimlerChrysler also purchased convertible bonds of Mitsubishi Motors Corporation for approximately [EURO]0.2 billion, which are convertible into shares of Mitsubishi Motors Corporation stock. The bonds are only convertible by DaimlerChrysler in the event that its ownership percentage would be diluted below 34%.

On October 1, 2000, DaimlerChrysler and Deutsche Telekom combined their information technology activities in a joint venture. As part of the transaction, Deutsche Telekom contributed [EURO]4.6 billion in cash toDaimlerChrysler's information technology subsidiary debis Systemhaus in return for which Deutsche Telekom received a 50.1% interest in debis Systemhaus. The agreement between DaimlerChrysler and Deutsche Telekom provides Deutsche Telekom with an option to purchase from DaimlerChrysler, and DaimlerChrysler with an option to sell to Deutsche Telekom, the Group's remaining 49.9% interest in debis Systemhaus.

Net income of DaimlerChrysler increased from [EURO]5.7 billion in 1999 to [EURO]7.9 billion in 2000. Net income includes net gains on dispositions of EURO]5.5 billion (1999: [EURO]0.6 billion) which have been classified as extraordinary and primarily resulted from the exchange of the Group's controlling interest in DaimlerChrysler Aerospace for a 33% interest in EADS ([EURO]3.0 billion) and from the disposition of the Group's controlling interest in debis Systemhaus ([EURO]2.3 billion). Net income also contains a net expense of [EURO]0.1 billion from cumulative effects of changes in accounting principles. Net income before extraordinary items and cumulative effects of changes in accounting principles decreased by [EURO]2.6 billion to [EURO]2.5 billion.

2000 COMPARED WITH 1999

DAIMLERCHRYSLER GROUP

Group revenues in 2000 increased 8% from [EURO]150.0 billion to [EURO]162.4 billion. This increase consisted of 12% revenue growth in the Group excluding the Aerospace segment and the IT Services business unit, offset by a revenue decline due to the disposition of most of DaimlerChrysler's aerospace activities in July 2000 and the disposition of DaimlerChrysler's controlling interest in debis Systemhaus in October 2000. Revenues for the Mercedes-Benz Passenger Cars & smart segment increased 15% to [EURO]43.7 billion. Chrysler Group revenues rose 7% to [EURO]68.4 billion as a result of the depreciation of the euro against the dollar, absent which Chrysler Group revenues would have been 8% lower than in the previous year. Revenues of Commercial Vehicles went up 8% to [EURO]28.8 billion. Services' revenues improved 36% to [EURO]17.5 billion. Aerospace revenues in 2000 were [EURO]3.8 billion below 1999 principally because the year 2000 did not include any revenues from the second half of the year from the aerospace activities disposed of in July.

In 2000, cost of sales amounted to [EURO]134.8 billion, a 12% rise. Cost of sales as a percentage of revenues increased to 83% in 2000 compared to 80% in 1999. This increase resulted from higher sales incentives for specific Chrysler Group models which reduced revenues, an impairment charge on the carrying values of leased vehicles in the Services segment and charges related to the smart brand recorded in connection with the planned joint development of a new small car platform with Mitsubishi Motors.

Selling expenses were [EURO]11.4 billion in 2000 compared to [EURO]9.9 billion in 1999, a 16% increase. The increase was due to higher marketing costs in connection with new product launches. Selling expenses as a percentage of revenues were 7% in both 2000 and 1999. General administrative expenses in 2000 rose 11% over 1999 to [EURO]5.7 billion.

Research and development funded by the Group reached [EURO]6.3 billion in 2000 compared to [EURO]5.7 billion in 1999. In addition, the Group undertook research and development projects for third party customers funded by such parties (mainly the German government and ESA) in the amount of [EURO]1.1 billion in 2000 (1999: [EURO]1.8 billion). Research and development for third party customers decreased as a result of the disposition of most of DaimlerChrysler's aerospace activities.

