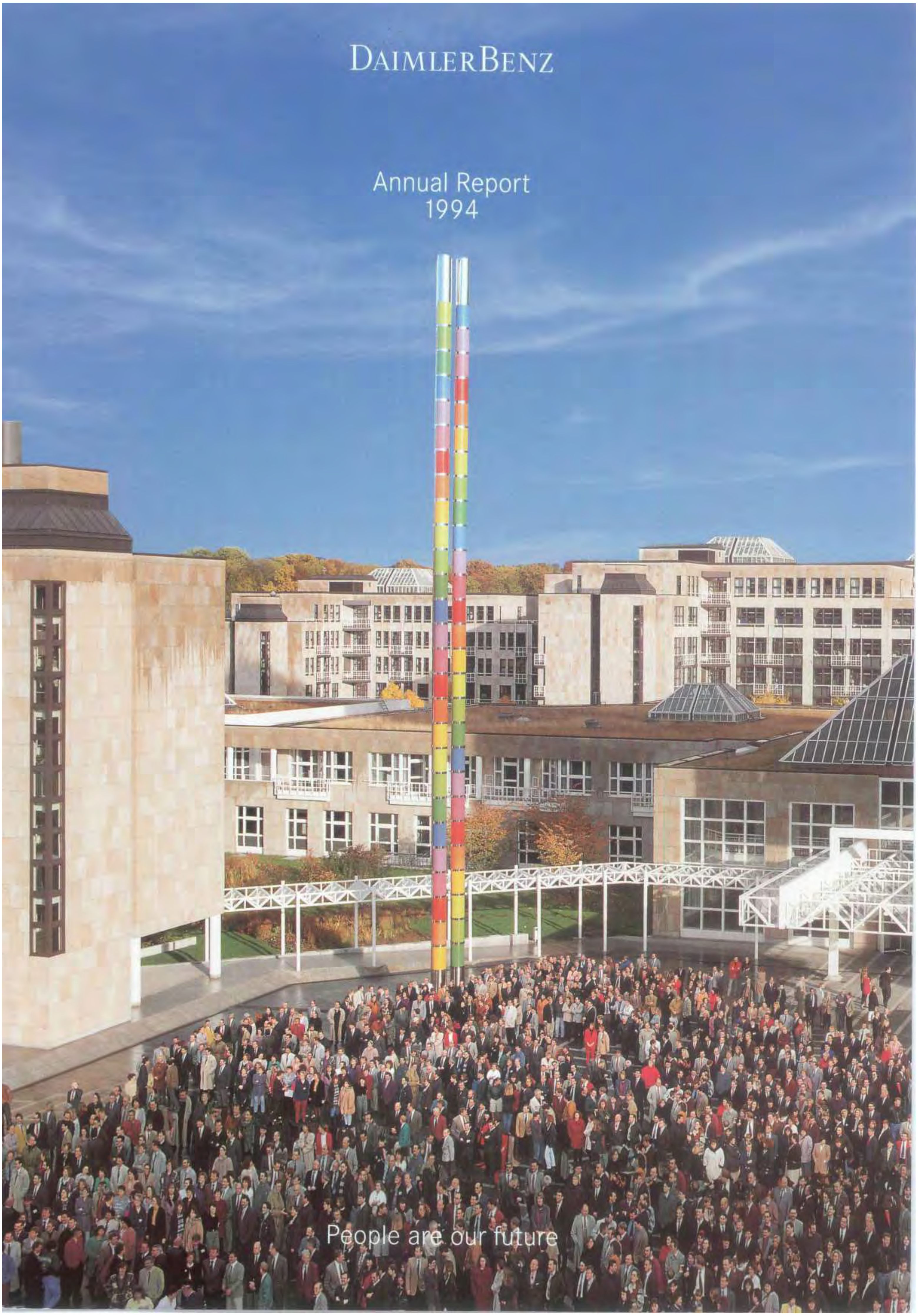
DaimlerBenz

Annual Report 1994



People are our future

DaimlerBenz

Mercedes-Benz	Daimler-Benz Industrie	Daimler-Benz Aerospace	Daimler-Benz InterServices
	AEG		debis
Passenger Cars	Rail Systems	Aircraft	Systemhaus
Commercial Vehicles	Microelectronics	Space Systems	Financial Services
	Diesel Engines	Defense and Civil Systems	Insurance Brokerage
	Energy Systems Technology	Propulsion Systems	Trading
	Automation	Other Business Activities	Marketing Services
			Mobile Communications Services
			Real Estate Management

People are our future

Success is essential to our corporate future. It is achieved through the efforts of our employees. At a time of dramatically intensified international competition, the company that can count on an enthusiastic, motivated staff has the advantage. These are simple truths, but not self-evident, in times of personnel cutbacks and lean structures.

For the employees of the Daimler-Benz group, ideals and demands have undergone far-reaching change in recent years. Not spectacular, not coincidental, but a conscious adjustment to totally new conditions. It was and still is the task of corporate management to support this process by visibly and permanently strengthening the premises for initiative and corporate thinking. The presentation of this year's annual report is a welcome occasion for us to point this out once again.

Contents

The Corporate Principles of Daimler-Benz

1 Our work at Daimler-Benz serves people and their environment. We aim to offer the world's most advanced products, systems and services.

This requires a continual commitment to technical, business and social innovation as well as a corporate culture characterized not by complacency, but by creative unrest.

In a world increasingly complex, with promising opportunities - but also risks - even minor events can take on consequences of major proportions. Therefore, we must carefully weigh our every action.

We owe it to future generations to use our natural resources prudently and sparingly. This sense of responsibility must be reflected in all our thoughts and activities throughout the Group.

2 Our customers are the focus of our efforts. We must strive not just to meet their expectations, but to exceed them. Cooperation and the open exchange of know-how throughout all areas of our companies are central to meeting this goal.

Just as we are accountable to our customers, we are equally responsible to the companies' owners as well as to the public. This means we must be willing to provide feedback to others and to assess ourselves openly and honestly.

3 We aim to learn better and faster than our competitors. To achieve this, we need not only flexible organizational structures but also employees who think entrepreneurially.

Key to our success are employees with a sense of responsibility, independence, creativity, drive, teamwork and openness to new ideas. We therefore promote every employee's personal development to the best of our abilities.

4 Daimler-Benz does business in all corners of the globe. We are convinced of the advantages to everyone of open trade borders throughout the world. Therefore, we view competition as a welcome proving ground. The measure of our success is the recognition our work receives, and economic success is an undeniable part of this recognition.

Inherent to our philosophy is respect for other cultures. As an international company, we reject all forms of discrimination. This principle applies, moreover, to the filling of management positions, where we will extend equal opportunities to every employee regardless of nationality.

5 Daimler-Benz is an integrated technology group. This means that our various business areas are linked by cross cutting technologies and system structures. We place a special emphasis on our know-how and experience in traffic management systems and transportation technologies.

Our core businesses include vehicles for passenger and freight transportation, rail systems, aerospace, propulsion systems, defense systems, automation, energy systems technology and information-technology services. In these areas, Daimler-Benz strives to be a world leader.

Furthermore, we are active in certain specialized areas, such as applied microelectronics, selected financial services, and countertrading, where we aim to be highly competitive. To a great extent, these activities interlink our core business areas.

Each of our business areas falls under the responsibility of one of our four corporate units. Thus, Mercedes-Benz, AEG Daimler-Benz Industrie, Daimler-Benz Aerospace and Daimler-Benz InterServices (debis) work together under the umbrella of Daimler-Benz, the managing holding company of our group.

6 Our cooperation aim to:

Combine know-how and experience to create new dimensions - Responsibly promoting progress for everyone.

We are proud to continue a distinguished tradition guided by these principles.

