



DAIMLER-BENZ AG

Annual Report 1985

Daimler-Benz Highlights

	1984	1985	Change in %
Sales (in millions of D-marks)	43,505	52,409	+ 20.5
Domestic	14,682	18,709	+ 27.4
Foreign	28,823	33,700	+ 16.9
Production (vehicles)			
Cars	478,349	541,039	+ 13.1
Commercial Vehicles	210,929	220,213	+ 4.4
Domestic	143,101	143,387	+ 0.2
Foreign	67,828	76,826	+ 13.3
Employees (at year-end)			
Domestic	158,043	186,652	+ 18.1
of which: Daimler-Benz AG	157,249	161,518	+ 2.7
Foreign	41,829	44,425	+ 6.2
- in millions of D-marks -			
Personnel Expenses (including old-age pension)	11,598	13,657	+ 17.8
Investments	3,592	5,643	+ 57.1
Depreciation Allowances	2,828	3,275	+ 15.8
Cash Flow	6,095	5,875	- 3.6
Net Income	1,104	1,682	+ 52.4
Total Dividend Amount	356	491	+ 37.9
Dividend for Each DM-50-Share (in D-marks)	10.50	12.--	
Anniversary Bonus for Each DM-50-Share (in D-marks)	-	2.50	

Note: The figures are given for the worldwide concern which comprises Daimler-Benz AG and those domestic and foreign companies in which Daimler-Benz AG's share interest, directly or indirectly, is more than 50%, and which are consolidated.

Daimler-Benz AG
Stuttgart

Annual Report 1985

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Agenda

for the 90th Stockholders' Meeting being held on Wednesday, July 2, 1986 at 10:00 a.m. in the Hanns-Martin-Schleyer-Halle in Stuttgart-Bad Cannstatt, Mercedesstraße.

90th Stockholders' Meeting

- 1. Presentation of the audited financial statements as of December 31, 1985, the reports of the Board of Management and the Supervisory Board together with the consolidated financial statements and the consolidated annual report for the year 1985.**
- 2. Resolution for the Disposition of the Unappropriated Surplus.**
Board of Management and Supervisory Board propose to distribute the unappropriated surplus of

	DM	643,947,905
as follows:		
3 1/3%	dividend on the eligible preferred share capital of DM 1,921,500	DM 64,050
DM 12	dividend for each eligible common share of DM 50 par value	DM 406,557,576
DM 2.50	bonus for each eligible common share of DM 50 par value	DM 84,699,495
		DM 491,321,121
	Transfer to unallocated retained earnings	DM 104,930,914
	Additional expenses at time of ratification of this proposal	DM 47,695,870
	Unappropriated surplus	DM 643,947,905
- 3. Ratification of the Board of Management's Actions.**
Board of Management and Supervisory Board propose ratification.
- 4. Ratification of the Supervisory Board's Actions.**
Board of Management and Supervisory Board propose ratification.
- 5. Election of Auditors for the Business Year 1986.**
The Supervisory Board proposes to elect Deutsche Treuhand-Gesellschaft AG, Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as independent auditors for the business year 1986.

6. Resolution for the Redemption of Capital Stock.

The Board of Management and Supervisory Board propose to purchase for redemption six common shares with a par value of DM 50 in a simplified proceeding allowed under Section 237, Sub-Section 3, Paragraph 1, of the Company Act, and to reduce the basic share capital by DM 300 in order to facilitate the capital increase from company-generated funds in accordance with the allocation ratio outlined in Paragraph 7 of the Agenda.

7. Resolution for the Increase of Basic Share Capital from Company-Generated Funds and for the Change in the Bylaws.

The Board of Management and Supervisory Board propose to increase by DM 242,670,600 the basic share capital on a one for seven basis, from DM 1,698,694,200 to DM 1,941,364,800 via the conversion of unallocated retained earnings into basic share capital based on the December 31, 1985 balance sheet through:

distribution to common stockholders of DM 242,396,100 of new bearer stock certificates in denominations of DM 1,000 and DM 50, and

distribution to preferred stockholders of DM 274,500 of new, registered preferred shares in denominations of DM 1,000 and DM 100 with dividend entitlement for both stock categories beginning with the 1986 business year. Section 3, Sub-Section 1, of the Bylaws (basic share capital) is amended, taking

into account the approval of Paragraph 6 of the Agenda, to read:

"(1) The basic share capital of the company amounts to DM 1,941,364,800. It comprises:

DM 1,939,168,800 common stock, viz. 1,877,000 shares of DM 1,000 each, 397,854 shares of DM 100 each, and 447,668 shares of DM 50 each,

DM 2,196,000 preferred stock, viz. 2,193 shares of DM 1,000 each, 27 shares of DM 100 each, and 6 shares of DM 50 each."

8. Resolution for the Creation of an Authorized Share Capital and Change of Bylaws.

The Board of Management and Supervisory Board propose that during the period from now to June 30, 1991, the Board of Management, with the Supervisory Board's approval, be authorized to increase by DM 500,000,000, in one amount or in partial amounts, the basic share capital of the company through the issuance of new common stock against the receipt of cash payments. Coincident thereto, the stockholders are to be given a purchase right, excluding fractional amounts. The new shares are to be taken over by financial institutions which are obliged to offer them to the stockholders.

Section 3, Sub-Section 2, of the Bylaws (basic capital), is newly amended to read as follows:

"(2) During the period from now to June 30, 1991, the Board of Management, with the Supervisory Board's approval is authorized to increase by DM 500,000,000, in one amount or in partial amounts, the basic share capital of the company through the issuance of new common stock against the receipt of cash payments. Coincident thereto, the stockholders are to be given a purchase right, excluding fractional amounts."

Apart from the resolution by the shareholders at the annual meeting, the common and preferred stockholders must additionally and separately vote on the resolutions.

9. Resolution for the Change of Section 2 of the Bylaws.

The Board of Management and Supervisory Board propose that Section 2 of the Bylaws be amended:

"Section 2 - Business Purpose

(1) The business purpose of the company is the development, manufacture and sale of:

- land, water, air and space vehicles and of other technological products used for vehicular, air, space and sea traffic;

- engines and other technological power trains;

- plant, machinery and equipment for the manufacture, transmission and usage of energy;

- products related to the communication and information technology; and

- other industrial products, technical systems and processes in the above-mentioned fields.

The company may trade in all kinds of raw materials, factory supplies, semi-finished and finished products and in goods which are related to the business purpose of the company's operations. The company may render services within the framework of the above-mentioned activities.

(2) The company may found and acquire other companies whose business activities are related to those mentioned in Sub-Section 1; it may purchase an interest in such companies and may fully or partially bring them under a unitary management."

10. Resolution for the Change of Section 13 of the Bylaws.

The Board of Management and Supervisory Board propose to change Section 13 of the Bylaws as follows:

"Section 13. Supervisory Board Remuneration

Supervisory Board members, in addition to the reimbursement of their expenses - including a sales tax payable for the Board activities - receive a fixed fee payable after the end of the business year amounting to DM 7,000 for each member. The Chairman and Deputy Chairman receive respectively four times and two times this amount. Furthermore, the Supervisory Board receives a remuneration in the amount of .4% of that amount by which the dividend paid to common stockholders exceeds 10% of the common share capital; the distribution of this remuneration is decided upon by the Supervisory Board."

11 Election to Fill Supervisory Board Vacancies.

Dr. phil. Dr. rer. oec. h.c. Markus Bierich, Stuttgart, Dr. rer. pol. Friedrich Karl Flick, Düsseldorf and Dr. jur. Heribald Naerger, Muenchen, have given notice that they wish to resign their offices as members of the Supervisory Board, effective July 2, 1986.

The Supervisory Board proposes in their place

Dipl.-Ing Hans-Georg Pohl, Den Haag, Coordinator for Europe of the Shell International Petroleum Company,

Mr. Hermann Joseph Strenger, Leverkusen, Chairman of the Board of Management of Bayer AG, and

Prof. Dr. Gerhard Tremer, Graefelfing near Muenchen, Deputy Chairman of the Supervisory Board of Mercedes-Automobil-Holding AG, Member of the Board of Management of Bayerische Landesbank Girozentrale, and elect them as members of the Supervisory Board representing stockholders, i.e. for the remaining term of the other Supervisory Board members.

Pursuant to Section 96 Sub-Section 1, Section 101 Sub-Section 1 of the Company Act, and Section 7 Sub-Section 1 Paragraph 1 of the 3rd Codetermination Act, the Supervisory Board consists of ten Board members elected by the stockholders and ten Board members elected by the employees.

The stockholders' meeting is not bound by the election proposals.

Pursuant to Section 203 Sub-Section 2 Paragraph 2 in connection with Section 186 Sub-Section 4 Paragraph 2 of the Company Act, we give, with respect to Paragraph 8 of the Agenda, the following

Report to the Stockholders at the Annual Meeting:

The remaining authorized share capital, in the amount of DM 180,130,500 has not been used and is cancelled effective June 30, 1986.

The stockholders will also receive a purchase right (Section 186 Sub-Section 5 of the Company Act) in connection with the creation of the new authorized share capital as proposed by the Board of Management and by the Supervisory Board. Excepted therefrom are fractional shares which can no longer be distributed to all shareholders.

In the event that the authorized share capital is used, the Board of Management - with the Supervisory Board's approval - will stipulate the conditions for their issuance. It will take into account the then prevailing capital needs and market conditions.

Supervisory Board (Aufsichtsrat)

Hermann J. Abs, Frankfurt (Main)
Honorary Chairman, Deutsche Bank AG

Honorary Chairman

Dr. rer. pol. Alfred Herrhausen, Frankfurt (Main)
Member of the Board of Management, Deutsche Bank AG

Chairman
(since July 3, 1985)

Herbert Lucy, Mannheim *)
Chairman of the Labor Council, Daimler-Benz AG

Deputy Chairman

Dr. phil. Dr. rer. oec. h. c. Marcus Bierich, Stuttgart
Chairman of the Supervisory Board, Mercedes-Automobil-Holding AG
Chairman of the Board of Management, Robert Bosch GmbH

Willi Boehm, Kandel*)
Member of the Labor Council, Woerth Plant

Dr. rer. pol. Friedrich Karl Flick, Duesseldorf

Helmut Funk, Stuttgart*)
Chairman of the Labor Council, Untertuerkheim Plant and Main Office

Richard Heiken, Achim-Bierden*)
Chairman of the Labor Council, Bremen Plant

Rudolf Kuda, Frankfurt (Main)*)
Departmental Manager within the Board of Management, Metal Workers' Union

Hugo Lotze, Reinhardshagen*)
Chairman of the Labor Council, Kassel Plant

Dr. rer. pol. Klaus Mertin, Frankfurt (Main) (since July 3, 1985)
Member of the Board of Management, Deutsche Bank AG

Dr. jur. Heribald Naerger, Muenchen
Member of the Board of Management, Siemens AG

Dr. rer. pol. Wolfgang Roeller, Frankfurt (Main)
Speaker for the Board of Management, Dresdner Bank AG

Alfred Schaible, Renningen*)
Chairman of the Labor Council, Sindelfingen Plant

Dr. jur. Roland Schelling, Stuttgart
Attorney at Law

Dr. jur. Walter Seipp, Frankfurt (Main)
Chairman of the Board of Management, Commerzbank AG

Dr. jur. Johannes Semler, Oberursel (since July 3, 1985)
Member of the Board of Management, Mercedes-Automobil-Holding AG

Franz Steinkuehler, Frankfurt (Main)*)
Second Chairman, Metal Workers' Union

Dipl.-Ing. Maria-Christine Fuerstin von Urach, Stuttgart*)
Director

Diplom-Kaufmann Guenter Vogelsang, Duesseldorf

Bernhard Wurl, Mainz*)
Deputy Departmental Manager within the Board of Management, Metal Workers' Union

Retired from the Supervisory Board on July 3, 1985

Dr. rer. pol. Wilfried Guth, Frankfurt (Main), (Chairman)
Chairman of the Supervisory Board, Deutsche Bank AG

Prof. Dr. jur. Joachim Zahn, Muenchen

Board of Management (Vorstand)

Prof. Dr.-Ing. E. h. Werner Breitschwerdt, Stuttgart
Chairman

Dr. jur. Manfred Gentz, Stuttgart
Employment

Hans-Juergen Hinrichs, Stuttgart
Sales

Dr.-Ing. Rudolf Hoernig, Stuttgart
Research and Development

Dr. rer. pol. Gerhard Liener, Stuttgart
Subsidiaries and Affiliated Companies

Dr.-Ing. E. h. Werner Niefer, Stuttgart
Production

Edzard Reuter, Stuttgart
Finance

Walter Ulsamer, Stuttgart
Materials Management

Dr.-Ing. Peter Sanner, Stuttgart (deputy member) (since May 2, 1985)
Materials Management



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Business Review

Continued Economic Growth in The Industrialized Countries

World trade continued to grow in 1985. A major factor was the recovery of business activity in most of the Western European countries and in Japan. Once again, strong stimuli came from the U.S.A., although the U.S. economy did not grow as dynamically as in the two preceding years. The dollar exchange rate, which on average was still high during the year, caused an additional import pull in the North American market. The developing and newly-industrializing countries, however, did not benefit from this; their share in world trade dropped once again.

In the Federal Republic of Germany, the economic upturn stabilized. During the first half of the year, the chief promoter of growth was foreign demand. This is reflected by the German current account surplus of more than DM 70 billion in 1985, the highest ever reached. During the second half of the year, it was the home-market demand for capital goods which increasingly promoted business activity. The marked increase in employment for the first time in years brought the first positive signals in the labor market; yet unemployment still remained depressingly high.

German Auto Industry: Growth in The Foreign Markets

For the German auto industry, car exports were the mainstay of production and employment in 1985. The German motor vehicle manufacturers' trade surplus rose from DM 60 billion to DM 70 billion. The drastic increase in foreign demand more than compensated for the decline in the demand for cars in Germany. During the first half of the year, domestic sales were adversely affected by the discussion about new pollutant emission regulations, and the possible introduction of a general speed limit on German motorways. It was only at the end of June, when the question of low-pollutant cars was clarified by the EC resolution, that domestic demand picked up gradually, yet without making up for the decline of the first few months.

Because of increased exports, employment in this branch of industry rose by some 24,000 to more than 800,000. Investment, which increased once again, to DM 10 billion, had important stimulating effects on other sectors of the economy.

Daimler-Benz - Successful Year 1985

For Daimler-Benz, 1985 was a year of gratifying business performance and of important decisions for the future of the company. Because of the high demand for Mercedes cars in Germany and abroad, production and sales were raised significantly. In commercial vehicle sales we were able to improve our position in the markets, even though some of these markets continued to decline.

Through the purchase of all shares of Motoren- und Turbinen-Union (MTU) and of portfolio investments in Dornier and AEG, the company has gained access to additional high-technology fields of activity and thus to markets with great growth potential.

Sales of More Than DM 52 Billion

Consolidated sales rose 20 % to DM 52.4 billion in 1985. The total includes, pro rata, DM 2 billion of MTU (since April) and DM 1.2 billion from Dornier (since July). The greatest rise was in domestic sales, up 27 % to DM 18.7 billion, but foreign sales also rose 17 % to DM 33.7 billion.

In both the company's large divisions, cars and commercial vehicles, business volume continued to increase, though at varying rate of growth. Car sales came to DM 27.5 billion, an increment of 18 %, while commercial vehicle sales rose 7 % to DM 19.6 billion. This meant a further shift in emphasis towards car business. Its share in the increased business volume, at 52 %, remained virtually unchanged, while the share of commercial vehicle sales declined to 37 % (42 % in 1984). MTU and Dornier, included for the first time, accounted for 6 %.

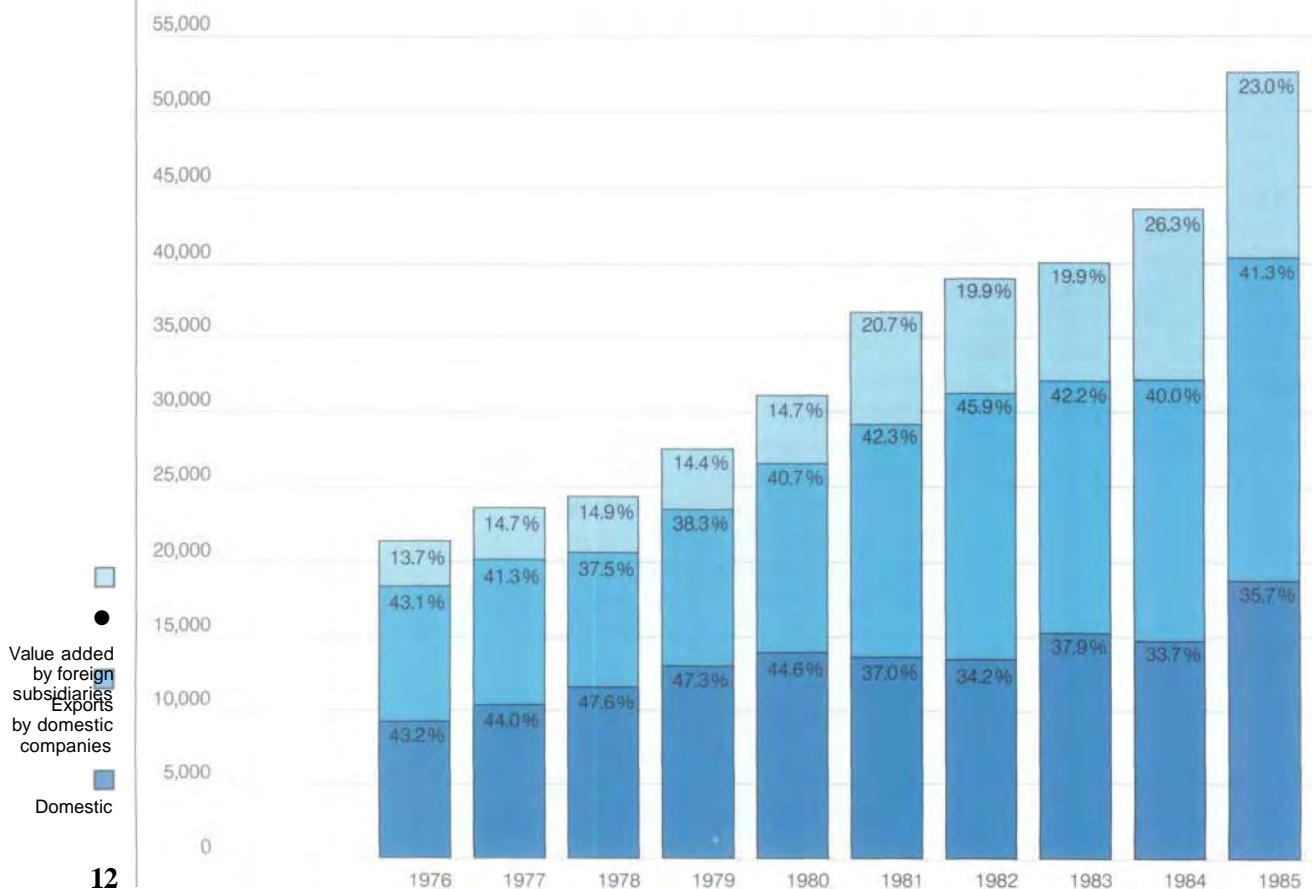
Sales of Daimler-Benz AG alone rose to DM 37.1 billion, up 16 % compared with the preceding year which had been adversely affected by the labor dispute. Contrary to the industry trend, the increase in our company's domestic sales was greater (+18 %) than that of export sales (+14 %); the latter's share correspondingly dropped to below 54 %.

Our company's chief foreign markets were once again the Western European countries; the value of sales to these countries was boosted 24 % to DM 8 billion. It was above all our exports to neighboring European countries which accounted for this gratifying development. The USA remained the largest single foreign market. Deliveries to the U.S. rose 20 % to DM 5.8 bil-

lion. Demand for commercial vehicles from Middle East and North African countries continued to stagnate. Our shipments to these regions remained at the previous year's low level.

Sales

(in millions of DM)	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Daimler-Benz-Group	21,303	23,496	24,236	27,367	31,054	36,661	38,905	40,005	43,505	52,409
Domestic	9,197	10,336	11,539	12,938	13,855	13,577	13,316	15,177	14,682	18,709
Foreign	12,106	13,160	12,697	14,429	17,199	23,084	25,589	24,828	28,823	33,700
of which:										
Exports by domestic companies	9,190	9,693	9,085	10,474	12,631	15,509	17,833	16,885	17,391	21,635
Value added by foreign subsidiaries	2,916	3,467	3,612	3,955	4,568	7,575	7,756	7,943	11,432	12,065



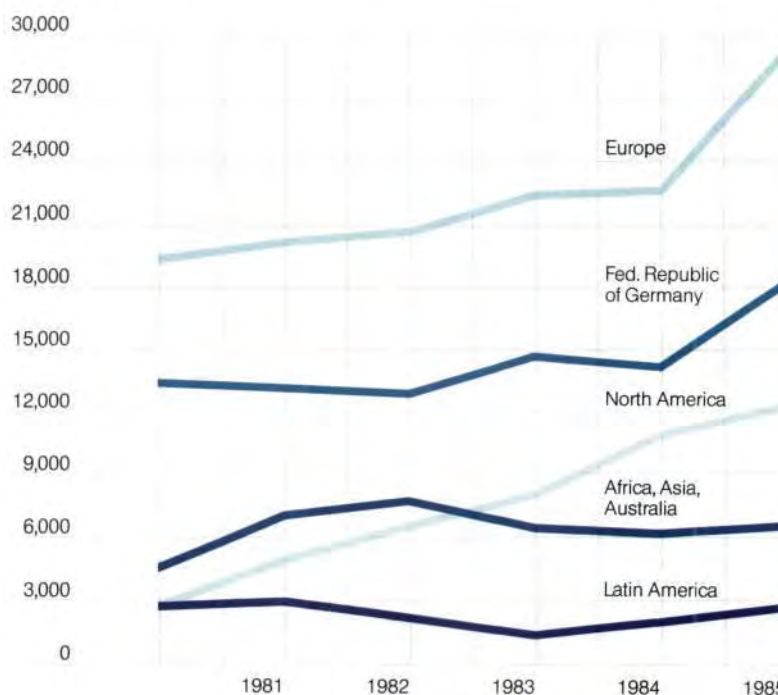
Both our foreign commercial vehicle manufacturing companies and our distribution companies, through which we are presented in all major markets, recorded remarkable sales increases. The value added by them, aided also by a continuing strong dollar in 1985, rose to DM 12.1 billion (DM 11.4 billion in 1984).

High Level of Investments For The Future of The Company

To secure the future of our company, we again invested substantial funds in 1985.

Expenditures on Research and Development in the motor vehicle sector amounted to DM 1.7 billion (DM 1.5 billion in 1984). MTU and Dornier together invested DM 900 million in Research and Development. Investments in plant and equipment, and in intercorporate investments for the group rose to a total of DM 5.6 billion (DM 3.6 billion in 1984). This, a marked increase over the previous year, is accounted for by the acquisition of MTU and by the purchase of a majority holding of 65.6 % in Dornier and by the purchase of a 24.9 % holding in AEG. Following the approval of the Federal Cartels Office in February 1986, we have meanwhile increased our AEG holding to some 56 %. A total of DM 4.0 billion (DM 3.4 billion in 1984) was invested in plant and

(in millions of DM)	1981	1982	1983	1984	1985
Group Sales	36,661	38,905	40,005	43,505	52,409
Europe	20,595	21,131	22,896	23,132	29,658
F.R. of Germany	13,577	13,316	15,177	14,682	18,709
North America	5,313	6,931	8,452	11,328	12,776
Latin America	3,323	2,635	1,847	2,471	3,044
Africa, Asia, Australia	7,430	8,208	6,810	6,574	6,931



equipment worldwide; DM .8 billion of this total is attributable to the first-time inclusion of MTU and Dornier in the consolidated annual accounts.

Additions to plant and equipment at Daimler-Benz AG totaled DM 1.8 billion (DM 1.9 billion in 1984) and involved the following areas:

	1984		1985	
	in millions of DM	in %	in millions of DM	in %
Cars	1,292	69	1,220	69
Commercial vehicles	447	24	441	25
Retail branches	60	3	43	2
Research & Development	73	4	74	4
	1,872	100	1,778	100

Sales by Geographic Areas

Capital spending centered on the car division, i.e. extension of capacity, further improvements to the S-Class, the start-up of production of the new T-Series in Bremen, new gasoline and diesel engines and catalytic converter technology.

Most of the investments in the commercial vehicle division went to improve and extend our vehicle and component ranges. The most important projects were the development of two turbocharged V8 engines for heavy-duty long-distance trucks, the start-up of production of the new Duesseldorf van series, and various new features in the bus range.

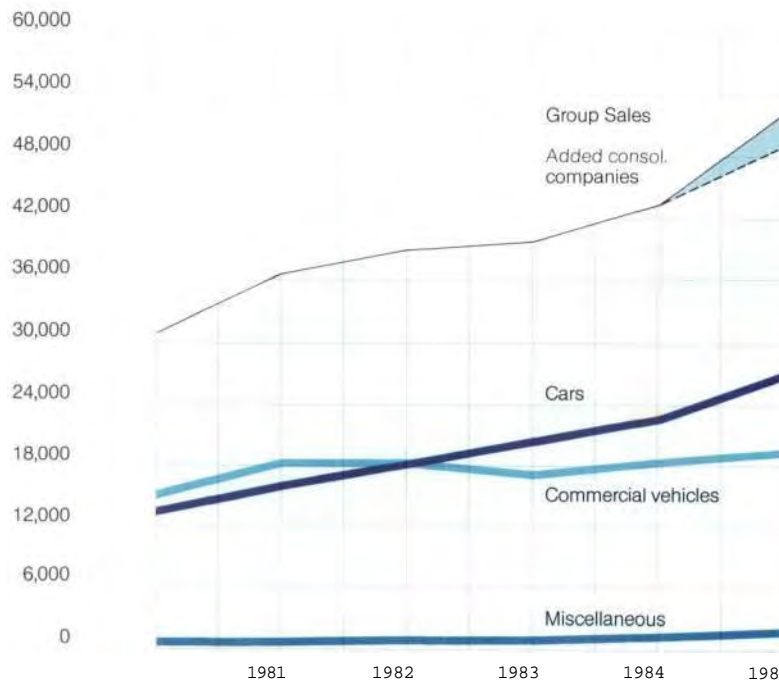
In the interest of improving our competitiveness, and thus of safeguarding employment in the long term, our investments are also geared to further increasing the efficiency of production. Wherever possible we are, at the same time, aiming at an improvement of working conditions. We also take into account the requirements of environmental protection, not only on the product side but also through environmentally-compatible facilities. In the year under review, we spent DM 86 million on environmental protection measures in Germany alone.

Our foreign subsidiaries raised their investments in plant and equipment to a total of DM 1.6 billion in 1985 (DM 1.2 billion in 1984). Of this total, as much as DM 1.0 billion was spent by our strongly expanding vehicle leasing companies in the U.S.A. and in Western Europe where sales solicitation and sales promotion activities are of growing importance. Our commercial vehicle manufacturing companies invested DM .4 billion, and the distribution companies in North America and Western Europe DM .2 billion.

The DM 5.6 billion addition to plant and equipment and intercorporate investments of the group, including the cost of investments in affiliated companies in excess of book value at acquisition, could be fully financed with the cash flow generated in 1985, and amounting to DM 5.9 billion.

Sales by Segments

(in millions of DM)	1981	1982	1983	1984	1985
Group Sales	36,661	38,905	40,005	43,505	52,409
Cars	16,572	18,722	21,012	23,245	27,469
Commercial vehicles	18,862	18,859	17,653	18,367	19,582
Added consolidated companies	-	-	-	-	3,204
Miscellaneous	1,227	1,324	1,340	1,893	2,154



More Than 230,000 Employees Worldwide

At the end of 1985, employment at Daimler-Benz AG had increased to 161,518 - an increase of more than 4,000 over the previous year. New hiring took place particularly in the Sindelfingen, Untertuerkheim and Bremen car factories. We further increased openings for trainees to approximately 9,400 (previous year 9,100). In the year under review, some 2,900 youngsters took up vocational (technical and commercial) training at Daimler-Benz A.G.

Worldwide employment at the end of the year totaled 231,077 (previous year 199,900). Of this total, some 25,000 are employed at MTU and Dornier which are included for the first time. Our foreign subsidiaries maintained employment levels overall while the domestic subsidiaries were able to increase their labor force.

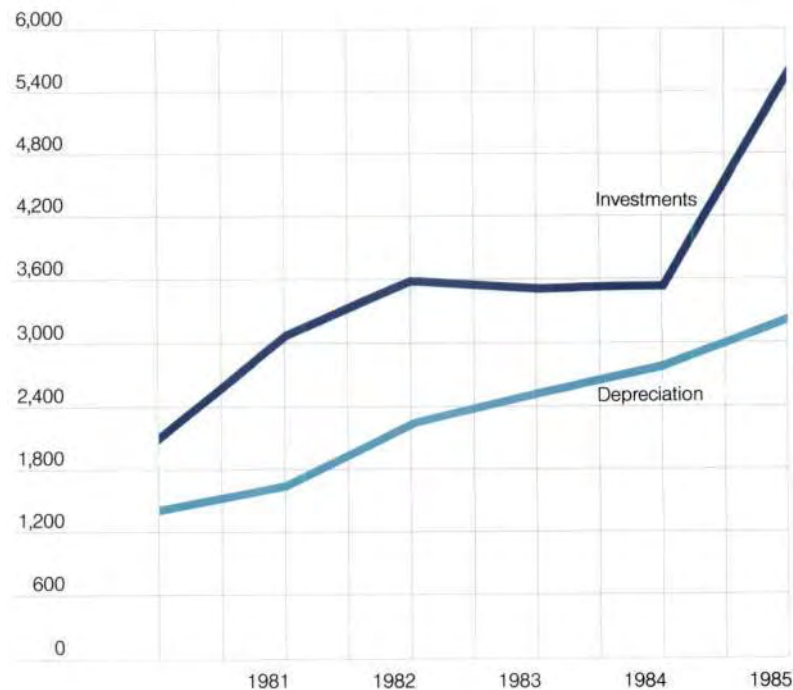
We Thank Our Employees

We thank all employees and their representatives on the plant and general labor councils as well as the management staff and their spokesmen for their hard work and commitment. Joint efforts and mutual understanding have gone a long way towards making 1985 a particularly successful year in the history of Daimler-Benz.

Gratifying Increase in Earnings

The significant expansion of business volume and the extraordinarily high capacity utilization in the car division favorably influenced earnings in 1985. An additional positive factor was the high average rate of exchange for the dollar together with increasing exports to the U.S.A. In the commercial vehicle division, earnings have again improved, even though we cannot yet be satisfied with the results. In 1985, we had to cope with additional burdens resulting, for instance, from the reduction in working hours and the production start-up of new models. All in all, however, positive influences prevailed. The subsidiaries in Germany and abroad also made a gratifying contribution to the improved group earnings.

(in millions of DM)	1981	1982	1983	1984	1985
Investments	3,114	3,626	3,567	3,592	5,643
Depreciation	1,688	2,273	2,574	2,828	3,275



In the non-operating area, Daimler-Benz AG had net interest income (excess of interest income over interest expense) of DM 662 million (1984: DM 607 million) before tax. Group net interest income came to DM 1.0 billion (1984: DM 1.1 billion). As in the previous year, we offset the inflationary profits reflected in interest income against the expense arising from the translation of the self-financed liquidity of our subsidiaries in countries with high inflation rates. This figure nonetheless

continues to include components merely compensating for the erosion in the purchasing power of monetary assets.

Consolidated net income increased by 52% to 1,682 million. Net income of Daimler-Benz AG rose from DM 711 million to DM 1,252 million; it includes dividend income of net DM 100 million from our North American Holding company. The gratifying earnings results of the Daimler-Benz group allowed a further strengthening of retained earnings.

Investments and Depreciation Allowances Daimler-Benz-Group

The Mercedes Compact Class - dynamic, easy handling cars, in which trend-setting driving qualities and progressive engineering are combined.



**Jubilee
"100 Years Automobile"**

In 1986 we are celebrating the 100th birthday of the automobile - an event of outstanding historical importance. The development of our modern times was hardly influenced more positively by another product than by the automobile. All this we owe to the brilliant achievements of our founders Gottlieb Daimler and Karl Benz.

In recognition of this jubilee, which is so important for Daimler-Benz, the Board of Management and Supervisory Board have decided on a number of measures in favor of shareholders, employees and commonweal.

To our shareholders we propose to increase the dividend from DM 10.50 to DM 12 for each DM 50 share, and additionally to pay a bonus of DM 2.50; the total amount paid would thus be increased by DM 135 million to DM 491 million. With the shareholders' approval at the annual meeting, DM 105 million are to be allocated to retained earnings, to further strengthen net equity.

Likewise, through the proposed issuance of a stock dividend in a ratio of one for seven, we wish to convert DM 243 million of retained earnings into basic share capital, increasing it to DM 1,942 million; the newly-issued shares shall be fully entitled to dividends for the business year 1986.

To be prepared financially and to maintain our entrepreneurial flexibility, we propose the creation of a newly authorized share capital in the amount of DM 500 million in place of the presently authorized share capital expiring June 30, 1986.

As an expression of thanks and recognition, our employees and pensioners will receive a jubilee payment totaling DM 230 million. On the occasion of the 100-year anniversary of the automobile, Board of Management and Supervisory Board wish to give special importance to the event through the creation of a "Gottlieb Daimler and Karl Benz Foundation". The function of the foundation, which has been endowed with DM 50 million, shall be the furthering of science, particularly the research into the interrelationships between man, environment and technology.

We are convinced that in shaping and securing a humane future in a free society, it is more than ever necessary to research the interrelationships between man, environment and technologies, and to design them for the benefit of all.

CARS

More Than 32 Million Cars Worldwide

Worldwide car sales once again increased in 1985; production rose 5 % to 32.6 million cars. This clearly exceeded the previous record of 1978. Sales increased in all three important areas, in the U.S.A., in Japan, and in Western Europe.

The largest car market in the world, the U.S.A., continued its upward trend, now in the fourth year, though at lower growth rates. New car registrations went up 8 % to 10.9 million cars. American manufacturers sold more cars than in the preceding year yet lost in their market share to importers. Car imports from Japan rose 16 % to 2.2 million cars, followed a long way behind by the German auto industry with 424,000 cars (+23 %). The latter benefited

from the continuing trend towards high-technology cars in the U.S.A.

In Japan, car sales stagnated at 3.1 million units in 1985. It was only by a drastic increase in exports that production could be stepped up 8 % to 7.6 million cars. Japanese car production abroad rose slightly to .7 million units.

In 1985, car sales in Western Europe went up 5 % to 10.6 million units. In the Scandinavian countries in particular, but also in Italy, the United Kingdom and France, demand improved noticeably. Western Europe exported .3 million more cars to overseas countries than were imported from those countries, although Japanese manufacturers were able to boost sales in Europe considerably over the previous year. Western European production rose 5 % to a total of 11.3 million cars; its share of world output, at 35 %, remained unchanged.

Stagnation in German Car Market

New car registrations in Germany were down just under 1 % to 2.38 million units. The share of foreign makes, which had increased markedly the previous year, went up once again. Imports, including German cars manufactured abroad, accounted for about a third of new car registrations.

The growing trend towards low-pollutant cars benefited especially the manufacturers of diesel-powered cars whose market share rose abruptly to more than 22 % (13 % in 1984). But there is also growing acceptance for low-pollutant gasoline-engine cars in the domestic market. The trend to higher-priced cars in Germany continued.



The new Mercedes mid-series Class 200D to 300E - offering generous, comfortable space for business and family use - continues to be the center piece of the Mercedes car program.

Record Car Exports

With exports of 2.6 million cars (+15 %), the German auto industry reached an all-time record. High growth rates were recorded both in the U.S.A. and the Western European countries; these two regions accounted for almost 90 % of car exports.

Production rose 10 % to 4.17 million cars and thus exceeded the record of 1979 by more than 200,000 units. At the same time, the export share of production rose to 62 % (59 % in 1984). These figures illustrate the extent to which employment in the German auto industry depends on unrestricted access to foreign markets and, consequently, on the necessity of creating a united European "home market".

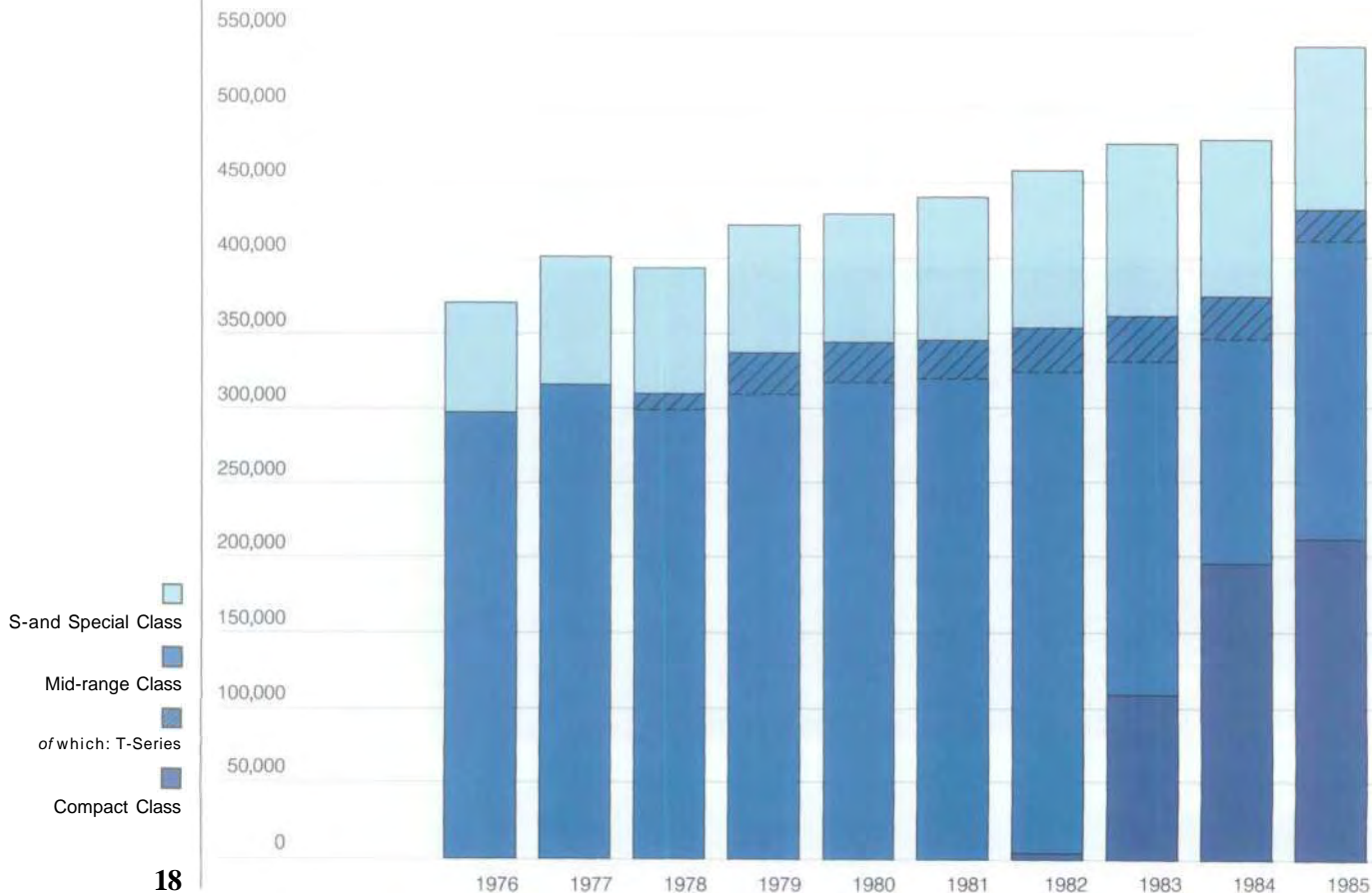
Daimler-Benz: Market Success at Home and Abroad

For Daimler-Benz, 1985 was a particularly successful year in terms of car sales. Domestic and foreign demand for all our models exceeded our production capacity.

During the first half of 1985, Mercedes-Benz cars experienced their own special boom; new car registrations rose 18 % to 265,578 units for the whole

Car Production

(Units)	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Total Production	370,348	401,255	393,203	422,159	429,078	440,778	458,345	476,183	478,349	541,039
of which:										
S- and Special Class	73,098	85,108	83,107	84,957	84,993	95,804	105,093	114,589	104,646	108,896
Mid-range Class	297,250	316,147	310,096	337,202	344,085	344,974	348,602	251,757	178,357	220,339
of which: T-Series	-	5	10,581	28,405	27,230	26,251	29,620	30,370	28,055	20,612
Compact Class	-	-	-	-	-	-	4,650	109,837	195,346	211,804





The S Class was adapted to the newest state of engineering and interior appointments were again upgraded. The new 560 SEL is the top-of-the-line model in our car program.

year. Thus our market share improved markedly from 9.8 % to 11.6 %. This positive trend was most of all due to the success of our new mid-range Class; sales in this Class increased 29 % to 113,739 units. The demand for the compact Class, S-Class, SL and SEC models also remained at a high level. The trend in the diesel car market was particularly gratifying; their share of domestic orders increased to 53 % (43 % in 1984) of the Compact Class, and to 39 % (36 % in 1984) of the mid-range Class.

Our exports went up 11 % to 278,157 cars; in all foreign markets, however, demand would have permitted even higher sales. We delivered a total of 129,442 cars to European markets in 1985, 21 % more than in 1984. Especially high growth rates were recorded in Italy, the United Kingdom and France.

Our exports to the U.S.A. continued to rise in 1985; in the interest of maintaining our high standard of back-up service, we continued our policy, pursued for many years, of careful expansion in this market.

In Japan we sold 9,170 cars, an increase of 22 %. To be able to improve our services in this particularly receptive market for our high-quality cars, we will be represented there as of 1986 by our own distribution company, Mercedes-Benz Japan.

Fully utilizing the extended capacity in 1985, car output was 541,039 units, 13 % more than in the previous year, although we had to change over to the new Mid-Range Class, introduce a new engine generation and emission control concept. The increase of almost 63,000 units, however, has to be seen in the light of the production losses caused by the labor dispute in 1984. Of the new Mid-Range 200D - 300E models, a total of 161,000 cars were manufactured in the first year.

Production in the Bremen factory was stepped up briskly, by 8 % to 211,804 Compact models. In November 1985, after nearly three years in production, the 500,000th 190 model came off the assembly line. Output of S-Class and SL and SEC models was raised 4 % to 108,896 units.

New Car Models

In the year under review, we successfully launched the new Mercedes Mid-Range 200D - 300E models in Germany and abroad.

In early summer 1985, the Compact Class was extended by the addition of a more powerful diesel model, the 190D 2.5, with a 66 KW (90 hp) five-cylinder diesel engine and a standard five-speed gearbox. At the Frankfurt Motor Show, we introduced two more new models, the 190E 2.6 with a 122 KW (166 hp) six-cylinder gasoline engine, and the 190E 2.3 with a 100 KW (136 hp) four-cylinder gasoline engine.

The new Coupe models 420 SEC to 560 SEC: the most beautiful form of Mercedes driving with every conceivable amenity. It is the realization and embodiment of what Daimler-Benz is able to accomplish in building cars.



In Frankfurt, our new T-Series models (three diesel and three gasoline-engine models) also met with a gratifying response. This is now also reflected by a high level of incoming orders. This second generation of five-door all-purpose sedans combines the balanced integration and future-oriented engineering of the new Mercedes Mid-Range Class with the transport and touring qualities of the previous T-Series.

The S-Class and SL and SEC models were adapted to the latest engineering standards and interior appointments upgraded. New six- and eight-cylinder engines enhance performance and safety as well as economy and environmental acceptability. The 560 SEL sedan and the 560 SEC coupe are the new top-of-the-line models of our car range.

Mercedes-Benz Driving Dynamics Concept

The Mercedes-Benz Driving Dynamics Concept introduced at the Frankfurt Motor Show combines progressive mechanical systems with "intelligent" electronics. The system minimizes the consequences of wrong reactions on the part of the driver, and provides maximum active safety especially in critical and dangerous situations, under extreme climatic or road conditions. The concept comprises three graduated, electronically-automatically controlled systems: Automatic Locking Differential (ASD), Acceleration Skid Control (ASR) and automatically engaged Four-Wheel Drive (4MATIC).

Mercedes-Benz Emission Control Concept

All gasoline-engine models in our car range are now optionally available with second-generation catalytic converters. The four-cylinder engine models are equipped - either as standard equipment or optional equipment with the Multi-Functional Mixture Formation and Ignition System so that catalytic

emission control systems can be subsequently installed. More than 35 % of German customers are already ordering their Mercedes cars with three-way catalytic converters. Added to this is a large number of "converted" cars prepared for the ready installation of a catalytic converter at a later stage.