In 2000, DaimlerChrysler's operating profit was [EURO]9.8 billion compared to [EURO]11.0 billion in the previous year, a decrease of 11%. The operating profit of 2000 includes gains of [EURO]3.3 billion from the exchange of the Group's controlling interest in DaimlerChrysler Aerospace for a 33% interest in EADS, [EURO]2.3 billion from the disposition of the Group's controlling interest in debis Systemhaus, and gains of [EURO]0.2 billion from the sale of the fixed installations activities of the Rail Systems business unit and the dilution of DaimlerChrysler's equity interest in Ballard Power Systems, a Canadian company focusing on fuel cell technology. Group operating profit in 2000 was reduced by a write-down of [EURO]0.5 billion on the carrying values of leased vehicles and charges of [EURO]0.5 billion related to the smart brand in connection with the planned joint development of a new small car platform with Mitsubishi Motors. In addition, DaimlerChrysler recorded a charge in 2000 relating to the European Union's directive for end-of-life-vehicles ([EURO]0.3 billion). The 1999 operating profit includes gains from the sales of most of DaimlerChrysler's investment in the telecommunications company debitel amounting to [EURO]1.1 billion, partially offset by charges for restructuring measures in the Rail Systems business and other one-time items.

LIQUIDITY AND CAPITAL RESOURCES

In 2000, 1999 and 1998, DaimlerChrysler utilized funds from operations and borrowings to finance capital expenditures and the continuing expansion of its financial services activities. The principal reason for the borrowings was the growing lease and sales financing business which is typically financed with a high proportion of debt.

At December 31, 2000 and 1999, the Group had credit lines (short- and long-term) available of [EURO]40.9 billion and [EURO]34.6 billion, respectively, of which [EURO]28.0 billion and [EURO]23.9 billion, respectively, were unused as of such dates. In 2000, the weighted average interest rate payable under DaimlerChrysler's lines of credit was 5.6%. 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.

The Group can also rely on commercial paper programs denominated in U.S. dollars, Canadian dollars, Portuguese escudos and Australian dollars and on a multi-currency commercial paper program established in 1999. In the United States, DaimlerChrysler North America Holding Corporation has a $30.2 billion debt securities shelf registration filed with the U.S. Securities and Exchange Commission, of which $30.2 billion remained unused as of February 16, 2001.

Commercial paper issued by DaimlerChrysler AG and several of its subsidiaries is rated "A-1" by Standard & Poor's Ratings Services and "Prime-1" by Moody's Investors Service. On December 1, 2000, Moody's Investors Service lowered its ratings for senior unsecured long-term debt issued or guaranteed by DaimlerChrysler AG from A1 to A2 and announced that such ratings remain on review for further possible downgrade. On December 4, 2000, Standard & Poor's Ratings Services lowered its ratings for senior unsecured long-term debt issued or guaranteed by DaimlerChrysler AG from A+ to A and announced that the current outlook in respect of such ratings is negative. The downgrades primarily resulted from the decline in earnings at the Chrysler Group, the need to comprehensively restructure this segment, and lower expectations for vehicle unit sales in North America. Further downgrades by the ratings agencies would increase DaimlerChrysler's cost of capital and could negatively affect its continuing expansion, particularly in the lease and sales financing business which is typically financed with a high proportion of debt.

TRADING ON THE NEW YORK STOCK EXCHANGE

Official trading of DaimlerChrysler ordinary shares on the New York Stock Exchange commenced on November 17, 1998. DaimlerChrysler ordinary shares trade under the symbol "DCX."

The following table sets forth, for the periods indicated, the high and low sales prices per DaimlerChrysler ordinary share as reported on the New York Stock Exchange Composite Tape.

	PRICE PER DAIMLERCHRYSLER ORDINARY SHARE	
	HIGH	LOW
	($)	
ANNUAL HIGHS AND LOWS		
1998 (from November 17, 1998)	99.06	82.38
1999	108.63	65.31
2000	78.69	37.75
QUARTERLY HIGHS AND LOWS		
1999		
First Quarter	108.63	83.31
Second Quarter	102.00	85.38
Third Quarter	91.81	65.31
Fourth Quarter	78.50	66.13
2000		
First Quarter	78.69	59.88
Second Quarter	68.75	51.81
Third Quarter	57.00	43.67
Fourth Quarter	49.47	37.75
MONTHLY HIGHS AND LOWS		
2000		
July	56.31	52.06
August	57.00	51.31
September	52.38	43.67
October	47.33	42.35
November	49.47	37.75
December	45.00	38.90
2001		
January	49.00	41.01
February (through February 16, 2001)	51.25	45.86

On February 16, 2001, the closing sales price per DaimlerChrysler ordinary share on the New York Stock Exchange as reported on the NYSE Composite Tape was $50.15.

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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In 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."