Daimler-Benz Highlights

Daimler-Benz Group	1994	1994	1993	1992
	US $ Amounts in Millions [1]	DM Amounts in Millions		
Revenues [2]	**74,006**	**104,075**	98,534	98,549
Germany	**27,743**	**39,015**	38,526	42,572
Europe (without Germany)	**18,648**	**26,225**	25,523	27,031
North America	**13,944**	**19,609**	17,431	13,881
Latin America	**4,281**	**6,021**	5,238	3,850
Other Markets	**9,390**	**13,205**	11,816	11,215
Employees (at Year-End)		**330,551**	366,736	376,467
Germany		**251,254**	284,576	302,464
Foreign		**79,297**	82,160	74,003
Research and Development	**6,181**	**8,692**	9,043	9,312
Cash Flow from Operating Activities	**8,022**	**11,282**	9,913	5,328
Cash Used for Investment Activities	**(7,531)**	**(10,591)**	(10,523)	(7,523)
Cash Flow from Financing Activities	**2,406**	**3,383**	679	3,072
Working Capital	**11,402**	**16,035**	20,170	21,868
Operating Profit	**1,926**	**2,708**	(3,299)	2,026
Net Income	**636**	**895**	615	1,451
Net Income per DM 50 Share [3] [4] (in US $, in DM)	**15.34**	**21.57**	12.78	30.12
Net Income/Loss by U.S. GAAP [5]	**748**	**1,052**	(1,839)	1,350
Net Income/Loss by U.S. GAAP per DM 50 Share (in US $, in DM)	**15.31**	**21.53**	(39.47)	29.00
Net Income/Loss by U.S. GAAP per ADS [6] (in US $, in DM)	**1.53**	**2.15**	(3.95)	2.90
Daimler-Benz AG				
Capital Stock	**1,824**	**2,565**	2,330	2,330
Net Income	**402**	**565**	390	703
Total Dividend Amount	**401**	**564**	373	604
Dividend per DM 50 Share [4] (in US $, in DM)	**7.82**	**11.00**	7.91	12.85

1) Values converted at US $ 1 = DM 1.4063 DM; this corresponds to the purchase rate of the Federal Reserve Bank in New York on March 22, 1995 at 12 a.m.
Because of the material change in the U.S. Dollar/DM exchange rate subsequent to the balance sheet date a more recent exchange rate was used for translation.
2) Revenues in 1993 and 1994 including interest income from sales financing.
3) Excluding minority interests.
4) Adjusted figures for 1992 and 1993 are comparably calculated on the basis of the 1994 capitalization issue.
5) U.S. accounting principles (Generally Accepted Accounting Principles).
6) American Depositary Share, corresponds to one tenth of a Daimler-Benz share of DM 50 par value.

The financial statements of Daimler-Benz Aktiengesellschaft have received an unqualified opinion of independent auditors KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft; they will be published in the Bundesanzeiger (Federal Gazette) and filed at the Stuttgart District Court. These financial statements may be obtained free of charge from Daimler-Benz AG, IR, D-70546 Stuttgart.

Letter to the Stockholders and Friends of our Company

Ladies and Gentlemen !

Looking back, 1994 was a satisfactory year. The strategies we initiated to update our products, streamline and rationalize all processes, and broaden our international presence have proceeded as planned. The reversal we achieved in the development of our earnings was more than remarkable, and not only in comparison to 1993.

As with other companies, this development was of course facilitated by the general economic recovery that has since stabilized in the important regions of the world. However, the sole reason why we were able to take advantage of the trend to such an extraordinary degree is that we created the necessary conditions in terms of cost structures, productivity, and not least of all in terms of strategy.

After all, 1994 was certainly not an easy year. This is especially true in view of the persistent weakness of important currencies against the German mark, above all the U.S. dollar, the drastic undervaluation of which is clearly unjustified by any objective economic factors. From past experience we know that currency-related burdens on export-oriented companies cannot be passed on in the form of prices. Moreover, there are many indications that despite all efforts, German industry is already in danger of losing market shares in its traditional export markets. The only effective short-term countermeasure that remains is the resolute continuation of cost-cutting programs, in particular rationalization.

We have also undertaken foreign exchange hedging transactions, with very long-term effects for some of the divisions of our company. But this does not alter the fact that changes of such dramatic dimensions as we saw last year, and especially this year, against both the U.S. dollar and nearly all other important currencies in international trade must eventually have a noticeable impact on earnings.

To overcome these difficulties, we must become less dependent on such incalculable, currency-related factors by shifting production activity to other countries. There clearly is no other solution. In addition, the trend in recent years has reconfirmed that economic conditions follow different cycles in mature and developing regions. This too prompts us to spread out our industrial activities and by doing so minimize unavoidable risks to the greatest extent possible.

As it is, the proximity to the respective market - production on site - is becoming an increasingly important factor in competition. Especially the markets in the Asian-Pacific region and in Latin and Central America, all regions still characterized by very dynamic growth, demand new, different product concepts based on their respective requirements. A good example is our Family Car China, a vehicle concept developed specifically for Chinese needs.

It is not only the foreseeable enormous demand for means of transportation that defines our company's tremendous potential in these countries. Our corporate structure, with its wide range of products and services, allows us to offer the comprehensive mobility and infrastructure solutions so desperately lacking there. From airport outfitting and modernization to traffic studies for Singapore, there is a tremendous demand in these markets, and equally great potential, for communications infrastructures, energy and transportation.

At the same time, we are working hard to strengthen our competitive position in the triad markets - our European home market, NAFTA and Japan. For instance, we are constructing a plant in Tuscaloosa, Alabama, where we will produce a new recreational vehicle - the All-Activity Vehicle - beginning in 1997. Last December, we selected a production site for the Micro Compact Car, a car designed specifically for urban areas that we are developing together with the Swiss company SMH.

In addition to the three major global markets, however, we must also create all the necessary conditions for opening up new growth markets with new products. But if we attempt to enter every market of our own accord, we run the risk of wasting our resources. We therefore attach the greatest importance to expanding our long-term cooperative arrangements with partners around the world.

Despite heightened concern over the competitiveness of Germany as a production site in the wake of this year's collective bargaining agreement for the German metal industry, we are by no means contemplating a gradual withdrawal from Germany. Rather, our mission is to ensure long-term corporate success by globalizing our activities, thus ultimately ensuring domestic employment as well.

This goal is also furthered by the comprehensive programs to improve cost structures and efficiency that we introduced several years ago. Between 1991 and 1994 alone, we achieved increases in productivity of up to 30%; this is true of Mercedes-Benz, as well as divisions of Daimler-Benz Aerospace and AEG Daimler-Benz Industrie. By 1997, that figure will be over 40% group-wide.

Our consistent pursuit of decentralization, which has lived up to all expectations, also plays a key role in these strategies. The formation throughout the corporation of small units close to the market and with a high degree of responsibility has noticeably improved the flexibility of our organizational structures. Moreover, it has fostered an entrepreneurial spirit that in turn has generated an entirely new cost awareness.

Another essential step is the restructuring of the Mercedes-Benz Board of Management, which will take effect on July 1 of this year. Basically, this involves replacing the still largely functional task structure with product and regional fields with comprehensive responsibility.

Similar processes are underway or have been completed in our other divisions as well. Examples include the implementation of bottom-line oriented business units at AEG Daimler-Benz Industrie, the new management structures at DASA, especially in its Aviation, Defense and Civilian Systems divisions, and the restructuring of debis Systemhaus.

All in all we are continuing to work on setting up our structures in such a way that we can react more rapidly, more efficiently, and more forcefully to the requirements and changes of the market. As you know, in so doing we are not afraid to make controversial decisions or to take unconventional paths of action.

It has been and remains our policy to be flexible in taking the necessary steps to expand our core areas and consolidate our integrated technology corporation with flexibility. Our objective is also to demonstrate the necessary resolve in adapting to any changes in the environment. Such steps have made deep, even painful cuts necessary, particularly in the past two years. This is true especially of the extensive capacity adjustments throughout the company, which thus far we have been able to implement, without exception, in a socially acceptable manner.

We have had to make careful decisions on plant closings or on divesting activities that are only slightly - if at all - connected to the core purpose of this company, mobility. We have achieved many of our targets, and many others are still in the works.

Obviously, these considerations also apply to activities that are not yet big enough to survive alone in the increasingly fierce international competition. In other instances, due to a number of developments, full capacity utilization has been limited to a European scale. Thus, realignments and partnerships will remain on the agenda. A recent example is the planned cooperation with ABB, Asea Brown Boveri, in the area of railroad engineering.

This year, 1995, will not be easy either. We have already addressed our concerns and the tasks at hand. In addition, we face further non-recurrent expenditures for structural measures. But the course has been set. Despite all the turbulence and adversity, we are counting on a satisfactory earnings trend overall, and barring unforeseen events and factors, we expect even stronger growth in the years to come. The targeted earnings will be both welcome and necessary, because there is no denying that in 1994 we ended up far short of the level we have to achieve in the medium and long term. Nevertheless, I am proud to say that in 1994, thanks to their know-how and willingness to work, our employees laid solid foundations for a good future.