Another possibility of effectively reducing the pollutant emission of cars already in circulation is the catalytic converter without oxygen sensor offered by Daimler-Benz for retrofitting, to cut pollutant emission by at least half.

All current Mercedes-Benz diesel-engine cars are rated "low-pollutant" and thus tax-privileged under German law provided they were first registered in January 1985 or later.

The results of the large-scale test concerning speed limits on German highways proved convincingly that technical solutions can be more beneficial for the environment than attempts to regiment individual road users. The decision of the Federal German government to introduce no general speed limit was, therefore, logical; it will also give a major stimulus to further technical progress.

We take the rejection of the speed limit as an invitation and an obligation to continue to advocate energetically the non-pollutant car - by offering it on attractive terms and by providing our customers with all necessary advice.

COMMERCIAL VEHICLES

Worldwide Upturn in Lower-Range Commercial Vehicle Sales

The 1985 trends in the international commercial vehicle business differed greatly both between regions and vehicle categories. The 8 % increase in worldwide commercial vehicle output to 12.1 million units was exclusively accounted for by the lower weight categories.

With above-average growth in the United Kingdom and in France, sales in Western European countries were up 6 % and thus again reached the level of 1982. In contrast to this, there was a further decline in Middle East sales, affecting most of all heavy-duty trucks. The additional volume which had been built up in these areas up to and including 1982 is now being diminished from year to year. In the U.S.A., the largest

commercial vehicle market, new vehicle registrations were up 15 %, yet sales of heavy-duty trucks declined 3 %, following a substantial rise in the previous year. The Japanese commercial vehicle market grew by 3 %.



Mercedes-Benz long-haul-vehicles distinguish themselves due to high transport performance at low fuel consumption. An international service network with specially established T.I.R. anchor points, assures problem-free operation throughout Europe.

The Mercedes-Benz van T1 represents a vehicle of transportation which is economical, versatile and indispensable in many businesses.



For Japan, still the largest manufacturing country with 4.6 million commercial vehicles, 1985 was the fourth year in succession in which the industry suffered a decline in its share of world output, to 38 %. The American manufacturers, by contrast, were able to raise their share from 17 % in 1980 to 29 % in 1985. The Western European commercial vehicle industry increased its share of worldwide production from 11 to 12 %. Western European production of trucks of 6 tons GVW and above rose 2 % to 298,000 units, yet still remained 30 % below the record of 1975.

German Commercial Vehicle Industry: Domestic and Foreign Sales Continued Slack

The economic recovery in the Federal Republic of Germany benefited commercial vehicle sales in 1985 only to a limited extent. New vehicle registrations increased by just under 3 % to a total of 133,834 units, yet remained about 25 % below the record volume of 1980. The share of foreign makes, which had increased from 20 to 23 % in the previous year because of the production losses in the German commercial vehicle factories caused by the labor dispute, continued to rise in the year under review, to 24 %. Foreign manufacturers improved their position especially in the market of car-derived small vans. Low construction activity and the self-imposed investment restraint of carriers made

themselves felt particularly in the sales of heavy-duty trucks of 16 tons GVW and above.

After four successive years of decline, exports went up again in 1985, by 14% to 177,817 commercial vehicles. This increase was exclusively achieved in van sales. Exports of trucks of 6 tons GVW and above continued to decline. Western Europe, especially the United Kingdom, Belgium, the Netherlands, Luxembourg and Italy, took larger deliveries; yet, this did not compensate for the decline in the Near and Middle East countries.

Total output of the German commercial vehicle industry increased 9 % to 279,234 vehicles, with the emphasis on the lower weight categories, while production of medium-heavy trucks (6 to 16 tons GVW) stagnated. Production of trucks of 16 tons and above rose by just under 1 %, but this rise was from a very low level. The export share went up to almost 64 % (61 % in 1984).

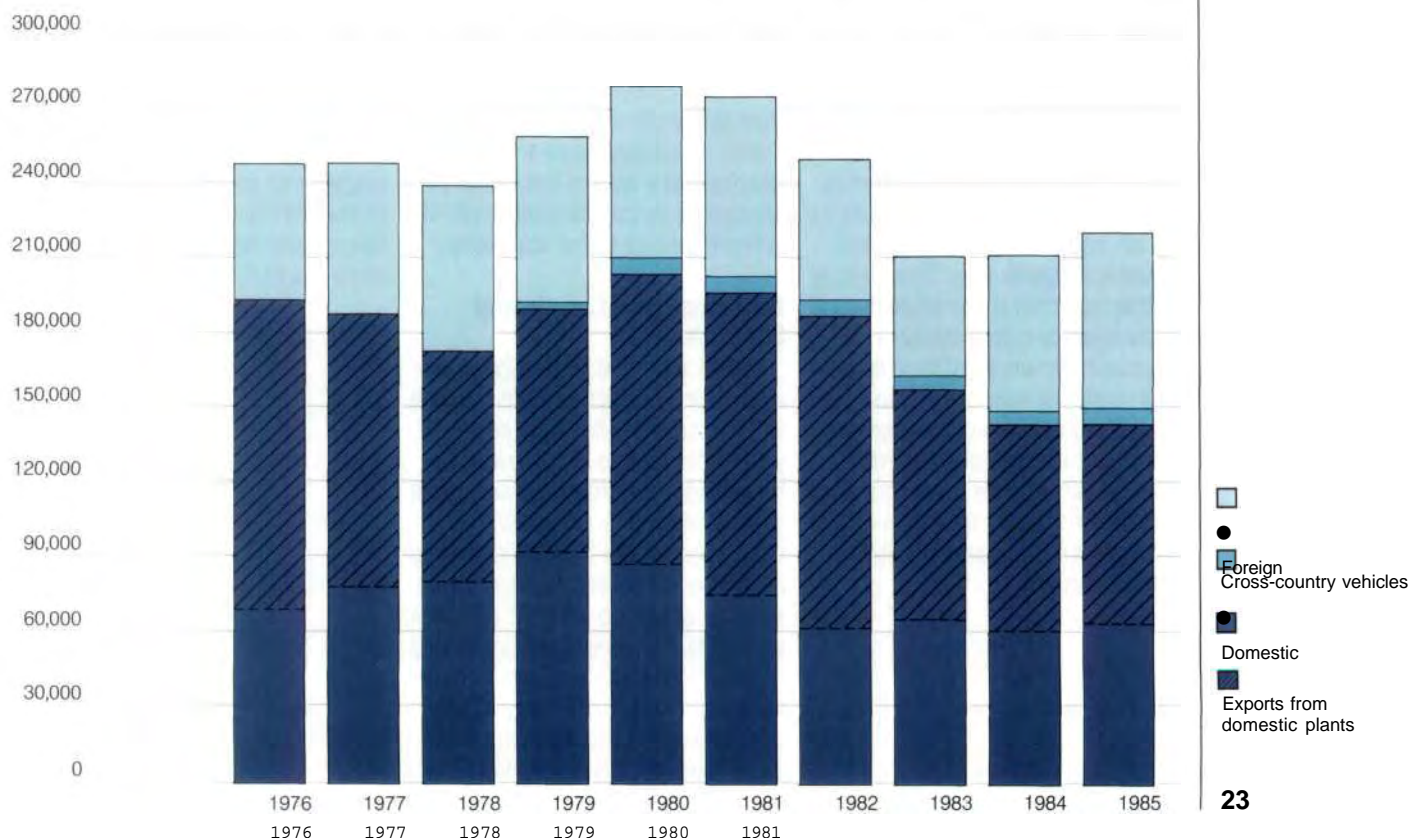
**Daimler-Benz:
Increase in Commercial
Vehicle Production**

Daimler-Benz has been able to consolidate and further expand its position in the Western European commercial vehicle markets. New registrations of Mercedes-Benz commercial vehicles in Germany were up 4 % to a total of 58,114. Sales of

trucks of 6 tons GVW and above totaled 27,270 units, exceeding the previous year's volume by 6 %. Our market share increased from 59.0 % to 61.1 %. The increase in sales was due to the success of the new light- and medium-heavy trucks from Woerth. Domestic sales of our heavy-duty trucks (16 tons GVW and above), too, were boosted by 6 % to 11,977 vehicles; in this market segment,

which is so important for us, we have gained new customers. We were able to benefit fully from the slight recovery of demand in the Western European commercial vehicle markets, especially with our vans and light trucks. In Belgium, the United Kingdom, Italy, Austria, Switzerland, Norway and Sweden, we were able to improve our position, in some of these countries substantially. Daimler-Benz's

(Units)	1976	1977	1978	1979	1980	1981	1982	1983*)	1984	1985
Total Production	247,756	248,100	239,702	258,975	279,535	275,380	250,079	210,281	210,929	220,213
Domestic	193,204	187,298	173,101	188,772	203,041	196,076	187,044	157,418	143,101	143,387
of which:										
Delivery vans	71,784	70,615	73,814	80,085	83,977	69,357	64,473	63,050	60,717	62,385
Trucks										
over 6 to 15.9 tons	50,988	47,168	42,467	41,383	46,260	45,185	37,933	29,677	32,690	34,080
16 tons and up	47,844	48,375	39,310	48,625	53,241	61,957	63,513	46,168	35,318	31,327
Buses	12,824	11,595	8,210	8,529	9,643	9,647	7,925	7,723	5,186	5,345
Unimog and MB-trac Kits*)	9,764	9,545	9,300	10,150	9,920	9,930	13,200	10,800	9,190	10,250
Cross-country vehicles	-	-	-	2,508	6,667	6,455	6,566	5,662	5,532	6,303
Foreign	54,552	60,802	66,601	67,695	69,827	72,849	56,469	47,201	62,296	70,523



**Commercial
Vehicle
Production**

*) Kits destined for production abroad, starting with 1983, no longer shown in total production figures.

O 303 RHD - the especially comfortable high rise long distance coach, offers in 14 or 15 rows of seats room for 41 to 56 passengers.



share in the Western European market for trucks of 6 tons GVW and above rose to 26 % (24 % in 1984). In the Near and Middle East countries, on the other hand, we were adversely affected by the continuing deterioration of the overall economic situation there.

The decline in our exports by almost 3 % to 79,993 commercial vehicles is compensated for by an equal rise in the export of vehicle parts kits. This is due to the fact that a fair number of deliveries of completely-knocked-down (CKD) commercial vehicles has been replaced by so-called vehicle parts kits supplied to foreign assembly plants with higher local content requirements. Production of vehicle parts kits rose 46 % to 26,400 units.

In the year under review, 143,387 commercial vehicles were manufactured in our German factories, only slightly more than in 1984. In contrast to the increment in van, light and medium-heavy truck output, that of heavy-duty trucks dropped due to declining exports. In 1985, employees of the truck plants were again temporarily assigned to car factories which were running at full capacity.

Bus Business Continued Difficult

1985 was the first year of an upturn in the demand for buses in Germany, following several years of decline. Total new vehicle registrations were up more than 7%, while Daimler-Benz was able to sell 2,009 buses, an increase of 18 %, and boost its market share to 49.7 % (45.0 % in 1984). Sales of new intra-city buses developed particularly favorably, thus more than compensating for the poor trend in the intercity coach market. The

export business remained also difficult for us; we were able to increase bus and bus chassis output only 3 % to 5,345 units.

Unimog and MB-trac: Increased Business Volume

The competition in the market for four-wheel drive tractors, has become even keener with respect to price and sales terms. In spite of this, Daimler-Benz was able to sell 5,638 Unimog and MB-trac units (+1 %)

in Germany. Exports were up 42 % to 4,924 vehicles, due primarily to various large-scale orders. We were, therefore, able to step up production by 12 % to 10,250 vehicles.

Growing Demand For Mercedes Cross-Country Vehicles

There was a revival in cross-country vehicle sales, with new registrations of Mercedes cross-country vehicles in Germany increasing by almost 4 % to 1,858 units, while exports rose almost 6 % to 4,153 units. Production was stepped up by 14 % to 6,303 cross-country vehicles.

Further Rise in Commercial Vehicle Output at Our Foreign Plants

Our foreign commercial vehicle companies were able to increase production and sales in 1985. Mercedes-Benz do Brasil continued the upward trend which began in 1984. Output was raised 13 % to 33,012 commercial vehicles. By contrast, Mercedes-Benz Argentina, under the pressure of poor market conditions, had to cut back production - which had been raised the year before - by 22 % to 3,376 commercial vehicles. Our U.S. subsidiary Freightliner, having recorded substantial increases in the two preceding years, in 1985 surpassed even the previous year's high level with an output of 20,947 heavy-duty trucks although the overall market was clearly declining during the second half of the year.

Mercedes-Benz Espana, which had to operate under particularly difficult market conditions in Spain for years, was able to step up van production, though from a low volume, by about a third to 10,910 vehicles.

Total production of our foreign companies rose 13 % to 70,523 commercial vehicles in 1985. Worldwide output totaled 220,213 vehicles, an increment of 4 %.



The new series T 2 delivery van is based on the engineering concept of light-weight trucks from Woerth; the model range extends from 4.6 tons to 7.5 tons of permissible gross vehicle weight and also comprises variations allowing lesser loads.

The light truck models from Woerth: a modern vehicle concept, state-of-the-art-engineering and ease of serviceability are the basis for the great marketing success of this series from Woerth.



New Products in the Commercial Vehicle Range

At the Frankfurt Motor Show, Daimler-Benz presented a large number of new commercial vehicle models and features. Our heavy-duty trucks were equipped with more powerful turbocharged diesel engines. The performance and torque characteristics of the turbocharged 260 KW OM 442 A engine and the turbocharged 320 KW OM 442 LA with intercooler are an excellent basis for optimizing the drivetrain configuration. The resulting integral drive system permits considerable fuel savings and, at the same time, higher average road speeds.

In the year under review, the light Woerth truck range was extended by the addition of the 817 model which is available as platform truck and tractor.

Innovations in the city bus range continued; there are now three versions, the O 405 for 108 passengers, the O 405 G articulated pusher bus for 170 passengers, and the standard O 402 mini-bus for low-cost, low-volume (up to 50 passengers) service. For regular service over longer distances, Daimler-Benz developed the new O 407 urban bus which in 1987 will replace the O 307 that has been in production since 1973. The new, attractive O 301 touring coach for up to 32 people meets the demand for compact, medium-sized coaches.

As of early 1986, Acceleration Skid Control (ASR) has been offered in addition to the Anti-Lock Braking System (ABS) for air-braked trucks and buses. The ASR system ensures the vehicles' track-holding stability when pulling away and accelerating, for instance on a slippery road.

Declining Sales of Industrial Engines and Vehicles Components

Sales of industrial engines and vehicle components dropped almost 12 % to DM 279 million. This was mostly due to poor export demand and keener competition. Generator sets and pump assemblies were particularly affected. By contrast, we were able to increase our sales to makers of special-purpose vehicles, e.g., mobile cranes. We responded to the trend towards more powerful engines for agricultural machinery by supplying the 400 engine series.

The industrial engine range, with output ratings from 17 kW to 478 kW was extended in 1985 by the addition of two new engine versions. In the output category above 200 kW we managed to consolidate our market position.

ADDED GROUP ACTIVITIES

New Subsidiaries Operate Successfully in The Market

Our new subsidiaries outside the auto industry developed favorably in 1985. Both MTU and Dornier substantially expanded their business volume as expected.

During the reporting period, MTU achieved group sales of DM 2.7 billion (+14%). The MTU group is engaged in the development and production of aero-engines and high-performance diesel engines as well as exhaust gas turbochargers and industrial blowers. The de-

mand for aero-engines, in particular, increased substantially.

In 1985, Dornier was able to increase sales significantly, by 40% to DM 2.1 billion. The product and service offering of the Dornier group ranges from the

development and production of building components and electronic equipment for aircrafts, multi-purpose aircrafts, defence technology, space flight and related electronics to medical systems.

	Area of Activity, Main Products	Sales (in millions of DM)
MTU Group		2,740
MTU Muenchen	Aircraft Engines, Gas Turbines	1,232
MTU Friedrichshafen	High-Speed, Top-Performance Diesel Engines	1,107
MTU Maintenance, Langenhagen	Repair of Civilian Aircraft Engines	140
Kuehnle, Kopp & Kausch, Frankenthal	Turbochargers, Ventilators, Compressors for Steam Turbines	249
L'Orange, Stuttgart	Injection Systems for Large Diesel Engines	38
Dornier Group		2,118
Dornier Friedrichshafen/Muenchen	Air and Space Travel, Machine Manufacturing, Systems Technologies	1,000
Dornier Reparaturwerft, Oberpfaffenhofen	Maintenance and Repair of Aircrafts	256
Dornier System, Friedrichshafen	Systems and Services in the Areas of Rocket Technologies, Space Technologies, Electronics, Marine Technologies, Environmental Technologies and Transportation Technologies	560
Dornier Medizintechnik, Muenchen	Medical Equipment, Kidney Lithotripter	489



The turbo fan power plant PW 2037 brought to fruition by MTU in cooperation with Pratt & Whitney resulted in the assumption of responsibility by MTU for the development and manufacture of a complete module, the low pressure turbine.



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Favorable Conditions For World Economy

In the first months of 1986 the upward trend in most of the Western industrialized countries steepened. Low interest and inflation rates stimulated investment and private spending. The drastic reduction in crude oil prices has had contrary effects in individual economic regions. However, in the long run, the world economy is expected to derive additional benefits therefrom.

Real income is rising in the oil-importing countries because of the favorable effect on price levels, current account balance and economic growth. The highly-indebted newly-industrializing and developing countries, inasmuch as they are not among the oil-producing countries, will be favorably impacted. The weakening of the dollar and lower interest rates have similar effects worldwide. By contrast, the economic and financial situation of some of the oil-exporting countries is deteriorating because of substantial revenue losses. Demand is declining, and many of these countries are losing their ability to service their debts.

German Economy: Continued Business Improvement

In the Federal Republic of Germany, the upward revaluation of the D-mark in relation to the dollar reinforces the price decline in crude oil products. Overall, the conditions for a continuation of growth have thus improved.

Domestic demand has meanwhile replaced exports as the mainstay of the economic upturn. In addition to the continuing capital spending activity during the last couple of months, household spending, too, became a supporting factor of domestic economic activity. Contrary to previous years, real purchasing power is not being diminished by rising prices. The favorable impact caused by the oil price decline and the tax reduction in force since January have increased disposable income. Foreign demand is expected to give additional stimuli to the capital goods industry.

For the first time in years, employment in the German industry picked up slightly again. For 1986, the fourth year of economic recovery, a considerable increase, of more than 300,000 jobs, is expected, so that the average number of unemployed is likely to drop. Nevertheless, the difficult labor market situation remains a pressing problem for the negotiating parties and political decision makers.

Favorable Employment Situation in The Auto Industry

In contrast to the overall economy, employment in the German auto industry has been developing positively since 1970. Some 90,000 additional jobs have been created. Moreover, the marketing of cars and the use of cars, just as the cap-

ital spending activities of manufacturers and suppliers, have also boosted employment levels. This positive picture testifies to the German auto industry's high degree of competitiveness. After all, an industry which is confronted with an unrestricted, keen competition from importers in its own home market, and which achieves more than half of its sales abroad, can only create additional jobs if its products can hold their own in international markets.

Competitiveness Through Qualitative Growth

The competitive strength of German automobiles is the result of a strategy which has concentrated on technical progress and qualitative growth ever since the 70's. This is reflected by constant improvements in safety, fuel economy and environmental compatibility. The Anti-Lock Braking System (ABS), the Acceleration Skid Control (ASR), efficient catalytic converters and the growing use of microelectronics are examples from a large variety of new, value-increasing developments. Technically progressive and therefore more attractive vehicles are in growing demand world-wide. This trend proves how new and technically sophisticated solutions can create quantitative growth and increase employment.

The new O 407: with its environmentally-compatible engine, the modern styling, and the comfortable and functional interior appointments, it is the ideal bus for intercity travel.



Through product innovation, broadening of available optional equipment, and the trend towards more powerful vehicles, the real value of German cars has been increased by an annual average of 3.5 % since the early 70's. This disproves the claims that the automobile no longer had any innovative potential worth mentioning, and that its production had no future in a highly industrialized country. On the contrary, as far as the automobile is concerned, resignation with regard to engineering potential is as uncalled for as pessimism with regard to growth prospects. Although the basic technical concept of the motor vehicle is fully developed, when considered as part of a comprehensive and increasingly integrated transport system, it still has great potential, especially with respect to the application of new technologies.

Micro-electronics, in particular, applied in communication and information technology, will be used in the automobile to a growing extent. Like many branches of industry which have reached a high standard of development, the future of the auto industry will depend on its ability to intelligently introduce new technologies in marketable products. For the automobile, this means even greater safety, fuel economy and environmental compatibility, even greater ease of handling and servicing, and even greater comfort and quality.

Good Prospects For The Automobile

Independent research institutes assume that worldwide demand for cars and commercial vehicles will rise by more than a third by the year 2000. This quantitative growth will be concentrated above all in the newly-industrializing countries. It is there where the greatest growth for transport needs can be expected, and it can be provided at acceptable cost only via the road.

In the least developed countries, with poor infrastructure, the emphasis of demand will, for the time being, be on public transport. In the industrialized nations replacement demand will prevail. Here growth will be more of a qualitative nature, i.e. it will come about through greater value creation. As a consequence, the yardstick for future sales and employment potential will no longer be volume alone but also, and above all, the technological quality standard of cars.

In spite of these favorable prognoses for the auto industry, warnings against creating excess capacity are certainly not unjustified. The situation of some of the European commercial vehicle manufacturers in particular shows that existing capacity clearly exceeds the current market prospects in spite of the substantial capacity reductions during the last few years. It would nonetheless still be wrong to correct such a situation by state intervention and regulation.

Where structural problems are perpetuated by subsidies, this means as a rule that excess capacity is maintained and economic growth and innovative forces are weakened - at the expense of future employment. The reduction of trade barriers, the safe-guarding of a functioning international competition and not least the creation of a united European home market will therefore go a long way towards preventing excess production in the long run. Since the structural changes are common and necessary in every market and every branch of industry, it is important to accept them as entrepreneurial challenges, and not to fall back on state support.

In Western Europe in particular, there is not only excess capacity in the commercial vehicle sector but also a bottleneck situation in the field of technologically highly sophisticated cars, for which there has been above-average demand for several years.

Only ten years ago, some of the forecasts for large, powerful cars were rather gloomy since they were not expected to meet the more exacting demands for fuel economy. It was in this vehicle category, however, that by far the most spectacular savings were achieved. A similar phenomenon can be observed now that the low-pollutant car is making headway. In Europe, cars with more than two liters total displacement will comply with the most stringent pollutant emission regulations and they will not only be "low-pollutant" earlier than smaller-displacement cars but will also have the lowest pollutant emission in absolute terms.

German Auto Industry Benefits From Trends Towards Greater Quality

For the German auto industry, with its great innovative potential, the future lies above all in technologically and qualitatively sophisticated cars. The manufacturers have sufficient scope and technical creativity to maintain their leading position as competition grows tougher. Thus we have good reason to consider further technological progress as a special opportunity in the market. However, the risks involved for the growth and employment prospects in our industry must not be ignored. These result from the danger of growing protectionism in the world markets and, above all, from the cost trend in the Federal Republic of Germany.

Real employment costs including fringe benefits rose considerably in the 70's. German motor manufacturers have to pay labor costs which, at the current exchange rates, are



The 4MATIC of Mercedes-Benz: independently activated and terminated four wheel drive with two differential locks. It reacts quicker and more precise than any driver ever could, due to its electronic-automatic regulator.

about a third higher than in Japan, France and Italy. In spite of all product innovation, they would therefore hardly have been able to defend their position in the world markets had they not comprehensively modernized production at the same time.

The Federal Republic of Germany, being a country with high labor costs, can only remain a place of domicile for motor vehicle production if manufacturing methods are applied which excel in both flexibility and productivity. The German auto factories are today among the most modern in the world.

Favorable Employment Prospects

We are confident that it will continue to be possible to offer German motor vehicles at competitive prices. Only then can our industry remain a long-term stabilizing factor for employment in our economy.

For 1986, the German auto industry expects a new production record. While the good results of 1985 are largely attributable to the growth in exports, a surge of demand is now likely to come from the domestic market. This expectation is based not only on the drastic decline in fuel prices but also on the favorable economic climate currently prevailing in the Federal Republic of Germany.

Daimler-Benz: Increase in Production

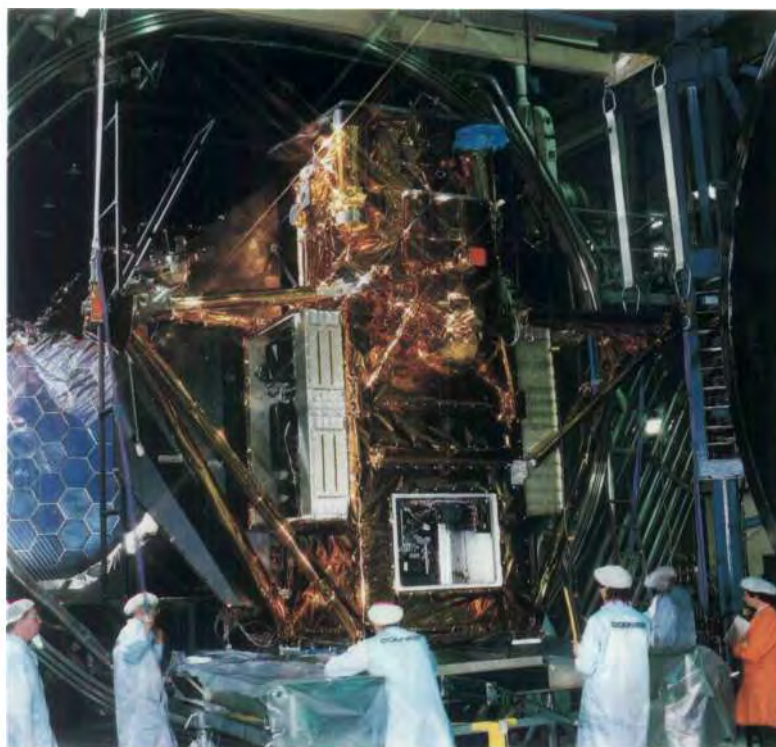
In 1986, Daimler-Benz once again plans to substantially increase production and sales to an expected volume of more than 580,000 cars. The gradual extension of our car plant in Bremen, and more intensive use of the flexibility potential in production at the Bremen and Sindelfingen factories will make it possible for us to increase capacity, particularly for the Mid-Range Class.

Development work will continue to place the emphasis on the qualities to which Mercedes cars owe their reputation: balanced integration in design, quality and fully-matured engineering, safety and comfort, as well as value retention and durability. It remains our aim to offer products with high utility value combined with maximum performance, environmental compatibility and fuel economy. The drastic fall in oil prices will not diminish our efforts to reduce energy consumption, nor our research and testing in the field of alternative sources of energy. Another major task of ours is to make available, at acceptable cost, a large variety of models in all series catering to customers' individual wishes.

International Commercial Vehicle Business Continues Difficult

In 1986, the international commercial vehicle business is likely to remain difficult because of insufficient capacity utilization. In view of a further decline in sales to Near and Middle East countries, competition will concentrate even more intensively on the traditional European markets. The economic upturn, noticeable in Western Europe, is causing the transport volume to grow, but given a further improvement in transport efficiency, this does not necessarily imply a corresponding increase in the demand for commercial vehicles.

Dornier's X-ray satellite Rosat, which was developed and constructed by order of the Federal Ministry for Research and Technology, is supposed to search the skies for X-ray radiation sources and subsequently observe selected sources.



Apart from this, we are realistic enough to recognize that it will be increasingly difficult in the future to supply high-growth non-European markets from German commercial vehicle factories. Many of the developing and newly-industrializing countries are protecting their markets against imports in order to promote their own industrialization.

With the increase in investment activity continuing, new vehicle registrations in Germany in 1986 are expected to exceed last year's level. Because of poor demand for construction site vehicles, growth will be achieved above all in the van and light truck segment, although sales of trucks of 6 tons GVW and above are also expected to pick up slightly. Export demand is expected to go down slightly in 1986 so that production can be assumed to remain at 1985's relatively low level.

Daimler-Benz 1986: Increase in Worldwide Commercial Vehicle Production

In our commercial vehicle business we expect growth above all in the van market where, in the spring of 1986, we launched the new T2 series (4.6 tons to 7.5 tons). We are also anticipating positive market response to our new bus models. In the oil-producing countries, however, truck sales are expected to decline further. In spite of the extension of the heavy-duty truck range, with the new, more powerful engines which form part of an optimized drive concept, and which has met with a positive market response, we will, therefore, not be able to step up production in Woerth. Production of our commercial vehicle factories abroad is likely to remain at last year's level.



Space telescope of NASA with roll-out solar generator which has a power rating of 4 kW.

The majority of our production companies abroad are operating under more favorable market conditions now. Mercedes-Benz do Brasil is heading for a marked increase in sales, and the Argentinian subsidiary, having suffered a decline last year, is endeavoring to again reach the production volume of 1984. Mercedes-Benz Espana, too, reckons to achieve a greater business volume; Spain's entry into the European Community is likely to stimulate sales further. By contrast, our U.S. subsidiary Freightliner is having to cut back production because of the general weakness of the heavy-duty (Class 8) truck market. The group's commercial vehicle production will increase overall.

We will apply sophisticated technology to further improve the efficiency, the utility value and the quality of our vehicles. As in cars, improvements in the trucks' and buses' environmental compatibility must not be at the expense of fuel economy. All Mercedes-Benz commercial vehicles already comply with the EC pollutant emission norms or are even well below them. That environmental compatibility and economy are not incapable of association is proven by our new commercial vehicle engines with "Integral Drive Systems" matched to their performance characteristics. In the future, this will be a major area of emphasis in our development work. Microelectronics are gaining growing importance here, too, as shown by the introduction of ABS and ASR for commercial vehicles.

**Daimler-Benz:
Future Prospects Favorable**

In the car division, we will continue to pursue our strategy of qualitative growth. Quantitative growth will be acceptable only to the extent that the exclusivity of the Mercedes-Benz marque is maintained. As far as commercial vehicles are concerned, we want to remain suppliers for virtually all types of application. Our aim is to standardize components as much as possible over the entire range, and with the aid of the building-block system, produce them flexibly and efficiently.

This objective will be pursued increasingly throughout the group; we want to coordinate international commercial vehicle activities more intensively than before, based on a global modular production concept. The optimization of our worldwide integral production structure will also contribute towards safeguarding employment in the German factories. A strategy as comprehensive as this, however, has to be seen as a long-term project, not least because of the numerous protectionist barriers in international markets.

The activities on the production side are being supplemented by an extension of the sales organization. With the foundation of Mercedes-Benz Japan early in 1986 we have taken an important step in this direction. Furthermore, we will be intensifying our efforts in the fast-growing South Chinese market. To this end, Daimler-Benz will, before long, establish a representative office in Hong Kong. With our new commitment in Mexico we are closing an important gap between the North and South American markets.

**New Growth Prospects
Through Broadened Company
Base**

For quite some time, Daimler-Benz has pursued a concept of broadening the company's base by the addition of high-technology activities. This "qualitative jump" into new areas of technology has the aim of opening up new, long-term perspectives for our company and of safeguarding its future. It is intended to exploit the resulting synergetic effects to develop new products and processes which, without this interaction, would not come about or not come about at such a high quality, as cost-efficiently or as quickly.

The focus of our interest is on air and space travel, drive technology and electronics, including communication and information technology. These fields complement our previous business activities and help in opening up new dimensions for the automobile, itself a "high-tech product".

To fully meet the demands that will be made on the automobile in the future, it will be necessary to an increasing extent to make use of sophisticated technology in and around the car.

It has always been our philosophy and conviction that we have to deal with new technologies inside the group as well. This is and remains the prerequisite for our ability to manufacture top-class products which are well balanced in every respect.

In the long term, we consider the creative integration of different technologies as an opportunity to further improve our traditional lead in the world markets. Yet there should be no doubt that Daimler-Benz will continue to concentrate on the

objective of remaining in the lead in the demanding market for high-quality cars and commercial vehicles.

The competence and commitment of our staff and our sound financial basis are the prerequisites which will allow us to accomplish the now substantially broadened range of tasks ahead of us.

**Daimler-Benz: Trends in The
First Three Months of 1986**

In the first quarter of 1986, Daimler-Benz raised car output to more than 146,000 units. Worldwide commercial vehicle production was again around 56,000 units; in Germany, some 34,000 commercial vehicles were manufactured.

The new subsidiaries, MTU and Dornier, have been able to continue last year's gratifying business trend. AEG is successfully continuing the consolidation course initiated some years ago.

Group sales in the first three months of 1986 amounted to more than DM 14 billion. Sales of Daimler-Benz AG itself rose 7 % to DM 9.5 billion.



*Hans K. Herdt
Deputy Editor-in-Chief
Boersen-Zeitung*

The history of Daimler-Benz AG and its two immediate fore-runners the Daimler-Motoren-Gesellschaft and Benz & Cie - is a representative piece of German, and also European, economic history. The family tree can be traced back directly to the two founding fathers of the automobile industry, Karl Benz and Gottlieb Daimler, who independently of each other were responsible for steering the automobile onto the stage of world history one hundred years ago. From it a strong and vigorous industry has grown which is thriving today throughout the world and is still continuing to put forth new shoots.

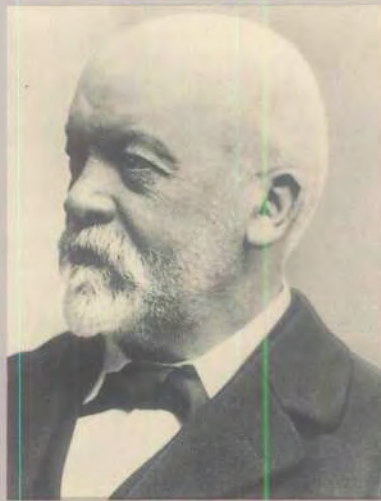
A Vision becomes Commercial Reality

Imagination, hard work and competition, an extremely effective combination, have been associated with the automobile from its very beginnings. Karl Benz and Gottlieb Daimler, who met briefly, were, like Wilhelm Maybach, men of humble background, which made them all the more conscientious in exploiting the opportunity of a sound technical training. They both went on to become entrepreneurs who were able to test out their versatile talents on the market, and after many

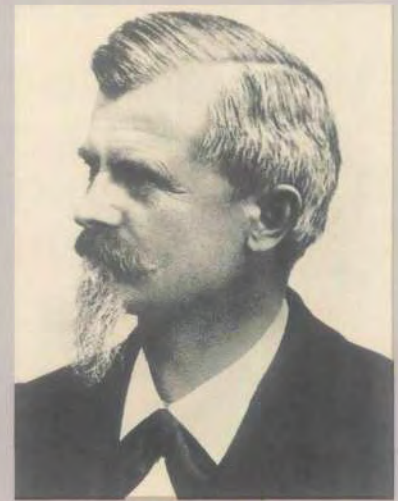
Success gave the incentive to expand and this called for capital. The institution of the share certificate, inseparably linked with the great inventions of the 19th century and those of the even more dynamic 20th century, came to the assistance of Karl Benz and Gottlieb Daimler too. The Daimler-Motoren-Gesellschaft AG was founded at the end of 1890 with a capital of 600,000 marks, consisting of 6,000 shares. The object of this move according to Gottlieb Daimler was not to "acquire partners who would bale me out but partners who would back me up. I also wanted to avoid bearing



Karl Benz



G. Daimler



Wilhelm Maybach

setbacks, their perseverance was eventually rewarded. The automobile had been a vision in the minds of many other contemporaries as well, but very few of them had the unrelenting tenacity with which Karl Benz and Gottlieb Daimler pursued their goal, which for them was both a technical and a commercial one. Entrepreneurial instinct has always been separate from pure inventiveness.

Thus, there are probably sound reasons why the names of Karl Benz and Gottlieb Daimler have lived on in the shape of a world company which looks on the private enterprise traditions of its founders as a valuable inheritance and still upholds the virtues associated with them. This combination of pioneering enterprise, industry, reliability and quality-consciousness may also have been something of a regional product - the southwest German origins of the company, the combination of Swabia and Baden, have always been a valuable asset.

such a promising project solely on my own shoulders." Benz & Cie, Rheinische Automobil- und Motorenfabrik of Mannheim, became a joint stock company in 1899, with a starting capital of 3 million marks. In this year it was the world's leading automobile factory, producing a total of 572 vehicles. Gottlieb Daimler, who had temporarily taken leave of the business in 1894, died at the turn of the century, while Karl Benz withdrew from active participation in his own company in 1903.

In January of 1886, Karl Benz patented his three-wheel "Patent Motor Car" and introduced it during the following summer to the public.



The first two automobiles in the world: the Benz "Patent Motor Car" and Daimler's motor carriage.



In 1898, Gottlieb Daimler (standing next to him Wilhelm Maybach) exhibited his truck with iron wheels at the Bois de Boulogne near Paris.



Karl Benz with his business manager Josef Brecht riding a "Patent Motor Car".

The Dawn of the Mercedes Era

The name Mercedes has a family background too. It was introduced by a Daimler customer as a lasting memorial to his daughter. The businessman Emil Jellinek, who had bought his first vehicle in 1893 in Cannstatt, was a tireless source of ideas and advice to Gottlieb Daimler and Wilhelm Maybach, whose products he zealously advertised on the Cote d'Azur. For the "Nice Week", Jellinek had ordered a batch of Daimler racing cars which ran under the name of his ten year-old daughter Mercedes and were overwhelmingly successful. The name quickly caught on and the Mercedes era began at Daimler. The three-pointed star, which too became world-famous, appeared on the scene in 1911 when Daimler registered it as a trademark. Its arms represent the three elements land, water and air in which the Mercedes engines are used.



In 1899, Emil Jellinek was the first to enter a Daimler race car under the name of his daughter, Mercedes, for the "Week of Nice"; this was the hour of birth of a world-renowned marque.

Both Benz and Daimler had to adapt their automobile production to rising demand. The Daimler-Motoren-Gesellschaft moved from Cannstatt to Untertuerkheim, Benz & Cie from Waldhofstrasse in Mannheim to Mannheim-Waldhof where a new factory was built, no less imposing than that of its Wuerttemberg competitor.

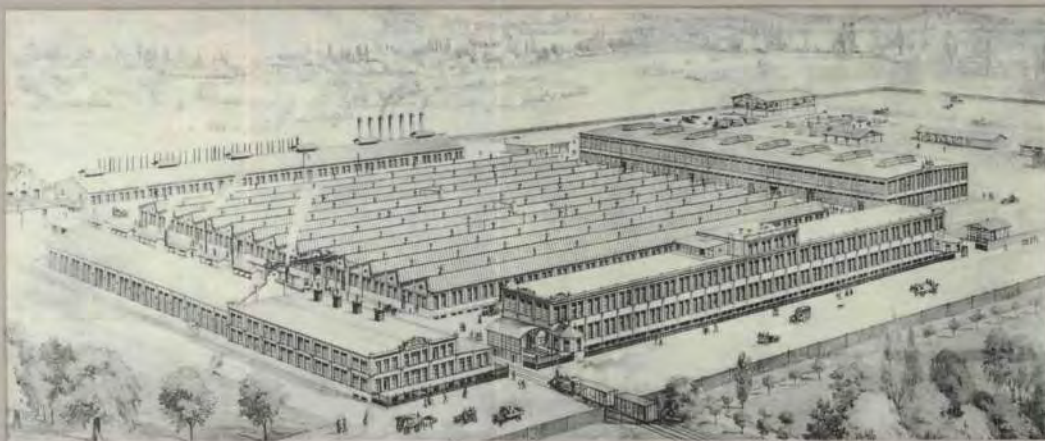
The Daimler-Benz AG is Born

After the First World War a critical J \ . period began. In order to "safeguard against the risk of infiltration", the Daimler-Motoren-Gesellschaft had in 1919 issued preferred shares with multiple voting rights. Although, as in the case of Benz & Cie, which too had issued preferred shares and held unissued shares, this measure had not entirely prevented the company from falling prey to speculative manoeuvres, it was nevertheless a deterrent to unwanted intruders; these shares were preserved, initially with a total value of 360,000 Reichsmark, after the merger in 1926. The preferred shares of today with a nominal value of DM 1,921,500 and held by the Deutsche Bank, which on certain kinds of resolution have a thirtyfold voting right, date back to this time.

Additional financial problems at this time caused the Wuerttembergische Vereinsbank of Stuttgart and the Rheinische Creditbank of Mannheim, both of which had come under the control of the Deutsche Bank, to recommend that the two firms join forces. The decision that Daimler and Benz should be merged on equal terms was taken at two general meetings, in Mannheim and in Stuttgart, on the 28th and 29th of June 1926. It had been preceded by the founding of an association of common interest in 1924. The share ownership situation now became more stable and the new, larger company was thus more independent.



Since 1904 the Daimler-Motoren Gesellschaft has been headquartered in Untertuerkheim, in a structure considered at that time one of the most modern in the world.



The factory in Sindelfingen was already in early times considered exemplary for its modern body construction. Thus, the knee-lever-extrusion press, first initiated there in 1928, marked the transition from wood to steel construction.

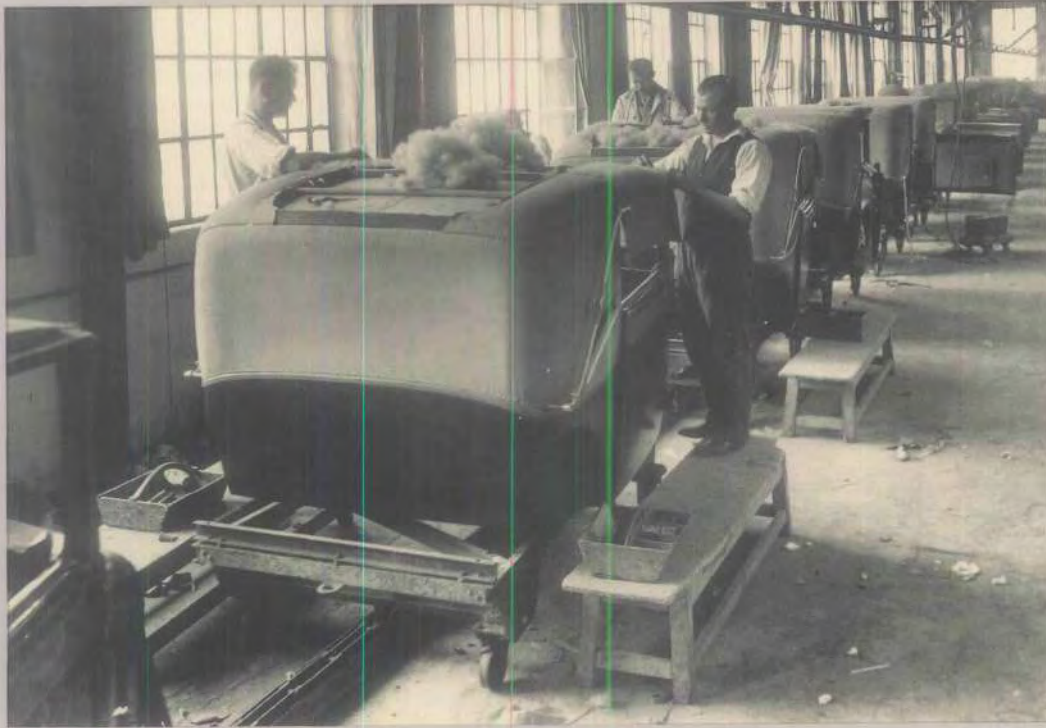


During the years of 1908/1909, Benz & Cie, transferred its entire automobile production to Waldhof, a suburb of Mannheim.



A decade after the takeover of the Gaggenau Benz-plants, in 1910, a respectable industrial development employing more than 2,000 people had come into being.

Assembly carts were simple forerunners of the conveyor belt, which, for the first time in U.S.A. permitted highly efficient production, putting the German automobile industry under competitive pressure.



At the general meeting of 1927, the spokesman of the Deutsche Bank management board justified the bank's involvement on the grounds that it was one of the first principles of a bank that it should be prepared to risk losses when the survival of a company of vital importance to the national economy was at stake. The bank felt satisfaction, he said, to have been able to do customers and the economy this service. The foundation stone was now laid for an intensive and continuing relationship between Daimler-Benz and the Deutsche Bank.

The Daimler-Motoren-Gesellschaft, which acted as the absorbing company, brought into the new company the Daimler factories in Untertuerkheim, Berlin-Marienfelde and Sindelfingen, while the Benz & Cie assets comprised the plants in Mannheim and Gaggenau. All these factories are still used by Daimler-Benz AG today. The registered office of the new company was in Berlin, but the administrative headquarters remained in Untertuerkheim, which in 1905 had become part of Stuttgart.