KPMG Deutsche Treuhand-Gesellschaft AG

Stuttgart, Germany
February 9, 2001

DAIMLERCHRYSLER AG
CONSOLIDATED STATEMENTS OF INCOME
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

		CONSOLIDATED			
		YEAR ENDED DECEMBER 31,			
	NOTE	2000 (NOTE 1)	2000	1999	1998
Revenues	33	$ 152,446	[EURO]162,384	[EURO]149,985	[EURO]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 [EURO]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 99-20, net of taxes	10	(82)	(87)	--	--
NET INCOME		7,411	7,894	5,746	4,820

DAIMLERCHRYSLER AG

CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	INDUSTRIAL BUSINESS			FINANCIAL SERVICES		
	YEAR ENDED DECEMBER 31,			YEAR ENDED DECEMBER 31,		
	2000	1999	1998	2000	1999	1998
Revenues	[EURO]147,260	[EURO]139,929	[EURO]124,010	[EURO]15,124	[EURO]10,056	[EURO]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 [EURO]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 99-20, net of taxes	10	--	--	(97)	--	--
NET INCOME	7,761	5,157	4,255	133	589	565

DAIMLERCHRYSLER AG CONSOLIDATED BALANCE SHEETS (IN MILLIONS)

		CONSOLIDATED			INDUSTRIAL BUSINESS		FINANCIAL SERVICES	
		AT DECEMBER 31,			AT DECEMBER 31,		AT DECEMBER 31,	
	NOTE	2000 (NOTE 1)	2000	1999	2000	1999	2000	1999
ASSETS								
Intangible assets	12	$ 2,922	[EURO] 3,113	[EURO] 2,823	[EURO] 2,907	[EURO] 2,632	[EURO] 206	[EURO] 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-TERM 2000: [EURO]71,300; 1999: [EURO]70,111)		187,078	199,274	174,667	107,130	100,719	92,144	73,948

DAIMLERCHRYSLER AG CONSOLIDATED BALANCE SHEETS (IN MILLIONS)

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTE	CONSOLIDATED AT DECEMBER 31, 2000 (NOTE 1)	2000	1999	INDUSTRIAL BUSINESS AT DECEMBER 31, 2000	1999	FINANCIAL SERVICES AT DECEMBER 31, 2000	1999
Capital stock		$ 2,449	[EURO] 2,609	[EURO] 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	[EURO]35,825	[EURO]30,318	[EURO]6,584	[EURO]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: [EURO]81,516; 1999: [EURO]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

DAIMLERCHRYSLER AG

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(IN MILLIONS OF [EURO])

				ACCUMULATED OTHER COMPREHENSIVE INCOME					
	CAPITAL STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	CUMULATIVE TRANSLATION ADJUSTMENT	AVAILABLE-FOR-SALE SECURITIES	DERIVATIVE FINANCIAL INSTRUMENTS	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

DAIMLERCHRYSLER AG CONSOLIDATED STATEMENTS OF CASH FLOWS (IN MILLIONS)

	CONSOLIDATED			
	YEAR ENDED DECEMBER 31,			
	2000 (NOTE 1)	2000	1999	1998
Net income	$ 7,411	[EURO]7,894	[EURO]5,746	[EURO]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)

DAIMLERCHRYSLER AG CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN MILLIONS)

	CONSOLIDATED			
	YEAR ENDED DECEMBER 31,			
	2000 (NOTE 1)	2000	1999	1998
Change in commercial paper borrowings and short-term 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 INCREASE (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

DAIMLERCHRYSLER AG
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(IN MILLIONS)