In the past, we have always been guided by the principle of allowing you, our stockholders, to share in the long-term earnings trend. For this reason, dividends were reduced last year only from DM 13 to DM 8, even though the earnings situation actually would have suggested no dividend at all. It therefore seems appropriate, in view of the change for the better and our future prospects, to recommend that the dividend for 1994 be raised to DM 11.

Sincerely,

Board of Management

Hirschbrunn Weule Werner Schrempp Reuter Liener Gentz Stöckl

Edzard Reuter
born 1928 in Berlin,
Member of the Board of Management since 1973,
until 1979 responsible for Corporate Planning and Organization,
from 1980 to 1987 responsible for Finance,
since 1987 Chairman,
under contract until May 24, 1995.

Dr. jur. Manfred Gentz
born 1942 in Riga,
Member of the Board of Management since 1983,
until 1990 responsible for Personnel,
since 1990 responsible for the corporate unit Daimler-Benz InterServices (debis),
under contract until 2000.

Dr. jur. Hans-Wolfgang Hirschbrunn
born 1933 in Offenburg,
Member of the Board of Management since 1990,
responsible for Personnel,
under contract until May 24, 1995.

Dr. rer. pol. Gerhard Liener
born 1932 in Stuttgart,
Member of the Board of Management since 1982,
until 1987 responsible for Subsidiaries and Affiliated Companies,
since 1987 responsible for Finance and Materials,
under contract until May 24, 1995.

Jürgen E. Schrempp
born 1944 in Freiburg,
Member of the Board of Management since 1987,
until 1988 responsible for the Commercial Vehicle Division,
since 1989 responsible for the corporate unit Daimler-Benz Aerospace,
under contract until 2000.

Ernst G. Stöckl
born 1944 in Sulzburg,
Member of the Board of Management since 1991,
responsible for the corporate unit AEG Daimler-Benz Industrie,
under contract until 1996.

Helmut Werner
born 1936 in Köln,
Member of the Board of Management since 1987,
until 1992 responsible for the Commercial Vehicle Division,
since 1992 responsible for the corporate unit Mercedes-Benz,
under contract until 1997.

Prof. Dr.-Ing. Hartmut Weule
born 1940 in Bitterfeld,
Member of the Board of Management since 1990,
responsible for Research and Technology,
under contract until 1996.

as of April 1, 1995:
Dr. jur. Klaus Mangold
born 1943 in Pforzheim,
responsible for the corporate unit Daimler-Benz InterServices (debis),
under contract until 2000.

as of May 25, 1995:
Dr. rer. pol. Manfred Bischoff
born 1942 in Calw,
responsible for the corporate unit Daimler-Benz Aerospace,
under contract until 2000.

Business Review

Against the backdrop of the improved global economic environment, sales in the Daimler-Benz group rose to DM 104.1 billion in 1994. This was the first time we topped the DM 100 billion mark. With the exception of DASA, all corporate units contributed to the 7% growth. The steps we took to reduce costs and improve production processes were clearly successful. Along with the business expansion, these were primary factors in the significant progress we made in 1994 toward a generally satisfactory profit position.

Global Economic Environment Much Improved

The global economic upswing was significantly stronger in 1994. The national economies of Western Europe, in particular, were able to emerge from the recession surprisingly fast. Appreciable stimuli for economic recovery initially came from trade within Europe and from exports to Asia, North America and the former East Bloc countries. It was not until the latter part of the year that the economic boom was supported by investment activity as well.

The German economy - starting with expanding foreign trade - is on the road to recovery. Although the healthy growth in the New Federal States was financed largely through western transfers, the first signs of more efficient economic structures began to emerge there. Through massive layoffs and significant enhancement of productivity, German industry was able to improve its international competitiveness, thereby strengthening its position in the export markets.

Carried by the momentum of investment activity, economic growth in the U.S.A. accelerated. To avert the dangers of an overtaxed economy, the U.S. Federal Reserve Bank was obliged to resort to higher prime interest rates several times in 1994.

Until the end of 1994 the Japanese economy was not able to join the general upswing. The primary factor here was domestic demand. Japanese industrial exports are still hampered by the strong yen.

Rounding off the generally positive global economic picture was sharp growth in the newly industrializing countries of Asia and Latin America, as well as early signs of stabilization in several former East Bloc countries.

Group Sales Top DM 100 Billion for the First Time

Daimler-Benz group sales climbed to DM 104.1 billion in 1994. This represents an increase of 7% over the figure for 1993 considering significant changes in consolidation. Sales in the European Union, at DM 59.9 billion, were 4% higher than the 1993 level; in Germany, they rose 3% to DM 39.0 billion. We achieved above-average growth in the U.S.A. with sales of DM 18.3 billion (+13%) and in the other markets with DM 25.9 billion (+11%).

Excluding deliveries within the group, Mercedes-Benz generated 66%, AEG Daimler-Benz Industrie 10%, Daimler-Benz Aerospace 16%, and debis 8% of the group sales.

Mercedes-Benz Passenger Cars: Market Position Strengthened Worldwide

The international automobile boom gained momentum again in 1994. In Western Europe the market situation was more favorable than in the crisis year 1993, following the general economic recovery. While positive market stimuli came from the U.S.A. and the newly industrializing countries, the demand for cars in Japan stagnated at a low level. Worldwide passenger car production rose 5% to 36.1 million vehicles.

Mercedes-Benz sold 592,400 cars, achieving above-average growth in almost all major regions. Even in the stagnating German market, sales of new Mercedes-Benz vehicles increased by 19% to 249,800, so that our market share rose from 7.0 to 8.2%. Outside Germany we sold a record 341,300 passenger cars, exceeding the figure of the previous year by 18%.

The generally favorable market situation enabled us to increase production by 23% to over 590,000 passenger cars; thus we produced at full capacity.

Mercedes-Benz Commercial Vehicles: Sales Increase Sharply

The trends in the commercial vehicle markets were also predominantly positive. The largest contributing factor to the recovery in Western Europe was the large replacement need and the growing demand for transport capacity. The truck business in the U.S.A. was especially brisk in classes 7 and 8 (over 11.8 tons). The total world production of commercial vehicles rose by 12% to 14.2 million units.

Note:
The Business Review is the combined audited Business Review of Daimler-Benz AG and the Daimler-Benz group.

Unit sales for Mercedes-Benz commercial vehicles rose 14% in 1994 to 290,400 units. The growth stimuli came mainly from North America, other Western Europe countries and Latin America. In Germany, however, our registrations of new vehicle dropped 4% to 79,000 because of the difficult market situation throughout the industry.

The production volumes of our foreign subsidiaries reached a new high of nearly 148,900 commercial vehicles. A total of 291,900 commercial vehicles rolled off the assembly line at our 46 German and foreign production sites.

AEG Daimler-Benz Industrie Expands Slightly

The general economic upswing in 1994 was felt in the German electrical engineering industry only after some delay. While the foreign demand increased as the year progressed, orders from Germany showed signs of a weak revival only after the midpoint of the year. Trends varied widely for the individual product groups in the electrical engineering industry. Incoming orders and sales of capital goods relevant to AEG Daimler-Benz Industrie continued to decline.

New orders for AEG Daimler-Benz Industrie reached DM 11.5 billion. Calculated on a comparable basis, i.e. after adjustment for the values of the discontinued activity in household appliances, meters and lighting systems, this represents a 6% growth. Both the German (+4%) and foreign markets (+8%) contributed to this increase. Sales in 1994 reached DM 10.3 billion. Comparably calculated, this represents a 5% growth.

Sales at Daimler-Benz Aerospace (DASA) Decline

On January 1, 1995, the corporate unit Deutsche Aerospace was renamed Daimler-Benz Aerospace. This step not only underscored the affiliation with the Daimler-Benz group, it also took into account the growing internationalization of the aerospace industry.

Although the demand for air travel rallied in 1994, the positive trend did not carry over to the market that is important to Daimler-Benz Aerospace, the aircraft market. Furthermore, budget cutbacks of public contractors for space and defense systems hurt DASA's business.

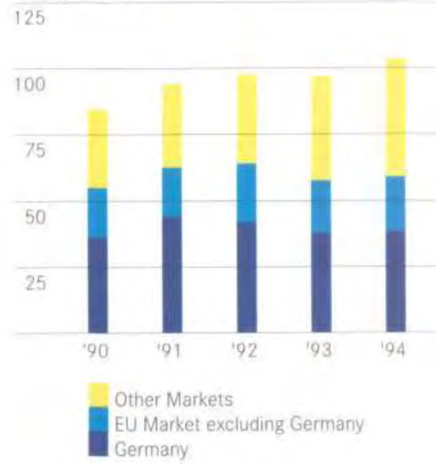
In particular, the sales decline in the Aircraft Division, which accounted for roughly 50% of DASA's business, resulted in a 7% drop in overall sales to DM 17.4 billion. On the other hand, incoming orders totaling DM 16.4 billion represented a slight growth of 5%. Significantly higher orders in the Aircraft Division stood in contrast to declines in the other divisions.