The freshly merged Daimler-Benz AG was initially vulnerable and in need of protection. In the U.S.A. four and a half million cars were produced in 1926, as compared with half a million in the whole of Europe, Germany accounting for a tenth of this figure. From 1924 to 1927 the number of German car manufacturers had fallen from 86 to 19. Productivity in the United States, where the first assembly lines were in trial operation, was twice that of German factories. And the ominous trade imbalance between car imports (11,400) and exports (2,700) posed grave problems.

The founding of Daimler-Benz AG was thus the response to a crisis of serious proportions.

In 1925, both firms together had built only 3,666 cars, this was less than the number of cars built in 1911. In 1926, car production had abruptly slumped a further 40% to 2,169 - the market had collapsed. The situation was of the utmost gravity when Daimler-Benz AG was formed. In the "life and death struggle" against powerful



During the mid-1920s, the economic survival could only be assured by the merger of Daimler and Benz.



An advertise-
ment, in form of
a stock certificate,
announced the
merger in the
year 1926

foreign competition the company was for some time on the very brink of extinction.

In 1926, an advertisement in the form of an official certificate appeared with the following message to car buyers: "The two eldest and largest car manufacturers in Germany have merged in order to be able - on the basis of more than 40 years of car-

manufacturing experience, joint purchasing of raw materials and a large field organization - to offer their customers all over the world passenger cars and commercial vehicles of unsurpassable quality at a reasonable price". Thus the concept of quality was invoked right at the founding of Daimler-Benz AG.

Commercial Vehicles - In at the Start

Right from the start, the Daimler-Benz range included commercial vehicles. As early as 1895, Karl Benz had developed the first selfpropelled omnibus on the basis of his "eight-seater Landauer", thus giving the incentive for the first motorised omnibus service in Germany. On March 18, 1895, two of these Benz motor buses replaced the post office horse and carriage service between the town of Siegen and the outlying villages of Netphen and Deuz. And in 1896, twenty years after the first four-stroke engine had been developed and ten years after the first roadworthy four-wheeler car with fast-running petrol engine had been brought out, Daimler and Maybach had designed the first truck in the world. However, it was almost ten years before the haulage industry took notice of this advance, whereupon the commercial vehicles started to revolutionize the transport of goods.



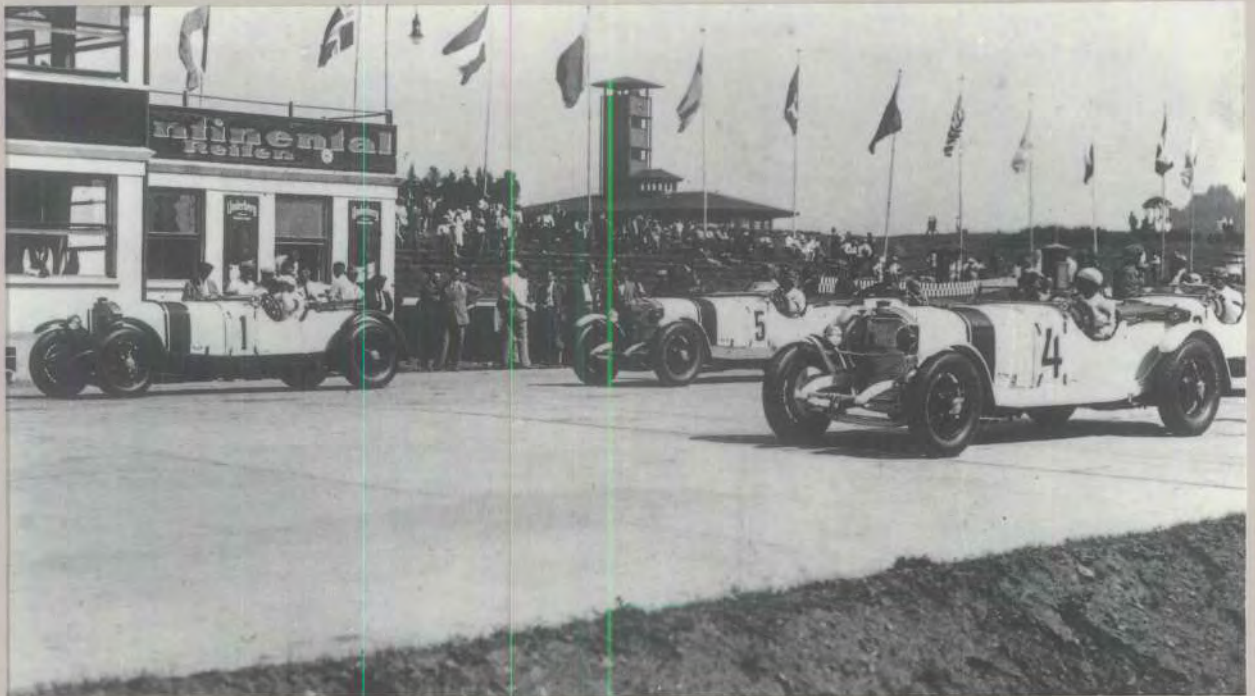
The first bus was developed in 1895, based on the eight-seat "Landauer". It operated the route Siegen-Netphen-Deuz.

Benz & Cie had been even more involved with commercial vehicles than the Daimler-Motoren-Gesellschaft. In 1925, Daimler produced 881 commercial vehicles, Benz 1,364. In 1926, the amalgamated company produced only 1,545 - the economic crisis was affecting the commercial vehicle market too.

In 1923, the first diesel truck was put on the road by Daimler. Its engine had been developed at the Marienfelde plant.

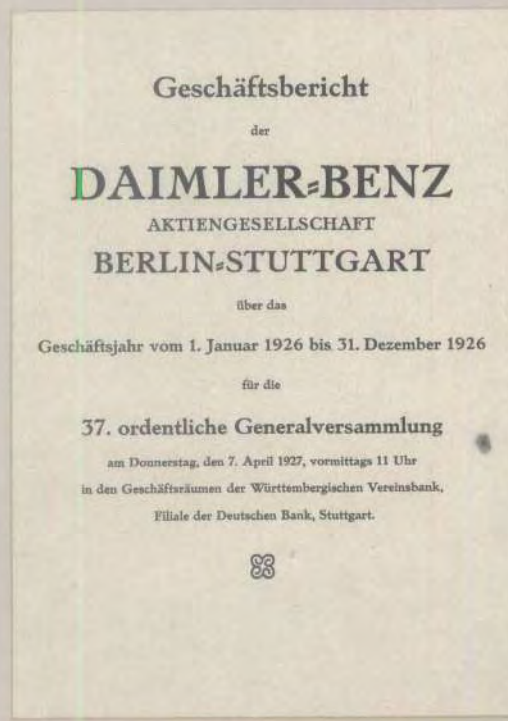


Triple victory for the Mercedes SS in 1928, at the "Grossen Preis of Germany" on the Nuerburgring.



From the First Annual Report of Daimler-Benz A G

Despite numerous racing successes (Daimler-Benz had just won the German Grand Prix), sales had suffered from reduced domestic purchasing power as reported in the first annual report of 1926. High tariff barriers abroad had prevented exports from compensating for this. Competition from countries with non-stabilized currencies had also played its part. "In particular a major concerted effort was needed to narrow somewhat the massive lead which, thanks to unlimited re-



The first annual report of Daimler-Benz AG is also the document of a crisis. It reported limited purchasing power at home, duty barriers for exports, and superior manufacturing methods in the U.S.A.

sources, America was able to build up over a weakened Europe during the war and for many years thereafter."

However, after the Berlin Motor Show in November 1926, at which the company presented new models, the long-awaited recovery in sales took place and the board of management was able to note with satisfaction "that the export markets, too, have displayed strong interest in our new cars by a not inconsiderable volume of orders". The proportion of car production exported rose to 10%. Now the wind began to gather behind the sails of Daimler-Benz AG, particularly since the merger had led to a

Early connections to the North American Market existed also in the commercial vehicle sector:
A Mercedes-Benz L 5000 in New York (1929).



Brief Upturn Followed by World Slump

Apronounced upturn took place in the years 1927, 1928 and 1929, and in 1929 Daimler-Benz commenced production of trucks at its Gaggenau factory. This was a standard model with a five-ton payload and a six-cylinder prechamber diesel engine. Annual sales, starting at 2,100, had doubled four years later and in 1936 reached 9,200 units.

In between came the world slump. Daimler-Benz turnover, which had climbed from RM 68 million in 1926 to RM 121 million in 1927, and to more than RM 130 million in 1928 and 1929, slid back in 1932 to RM 65 million. The workforce was cut back from 18,124 in 1927 to 8,850 in 1932. By the end of 1932 a loss of RM 13.4 million had accumulated, equivalent to almost a third of the capital stock. This was a large amount, although not life-threatening because there were only RM 5 million of bank liabilities requiring debt service.

The long-term viability of the new company Daimler-Benz AG was by no means certain at the beginning. Major efforts and a purposeful reorganization were required first. In 1931, the share capital was reduced to RM 433 million by a share redemption, and in 1933, by a capital reduction to just

The standard model L5, a truck which had been manufactured since 1929 in Gaggenau, was equipped with the newly developed 70 horse power OM 5 engine.

standardized administration and to a book profit which was used for "internal write-offs and the accrual of provisions". Inventories had been reduced. "Non-moving models are no longer held". To consolidate bank debts, 6 % debentures were issued and an increase in capital stock of RM 14 million to RM 50 million was proposed to the shareholders at the annual meeting for the acquisition of new plant and equipment; the new shares were issued at a premium of 10 %. Only RM 9 million of this - nominal value - was issued to existing shareholders.

The year 1928, in which this Daimler-Benz stock certificate was issued, was marked by a temporary economic upturn.



under RM 26 million. This was the bottom of the trough. Daimler-Benz, then Germany's third largest automobile manufacturer with a market share of 11 %, subsequently participated in the general upswing in the motor industry which followed the abolition of the motor vehicle tax on new cars effective April 1, 1933.



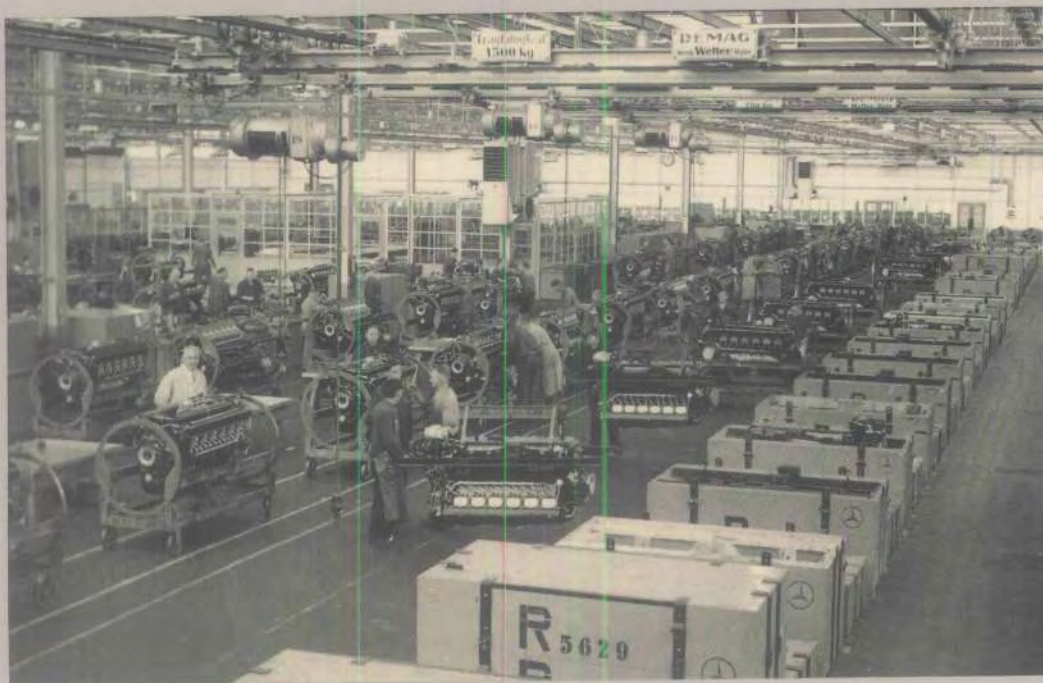
1936 - First Dividend

Ten years after the merger, in spring 1936, the shareholders in Daimler-Benz AG received their first dividend of 5 % for the fiscal year 1935. Turnover had risen from RM 147 million to RM 226 million and production from 11,255 to 15,199 cars. Commercial vehicle production rose: from 5,617 to 8,459 units. The pre-war peak in car production was attained in 1937 with 27,955 vehicles, while commercial vehicles production continued to rise to 15,694 units in 1939. In 1939, turnover amounted to RM 438 million and the workforce had dropped to 31,095 from 35,123 in the previous year. In September, the Second World War had broken out which had an immediate impact on the number of employees.

Naturally enough, political developments in Germany had already thrown their shadow on Daimler-Benz AG. In the second half of the 1930's results were impaired by the government's order to export at all costs. In 1938, Daimler-Benz had to accept an RM 6 million loss on its export sales. This was not the only adverse factor visibly affecting the results for that year. Daimler-Benz had to take part in the four-year plan which prepared the German industry for a changeover to arms production. For the first time since 1935 it had not been possible to finance all investments from depreciation provisions; bank loans had to fill the gap. Meanwhile, the state was taking an ever greater slice in taxes, two-thirds of these via property taxes. The tax bill in 1938 amounted to RM 23 million, twice that of 1936.



An impressive three-axle bus of the thirties, was equipped with a 150 horsepower 6-cylinder motor.



An aircraft engine factory, chiefly dedicated to armament preparation, opened in Genshagen near Berlin in 1936.

Earnings thus remained again modest in 1938, likewise the dividend of 7.5 %. All the same, the shareholders were asked, for the first time since 1927, to contribute more capital. The basic share capital was increased on the basis of 1 for 2 at an issue price of 12 % above par. Following this, in 1939, Daimler-Benz had a net equity of RM 46.5 million. Subsequent capital stock increases raised the basic share capital to RM 120 million by the end of the war.

At the Hannover International Export Fair in May 1948 three new vehicles were premiered. On the commercial vehicle side these were the three-and-a-half ton truck, on the car side the 170 S with a more powerful engine and more comfort than the 170 V of 1946, and the 170 D diesel version. All these models proved popular. On September 28, 1949, eleven days after a 30.5 % devaluation in the pound was announced, the D-mark was devalued by

After the fictitious prosperity came destruction: the Untertuerkheim plant after an air raid in 1944.



Fresh Start After The Second World War

On June 18, 1948, the last day of stock exchange trading before the Currency Reform, the Daimler-Benz stock was quoted at 156. On July 14, the first day of trading in the new "era", it was quoted, still with a nominal value of 100 Reichsmark, at 18. When official trading was resumed at the beginning of March 1950 it had risen to 50. In the same year car production had risen to 33,906 and commercial vehicle production to 8,399 units. Turnover amounted to DM 502 million of which 133 % from exports.

In May 1945, immediately following the end of the war, Daimler-Benz had 2,860 employees. The year-end figure for all five plants in the western zones and West Berlin was given as 12,850. One year later, at the end of 1946, it had risen to 17,850. This was the year in which the American foreign minister James F. Byrnes in his famous speech in Stuttgart had expressly permitted the defeated Germans to "rebuild their industry for peaceful purposes".

20.6 %, and the dollar now stood at DM 4.20. Thus more favorable conditions were created for West German exports.

The final balance sheet measures were taken at the stockholders' meeting on May 25, 1951, putting an end to the war and its aftermath. In the DM opening balance sheet, which was approved on that date by the shareholders, basic share capital was reduced in the ratio of 5 to 3 from 120,259,200 Reichsmark to 72,155,520 D-marks, of which DM 155,520 pertained to preferred shares. The board reminded shareholders that by the spring of 1945 the company had almost ceased to exist. The production facilities were a sea of rubble and communication between the plants was impossible at the beginning. But now, in May 1951, the company already had a workforce of 32,000, almost as many as before the outbreak of war. 4,000 cars, between 700 and 800 three-and-a-half-ton trucks and more than 200 six-ton trucks were assembled monthly. Full order books led to waiting times of many months.



Loading of model 170s in 1951, at the Bremen overseas harbor. This model series was also a success abroad after the war.

Reconstruction would not have been possible just from internally generated funds. Medium- and long-term loans had to be taken out. Plant and equipment, and inventories abroad and in East Germany, with a book value totaling RM 10.1 million, had been lost. The RM 40 million holding in Daimler-Benz Motoren GmbH in Genshagen was valueless too. This factory to the south of Berlin, which had been set up within the framework of the national-socialist armament policy, and which had commenced operation at the end of 1936, was dismantled and confiscated. In addition, Daimler-Benz AG had lost its foreign subsidiaries, as well as the sales offices in Vienna, Zurich, Paris, London and Budapest.

They had a much higher real value than the token amount at which they were carried on the balance sheet. In total, assets with a value of RM 194.3 million were lost, and that was the book value which was lower than the real value. Furthermore, this figure took no account of dismantling damages which occurred after 1945. The cash resources of RM 210 million shown in the 1945 balance sheet had dwindled to RM 108 million, and after conversion into D-marks amounted to DM 8 million.

For 1951 and 1952 dividends of 6 % were paid. This rose to 8 % for 1953. The board of management reported the frictionless introduction of the new car models which had been favorably received at the Frankfurt Motor Show of spring 1953.

Daimler-Benz Establishes Itself More and More on the World Markets

In 1950, production and marketing of the Daimler-Benz-designated Unimog was taken over from the firms Gebr. Boehring and Erhard & Soehne and transferred from Goeppingen to Gaggenau. Much later, in 1972, this family of products, which has its own separate sales and service organisation, was enlarged with a new vehicle, the MB-trac. By 1985, some 300,000 Unimogs and MB-tracs had been sold, in almost every country in the world.

After the Currency Reform, a concentrated effort was made to reenter the world market. Daimler-Benz led the way in West Germany's vehicle exports. By the beginning of the 1950's, passenger cars and high-performance engines were being shipped via Rotterdam as far as Japan. By 1950, Daimler-Benz was established in 44 countries with 51 general distributors and 338 outlets. In 1951, 6,540 passenger cars and 1,586 commercial vehicles were exported. By 1952, Daimler-Benz was represented in 79 countries. In February 1954, at the New York Sports Car Show, the new version of



the Mercedes 300 SL was enthusiastically received and in the same year turnover for the first time topped one billion marks.

Remarkable progress was also made in the commercial vehicle division; by setting up its own assembly plants abroad, the company was able to gain a footing in previously inaccessible overseas markets. In Buenos Aires, Mercedes-Benz Argentina was launched, in São Bernardo do Campo, Mercedes-Benz do Brasil was founded and in India, in conjunction with the Tata group, a truck plant was built in Jamshedpur. Due to this, India became an important customer during the 1950's. Exports of "completely knocked down" (CKD) trucks which were then assembled at a foreign location became an important part of

The UNIMOG (Universal-Motor-Geraet), workhorse and transportation all in one - soon became known and appreciated all over the world.

the company's business. Daimler-Benz has contributed significantly to the economic and industrial development of India and the two South American countries.

No less important was the early rediscovery of Mercedes-Benz cars by the American market. In 1956, 3,700 cars were sold to North America, in 1967 the figure was almost 23,000 and in 1985 some 89,000. In 1955, Daimler-Benz of North America was founded, as an importing company. Marketing was initially carried out by the American vehicle manufacturers, Studebaker, later by the Mercedes-Benz of North America distribution company. In terms of sales, the U.S.A. had moved into first place among the export markets by 1959-

A convoy of the legendary 300 SL on the autobahn, after their pick-up at the Sindelfingen factory by members of the Mercedes-Benz Club of America.



A Distinctive Identity Develops

This was the decade when the characteristic company identity of Daimler-Benz began to take on stronger shape. It was different between the two main product lines. For the cars it consisted in exclusivity, singularity and individuality, for the commercial vehicles in a broad, full-line product range.

With its cars, the company concentrates on high-class, technically advanced vehicles. The commercial vehicle range on the other hand, extending from light vans through to heavy-duty trucks, from Unimogs to buses; it thus meets the full range of transport requirements. For the cars, a

Examples for an early commitment abroad: opening of a factory in São Bernardo do Campo, Brazil, in 1956 (above), and frontal view of the Mercedes-Benz Argentine S. A. facilities in Buenos Aires.



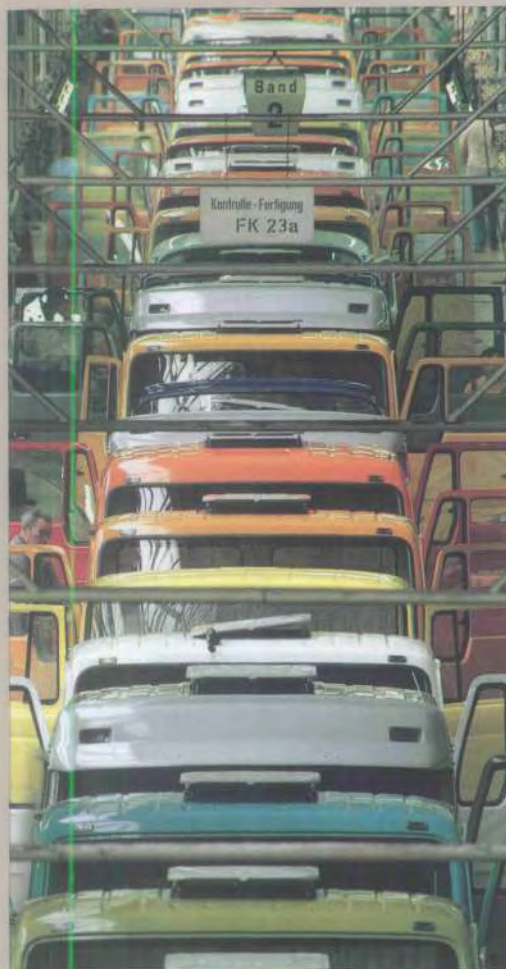
Between 1954 and 1958, 100,000 passenger cars model 180D were manufactured. This car - a first for Mercedes-Benz - had a pontoon type chassis.



State visit by U.S. President Dwight D. Eisenhower in Bonn, in 1959. He is accompanied by Federal Chancellor Konrad Adenauer in a MB 300.

cautious capacity policy oriented to long-term market chances now dominated, while the concept of the commercial vehicle range followed the precepts of large-scale production and the building-block system.

At the stockholders' meeting of July 18, 1955, the Flick group came forward as a major shareholder, in possession of a 25 % holding in the company. The ownership pattern, which was to prevail into the 1970's, was taking shape: the Flick group, Quandt, and as a kind of regulating factor, the Deutsche Bank which had been present from the start. At the stockholders' meeting in July 1957, the Flick and Quandt groups together held exactly one half of the share capital. In 1974, Quandt withdrew while the Flick group, which had started buying Daimler-Benz shares in 1952, withdrew in two stages, firstly at the turn of 1975/76 and secondly at the turn of 1985/86.



The factory in Woerth, planned on the "green meadow", commenced production in 1965. It is known world-wide as one of the most modern manufacturing facilities for trucks.

Production Capacity is Expanded

In 1958, Daimler-Benz took over the (new) Auto Union GmbH in Ingolstadt from Friedrich Flick and the Swiss industrialist Ernst Goehner, and seven years later sold it to Volkswagen, building the Woerth factory with the proceeds. This transaction did not result in any tax liabilities since it was considered a direct swap. The rurally situated plant in Woerth, completed by 1967, centralized truck production, which had previously centered in Mannheim and Gaggenau. The concomitant standardization of parts, components and models facilitated the necessary quantities which are necessary for efficient, large-scale production of vehicles and components.

The move brought an expansion in capacity, from 36,000 to initially 48,000 trucks and later, by the end of the 1970's to around 100,000. Woerth is now the largest truck assembly plant in Europe, employing a workforce of more than 10,600.

Car capacity too has been steadily expanded. In the ten years from 1958 to 1967, the monthly capacity of the Untertuerkheim and Sindelfingen factories doubled, rising to 18,000 vehicles. For 1968/69 a production target of 20,000 cars per month was set.

To overcome the severe space shortage in Untertuerkheim, Daimler-Benz AG bought or leased a number of firms around this time, including Schaudt Maschinenbau GmbH in Stuttgart-Hedelfingen, Wuerttembergische Baumwoll-Spinnerei und -Weberei in Esslingen-Bruehl, Horex KG in Bad Homburg, Ernst Heinkel AG in Stutt-

gart-Zuffenhausen, the Werkzeugmaschinenfabrik Koengen GmbH & Co. KG and the Maschinenfabrik Esslingen AG. The Hedelfingen-Bruehl-Esslingen complex alone gave another 550,000 square metres of industrial space in the immediate vicinity of the Stuttgart-Untertuerkheim plant (which itself extended over an area of some 560,000 square metres). The space problems at the latter site could for the time being be regarded as solved.

Besides the supply industry, the region as a whole profited from this expansion at Daimler-Benz. The company had not only done itself a good turn but at the same time had implemented a piece of active structural policy. The Wuerttembergische Baumwoll-Spinnerei und -Weberei, a spinning and weaving factory, had been hard-pressed by the textile crisis; Horex in Bad Homburg - since 1960 a flourishing branch of Daimler-Benz - had been suffering from the flood of imports from the Far East which caused problems for the German bicycle industry. Another new Daimler-Benz acquisition was the Duesseldorf plant, which had originally been rented by Auto Union GmbH. The Maschinenfabrik Esslingen, part of the Gutehoffnungshuette group, had fallen behind the times with its traditional product range and would in any case have required restructuring.

Plant 2 of MTU is situated in Manzell, a part of Friedrichshafen.



The Mid-1960's and the Birth of MTU

As a result of the good understanding which had come about between Daimler-Benz and GHH through the Maschinenfabrik Esslingen, the two companies came to an agreement on a reorganization of large engine and turbine production. The two components of the later joint enterprise MTU Motoren- und Turbinen-Union GmbH were Maybach Mercedes-Benz Motorenbau GmbH - which had emerged out of the Maybach Motorenbau GmbH in Friedrichshafen in 1964 - and M.A.N. Turbo GmbH in Munich (formerly BMW Triebwerksbau GmbH), which had been integrated into the GHH group in two stages, in 1955 and 1960.

These two companies merged on an equal basis at the end of 1969. At the same time, a cooperation agreement was reached between Daimler-Benz and M.A.N., regarding mutual supply of assemblies and components for commercial vehicles. This was on the basis of a joint venture agreement terminable in 1981; this agreement was not renewed. Thus the complete takeover of MTU in 1985 by Daimler-Benz AG was a logical move. It extended the existing fields of activity, vehicle and engine building, and was a step in the desired direction of widening the company's base to include new, advanced technologies. It thus marked a return to the situation in the early days of Daimler-Benz, when a complete range of propulsion systems for transport on land, water and in the air were offered.

New Commercial Vehicle Plants at Home and Abroad

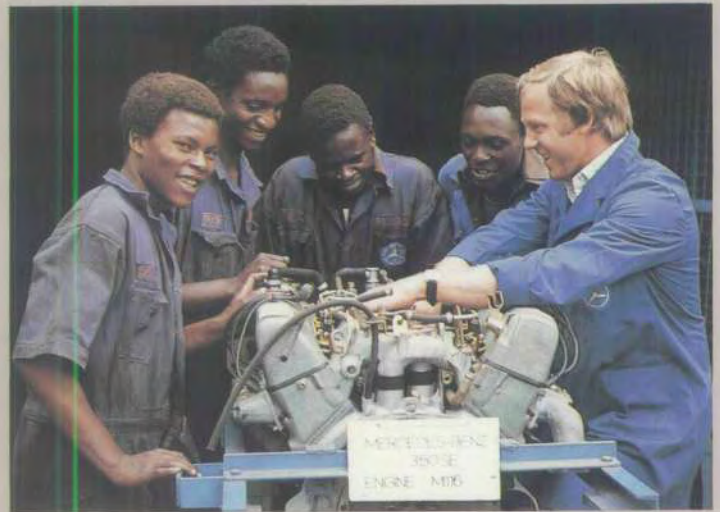
When recession led to a crisis in the German commercial vehicle industry in the second half of the 1960's, Daimler-Benz AG was involved in the restructuring of a special kind. The company acquired the truck marketing organization of the Krupp group when the latter ceased truck production, and also took over the commercial vehicle business of Rheinstahl AG which had been conducting business under the name Hanomag-Henschel. It thus took possession of factories in Kassel, Hamburg-Harburg and Bremen. The Bremen factory was later to become purely a car plant.

This strengthening on the domestic market went hand in hand with an expansion of international activities. In 1966, the company had already acquired a holding in the South African United Car & Diesel Distributors (UCDD) in Pretoria. This company, which assembles both commercial vehicles and passenger cars in East London,

was renamed Mercedes-Benz of South Africa in 1984 when Daimler-Benz took a majority holding.

In 1985, a total of 121 general distributors were working for Daimler-Benz, importing passenger cars and commercial vehicles from Germany; the latter either as built-up or knocked-down units. These distributors assemble the parts, sell the vehicles either themselves or (with the help of special wholesalers) through local retailers and ensure an extensive network of workshops to maintain and repair the vehicles. In the most important export markets, Daimler-Benz is also represented by 23 company-owned sales companies.

In 24 countries, many of them in the Third World, there are Mercedes-Benz assembly plants; in eight of these the com-



pany has an equity holding. Finally, there are 25 independent manufacturing plants abroad, either with or without a Daimler-Benz holding, three of them licencees. They import parts and components from Germany in varying quantities which are dependent upon the relevant industrialization regulations. Of these the largest at the present time is Mercedes-Benz do Brasil in Sao Bernardo do Campo; it now has a subplant in Campinas, which in 1979 began producing buses and which has opened a central parts depot.

As in the south, the North American subcontinent too has four factories, one in Canada (near Vancouver) and three in the U.S.A., in Portland on the Pacific Coast, in Mount Holly, North Carolina and in Hampton, Virginia. These production plants are run by the American heavy-truck producer Freightliner, whose capital stock was acquired in 1981 by Daimler-Benz. Mercedes-Benz Truck of Hampton, which was merged with the Freightliner organization, is responsible for the assembly and distribution of medium-heavy-duty trucks produced by our Brazilian subsidiary.

Know-how transfer as development contribution: conveyance of practical and theoretical knowledge through schooling and training of youths from many countries.



A truck of the American heavy-duty truck manufacturer Freightliner, a subsidiary of Daimler-Benz AG since 1981.

The 11 Daimler-Benz plants; in Germany operate in a closely interlinked production system. The traditional car-making plants, Stuttgart-Untertuerkheim and Sindelfingen, were joined in 1984 by the new Bremen plant.

On the commercial vehicle side, the central truck assembly plant in Woerth on the Rhine is supplied by the component-producing factories of Mannheim and Gaggenau, Berlin-Marienfelde, Hamburg-Harburg and Kassel. The Duesseldorf plant produces steering assemblies for both cars and commercial vehicles and is also the central assembly plant for all Mercedes-Benz vans. The Bad Homburg plant produces engine valves. The objective is maximum production quality combined with high productivity. Additionally, the market requires flexibility in both quantities produced and models offered. In recent years, every effort has been made to optimize the flexibility of domestic production within the framework of the long-term production concept.

In terms of turnover and with a world-wide workforce of more than 230,000 at the end of 1985, Daimler-Benz is one of the largest industrial companies in West Germany and one of the leading vehicle manufacturers in Europe. But at the same time, size and growth have never been regarded at Untertuerkheim as ends in themselves. What has remained since the very first days of the automobile under Daimler and Benz one hundred years ago, is the constant striving to achieve the best. Value retention, quality and love for technical detail come before quantity. No less important for an integrated development in all areas is a sound company policy. The model line policy of Daimler-Benz is based on balanced design, modern and matured technology and an optimal combination of safety, quality, durability and economy, while diversity and breadth of the product ranges are further characteristics.



A Mercedes-Benz 190 and a 1961 Borgward Isabella symbolize the tradition of car manufacturing in Bremen.



Mercedes-Benz do Brasil today is by far the largest foreign subsidiary with its own commercial vehicles production facilities.



Work stations and duties are adaptable to the individual. Ergonomic work arrangement is a matter of high priority at Daimler-Benz.

The two major spheres of activity on which the success of the company is based - passenger cars and commercial vehicles - must be kept strong and stable. The product range combines the latest technology with contemporary economy and individualistic diversity. It is backed up by a very extensive service network and customer aftercare - from the express delivery service for parts to transport consultation.

The broad dispersion of sales markets has played an important part in the steady and balanced upward trend of the company. International-mindedness has characterized the policy of the company since the days of its founders Gottlieb Daimler and Karl Benz. Vehicles with the Mercedes star are a familiar sight on roads all over the world. Half the passenger cars, and an even greater proportion of the domestically produced commercial vehicles are exported to 170 countries around the world.

Widening The Company Base

After the complete take-over of MTU, Daimler-Benz went on in the middle of 1985 to acquire a majority holding in Dornier GmbH, a company working in the fields of aviation, space, transport, medicine, the environment, energy and information technology. Since February 1986, AEG too has been part of the Daimler-Benz group. AEG is one of the most important companies in the German electro-engineering industry; high technology accounts for more than 50% of its turnover.

Given the continuing rise in research and development costs, Daimler-Benz has thus ensured itself the opportunity to participate in ever more costly long-term developments in fields like information and communication technology not just in the automobile but in other products as well.



Industrial robots assure consistently high precision standards in body shell construction and free man from heavy manual labor.



Experience of co-workers and love for technical details are essential pre-requisites for the fulfillment of the highest quality demands.



With three long-distance records, the 190E 2.3-16 demonstrated its roadworthiness at extreme speeds.

Optimal transport performance, at still greater efficiency, characterize the "lightweight" truck class from Woerth, introduced in 1984.

The longest, most modern and safest track-guided bus-road in the world was inaugurated in Adelaide, Australia, using Mercedes-Benz buses.



In Oman, MB trucks 2632 are being employed under extremely difficult conditions.



In the category of luxury cars, Mercedes-Benz passenger cars are the undisputed leaders in the U.S.A.



Creative integration of different technologies is seen as offering the chance in the longer term of further expanding the company's traditional leading position in the world markets.

Changes in Share Capital

At the end of 1985, Daimler-Benz was valued at more than DM 40 billion on the stock exchange, as against not quite DM 10 billion four years ago. This shows the high esteem in which the shares of Daimler-Benz AG are currently held by domestic and foreign investors. Here too there are interesting historical parallels.

In May 1958, the Daimler-Benz share was the second listed security to break through the 5 00 barrier after the war. Soon the 1000 barrier too had been broken and in early August 1960 the highest rating of 7,800 was recorded.

The basic share capital, at DM 72.16 million, had remained unchanged since the conversion to D-marks. The entire recovery - turnover had meanwhile risen to just under DM 3 billion by 1960 - had been achieved under the company's own steam. As a logical consequence, basic share capital was now increased through the issuance of bonus shares (i.e. retained earnings generated by the company were converted into dividend-carrying share capital) on a 1.5 for 1 basis to DM 180.39 million, and thus accommodating the increased volume of business. After this first capital adjustment, the Daimler-Benz share was quoted at "just" 4,080. In relation to the old capital, this was really 10,200, clearly indicating that the anti-spasmodic effect intended had not been achieved.

"The fact that an automobile factory after years of continued plant expansion still has a waiting period of 21 months naturally serves to encourage the investor", the economic press commented in 1960. The rise of the Mercedes-Benz cars on the American market seemed to have made a deep impression everywhere. The mood was optimistic.

In 1960, a 12 % dividend was paid on the increased share capital. In the following year, the 75 th anniversary of the Daimler and Benz automobiles, it was again 12 %, following a further increase in the capital stock, this time on a 1 for 2 basis to DM 270.58 million. Another five adjustments followed between then and 1974. By this time, the Daimler-Benz basic share capital had been increased seven times from company resources and twice by shareholders' capital contributions. It rose in the process from DM 72.16 million in 1951 to DM 1.19 billion in 1974, even though the sharehold-

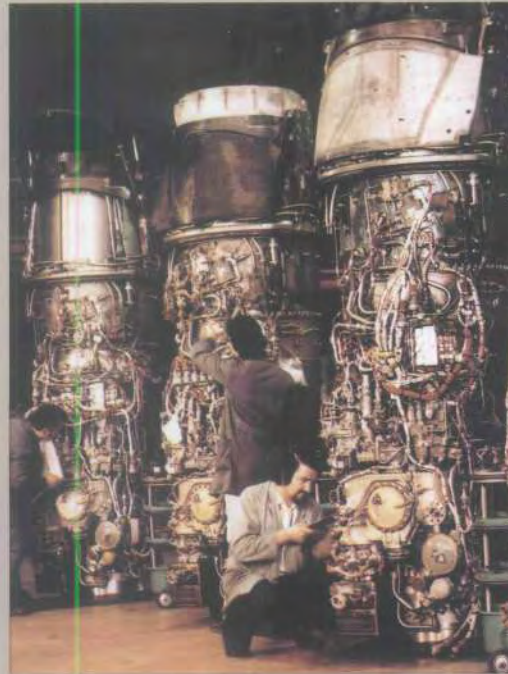
ers injected only DM 118.4 million over this period. Quite naturally, this helped to ensure a buoyant market value, aided by the fact that between 1950 and today the dividend has remained constant only four times, and in all other years has steadily increased even in the critical period of the 1973 oil crisis and its aftermath.

AEG solar plant on the Northsea island of Pellworm delivers a maximum of 300 kilowatt of energy.



Of the total share capital of DM 1,699 million, as shown in the balance sheet as at December 31, 1985, DM 628 million has been contributed by shareholders subsequently to the currency reform; 510 million of this amount alone since December 1977.

The "Instrument Pointing System" (IPS) is a precise alignment system, used in the Space Shuttle Program. It was designed and produced by Dornier by order of the European Space Agency (ESA).



Assembly of aircraft jet engines at the MTU plant in Allach near Munich.

Change in Shareholder Structure

In the 1970's, the shareholder structure at Daimler-Benz changed radically. In 1974 and 1975 particularly, a lot of movement took place. The Quandt group sold its holding of approximately 14 % to the oil sheikdom of Kuwait. Flick sold 29 % of the Daimler share capital to the Deutsche Bank, which in turn contributed 25.23 % of it (nominal value DM 300 million) to the newly-formed Mercedes-Automobil-Holding AG (MAH). To finance this, MAH issued its own shares in the same amount. Half of these shares were taken over by institutional investors. The other half was broadly distributed to the general public at a price of DM 305 for each share with a par value of DM 50. Since then, the Daimler-Benz share is being traded on the stock exchange with its twin sister, the Mercedes-Automobil-Holding share. The latter started trading on October 7, 1976. Today Daimler-Benz is a much more broadly-based public company than in the past. Just as in the twenties, the Deutsche Bank, in 1975, once again helped to shield Daimler-Benz from the danger of foreign control.

Again, on January 1, 1986, the Deutsche Bank did not hesitate to take over the Flick group's residual 10 % holding for distribution. Almost overnight, this parcel was broken down into small lots with the result that just under one-third of the Daimler-Benz share capital (except the Mercedes-Automobil-Holding portion) is now widely scattered. The 29 % Daimler-Benz holding, which Flick had sold to the Deutsche Bank at the turn of 1975/76, had a value of about DM 2 billion. The second 10% parcel had a



The officially traded stocks of Mercedes-Automobil-Holding AG, which have been on the market since 1976, were distributed by the Deutsche Bank. One half was placed with institutional investors, the other half was widely dispersed.

market value of more than twice that amount. Flick is no longer a Daimler-Benz shareholder. An era had come to a close.

Daimler-Benz Shares - A Blue Chip on the Stock Exchange

Part from the usual fluctuations and vacillations, the market trend of the Daimler-Benz stock has always been upwards. In 1983, Daimler-Benz had a total market value of DM 18.1 billion, in mid-May 1985 DM 24.6 billion. With the stock selling at DM 1,500 at the end of April

1986, the company was valued at more than DM 50 billion by the market.

Naturally, the Daimler-Benz share has been exposed to all the ups and downs affecting the stock exchange due to major and minor political convulsions, from the Korean crisis at the beginning of the 1950's, the powderkeg East-West conflicts during the "Cold War" era, the Middle East troubles and to the oil price shocks. It had to react to fears of inflation and to the restrictive counter-measures of the Bundesbank, to revaluations and devaluations of the D-mark, to the oscillations of the currency markets (turbulent at the best of times) to international recessions, to rising and falling interest rates and to crises in world trade.

The seven capital adjustments and the five "classic" capital increases each time made the Daimler-Benz share "lighter" for a while. The larger number of shares outstanding led to temporary reductions in the value of the individual shares.

The Daimler-Benz share has always maintained its momentum. Its fluctuations were sometimes considerable, for example between DM 663 and DM 342 in 1983 and between DM 1,257 and DM 594 in 1985. But every time, as befits a blue chip, the healthy situation of the company carried it through. The soundness, worldwide prestige, technical reputation and steady market penetration of the Mercedes star have always prevailed against the vicissitudes of the stock market.

This is a favorable omen for the second century of the automobile.



Daimler-Benz stock is held by about 260,000 shareholders.

More than 100,000 employees own stock in their company.



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Research and Development

The hundred-year-old history of the automobile is a reminder of technical progress and engineering achievements geared to the future. One of the chief factors responsible for the automobile's great success, as well as its economic and social impact, was the way it adapted flexibly to various, often changing technical and economic demands. One example of this is the way the automotive industry has come up with some convincing solutions to problems of environmental protection and acceptability within such a short time. It will continue to do so in the future, too - as technology advances.

The future development of the automobile will be increasingly marked by the use of "intelligent" systems. These will considerably change all areas of automotive engineering, and electronics will become more and more important. The new systems must be integrated into the automobile in such a way that with the help of technology, they assist the driver to avoid mistakes whenever possible. Within the framework of the Eureka Project, we intend to take part, together with a number of other European automobile manufacturers, in a research project (Prometheus) which focuses on the development and testing of complex electronic control systems so as to make traffic largely free of accidents, smooth-flowing, environmentally compatible and economical.

Uniform Exhaust Gas Regulations in The European Countries

In the year under review, extensive negotiations within the European Community regarding future exhaust emission limits for cars were conducted.

It was not until the Luxembourg Compromise of June 1985 that regulations for the whole of the EEC could be agreed upon, and these are not yet legally binding. A timetable for the mandatory introduction of stricter limits was, however, passed. For an interim period, the Federal Republic of Germany introduced tax incentives favoring low-pollutant cars. These measures are designed to considerably reduce the environmental pollution as quickly as possible. In other areas of automotive engineering, varying legislation is still hindering development work and making it more expensive, e.g. the lack of coordinated regulations within the ECC regarding commercial vehicle dimensions and weights. Differing norms and regulations in many countries outside the EEC add to this problem. For this reason, special versions must still be developed for individual markets, in order to comply with the relevant regulations regarding threshold limits, measuring cycles and measuring specifications. With this in mind, the compromise achieved in the EEC on exhaust emissions should be welcomed.

Efficient Emission Technology Relieves The Strain on The Environment Better Than Administrative Measures

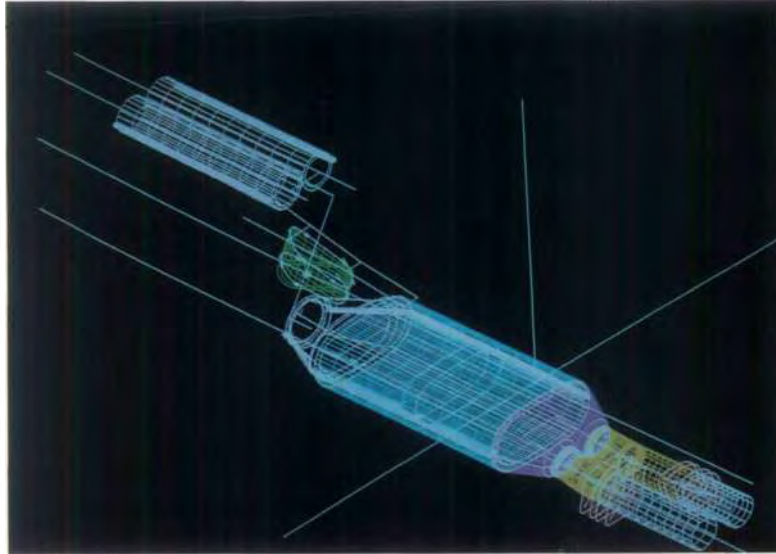
The large number of investigations which have now been conducted prove convincingly that state interference, for example, general speed limits on motorways, does not have any lasting effect in terms of relieving the strain on our environment. Following the evaluation of the large-scale test conducted in the Federal Republic of Germany, there now exist empirical data acquired under real traffic conditions. These data show that an effective reduction in pollutants can only be achieved by means of technical innovations and their quick introduction in the marketplace.

Environmental Protection - A Matter-of-Course at Daimler-Benz

At Daimler-Benz, improving the environmental compatibility of motor vehicles was an important development goal long before protecting the environment became a focal point for public discussion. For this reason, we were able to offer our customers an efficient emission control system at an early stage.