INDUSTRIAL BUSINESS			FINANCIAL SERVICES			
YEAR ENDED DECEMBER 31,			YEAR ENDED DECEMBER 31,			
2000	1999	1998	2000	1999	1998	
[EURO]7,761	[EURO]5,157	[EURO]4,255	[EURO]133	[EURO]589	[EURO]565	Net income
11	16	128	1	2	2	Income applicable to minority interests
						Adjustments to reconcile net income to net cash provided by operating activities:
(5,568)	(1,181)	(296)	--	--	--	Gains on disposals of businesses (see also Note 11)
207	68	45	6,280	3,247	1,927	Depreciation and amortization of equipment on operating leases
7,047	5,966	5,321	84	69	38	Depreciation and amortization of fixed assets
590	1,496	1,560	630	906	399	Change in deferred taxes
185	(10)	(38)	59	(13)	(21)	Equity income (loss) from associated companies
(10)	--	--	97	--	--	Cumulative effects of changes in accounting principles
--	19	129	--	--	--	Losses on early extinguishment of debt (extraordinary item)
(76)	247	(191)	(14)	--	--	Change in financial instruments
(454)	(1,213)	(317)	(1)	(2)	(51)	(Gains) losses on disposals of fixed assets/securities
22	495	251	--	--	--	Change in trading securities
1,742	3,913	1,375	36	88	44	Change in accrued liabilities
						Changes in other operating assets and liabilities:
(725)	(2,387)	(1,040)	(151)	(49)	64	-- inventories, net
(698)	(541)	(812)	(33)	(192)	124	-- trade receivables
(498)	1,222	1,668	74	109	159	-- trade liabilities
(623)	(166)	36	(91)	168	1,357	-- other assets and liabilities
8,913	13,101	12,074	7,104	4,922	4,607	CASH PROVIDED BY OPERATING ACTIVITIES

DAIMLERCHRYSLER AG
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(IN MILLIONS)

INDUSTRIAL BUSINESS			FINANCIAL SERVICES			
YEAR ENDED DECEMBER 31,			YEAR ENDED DECEMBER 31,			
2000	1999	1998	2000	1999	1998	
						Purchases of fixed assets:
(3,566)	(2,935)	(2,538)	(15,551)	(16,401)	(7,707)	-- Increase in equipment on operating leases
(10,340)	(9,407)	(8,118)	(52)	(63)	(37)	-- Purchases of property, plant and equipment
(422)	(524)	(245)	(58)	(121)	(60)	-- Purchases of other fixed assets
3,374	3,007	2,548	4,911	3,568	2,355	Proceeds from disposals of equipment on operating leases
836	411	500	26	96	15	Proceeds from disposals of fixed assets
(4,723)	(1,145)	(814)	(160)	(144)	(43)	Payments for investments in businesses
298	1,336	682	13	--	3	Proceeds from disposals of businesses
(1,351)	--	--	--	--	--	Change in cash from exchange of businesses
133	(28)	63	(116,640)	(102,112)	(81,259)	Additions to receivables from financial services
						Repayments of receivables from financial services:
--	--	--	44,276	41,928	33,784	-- Finance receivables collected
--	--	--	63,649	51,843	40,950	-- Proceeds from sales of finance receivables
(5,594)	(3,958)	(2,015)	(2,192)	(437)	(2,602)	Acquisitions of securities (other than trading)
8,355	3,333	247	1,869	386	2,487	Proceeds from sales of securities (other than trading)
385	(462)	(1,455)	(185)	(281)	(186)	Change in other cash
(12,615)	(10,372)	(11,145)	(20,094)	(21,738)	(12,300)	CASH USED FOR INVESTING ACTIVITIES
(393)	(260)	(1,136)	(2,845)	9,593	3,639	Change in commercial paper borrowings and short-term financial liabilities
2,523	918	322	26,734	12,422	9,169	Additions to long-term financial liabilities
2,324	439	944	(11,476)	(5,050)	(5,070)	Repayment of financial liabilities
(2,370)	(2,373)	(5,865)	(9)	(5)	(589)	Dividends paid (including profit transferred from subsidiaries)
(224)	82	3,561	336	82	515	Proceeds from issuance of capital stock (including minority interests)
(88)	(86)	(169)	--	--	--	Purchase of treasury stock
--	--	1,487	--	--	--	Proceeds from special distribution tax refund
1,772	(1,280)	(856)	12,740	17,042	7,664	CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES
471	750	(371)	30	55	(26)	Effect of foreign exchange rate changes on cash and cash equivalents (maturing within 3 months)
(1,459)	2,199	(298)	(220)	281	(55)	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (MATURING WITHIN 3 MONTHS)
						CASH AND CASH EQUIVALENTS (MATURING WITHIN 3 MONTHS)
7,859	5,660	5,958	902	621	676	AT BEGINNING OF PERIOD
6,400	7,859	5,660	682	902	621	AT END OF PERIOD

DAIMLERCHRYSLER AG CONSOLIDATED FIXED ASSETS SCHEDULE (IN MILLIONS OF [EURO])

	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	32,678	2,082	(21)	19,117	47	11,296	42,607

(1) Currency translation changes with period end rates.