Against the backdrop of a difficult economic situation, we proceeded with the capacity adjustments and structural improvements already begun at DASA. In addition, we established several joint ventures with international partners in 1994 to increase our competitiveness worldwide.

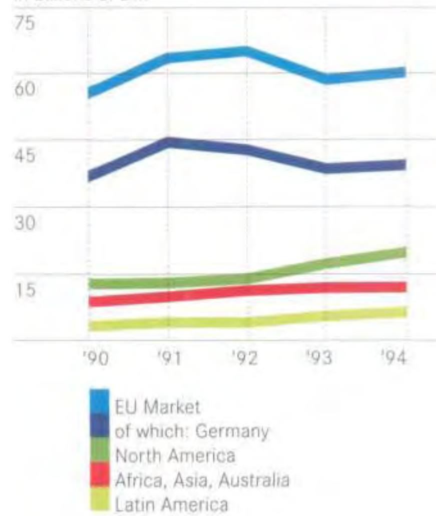
debis Continues to Pursue Growth Course

The services relevant to Daimler-Benz InterServices (debis) contributed disproportionately to the overall economic recovery. Debis was able to increase its sales by 14% in 1994, to DM 10.8 billion. Even when additional companies were integrated in the course of the business expansion, debis continued to grow primarily on its own strength.

Consolidated Revenues
In Billions of DM



Consolidated Revenues by Regions
In Billions of DM



Sales in the Systemhaus Division rose *9%* to DM 1.8 billion, while in Financial Services they increased 12% to DM 7.6 billion. Business was especially good in the mobile communications market. Through the acquisition of Bosch Telecom Service, which holds second place in its sector, debitel was able to significantly increase its market share in Germany.

Personnel Adjustments Necessary

The Daimler-Benz group had 330,551 employees at the end of the year (366,736 in 1993). The cutback affected above all the workforce in Germany, where the number of employees dropped from 284,576 to 251,254. At the end of 1994 Mercedes-Benz had 197,568, AEG Daimler-Benz Industrie 44,769, DASA 75,581, debis 9,226, and Daimler-Benz AG 3,407 salaried and hourly-paid employees. For group management tasks, all in all 520 employees were employed at headquarters.

The adjustment of capacities to an internationally competitive level, initiated in previous years, was continued in 1994. We were able to make personnel cutbacks in a socially acceptable manner for the most part; only in exceptional cases were layoffs necessary. The number of employees also declined through the dissolution of divisions and divestiture of business interests. In many parts of AEG Daimler-Benz Industrie and DASA, working hours also had to be shortened.

Purchasing Volume Exceeds Level of Previous Year

In 1994 the Daimler-Benz group purchased goods and services worldwide in the amount of DM 61.1 billion (1993: DM 56.7 billion). Nearly 70% of the purchases pertained to Mercedes-Benz, 9% to AEG Daimler-Benz Industrie, 14% to Daimler-Benz Aerospace, and 8% to Daimler-Benz InterServices.

The 8% increase in purchasing volume is primarily due to the higher production level, especially for Mercedes-Benz, as well as to our activities to further reduce vertical integration.

Because we stepped up our global sourcing activity, material purchases from foreign sources continued to increase. We purchased goods and services from the New Federal States in the amount of DM 1 billion in 1994. The billion-DM threshold was thus reached one year ahead of schedule, a success primarily attributable to the "Purchasing Drive in the New Federal States".

Investments for the Future

The investments in property, plant and equipment in 1994 totaled DM 4.7 billion (1993: DM 5.4 billion). If the effects especially of the first-time inclusion of Fokker in 1993 are taken into consideration, investments reached the same level as in the year before. The increase in intangible assets amounted to DM 0.6 billion. Depreciation and disposal of tangible and intangible assets amounted to DM 5.9 billion.

We invested in new production technology, product diversification, and rationalization measures. The focus of the investments was on Mercedes-Benz, at DM 2.9 billion (1993: DM 2.6 billion). In the Passenger Cars Division, the bulk of the investment budget of DM 1.5 billion was allocated to production preparations for the new E-class, the new engine plant in Stuttgart-Bad Cannstatt and the transition to water-based paint technology. In addition, we invested in production preparations for the new A-class and the small roadster (SLK). An important foreign project in 1994 was the new plant in Tuscaloosa, Alabama, where production of the recreational All Activity Vehicle (AAV) is scheduled to begin in 1997.

In the Commercial Vehicles Division, approximately DM 1.3 billion were expended worldwide to prepare for new vehicle generations and to adjust current product lines to changing customer demands. In Europe, the focus was on preparations for two new van families, Sprinter and City Transporter, model updates for the light, medium and heavy-duty truck classes, and the switch to environmentally friendly EUR02 engines. The MB 700, a light-duty truck produced in Indonesia for the Asian market was an additional investment focus.

Capital expenditures at AEG amounted to DM 0.6 billion; at DASA, DM 0.7 billion; at debis, DM 0.2 billion; and at headquarters, DM 0.1 billion.

Additions to leased equipment totaled DM 5.6 billion (1993: DM 5.9 billion). The amount of outside capital used for leasing and sales financing was DM 14.5 billion (1993: DM 13.7 billion).

DM 8.7 Billion Expended for Research and Development Projects

We spent a total of DM 8.7 billion (1993: DM 9.0 billion) on research and development. Included in this figure is DM 3.5 billion for contract-related development services, incurred almost exclusively by Daimler-Benz Aerospace. The group continues to place high value on environmental safety; our expenditures for environmental protection measures in 1994 came to over DM 680 million.

Mercedes-Benz spent a total of DM 3.3 billion (1993: DM 3.2 billion) on research and development. The research and development work is the basis for our promotional campaign in the area of passenger cars and commercial vehicles.

Mercedes-Benz AG, together with Schweizerische Gesellschaft für Mikroelektronic und Uhrenindustrie AG (SMH), established MC Micro Compact Car AG for the purpose of making a new type of vehicle intended especially for densely populated urban areas under the project title Micro Compact Car (MCC). A wholly-owned subsidiary of the joint venture took over the work of development and production preparation. The French town of Hambach was selected as the plant site.

At AEG Daimler-Benz Industrie, DM 736 million went into research and development in 1994 (1993: DM 764 million). The research pertained to our modular 12X locomotive and new jet trains for regional rail systems, intelligent power components, systems and components for vehicle electronics, airbag gas generators and sensors, and optoelectronic infrared modules. Additional focuses were new component and system concepts for medium-voltage technology and for network control technology at the station level, a new generation of programmable logic control systems, and innovative modules for the recognition of address fields and for mail distribution.

Daimler-Benz Aerospace spent DM 4.3 billion (1993: DM 4.8 billion) on research and development. Of this figure, DM 3.4 billion was for projects carried out by third parties under contract (including projects in progress). In the Aircraft Division, the Airbus A330/340, Dornier 328 and Eurofighter (EF 2000) programs were developed. The primary research focuses in Space Systems were the ERS-2 and Polar Platform satellites, as well as the Ariane booster rocket program. In the Defense and Civil Systems Division, the focus was on the Pars 3 LR program; in Propulsion Systems, on the engine EJ2000 for the Eurofighter and on the commercial jet engine programs conducted jointly with Pratt & Whitney.

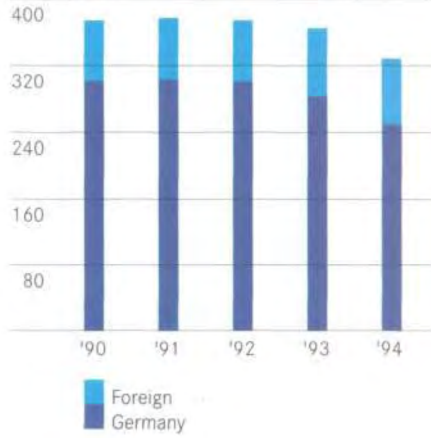
Consolidated Net Income Climbs to DM 0.9 Billion

The net income of the Daimler-Benz group in 1994 was DM 0.9 billion (1993: 0.6 billion). However, this increase does not reflect the full extent of improved operating results, as a number of special circumstances had influenced the figure for the prior year. The dramatic turnaround in earnings is perhaps best illustrated by the operating result, which jumped from DM -3.3 billion to DM 2.7 billion. The DM 6 billion increase includes one-time income of DM 1.4 billion resulting from the deconsolidation of MBL Fahrzeug-Leasing GmbH & Co. KG and income from the AEG Daimler-Benz Industrie and Fokker divestments. DM 1.1 billion (1993: DM 3.5 billion) were spent on restructuring measures.