For gasoline-engined vehicles, we have developed second-generation catalytic converter systems which are optimally adapted to European traffic conditions and which ensure compliance with the new EEC limits - comparable with U.S. limits - for our cars. At the current stage of development, the closed-loop three-way catalytic converter currently used represents the most efficient emission control engineering. With our higher-compression engines, this system achieves the best results in terms of fuel consumption, performance and pol-

The computer aided design system assists the design engineer in his work, and speeds up the search for alternatives. Picture shows installation conditions of a catalyst in the exhaust system.



lutant emission. A convenient switch-over facility in the multifunctional mixture formation and ignition system also allows regular-grade unleaded fuel to be used. Due to the fact that a network of filling stations with unleaded gasoline is still lacking in some countries, we also offer "retrofitting" (RUF) versions, i.e. without the catalyst and oxygen sensor, which are sensitive to lead. They can be installed subsequently at any time in one of our workshops. All gasoline-engined cars with three-way catalytic converters and all Mercedes-Benz diesel cars are considered low-pollutant within the meaning of the tax-incentive regulations.

For all cars, beginning with model year 1980, we offer retrofit catalytic converters which reduce pollutant emission by at least 50 %. This is the most efficient alternative to the closed-loop three-way catalytic converter.

With respect to commercial vehicles, we are following, in terms of environmental protection, the same aims as for cars. All our vehicles comply with stipulations imposed by law. This means that we can offer our light, gasoline-engined

commercial vehicles with closed-loop three-way catalytic converters, too. For some of these vans we have also planned catalytic converters for retrofitting.

For the heavy-duty trucks and buses, the world's strictest particulate emission regulations already exist in Europe (ECE-R 24). The gaseous emissions are limited by the Geneva regulation ECE-R 49, although this is still not legally binding in any country. All our commercial vehicle engines comply with these limits already; the newly and further developed standard engines have emission values which are at least 20 % below the limits above. This brings nitrous-oxide levels into line with the limits in force in the U.S.A., while at the same time fuel consumption is considerably lower and particulate emissions less.

DM 1.7 Bill. For Research and Development in The Automotive Field

For our extensive research and development projects, we spent DM 1.7 billion, 12 % more than in the previous year. Over 10,000 employees in research, development and testing jobs are engaged in broadening and improving our vehicle ranges.

For the expansion and modernization of test and experimental facilities, including the modernization of office buildings, DM 74 million was invested. The main emphasis was placed on the new buildings for the car testing departments and the research division; the test stands could be put into service during the course of this year.

In the areas of both design and testing, increased use is being made of efficient data-processing systems, in order to improve the results of the research work and to shorten the time needed for many projects. We have plans for systems which can be used by more than one division within the company.

Construction of The Boxberg Test and Measurement Track

Preparatory construction work at the site for the Boxberg Test and Measurement Track was begun in January 1986. We are confident that the appeals to the Constitutional Court lodged by opponents of the project will be rejected, and that all the land needed for construction will then become available.

The new test area is urgently needed so that we can comply with the various design and vehicle registration regulations in different countries - regulations which are becoming more and more extensive. Our present test facilities are no longer adequate for the increased demands and the broad product range of our company.

Mercedes-Benz-Driving-Dynamics-Concept

Our new "Mercedes-Benz-Driving-Dynamics-Concept" for cars and commercial vehicles, which was introduced to the press in February 1986, represents a major advance in active safety. At the same time, it is an example of how we use electronics in vehicles when this achieves better results than other systems.

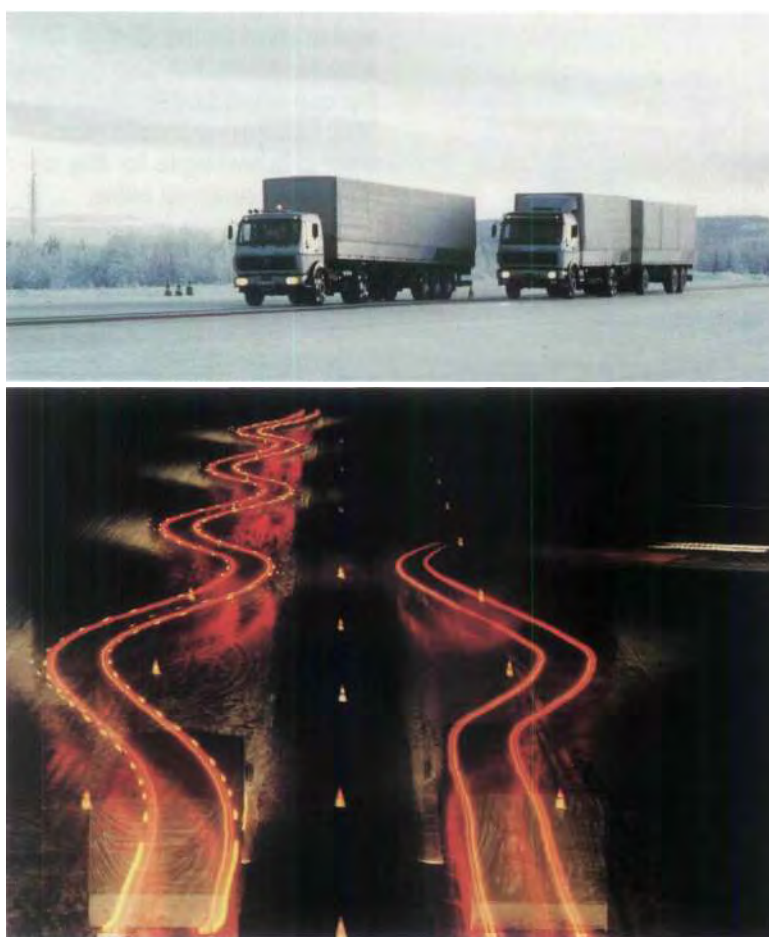
In the case of cars, this concept comprises the automatic locking differential (ASD) for the compact and mid-series Mercedes cars, and those S-Class models with six-cylinder engines. Acceleration skid control (ASR) is available for S-Class cars with eight-cylinder engines, while automatically engaging four-wheel drive (4MATIC) is an option for all the mid- and T-series models with six-cylinder engines. These "intelligent" systems are activated, without the driver having to make a decision, fully automatically and only when the vehicle approaches critical road-holding limits as a result of external influences or driving errors. The systems are activated by signals transmitted by sensors. This means that the consequences of human reaction errors can be reduced to a minimum. A special indicator informs the driver that the systems have been activated, allowing him to adjust his driving style to the particular road conditions

being encountered. Should the electronic systems fail which is also indicated to the driver - the basic systems remain fully operational. The ABS system is given priority: whenever the brakes have to be applied, ASD, ASR and 4MATIC are deactivated and the efficiency of ABS is fully retained.

For commercial vehicles, too, we have complemented the anti-lock brake system (ABS), which was introduced some time ago, by adding acceleration skid control (ASR) at the beginning of 1986. This has greatly improved active driving safety.

Integral Drive System For Heavy-Duty Trucks

We presented another example of the logical use of electronics in 1985: the "integral drive system" for heavy-duty trucks. This involved the optimization of the engine/transmission/drive train combination, in order to make higher performance with lower fuel consumption possible. Following engineering modifications, we can also offer this system for the Unimog and the MB-trac. Two turbocharged V-8 engines were newly developed; due to their output characteristics, they can be operated, in everyday use, primarily in the range where optimum fuel consumption is achieved. In long-distance vehicles, the gearboxes for these engines are equipped with



A drive-slip-regulator (ASR) improves the road stability of commercial vehicles. In difficult road conditions, at slalom-type driving, it becomes apparent: the right vehicle, without ASR veers off course and spins, while the left one with ASR passes through the slalom course without difficulty.

electro-pneumatic shifting (EPS), making gear-changing a much easier task for the driver.

In April of this year, we introduced the new T2 van series. These vehicles are based on the same engineering concept as the light trucks from Woerth. Their shape emphasizes the fact that they form part of a broad commercial vehicle range. As compared with the previous series, we have extended the choice of models available. It now goes up to a permissible gross vehicle weight of 7.5 tons.

Complete Bus Range For Local Public Transport

The broad bus offering for local public transport is characterized by its own unmistakable appearance; it offers the right vehicle size for every requirement. We supplemented the model range in 1985 with the addition of the O 405 urban bus and the O 405 G articulated bus.

As a third member of our bus family, for urban and short-distance use, we introduced the O 407 regular-service country bus at the Frankfurt Motor Show. The new O 402, which is based on the light Woerth trucks with respect to a number of major components, rounds off the bottom of the range.

A new addition to our touring bus range is the O 301, which has exactly the same chassis and engine as the O 402. This vehicle closes the gap between the van-based buses and the O 303. Electropneumatic gear-shifting is available for this series as an optional extra.

O-Bahn System in Adelaide Now Operational

On the routes for track-guided buses in Essen and in Adelaide, Australia, a total of over seven million kilometers has been driven. In Essen - where 32 track-guided buses are in service - the existing track is being extended. Duo-drive buses will be using the track at a later date. Extension work to provide two-lane operation with electric drive will be finished by the summer of 1986. In Adelaide a six-kilometer section was completed and inaugurated in March 1986. We have begun demonstrations with an electronically track-guided bus in Fuerth.

Development Work For Foreign Subsidiaries

Following the introduction of the newly developed O 370 bus series by Mercedes-Benz do Brasil in 1984, the new 360 series engines have gone into production locally. Initially, these are to be installed in vehicles destined for the U.S. market.

With model FLC 112, Freightliner, for the first time, is offering a Class-8 medium-length conventional with a cab derived from that of the LN 2 series made in Woerth. After its successful introduction as a road version, this vehicle has now also been introduced as a dump truck in the market segment for construction-site vehicles, a segment which is new for Freightliner. Following our acquisition of an interest in the Mexican company FAMSA, we have started designing commercial vehicles for the Mexican market. Together with our Japanese partner, and based on the Mitsubishi L 300, we are developing a light van which is to be produced by our Spanish subsidiary.

The most common cause of accidents is the human error factor. The analysis of people's reaction to different traffic situations in the driving simulator is an important contribution to traffic safety.



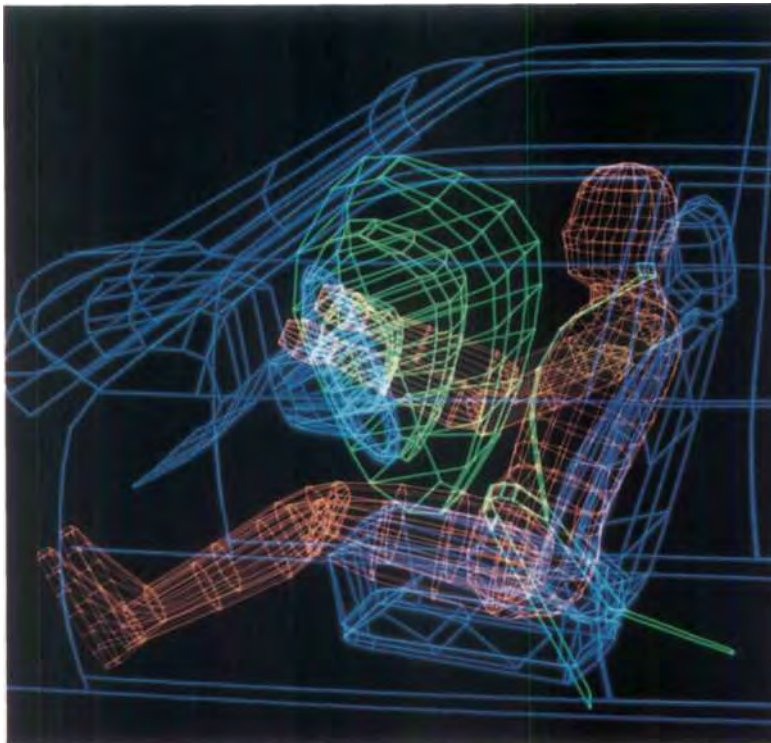
Cooperation With New Subsidiaries

We have now started an intensive exchange of ideas with the relevant department of the German subsidiaries acquired during the year under review. Our aim is the rapid conversion of the results of research and development into systems which can be used in series production. With the specific know-how of these companies, we are expecting a new innovative thrust, especially in the field of electronics.

Research For The Transportation of The Future

Our research goals continue to include the development of alternative energy and drive systems, new materials and combinations of materials, including their use in series production, and the analysis of the interaction between man, environment and traffic.

In the driving simulator, which we installed at the Berlin-Marienfelde plant for an investment of DM 25 million, we are investigating the stresses to which a driver is subjected to due to new technical innovations in the automobile. Moreover, mathematically defined vehicle models are also tested in the driving simulator, so that designing a vehicle can be faster, safer and more precise. At the beginning of this year, the driving simulator was awarded the Innovation Price of German Industry.



Airbag and automatic seat belt retractor decrease or prevent injuries of vehicle occupants in the event of accidents. The simulation model makes it possible to analyze body movements at varying speeds.

Testing New Materials and Alternative Drive Systems

One example of the progress already made in the use of new materials and combinations of materials within our series production is an extremely heat-resistant metallic material which was developed during work on the gas turbine. This material is now also used in the pre-chambers of diesel car engines in a number of our U.S. models.

In the field of alternative drive systems, at the Bremen plant, we were able to put into service the first prototype of a modular-energy-supply system for heat and electricity (MOEWE). This ultra-modern heat pump is powered by an internal combustion engine and delivers 650 KW. In the pre-treatment and painting sections of the Bremen factory, this system achieved savings of 57 % in terms of primary energy input.

In our testing of alternative energy sources, we have continued our experimental pro-

grams with fermentation gas. About ten M 201 series engines are currently being used for this. The large-scale experiment with hydrogen as an energy medium, which has been running in Berlin since 1984, will be extended to 1986.

In a competition for vehicles with solar drive systems, the solar mobile - developed in cooperation with the companies of Alpha Real and AEG, and driven by a trainee from our Sindelfingen plant - won all the individual stages in the "Tour de Sol" in Switzerland.

Materials Management

Group purchasing volume of raw materials, factory supplies, capital goods and services amounted to more than DM 31 billion (DM 25 billion in 1984). Daimler-Benz AG accounted for DM 21.2 billion (DM 18.5 billion in 1984). The strong increase for the Daimler-Benz group reflects not only the market success of our vehicles but also the first-time inclusion of MTU and Dornier. Materials costs were up in 1985. This was primarily the result of price increases in plastic products - caused by price changes from chemical raw materials - and in the steel sector.

Close Cooperation With Suppliers

In order to improve our competitiveness even further, we are working more and more closely with our suppliers. One important factor in a system of this kind is the optimization of logistics, which is aimed at reducing the total amount of goods kept in stock. The centerpiece is an integrated system of an efficient materials and information flow. It offers us and our suppliers the opportunity for a comprehensive exchange of data. Thus in 1985, we made use of long-distance data transmission systems for communicating, ordering, delivery, invoicing and payment data. We are convinced that successful, lasting efficiency can only be achieved by means of a joint approach and coordinated optimization measures.

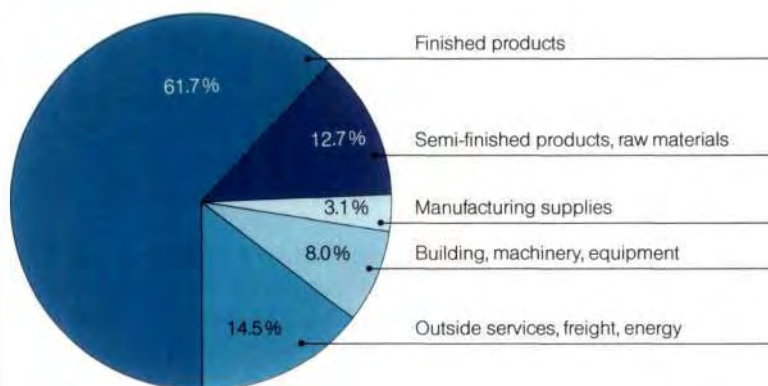
In keeping with our logistics policy, we are using long-term requirement trends as a yardstick in structuring our stores where production materials are stocked.

The large number of new products and projects both in the car and commercial vehicle sectors has demanded much of our suppliers. All the supply, transport and service companies have retained their high level of quality and have displayed exceptional willingness to cooperate and flexibility; it is here that we would like again to express our thanks to them for their efforts.

Contribution to The Stabilization And Consolidation of The Economy

As in previous years, one of the goals in our decision-making and planning process in awarding contracts has been our endeavor to help stabilize and strengthen economic activity. In view of the difficult situation in the German construction industry, we therefore advanced into 1985 our medium-term capital spending projects which were provided for in the capital budget. Our commitment to the

Purchasing Volume in Excess of DM 31 billion Worldwide in 1985





The most modern transportation and storage techniques are also found at our subsidiaries; shown here Mercedes-Benz do Brasil.

support of structurally weak regions and institutions worthy of assistance was also continued. In order to improve our links with Berlin, where some of our suppliers are located, we held, for the second time, a Daimler-Benz purchasing conference there in 1985.

Materials Management of Our Foreign Subsidiaries

In the materials management of our foreign subsidiary companies the close cooperation with suppliers has proved its value also. Overall, through comprehensive efforts in the respective national procurement markets and through the use of modern information systems, we were able to make progress both in engineering and in efficiency.



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Production

State-of-the-art engineering, high quality and a vehicle range which meets the individual demands of the customers are prerequisites for the lasting success of a company. In the production sector, this requires the use of modern, innovative production techniques and flexible systems. These relieve the strain on employees, benefiting the quality of their work. Systems flexibility also ensures that we can adapt quickly to changes in demand. When planning and designing the facilities for the compact and mid-series cars, we therefore decided in favor of production systems which can handle varying models and quantities. During the year under review, production of the compact models has concentrated to a greater extent in the Bremen plant. This meant that we could reserve urgently needed capacity for the mid-series Mercedes in Sindelfingen.

Car Plants: Noticeable Rise in Output

Our activities in the car plants in 1985 were marked by the highest output to date. At the same time, production start-up of a large number of new products had to be coped with, particularly in the Sindelfingen and Untertuerkheim factories. In the Bremen plant, preparations for the production start-up of the new T-models were successfully completed, despite a considerable rise in output of the compact models. So far, over 13,000 units of the 190 E 2.3-16 sports version alone have been produced. In the Sindelfingen plant, the last of the former mid-series cars, the W 123-series, rolled off the assembly line. In December, at the Untertuerkheim plant, we made the ten-millionth car engine since series production began in 1946.

Production Start-Up For Many New Products in The Commercial Vehicle Plants

In our commercial vehicle plants, too, we had to cope with the production start-up of a large number of new products as well as the broadening of our model line.

Our product program for the light trucks from Woerth was enhanced by adding new engines and more optional equipment. The new models 1644 S and 1635 S round off our range of heavy-duty long-distance trucks. The production in Woerth of plastic parts for the car sector was greatly increased with the production start-up of the new Mercedes mid-series. After thorough testing, we have adopted a new painting process in van production; this clearly improves corrosion protection and the quality of the finish. At the same time, emissions have been reduced, benefiting the environ-

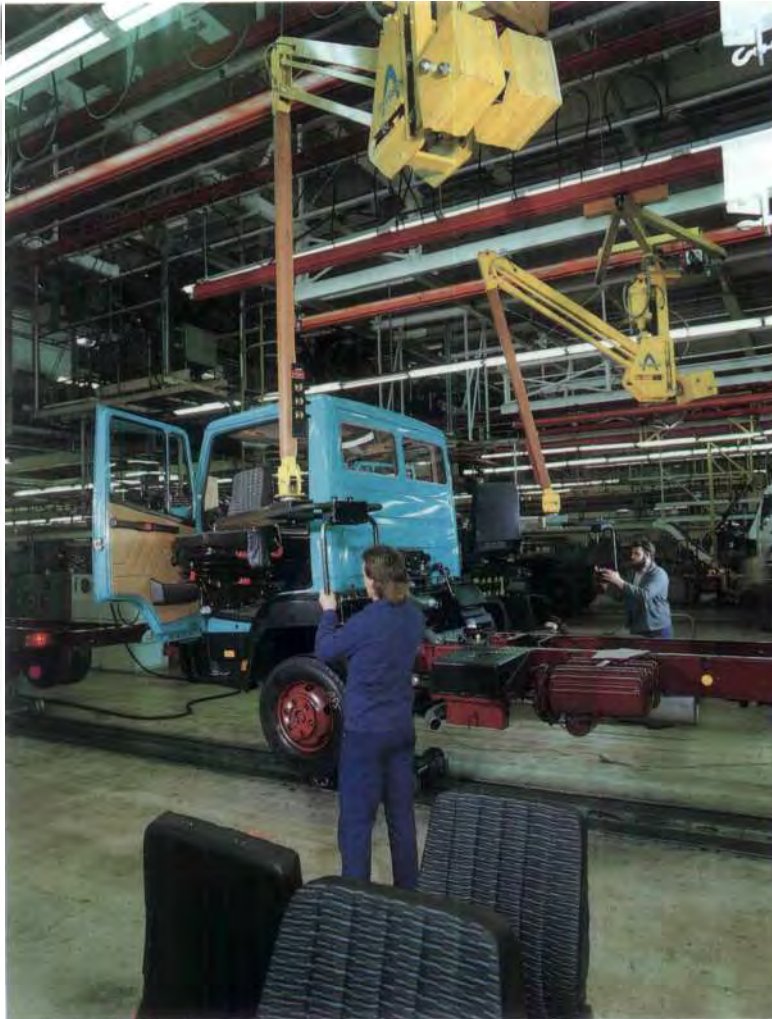
ment. At the Mannheim plant, output of completely-built-up buses was raised in keeping with market demand; here, too, production of a large number of new models was started up. In February 1986, the 25,000th 0 303-series touring bus left the assembly line.

High Capital Investments in Our Factories

In our factories, we invested considerable amounts for the optimization of the materials flow, for the replacement of machinery and in the ergonomic design of workplaces. With these measures we achieved a further improvement in product quality and a higher degree of reliability in supplying our assembly plants. Cost-intensive, intermediate stages of storage could thus be reduced.

The machinery and equipment installed in the Untertuerkheim plant for the production of the new 6- and 8-cylinder engines offer a high degree of productivity and model flexibility. At the Gaggenau plant, facilities for the manufacture of assemblies have been installed, and measures introduced dealing with energy conservation and environmental protection - such as, for example, the changeover of the varnish removal operation to the environmentally-compatible high pressure technique. At the ancillary plant in Hamburg, the reorganization of production and of the materials flow was concluded in 1985 with the completion of a central parts store and the extension of the premises.

With the aid of so called "power manipulators", the driver seats in trucks are effortlessly installed in truck assembly at Woerth - applying scientific studies in actual practice.



At the Kassel plant, flexible transfer lines for the production of steering knuckles and wheel hubs were taken into service. With these systems, which use highly modern CNC technology, machine-integrated measurement and monitoring systems and automatic transfer links, we are able to make more efficient use of the machinery, and at the same time reduce intermediate stages of storage. In Berlin, a measuring robot with a wide variety of applications was installed; it monitors and safeguards the production quality of the transfer lines where the oil and water pumps for our new car engines are made. At the Bad Homburg factory, the new facilities for the manufacture of rocker arms used in the M 103 engine series and for valve tappets used in the OM 601 to OM 603 diesel engines were put into service in 1985. Due to the installation of the new waste water treatment system for the galvanizing section and the hardening shop, we were able to substantially reduce environmentally damaging effects.

Production Plants in Germany

	Area of Activity, Main Products
Sindelfingen	Body and assembly plant for cars, central parts depot for cars
Untertuerkheim	Production of engines, axles and gearboxes, foundry, forge
Bremen	Body and assembly plant for cars
Bad Homburg	Production of engine timing parts
Mannheim	Production of commercial vehicle and industrial engines; body and assembly plant for buses, foundry
Woerth	Truck assembly including cab manufacture, central spare parts depot for commercial vehicles
Gaggenau	Body and assembly plant for Unimog and MB-trac production of commercial vehicle gearboxes and planetary axles
Duesseldorf	Body and assembly plant for vans and small buses, production of steering systems for cars and commercial vehicles
Kassel	Production of commercial vehicle axles
Berlin-Marienfelde	Parts production for car and commercial vehicle engines, production of small assemblies and manufacture of commercial vehicle engines
Hamburg	Manufacture of chassis parts and small assemblies for cars and commercial vehicles

Working Conditions For Employees Further Improved

In designing workplaces, we apply the latest knowledge in industrial science. In order to avoid physical strain at the workplace as much as possible, we are making increased use of technical aids. In the pressing-and body-shell sections, with the aid of handling devices, large sheet-metal body parts

are put into the stations with specified cycle times. During truck assembly at the Woerth factory, power manipulators ensure easy installation of the seats. Our new assembly systems have a large number of group workplaces which are not tied to a specific cycle; they allow the employees more initiative and variety in their work.

An essential prerequisite for the rapid introduction and successful application of new production methods is early and comprehensive training of employees. At the Sindelfingen plant, for instance, the employees in the individual production areas are familiarized with their future jobs and with the equipment at training centers specially built for the purpose long before the start-up of series production.

Electronic Data Processing Raises Quality and Flexibility in Production

Electronic data processing is becoming more and more important in a large number of planning and production areas. With the use of computer-aided design for our products and production equipment, we are aiming for an unbroken flow of data from design to production. This also helps to monitor quality. Many times, computer-generated data, derived from automatic measuring systems, serve as standards in function and quality control. For investments with long-lasting effects, computer-aided simulation of work processes for complex production equipment and sequences is proving a valuable instrument in optimizing capacity and flexibility, and allowing

planning changes quickly and reliably.

In the engine testing section of the Untertuerkheim plant, a computer-aided so-called "expert system" was tested for the first time under real production conditions. When functional defects occur in the engines, rapid and clear-cut diagnoses can be made from a large variety of possible causes.

With the use of innovative production processes, especially laser and sensor technology, we can make the production of the numerous parts and major components even more flexible. Freely programmable



Accurate measurements are a sign of quality in the manufacture of Mercedes-Benz buses. The picture: a trim station for bus undercarriages at the Mannheim plant.

The Mannheim plant: precision and accuracy are a must when mounting and installing casting cores. This no longer takes place in an assembly line fashion, but rather depends on the worker's own speed.



laser cutting presses make it possible to manufacture various stamped parts without the time and costly process of making special tools. Especially for parts made in small job lots and with complicated outlines, laser cutting represents an economically efficient alternative to conventional stamping.

Environmental Protection and Energy Conservation in Production

During the year under review, we continued with our environmental protection and energy conservation measures in all our factories. At the Mannheim plant, we were able to shut down our own power station and switch over to a distant public heating plant, thus considerably reducing pollutant emissions. The use of special monitoring and control systems in the plants reduces energy consumption peaks and automatically switches off energy consumers during pauses in production. When renovating and building new facilities, we place particular emphasis on comprehensive thermal insulation.

Plans For Our Foreign Production Companies

For our foreign production companies, we aim to create a more closely integrated production system. The planning for the necessary production facilities is done in close cooperation with our central planning and production division; this ensures that the available know-how is used equally for both domestic and foreign plants.

In South Africa, Thailand, Indonesia and Malaysia, the new mid-series Mercedes models are being assembled since the beginning of 1986. Production of the V-engined luxury touring bus O 302 S was set up at our affiliate OTOMARSAN in Turkey; in Aksaray, new facilities were built for truck and engine assembly. During the second half of 1986, also in new facilities, production of the T1 vans is to start up near Bajaj-Tempo in Indore, India. From our Woerth and Mannheim plants, we are supplying our American subsidiary Freightliner to an increasing extent with parts kits for steel cabs and special engines.

Sales

In 1985 we continued to consolidate our market position at home and abroad in both the car and commercial vehicle sectors. Our improved share of the highly competitive Western European truck market was particularly encouraging. Despite keener competition from the Japanese, we were able to increase van sales. We have further extended our comprehensive range of services in consultancy, maintenance and repair, and thus created the basis for an even faster, smoother spare parts supply.

Presentations of New Products at The Frankfurt Auto Show 1985

In the year under review, the Sales Organization successfully launched the new mid-series Mercedes on all foreign markets. The presentation of our extended vehicle ranges at the Frankfurt International Auto Show met with a positive response. The choice of Mercedes-Benz cars and commercial vehicles has never before been as comprehensive and compact.

A Comprehensive Range of Low-Pollutant Mercedes-Benz Cars

With our clear approach to emission control for cars, and a no less comprehensive detailed advisory service covering our broad range of low-pollutant Mercedes cars, we were able, in good time, to give our customers the assurance they needed before buying a car. In

intensive training courses, our sales personnel were carefully prepared for the topic "the automobile and the environment". We were, therefore, able to help greatly to boost demand for these cars.

Mercedes-Benz Commercial Vehicles with Progressive Information Systems

In the commercial vehicle sector, it is the total package offered which is of increasing importance. Profitability studies show clearly that, of the costs incurred at acquisition and the subsequent operation of a commercial vehicle, only about 15 % are due to the purchase price, and 85 % to subsequent costs. This fact, and our years of experience in advising and looking after our customers, formed the basis for the development of special information systems.



The number of visitors at the 1985 IAA reflects the continued fascination with the automobile. Always in everyone's field of vision - the Mercedes display with its attractive vehicle offerings.

Using computer programs, we perform profitability studies and route planning for our customers, and propose optimum service and spare parts strategies for vehicle fleets. The Transport Consultancy system "Mercedes-Benz-Assistant", which we presented at the Frankfurt Auto Show, is for the comprehensive planning, control and evaluation of all transport activity. It offers customers the most economical strategy for their own, specific requirements.

A Complete Range of Services in The Used Vehicle Sector, Too

Throughout our whole sales organization, the used vehicle business was further expanded in conjunction with new vehicle sales. If the cars are to be sold in due course, they must not only be technically and visually in excellent condition, but must also be presented appealingly and be supported by a corresponding advisory service. With our campaign "Used Vehicles - Guaranteed Value", which includes expert advice, maintenance and repairs and comprehensive after-sales service, we aim to promote sales more intensively. In the Koblenz branch, we opened the "Mittelrhein Commercial Vehicle Center", thereby creating a regional focal point for used commercial vehicles.

Service and Training Program Greatly Enlarged

The continual expansion of the service network was systematically carried on in 1985. With a fine-meshed network of service points and a broadened range of services - e.g. Saturday service, round-the-clock emergency services - we aim to meet customer requirements even more. In addition, the amount of service work necessary with our cars and commercial vehicles has in some cases been considerably reduced and defect diagnosis further simplified.

Our worldwide sales and service organization can only work successfully with properly qualified personnel who undergo continuous training. For this reason, we supported our subsidiaries and general distributors in selecting instructors and in developing and founding training centers in Thailand, Pakistan and India. In Germany and abroad, we now have a total of 48 training centers, in which instructions were given to over 48,000 employees in 1985.

Financing as an Instrument of Sales Promotion

In autumn 1985, we expanded the sales financing business in Switzerland by founding Mercedes-Benz Credit AG, Zurich. The encouraging growth in business of Mercedes-Benz Credit Corporation in the U.S.A., of Merfina S.p.A. in Italy, of Mercedes-Benz Finance Belgium S.A. and of Mercedes-Benz Finance in France has been continuing.

In 1984, Mercedes-Leasing GmbH, Stuttgart, was once more able to increase its leasing and vehicle sales revenue by 13 % to DM 406 million. A total of 9,392 leases were written (7,944 in 1984) for an investment of DM 371 million (DM 280 million in 1984). The proportion of new leasing business accounted for by cars was 72 % (73% in 1984).

New Sales Activities in Asia

In order to meet country-specific customer requirements even more fully, we founded Mercedes-Benz Japan in January 1986. In the course of the year, this company will be taking over a number of major functions from Western Automobile, our general distributor hitherto.

The opening in Singapore of new sales premises with a workshop attached, and the successful introduction of new commercial vehicles in Indonesia are also noteworthy. In the year under review, we were able to sell 830 cars and 580 commercial vehicles in the People's Republic of China. In order to improve our position in this increasing market, and to achieve our long-term aims, we have extended our base in Peking.

Spare Parts Service Further Improved

In order to provide a complete and successful service for Mercedes-Benz customers, a smooth, fast parts supply system is essential. Due to the planned expansion and improvement of our product range, the current total of 270,000 spare parts items will have risen to about 450,000 by 1990. For this reason, the central spare parts depots in Sindelfingen for cars, and for commercial vehicles in Woerth, are to be complemented by five regional supply depots in Germany; they will

be taking over some of the wholesale functions of the retail branches. The pilot project in Hanover, which has been operating now for over three years and which supplies 21 branch workshops and over 200 authorized workshops, proved in 1985 to be more efficient and providing higher-quality service. In mid-1986, the second regional supply depot is to be taken into service in Pulheim-Brauweiler, near Cologne. It has a storage area of about 26,000 square meters and a capacity for over 70,000 spare parts items. From here, 16 branches with 180 authorized workshops will be kept supplied with original Mercedes-Benz spare parts. On the U.S. market, the supply of spare parts for all Mercedes-Benz cars has been further improved due to a new parts depot in Baltimore, Maryland.

Worldwide Customer Care - Services For The Future

We have adapted our sales and service organization to market conditions which change rapidly and vary greatly from country to country. Today, Daimler-Benz is represented in over 170 countries. Throughout the world, a total of 5,900 sales and service points are available for the care of Mercedes-Benz cars and commercial vehicles. To serve our customers all over the world, we have over 125,000 people - a team with great experience, commitment and flexibility. In our sales organization, more than 50 million customer contacts are made every year, over a quarter-of-a-million a day.



The concept of a new appearance for the Mercedes-Benz distribution organization could be realized at a paragon installation which was completed in 1985. In the years to come, we are going to introduce this largely uniform program in the entire distribution organization, in the administration and in the plants.

Mercedes-Benz Worldwide

Domestic

Main Office	
Research and Development	
Manufacturing Plants	11
Sales and Service Outlets	1,146
Retail Branches	96
Independent Agents	28
Sub-Agents	440
Franchised Service Workshops	582

Abroad

Manufacturing Plants	18
Assembly Plants	25
Licenceses	6
Sales and Services Outlets	4,783
Distribution Companies	23
Retail Branches	440
Independent Importers	121
Agents	38
Dealers/Sub-Agents	3,463
Franchised Service Workshops	698



-  Manufacturing
-  Assembly
-  Sales
-  Freightliner
-  Licenceses





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Employment

One of the focal points of our personnel work in 1985 was the implementation of the industry-wide agreements relating to shorter working hours and the conclusion of the corresponding local agreements. On the basis of the working hours agreed with our labor councils on April 1, 1985, the working hours for the majority of employees at Daimler-Benz AG will be 38.5 hours per week. All managerial staff and a number of other employees are continuing to work 40 hours. A corresponding number of employees - above all those who want an even shorter workweek - work 37 hours per week. Machine-related working hours remain unchanged at 8 hours per shift. A constant capacity utilization of the capital-intensive machinery and equipment has thus been made possible. Due to the separation of machine-related working hours from individual working hours, the basis for flexible compensation of the time differential, geared to the interests of the employees, was improved. For employees working in production, this compensation of time is in the form of free shifts. Where special agreements exist, employees can decide for themselves when to take time off, within the framework provided by the extended system of flexible working hours. With the planning of free shifts in the plants, Daimler-Benz AG has entered into new territory in terms of personnel policy. All in all, this system has proved itself.

Agreement on Early Retirement Made Use of by Many

The internal agreement on early retirement which was concluded at the end of 1984 and which came into force in January 1985 was taken advantage of by many of our employees. A total of 2,316 employees had opted for early retirement by the end of 1985, and a number of further early retirement contracts were concluded for 1986. This meant that the agreement had a decided effect on the labor market, since about 78 % of the jobs vacated due to early retirement could be given to unemployed workers or to trainees who had qualified but still had not found work.

Wages and Salaries Up 2 %

In addition to the agreement on working hours, a 2 % rise in wages and salaries, agreed in 1984, became effective on April 1, 1985. In 1985, there were no new contracts between employers and unions in the metal industry. In the vehicle retail trade, however, there were negotiations for shorter working hours, which in some cases have now been concluded.

Constructive and Close Cooperation With The Labor Councils

The chief area of cooperation with the general labor council at the corporate level and with the individual labor councils at local levels lay in implementing the contractual agreements relating to working hours within the plants. To this end, a number of internal agreements were concluded; within the framework provided by the main contracts, these allow the local plant requirements to be taken into account. In addition thereto, a number of internal agreements

were made with the general labor council concerning "pilot projects to intensify further training of wage earners" and "workshop circles". The constructive cooperation was characterized by an atmosphere of trust and, above all, by the desire to achieve agreements which will serve the interests of the employees and the company alike in the years to come.

Qualifying The Employees For New Technologies

The question of how to maintain and improve the level of employee qualification in the long term, in view of the introduction of new technologies, is of growing importance both for companies and for society as a whole. Especially in the blue-collar sector, new technology requires additional knowledge which often goes beyond the qualifications originally acquired during vocational training. For this reason, we wish to prepare our employees in good time for new developments and changes. One aspect closely linked with this is the increased participation of employees in operational matters. Organized discussion groups on selected topics for the employees concerned - so-called workshop circles - can greatly help to improve quality, work sequence, work design and work safety.

More Employees in Subsidiaries and at Daimler-Benz AG

The number of people employed by the group rose in 1985 from 199,872 to 231,077. This noticeable increase is due particularly to the fact that the work forces of MTU, which was

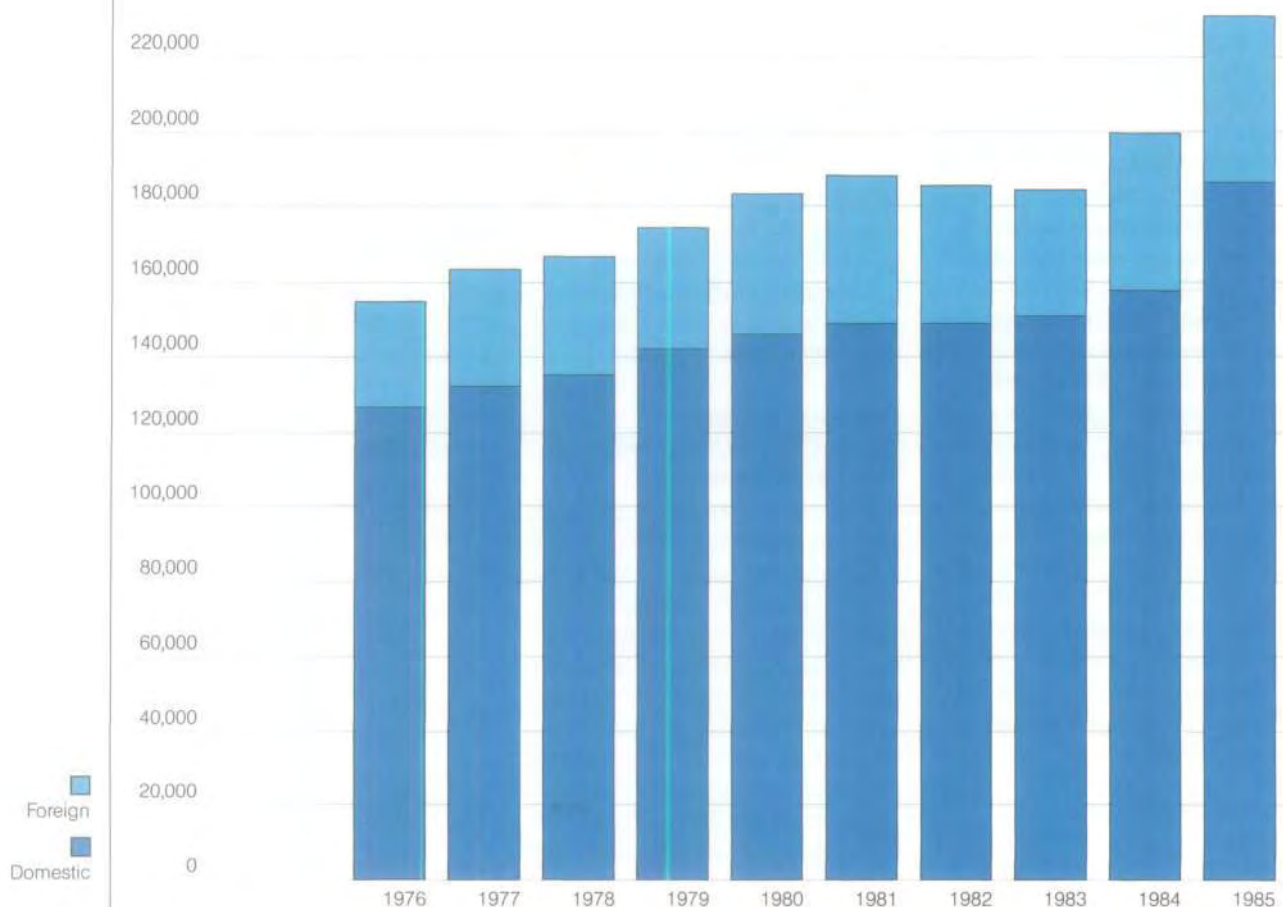
taken over completely in 1985, and of Dornier, in which Daimler-Benz acquired a majority interest last year, have been included in the figures for the group for the first time.

At Daimler-Benz AG, the number of employees rose by 4,269 to 161,518. Most of those

taken on went into the car sector, development and central administration. This was due to the growth in car output, additional tasks, and the effects of the reduction in working hours.

Employees

(at year-end)	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Daimler-Benz-Group	155,003	163,302	167,165	174,431	183,532	188,039	185,687	184,877	199,872	231,077
Foreign	127,018	132,214	135,275	142,164	146,323	149,096	149,118	151,273	158,043	186,652
Domestic	27,985	31,088	31,890	32,267	37,209	38,943	36,569	33,604	41,829	44,425
Daimler-Benz AG	126,652	131,807	134,437	141,401	145,532	148,361	148,411	150,601	157,249	161,518
of which: Hourly Paid	90,075	93,461	94,420	98,708	100,777	102,388	101,819	103,342	108,905	112,125
Salaried	30,911	32,219	33,190	35,029	36,753	37,713	38,102	38,435	39,210	40,022
Trainees	5,666	6,127	6,827	7,664	8,002	8,260	8,490	8,824	9,134	9,371
Main Office	5,194	5,458	5,762	6,144	6,628	7,191	7,217	7,192	7,415	7,628
Research and Development	7,271	7,756	8,225	8,744	9,419	9,762	9,961	9,953	10,114	10,442
Production Plants	99,494	103,436	104,723	109,840	112,303	114,436	114,700	117,113	123,345	126,846
Retail Branches	14,693	15,157	15,727	16,673	17,182	16,972	16,533	16,343	16,375	16,602



Due to the continuing difficult situation in the commercial vehicle sector, there were also employment problems last year in the plants directly affected. By means of temporary reassignment of employees to other plants, a job-safeguarding measure which has proved its value over the last few years, we were able to compensate for this situation once again in 1985. An average of 327 employees from the commercial vehicle plants were thus temporarily reassigned to the car sector.

More Trainee Positions

Last year, nearly 2,900 young people took up job training at Daimler-Benz AG. This figure is well above those in our medium-term planning and reflects our aim of helping to improve the continuing difficult situation for entry-level job seekers.

Domestic Employee Structure Little Changed

Of the 161,518 people employed by Daimler-Benz at the end of 1985, 112,125 were wage earners, 40,022 were salaried employees and 9,371 were trainees and apprentices. The number of foreign workers, at 27,193, has hardly changed.



Involving employees more strongly in management problems and questions: this is one of the goals set by workshop discussion groups.

The proportion of women to total number of employees was 11.8 %. In the year under review, the average age dropped from 39.0 to 38.6 years, and the average length of service with the company from 12.5 to 12.3 years. This tendency can be attributed to the fact that, in the last few years, a large number of younger people were taken on, while a particularly high number of older employees left the company as a result of the early retirement agreement. 18,455 employees have been with Daimler-Benz for more than 25 years. In the year under review, 2,324 employees were honored for 25 years of service, 171 for 40 years and 2 for 50 years with the company.

At the end of 1985, 7,359 severely handicapped people were employed by the company. In addition to this, orders valued at about DM 12.7 million were awarded to workshops for the handicapped.

Personnel Expenditures and Company Benefits Up in 1985

The structure of personnel expenditure for Daimler-Benz AG is shown in the table below. Personnel expenses exclusive of old-age pensions amounted to 25.8 % of total sales (previous year 26.6 %); wages, salaries and social security levies rose by 13.2 % to DM 9.7 billion.

The social security contributions for pension, unemployment and health insurance were once again higher than in the previous year due to an increase in the taxable wage base and the raising of some contribution rates. As in previous years, many Daimler-Benz AG employees were active in the self-administration bodies of the social insurance institutions.

The average Christmas bonus and special remuneration for each eligible employee (excluding trainees) rose to DM 3,232 in 1985. Total payments amounted to DM 494 million.