DAIMLERCHRYSLER AG CONSOLIDATED FIXED ASSETS SCHEDULE (CONTINUED)
(IN MILLIONS OF [EURO])

DEPRECIATION/AMORTIZATION							BOOKVALUE(1)		
BALANCE AT JANUARY 1, 2000	CURRENCY CHANGE	CHANGE IN CONSOLIDATED COMPANIES	ADDITIONS	RECLASSIFICATIONS	DISPOSALS	BALANCE AT DECEMBER 31, 2000	BALANCE AT DECEMBER 31, 2000	BALANCE AT DECEMBER 31, 1999	
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

DAIMLERCHRYSLER AG

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(IN MILLIONS OF [EURO], EXCEPT PER SHARE AMOUNTS)

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"). 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 [EURO]1 = $0.9388 on December 29, 2000.

DaimlerChrysler was formed through the merger of Daimler-Benz Aktiengesellschaft ("Daimler-Benz") and Chrysler Corporation ("Chrysler") in November 1998 ("Merger"). 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, [EURO]685 of merger costs ([EURO]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.

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.

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.

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.

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.

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.

3. SCOPE OF CONSOLIDATION

SCOPE OF CONSOLIDATION -- DaimlerChrysler comprises 485 foreign and domestic subsidiaries (1999: 549) and 1 joint venture (1999: 16).

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 [EURO]5,974 and [EURO]1,543, respectively.

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 [EURO]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 [EURO]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 [EURO]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 [EURO]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 [EURO]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 [EURO]500. The acquisition was accounted for under the purchase method of accounting and resulted in goodwill of approximately [EURO]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-Lenkflugkorpersysteme GmbH and 100% of its interests in CMS, Inc. and two real-estate-project-companies. The total pretax gains from these dispositions were approximately [EURO]300.

NOTES TO THE 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

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 [EURO]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 [EURO]255 were recorded related to fixed cost reimbursement agreements with MCC smart suppliers. The charges were recorded in cost of sales ([EURO]494) and other expenses ([EURO]42).

In 2000, DaimlerChrysler recorded an impairment charge in cost of sales of approximately [EURO]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.

7. OTHER INCOME

Other income includes gains on sales of property, plant and equipment ([EURO]106, [EURO]132 and [EURO]99 in 2000, 1999 and 1998, respectively).

8. FINANCIAL INCOME, NET

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Income (loss) from investments	20	41	(129)
Income (loss) from companies included at equity	(244)	23	59
Interest Income	1,268	1,382	1,327
Interest expense	(988)	(729)	(702)
Other, net	100	(384)	(208)
	156	333	763

The Group capitalized interest expenses related to qualifying construction projects of [EURO]181 (1999: [EURO]163; 1998: [EURO]186). The income (loss) from companies included at equity is from investments made by the Industrial Businesses.

9. INCOME TAXES

Income before income taxes consists of the following:

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
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

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
Effect 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

Deferred income tax assets and liabilities are summarized as follows:

	DECEMBER 31, 2000	DECEMBER 31, 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)

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

	DECEMBER 31, 2000		DECEMBER 31, 1999	
	TOTAL	THEREOF NON-CURRENT	TOTAL	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)

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

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 [EURO]99 (net of income tax benefits of [EURO]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 [EURO]12 (net of income tax expense of [EURO]5) in the statement of income and a net transition adjustment loss of [EURO]349 (net of income tax benefit of [EURO]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 [EURO]153 resulting in an extraordinary after-tax gain of [EURO]89 (net of income tax expense of [EURO]52).

In October 2000, DaimlerChrysler and Deutsche Telekom combined their information technology activities in a joint venture. In accordance with an agreement announced on March 27, 2000, Deutsche Telekom received a 50.1% interest in dSH through an investment of approximately [EURO]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 [EURO]4,600 to [EURO]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 [EURO]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 [EURO]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 [EURO]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 [EURO]274. In September 1999, debis AG sold an additional portion of its remaining interests in debitel AG to Swisscom for proceeds of [EURO]924. The sales resulted in an extraordinary after-tax gain of [EURO]659 (net of income tax expense of [EURO]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 [EURO]51 of long-term debt resulting in an extraordinary after tax loss of [EURO]19 (net of income tax benefit of [EURO]11).

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

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 [EURO]140 (1999: [EURO]368). Depreciation expense and impairment charges on assets under capital lease arrangements were [EURO]188 (1999: [EURO]32; 1998: [EURO]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.