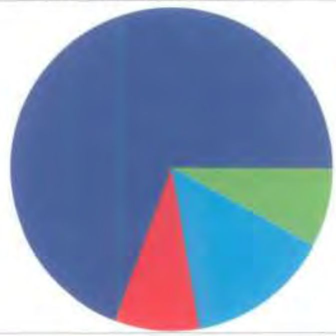
Mercedes-Benz contributed DM 2.2 billion (1993: DM -1.3 billion) to operating profit. This increase was achieved above all through expanded sales in the passenger car and commercial vehicle business in Germany and important foreign markets. In addition, our cost-cutting programs led to significant savings. The expenditures for personnel restructuring measures were substantially lower than in the previous year.

The contribution of AEG Daimler-Benz Industrie to consolidated results was DM -0.1 billion (1993: DM -0.9 billion). The DM 0.8 billion improvement is related to the divestment of the Domestic Appliances Division and the power meters and lighting systems units, with a book profit of DM 0.4 billion. Moreover, expenditures for restructuring measures were lower than in 1993.

Employees at Year-End
In Thousands



Purchasing Volume
DM 61.1 Billion (1993: DM 56.7 Billion)



	'94 in %	'93 in %
Mercedes-Benz	69.3	66.2
AEG DBI	8.5	9.7
DASA	14.3	18.2
debis	7.7	5.7
Daimler-Benz AG	0.2	0.2

The contribution of Daimler-Benz Aerospace to consolidated operating results improved, totaling DM -0.5 billion (1993: DM -1.0 billion). Earnings were limited by the persistently weak market for commercial aircraft as well as by government budget cuts in the defense and aerospace industry and the attendant underutilization of capacities. Lower expenditures for structural measures had a positive effect.

As in 1993, Daimler-Benz InterServices (debis) contributed DM 0.4 billion to the group's operating profit. Its principal source of income was the financial services sector, where business continued to develop positively. The Systemhaus and Mobile Communications Services divisions experienced a significant improvement over last year.

The financial results shown in the consolidated statements of income decreased significantly, from DM 2.0 billion to DM 0.2 billion. The decrease is largely the result of reduced earnings from the sale of securities, which were DM 1.4 billion lower than in the previous year. Also, provisions totaling DM 0.6 billion (1993: DM 0.3 billion) were taken for losses on financial assets and securities.

Balance Sheet Structure Marked by Capital Increases

Mainly as a result of the inflow of liquid assets from the two capital increases undertaken in 1994, total assets increased by DM 2.6 billion to DM 93.5 billion. Liabilities were also up, due to extensive liabilities from leasing and sales financing, which at DM 14.5 billion were DM 0.9 billion higher than in 1993. The increase in business - above all at Mercedes-Benz - is reflected in accounts payable trade, which also rose by DM 0.9 billion to DM 7.7 billion. The deconsolidation of MBL Fahrzeug-Leasing GmbH & Co. KG and the sale of the AEG Daimler-Benz power meters, lighting systems and domestic appliances activities had the opposite effect on the balance sheet. Excluding the predominantly third-party financed financial services business, the percentage of stockholders' equity increased from 26% to 28%, while the percentage of stockholders' equity covering non-current assets was up from 78% to 79%. As in the previous year, long and medium-term capital amounted to 60% of the consolidated balance sheet total.

Allocation of Earnings

The net income of Daimler-Benz AG increased to DM 565 million (1993: DM 390 million). The improved results in the operative area and the decrease in restructuring expenditures meant that after losses in 1993, Mercedes-Benz AG returned a profit in 1994. The absorption of losses from AEG Aktiengesellschaft and Daimler-Benz Luft- und Raumfahrt Holding AG, the parent company of the DASA group, decreased noticeably over the previous year.

At our Annual General Meeting on May 24, 1995, we will propose that a dividend of DM 11 be paid per share of DM 50 par value (1993: DM 8). The total dividend payment will thus amount to DM 564 million.

Outlook

The economic trend of the first months leads us to expect favorable business conditions to continue for the remainder of 1995. While the U.S. economy will lose momentum because of the restrictive rate of the U.S. Federal Reserve Bank, accelerated growth can be expected in Western Europe and in Japan.

The economic upswing is expected to pick up speed in Germany as well. As in 1994, however, the primary growth factors will be export demand and, to an increasing extent, investments. Consumption in the private sector is likely to rally hesitantly at best, because of higher taxes and the associated lower household spending latitude.

The growing markets in Asia continue to offer good sales prospects. Also, the countries of Latin America are expected to gradually resume the growth momentum of 1994 in the wake of the financial crisis in Mexico and its negative consequences for the entire Central and South American economic region.

On the basis of the generally favorable outlook for the global economy, the rising trend in the international automobile business will also continue.

The Mercedes-Benz passenger car business in 1995 will be affected by the introduction of the new E-class. A sales decline in anticipation of the model change will be followed by an expected sharp upswing in the second half of the year.

In the Commercial Vehicles Division, the development of our most important markets will probably allow additional sales growth. Particularly the Sprinter, our new van in the 2.5 to 4.6 ton weight class, will provide additional stimuli in Western Europe. We expect competitive advantages from the merger of our bus activity with that of Karl Kassbohrer GmbH in the new company EvoBus GmbH.

Mercedes-Benz is betting on growth through new markets. In the coming years, it will develop buyer potentials by tapping new regions and offering additional attractive models. The promotional campaign for passenger cars and commercial vehicles will be accompanied by a comprehensive reorganization of the unit's internal structures and processes, and by increasing globalization of the entire production chain.

AEG Daimler-Benz Industrie expects its business volume to grow in 1995 in all fields of activity, but especially in microelectronics.

With the assumption of the industrial management of TEMIC as of January 1, 1995, AEG Daimler-Benz Industrie has now fully consolidated this company in its financial statements. The increase in sales connected with this move and with the organizational allocation of MTU Friedrichshafen will more than offset the reduction in business volume resulting from the disposal of the household appliance, meter, and lighting systems activities.

With a memorandum of understanding, ABB and AEG Daimler-Benz Industrie announced on March 16, 1995 that they will be merging their activities in the track-bound products sector in a fifty-fifty joint venture. The largest rail systems manufacturer in the world will be established with the founding of ABB Daimler-Benz Transportation. The planned joint venture will have to be approved by the European cartel authorities.

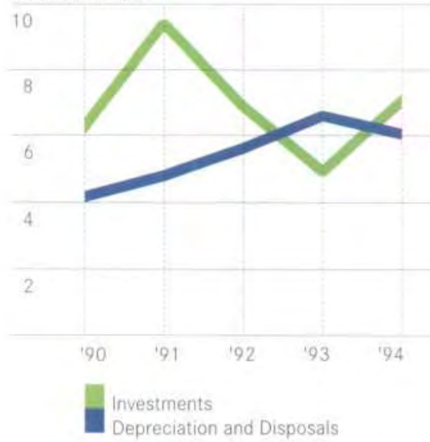
Daimler-Benz Aerospace expects a slight increase in sales group-wide, after adjustment for changes in the consolidated group.

The invoicing of development services for the Ariane 5 carrier booster will bring about a sharp sales increase for Space Systems. We are also likely to exceed last year's sales in Propulsion Systems and in the Aircraft Division, where sharp increases are expected particularly from the Fokker 70 and Fokker 100 aircraft programs and from the Dornier 328. In the Defense and Civil Systems Division, however, a further decline in sales looms. Daimler-Benz will continue to pursue the cost-cutting programs already initiated to ensure growth and jobs in its core activities. These measures include the further tightening of company structures at Fokker, a worldwide cooperation policy and a global campaign to develop new business opportunities.

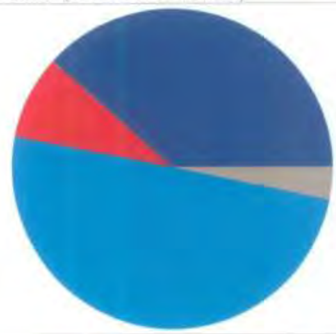
Daimler-Benz InterServices expects to be able to continue smoothly on the favorable course established in 1994. This positive outlook is based not only on the momentum of the development in its service sector but also on restructuring measures, primarily in the debis Systemhaus Division, which already showed the first signs of success in 1994.