**Summary of
Personnel
Expenses
Daimler-Benz AG**

For capital-forming investment purposes, employees received DM 624 in keeping with the labor agreement. Employees could make use of personal funds to take advantage of an additional investment of DM 312 as provided for by the Fourth Capital Formation Law. As in previous years, we voluntarily contributed another DM 156 per employee. Employees were also offered a Daimler-Benz share or a Mercedes-Automobil-Holding AG share at preferential rates as a form of investment permitted

by the Fourth Capital Formation Law. A total of 83,588 Daimler-Benz shares and 2,773 Mercedes-Automobil-Holding shares were thus bought by employees. Since 1973, more than 578,000 Daimler-Benz shares have passed into the hands of employees, together with over 13,000 shares from Mercedes-Automobil-Holding AG. Each employee was allowed to put DM 312 into company debt certificates, and in the year under review 13,114 employees availed themselves of this opportunity.

Loans totaling about DM 43 million were given to employees to help them build or purchase 1,816 apartments or homes. The significance of this social benefit is also reflected by the total amount of about DM 306 million which has been lent over the past ten years.

The company pension system is the centerpiece of the social benefits provided by Daimler-Benz. In the year under review, 37,707 pensioners, widows and children received DM 187 million in current benefits. In accordance with the Company Pensions Law, 5,300 of these current benefits were raised. The increase for the year amounting to DM 2.6 million. Over 3,400 employees, who left the company, had vested pension rights at the end of 1985; over 58 % of these are foreigners. We helped some 5,500 employees with one-time assistance payments. In order to cover future pension benefits, we transferred DM 677 million to pension reserves or to the Daimler-Benz Provident Fund.

In January 1986, after negotiations with the labor council, the Board of Management decided to pay employees a special bonus to commemorate the centennial of the automobile. Our employees will be receiving a basic sum of DM 1,000 plus DM 175 for every 5 full years of service with the company.

	1984		1985		Change in %
	in millions of DM	in % of wages and salaries (base ex- penditure)	in millions of DM	in % of wages and salaries (base ex- penditure)	
Wages and Salaries (base expenditure)	4,697	100.0	5,270	100.0	+12.2
Paid Vacation and Time Off	1,860	39.6	2,140	40.6	+15.1
Normal paid vacation (union contract)	786		851		
Additional paid vacation	384		417		
Holiday pay	196		293		
Wage and salary continuation pay during illness	333		391		
Other time off and convalescence	161		188		
Social Levies	1,182	25.1	1,329	25.2	+12.4
Medical and social security contributions	1,092		1,240		
Contributions to employee trade associations	76		81		
Contributions to Pension Insurance Association	14		8		
Special Payments	553	11.8	606	11.5	+ 9.6
Christmas and special remuneration	447		494		
Formation of personal capital	106		112		
Pay During Training Periods*)	263	5.6	285	5.4	+ 8.4
Social Services*)	196	4.2	218	4.1	+11.2
Less amounts included twice	-167	-3.6	-213	-4.0	+27.5
Personnel Expenses (without old-age pensions and pre-retirement)	8,584	182.7	9,635	182.8	+12.2
Old-Age Pensions	990	21.1	677	12.8	-31.6
Payments for Pre-Retirement (net)	-	-	72	1.4	.
Total Personnel Expenses	9,574	203.8	10,384	197.0	+ 8.5
of which: shown under "other expenses"	35		33		
Personnel Expenses as Shown in "Statement of Income"	9,539	-	10,351	-	+ 8.5

*) Without allocated overhead.

Personnel Policy Regarding Work Arrangement

Work arrangement policy at Daimler-Benz aims to take into account all the main personnel-related and ergonomic aspects, already starting at the initial stage when capital investment projects are planned. This all-encompassing approach helps to improve not only working conditions, but also overall efficiency. The work study group "Man and Technology", which was newly set up in 1985 with representatives from production, personnel and the labor council, has been investigating these questions closely and discussing ways of putting ideas into practice. Steps have already been taken towards realizing these aims in a number of new and redesigned projects.



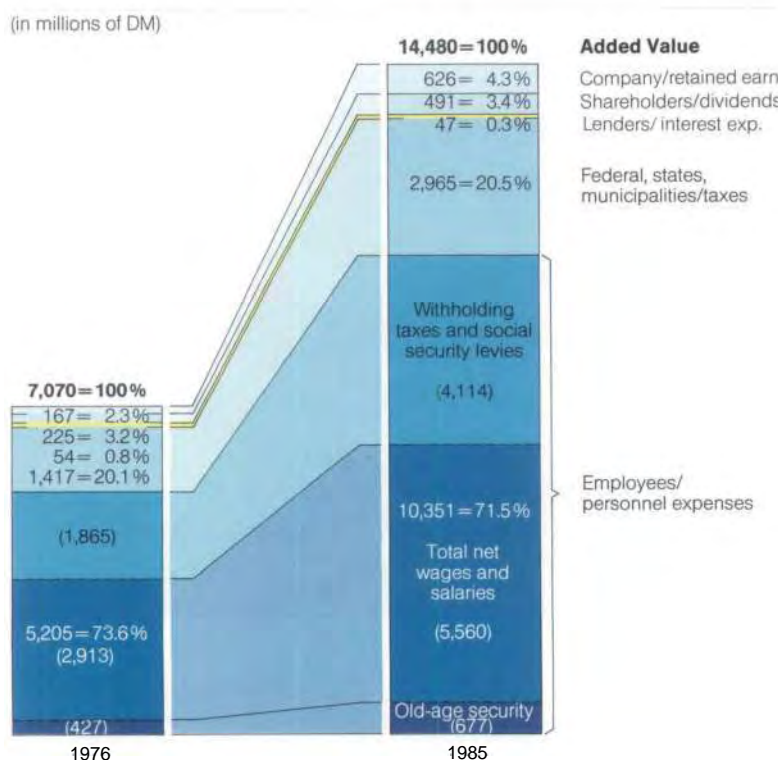
The care of employees by the company doctor also includes medically-work-related prophylactic examinations.

Preventive Measures of Increasing Importance

The number of accidents per million productive man-hours rose in 1985 to 68.2 (66.4 in 1984). This rise, which is particularly linked with the start-up of new production, re-tooling and output increases in individual plants, shows that a high priority will continue to be given to matters of safety at the work place and to ways of preventing behavioral-related accidents.

The average absentee rate due to illness - based on nominal man-hours - was 7.4 %. The rate for wage earners was 8.9 % (previous year 8.5 %) and for salaried employees 3.8 % (previous year 4.1 %).

During the year under review, medical care at Daimler-Benz was provided by 32 plant doctors and 139 qualified medical



Added Value Statement Daimler-Benz AG

workers. Work centered on physical examinations for preventive purposes which are required by the employee trade association and which are also performed voluntarily by the company.

Effective July 1, 1985, preventive health cures were offered for foremen and group foremen for the first time. These, like the preventive health cures introduced in 1981 for shift workers, are intended to serve the aims of preventive medical care and to raise the level of health consciousness.

In 1985, Daimler-Benz AG employed 14 qualified social workers in the company's social advisory service. This service helps employees if they have any particular personal problems, such as addiction, psychological problems, difficulties due to serious illness or if they are in some other personal crisis situation.

Catering Services Further Improved

The cafeterias in the factories and in central administration provided over 11 million meals for employees last year. This high figure shows that efforts to further improve the hot and cold food offered have been accepted by the work force. In addition, the food we offer meets requirements for a healthier diet, which more and more of our employees wish for. In a number of factories, late-shift workers now have the opportunity to have a hot evening meal.

More Suggestions Submitted

In the year under review, 19,287 suggestions for improvements were submitted. A total of DM 4.1 million was paid out in bonuses and awards. The keen interest of the employees in improving work processes, tools and products helps boost the efficiency of the company; above all, though, it encourages individuals to identify themselves with their work.

Training For 60,000 Employees

With over 9,300 apprentices and trainees, representing 6 % of the total work force, Daimler-Benz has reached its highest training level so far. About 7,000 young people were preparing themselves for their future jobs in one of the 33 technical trade vocations and about 1,500 were apprenticed in the 10 business occupations.

In view of new technologies, continuous modification of the course contents is becoming increasingly important. Considerable financial investments have been made for it: in the technical area, in machinery and equipment for the expansion of training on computer-controlled systems, and in the commercial area for data processing.

The educational training center in Lautenbach (Black Forest) which was remodeled and expanded in 1985, offers the proper frame for further education and development and for socio-educational courses of trainees.





New technologies are already employed during training: data processing employees work on personal computers at the vocational training academy.

In our company training work, continuing training for our employees and advanced training for our managerial staff are accorded a high priority. In 1985, over 60,000 employees attended internal and external courses; of these, more than 7,000 attended advanced courses for managerial staff. One of the chief areas of emphasis for continuing training is in helping departments when new technologies are introduced. Focal points here include questions related to CAD/CAM, electronics, control systems and new office and communications equipment. New requirements and tasks for training work have emerged within the departments themselves with increased help being given to discussion and problem solving groups.

In February 1985, "Haus Lautenbach", the training center in the Black Forest, was reopened after extensive modification and extension work. This means that "Haus Laemmerbuckel" has now been complemented by a second training center - also of highly modern design for continuing advanced training, and for courses relating to socio-pedagogic topics.

In order to ensure a pool of well-qualified employees, our foreign subsidiaries and affiliated companies and distributorships are training over 2,400 young people for appropriate jobs. Especially in those countries in which an institutionalized education system is only now being developed, we regard this as a particularly important task.

Subsidiaries and Affiliated Companies

In 1985 we complemented our traditional areas of activity in the automotive sector by acquiring MTU, Dornier and AEG, three companies which are primarily active in the high-technology sphere. In the car and commercial vehicle sectors, we consistently pursued a strategy of safeguarding, on a long-term basis, the growth of our company abroad through our own production and distribution companies. During the period under review, a distribution company of our own was founded in Japan; through an equity investment in the Mexican commercial vehicle manufacturing company FAMSA, we aim to create greater market potential for Mercedes-Benz products.

In the countries in which our affiliated companies produce commercial vehicles themselves, we were able to consolidate our market position and in some cases even considerably improve it. Our production and distribution companies are well equipped to exploit every market opportunity on account of their competitive strength.

CONSOLIDATED COMPANIES AUTOMOTIVE SECTOR

Sales by companies included in consolidation amounted to DM 28.4 billion in 1985. In the commercial vehicle sector, our manufacturing companies achieved a 9.2 % increase in sales to DM 8.3 billion, mainly in Brazil and Spain. Sales by our distribution companies rose 9.5% to DM 16.1 billion, primarily in the Western European countries and in the U.S.A. In the non-automotive sector of the group, our new subsidiaries MTU and Dornier contributed DM 3.2 billion to consolidated sales.

The results of operations within the individual companies varied widely. The contribution by our domestic companies to consolidated net income was DM 59 million. The contribution by our companies abroad, converted into D-marks and uniformly adjusted to German valuation criteria, increased to DM 573 million (DM 402 million in 1984).

Again in 1985, our policies at home and abroad were in accord with the "OECD Rules for Multinational Companies".

Consolidated Companies With Their Own Manufacturing Facilities

Further Rise in Turnover by Mercedes-Benz do Brasil

In Brazil, the economic upturn gained further momentum. Due to the continuing high level of exports and the growth in demand on the domestic market, the economy grew by more than 8 % in real terms.

Despite the labor dispute in the Brazilian metal industry in the first half of 1985, Mercedes-Benz do Brasil SA, Sao Bernardo do Campo, was once more able to boost sales by 6 %, to 33,191 commercial vehicles. Since our company was harder hit by the labor dispute than our competitors, we had to accept temporary losses in our market share in Brazil. A total of 27,744 commercial vehicles were sold on the domestic market. However, with market shares of 40% for trucks (previous year 44 %) and 81 % for buses (previous year 84 %), our company was able to retain its leading position.

Exports, at 5,447 vehicles, failed to reach the previous year's level (7,802). It should be noted, however, that in 1984 a larger number of vehicles were delivered early. Most of the vehicles exported went to our subsidiaries and affiliated companies in the U.S.A and Indonesia.

We were once more able to increase the number of employees in 1985, by 2,429 to 15,827 people.

Sales - converted to D-marks - rose by 28 % to DM 2.4 billion. As a result of the higher capacity utilization and a financing and liquidity policy geared to the long-term, company earnings have further improved. Investment has been concentrated mainly on modernizing and extending the product range, and on improving manufacturing efficiency.

The favorable economic trend and the high demand for exports should result in further growth for the company in 1986. At present, it is too early to tell what effects the latest government intervention in the Brazilian economic and monetary system will have.

SOFUNGE / Brazil Boosts Casting Output by 23 %

SOFUNGE S.A., Sao Paulo, a subsidiary of Mercedes-Benz do Brasil S.A., supplies castings to the parent company and to other companies in the Brazilian automotive industry. As a result of increased demand, the company raised its output of castings by 23 % to 51,597 tons. The number of employees was increased by one-third to 2,487.

Sales - converted to DM - went up 22 % to DM 118 million. Government price controls impacted a generally positive result. Capital investments, especially for new products of the parent company, were continued according to plan.

Mercedes-Benz Argentina Maintains Its Position

Due to a far-reaching reform, the economic situation in Argentina has stabilized. Above all, the inflation rate, which was running at over 1,000 % at the beginning of the year, was dramatically reduced. The minor economic upturn in the closing months of the year also benefited the automotive industry. Compared with the previous year, however, a drop in sales had to be accepted.

Mercedes-Benz Argentina S.A., Buenos Aires, sold 3,492 commercial vehicles (previous year 4,369) - almost exclusively on the domestic market. Due to a particularly hard price war, in which our company did not take part for profit reasons, the market share dropped to 38 % (previous year 54 %). Despite this, the company retained its leading position on the truck and bus market.

Despite this unfavorable situation, the number of employees remained at a high level. Employment stood at 1,948 people (previous year 2,076). However, shorter working hours had to be introduced in certain areas. Company sales - converted to DM dropped by 12% to DM 479 million. Even so, the results of operations were, on balance, an improvement.



The new bus series O 370 is manufactured with the aid of the most modern production equipment at the Campinas plant of Mercedes Benz do Brasil.

The foreign manufacturing and assembly companies with Daimler-Benz ownership manufactured commercial vehicles and engines:

	Owner-ship in %	1984 Units	1985 Units	Change in %
Commercial Vehicles				
Consolidated companies				
Mercedes-Benz do Brasil, Brazil	100.0	29,311	33,012	+ 12.6
Mercedes-Benz Argentina, Argentina	100.0	4,299	3,376	-21.5
Freightliner, U.S.A./Canada	100.0	20,568	20,947	+ 1.8
Mercedes-Benz Truck Comp., Inc., U.S.A.	100.0	4,685	4,536	- 3.2
Mercedes-Benz (Australia), Australia	100.0	1,310	1,491	+13.8
Mercedes-Benz España, Spain	77.6	8,203	10,910	+33.0
Mercedes-Benz of South Africa, South Africa	50.1	3,648	4,073	+11.7
Other affiliated companies				
ANAMMCO, Nigeria	40.0	1,958	2,091	+ 6.8
OTOMARSAN, Turkey	36.0	1,488	1,242	-16.5
P.T. German Motor Manufacturing, Indonesia	33.3	1,901	1,484	-21.9
National Automobile Industry, Saudi Arabia	26.0	3,139	1,777	-43.4
Industrial Engines and Engines for Equipment Manufacturers				
Consolidated companies				
Mercedes-Benz do Brasil, Brazil	100.0	12,893	11,484	-10.9
Mercedes-Benz Argentina, Argentina	100.0	2,098	879	-58.1
Mercedes-Benz España, Spain	77.6	2,544	3,082	+21.1
Other affiliated companies				
Iranian Diesel Engine Manufacturing, Iran	30.0	24,960	19,798	-20.7

Freightliner / USA: Output Up Again

The weak economic growth in the U.S.A. led to a decline in the sales of heavy-duty trucks to 134,000 units (previous year 138,000). In the case of medium-heavy trucks, on the other hand, sales amounted to 145,000 units which exceeded the previous year's high level.

Despite difficult market conditions, Freightliner, after its strong growth in the previous year, was able to sell 20,809 heavy-duty trucks in North America (previous year 20,516). It increased its market share to 13.5 % (previous year 12.8 %). The market share in Canada fell to 12.3 % (previous year 13.2 %). The product range was extended by the new conventional introduced in May 1985, and for which cabs are supplied by our Woerth plant.

The newly-developed heavy-duty truck (type FLC 112) with medium length bonnet complements, the traditional product program of Freightliner. After its successful introduction as a road vehicle, a tilting version was also introduced.



Of our medium-heavy Mercedes-Benz trucks, 4,516 were sold (previous year 4,453). This raises our market share in this category to 2.9 % (previous year 2.6 %). The range of conventional trucks was extended with the addition of cab-over-engine models, for which a number of major components are also supplied from factories in Germany.

In response to the lower U.S. demand for heavy-duty trucks in the second half of the year, Freightliner reduced the number of employees to 5,439 (previous year 6,059).

Group sales rose 2 % on a dollar basis; converted to DM, sales were up 5 % to DM 3.8 billion. Due to keener price competition, the results of operations of the previous year could not be matched in 1985, but can be considered satisfactory.

We expect the truck market in North America to decline in 1986 and especially to be marked by keener competition from Japanese manufacturers. We intend to meet this challenge by expanding and further improving our product range.

Mercedes-Benz Espana Improves Market Position

The mildly positive development of the Spanish market led, in 1985, to a reversal of the trend in the commercial vehicle market, which had been declining for four years. Van sales rose, albeit from a very low level, by 13 %; the market share of imported vehicles grew to 24 % (previous year 21 %).

Mercedes-Benz Espana increased sales of vans made in Spain by 19 % to 10,432 units, and further improved its market share. Sales of imported Mercedes-Benz vehicles also showed a positive trend; in 1985, 1,182 commercial vehicles were delivered (previous year 651) and 3,545 cars (previous year 2,791).

Converted to DM, MBE-group sales came to DM 719 million (previous year DM 529 million). Despite higher capacity utilization, it was still not enough to provide satisfactory results. A further improvement is expected for 1986. The measures for modernizing and extending the van range, which were introduced at the beginning of 1985, are being continued according to plan.

Difficult Environment For Mercedes-Benz of South Africa

With the continuation of political disturbances, the economic situation in South Africa has worsened considerably. Exchange rates for the country's currency dropped dramatically. This development particularly affected the South African automotive industry, which is highly dependent on the import of parts. Compared with the previous year, the industry suffered

keen price competition accompanied by a sharp reduction in registrations of cars and commercial vehicles.

Our subsidiary was not spared the effects of this development either. Sales of Mercedes cars fell to 10,913 units (previous year 15,944), due especially to new government regulations which put higher-priced vehicles at a tax disadvantage. Sales of Honda cars, on the other hand, which are manufactured under licence and are not subject to the tax increase, rose by 4.4% to 11,015 units.

Sales of our commercial vehicles declined in 1985 to 3,647 units (previous year 4,362), although our market share in the truck class over 7.5 tons gross vehicle weight climbed from 24 % to 31 %.

The drop in the volume of business and the negative effects of the currency problems resulted in a decline in turnover - converted to DM - of 32 % to DM 1.1 billion. The results of operations were not satisfactory.

Due to the continuing difficult political and economic conditions in South Africa, we expect company sales to stagnate in 1986.

Distribution Companies

Mercedes-Benz of North America and Mercedes-Benz Canada Profit From Brisk Demand For Cars

On the expanding car market in the U.S.A., the trend towards gasoline cars gained in momentum in 1985, while demand for diesel cars dropped a further 39%. Our North American distribution companies Mercedes-Benz of North America, Inc., Montvale, and Mercedes-Benz Canada, Inc., Toronto, whose shares have been directly held by Daimler-Benz of North America Holding since mid-1985, were able to raise their sales to the dealer organization by 2.9% to 88,453 cars. A major share of this development is due to the continuing brisk demand for the S-class and SL models, and the compact series. The share of Mer-

cedes diesel cars declined to 29% (previous year 49%) of sales. We are expecting further opportunities for growth from our new mid-sized models.

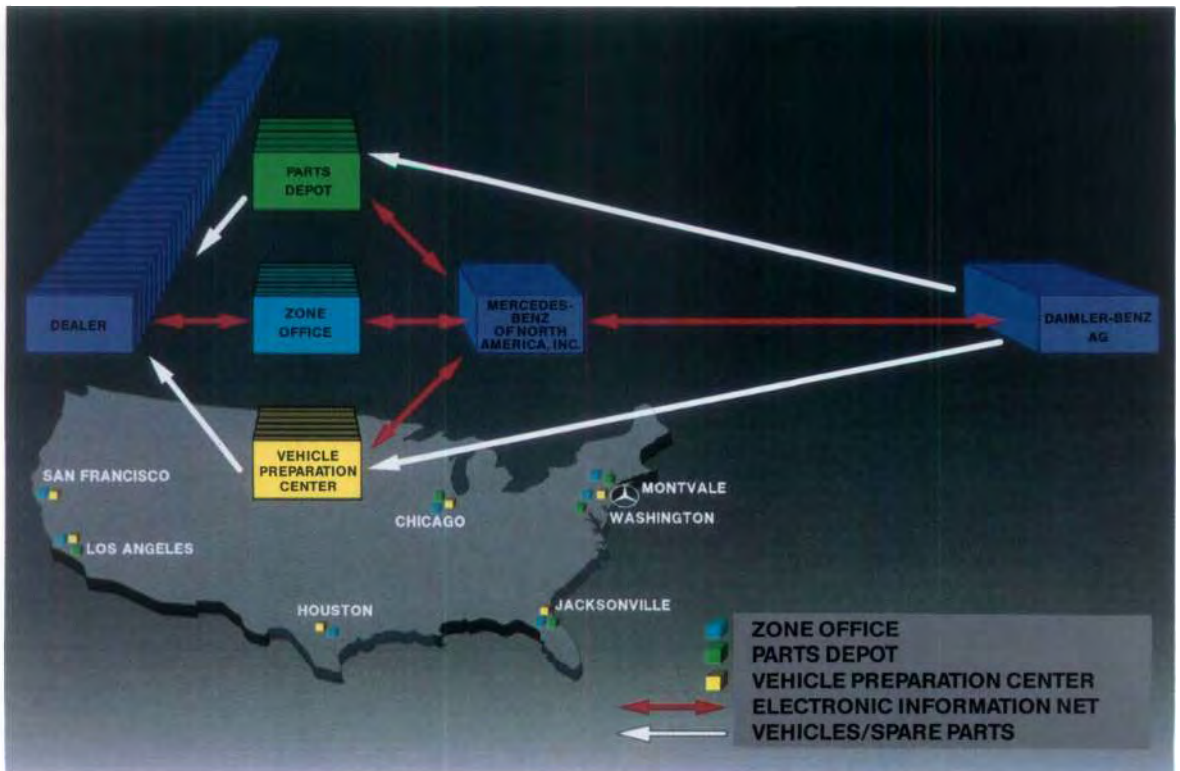
When converted to DM, sales in the U.S.A. rose by 8% and in Canada by 23%. Due to the high volume of business and a still favorable average annual dollar exchange rate, results of operations were once again satisfactory.

Further Growth For Mercedes-Benz Credit Corp. U.S.A.

The Mercedes-Benz Credit Corporation Norwalk/Connecticut, which offers sales financing for our entire vehicle range in North America, considerably expanded its loan and leasing business in 1985 - following major increases in the previous years - by 46% to U.S. \$ 863 million (DM 2.1 billion). The car leasing side was an important factor in this. The results of operations were once more satisfactory.

The finance subsidiary founded in 1984 in Canada has now extended its financing business to include Mercedes-Benz cars.

A computerized network was established to link DBAG with Mercedes-Benz of North America and their regional offices, parts depots, vehicle preparation centers and participating dealers. This network helps to optimize the supply flow of passenger cars and of spare parts, thus taking advantage of market potential.



Higher Profits For Mercedes-Benz France

With 1.8 million new registrations in 1985, the French car market only just exceeded the volume of the previous year. With continuing brisk demand, Mercedes-Benz France sold 22,578 cars (previous year 20,658). The compact models are highly popular in France as elsewhere, and accounted for 60 % of our total car sales.

Among comparable vehicles, the company improved its market position to 15.7 % (previous year 15.2 %). The French truck market (2 tons GVW and over) declined in 1985. New vehicle registrations dropped by 3.5 % to 136,000 units. With sales of 15,370 units, our distribution company was able to match the previous year's performance, thereby slightly raising its market share to 11.2 %.

Company sales - converted to DM - rose by 10 % to DM 2.1 billion. Overall, the results of operations remained unsatisfactory in 1985, although they showed improvement for the first time in three years.

	Ownership	Sales ¹⁾ in millions of DM		Employees at year-end	
		1984	1985	1984	1985
Subsidiary Companies					
Car Division					
MANUFACTURING COMPANIES					
Mercedes-Benz do Brasil S.A., São Bernardo do Campo	} 100.0	1,848.9	2,358.6	13,398	15,827
Sociedade Técnica de Fundições Gerais S.A., São Paulo (100%)		96.9	118.0	1,941	2,487
Mercedes-Benz Argentina S.A., Buenos Aires	100.0	546.0	478.5	2,076	1,948
Freightliner Corp., Portland/Oregon (Group)	100.0	3,647.1	3,834.3	6,059	5,439
Mercedes-Benz España S.A., Madrid (Group)	77.6	529.1	719.5	3,487	3,510
Mercedes-Benz of South Africa (Pty.) Ltd., Pretoria	} 50.1	1,660.8	1,132.0	5,415	5,135
Car Distributors Assembly (Pty.) Ltd., East London (100%)					
Holzindustrie Bruchsal GmbH, Bruchsal	100.0	75.8	79.4	457	461
SALES AND SERVICE COMPANIES					
Mercedes-Benz of North America, Inc., Montvale/New Jersey	100.0	7,224.5	7,829.4	1,600	1,617
Mercedes-Benz Canada, Inc., Toronto	100.0	351.6	430.8	310	321
Mercedes-Benz (Australia) Pty. Ltd., Mulgrave/Melbourne (Group)	100.0	720.0	746.2	835	987
Mercedes-Benz (United Kingdom) Ltd., Milton Keynes	100.0	1,229.4	1,616.6	1,056	1,092
Mercedes-Benz Nederland B.V., Utrecht (Group)	100.0	769.6	966.3	1,083	1,119
Mercedes-Benz Belgium S.A./N.V., Brussels (Group)	100.0	634.3	774.1	1,022	1,022
Mercedes-Benz Hellas S.A., Athens	100.0	73.0	56.5	178	138
SOFIDEL S.A., Rocquencourt	} 99.5	1,878.3	2,066.3	2,486	2,354
Mercedes-Benz France S.A., Rocquencourt (100%)					
Mercedes-Benz Italia S.p.A., Rome	88.5	819.8	1,101.4	631	612
Mercedes-Benz (Schweiz) AG, Zuerich	51.0	478.4	615.7	232	234
Added Consolidated Companies					
MTU Motoren- und Turbinen-Union Muenchen GmbH, Muenchen (Group)	100.0	2,400.7	2,740.1	14,731	15,987
Dornier GmbH, Friedrichshafen (Group)	65.6	1,508.6	2,117.8	9,105	8,755
Other Affiliated Companies					
Anambra Motor Manufacturing Comp. Ltd. (ANAMMCO), Enugu	40.0	277.7	374.3	878	857
Otobues ve Motorlu Araçlar Sanayii A.S. (OTOMARSAN), Istanbul	36.0	266.7	243.1	1,954	2,041
P.T. German Motor Manufacturing, Jakarta	33.3	} 212.3	222.8	1,486	1,461
P.T. Star Motors Indonesia, Jakarta	49.0				
Iranian Diesel Engine Manufacturing Comp. (IDEM), Tabriz ²⁾	30.0	363.8	385.4	1,791	1,802
Bajaj Tempo Ltd., Poona ^{2) 3)}	26.1	231.5	260.7	4,339	3,989
Tata Engineering and Locomotive Comp. Ltd. (TELCO), Bombay ^{2) 3)}	12.6	1,982.1	2,090.9	17,405	24,274 ⁴⁾
National Automobile Industry Comp. Ltd., Jeddah	26.0	365.6	203.2	322	272

¹⁾ Net sales for our foreign subsidiaries were converted at average annual exchange rates; changes in currency relations resulted in significant variances, sometimes preventing comparability.

²⁾ Sales for business years 1984/85 and 1983/84 respectively.

³⁾ These companies manufacture commercial vehicles under their own trademark; they do have, however, licenses for some Daimler-Benz components.

⁴⁾ New personnel added by TELCO.

Principal Subsidiary and Affiliated Companies - Summary

Mercedes-Benz United Kingdom: Increases in Car and Commercial Vehicle Sales

In 1985, the United Kingdom car market reached a new peak level at 1.8 million new vehicle registrations. Mercedes-Benz (United Kingdom) was able to boost car sales by a further 15 % to 18,413 units. The 190-model strengthened its market position among the higher-quality compact cars. Positive impulses are expected from the new mid-series, which was introduced in the fall of 1985.

The trend on the British commercial vehicle market was encouraging. With 177,000 newly registered trucks (2 tons GVW and over), the previous year's level was exceeded by 5 %. The importers' market share was 41 % as in 1984. Our distribution company sold 15,156 commercial vehicles (previous year 11,082) enjoying an above-average participation in the market's growth, and an increase in market share from 6.2 % to 7 %.

Sales - converted to DM - rose 32 % to DM 1.6 billion. The results of operations were satisfactory.

Mercedes-Benz Netherland: Positive Development Continued

With 496,000 new vehicle registrations, the Dutch car market showed the first significant growth in years. Mercedes-Benz Netherland was able to continue its positive trend and increase sales by 18 % to 11,746 cars. Demand for our new mid-series models exceeded our supply capability.

The rate of growth in the truck market (2 tons GVW and over) slowed down in 1985; with 31,000 newly registered trucks, the previous year's level was exceeded by 12 % nevertheless. Our subsidiary was once again able to improve its position by expanding its market share to 24.5 % (previous year 22.5 %). In doing this, we achieved above-average growth rates in all truck classes. A total of 7,372 commercial vehicles were sold, 17 % more than in the previous year.

Sales - converted to DM - went up 26 % to DM 966 million. The results of operations in 1985 improved once again.

Large Increase in Commercial Vehicle Sales For Mercedes-Benz Belgium

In a stagnating Belgian car market, Mercedes-Benz Belgium SA/N.V. was able to improve its position. Car sales rose 6 % to 11,898 units. On the supply side, however, demand, especially for the mid-series, could not be satisfied completely.

Following a slight revival of the Belgian economy, the situation on the commercial vehicle market improved for the first time since 1979. Sales by our distribution company rose sharply by 29 % to 3,929 units, mainly due to the success of the new light- and medium-heavy truck series. The market share for trucks of 2 tons GVW and over rose from 14.3 % to a record 16.8%.

Sales - converted to DM - increased by 22 % to DM 774 million as a result of higher unit sales and the trend towards higher-priced cars. The results of operations were satisfactory.

In 1985, the first Mercedes-Benz "B-Train" was licensed for milk transport in southeast Australia. Its performance, strength and dependability under the most difficult climatic and geographic conditions in Australia are especially appreciated.





Mercedes-Benz heavy-duty truck of our Swiss partner NAW. The particularly robust components, such as large-volume suction engines and planetary hub reduction axles, withstand the test in off-the-road operation.

Encouraging Growth in Sales For Mercedes-Benz Italia

The economic upswing in Italy continued in 1985. The car market grew by just under 7 %. Sales by Mercedes-Benz Italia rose by 33 % to 19,441 cars. In addition to the compact models, our new mid-series also met with a positive response.

The commercial vehicle market also displayed an upward trend, although keen price competition continued. Our subsidiary sold 5,138 commercial vehicles, 14 % more than in 1984. A major factor in this was the success of our new light- and medium-heavy truck series. Sales - converted to DM - grew by 34 % to DM 1.1 billion. Despite the difficult profit situation in the commercial vehicle sector, earnings were satisfactory.

Mercedes-Benz Switzerland - Satisfactory Car Sales

In Switzerland, new car registrations were slightly below the 1984 level at 267,000 units. However, our distribution company succeeded in boosting car sales even further, by over one-third to 7,224 units. For Mercedes-Benz (Schweiz) AG, Zurich, the introduction of the new mid-series had a highly positive effect.

Our subsidiary was also able to share in the upward trend on the Swiss commercial vehicle market, particularly in the truck sector of 6 tons GVW and over; here, our market share grew to about 40 % (previous year 38 %). A total of 2,940 commercial vehicles (previous year 2,839) was sold.

Company sales - converted to DM - increased 29 % to DM 616 million. The results of operations show a continuation of the positive trend of the last few years.

Mercedes-Benz Australia Profits From Domestic Upturn

The economic upturn in Australia continued in 1985. The automobile market also profited from this; car sales rose by 11 %, commercial vehicle sales by 4 %. Mercedes-Benz (Australia), Mulgrave/Melbourne, sold 3,769 cars (previous year 3,198), maintaining its leading position on the market for higher-priced cars. Sales of commercial vehicles increased to 1,736 trucks and buses (previous year 1,522).

Turnover - converted to DM - rose to DM 746 million (previous year DM 720 million). Due to a drop in the exchange rate for the Australian Dollar, the satisfactory results of operations of the previous year could not quite be matched.

Decline in Sales For Mercedes-Benz Hellas

The overall economic situation in Greece deteriorated further. As a result, Mercedes-Benz Hellas S.A., Athens, again suffered a drop in sales to 177 cars (previous year 214) and 223 commercial vehicles (previous year 501). Turnover - converted to DM - fell by 23 % to DM 56.5 million. The results of operations remain unsatisfactory.

Mercedes-Benz Japan Founded in Early 1986

At the beginning of 1986 we founded a distribution company of our own, Mercedes-Benz Japan. This is in response to the growing importance of the Japanese market for Mercedes cars.

The Dornier 228 small passenger plane with up to 19 seats is a multi-purpose plane and, among other applications, is being used for research purposes at the South Pole, for coastal and environmental surveillance, and as a business aircraft.



OTHER GROUP ACTIVITIES

Continued Success for MTU Companies

The MTU group was extended in 1985 by the acquisition of L'Organe GmbH, Stuttgart, which manufactures injection systems for heavy-duty diesel engines. Group turnover amounted to DM 2.7 billion (previous year DM 2.4 billion).

MTU Muenchen benefited from the growth in demand from the airlines. The company participates in a number of international joint ventures involving the development and production of engines for civilian aircrafts in a wide variety of sizes. Due to a new joint venture in development and production with Pratt & Whitney, Canada, the civilian engine sector has grown in importance. The development and production capacities of the company were fully utilized.

Despite the continued unsatisfactory situation on the international market, MTU Friedrichshafen was able to register a slight rise in the demand for heavy-duty diesel engines. The company is making every effort to create new sales opportunities through constant product improvements and new, lower-cost designs. To this end, further license and joint venture agreements have been concluded with leading engine manufacturers.

MTU Maintenance, which deals with the maintenance and repair of heavy-duty aircraft engines, succeeded in winning over an American airline as a customer. Despite this, the results of operations in this sector remained unsatisfactory.

Kuehnle, Kopp & Kausch AG was able to increase its business, due especially to continued positive trends in the turbocharger sector. In the mechanical engineering area, the higher requirements for heavy-duty fans for smoke desulphurization in coal-fired power stations has stimulated demand.

At the end of 1985, the MTU group employed 15,987 people worldwide. The orders on hand, whose fulfillment will extend over several years, safeguard the present jobs beyond the current financial year. In 1985, the MTU group had net earnings of DM 31.8 million.

Dornier Business on Successful Course

The main areas of activity of the Dornier companies are as follows: Dornier GmbH, Friedrichshafen, develops and manufactures above all aircrafts, while the repair and maintenance of these is the concern of Dornier Reparaturwerft GmbH, Oberpfaffenhofen. Dornier System GmbH, Friedrichshafen, is active in the fields of space flight, electronics (mainly information systems) and the so-called New Technologies - energy, environment, waste disposal, and materials technology. Dornier Medizintechnik GmbH, whose field of activity was separated from that of Dornier System GmbH at the beginning of 1985, manufactures and sells the lithotripter.

In the year under review, Dornier GmbH delivered 29 Dornier model 228 aircrafts as scheduled. Throughout the world, a total of over 100 aircrafts have been sold to date. Development and production capacities were fully utilized.

Dornier Reparaturwerft GmbH further consolidated its position in aircraft maintenance. It has long-term contracts with the Federal Republic of Germany, NATO and Canadian aircraft manufacturers.

With the "Instrument Pointing System" (IPS) which it developed itself, Dornier System GmbH participated successfully in the U.S. Spacelab program, and with a number of experimental devices in the first German Spacelab mission D1 in 1985. The company was also heavily involved, within a consortium of European firms, in the development of the space probe "Giotto", for the investigation of Halley's comet.

Dornier Medizintechnik GmbH achieved a substantial growth in sales in 1985. Production planned for 1986 is already booked out.

At year-end, the Dornier group had 8,755 employees. The orders on hand worth DM 2.0 billion will, in some cases, take several years to complete. Consolidated sales totaled DM 2.1 billion. The financial statements submitted to the annual meeting show net earnings of DM 33.1 million for the year.

OTHER AFFILIATED COMPANIES

AEG Continues on Successful Course of Consolidation

Since the approval by the Federal Anti-Trust Office in February 1986, and the raising of our equity holding from 24.9 % to about 56 %, AEG Aktiengesellschaft has become a subsidiary of Daimler-Benz AG and will be included in consolidation beginning in 1986.

In 1985, the company was able to continue on the successful course of consolidation introduced over the last few years. Incoming orders valued at DM 11.3 billion were on about the same level as last year. Business in the various sectors varied. The high-frequency technology, component, and volume-produced product sectors achieved above-average growth rates, whereas the AEG KANIS sectors, energy distribution and industrial technology, were below the 1984 level.

With a slight increase in total revenue, AEG sales amounted to DM 10.8 billion (previous year DM 11.0 billion). The drop in sales is mainly the result of the

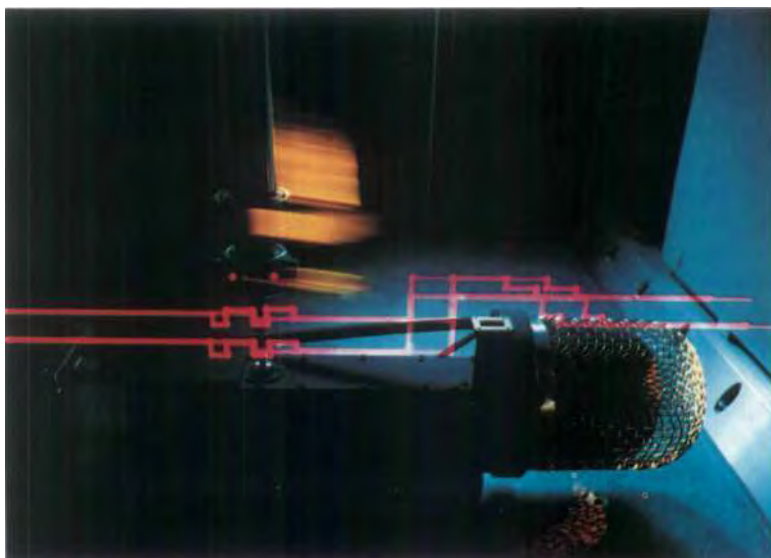
invoicing of major orders in 1984. Sales increases were achieved by the components, communications technology, volume-produced products and information technology sectors.

By year-end, the number of employees had risen by 560 to 73,760 people, chiefly in the volume-produced products, components and railroad technology sectors. Investment in property, plant and equipment amounted to DM 370 million. DM 850 million was spent on research and development, amounting to about 8 % of sales.

Deutsche Automobilgesellschaft Develops According to Plan

The Deutsche Automobilgesellschaft mbH, Hanover, is owned 50 % by Daimler-Benz AG and 50 % by Volkswagen AG. The research and development projects in the fields of electro-technology and electrochemical storage systems were continued by the company according to plan.

Earnings were divided equally among the proprietors in accordance with the profit and loss transfer agreement.



The calibration of a high-performance traveling wave-tube for television and radio satellites is an indispensable requirement for the integration into the satellite.

HWT-Gesellschaft fuer Hydrid- und Wasserstofftechnik Commenced Operations

The HWT-Gesellschaft fuer Hydrid- und Wasserstofftechnik mbH, Muelheim/Ruhr, was founded in the spring of 1985.

Daimler-Benz AG and Mannesmann-Roehrenwerke AG each hold 50 % of the capital stock.

In 1985, the company started up operations in the fields of rare-gas and hydrogen storage/purification and insulation technology. The first products have already been sold.

Encouraging Order Situation For NAW in Switzerland

NAW-Nutzfahrzeuggesellschaft Arbon & Wetzikon AG further broadened its model offering in 1985. For the account of Daimler-Benz AG, NAW converted and equipped 1,307 special vehicles (previous year 765) on the basis of Mercedes-Benz heavy-duty trucks; it assembled 44 Mercedes-Benz model 3850 heavy-duty semi-trailer tractor units. In addition, NAW made 480 Saurer heavy-duty trucks with off-road capability.

In the bus sector, chassis production was expanded according to plan. One focal point of activity is made up by chassis which are made from Daimler-Benz components and from NAW's own products, so as to meet the particular requirements of the Swiss bus market. On a larger scale, chassis for the new O 301 and O 402 small bus series are manufactured for the account of Daimler-Benz AG. The number of employees was increased to 452 (previous year 436). Sales rose to the equivalent of DM 103 million (previous year DM 84 million). As in 1984, the results of operation were positive.

Portfolio Investment in FAMSA / Mexico

In mid-1985, we acquired 49 % of the capital stock of Fabrica de Automtransportes Mexicana S.A. (FAMSA). Since November, FAMSA has been the only firm in Mexico, apart from one state-run company, to fulfill the legal requirements giving it the right to manufacture diesel-engined commercial vehicles in the 9 to 15-ton GVW range.

FAMSA produces and sells medium-heavy commercial vehicles and bus chassis under licence. In the year under review, a total of 1,552 vehicles was sold. The market share amounted to 8 %.

Sales totaled the equivalent of DM 204 million. The results of operations were unsatisfactory.

In the next three years, production of commercial vehicles, which are obtained from the Daimler-Benz group, will be started up. With the consolidation of the economic situation in Mexico expected for the medium term, we are counting on a significant growth in sales by our new affiliated company.

Growth in Sales For ANAMMCO / Nigeria Despite Difficult Economic Situation

Nigeria's foreign exchange earnings, which are mainly earned by oil exports, declined further in 1985. This resulted in serious supply problems for import-dependent industries and resulted in work stoppages in a number of cases.

In spite of this difficult situation, the Anambra Motor Manufacturing Company Ltd. (ANAMMCO) succeeded in continuing assembly of commercial vehicles of over 5 tons GVW without shutting down the plant until the end of November 1985. The company hopes to re-start production in May/

June of 1986, now that an initial import licence for required parts has been granted.

The company consolidated its leading position in the market for trucks of over 5 tons GVW, selling 2,173 units (previous year 1,940) and raising its market share to 49 % (48 % in 1984).

In addition, ANAMMCO won a major order for the supply of buses, involving our Brazilian subsidiary. This agreement now gives ANAMMCO the right to assemble buses under licence.

Due to the increased volume of business, sales - converted to DM - rose 35 % to DM 374 million. The results of operations were once again satisfactory.

NAI / Saudi Arabia Again Cuts Back Commercial Vehicle Assembly

The economy of Saudi Arabia was affected also in 1985 by dwindling oil-export revenues. The commercial vehicle market declined further. The National Automobile Industry Company, Ltd. (NAI) was forced to cut back assembly of Mercedes commercial vehicles by 43 % to 1,777 units. Despite increasing pressure from competitors and the drop in sales of imported, completely built-up vehicles, the company consolidated its position in 1985. Company sales - converted to DM - fell 44 % to DM 203 million. The results of operations were not satisfactory.

For 1986, too, we expect the commercial vehicle market to stagnate at a low level.

**OTOMARSAN/Turkey
Raises Capital Stock**

In 1985, the Turkish government continued its course of reform. On the commercial vehicle market, high interest rates and cuts in government spending, as part of the policy of consolidation, have resulted in a noticeable resitancy on the part of buyers.

In 1985, our affiliated company Otobus ve Motorlu Araglar Sanayii A.S. (OTOMARSAN), Istanbul, produced 1,242 buses (previous year 1,488), and thus failed to match the full capacity utilization of the last few years. Domestic sales dropped 31%; exports, on account of growing import restrictions and the shortage of foreign currencies in the traditional sales markets of the region, were 15 % below the high level achieved in 1984.

Sales - converted to DM - declined by 9 % to DM 243 million. Even so, the results of operations were satisfactory.