14. INVENTORIES

	AT DECEMBER 31,	
	2000	1999
Raw materials and manufacturing supplies	2,495	2,602
Work-in-process	5,232	6,285
thereof relating to long-term contracts and programs in process [EURO]1,967 (1999: [EURO]2,000)		
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	(2,479)	(4,307)
thereof relating to long-term contracts and programs in process [EURO]608 (1999: [EURO]1,166)		
	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 [EURO]1,058 (1999: [EURO]691).

15. TRADE RECEIVABLES

	AT DECEMBER 31, 2000	1999
Receivables 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, [EURO]261 of the trade receivables mature after more than one year (1999: [EURO]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, [EURO]28,138 of the financing receivables mature after more than one year (1999: [EURO]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

17. OTHER RECEIVABLES

	AT DECEMBER 31, 2000	1999
Receivables from affiliated companies	1,341	850
Receivables from related companies	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

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	AT DECEMBER 31, 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			
			UNREALIZED				UNREALIZED	
	COST	FAIR VALUE	GAIN	LOSS	COST	FAIR 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			
			UNREALIZED				UNREALIZED	
	COST	FAIR VALUE	GAIN	LOSS	COST	FAIR 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

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include [EURO]45 (1999: [EURO]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 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, [EURO]6,819 of the total prepaid expenses mature after more than one year (1999: [EURO]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 [EURO]2.60 of capital stock.

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)

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.

24. ACCRUED LIABILITIES

Accrued liabilities are comprised of the following:

	AT DECEMBER 31,			
	2000		1999	
	TOTAL	DUE AFTER ONE YEAR	TOTAL	DUE AFTER ONE YEAR
Pension plans and similar obligations (see Note 24 a).......................	11,151	10,200	14,048	13,075
Income taxes …....................	2,192	474	2,281	77
Other accrued liabilities (see Note 24 b)................................	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 [EURO]4,059 of securities to the Pension Trust, thereby reducing accrued pension liabilities. In 2000, DaimlerChrysler AG contributed an additional [EURO]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 [EURO]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		AT DECEMBER 31, 1999	
	GERMAN PLANS	NON-GERMAN PLANS	GERMAN PLANS	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

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

	AT DECEMBER 31, 2000		AT DECEMBER 31, 1999	
	GERMAN PLANS	NON-GERMAN PLANS	GERMAN PLANS	NON-GERMAN PLANS
Funded status*......................................	1,671	(4,084)	6,089	(6,245)
Unrecognized actuarial 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)

The components of net periodic pension cost were as follows:

	2000		1999		1998	
	GERMAN PLANS	NON-GERMAN PLANS	GERMAN PLANS	NON-GERMAN PLANS	GERMAN PLANS	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

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

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 actuarial net gains (losses)	(270)	574
Unrecognized prior service cost	(956)	(529)
Net amount recognized	8,636	7,756

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

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

25. FINANCIAL LIABILITIES

		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
	MATURITIES		
Notes/Bonds	2002-2097	40,773	21,440
of which due in more than five years: [EURO]7,673 (1999: [EURO]5,781)			
Liabilities to financial institutions	2002-2019	6,800	5,398
of which due in more than five years: [EURO]2,088 (1999: [EURO]2,455)			
Liabilities to affiliated companies		149	145
of which due in more than five years: [EURO]-- (1999: [EURO]--)			
Loans, other financial liabilities		118	192
of which due in more than five years: [EURO]51 (1999: [EURO]53)			
Liabilities from capital lease and residual value guarantees		1,103	592
of which due in more than five years: [EURO]226 (1999: [EURO]258)			
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.

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

	2001	2002	2003	2004	2005	THERE-AFTER
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 [EURO]15,216 (1999: [EURO]12,821) and unused long-term credit lines of [EURO]12,819 (1999: [EURO]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

28. DEFERRED INCOME

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

OTHER NOTES

29. LITIGATION AND CLAIMS

A number of shareholder lawsuits are pending in the United States against DaimlerChrysler.

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

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.

Total rentals under operating leases, charged as an expense in the statement of income, amounted to [EURO]881 (1999: [EURO]964; 1998: [EURO]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.

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

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	AT DECEMBER 31, 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

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	DELINQUENCIES >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 [EURO]17,122 and [EURO]38,778 retail and wholesale receivables, respectively. From these transactions, the Group recognized gains of [EURO]181 and [EURO]156 on sales of retail and wholesale receivables, respectively.