Against the backdrop of a continuing positive trend in the general economic environment and the significantly enhanced efficiency that we have realized in all group sectors, we are confident that we will be able to increase the business volume of the Daimler-Benz group once again and continue to improve our net income. There are, however, uncertainties associated with the currency front if the volatility of important currencies experienced in the first few months of 1995 persists for an extended period.

Investments, Depreciation and Disposals
In Billions of DM



Research and Development Expenditure*)
DM 8.7 Billion (1993: DM 9.0 Billion)



	'94 in %	'93 in %
Mercedes-Benz	38.3	34.8
AEG DBI	8.5	8.5
DASA	49.9	53.6
Daimler-Benz AG	3.3	3.1

*) Including contract research.

The Corporate Units at a Glance

Mercedes-Benz

Total

DM Amounts in Millions	1994	1993
Revenues	**70,715**	64,696
Investments in Property, Plant and Equipment	**2,939**	2,609
R+D Cost	**3,333**	3,151
Employees (12/31)	**197,568**	209,933
Net income/loss	**1,849**	(1,198)

Passenger Car Division

DM Amounts in Millions	1994	1993
Revenues	**42,085**	38,448
Investments in Property, Plant and Equipment	**1,460**	1,276
R+D Cost	**2,190**	2,068
Production (Units)	**590,060**	480,571
Unit Sales	**592,356**	508,078
Employees (12/31)	**83,396**	90,248

Commercial Vehicle Division

DM Amounts in Millions	1994	1993
Revenues	**28,630**	26,248
Investments in Property, Plant and Equipment	**1,270**	1,017
R+D Cost	**1,143**	1,083
Production (Units)	**291,854**	241,606
Unit Sales	**290,354**	253,939
Employees (12/31)	**81,012**	84,925

AEG Daimler-Benz Industrie

Total

DM Amounts in Millions	1994	1993
Revenues	**10,294**	11,012
Foreign Share in %	**45**	41
Employees (12/31)	**44,769**	58,921
Net loss	**(357)**	(1,190)

Rail Systems

DM Amounts in Millions	1994	1993
Revenues	**1,867**	1,501
Foreign Share in %	**37**	35
Employees (12/31)	**7,832**	8,257

Microelectronics

DM Amounts in Millions	1994	1993
Revenues	**1,212**	973
Foreign Share in %	**60**	52
Employees (12/31)	**7,132**	7,439

Diesel Engines *)

DM Amounts in Millions	1994	1993
Revenues	**1,421**	1,272
Foreign Share in %	**69**	63
Employees (12/31)	**5,705**	6,039

Energy Systems Technology

DM Amounts in Millions	1994	1993
Revenues	**2,517**	3,029
Foreign Share in %	**43**	39
Employees (12/31)	**13,487**	16,823

Automation

DM Amounts in Millions	1994	1993
Revenues	**2,641**	2,793
Foreign Share in %	**44**	41
Employees (12/31)	**14,607**	14,980

*) As additional information.

Daimler-Benz Aerospace (DASA)

Total

DM Amounts in Millions	1994	1993
Revenues	17,394	18,626
Foreign Share in %	69	69
Employees (12/31)	75,581	86,086
Net loss	(438)	(694)

Aircraft

DM Amounts in Millions	1994	1993
Revenues	8,738	10,301
Foreign Share in %	82	79
Employees (12/31)	42,220	46,863

Space Systems

DM Amounts in Millions	1994	1993
Revenues	1,354	1,368
Foreign Share in %	83	79
Employees (12/31)	4,205	4,463

Defense and Civil Systems

DM Amounts in Millions	1994	1993
Revenues	3,066	2,847
Foreign Share in %	25	34
Employees (12/31)	9,970	12,387

Propulsion Systems

DM Amounts in Millions	1994	1993
Revenues	3,039	3,127
Foreign Share in %	70	64
Employees (12/31)	12,618	15,347

Other Business Activities

DM Amounts in Millions	1994	1993
Revenues	1,197	983
Foreign Share in %	66	60
Employees (12/31)	6,568	7,026

Daimler-Benz InterServices (debis)

Total

DM Amounts in Millions	1994	1993
Revenues	10,804	9,491
Employees (12/31)	9,226	8,812
Net income	86	18

Systemhaus

DM Amounts in Millions	1994	1993
Revenues	1,792	1,640
Employees (12/31)	6,129	6,196

Financial Services

DM Amounts in Millions	1994	1993
Revenues	7,554	6,749
Employees (12/31)	1,736	1,570

Insurance Brokerage

DM Amounts in Millions	1994	1993
Revenues	76	68
Employees (12/31)	353	351

Trading

DM Amounts in Millions	1994	1993
Revenues	364	371
Employees (12/31)	98	84

Marketing Services

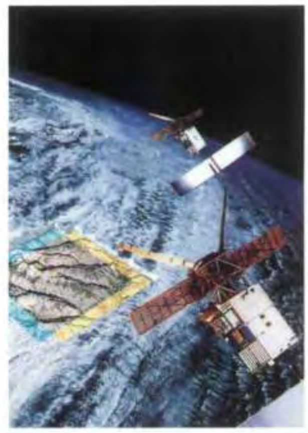
DM Amounts in Millions	1994	1993
Revenues	542	561
Employees (12/31)	314	319

Mobile Communications Services

DM Amounts in Millions	1994	1993
Revenues	529	152
Employees (12/31)	437	173

Real Estate Management

DM Amounts in Millions	1994	1993
Revenues	15	6
Employees (12/31)	43	23



Corporate Unit Mercedes-Benz

In 1994 Mercedes-Benz increased its sales by 9% to DM 70.7 billion. The Passenger Car Division and the Commercial Vehicle Division contributed equally to these results. The most important impetus came from North America, from Western Europe, and from Southeast Asia. Due to the positive trend in sales and the progress that had already been made in productivity, the annual profit of DM 1.8 billion (1993: DM -1.2 billion) was again clearly a positive result. We continued to expand our global presence during the year in review, and at the same time laid the groundwork for opening up new markets with both existing and new products.

The International Automotive Business Picks Up Speed

The international automotive industry picked up speed again in 1994, with essentially parallel developments in the passenger car and commercial vehicle markets.

In step with the overall economic recovery, the market situation in Western Europe was more positive than in the crisis year 1993. An important contributing factor in the commercial vehicle sector was the great need for replacements, as well as the growing demand for transport capacity. In the passenger car sector, the incentives for scrapping introduced by some governments provided a new upsurge. Demand for motor vehicles remained strong in the U.S.A.; this is true both of the passenger car market and the market for class 7 and 8 trucks (11.8 metric tons and heavier). In Japan the demand for automobiles stagnated at a low level, however, although a slight improvement appeared at the end of the year in passenger cars and commercial vehicles. Because demand stimuli from the emerging nations of Asia and Latin America were for the most part positive, passenger car production rose 5% worldwide to 36.1 million vehicles. World production of commercial vehicles rose by 12%, to 14.2 million units.

The E-class: With sales of 2.7 million cars the most successful Mercedes of all time.

The sales situation in Germany continued to be less than satisfactory. Retarding factors included the purchasing reluctance of commercial vehicle customers in connection with the attempts to unify European freight traffic and the continuing weakness in private consumption, which is a significant factor in the demand for passenger cars.

Many European manufacturers used the years 1993 and 1994 to introduce comprehensive measures for increasing production, and to strengthen their international competitive position with attractive new models. Overcapacities, the resulting fiercer competition, and the still unsatisfactory profit levels demonstrate that the structural deficits in this industry have not been completely eliminated, however.

While American car and truck manufacturers enjoyed the advantage of the continuing upward trend in their domestic market, the automotive industry in Japan had to cut back production substantially due to the rise in the prices for their vehicles abroad resulting from exchange rate fluctuations and the continuing weakness in the Japanese automotive market.

Mercedes-Benz: Over DM 70 billion in Sales for the First Time

The trend in the motor vehicle business has been extremely positive at Mercedes-Benz in comparison to the rest of the industry. Group sales rose 9% to DM 70.7 billion. This gratifying increase had a broad regional basis. The U.S. market must be singled out, where sales rose 18% to DM 11.8 billion. In Western Europe outside of Germany our sales were 13.9 billion DM, 13% higher than the year before. We were also able to achieve significant increases in South America, Eastern Europe, and the emerging countries of Asia. Even in Japan, where the automotive market continued to be generally weak, we increased sales by 13% to DM 2.8 billion. In Germany, too, in spite of the unfavorable market situation, our business grew by 3% to DM 26.9 billion. Since the bulk of growth took place outside of Germany, however, the non-domestic share of group sales rose to 62% (1993: 60%).