In mid-1986, OTOMARSAN is to start up production of medium-heavy and heavy-duty trucks and the assembly of diesel engines at the newly built plant in Aksaray.

In support of these activities, the capital stock was raised from TL 9 billion to TL 12 billion (approximately DM 51 million). The DaimlerBenz AG holding remains unchanged at 36 %.

**IDEM / Iran:
Sales Increase in DM**

The continuing Gulf War and dwindling oil revenues are affecting the Iranian economy more and more.

Our two licensees for Mercedes-Benz commercial vehicles suffered declines in sales, but were able to limit this due to their good market position. Diesel engine sales by our affiliate Iranian Diesel Engine Manufacturing Company, Tabriz, dropped by 17 % to 20,502 units. Converted to DM, sales revenue rose by 12 % to DM 331 million. Results of operations were lower.

**Difficult Market
For German Motor,
Star Motors and
Star Engines / Indonesia**

The Indonesian economy was hit even more than last year by the world-wide drop in demand for crude oil. In the case of light- and medium-heavy trucks and buses, especially, the market shrank considerably, reaching its lowest volume in six years.

Our Indonesian affiliates P.T. German Motor Manufacturing, Wanaherang (assembly and production), and P.T. Star Motors Indonesia, Jakarta (import and marketing), succeeded in expanding their market shares for commercial vehicles and cars. In the year under review, 1,866 commercial vehicles (previous year 1,830) were sold, and 805 cars (previous year 758). Capacity utilization was unsatisfactory however.

In the spring of 1985, the assembly of commercial vehicle engines was commenced according to plan by P.T. Star Engines Indonesia.

Sales - converted to DM - rose to DM 223 million (previous year DM 212 million). The results of operations were not satisfactory.

**Considerable Output Growth
of FAP FAMOS / Yugoslavia**

In 1985, as in previous years, the Yugoslavian economy suffered from import and foreign exchange restrictions. The commercial vehicle industry, however, registered a slight upturn. Our Belgrade-based partner FAP FAMOS boosted its output by 18 % to 5,565 commercial vehicles. The market position was also improved. Sales in local currency rose by 108 % to the equivalent of DM 697 million (previous year DM 572 million). The results of operations were once again positive.

**Daimler-Benz Austria:
Expansion of Car Business**

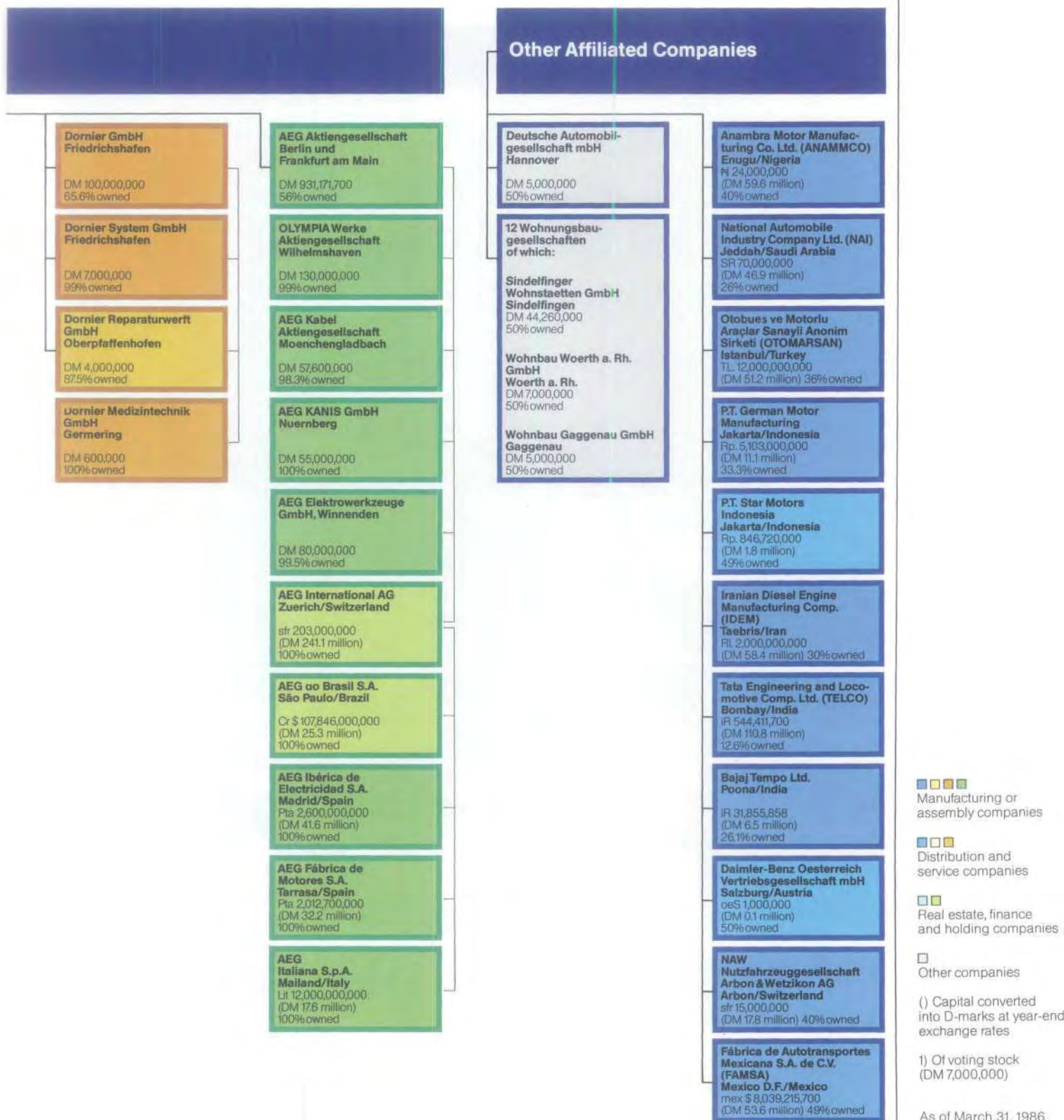
Daimler-Benz Oesterreich Vertriebsgesellschaft mbH, of which we own 50 %, has been coordinating the sales activities of the Austrian provincial distributors for our vehicles since 1980. With the successful launch of the new Mercedes mid-series, our share of the car market rose to 3.8 % (previous year 3.3 %). Deliveries to Austria went up 20 % to 8,598 cars.

On the market for commercial vehicles of 2 tons GVW and over, we were able to defend our market share of 15 %. Deliveries came to 3,135 vehicles, matching 1984 levels.

Principal Subsidiaries and Affiliated Companies of Daimler-Benz AG

Subsidiaries

<p>Mercedes-Benz Argentina S.A. Buenos Aires/Argentina A 26,000,000 (DM 80.0 million) 100% owned</p>	<p>Daimler-Benz of North America Holding Comp., Inc. New York/U.S.A. US \$ 35,932,628 (DM 88.4 million) 100% owned</p>	<p>Daimler-Benz Holding AG Zuerich/Switzerland sfr 147,000,000 (DM 174.6 million) 100% owned</p>	<p>MTU Motoren- und Turbinen-Union Muenchen GmbH Muenchen DM 156,600,000 100% owned</p>
<p>Mercedes-Benz España S.A. Madrid/Spain Pta 25,021,302,000 (DM 400.3 million) 77.6% owned</p>	<p>Mercedes-Benz of North America, Inc. Montvale, N.J./U.S.A. US \$ 60,000,000 (DM 147.7 million) 100% owned</p>	<p>Daimler-Benz Finanz AG Zuerich/Switzerland sfr 30,000,000 (DM 35.6 million) 100% owned</p>	<p>MTU Motoren- und Turbinen-Union Friedrichshafen GmbH Friedrichshafen DM 50,000,000 85.6% owned</p>
<p>Mercedes-Benz (Australia) Pty. Ltd. Mulgrave, Melbourne/Australia \$A 20,000,000 (DM 33.3 million) 100% owned</p>	<p>Mercedes-Benz Canada, Inc. Toronto/Canada Can. \$ 5,000,000 (DM 8.8 million) 100% owned</p>	<p>Daimler-Benz Finanz-Holding S.A. Luxemburg sfr 25,000,000 (DM 29.7 million) 100% owned</p>	<p>MTU Maintenance GmbH Langenhagen DM 30,000,000 100% owned</p>
<p>Mercedes-Benz Hellas S.A. Athen/Greece Dr. 800,000,000 (DM 13.3 million) 100% owned</p>	<p>Freightliner Corp. Portland, Oregon/U.S.A. US \$ 180,000,000 (DM 443.0 million) 100% owned</p>	<p>Merfina S.p.A. Rom/Italy Lit. 6,000,000,000 (DM 8.8 million) 85% owned</p>	<p>MTU Informationssysteme GmbH, Muenchen DM 4,000,000 100% owned</p>
<p>Mercedes-Benz of South Africa (Pty.) Ltd. Pretoria/South Africa R 22,500,000 (DM 21.5 million) 50.1% owned</p>	<p>Mercedes-Benz Credit Corp. Norwalk, Connecticut/U.S.A. US \$ 83,907,800 (DM 206.5 million) 83% owned</p>	<p>Mercedes-Benz (Schweiz) AG Zuerich/Switzerland sfr 8,000,000 (DM 7.1 million) 51% owned</p>	<p>AG Kuehnle, Kopp & Kausch Frankenthal DM 14,000,000 61.6% owned*</p>
<p>Car Distributors Assembly (Pty.) Ltd. (CDA) East London/South Africa R 256,000 (DM 0.2 million) 100% owned</p>	<p>SOFIDEL S.A. Rocquencourt/France FF 90,000,000 (DM 29.3 million) 99.5% owned</p>	<p>Mercedes-Benz Nederland B.V. Utrecht/Netherlands hfl 57,000,000 (DM 50.6 million) 100% owned</p>	<p>L'Orange GmbH, Stuttgart DM 5,000,000 100% owned</p>
<p>Holzindustrie Bruchsal GmbH Bruchsal DM 10,000,000 100% owned</p>	<p>Mercedes-Benz France S.A. Rocquencourt/France FF 230,000,000 (DM 74.9 million) 100% owned</p>	<p>Mercedes-Benz Credit AG Zuerich/Switzerland sfr 4,000,000 (DM 4.8 million) 70% owned</p>	
<p>Maschinenfabrik Esslingen AG Esslingen a. N. DM 42,515,000 97.3% owned</p>	<p>Daimler-Benz Holding Belgium S.A./N.V. Bruessel/Belgium bfr 2,420,000,000 (DM 118.2 million) 100% owned</p>	<p>Mercedes-Benz do Brasil S.A. São Bernardo do Campo/Brazil Cr \$ 3,870,000,000,000 (DM 911.4 million) 100% owned</p>	
<p>Industriehandel Handels- und Industrieaus-ruestungsgesellschaft mbH Stuttgart DM 5,000,000 100% owned</p>	<p>Mercedes-Benz Belgium S.A./N.V. Bruessel/Belgium bfr 1,800,050,000 (DM 88.0 million) 100% owned</p>	<p>Sociedade Técnica de Fundições Gerais S.A. (SOFUNGE) São Paulo/Brazil Cr \$ 127,800,000,000 (DM 30.1 million) 100% owned</p>	
<p>Mercedes-Leasing-GmbH Stuttgart DM 40,000,000 100% owned</p>	<p>Mercedes-Benz Finance Belgium S.A./N.V. Bruessel/Belgium bfr 181,000,000 (DM 8.8 million) 100% owned</p>	<p>Mercedes-Benz Italia S.p.A. Rom/Italy Lit 65,000,000,000 (DM 95.2 million) 86.5% owned</p>	
<p>Daimler-Benz-Wohnungsbau GmbH Stuttgart DM 26,000,000 100% owned</p>	<p>P.T. Star Engines Indonesia Jakarta/Indonesia Rp. 3,784,406,250 (DM 8.3 million) 60% owned</p>	<p>Mercedes-Benz (United Kingdom) Ltd. Milton Keynes/U.K. £ 30,000,000 (DM 106.3 million) 100% owned</p>	
		<p>Mercedes-Benz Japan Co. Ltd. Tokio/Japan ¥ 1,000,000,000 (DM 12.3 million) 100% owned</p>	



- Manufacturing or assembly companies
- Distribution and service companies
- Real estate, finance and holding companies
- Other companies

() Capital converted into D-marks at year-end exchange rates

1) Of voting stock (DM 7,000,000)

As of March 31, 1986



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Financial Statements Daimler-Benz AG

Notes to Financial Statements of Daimler-Benz AG

BALANCE SHEET

Asset and Capital Structure

Property, plant and equipment and intercorporate investments increased DM 1.4 billion to DM 7.2 billion, after adding capital expenditures and deducting depreciation allowances of DM 3.7 billion and DM 2.3 billion, respectively. This increase was mainly due to our acquisitions of new companies. The ratio of "property, plant and equipment, and intercorporate investments" to total assets thus rose to 33 % (last year 30 %). The increase in current assets by DM 1.1 billion to DM 14.8 billion pertained mostly to such balance sheet items as "inventories", "marketable securities" and "other assets". Receivables remained virtually unchanged.

Stockholders' equity - consisting of capital stock, retained earnings and 40 % of special equity reserves - rose DM .6 billion to DM 6.3 billion. This increase was due to the transfer to retained earnings of half of the net income for the year. The ratio of stockholders' equity to total capitalization amounted to 28 % (last year 29 %). Included in borrowed capital are other liabilities which increased DM 1.1 billion. Provisions increased DM .5 billion to DM 10.0 billion. This increase pertained exclusively to pension provisions while the amount of "other provisions" remained nearly unchanged. The ratio of provisions to total capitalization was reduced to 45 % (last year 49 %).

Fixed Asset Coverage

The high level of intercorporate investments has naturally effected the ratio of stockholders' equity to "property, plant and equipment, and intercorporate investments"; it amounted to 86 % as compared to 96 % the previous year. The remaining fixed assets and substantial portions of current assets are financed by long- and medium-term borrowed capital.

Assets

Property, Plant and Equipment

Property, plant and equipment decreased DM .4 billion to DM 4.2 billion, after additions and allowance for depreciation and disposals totaling DM 1.8 billion and DM 2.2 billion, respectively. As in the previous year, property, plant and equipment was valued at acquisition or manufacturing costs, reduced by accumulated depreciation. The manufacturing costs of in-house produced property, plant and equipment comprise the costs for direct materials and labor and applicable manufacturing overhead. Acquisition or manufacturing costs, respectively, are reduced by the investment tax credits earned. The opportunities for special tax deductible depreciation allowances were fully utilized, mostly

in connection with Section 7d of the Income Tax Act and Section 82d of the Income Tax Regulation (environmental protection and research and development investments), Section 14 of the Berlin Development Law and Section 3 of the Zonal Border Area Development Law.

Scheduled depreciation allowances were calculated generally using the following useful lives: 17 to 25 years for buildings, 10 to 17 years for site improvements, 3 to 10 years for machinery and plant, 2 to 10 years for factory and office equipment. Machinery used for multishift operations was depreciated using correspondingly lower useful lives.

Movable property with a useful life of 4 years or more is depreciated using the declining-balance method. We change from the declining-balance method to the straight-line method of calculating depreciation when the equal distribution of the remaining net book value over the remaining useful life leads to higher depreciation amounts. Assets of small value are expensed in the year of acquisition.

Depreciation on 1985 additions, including transfers from construction in progress and advance payments relating to property, plant and equipment, and capitalized in prior years, was as follows:

	Additions, including transfers in millions of DM	Depreciation in millions of DM
Land with office, factory and other buildings, and leasehold rights	204	41
Land with dwellings	5	.
Buildings on land owned by others	3	.
Machinery and equipment	608	264
Factory and office equipment	933	684
Construction in progress and advance payments relating to buildings and plants	25	20
	1,778	1,009

Daimler-Benz has recorded leasehold rights in favor of third parties who have built factory and office buildings for our manufacturing plants and retail branches on land owned by the company. As of December 31, 1985, there were 16 (last year 15) leasing agreements for buildings and improvements; payments for such leases amounted to DM 20 million (last year DM 17 million).

Intercorporate Investments

The balance sheet amount of intercorporate investments rose DM 1,815 million to DM 2,868 million, and in Germany was due to the purchase of shares in AEG Aktiengesellschaft, Berlin and Frankfurt am Main, in MTU Motoren- und Turbinen-Union Muenchen GmbH, Muenchen, and in Dornier GmbH, Friedrichshafen. Abroad, we have increased our investment in Mercedes-Benz Espana S.A., Madrid, and have participated in a capital stock increase at Mercedes-Benz of South Africa (Pty.) Ltd., Pretoria; we acquired a capital ownership of 49 % in Fabrica de Autotransportes Mexicana S.A. de C.V., Mexico.

As in the previous year, intercorporate investments were valued according to the lower-of-cost-or-market principle. Investment write-downs of DM 110 million (of which DM 50 million on acquisitions made in 1985) pertained mainly to our companies in Spain and South Africa which still are in a difficult economic situation.

Inventories

The materials and finished goods inventories have increased DM 314 million to DM 3,248 million as a result of higher production levels.

The methods of inventory valuation remained unchanged. Raw materials and manufacturing supplies were valued at the lower of cost or market. The valuation of finished goods included direct materials, direct labor and applicable manufacturing overhead. Reasonable deductions were made especially for obsolescence due to design changes or after longer storage periods.

Receivables

Receivables at DM 4,217 million remained nearly unchanged. An increase in notes receivable is offset by a decline in receivables from subsidiaries and affiliated companies in about the same amount. We have reduced the amount of non-interest bearing receivables by discounting them to maturity. In valuing our receivables, we have again made allowance for all known risks.

Cash and Temporary Investments in Marketable Securities

Cash and temporary investments amounted to DM 3,736 million as compared to DM 3,251 million the previous year. Additional liquid funds of DM 3,079 million (last year DM 2,797 million) were invested in short- and medium-term debt instruments, which represent by far the single largest item in the balance sheet caption "Other Assets".

Treasury Stock

For the purpose of issuing shares under the employee stock purchase plan, a total of 108,985 shares (with a par value of DM 5.4 million = .32 % of total common stock) was purchased during the year at an average price of DM 837 a share, i.e. 3,500 shares in January, 23,650 in February, 21,585 in March, 1,000 in April, 5,000 in August, 25,300 in September and 28,950 in October.

In July of 1985, 83,588 shares (with a par value of DM 4.2 million = .25 % of total common stock) were sold to our employees at a preferential purchase price of DM 367.50 a share. As of December 31, 1985, we held 55,662 shares (with a par value of DM 2.8 million = .16 % of total common stock) which had been purchased in 1985. The shares were valued at DM 35 million.

Other Assets

The increase of DM 258 million to DM 3,492 million was mainly due to investments of liquid funds in short and medium-term time deposits and similar debt instruments. Moreover, this balance sheet caption includes interest receivable, refund claims for added value tax and receivables from leasing customers.

**STOCKHOLDERS' EQUITY
AND LIABILITIES**

**Capital Stock and Retained
Earnings**

Capital stock, at DM 1,699 million, is unchanged from last year. From the hitherto existing "authorized share capital", there still remains available a balance of DM 180 million which may be used through June 30, 1986; we are proposing to the Annual Meeting of Stockholders on July 2, 1986 to ratify in its place a new "authorized share capital" of DM 500 million.

According to the information received by us under Section 20, Sub-Section 1, of the Company Act, "Deutsche Bank Aktiengesellschaft", Frankfurt am Main, and "Mercedes-Automobil-Holding Aktiengesellschaft", Frankfurt am Main, each own more than 25 % of our capital stock.

Retained earnings allocated under statute of DM 171 million remained unchanged from 1984.

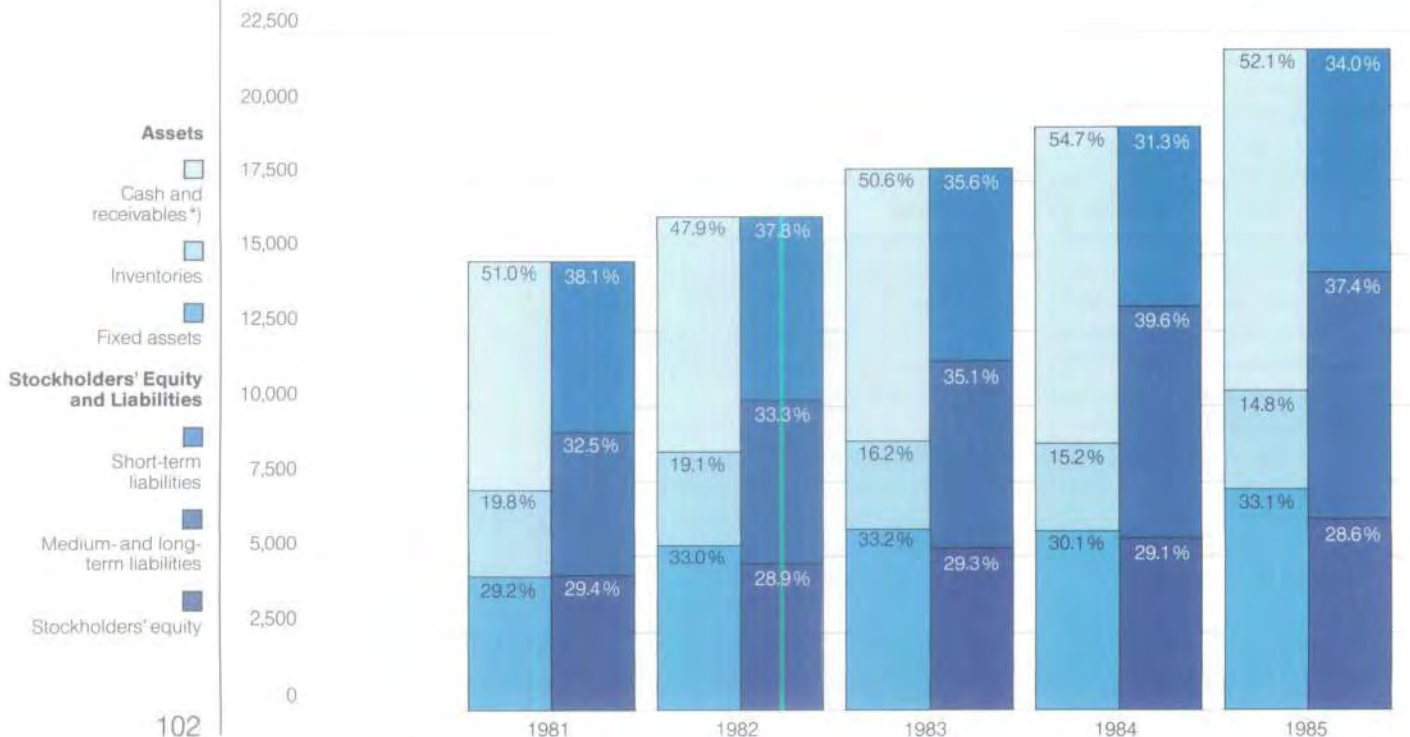
An amount of DM 9 million was transferred from retained earnings allocated for treasury stock to unappropriated surplus

because last year's inventory of treasury stock was completely sold to the employees. In connection with the treasury stock on hand at December 31, 1985, and as a result of purchases during 1985, DM 35 million was transferred from unallocated retained earnings to retained earnings allocated for treasury stock.

An amount of DM 626 million was allocated from net income to unallocated retained earnings.

**Balance Sheet
Structure
Daimler-Benz AG**

(in millions of DM)	1981	1982	1983	1984	1985
Balance Sheet Total *)	14,845	16,324	17,933	19,339	21,894
Assets					
Cash and receivables *)	7,561	7,824	9,078	10,578	11,396
Inventories	2,943	3,121	2,898	2,934	3,248
Fixed assets	4,341	5,379	5,957	5,827	7,250
Stockholders' Equity and Liabilities					
Short-term liabilities	5,655	6,173	6,387	6,060	7,454
Medium- and long-term liabilities	4,819	5,429	6,292	7,661	8,183
Stockholders' equity	4,371	4,722	5,254	5,618	6,257



*) Reduced by the lump-sum allowance for doubtful accounts.

Special Equity Reserve

Of the special equity reserve totaling DM 392 million, DM 266 million pertain to reserves allowed under Section 3, Sub-Section 1, of the Foreign Investment Act (losses from foreign subsidiaries), DM 95 million to reserves allowed under Section 1, Sub-Section 1, of the Income Tax Act for Developing Countries, DM 15 million to reserves for price increases allowed under Section 74 of the Income Tax Regulations and DM 14 million to the reserve allowed under Section 6b of the Income Tax Act.

Lump-Sum Allowance For Doubtful Accounts

The general credit risk at home and abroad has been considered on a country-specific scale of 4 % to 10 %. With risk structure nearly unchanged, the lump-sum allowance of doubtful accounts was reduced by DM 2 million to DM 148 million.

Provisions For Old-Age Pensions

The obligation for old-age pension benefits are actuarially determined on the basis of an actuarial interest rate of 3.5 % using the Entry Age Actuarial Cost Method. Provisions for old-age pensions increased DM 515 million to DM 5,734 million, after allowance for additions and pension payments.

Together with the assets of the Daimler-Benz Provident Fund GmbH of about DM 2.9 billion, the accumulated capital available for pension benefits to our employees amounted to DM 8.6 billion.

Provisions For Deferred Maintenance

For maintenance planned in the reporting year but not carried out, we have made a provision of DM 151 million.

Other Provisions

At DM 4,089 million, these provisions are about the same as last year. Primarily, they take into account our worldwide warranty obligations, legal and litigation risks and our obligations in the social benefit area (including liabilities for company pre-retirement arrangements). Additionally, they encompass obligations from outstanding tax assessments and possible losses inherent in pending business transactions.

Long-Term Liabilities

Long-term liabilities, with a maturity of at least four years, rose to DM 166 million, with new borrowings and repayments amounting to DM 34 million and DM 25 million, respectively. The new borrowings pertained mostly to low interest loans which are available under the Berlin Tax Incentive Laws. Scheduled repayments of principal will amount to DM 27 million in 1986.

Other Liabilities

The DM 1,090 million increase to DM 4,578 million is in connection with the considerable increase in business volume which has resulted in higher payables for goods and services and in higher other liabilities.

Contingent Liabilities

Discounted notes receivable totaled DM 18 million. Pledges given for domestic and foreign affiliated companies amounted to DM 380 million.

Existing payment guarantees of DM 12 million were given in favor of creditors in connection with the 1982 Ifr-bond issue of Daimler-Benz Finanz-Holding S.A., Luxemburg.

The obligation arising from stock subscriptions and guarantees given by cooperatives owned by subsidiaries amounted to DM 16 million.

We are jointly and severally liable for two non-incorporated companies which have profit and loss pooling agreements with controlling companies.

A minimum dividend guarantee was given to co-owners of a subsidiary, the amount of which is not ascertainable.

*

Under the assumption that the proposed dividend is ratified by the shareholders at the annual meeting, the remunerations of the members of the Board of Management amounted to DM 9,507,923. Disbursements to former members of the Board of Management or their survivors totaled DM 4,216,787. Disbursements to members of the Supervisory Board totaled DM 1,418,000.

STATEMENT OF INCOME

Total Revenue

The increase of total revenue by DM 5.4 billion to DM 37.5 billion was due to a rise in sales by DM 5.1 billion and to an increase in inventories by DM .3 billion.

Cost of Materials, etc.

Cost of raw materials, manufacturing supplies and of goods purchased for resale rose DM 2.8 billion to DM 18.7 billion. This was largely due to the increased car production along with higher-value options.

Excess Income Over Losses From Affiliated Companies

Because of a dividend payment by our North American Holding Company, net income from affiliated companies was noticeably higher:

Dividends Received

	1984 in millions of DM	1985 in millions of DM
Daimler-Benz of North America Holding Company, Inc., New York	-	118
Mercedes-Benz do Brasil S.A., São Bernardo do Campo	50	47
Maschinenfabrik Esslingen AG, Esslingen a.N.	8	8
Tata Engineering and Locomotive Company Ltd., Bombay	3	4
OTOMARSAN Otobüs ve Motorlu Araçlar Sanayii A.S., Istanbul	13	3
MTU Motoren- und Turbinen-Union Muenchen GmbH, Muenchen	-	3
Other companies	9	8
	+ 83	+ 191

Income Transferred from Affiliated Companies under Profit Pooling Agreements

MTU Motoren- und Turbinen-Union Muenchen GmbH, Muenchen	14	-
Other companies	5	6
	+ 19	+ 6

Losses Transferred from Affiliated Companies under Loss Pooling Agreements

	- 2	- 1
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Excess income	+ 100	+ 196
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Net Interest Income

Interest income of DM 709 million (last year DM 659 million) less interest expense of DM 47 million (last year DM 52 million) resulted in net interest income of DM 662 million (last year DM 607 million). In this item is expressed the favorable liquidity situation.

Income from Dissolution of Reserves

This income item decreased by DM 45 million to DM 394 million. A portion of the guarantee and litigation risks had to be valued at a lower amount; furthermore, the risks for possible losses in intercorporate investments and for losses inherent in pending business transactions were valued at a reduced amount.

Other Income

This summary item comprises above all - apart from extraordinary income items - profits from the sale of securities, allocations of administrative expenses and rental income; it decreased DM 31 million to DM 127 million.

Personnel Expense Including Old-Age Pension

With the increase in employment by 4,300 employees, wages, salaries and social security levies rose DM 1.1 billion to DM 9.7 billion. Higher union-negotiated wages and salaries also contributed to this trend, as did the increase in the taxable wage base for medical and social security contributions.

Expenses for old-age pension and support payments were reduced to DM .7 billion (last year DM 1.0 billion). Last year, additional provisions were made because of the introduction of Heubeck's updated actuarial tables and the reduction to 3.5 % of the actuarial interest rate used in calculating pension benefits.

Taxes on Income and on Net Assets

Taxes on income and on net assets rose DM 834 million to DM 2,957 million. This increase was partly due to the fact that the 1984 tax expense was influenced by the tax deductible provision for preretirement benefits.

Other Expenses

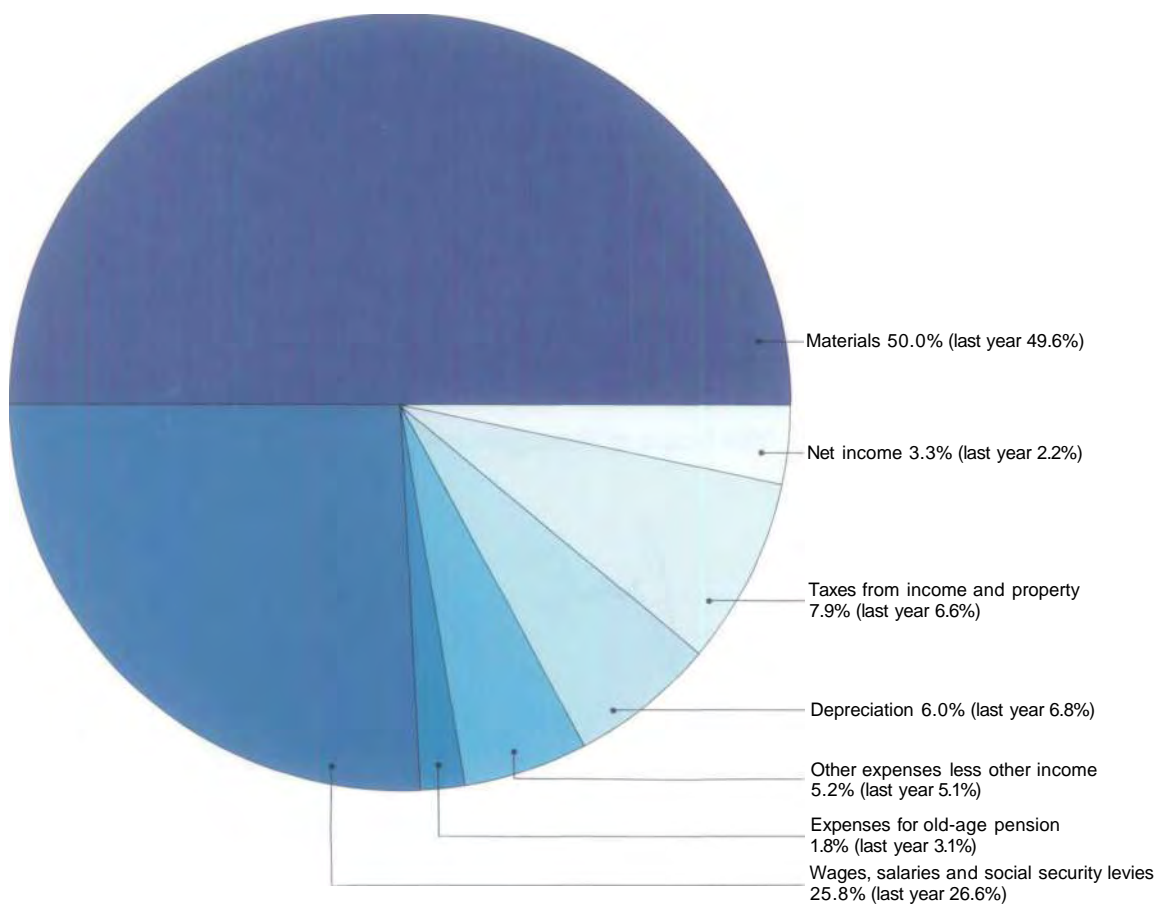
This summary expense item - which increased DM 386 million to DM 3,209 million - comprises above all, as heretofore, administrative and selling expenses including sales commissions, freight out, packaging, rental and lease expenses, and additions to provisions which, by law, must be classified here.

Net Income and Unappropriated Surplus

Net income for the year, amounting to DM 1,252 million (last year DM 711 million), includes no "inflationary profits" according to our computations.

Out of net income for the year, an amount of DM 626 million was transferred to unallocated retained earnings. The unappropriated surplus of DM 644 million, of which

DM 626 million are derived from net income and a further DM 18 million from last year's profit-carryforward and from retained earnings allocated for treasury stock, is to be distributed to the shareholders in the amount of DM 491 million. Furthermore, at the annual meeting, the shareholders will pass a resolution for the transfer of the remaining DM 153 million to unallocated retained earnings.



(in millions of DM)	1981	1982	1983	1984	1985
Total Output	29,461	31,410	32,139	32,092	37,450
Material expense	15,216	15,957	16,000	15,922	18,709
Wages, salaries and social security levies	7,572	8,108	8,468	8,548	9,674
Expenses for old-age pension	688	742	770	990	677
Other expenses less other income	1,568	1,361	1,488	1,620	1,941
Depreciation allowances	1,333	1,907	2,202	2,178	2,240
Taxes based on income and on net assets	2,476	2,648	2,501	2,123	2,957
Net income	608	687	710	711	1,252
of which: Additions to retained earnings	(304)	(337)	(355)	(355)	(626)
Dividends	(304)	(350)	(355)	(356)	(491)

Expense Structure Total Revenue Daimler-Benz AG

Proposal for the Allocation of Unappropriated Surplus

The annual financial statements, as of December 31, 1985, show an unappropriated surplus of DM 643,947,905.--.

It is proposed to the annual meeting of shareholders that the unappropriated surplus be applied as follows:

3 1/3%	dividend on the eligible preferred share capital of DM 1,921,500.--	DM	64,050.--
DM 12.--	dividend for each eligible common share of DM 50.-- par value	DM	406,557,576.--
DM 2.50	bonus for each eligible common share of DM 50.-- par value	DM	84,699,495.--
Dividend amount		DM	491,321,121.--
Transfer to unallocated retained earnings		DM	104,930,914.--
Additional expense after ratification of this proposal		DM	47,695,870.--
Unappropriated surplus		DM	643,947,905.--

Stuttgart-Untertuerkheim, March 27, 1986

The Board of Management

Reithmann für Finance
Werner Niefer Leiter Personal
Hörmig Assistent

In the Supervisory Board meetings of the past year, in numerous individual meetings, and by means of written and verbal reports, we have been informed in detail and have consulted with the Board of Management on the state of the corporation and on principal matters of corporate policy. In particular, these discussions centered on employment trends, results of operations and on medium- and long-range corporate plans including capital spending policy. Furthermore, we discussed important business transactions and made business decisions which by law or bylaws had to be submitted to us for approval.

We have examined the financial statements, the annual report, and the recommendations for the payment of dividends. The financial statements as of December 31, 1985, the annual report and the accounting principles used were verified by the Deutsche Treuhand-Gesellschaft AG, Wirtschaftspruefungsgesellschaft, Frankfurt am Main, and have been found to be in accordance with the books and with the pertinent legal requirements. The Supervisory Board has noted the result of the audit with approval.

The result of the examinations made by the Supervisory Board and the auditors has shown no cause for question. The Supervisory Board has reviewed the consolidated financial statements, the consolidated annual report and the report of the auditors. The financial statements of the corporation, as submitted by the Board of Management, are hereby ratified and approved, and we concur with the recommendations of the Board of Management regarding the application of the unappropriated surplus, the increase of the capital stock from internally generated funds, the renewed establishment of an "authorized share capital" and the changes in the bylaws.

Concurrent with the conclusion of the annual stockholder's

meeting on July 3, 1985, Dr. Wilfried Guth and Prof. Dr. Joachim Zahn resigned from the Supervisory Board. In their place, Dr. Klaus Mertin, Frankfurt am Main, member of the Board of Management of the Deutsche Bank, and Dr. Johannes Semler, Frankfurt am Main, member of the Board of Management of the Mercedes-Automobile-Holding AG, were newly elected to the Supervisory Board.

Dr. Guth had been a member of the Supervisory Board as its Chairman since 1976. He deserves great credit for his personal commitment to the company and his managerial foresightedness. We wish to thank Dr. Guth for his valuable contributions with which he has given substantial stimulations to the continued development of Daimler-Benz.

During his five year tenure on the Supervisory Board, Professor Zahn has made available to the company his profound knowledge and his abundant experience which he had gained as Chairman of the Board of Management of Daimler-Benz AG. We all owe him our deep gratitude.

In the Board meeting of April 30, 1986, Dipl.-Ing. Rudolf Hoernig, heretofore deputy member of the Board of Management, was made a full member as of that date.

Stuttgart-Untertuerkheim,
May 1986

The Supervisory Board



Chairman

Balance Sheet of Daimler-Benz AG as at December 31, 1985

ASSETS

	Balance Jan. 1, 1985	Additions	Transfers	Disposals	Depreciation allowances	Balance Dec. 31, 1985	1985 Dec. 31, 1985 in DM million
	DM	DM	DM	DM	DM	DM	DM
Fixed and Financial Assets							
Property, Plant and Equipment							
Land and equivalent titles							
with office, factory and other buildings	2,308,219,424	159,785,300	+ 43,961,315	20,657,701	210,132,483	2,281,175,855	1,069,920
with residential buildings	13,008,744	4,538,989	+ 391,733	2,118,150	1,094,592	14,726,724	1,000
without buildings	1,381,963	-	-	-	-	1,381,963	1,987
Buildings on land owned by others	24,806,107	2,652,868	+ 476,535	1,693,633	3,454,326	22,787,551	21,806
Machinery and plant	1,369,953,883	410,190,479	+ 198,002,977	12,300,646	914,646,817	1,051,199,876	1,469,454
Factory and office equipment	488,441,098	880,240,139	+ 53,108,050	7,649,735	972,075,974	442,063,578	1,684,411
Construction in progress and advance payments relating to buildings and plants	389,310,335	320,766,038	- 295,940,610	-	19,570,757	394,565,006	361,310
	4,595,121,554	1,778,173,813	-	44,419,865	2,120,974,949	4,207,900,553	4,836,127
Financial Assets							
Investments in subsidiaries and affiliated companies	1,052,209,633	1,941,215,758	-	15,900,017	109,826,067	2,867,699,307	1,052,210
Investments in long-term securities	174,943,940	10,873,162	-	6,230,267	7,494,845	172,091,990	1,745,641
Loans made for a term of at least four years of which secured by mortgage DM 645,345 (last year DM 807,185)	4,884,416	1,106,532	-	2,186,152	1,847,500	1,957,296	1,864
	1,232,037,989	1,953,195,452	-	24,316,436	119,168,412	3,041,748,593	1,057,380
	5,827,159,543	3,731,369,265	-	68,736,301	2,240,143,361	7,249,649,146	6,827,160
Current Assets							
Inventories							
Raw materials and manufacturing supplies						820,155,656	1,178,941
Work in process						829,192,562	1,028,200
Finished goods, and goods purchased for resale						1,068,681,703	810,481
Spare parts						530,006,490	671,820
						3,248,036,411	2,934,034
Other Current Assets							
Advance payments to suppliers other than for fixed assets						44,095,729	101,880
Receivables for goods sold and services rendered of which receivables maturing in more than one year		DM 30,978,260 (last year DM 30,361,909)				1,652,870,404	1,652,870
Notes receivable of which: from affiliated companies discountable at German Federal Reserve Bank maturing in more than one year		DM 711,352,279 (last year DM 640,581,196) DM 27,083,926 (last year DM 21,189,034) DM 67,747,993 (last year DM 9,899,656)				889,598,550	1,000,000
Checks						8,856	1,100
Cash on hand, in German Federal Reserve Bank and in post office checking accounts						3,118,356	1,100
Cash in banks						1,131,817,185	11,000,000
Temporary investments in securities						2,600,583,004	260,000,000
Treasury stock par value DM 2,783,100 (last year DM 1,513,250)						34,510,440	3,000
Receivables from affiliated companies						1,674,098,333	1,674,098
Receivables from members of the Board of Management etc. (Section 89 of the Company Act)						11,831,224	1,000
Other current assets						3,491,496,563	3,491,496
						11,534,028,644	10,722,584
Prepaid and Deferred Charges							
						9,804,739	4,356
Total Assets						22,041,518,940	19,489,134

STOCKHOLDERS' EQUITY AND LIABILITIES

		Balance Dec. 31, 1985	Balance Dec. 31, 1984
	DM	DM	DM
Basic Share Capital			
Common stock	33,935,460 votes	1,696,773,000	1,696,773,000
Preferred stock	38,430 votes	1,921,500	1,921,500
in special cases of Section 17 of the bylaws	1,152,900 votes		
		1,698,694,500	1,698,694,500
Retained Earnings, as Allocated			
Allocated under statute		170,557,916	170,557,916
Allocated for treasury stock			
Balance at beginning of period	8,928,175		
Transfer to net income	— 8,928,175		
Transfer from unallocated retained earnings	34,510,440	34,510,440	34,510,440
Unallocated			
Balance at beginning of period	3,604,578,005		
Transfer from net income	626,004,000		
Transfer to retained earnings allocated for treasury stock	— 34,510,440	4,196,071,565	4,196,071,565
		4,401,139,921	3,784,064,920
		391,612,987	338,394,920
Special Equity Reserves			
Reserves pursuant to Section 3 of the Foreign Investment Law, Section 1 of the Tax Act with respect to Developing Countries, Section 6b of the Income Tax Act, Section 74 of the Income Tax Regulations, Subsection 35 of the Income Tax Guidelines			
		147,500,000	149,700,000
Lump-Sum Allowance for Doubtful Accounts			
		147,500,000	149,700,000
Provisions			
Old-age pensions		5,733,849,439	5,719,870,000
Deferred maintenance		150,800,000	150,200,000
Other		4,088,824,800	4,188,788,000
		9,973,474,239	9,502,421,000
Liabilities With a Term of at Least Four Years			
Liabilities to banks		150,886,036	149,800,000
of which secured by mortgage	DM 150,886,036 (last year DM 145,009,178)		
Other liabilities		15,101,419	15,101,419
Due within four years	DM 93,341,619 (last year DM 84,955,430)		
		165,987,455	165,754,000
Liabilities to the Daimler-Benz Unterstuetzungskasse (Provident Fund) GmbH, Stuttgart			
		3,967,805	3,371,000
Other liabilities			
Accounts payable-trade		1,769,126,361	1,805,980,000
Notes payable		413,000	2,100,000
Bank loans		43,355,156	43,355,156
Advance payments received		207,872,968	178,821,000
Accounts payable to affiliated companies		79,845,875	82,821,000
Other liabilities		2,477,247,157	2,310,126,000
		4,577,860,517	4,487,979,000
Deferred Credits			
		37,333,611	3,194,000
Unappropriated Surplus			
		643,947,905	364,562,000
	1985	1984	
	DM	DM	
Contingent liabilities:			
Trade acceptances	17,866,781	17,307,239	
Guarantees	380,423,251	176,227,030	
Payment guarantees for the bonds of			
Daimler-Benz Finanz-Holding S. A., Luxemburg			
DM-bond	—	15,000,000	
Ifr-bond - Ifr 250,000,000	12,240,000	12,500,000	
Total Stockholders' Equity and Liabilities		22,041,518,940	19,489,134,000

Statement of Income of Daimler-Benz AG for the Year Ended December 31, 1985

	1985			
	DM	DM		
Sales	37,078,519,215			
Increase (last year, decrease) of work in process and finished goods inventories including spare parts	250,668,977	37,329,188,192		
Other capitalized in-house output		120,912,092		120,912,092
Total Output		37,450,100,284		37,450,100,284
Cost of raw materials and manufacturing supplies and of goods purchased for resale		18,709,206,966		18,709,206,966
Excess of Total Output Over Cost of Raw Materials etc.		18,740,893,318		18,740,893,318
Income transferred from affiliated companies under profit and loss pooling agreements	5,530,452			5,530,452
Income from investments in affiliated companies	191,303,330			191,303,330
Income from other financial investments	16,785,586			16,785,586
Other interest and similar income	709,051,505			709,051,505
Gain from disposal of fixed assets	31,322,364			31,322,364
Gain from reduction of lump-sum allowance for doubtful accounts	2,200,000			2,200,000
Gain from dissolution of provisions	394,424,490			394,424,490
Gain from dissolution of special equity reserves	81,138,963			81,138,963
Other income	127,227,623			127,227,623
of which extraordinary DM 36,282,823 (last year DM 54,812,227)		1,558,984,313		1,558,984,313
		20,299,877,631		20,299,877,631
Wages and salaries	8,344,241,190			8,344,241,190
Social security levies	1,329,526,429			1,329,526,429
Expenditures for old-age pension and support payments to dependents	677,335,011			677,335,011
Depreciation of fixed assets	2,120,974,949			2,120,974,949
Write-down of financial assets	119,168,412			119,168,412
Losses from reduction in value of or from sale of current assets, excluding inventories	83,428,232			83,428,232
Losses from disposal of fixed assets	16,794,733			16,794,733
Interest and similar charges	47,329,580			47,329,580
Taxes				
a) on income and on net assets	DM 2,972,039,423			2,972,039,423
of which payments for prior years which were covered by other provisions	DM 2,583,244			2,583,244
	DM 2,969,456,179			2,969,456,179
of which charged to controlled subsidiary companies	DM 12,320,468			12,320,468
	DM 2,957,135,711			2,957,135,711
b) other	DM 7,742,275	2,964,877,986		2,964,877,986
Losses transferred from affiliates under profit and loss pooling agreements	539,520			539,520
Additions to special equity reserves	134,358,091			134,358,091
Other expenses	3,209,295,198	19,047,869,331		19,047,869,331
Net Income		1,252,008,300		1,252,008,300
Profit carried forward from last year		9,015,430		9,015,430
		1,261,023,730		1,261,023,730
Withdrawal from "retained earnings allocated for treasury stock"		8,928,175		8,928,175
		1,269,951,905		1,269,951,905
Transfer from net income to "retained earnings allocated under statute"		626,004,000		626,004,000
Unappropriated Surplus		643,947,905		643,947,905

In 1985, pension payments to retirees and payments to the Daimler-Benz Provident Fund GmbH for current obligations amounted to DM 166,793,703. In the following five years, payments - not considering adjustment obligations pursuant to Section 16 of the Corporation Pension Law - will in all likelihood be made amounting to 106%, 106%, 115%, 116%, 124% of this amount.