The new C-class met with a good response both in our traditional markets and in the dynamic markets of Southeast Asia and Latin America. We succeeded in selling more than 500,000 cars in the first 22 months after introducing the model.

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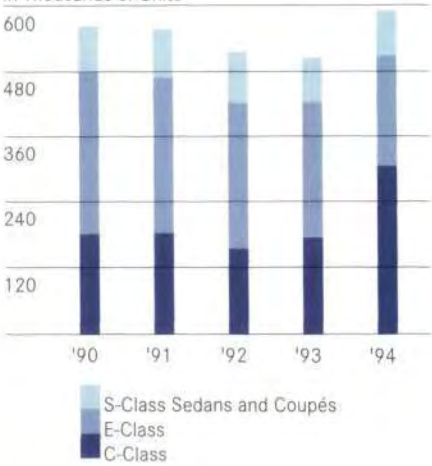
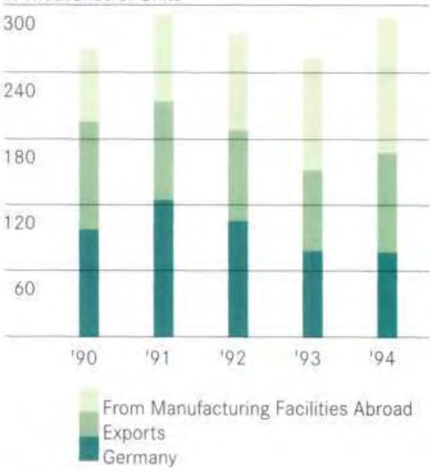
Mercedes-Benz Passenger Car Sales World-Wide
In Thousands of Units



Mercedes-Benz Commercial Vehicle Sales World-Wide
In Thousands of Units



In the Passenger Car Division, sales were DM 42.1 billion, 9% higher than in the year before; the Commercial Vehicle Division also registered growth of 9%, to DM 28.6 billion. With these figures the Passenger Car Division contributed 60% and Commercial Vehicles 40% to the business volume of the Mercedes-Benz group.

Mercedes-Benz Passenger Cars: Stronger Market Position Worldwide

Worldwide, Mercedes-Benz sold 592,400 passenger cars in 1994, the second-highest annual sales volume in the history of the company. In almost every important region we achieved above-average growth and thereby increased our market share significantly.

In the stagnant German market the registrations of new Mercedes-Benz cars rose by 19%, to a total of 249,800; our market share climbed from 7.0% to 8.2%.

Outside of Germany we sold 341,300 cars in 1994, 18% more than in the prior year and at the same time a new high. Business was especially encouraging in the U.S.A., where we succeeded in increasing sales to consumers by 18%, to 73,000 cars. Significant growth was also recorded in Eastern Europe, in Latin America, and particularly in the emerging nations of Asia. In Western Europe outside of Germany sales rose by 16% to 153,300 cars, and even in Japan new registrations were 20% higher, at 33,400 cars. We have now maintained our position as the leading European import car for the fifth year in a row.

As a consequence of the generally positive sales situation we increased our passenger car production by 109,500 units, or 23%, to over 590,000 cars, and are therefore producing close to capacity.

Mercedes-Benz Commercial Vehicles: Significant Increases in Sales Volume

Commercial vehicle sales for Mercedes-Benz rose by 14% in 1994 to 290,400 vehicles. We expanded group sales of trucks over 6 metric tons to 167,200 units (1993: 143,900), maintaining our position as the world's leading manufacturer in this market segment. The greatest stimuli for growth came from North America, Europe outside of Germany, and Latin America. In Germany we strengthened our market position, but new sales declined by 4% to 79,000 vehicles because of the difficult market situation in the entire industry.

Due to the extremely fierce competition in pricing and terms, and price advantages afforded to major competitors by favorable exchange rates, our 27% share in the Western European market for trucks over 6 metric tons was lower than in the prior year (30%). In contrast, our share of the Western European market for transporters between 2 and 6 metric tons rose from 12% to nearly 13%.

An important contribution to business abroad was again made by our Freightliner subsidiary. Freightliner was able to increase its sales in the United States by 25% to 51,400 units, taking over the leading position in the U.S. market for Class 8 trucks (gross vehicle weight 15 metric tons and above) with a market share of 25% (1993: 24%).

Like every Mercedes-Benz passenger car, the S-class is distinguished by exemplary safety. This is one reason why in 1994 more customers worldwide chose the S-class than any other automobile in this category. The Asian markets are playing a growing role here. Japan, Taiwan, Thailand, Hong Kong and China rank among the top ten in the sales statistics for the S-class.

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The SLK Study has generated tremendous enthusiasm.

The Mercedes G model: An ideal companion for business and pleasure.

Since sales of our subsidiaries in Latin America also rose, commercial vehicle production volume of our foreign companies reached a new high at nearly 148,900 units (1993: 120,400). We were able to increase commercial vehicle production in Germany by 18%, to 143,000 units, on the basis of stronger European demand outside of Germany; a total of 291,900 commercial vehicles rolled off the assembly lines of the 46 Mercedes-Benz production sites.

Increasing Motivation Through New Structures

The internal agreement on revising the performance and compensation system, concluded in 1994, was an important milestone for modernizing time management. It grants employees a major role in determining their own working and productivity conditions. This makes it possible to work out solutions tailored to the individual needs and capabilities of the employee, resulting in significantly higher acceptance of contractual productivity standards. Furthermore, the new agreement allows leeway for adjusting time schedules to the requirements of modern labor systems and forms of work organization.

More than 30% of the production jobs in the Mercedes-Benz AG plants had been converted to group work by the end of the year. Group work, with its significantly higher motivation for work and productivity and its more efficient organization of work processes, has become an important motivating force in our productivity drive. This has been confirmed by a company-wide study of employee experience with group work.

Another supporting element of our productivity drive is the process of "Continuous Improvement", which we stepped up in 1994 in all of the divisions of the company through extensive educational activities and carefully targeted information. These measures supported and carried forward the productivity campaign initiated in 1993.

Further Staff Reductions

To raise our productivity to an internationally competitive level over longer term, we had to continue personnel reduction, even though business in the reporting year, and consequently the capacity utilization of our plants, had improved greatly.

At the end of 1994 Mercedes-Benz had 197,568 employees worldwide (1993: 209,933). Mercedes-Benz AG personnel was reduced by 12,037, to 147,061 persons. The reduction in personnel affected both the automobile and commercial vehicle plants as well as the sales organization.

Successful Cooperation with the Supplier Industry

The TANDEM concept for cooperation continued to be the basis in 1994 for successful cooperation with our suppliers. More than 500 teams of employees from the suppliers and from our company were formed as part of TANDEM to work jointly on vendor-supplied parts for our current vehicle range as well as for new development projects.

Production of the MB 700 began in 1994 at our Indonesian subsidiary, P.T. German Motor Manufacturing. This vehicle was conceived specifically for the Far East market, and we placed increased importance in local developmental competence.

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The principal objective of the cooperative undertaking was to make the entire value-added chain even more efficient, all the way to the final product. The results of the TANDEM projects made it possible to achieve significantly improved price and cost levels for a variety of vendor-supplied part as early as 1994.

On the basis of increased production and of our activities directed at reducing production depth our purchasing volume nevertheless rose by 12% to DM 43.8 billion, with orders from abroad increasing at a higher than average rate.

DM 2.9 Billion Invested in Property, Plant and Equipment

To continue expanding the innovative basis of our motor vehicle business and thereby ensure our international competitive position, we made extensive capital investments again in 1994.

In the Passenger Car Division, preparations for the new E-class, the new engine plant in Bad Cannstatt, and the ongoing conversion to water-base paints were the areas of focus of our investments in property, plant and equipment, totaling DM 1.5 billion (1993: DM 1.3 billion). In addition, preparations are now underway for the production of the new A-class in the Rastatt plant. In Bremen we began preparing for production of the new small roadster (SLK). Our most important foreign project in 1994 was the new plant in Tuscaloosa, Alabama; starting in 1997 a completely newly-developed four-wheel-drive recreational vehicle ("All Activity Vehicle") will be manufactured there.