Stuttgart-Untertuerkheim, March 27, 1986

Daimler-Benz Aktiengesellschaft
Board of Management

Breitschwerdt	Gentz	Hinrichs
Liener	Niefer	Reuter
Hoernig	Sanner	Ulsamer

The accounting, the annual financial statements and the management report, which we have examined with due care, comply with the law and the Company's bylaws.

Frankfurt (Main), April 16, 1986

Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftspruefungsgesellschaft

Dr. Mueller	Dr. Koschinsky
Wirtschaftspruefer	Wirtschaftspruefer
(independent auditors)	

Consolidated Financial Statements

Notes to Consolidated Financial Statements

COMPANIES INCLUDED IN CONSOLIDATION

The consolidated financial statements basically include all domestic and foreign subsidiaries in which Daimler-Benz AG (hereinafter referred to as DBAG) has a direct or indirect stock ownership of more than 50 %. The consolidated financial statements, as submitted, and including DBAG, comprise 34 (last year 18) domestic companies and 102 (last year 95) foreign companies (see page 119f.).

Additions during the year: After purchasing the remaining 50 % ownership interest in MTU Muenchen, the MTU Group (hereinafter referred to as MTU), with ten domestic and eight foreign companies, was included in consolidation. Through the acquisition of a majority interest in the Dornier Group (hereinafter referred to as Dornier), the number of companies included in consolidation was enlarged by seven domestic/foreign companies. The results of operations of both groups are included in consolidated financial statements from the date of acquisition. For the first time, moreover, a leasing/finance company in Switzerland, a retail operation in Spain, a finance company in Venezuela and two subsidiaries of Mercedes-Benz do Brasil were included in consolidation.

Deletions from consolidation: Autohaus Braun GmbH, Nuernberg, which had been in liquidation, has ceased to exist.

Freightliner Canada Industries Ltd., Vancouver, and Freightliner Financial Services, Ltd., Vancouver, were merged with Freightliner of Canada, Ltd., Vancouver.

Daimler-Benz Property Administration, Inc., Cleveland (DBPA) transferred its assets to Daimler-Benz Holding Company, Inc., New York. Concurrently, a subsidiary of DBPA was dissolved, and two more companies, which still only exist as a shell, were no longer consolidated. Mercedes-Benz France gave up one dealership.

As in previous years, we did not consolidate certain foreign companies that had no or only negligible business activities. These companies had no transactions which would have had a material effect on the corporation's consolidated financial statements. The following companies (Provident Funds), which are providing old-age pension benefits to our employees, were not included in consolidation because they are not considered subsidiaries under the law (Section 18, Sub-Section 1, Clause 1, of the Company Act), or, due to the insignificant amounts involved, would not have any material effect on the consolidated financial statements.

Daimler-Benz Unterstuetzungskasse GmbH, Stuttgart
Holzindustrie Bruchsal
Unterstuetzungskasse GmbH, Bruchsal

Bruehler Unterstuetzungsgesellschaft mbH der Wuerttembergischen Baumwoll-Spinnerei und -Weberei bei Esslingen a.N., Esslingen a.N.

MTU Muenchen Unterstuetzungskasse GmbH, Muenchen
Karl Maybach-Hilfe GmbH, Friedrichshafen

L'Orange Unterstuetzungskasse GmbH, Glatten

Dornier-Hilfe GmbH, Friedrichshafen.

PRINCIPLES OF CONSOLIDATION

Classification and Valuation

The individual domestic financial statements included in the consolidation were classified in compliance with the statutory requirements of the Company Act and were certified by our outside auditors. As in prior years, the individual foreign financial statements - which were prepared and certified in accordance with the laws of the respective countries - have, for consolidation purposes, been reclassified to conform to the presentation requirements of the Company Act and have been valued according to methods uniformly applied to all consolidated companies. This resulted in changes when compared to the national results.

Currency Translation

The accounts of our foreign subsidiaries are translated into D-marks on the basis of historical exchange rates for fixed assets at the time of acquisition, and at year-end exchange rates for current assets, borrowed capital and unappropriated surplus. Stockholders' equity in D-marks is the remaining difference between translated assets less translated liabilities and appropriated surplus.

Because of foreign exchange fluctuations of individual local currencies vis-a-vis the D-mark between balance sheet dates, changes in the D-mark net equity occur when its amount differs from the amount of fixed assets translated at historical exchange rates. Particularly as a result of the exchange rate drop

of the North and South American currencies, vis-a-vis the D-mark, we had negative translation differences at these companies where portions of current assets are also financed through equity capital. Positive translation differences result from balance sheets in which portions of fixed assets and intercompany investments are financed through outside borrowings. The net balance was a negative translation difference which was, as in prior years, charged to profit and loss; it thus neutralizes the inflationary profits, notably those of our South American companies.

Revenues and expenses are basically translated at average annual exchange rates (exception: historical rates for fixed asset depreciation charges, gains and losses from fixed asset disposals). Net income, additions to retained earnings and appropriated surplus, on the other hand, are converted and shown at the year-end rates. The resulting translation difference was also reflected in the income statement.

Capital Consolidation

Capital consolidation was affected according to the principle of "First Consolidation": the parent's acquisition costs are eliminated against the relevant share capital and retained earnings at acquisition. The differences resulting from the elimination are shown in the balance sheet as "Cost of Investments in Consolidated Subsidiaries in Excess of or Below Book Value at Acquisition".

Profits earned by foreign subsidiaries after date of acquisition plus the unappropriated surplus for 1985 - excluding minority interests - are added to retained earnings.

The result is that the unappropriated surplus of DM 644 million (last year DM 365 million) in the consolidated financial statements is identical to the unappropriated surplus of DBAG.

Other Eliminations

Intercompany receivables and payables of consolidated companies were eliminated; intercompany profits in fixed assets - 1985 for the first time also for leasing vehicles - and in inventories were likewise eliminated. Write-downs for the decline in asset values of subsidiaries and intercompany valuation adjustments and provisions were eliminated in consolidation. These income effecting elimination measures decreased "group retained earnings" in 1985.

The consolidated income statements are presented on a fully consolidated, detailed basis pursuant to Section 332 of the Company Act; i.e. intercompany sales and intercompany earnings were eliminated against the relevant cost of sales and expenses, respectively.

CONSOLIDATED BALANCE SHEET

Asset and Capital Structure

The Group's balance sheet total rose 25 % to DM 35.8 billion. The increase was largely caused by MTU's and Dornier's inclusion in consolidation. Despite the expansion of the company's basic business operations, 62 % (last year 68 %) of the Group's assets is accounted for by DBAG.

Fixed assets, including "cost of investments in excess of book value at acquisition", rose 24 % to DM 10.2 billion; they amounted to 29 % of total assets, unchanged from last year.

Stockholders' equity (capital stock, retained earnings, minority interests and 40 % of special equity reserves) increased to DM 9.8 billion (last year DM 8.5 billion) while its share of total capitalization amounted to 27 % (last year 30 %). The ratio of fixed assets to equity now amounts to 96 % (last year 104%).

Borrowed capital amounted to DM 25.8 billion (last year DM 19.9 billion). As in the previous year, about half pertained to provisions.

Assets

Property, Plant and Equipment

Property, plant and equipment rose DM 558 million to DM 8,095 million; additions of DM 4,014 million were contrasted with depreciation write-offs and disposals totaling DM 3,456 million. As in the previous year, capital investments in Germany accounted for two-thirds of the total, mainly accounted for by DBAG and the first-time inclusion of property, plant and equipment of MTU and Dornier. With respect to depreciation write-offs, domestic companies accounted for more than 75 %.

Investments in Affiliated Companies

The balance sheet caption investments in affiliated companies comprises stock ownership in companies not included in consolidation, notably ownership in AEG Aktiengesellschaft, Berlin und Frankfurt am Main (inclusion in consolidation starting in 1986), ownership in All-gemeine Verwaltungsgesellschaft fuer Industriebeteiligungen GmbH, Muenchen, and ownership in Fabrica de Auto-transportes Mexicana S.A. de C.V., Mexico.

Cost of Investments in Excess of Book Value at Acquisition

This amount represents the difference between the cost of investments in subsidiaries and their book value at the time of acquisition. Netting DM 777 million (last year DM 75 million) of excess purchase price over net assets and DM 115 million (last year DM 96 million) of purchase price below net assets resulted in a net debit of DM 662 million; last year there was a net credit of DM 21 million.

The debit amounts represented acquisition costs in excess of book value. These resulted from the purchase of goodwill and the differences between the depreciated replacement costs and the book value of assets at the time of acquisition. The credit amounts arose largely with the purchase of our South American subsidiaries in the 1950's when portions of the contractual capital stock increase were paid for with tangible fixed assets (particularly machinery and equipment).

The net debit balance thus arrived in 1985 was due to the first time inclusion in consolidation of MTU and Dornier.

Inventories

The increase in the Group's inventories by DM 1,867 million to DM 7,177 million was due to the enlargement of the number of companies included in consolidation. MTU and Dornier accounted for DM 1,730 million of this increase.

Receivables

Trade and notes receivables rose DM 703 million to DM 5,101 million. This increase was also due to the Group's enlargement by the new domestic companies.

Cash and Temporary Investments

Cash and temporary investments rose DM 1,123 to DM 7,430 million, particularly at DBAG and because of the inclusion of MTU and Dornier. The companies abroad, however, showed less of a liquidity. Further liquid funds, in the amount of DM 4,183 million, were invested in short- and medium-term debt instruments which, as in prior years, are shown under "other assets".

**Stockholders' Equity
and Liabilities**

**Capital Stock and Retained
Earnings**

The capital stock in the consolidated balance sheet, amounting to DM 1,699 million, is identical to the capital stock of DBAG.

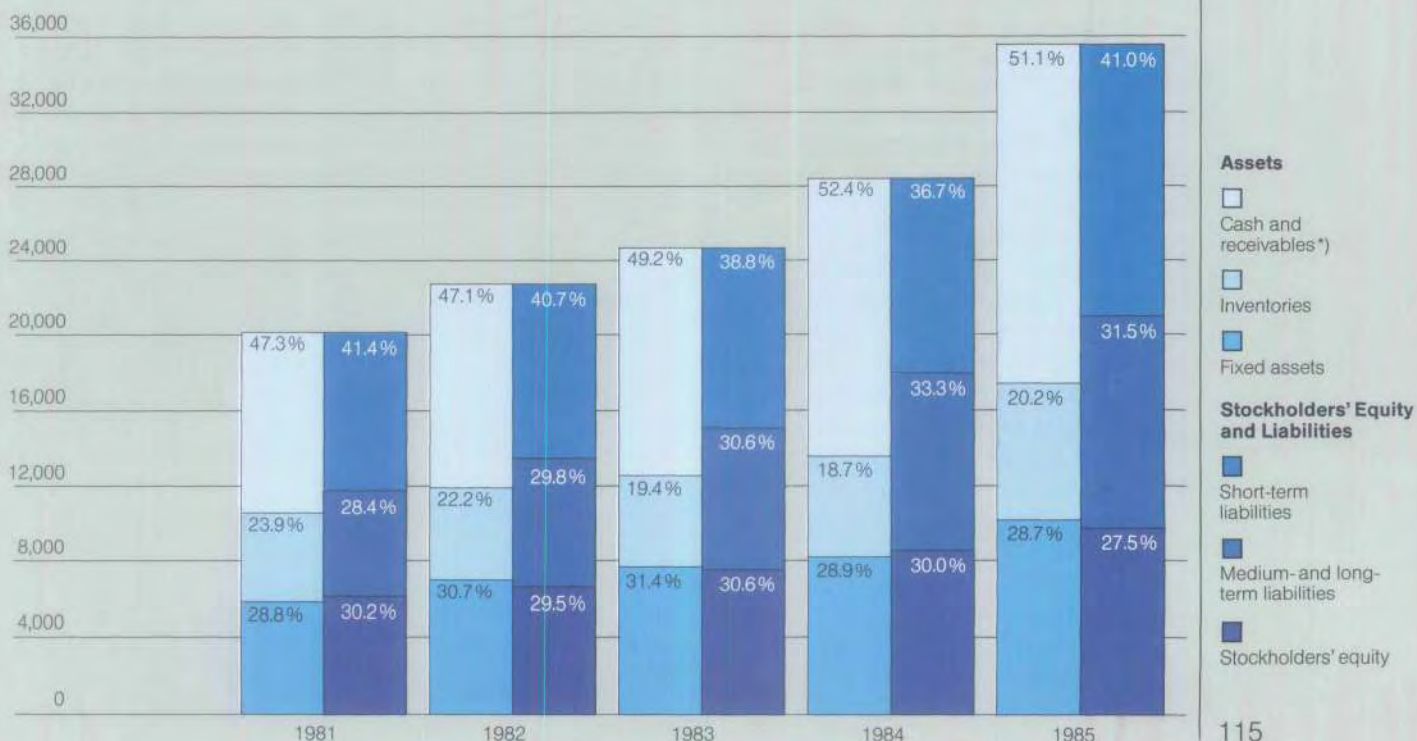
Paid-in-surplus at DM 10 million is unchanged from last year.

Consolidated retained earnings of DM 7,529 million (last year DM 6,494 million) of DBAG comprise the retained earnings of DBAG and proportionate retained earnings, unappropriated surplus or deficits earned or incurred by subsidiaries from the dates of their acquisition. Moreover, elimination amounts affecting income are debited or credited here.

**Minority Interest
in Subsidiaries**

This balance sheet caption comprises outside third-party ownership in the net equity and unappropriated surplus/deficit of consolidated companies. The increase in minority interest, by DM 188 million to DM 330 million, was mainly due to MTU with its subsidiaries and to Dornier; furthermore, to capital stock increases at Mercedes-Benz Espana and Mercedes-Benz of South Africa, respectively.

(in millions of DM)	1981	1982	1983	1984	1985
Balance Sheet Total *)	20,112	22,696	24,635	28,418	35,572
Assets					
Cash and receivables *)	9,504	10,698	12,114	14,880	18,186
Inventories	4,817	5,040	4,778	5,310	7,177
Fixed assets	5,791	6,958	7,743	8,228	10,209
Stockholders' Equity and Liabilities					
Short-term liabilities	8,327	9,225	9,554	10,431	14,598
Medium- and long-term liabilities	5,710	6,768	7,534	9,457	11,205
Stockholders' equity	6,075	6,703	7,547	8,530	9,769



**Balance Sheet
Structure
Daimler-Benz-
Group**

*) Reduced by the lump-sum allowance for doubtful accounts.

Special Equity Reserves

Special equity reserves totaling DM 502 million (last year DM 407 million) were set up pursuant to applicable national tax regulations. Of this amount, DM 392 million (last year DM 338 million) was accounted for by DBAG, the largest share, and DM 57 million by Mercedes-Benz France.

Lump-Sum Allowance for Doubtful Accounts

At DM 208 million, the lump-sum allowance for doubtful accounts remained unchanged from last year.

It covers the general credit risk at home and abroad and is computed at 3 % to 10 % of total receivables. The percentages are different from country to country.

Provisions

Provisions rose DM 2,323 million to DM 13,672 million. The increase ensued at DBAG, and as a result of the inclusion of MTU and Dornier. The pension provisions accounted for nearly half; 98 % of this pertained to domestic companies. Of the other provisions amounting to DM 7,160 million, DBAG set up 57 % and MTU and Dornier 22 %. At these manufacturing companies in Germany, provisions were set up for worldwide warranty obligations, for liability and litigation risks, and for possible losses inherent in pending business transactions. Moreover, this caption includes obligations in the social benefit area and obligations arising from outstanding tax assessments.

Long-Term Liabilities

Long-term liabilities rose DM 45 million to DM 939 million. They are attributable mostly to our North American, European and South African companies.

Other Liabilities

The sum total of other liabilities rose DM 3,123 million to DM 10,128 million. A significant factor in this rise was due to the increase in advance payment of DM 2,071 million. It was largely caused by the inclusion of MTL and Dornier where customers make advance payments for orders being completed over a longer period of time. The increase in other liabilities, by DM 799 million to DM 3,368 million, occurred mostly at DBAG.

*

Contingent Liabilities

The obligations from the endorsement and assignment of notes and trade receivables amounts to DM 124 million. Guarantees for the repayment of loans totaled DM 513 million, of which DM 414 million and DM 99 million pertained to the balance sheets of domestic companies and foreign companies, respectively. Guarantees which are similar to surety-type obligations have been given by one domestic subsidiary to foreign banks.

In addition to the obligations reported at DBAG, there existed liabilities in the amount of DM 18 million arising from stock subscriptions, from capital subscriptions in "Close Corporations" (Section 24 of the GmbH Act) and from guarantees of cooperatives owned by consolidated companies. Pledges totaling DM 63 million were made for liabilities of consolidated companies. One foreign subsidiary has given customary payment guarantees within the scope of its sales financing activities. At one domestic subsidiary, there existed a possible liability, the amount for which is not determinable, for the completion of contractual obligations in connection with a joint production program entered into with foreign business partners.

**CONSOLIDATED STATEMENT
OF INCOME**

Net Sales

Consolidated net sales rose 20.5 % to DM 52.4 billion. Included herein, for the first time, are the sales, totaling DM 3.2 billion, of MTU and Dornier from the time of acquisition; see details on page 11 ff.

Cost of Materials, etc.

The cost of materials, factory supplies and of goods purchased for resale rose to DM 27.2 billion (last year DM 22.7 billion), roughly in the same proportion as sales.

Net Interest Income

Interest income for the Group of DM 1,522 million (last year DM 1,534 million) is contrasted against interest expense of DM 505 million (last year DM 406 million); this resulted in lower net income, by DM 111 million to DM 1,017 million (last year DM 1,128 million). The decrease was due, above all, to increased interest expenses, notably at foreign manufacturing companies. As in the previous year, we offset the inflationary profits inherent in the interest income earned in the high inflation countries of Argentina and Brazil with the charges resulting from the currency translation of equity financed liquidity of our subsidiaries there. The largest portion of inflationary profits was thus eliminated from interest income.

Other Income

This summary caption rose to DM 868 million (last year DM 681 million); it includes, inter alia, profits from sales of securities, income from leases and, above all, exchange profits on day-to-day business and payment transactions originating abroad.

**Personnel (Expenses
Including
Old-Age Pension**

Wages, salaries and social security levies rose 22 % to DM 12.8 billion. Above all, the inclusion of MTU and Dornier with 24,742 employees takes effect here. The expenses for old-age pension declined DM 262 million to DM 863 million, largely at DBAG, as reported previously.

**Taxes on Income
and on Net Assets**

Taxes on income and on net assets rose DM 1,314 million to DM 4,341 million. Of this increase, DM 1,005 million applied to domestic companies, largely to DBAG. Taxes for foreign subsidiaries are computed in accordance with national tax laws.

Other Expenses

This summary caption rose DM 900 million, to DM 5,703 million. It encompasses mainly administrative and selling expenses including sales commissions, additions to provisions, freight out, packaging, rental and lease expenses and the remaining charges for currency translations other than the inflationary portion of interest which was netted in interest income.

Consolidated Net Income

Consolidated net income is made up as follows:

	1984 in millions of DM	1985 in millions of DM
Net income of DBAG	711	1,252
Less intercompany dividends, etc.	- 57	- 173
	654	1,079
Net income of foreign subsidiaries after elimination of intercompany dividends	402	573
Net income of domestic subsidiaries 1)	14	59
Other elimination measures	+ 34	- 29
Consolidated net income	1,104	1,682

1) Also included in this amount are earnings of MTU's and Dornier's foreign subsidiaries.

**CONSOLIDATED STATEMENT
OF CHANGES IN FINANCIAL
POSITION**

The changes in the financial position of the Daimler-Benz Group was characterized in 1985 by a continuing increase of net liquidity, despite the use of considerable cash resources in purchasing all the shares of MTU and portfolio investments in Dornier and AEG. The increase, by DM 2.2 billion to DM 10.6 billion, was the direct result of sources of funds being in excess funds applied.

The cash flow, which has been adjusted in each case for the December 31, 1984 balance sheet amounts of MTU and Dornier, exceeded additions to fixed assets and portfolio investments by DM 200 million. Excluding the portion of fixed assets, which were on hand at the new subsidiaries at the end of 1984 and which had been financed there already, the excess cash flow amounted to DM 800 million.

Within the financing and investment activities, "advance payments received" showed a particularly strong increase; it was derived from advance payments on longer-term orders at MTU and Dornier. Also, the increase in inventories was largely due to the first-time inclusion in consolidation of these two companies.

	In millions of DM	In millions of DM	In millions of DM
Sources of Funds			
From business activities			
Net income		+ 1,682	
Increase in lump-sum allowance for doubtful accounts and the equity portion in special equity reserves		+ 28	
Depreciation of fixed assets		+ 3,275	
Fixed asset disposals		+ 367	
Increase in pension provision		+ 496	
Increase in medium-term and long-term other provisions		+ 27	
Cash Flow¹⁾			+ 5,875
From external financing activities			
Increase in equity items		+ 186	
Increase in long-term liabilities		+ 82	
Increase of the borrowed capital portion in special equity reserves		+ 57	
Increases in other medium- and long-term liability items		+ 1,086	
Increase in short-term provisions		+ 713	
Increase in short-term liabilities		+ 1,215	
Increase in advance payments received		+ 2,071	
			+ 5,410
Application of Funds			
Purchase of property, plant and equipment		- 4,014	
Investments in affiliated companies (including excess of cost over net assets)		- 1,630	
Increase in inventories		- 1,867	
Increase in advance payments to suppliers		- 386	
Net increase in other current assets		- 861	
Dividend 1984		- 356	
			- 9,114
Changes in Net Liquidity			+ 2,171
Changes in Net Liquidity			
	12/31/84	12/31/85	Change
Cash	3,395	3,567	+ 172
Marketable securities	2,913	3,864	+ 951
Other liquidity	3,246	4,182	+ 936
Decrease in short-term liabilities to financial institutions	- 1,096	- 984	+ 112
	8,458	10,629	+ 2,171

¹⁾ Excluding the balance sheet amounts of MTU and Dornier at December 31, 1984.

Companies Included in Consolidation¹⁾

Daimler-Benz
Aktiengesellschaft, Stuttgart

Maschinenfabrik Esslingen AG,
Esslingen a N.

Motoren-und Aggregate-
wartung GmbH, Stuttgart

Porcher&Meffert GmbH,
Stuttgart

Daimler-Benz-Wohnungsbau
GmbH, Stuttgart

Mercedes-Leasing-GmbH,
Stuttgart

Daimler-Benz Project Consult
GmbH, Stuttgart

Holzindustrie Bruchsal GmbH,
Bruchsal

Industrie-und Handels-
beteiligungen GmbH, Stuttgart

Mercedes-EDV-Beratung
GmbH, Weinheim

Industriehandel Handels-und
Industrierausruestungs-
gesellschaft mbH, Stuttgart

Hanomag-Henschel GmbH,
Hannover

Daimler-Benz Grundstuecks-
gesellschaft Hamburg mbH,
Sitz Stuttgart

Daimler-Benz Grundstuecks-
gesellschaft Bremen mbH,
Sitz Stuttgart

Hans Braun GmbH, Nuernberg

Daimler-Benz Services GmbH,
Stuttgart

Mercedes-Versicherungsdienst
GmbH, Stuttgart

MTU Motoren-und Turbinen-
Union Muenchen GmbH,
Muenchen²⁾

MTU Motoren-und Turbinen-
Union Friedrichshafen GmbH,
Friedrichshafen²⁾

*MTU of North America, Inc.,
Sugar Land, Houston/USA.²⁾*

*MTU Singapore Pte. Ltd.,
Singapore²⁾³⁾*

*MTU Australia Pty. Ltd.,
Blacktown, Sydney/
Australia²⁾*

*MTU Motores Diesel Ltda.,
São Paulo/Brazil²⁾*

*MTU Argentina S. A, Buenos
Aires/Argentina²⁾*

Aktiengesellschaft Kuehnle,
Kopp & Kausch, Frankenthal²⁾

*FVG Frankenthaler
Versicherungsvermittlungs-
Gesellschaft mbH,
Frankenthal²⁾*

*Frankenthaler
Wohnungsbau-Gesellschaft
mbH, Frankenthal²⁾*

*KKK Limited, Welling-
borough/United Kingdom²⁾*

MTU Maintenance GmbH,
Langenhagen bei Hannover²⁾

UOrange GmbH, Stuttgart²⁾

MTU Informationssysteme
GmbH Beratung-Software-
Computerservice-Anlagen-
vermietung, Muenchen²⁾

Entwicklungsgesellschaft für
Turbomotoren mbH,
Muenchen²⁾

MTUVersicherungs-
vermittlungs- und Wirtschafts-
dienst-Gesellschaft mbH,
Muenchen²⁾

Rotor Holding GmbH,
Zuerich/Switzerland²⁾

Werkzeugbau Ges. m. b. H.,
Krems-Stein/Austria²⁾

Dornier GmbH, Friedrichshafen²⁾

Dornier System GmbH,
Friedrichshafen²⁾

Dornier Reparaturwerft
GmbH, Oberpfaffenhofen²⁾

Dornier International GmbH,
Muenchen/Oberpfaffen-
hofen²⁾

Dornier Medizintechnik
GmbH, Muenchen²⁾

*Dornier Medical Systems,
Inc., Atlanta/USA.²⁾*

Art & Media Werbeagentur
GmbH, Friedrichshafen²⁾

DIV Dornier Industrie
Versicherungsvermittlung
GmbH, Friedrichshafen²⁾

Mercedes-Benz do Brasil S. A.,
São Bernardo do Campo/Brazil

Sociedade Técnica de
Fundições Gerais S.A.,
São Paulo/Brazil

Starexport Trading S.A.,
São Paulo/Brazil²⁾

LOBEM-Empreendimentos
Comerciais Ltda., São Paulo/
Brazil²⁾

Mercedes-Benz Argentina S.A.,
Buenos Aires/Argentina

as well as one finance
company and one realty
company

1) Some subsidiaries were included in consolida-
tion on the basis of pre-consolidated statements.

2) 1985 additions to consolidation.

3) Name changed to MTU Asia Pte. Ltd., Singapore,
effective Jan. 1, 1986.

4) Formerly: subsidiary of Mercedes-Benz of
North America, Inc., Montvale/U.S.A.

5) Formerly: MEP-Products (Pty.) Ltd.,
Johannesburg/South Africa.

Mercedes-Benz Espana S.A., Madrid/Spain	Mercedes-Benz of South Africa (Pty.) Ltd., Pretoria/Republic of South Africa	Daimler-Benz (Australia) Pty. Ltd., Mulgrave/Australia
Comercial Mercedes-Benz S. A., Madrid/Spain	Car Distributors Assembly (Pty.) Ltd., East London/ Republic of South Africa	Mercedes-Benz (Australia) Pty. Ltd., Mulgrave/Australia
Automoviles Barcelona S.A., Barcelona/Spain ²⁾	Mercedes-Benz Exchange Unit Services (Pty.) Ltd., Johannesburg/Republic of South Africa ⁵⁾	<i>as well as one realty company and two retail companies</i>
<i>as well as one retail company</i>	<i>as well as eleven realty companies</i>	Mercedes-Benz Hellas S.A., Athens/Greece
Daimler-Benz of North America Holding Company, Inc., New York/U.S.A	P.T. Star Engines Indonesia, Jakarta/Indonesia	Daimler-Benz Holding AG, Zuerich/Switzerland
Freightliner Corporation, Portland/U.S.A	SOFI DELS. A., Rocquencourt/ France	Mercedes-Benz Nederland B.V, Utrecht/Netherlands
<i>Mercedes-Benz Truck Company Inc., Portland/ U.S.A.</i>	Mercedes-Benz France S. A., Rocquencourt/France	<i>as well as one retail company and one realty company</i>
<i>Consolidated Metco, Inc., Portland/U.S.A.</i>	<i>as well as eight retail companies and seven realty companies</i>	Mercedes-Benz (Schweiz) AG, Zuerich/Switzerland
<i>Freightliner of Canada, Ltd., Burnaby/Canada</i>	Mercedes-Benz (United Kingdom) Ltd., Milton Keynes/ United Kingdom	Mercedes-Benz (Schweiz) AG, Zuerich/Switzerland ²⁾
<i>as well as one finance company</i>	<i>as well as one realty company and four retail companies</i>	<i>as well as one realty company and four finance companies</i>
Mercedes-Benz of North America, Inc., Montvale/U.S.A.	Daimler-Benz Holding Belgium S. A./N.V, Brussels/Belgium	AGAM Financiering B.V, Utrecht/Netherlands
<i>as well as one service company, one realty company and two retail companies</i>	Mercedes-Benz Belgium S. A./N.V, Brussels/Belgium	<i>as well as one finance company and two service companies</i>
Mercedes-Benz Credit Corporation, Norwalk/U.S.A.	<i>as well as three retail companies</i>	Automercantil Venezolana S.A., Caracas/Venezuela ²⁾
<i>Mercedes-Benz Credit of Canada, Inc., Norwalk/U.S.A.</i>	Mercedes-Benz Finance Belgium S. A./N.V, Brussels/ Belgium	UBG-Beratungsgesellschaft mbH, Graz/Austria
Mercedes-Benz Canada, Inc., Toronto/Canada ⁴⁾	Mercedes-Benz Italia S. p. A., Rome/Italy	

1) Some subsidiaries were included in consolidation on the basis of pre-consolidated statements.

2) 1985 additions to consolidation.

3) Name changed to MTU Asia Pte. Ltd., Singapore, effective Jan. 1, 1986.

4) Formerly: subsidiary of Mercedes-Benz of North America, Inc., Montvale/U.S.A.

5) Formerly: MEP-Products (Pty.) Ltd., Johannesburg/South Africa.

**Comparison of
Balance Sheets
as of December
31, 1984 and 1985**
(abridged)

	Daimler-Benz-Group		Daimler-Benz AG	
	1984 in millions of DM	1985 in millions of DM	1984 in millions of DM	1985 in millions of DM
ASSETS				
Fixed and Financial Assets	8,228	10,209	5,827	7,250
Property, plant and equipment	7,537	8,095	4,595	4,208
Investment in affiliated companies	320	1,042	1,052	2,868
Other long-term financial assets	371	410	180	174
Cost of investment in excess of book value at acquisition	-	662	-	-
Current Assets	20,398	25,571	13,662	14,792
Inventories	5,310	7,177	2,934	3,248
Receivables	4,398	5,101	4,170	4,217
Cash and marketable securities	6,307	7,430	3,251	3,736
Other current assets	4,383	5,863	3,307	3,591
Total Assets	28,626	35,780	19,489	22,042
CAPITALIZATION				
Stockholders' Equity	8,530	9,769	5,618	6,257
Basic share capital (DBAG)	1,699	1,699	1,699	1,699
Retained earnings of consolidated companies and of DBAG	6,494	7,529	3,784	4,401
Paid-in surplus, cost of investments in consolidated companies below book value, minority interests	174	340	-	-
Special reserves with equity portion (40%)	163	201	135	157
Lump-Sum Allowance for Doubtful Accounts	208	208	150	148
Borrowed capital	19,888	25,803	13,721	15,637
Provisions	11,349	13,672	9,502	9,974
Long-term liabilities	894	939	157	166
Liabilities to Provident Funds	9	47	3	4
Other liabilities and deferred credits	7,271	10,501	3,694	4,849
Unappropriated surplus	365	644	365	644
Total Capitalisation	28,626	35,780	19,489	22,042

Consolidated Balance Sheet as at December 31, 1985

ASSETS

	Balance Jan. 1, 1985	Additions	Transfers	Disposals	Depreciation allowances	Balance Dec. 31, 1985	Balance Dec. 31, 1984 in thousands of DM
	DM	DM	DM	DM	DM	DM	
Fixed and Financial Assets							
Property, Plant, Equipment and Intangible Assets							
Land and equivalent titles							3,832,855
with office, factory and other buildings	3,532,655,106	520,252,491	+ 165,623,710	29,661,390	385,469,429	3,803,400,488	67,325
with residential buildings	67,325,246	12,538,933	+ 1,857,006	3,368,912	4,365,057	73,987,216	18,803
without buildings	18,802,504	22,857,018	- 1,538,517	112,519	-	40,008,486	71,119
Buildings on land owned by others	71,119,327	7,431,686	- 17,186,857	2,240,791	6,208,940	52,914,425	1,529,173
Machinery and plant	1,529,173,032	647,217,961	+ 224,002,445	13,979,168	1,042,208,461	1,344,205,809	1,793,977
Factory and office equipment	1,793,977,005	2,213,826,213	+ 108,218,193	153,959,533	1,782,368,528	2,179,693,350	
Construction in progress and advance payments							524,232
relating to buildings and plants	524,231,602	587,979,144	- 480,975,980	11,630,222	20,232,720	599,371,824	65
Franchises, trademarks, licenses and similar rights	65,000	1,402,496	-	-	412,650	1,054,846	7,537,349
	7,537,348,822	4,013,505,942	-	214,952,535	3,241,265,785	8,094,636,444	
Financial Assets							320,213
Investments in affiliated companies	320,212,831	828,840,286	-	96,907,955	9,666,829	1,042,478,333	225,457
Investments in long-term securities	225,457,240	13,638,319	-	13,459,597	21,641,878	203,994,084	
Loans made for a term of							145,307
at least four years	145,307,212	103,790,415	-	41,308,955	2,151,940	205,636,732	
of which secured by mortgage							
DM 122,033,546 (last year DM 101,910,109)	690,977,283	946,269,020	-	151,676,507	33,460,647	1,452,109,149	690,977
	8,228,326,105	4,959,774,962	-	366,629,042	3,274,726,432	9,546,745,593	8,228,326
Cost of investments in consolidated subsidiaries in excess of book value at acquisition						662,559,713	8,228,326
						10,209,305,306	
Current Assets							
							5,308,966
Inventories						7,177,283,443	
Other Current Assets							92,467
Advance payments to suppliers other than for fixed assets						478,826,590	4,091,323
Receivables for goods sold and services rendered						4,725,588,465	
of which receivables maturing in more than one year		DM 827,278,287 (last year DM 759,271,450)					306,438
Notes receivable						375,197,712	
of which from affiliated companies		DM - (last year DM 693,384)					
discountable at German Federal Reserve Bank		DM 27,348,737 (last year DM 21,189,034)					
notes maturing in more than one year		DM 116,768,208 (last year DM 9,899,656)					13,823
Checks						15,753,919	27,852
Cash on hand, in German Federal Reserve Bank and in post office checking accounts						32,273,901	3,352,662
Cash in banks						3,518,773,588	2,913,071
Temporary investments in securities						3,863,676,764	8,928
Treasury stock of the parent company		par value DM 2,783,100 (last year DM 1,513,250)				34,510,440	13,660
Receivables from members of the Board of Management (Section 89 of the Company Act)						15,041,964	-
Receivables from members of the Supervisory Board (Section 115 of the Company Act)						2,611,518	4,238,038
Other current assets						5,291,636,549	15,058,262
						18,353,891,410	28,964
Prepaid and Deferred Charges						39,961,789	28,625,518
Total Assets						35,780,441,948	

STOCKHOLDERS' EQUITY AND LIABILITIES

	Balance Dec. 31, 1985	Balance Dec. 31, 1984
	DM	in thousands of DM
Basic Share Capital of Daimler-Benz AG		
Common stock	33,935,460 votes	1,696,773,000
Preferred stock	38,430 votes	1,921,500
in special cases of Section 17 of the bylaws	1,152,900 votes	
	1,698,694,500	1,698,695
Surplus and Retained Earnings		
Paid-in surplus ¹⁾		9,996,909
Cost of investments in consolidated subsidiaries below book value at acquisition		-
Retained earnings ²⁾		7,529,151,456
		7,539,148,365
Minority Interests for Shares Held by Outsiders		
of which: share in profits	DM 19,331,219 (last year DM 39,593,039)	
share in losses	DM 71,756,809 (last year DM 80,777,884)	
		330,408,366
Special Equity Reserves		
Reserves pursuant to Section 3 of the Foreign Investment Law, Section 1 of the Tax Act with respect to Developing Countries, Section 6b of the Income Tax Act, Section 52 Subsection 5 of the Income Tax Act, Section 74 of the Income Tax Regulations, Subsection 34 of the Income Tax Guidelines, Subsection 35 of the Income Tax Guidelines and Belgian, French, Italian, Dutch and Austrian regulations		502,107,916
		407,117
Lump-Sum Allowance for Doubtful Accounts		
		207,871,137
Provisions		
Old-age pensions		6,339,315,247
Deferred maintenance		172,689,503
Other		7,159,565,596
		13,671,570,346
		11,348,914
Liabilities With a Term of at Least Four Years		
Bonds		23,072,322
Liabilities to banks		529,950,749
of which secured by mortgage	DM 257,205,692 (last year DM 168,526,735)	
Other liabilities		385,783,191
of which secured by mortgage	DM 92,367,273 (last year DM 123,904,203)	
Due within four years	DM 450,122,848 (last year DM 395,643,293)	
		938,806,262
		893,932
Liabilities to Provident Funds (parent and subsidiary companies)		
		47,046,966
		9,177
Other Liabilities		
Accounts payable-trade		2,975,291,881
Notes payable		417,767,532
Bank loans		984,142,844
Advance payments received		2,383,023,461
Liabilities to affiliated companies		153,184
Other liabilities		3,367,927,308
		10,128,306,210
		7,005,216
Deferred Credits		
		72,533,975
		22,155
Unappropriated Surplus		
	643,947,905	364,562
	1985	1984
	DM	DM
Contingent liabilities:		
Trade acceptances	123,297,262	221,342,120
Assignment of trade receivables	1,066,120	2,219,241
Payment guarantees	512,763,260	236,744,624
Product warranties	8,858,326	-
Non-estimative product warranties are explained in the Annual Report		
Total Stockholders' Equity and Liabilities		
	35,780,441,948	28,625,518

¹⁾ Corresponds to capital contributed for shares in excess of par value; it is included at DBAG in "retained earnings allocated under statute".

²⁾ Inclusive of "retained earnings allocated under statute" (without capital contributed for shares in excess of par value) of DM 160,561,007 (last year DM 160,561,007) and retained earnings allocated for treasury stock of DM 34,510,440 (last year DM 8,928,175) of DBAG.

Consolidated Statement of Income for the Year ended December 31, 1985

	1985		1984	
	DM	DM	in thousands of DM	in thousands of DM
Sales	52,408,917,292		43,505,391	
Increase of work in process and finished goods inventories including spare parts	952,866,061	53,361,783,353	99,933	43,605,324
Other capitalized in-house output	413,582,773		473,027	
Total Output	53,775,366,126		44,078,351	
Cost of raw materials and manufacturing supplies and of goods purchased for resale	27,244,671,348		22,706,782	
Excess of Total Output Over Cost of Raw Materials etc.	26,530,694,778		21,371,569	
Income transferred from affiliated companies under profit and loss pooling agreements	34,878		14,315	
Income from investments in unconsolidated companies	14,240,624		22,663	
Income from other financial investments	65,897,784		12,874	
Other interest and similar income	1,522,336,260		1,534,546	
Gain from disposal of fixed assets	61,651,090		41,234	
Gain from dissolution of provisions	585,524,598		508,005	
Gain from dissolution of special equity reserves	90,786,371		41,316	
Other income	867,645,167	3,208,116,772	681,440	2,856,393
of which extraordinary DM 84,640,406 (last year DM 79,758,796)	29,738,811,550		24,227,962	
Wages and salaries	10,982,582,414		8,977,413	
Social security levies	1,811,360,884		1,495,926	
Expenditures for old-age pension and support payments to dependents	863,270,884		1,125,126	
Depreciation of fixed assets and amortization of intangible assets	3,241,265,785		2,825,335	
Write-down of financial assets	33,460,647		2,829	
Amortization of cost of investments in consolidated subsidiaries in excess of book value at acquisition	424,003		24,978	
Losses from reduction in value of or from sale of current assets, excluding inventories and addition to lump-sum allowance for doubtful accounts	336,162,309		300,710	
Losses from disposal of fixed assets	34,422,463		11,083	
Interest and similar charges	504,841,513		408,307	
Taxes				
a) on income and on net assets	DM 4,343,484,227			
of which payments for prior years covered by other provisions	DM 2,583,244			
	DM 4,340,900,983			
b) other	DM 52,185,351	4,393,086,334	3,070,652	
Expenditures in connection with pooling of losses for a company not included in consolidation	419,198		130	
Additions to special equity reserves	152,456,299		80,822	
Other expenses	5,702,889,507	28,056,642,240	4,802,733	23,124,024
Net Income	1,682,169,310		1,103,938	
Prior year profit-carry-forward of Daimler-Benz AG	9,015,430		-	
Transfer from net income to retained earnings	1,099,662,425		780,561	
Income applicable to minority shareholders	19,331,219		39,593	
Losses applicable to minority shareholders	71,756,809		80,778	
Unappropriated Surplus	643,947,905		364,562	

The consolidated financial statements and the reports relating thereto, which we have examined with due care, comply with the statutory requirements.

Frankfurt (Main), April 16, 1986

Stuttgart-Untertuerkheim, March 27, 1986

**Daimler-Benz Aktiengesellschaft
Board of Management**

Breitschwerdt Gentz Hinrichs
Liener Niefer Reuter Ulsamer
Hoernig Sanner

**Deutsche Treuhand-Gesellschaft
Aktiengesellschaft**

Wirtschaftspruefungsgesellschaft
Schnicke Dr. Koschinsky
Wirtschaftspruefer Wirtschaftspruefer
(independent auditors)

Tables and Graphs

Daimler-Benz Highlights

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Number of Employees (at year-end)										
Daimler-Benz-Group	155,003	163,302	167,165	174,431	183,532	188,039	185,687	184,877	199,872	231,077
of which: Domestic	127,018	132,214	135,275	142,164	146,323	149,096	149,118	151,273	158,043	186,652
Foreign	27,985	31,088	31,890	32,267	37,209	38,943	36,569	33,604	41,829	44,425
Daimler-Benz AG	126,652	131,807	134,437	141,401	145,532	148,361	148,411	150,601	157,249	161,518
Main Office	5,194	5,458	5,762	6,144	6,628	7,191	7,217	7,192	7,415	7,628
Research and Development	7,271	7,756	8,225	8,744	9,419	9,762	9,961	9,953	10,114	10,442
of which: Untertuerkheim	5,699	6,094	6,442	6,860	7,463	7,735	7,848	7,842	7,959	8,238
Sindelfingen	1,210	1,292	1,423	1,513	1,573	1,632	1,723	1,724	1,766	1,816
Gaggenau	362	370	360	371	383	395	390	387	389	388
Plants	99,494	103,436	104,723	109,840	112,303	114,436	114,700	117,113	123,345	126,846
of which: Sindelfingen	32,022	33,067	33,135	35,038	35,621	36,721	36,971	37,488	39,534	41,806
Untertuerkheim	18,785	19,783	19,940	20,230	20,284	20,134	20,274	20,901	21,772	22,804
Bremen	4,293	4,727	5,994	6,571	6,515	6,309	6,567	7,884	10,254	10,716
Bad Homburg	715	736	767	814	855	881	882	864	893	953
Mannheim	12,901	13,383	13,584	14,053	14,619	14,521	14,243	14,152	14,494	14,043
Woerth	8,430	8,853	8,774	9,622	10,192	11,055	10,891	10,767	10,743	10,633
Gaggenau	8,246	8,326	8,500	8,806	8,971	9,312	9,432	9,352	9,293	9,011
Duesseldorf	4,572	4,664	4,621	4,954	5,118	5,058	5,151	5,488	6,404	6,718
Kassel	3,931	4,089	3,969	4,086	4,341	4,359	4,297	4,262	4,177	4,243
Berlin	2,895	3,065	3,054	3,191	3,252	3,473	3,435	3,442	3,302	3,294
Hamburg	2,184	2,265	2,385	2,475	2,535	2,613	2,557	2,513	2,479	2,625
Retail branches	14,693	15,157	15,727	16,673	17,182	16,972	16,533	16,343	16,375	16,602
Production (units)										
Cars	370,348	401,255	393,203	422,159	429,078	440,778	458,345	476,183	478,349	541,039
of which: Diesels	157,685	165,818	175,915	201,854	207,781	200,480	206,188	146,300	167,671	181,357
Share of total production in %	42.6	41.3	44.7	47.8	48.4	45.5	45.0	30.7	35.1	33.5
Commercial Vehicles *)	247,756	248,100	239,702	258,975	279,535	275,380	250,079	210,281	210,929	220,213
of which: domestic plants *)	193,204	187,298	173,101	188,772	203,041	196,076	187,044	157,418	143,101	143,387
plus kits	-	-	-	-	-	-	-	27,322	18,122	26,402
Cross-country vehicles	-	-	-	2,508	6,667	6,455	6,566	5,662	5,532	6,303
Foreign plants	54,552	60,802	66,601	67,695	69,827	72,849	56,469	47,201	62,296	70,523
Sales (in millions of DM)										
Daimler-Benz-Group	21,303	23,496	24,236	27,367	31,054	36,661	38,905	40,005	43,505	52,409
of which: Domestic	9,197	10,336	11,539	12,938	13,855	13,577	13,316	15,177	14,682	18,709
Foreign	12,106	13,160	12,697	14,429	17,199	23,084	25,589	24,828	28,823	33,700
Foreign share in %	56.8	56.0	52.4	52.7	55.4	63.0	65.8	62.1	66.3	64.3
of which: Cars	9,354	10,882	11,082	12,285	14,088	16,572	18,722	21,012	23,245	27,469
Commercial vehicles	11,056	11,662	12,109	13,984	15,818	18,862	18,859	17,653	18,367	19,582
Added group activities	-	-	-	-	-	-	-	-	-	3,204
Others	893	952	1,045	1,098	1,148	1,227	1,324	1,340	1,893	2,154
Daimler-Benz AG	18,353	20,012	20,584	23,454	26,472	29,084	31,124	32,179	31,972	37,079
of which: Domestic	9,169	10,321	11,522	12,987	13,845	13,579	13,300	15,311	14,591	17,220
Export	9,184	9,691	9,062	10,467	12,627	15,505	17,824	16,868	17,381	19,859
Export share in %	50.0	48.4	44.0	44.6	47.7	53.3	57.3	52.4	54.4	53.6
of which: Cars	8,848	10,363	10,622	11,775	13,136	14,396	16,121	18,133	19,298	23,862
Commercial vehicles	8,903	8,956	9,208	10,818	12,393	13,737	13,983	13,067	11,636	12,104
Others	602	693	754	861	943	951	1,020	979	1,038	1,113

Note: "Daimler-Benz-Group" comprises Daimler-Benz AG plus domestic and foreign companies, in which Daimler-Benz' direct or indirect investment is more than 50% and which are consolidated.

*) Kits destined for assembly abroad, from 1983 on no longer included in total production.

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
(in millions of DM)										
Major Balance Sheet and Income Figures Daimler-Benz AG										
Fixed assets, and financial assets	2,261	2,397	2,757	3,216	3,623	4,341	5,379	5,957	5,827	7,250
Current assets	5,745	6,882	7,344	7,933	9,415	10,708	11,110	12,133	13,662	14,792
Basic share capital	1,189	1,359	1,359	1,359	1,359	1,529	1,529	1,699	1,699	1,699
Retained earnings 1)	1,137	1,360	1,595	1,874	2,361	2,843	3,193	3,555	3,919	4,558
Stockholders' Equity	2,326	2,719	2,954	3,233	3,720	4,372	4,722	5,254	5,618	6,257
in % of fixed assets	102.9	113.4	107.2	100.5	102.7	100.7	87.8	88.2	96.4	86.3
Long- and medium-term liabilities 2)	2,059	2,454	2,771	3,131	4,210	4,819	5,429	6,292	7,661	8,183
Stockholders' Equity Plus Long- and Medium-Term Liabilities	4,385	5,173	5,725	6,364	7,930	9,191	10,151	11,546	13,279	14,440
in % of fixed assets	193.9	215.8	207.7	197.9	218.9	211.7	188.7	193.8	225.3	199.2
Balance Sheet Total	8,006	9,279	10,101	11,149	13,038	15,049	16,489	18,090	19,489	22,042
Investments in Property, Plant and Equipment	697	832	1,133	1,560	1,520	1,954	2,701	2,517	1,871	1,778
Intercorporate investments (net)	26	104	48	47	100	120	271	305	172	1,925
Depreciation Expense	785	726	804	1,094	1,189	1,259	1,823	2,093	2,081	2,121
Total Output	18,312	20,407	20,645	23,736	26,714	29,461	31,410	32,139	32,092	37,450
Total average annual output per employee (in DM)	147,177	157,133	161,659	172,430	185,231	200,958	212,916	216,895	209,624	232,808
Cost of raw materials etc.	9,080	10,278	10,055	11,748	13,462	15,216	15,957	16,000	15,922	18,709
Personnel Expenses	5,205	5,868	5,972	6,701	7,297³⁾	8,260	8,850	9,238	9,539	10,351
Average annual expense per employee (in DM)	41,833	45,183	46,765	48,679	50,596	56,343	59,991	62,344	62,308	64,347
Included in personnel expenses:										
Christmas and special remuneration	176	213	232	280	328	364	396	420	447	494
Formation of personal capital	73	73	77	79	102	105	108	120	106	112
Expenses for old-age pension	427	503	435	439	1,680 ⁴⁾	688	742	770	990	677
Total employee expenditures for special social purposes	676	789	744	798	2,110 ⁴⁾	1,157	1,246	1,310	1,543	1,283
Taxes on income, and on net assets	1,378	1,715	1,840	2,130	1,345 ⁴⁾	2,476	2,648	2,501	2,123	2,957
Net Income	392	445	474	540	570⁵⁾	608	687	710	711	1,252
in % of total output of Daimler-Benz AG	2.1	2.2	2.3	2.3	2.1	2.1	2.2	2.2	2.2	3.3
Dividends (paid or proposed)	225	228	243	270	297	304	350	355	356	491
in % of total output of Daimler-Benz AG	1.2	1.1	1.2	1.1	1.1	1.0	1.1	1.1	1.1	1.3
Dividend per share of DM 50 par value (in DM)	9.50	9.—	9.—	10.—	10.—+1.— ⁶⁾	10.—	10.50+1.— ⁶⁾	10.50	10.50	12.—+2.50 ⁶⁾
Tax credit per share of DM 50 par value (in DM) 7)	—	5.06	5.06	5.62	6.19	5.62	6.47	5.91	5.91	8.16
Dividend per share of DM 50 par value as adjusted (in DM) 8)	6.97	7.—	7.39	8.21	9.04	9.07	10.43	10.50	10.50	12.—+2.50
Tax credit per share of DM 50 par value as adjusted (in DM)	—	3.94	4.16	4.62	5.08	5.10	5.87	5.91	5.91	8.16

1) Inclusive of 40 % equity portion in special reserves.

2) Long- and medium-term provisions, long-term liabilities, and liabilities to Provident Funds.

3) Exclusive of extraordinary expense for old-age-pension in the amount of DM 1,408 million.

4) Restructuring of old-age pension with tax-deductible extraordinary addition to pension reserves.

5) Excluding dissolution of provision in the amount of DM 391 million. This amount was previously set up for underfunding in the Provident Fund.

6) Dividend and bonus.

7) For our stockholders who are liable for income taxes in the Federal Republic of Germany.

8) Allowing for capital stock increase (dividend retroactively adjusted).

Daimler-Benz Highlights

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
(in millions of DM)										
Major Balance Sheet and Income Figures of the Daimler-Benz-Group										
Fixed assets, and financial assets	2,261	2,873	3,298	3,846	4,480	5,791	6,958	7,743	8,228	10,209
Current assets	5,745	9,035	9,563	10,271	12,999	14,637	15,996	17,084	20,398	25,571
Basic share capital	1,189	1,359	1,359	1,359	1,359	1,529	1,529	1,699	1,699	1,699
Retained earnings	1,118	2,502	2,829	3,216	3,837	4,546	5,173	5,848	6,831	8,070
Stockholders' Equity	2,307	3,861	4,188	4,575	5,196	6,075	6,703	7,547	8,530	9,769
in % of fixed assets	102.0	134.4	127.0	119.0	116.0	104.9	96.3	97.5	103.7	95.7
Long- and medium-term liabilities ¹⁾	2,078	2,883	3,244	3,614	4,933	5,710	6,768	7,534	9,457	11,205
Stockholders' Equity Plus Long- and Medium-Term Liabilities	4,385	6,744	7,432	8,189	10,129	11,785	13,471	15,081	17,987	20,974
in % of fixed assets	193.9	234.7	225.3	212.9	226.1	203.5	193.6	194.8	218.6	205.5
Balance Sheet Total	8,006	11,908	12,861	14,117	17,479	20,428	22,954	24,827	28,626	35,780
Investments	908	1,140	1,498	1,969	2,140	3,114	3,626	3,567	3,592	5,643²⁾
in property, plant and equipment										
Domestic	740	892	1,239	1,718	1,663	2,233	3,004	3,047	2,166	2,753
Abroad	124	195	207	187	394	800	423	417	1,208	1,261
in financial assets	44	53	52	64	83	81	199	103	218	1,629 ²⁾
Depreciation Expense	917	918	1,013	1,342	1,447	1,688	2,273	2,574	2,828	3,275
of fixed assets										
Domestic	830	772	850	1,162	1,272	1,379	1,975	2,292	2,342	2,514
Abroad	68	129	151	151	162	254	290	275	483	728
Financial assets write-down	19	17	12	29	13	55	8	7	3	33
Total Output	18,312	23,922	24,550	28,148	32,127	37,553	39,730	40,527	44,078	53,775
Average annual output per employee (in DM)	145,882	148,967	147,844	163,609	176,116	197,949	211,526	219,808	225,572	235,648
Cost of raw materials, etc.	9,080	12,280	12,212	14,177	16,556	19,497	20,047	20,299	22,707	27,245
Personnel Expense	5,205	6,550	6,722	7,574	9,816	9,993	10,712	10,941	11,598	13,657
Average annual cost per employee (in DM)	41,466	40,787	40,479	44,025	53,809	52,677	57,030	59,344	59,355	59,846
Taxes on income and on net assets	1,392	1,927	2,101	2,378	1,693	3,091	3,310	3,263	3,027	4,341
Net income	392	587	593	638	1,102	826	921	988	1,104	1,682
in % of total output	2.1	2.5	2.4	2.3	3.4	2.2	2.3	2.4	2.5	3.1

Note: "Daimler-Benz-Group" comprises Daimler-Benz AG plus domestic and foreign companies, in which Daimler-Benz' direct or indirect investment is more than 50% and which are consolidated.

1976 figures are taken from the Daimler-Benz financial statements.

¹⁾ Long- and medium-term provisions, long-term liabilities to Provident Funds.

²⁾ Including cost of investments in excess of book value at acquisition.

Sales and Production

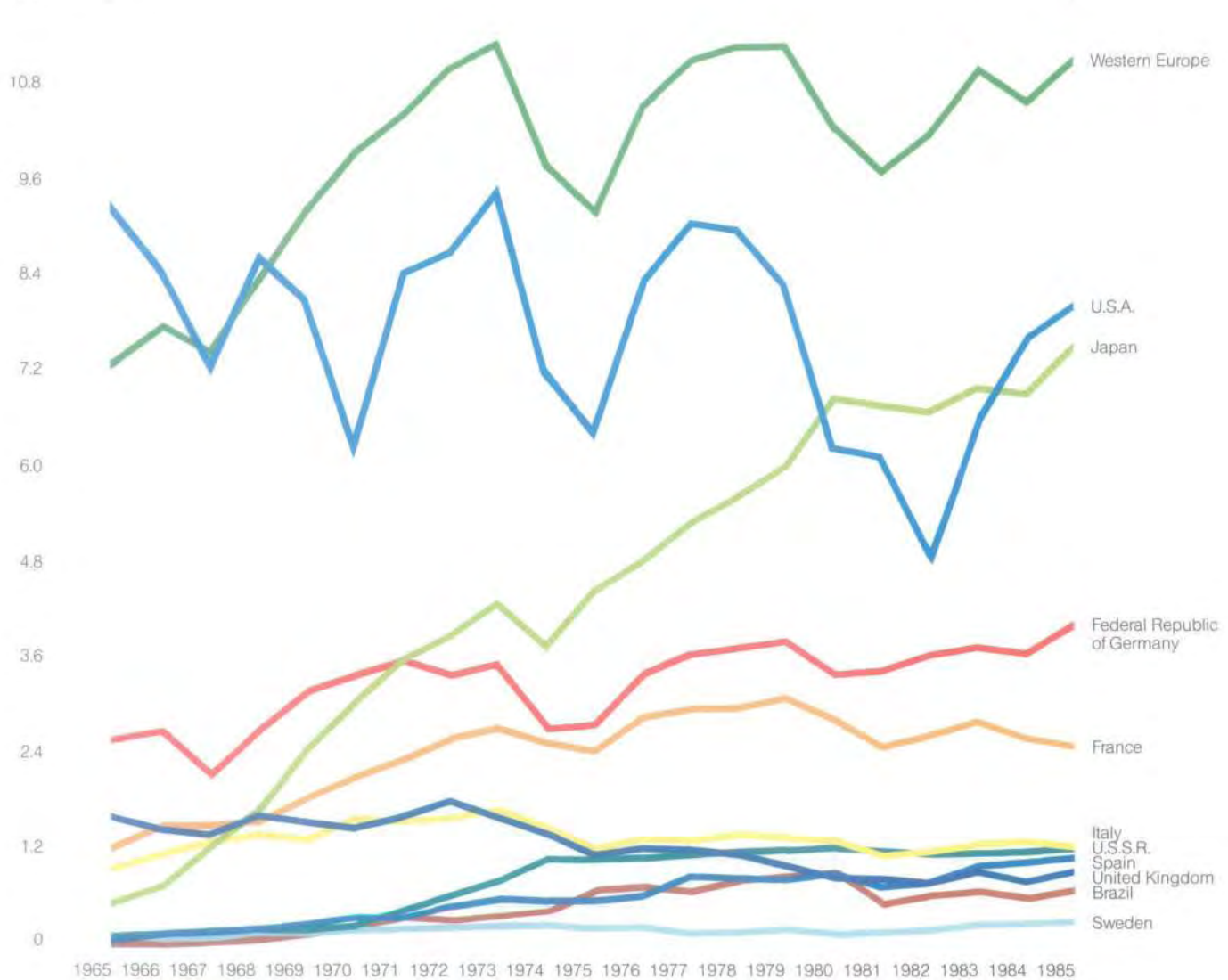
	in thousands of units										Change in % 85:84
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	
Cars											
New Car Registrations											
Federal Republic of Germany	2,312	2,561	2,664	2,623	2,426	2,330	2,156	2,427	2,394	2,379	- 0.6
of which: Domestic products	1,812	2,019	2,079	2,016	1,787	1,740	1,636	1,835	1,755	1,731	- 1.3
Daimler-Benz AG	197	214	214	234	241	239	225	237	225	266	+ 17.9
Foreign products	500	542	585	607	639	590	520	592	639	648	+ 1.4
Share in %	21.6	21.1	21.9	23.2	26.3	25.3	24.1	24.4	26.7	27.2	
Exports											
Federal Republic of Germany	1,837	1,939	1,904	1,997	1,873	1,949	2,194	2,189	2,333	2,568	+ 15.0
Daimler-Benz AG	170	185	177	183	188	200	226	238	251	278	+ 10.7
Production											
Federal Republic of Germany	3,547	3,791	3,890	3,933	3,521	3,578	3,761	3,878	3,790	4,167	+ 9.9
Daimler-Benz AG	370	401	393	422	429	441	458	476	478	541	+ 13.1
Export Share of Production in %											
Federal Republic of Germany	51.8	51.2	49.0	50.8	53.2	54.5	58.3	56.4	58.9	61.6	
Daimler-Benz AG	45.9	46.0	44.9	43.4	43.8	45.4	49.3	50.0	52.5	51.4	
Commercial Vehicles ¹⁾											
New Commercial Vehicle Registrations											
Federal Republic of Germany	137	138	156	170	176	149	124	144	130	134	+ 2.6
Daimler-Benz AG	69	69	80	88	86	69	58	66	58	60	+ 4.2
Exports ²⁾											
Federal Republic of Germany	206	189	169	178	211	204	204	166	156	178	+ 14.2
Daimler-Benz AG	125	110	93	97	116	122	126	92	82	80	- 2.8
Production ²⁾											
Federal Republic of Germany	321	314	296	317	358	319	301	277	255	279	+ 9.4
Daimler-Benz AG	193	187	173	189	203	196	187	157	143	143	+ 0.2
Daimler-Benz-Group	248	248	240	259	280	275	250	210	211	220	+ 4.4
Export Share of Production in % ²⁾											
Federal Republic of Germany	64.2	60.1	57.1	56.2	58.9	63.9	67.6	59.9	61.0	63.7	
Daimler-Benz AG	64.7	58.8	53.8	51.4	57.3	62.0	67.1	58.7	57.5	55.8	

¹⁾ Figures of Daimler-Benz are inclusive of Unimog vehicles and MB-trac.

²⁾ Kits destined for assembly abroad, from 1983 on, no longer included in total production.

Car Production of Leading Countries

(in millions of units)
12.0



Share of world production in %

1965	1970	1975	1980	1981	1982	1983	1984	1985
14.2	15.6	11.5	12.0	12.8	13.8	12.8	12.2	12.7
7.1	9.9	10.1	10.0	9.3	10.2	9.8	8.8	8.0
8.9	7.0	5.0	3.3	3.4	3.3	3.5	2.9	3.2
5.7	7.5	5.4	4.9	4.5	4.8	4.6	4.7	4.2
0.9	1.2	1.3	0.8	0.9	1.1	1.1	1.2	1.2
0.8	2.0	2.8	3.5	3.1	3.4	3.8	3.8	3.8
1.1	1.5	4.8	4.5	4.7	4.8	4.4	4.3	4.1
3.6	14.0	18.1	24.1	24.9	25.3	23.7	22.9	23.4
48.6	28.9	26.6	21.8	22.3	18.7	22.4	25.1	25.0
0.5	1.5	3.1	3.4	2.2	2.6	2.6	2.3	2.4

Export share of production in %

1965	1970	1975	1980	1981	1982	1983	1984	1985
51.9	55.2	50.8	53.2	54.5	58.3	56.4	58.9	61.6
37.0	52.6	53.5	52.1	53.4	52.7	54.5	56.4	58.5
36.4	43.3	40.7	37.5	36.6	35.3	26.2	24.1	22.9
28.2	37.0	49.0	35.4	33.7	33.7	35.2	33.4	32.4
48.5	65.5	68.7	80.2	81.0	79.0	79.5	85.3	76.6
.	8.2	22.1	47.8	50.6	53.4	56.1	60.8	64.0
.
14.5	22.8	40.0	56.1	56.6	54.8	53.2	56.3	57.9
2.2	5.5	9.5	8.8	8.1	7.0	7.9	7.6	8.1
.	.	7.3	12.3	26.8	17.9	17.2	18.8	16.7

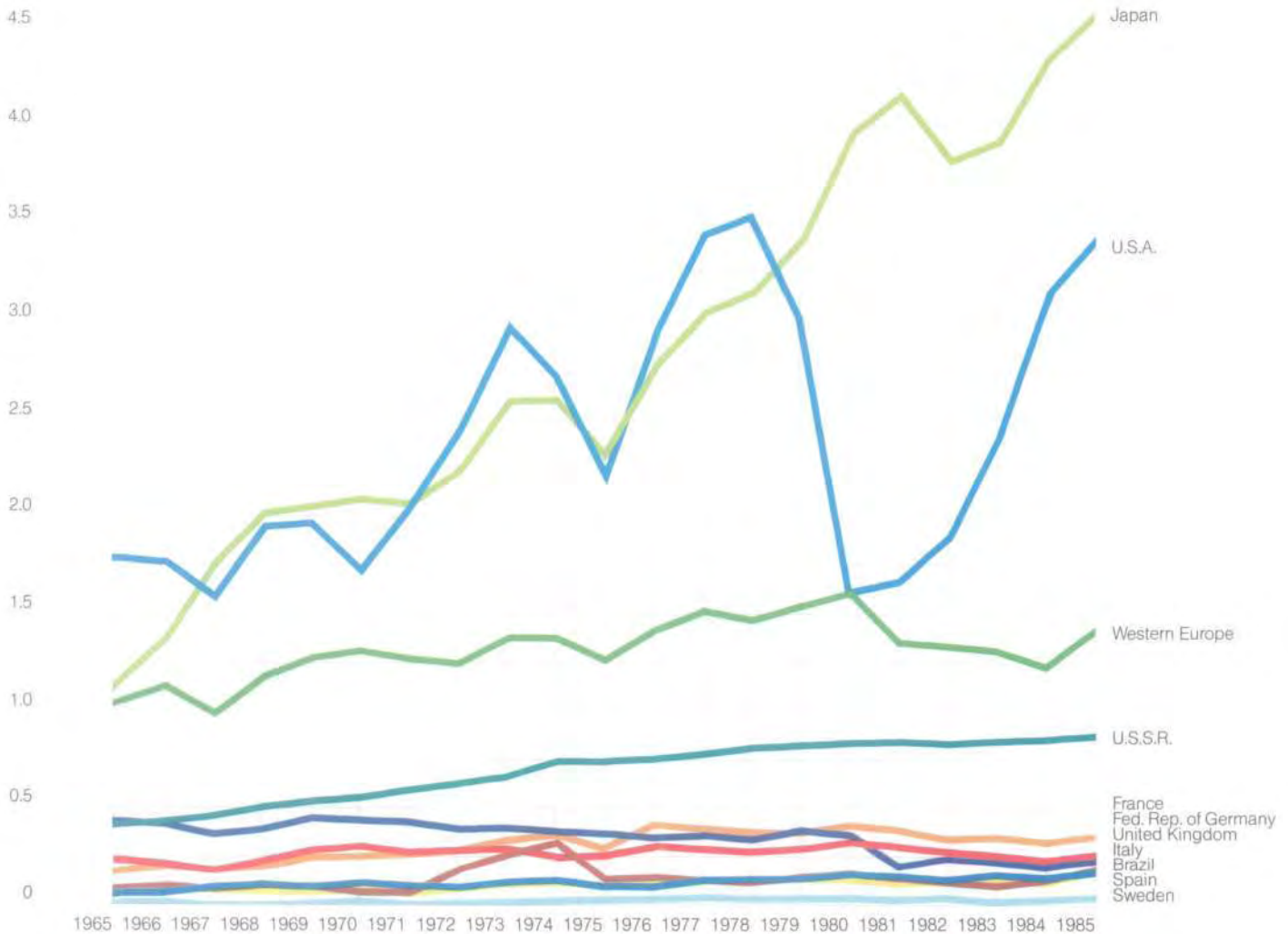
Car Industry of Leading Countries

	In thousands of units						Percentage changes as compared to prior year					
	1976	1981	1982	1983	1984	1985 *)	1976	1981	1982	1983	1984	1985 *)
Worldwide production	29,151	28,048	27,252	30,236	30,971	32,728	+16	-4	-3	+11	+2	+6
Federal Republic of Germany												
New car registrations	2,312	2,330	2,156	2,427	2,394	2,379	+10	-4	-8	+13	-1	-1
Imports	845	937	824	1,056	1,091	1,025	+11	-8	-12	+28	+3	-6
Exports	1,837	1,949	2,194	2,189	2,233	2,568	+25	+4	+13	-0	+2	+15
of which: to Europe	1,318	1,538	1,785	1,748	1,696	1,934	+38	+11	+16	-2	-3	+14
to U.S.A.	344	242	257	278	366	439	-8	-28	+6	+8	+32	+20
Production	3,547	3,578	3,761	3,878	3,790	4,167	+22	+2	+5	+3	-2	+10
France												
New car registrations	1,858	1,835	2,056	2,018	1,758	1,766	+25	-2	+12	-2	-13	+0
Imports	604	786	992	975	898	980	+51	+17	+26	-2	-8	+9
Exports	1,504	1,394	1,464	1,614	1,530	1,539	+10	-9	+5	+10	-5	+1
of which: to Europe	1,247	1,038	1,095	1,100	1,066	1,159	+12	-14	+6	+1	-3	+9
Production	2,980	2,612	2,777	2,961	2,713	2,632	+17	-11	+6	+7	-8	-3
United Kingdom												
New car registrations	1,288	1,487	1,557	1,794	1,751	1,832	+8	-2	+5	+15	-2	+5
Imports	534	805	934	1,076	1,020	1,080	+19	-7	+16	+15	-5	+6
Exports	496	310	313	274	219	240	-4	-14	+1	-13	-9	+10
of which: to Europe	185	134	140	111	99	140	+13	-6	+4	-20	-11	+40
Production	1,333	955	888	1,045	909	1,048	+5	-0	-7	+18	-13	+15
Italy												
New car registrations	1,188	1,808	1,851	1,452	1,592	1,750	+13	+18	+2	-22	+10	+10
Imports	487	865	853	639	758	840	+29	-5	+0	-25	+19	+11
Exports	696	424	437	492	481	450	+5	-17	+3	+12	-2	-6
of which: to Europe	536	346	383	449	433	408	+15	-10	+11	-17	-4	-6
Production	1,471	1,257	1,297	1,396	1,439	1,389	+9	-13	+3	+8	+3	-3
Sweden												
New car registrations	313	189	218	217	231	263	+10	-2	+16	-1	+6	+14
Imports	242	133	158	163	178	190	+18	-6	+19	-3	+9	+7
Exports	202	209	233	274	301	307	-7	+11	+11	+18	+10	+2
of which: to Europe	128	101	103	116	126	123	+20	+15	+2	+13	+8	-2
Production	317	258	295	345	373	401	+0	+10	+14	+17	+8	+7
Spain												
Exports	166	433	495	613	708	787	+15	-12	+14	+24	+15	+10
Production	753	855	928	1,142	1,177	1,230	+8	-17	+8	+23	+3	+5
U.S.S.R.												
Production	1,239	1,324	1,307	1,315	1,327	1,350	+3	-0	-1	+1	+1	+2
Japan												
New car registrations	2,449	2,867	3,038	3,136	3,095	3,104	-11	+0	+6	+3	-1	+0
Imports	40	32	35	37	44	52	-11	-31	+14	+6	+18	+18
Exports	2,539	3,947	3,770	3,806	3,981	4,427	+39	-0	-4	+1	+5	+11
of which: to Europe	633	946	896	1,037	1,037	1,086	+31	-6	-5	+16	-0	+5
to U.S.A.	1,081	1,814	1,741	1,772	1,939	2,317	+48	-4	-4	+2	+9	+20
Production	5,028	6,974	6,882	7,152	7,073	7,647	+10	-1	-1	+4	-1	+8
U.S.A.												
New car registrations	9,751	8,444	7,754	8,924	10,129	10,889	+18	-4	-8	+15	+14	+8
Imports	2,537	2,999	3,067	3,667	4,880	5,300	+22	-8	+2	+20	+33	+9
Exports	660	506	353	538	591	666	+3	-10	-30	+53	+10	+13
of which: to Europe	24	13	7	6	6	6	+21	-49	-47	-14	+8	±0
Production	8,498	6,253	5,074	6,781	7,773	8,185	+27	-2	-19	+34	+15	+5
Brazil												
New car registrations	699	448	557	610	533	603	+5	-44	+24	+10	-13	+13
Exports	61	157	121	133	152	130	+17	+36	-23	+10	+14	-14
Production	764	624	721	774	707	777	+6	-37	+16	+7	-9	+10

*) Some figures are partly estimated.

Commercial Vehicle Production of Leading Countries

(in millions of units)
5.0



Share of production in %

1965	1970	1975	1980	1981	1982	1983	1984	1985
4.9	4.9	3.6	3.8	3.4	3.3	2.8	2.3	2.3
3.8	4.0	4.0	4.6	4.3	4.0	3.8	3.1	3.2
9.2	7.1	4.9	4.1	2.4	2.9	2.5	2.0	2.2
1.4	2.1	1.4	1.7	1.9	1.7	1.8	1.4	1.5
0.5	0.5	0.6	0.7	0.6	0.6	0.5	0.5	0.5
1.5	1.4	1.5	1.6	1.4	1.5	1.5	1.2	1.5
8.4	8.9	9.8	9.2	9.2	9.4	8.9	7.9	7.4
23.8	32.7	30.4	42.0	44.2	41.8	40.3	39.0	38.1
36.4	26.8	29.1	17.2	17.8	20.8	24.8	28.1	28.5
1.7	1.3	1.9	1.9	1.6	1.5	1.2	1.4	1.6

Export share of production in %

1965	1970	1975	1980	1981	1982	1983	1984	1985
44.5	50.1	63.8	58.9	63.9	67.6	59.9	61.0	63.7
22.7	37.6	43.4	40.5	38.6	37.6	38.1	42.1	42.0
36.5	37.7	47.2	31.3	40.0	33.8	37.5	34.0	19.6
26.8	28.9	44.7	48.7	51.7	58.2	60.9	63.6	63.1
55.9	72.3	79.2	84.1	88.3	96.2	88.0	93.6	89.5
.	11.3	14.5	29.8	30.4	33.7	25.0	31.5	41.2
.
7.9	17.1	35.8	50.4	50.0	47.3	47.1	48.5	49.8
7.5	7.3	11.9	12.4	11.1	6.7	6.3	6.0	6.7
.	.	13.3	22.8	35.5	38.0	29.3	28.2	21.1



Commercial Vehicle Industry of Leading Countries

	In thousands of units						Percentage changes as compared to prior year					
	1976	1981	1982	1983	1984	1985 ¹⁾	1976	1981	1982	1983	1984	1985 ¹⁾
Worldwide production	9,264	9,513	9,204	9,838	11,267	12,133	+ 19	- 0	- 3	+ 7	+15	+ 8
Federal Republic of Germany²⁾												
New car registrations	137	149	124	144	130	134	+ 26	- 15	-17	+17	-10	+ 3
Imports	26	45	36	49	48	55	+ 17	- 0	-21	+33	- 2	+15
Exports	206	204	204	166	156	178	+ 16	- 3	- 0	-19	- 6	+14
of which: to Europe	108	102	113	119	121	150	+ 39	- 22	+11	+ 5	+ 2	+25
Production	321	319	301	277	255	279	+ 15	- 11	- 6	- 8	- 8	+ 9
France												
New car registrations	293	334	363	346	316	342	+ 42	+ 4	+ 8	- 5	- 9	+ 8
Imports	92	116	127	132	122	175	+129	+ 1	+ 9	+ 4	- 8	+43
Exports	144	157	140	143	147	161	+ 5	- 12	-11	+ 2	+ 3	+10
of which: to Europe	69	70	70	79	83	106	+ 32	- 21	- 1	+13	+ 5	+27
Production	423	408	372	375	349	384	+ 34	- 7	- 9	+ 1	- 7	+10
United Kingdom												
New car registrations	215	218	231	268	269	287	- 5	- 20	+ 6	+16	+ 0	+ 7
Imports	27	47	71	97	103	105	+ 7	- 37	+53	+37	+ 6	+ 2
Exports	188	90	91	92	77	52	+ 5	- 26	+ 1	+ 1	-17	-33
of which: to Europe	84	60	40	32	28	30	+ 41	- 14	-33	-20	-13	+ 7
Production	372	230	269	245	225	263	- 2	- 41	+17	- 9	- 8	+17
Italy												
New car registrations	95	140	152	112	122	123	+ 30	+ 15	+ 9	-26	+ 9	+ 1
Imports	55	75	61	49	61	74	+ 71	+ 6	-20	-20	+24	+21
Exports	49	91	91	109	103	116	- 1	+ 13	- 1	+21	- 6	+13
of which: to Europe	34	71	79	96	90	101	+ 50	+ 10	+12	+21	- 5	+12
Production	119	176	156	180	162	184	+ 8	+ 7	-12	+16	-10	+ 4
Sweden												
New car registrations	19	19	19	18	20	23	+ 14	- 4	- 0	- 4	+12	+13
Imports	20	15	15	16	17	19	+ 24	- 43	+ 6	+ 1	+ 6	+12
Exports	42	49	52	46	55	47	+ 6	- 8	+ 7	-12	+21	- 5
of which: to Europe	24	26	30	30	34	35	+ 8	- 23	+18	+ 0	+13	+ 5
Production	51	55	54	52	59	60	+ 0	- 12	- 3	- 4	+14	+ 2
Spain												
Exports	10	40	48	37	42	77	- 29	- 12	+19	-21	+14	+86
Production	113	132	142	147	132	188	- 4	- 14	+ 7	+ 4	-10	+42
U.S.S.R.												
Production	786	873	866	880	885	900	+ 3	+ 0	- 1	+ 2	+ 1	+ 2
Japan												
New car registrations	1,655	2,260	2,223	2,247	2,341	2,453	+ 5	+ 5	- 2	+ 2	+ 4	+ 5
Imports	1	1	1	1	1	1	- 8	- 9	-45	-53	+ 6	- 0
Exports	1,171	2,102	1,820	1,863	2,129	2,304	+ 38	+ 4	-13	+ 2	+14	+ 8
of which: to Europe	72	236	214	224	220	266	+ 59	+ 9	- 9	+ 5	- 2	+21
Production	2,814	4,206	3,850	3,960	4,392	4,624	+ 19	+ 5	- 8	+ 3	+11	+ 5
U.S.A.												
New car registrations	3,058	2,185	2,430	2,977	4,047	4,500	+ 28	- 12	+11	+22	+36	+11
Imports	164	739	699	785	1,025	1,275	+ 32	+115	+ 5	+12	+31	+24
Exports	245	187	127	154	191	231	- 9	- 8	-32	+21	+24	+21
of which: to Europe	7	7	5	3	2	2	- 4	- 22	-27	-42	+33	+ 0
Production	3,000	1,687	1,910	2,441	3,161	3,463	+ 32	+ 3	+13	+28	+30	+10
Brazil												
New car registrations	196	132	135	119	143	160	+ 2	- 29	+ 2	-12	+21	+12
Exports	19	55	53	36	44	40	- 7	+ 33	- 5	-32	+24	-10
Production	216	156	139	122	158	190	+ 2	- 14	-11	-12	+29	+20

Note: Comparability is limited because of strongly varying definitions of "commercial vehicles" from country to country, and the differing structure of model offerings.

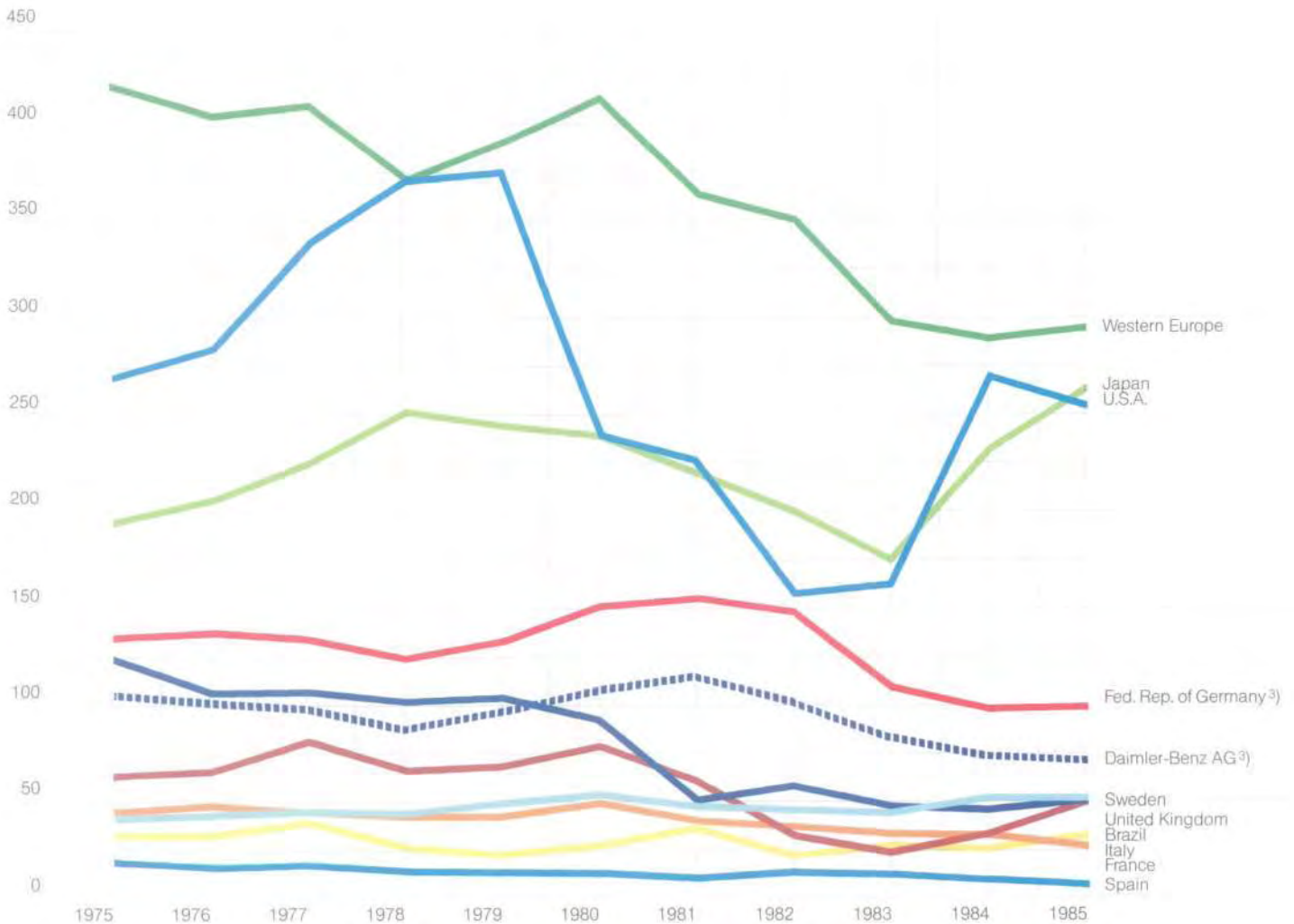
¹⁾ Some figures are partly estimated.

²⁾ Kits destined for assembly abroad, from 1983 on, no longer included in total production.

Truck Production of Leading Countries

(over 6 tons gross vehicle weight)

(in thousands of units)
500



Share of production¹⁾ in %

1981	1982	1983	1984	1985
37.1	42.4	40.6	32.1	31.1
23.0	18.9	22.6	29.8	26.9
22.4	24.2	24.9	25.6	27.8
15.9	18.0	15.0	11.0	10.5
11.7	13.6	11.4	8.3	7.6
6.3	4.1	3.5	3.9	5.4
3.1	2.2	1.8	2.1	2.2
5.2	7.1	6.6	5.3	5.5
5.0	5.8	6.3	5.9	5.6
4.2	4.6	4.8	3.8	3.0
3.8	2.9	4.0	3.1	3.6
1.1	1.8	1.9	1.3	1.0

Export share of production in %

1981	1982	1983	1984	1985
.
12.7	6.9	2.5	1.2	1.0
46.8	39.6	38.2	35.5	45.0
69.4	72.5	59.6	59.8	55.7
70.5	74.4	64.6	60.9	55.1
.
21.0	15.2	14.6	31.5	18.7
62.8	54.0	41.6	33.5	28.3
88.8	96.5	89.1	94.7	92.2
56.6	49.0	48.2	53.0	50.4
60.2	62.6	66.0	60.6	61.3
22.5	33.4	35.5	29.2	14.1

1) Countries included: Western Europe, U.S.A., Japan, Argentina, Brazil, Mexico, India.

2) Mercedes-Benz do Brasil.

3) Kits destined for assembly abroad, from 1983 on, no longer included in total production.

Truck Industry of Leading Countries

(over 6 tons gross vehicle weight)

	In thousands of units						Percentage changes as compared to prior year					
	1976	1981	1982	1983	1984	1985 ¹⁾	1976	1981	1982	1983	1984	1985 ¹⁾
Western Europe												
Production	408	367	355	301	293	298	- 4	-12	- 3	-15	- 3	+ 2
Federal Republic of Germany²⁾												
New car registrations	53	48	39	47	43	45	+22	-24	-18	+26	- 7	+ 3
Exports	94	109	109	66	60	56	+ 6	+18	+ 0	-27	- 9	- 6
Production	139	158	151	111	101	101	+ 2	+ 3	- 4	-16	-10	+ 1
of which: Daimler-Benz AG	102	116	114	85	76	73	- 4	+ 6	- 2	-12	-11	- 4
France												
New car registrations	43	37	38	39	40	34	+47	- 6	+ 4	+ 1	+ 3	-15
Exports	21	23	19	17	18	15	-17	-16	-19	-10	+ 7	-20
Production	49	41	39	35	34	29	+ 7	-18	- 7	- 9	- 3	-16
United Kingdom												
New car registrations	50	40	40	45	49	51	+ 1	-26	+ 1	+12	+ 7	+ 5
Exports	67	33	32	21	16	15	-18	-29	- 1	-34	-22	- 6
Production ³⁾	108	52	60	49	48	52	-14	-45	+15	-18	- 3	+ 9
Italy												
New car registrations	20	29	19	17	17	18	+15	+14	-35	-11	+ 1	+10
Exports	20	23	15	19	19	19	+13	+13	-33	+27	- 3	± 0
Production	34	38	24	30	28	34	+ 3	+32	-36	+23	- 6	+22
Sweden												
New car registrations	7	5	5	5	5	6	+ 8	-17	-15	+ 5	+ 1	+17
Exports	37	44	47	42	51	49	+ 8	- 6	+ 7	-11	+22	- 4
Production	43	49	48	47	54	54	+ 2	-11	- 2	- 4	+15	+ 1
Spain												
Exports	.	3	5	5	3	1	.	-21	+92	- 0	-34	-57
Production	18	11	15	14	12	10	-13	-21	+29	- 6	-16	-16
Japan												
Exports	69	104	80	71	83	110	+ 7	+17	-23	-12	+18	+32
Production	207	222	203	185	234	266	+ 6	- 8	- 9	- 9	+27	+14
U.S.A.												
New car registrations	275	215	173	177	255	284	- 0	-17	-20	+ 2	+44	+11
Exports ⁴⁾	50	32	12	4	3	3	-11	+33	-62	-63	-23	± 0
Production	285	227	158	168	272	258	+ 5	- 6	-30	+ 6	+62	- 5
Brazil												
New car registrations	76	54	41	34	42	55	+ 7	-32	-25	-16	+23	+30
Production	68	62	34	26	36	52	+ 5	-22	-45	-24	+37	+44
of which: Mercedes-Benz do Brasil	32	31	19	14	19	21	+10	-20	-39	-28	+37	+14

1) Some figures are estimated.

2) Kits destined for assembly abroad, from 1983 on, no longer included in total production.

3) 7 tons and above.

4) 6.35 tons and above (factory sales) including Canada.

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