In line with the central idea of permanent innovation, around DM 1.3 billion was invested worldwide in the Commercial Vehicle Division to prepare the next generation of vehicles and to adapt the current product lines to the changing wishes of our customers. In Europe the focus was on preparations for the two new transporter families, the Sprinter and the City Transporter, on model maintenance for our light, medium and heavy truck classes, and on conversion of our model lines to the environmentally friendly EUR02 engines. Areas of focus outside of Germany included the preparations for the MB 700 - a new family of light trucks developed especially for the Asian market that will first be marketed in its country of production, Indonesia. In cooperation with our partner Ssang Yong we are developing a transporter - also for the Asian region - which we will present in South Korea in 1995.

Worldwide Sales Organization Strengthened

In 1994 we spent DM 135 million (1993: DM 224 million) on expanding our worldwide sales and service organization. The most important activities were a number of construction projects in the New Federal States, four additional centers for pre-owned commercial vehicles, and the enlargement of our central supply depot in Germersheim, Germany. Investment volume abroad came to DM 72 million. The most significant projects are the new administrative headquarters for Mercedes-Benz in Austria, the sales company in Sweden, Avtomobili AOST in Moscow and the new supply depot in Fontana, U.S.A. To open up additional sales potential for our vehicles, we have further expanded our sales and service organizations in Eastern Europe, Latin America and the emerging countries of Asia.

CharterWay Services Expanded

Although Mercedes-Benz CharterWay has only been offered in selected European countries since 1992, the name has become synonymous with expert service for every aspect of Mercedes-Benz commercial vehicles. We therefore decided to market long-term rentals and service leasing and, in some markets, our service contracts, as CharterWay services starting 1994. In the interest of further expanding our customer base, we are working on introducing the CharterWay spectrum of services in other markets in the future.

DM 3.3 Billion for Research and Development

Research and development activities are the basis of our product campaign in passenger cars and commercial vehicles. The global distribution of our development activities, which until recently were largely confined to the Commercial Vehicle Division, assures us maximum proximity to markets and customers. New forms of interdisciplinary project activities and greater involvement of the supplier industry have enabled us to further increase the efficiency of our research and development efforts in 1994. Of the total of DM 3.3 billion we spent on research and development in the year in review (1993: DM 3.2 billion), DM 2.2 billion went to the Passenger Car Division and DM 1.1 billion to Commercial Vehicles.

Micro Compact Car - A Cooperative Venture with SMH

In February 1994 we announced our cooperative venture with Schweizerische Gesellschaft fur Mikroelektronic und Uhrenindustrie AG (SMH) to build an innovative vehicle intended specially designed for densely populated areas. The project name is Micro Compact Car(MCC).

Responsibility for implementing the project rests with MC Micro Compact Car AG (MCAG) in Biel, Switzerland, of which a 51% share is held by Mercedes-Benz AG and 49% by SMH.

Developed and produced on site, tailored to the markets of Latin America: A truck of our Brazilian subsidiary Mercedes-Benz do Brazil. In 1994 we succeeded in expanding production of trucks and buses by 17% in this promising economic region.

The developmental activities and production preparations are being carried out by a wholly-owned subsidiary of MCAG, Micro Compact Car Entwicklungsgesellschaft in Renningen, Germany. The designated production site is in Hambach, France.

Acquisition of Kassbohrer Approved by EU Commission

Following a thorough investigation, the EU Commission approved the acquisition of Karl Kassbohrer Fahrzeugwerke GmbH by Mercedes-Benz AG on February 14, 1995. The European bus activities of Mercedes-Benz will now be consolidated into the newly founded EvoBus GmbH, with its four industrial bases in Mannheim, Germany, Ulm/Neu Ulm, Germany, Ligny, France, and Istanbul, Turkey. The Omnibus Division in Mannheim was spun off from Mercedes-Benz AG retroactive to January 1, 1995. The Turkish bus division will remain a legal entity of MB Turk. Operational control will be held by EvoBus GmbH. The Mercedes-Benz and Setra product lines will be marketed independently.

Outlook

With the generally favorable prospects for the world economy, the upward trend in the international automotive industry should continue in 1995.

Particularly in the rest of Western Europe, signs of continued growth in the demand for passenger cars and commercial vehicles are appearing, and the market situation can be expected to improve in Japan as well. The American motor vehicle market, on the other hand, is unlikely to be able to maintain the dynamic level of recent years, while the emerging countries of Asia and Latin America will continue to open up good opportunities for sales.

In Germany the market situation remains difficult. The harmonization of European freight traffic and the resulting effects on the German trucking industry will further restrict the demand for commercial vehicles, and there is only very limited room for growth in the German passenger car market due to the stagnating and even declining purchasing power of private households.

The new van from Mercedes-Benz: Customer orientation is at the heart of the Sprinter.

Mercedes-Benz is placing its hope on growth in new markets. We will be opening up new purchasing potential in both geographical terms and by means of attractive new models.

After the model change in the E-class at the mid-year Mercedes-Benz will have an extremely up-to-date lineup of models in the Passenger Car Division, and we will be able to round this out in future years with additional cars. We will position ourselves as the top supplier in new markets with high growth potential.

In the Commercial Vehicle Division, too, we have begun a far-reaching product campaign that includes the complete renewal of the existing lines as well as supplementing them with vehicles tailored to the specific circumstances of new markets.

The product drive in passenger cars and commercial vehicles is accompanied by a comprehensive realignment of our internal structures and processes. This is the only way we will be able to give lasting strength to our cost position in the face of increasingly tough competition. In addition, we are working persistently to give an even more global shape to the entire value-added sequence involved in the creation of our products.

Corporate Unit AEG Daimler-Benz Industrie

In 1994, AEG Daimler-Benz Industrie achieved incoming orders totaling DM 11.5 billion and sales in the amount of DM 10.3 billion. This growth was essentially sustained by Rail Systems and Microelectronics. On the group level, although net income clearly improved compared with the previous year, it is still not satisfactory. For 1995, we are therefore continuing to focus our primary goals on speeding up the reorganization of the company by means of implementing structural and performance-improving measures in all business sectors.

Delayed Recovery in the Electrical Engineering Industry

In the German electrical engineering industry, the upward trend in the economy was delayed. While foreign demand rose over the course of 1994, a slight recovery in customer orders from Germany did not set in until the middle of the year. Production in the West German electrical engineering industry climbed by 4% compared with the previous year. Although capacity utilization did improve slightly, it was clearly below the level of utilization at the beginning of the '90s.

Inconsistent Development among Product Groups

Development progressed at varying rates among the individual product groups of the electrical engineering industry. Incoming orders and sales continued to fall with respect to the capital goods that are significant for our company. This was especially true in Energy Systems Technology, which was marked by cautious investment behavior on the part of important customers, primarily abroad. With price levels that continued to decline, no recovery was registered in Drive Systems. However, Controller Technology profited from the upswing in manufacturing.

The recovery process developed at an exceptional pace in electronic components. As a result of the good domestic and foreign economy, business expanded, primarily in vehicle electronics, telecommunications, and home entertainment electronics.

Slight Growth in Incoming Orders

Incoming orders for AEG Daimler-Benz Industrie reached DM 11.5 billion in 1994. After making an adjustment for the value of the divested domestic appliances, power meter and lighting systems activities, a growth of 6% results. On the German market, customer orders were up by 4% to DM 5.2 billion, foreign orders climbed by 8%.

In Rail Systems, incoming orders rose by 3%. The large orders of Deutsche Bahn AG, as well as orders for the Berlin U-Bahn, the Metro in Guangzhou, China, and the Airport Express Line in Hong Kong played a major role in this increase.

The incoming orders of the Microelectronics Division showed especially strong growth at 21%. This positive trend was due solely to a marked increase in customer orders at TEMIC TELEFUNKEN microelectronic GmbH. Above all, new orders for semiconductors, vehicle electronics, and gas generators should be emphasized.

The Energy Systems Technology Division did not match the incoming order volumes of the previous year; a decline occurred in almost all power transmission and distribution activities, as well as in industry components and electrical machinery.

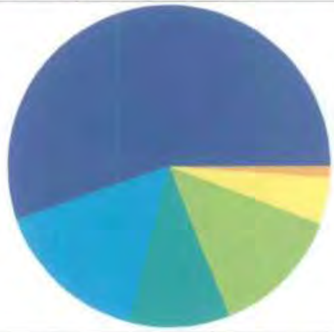
Because of several large orders in Postal Automation, incoming orders were gratifyingly high. Moreover, in the fourth quarter of 1994, the newly acquired U.S. firm ElectroCom Automation was included in the consolidation for the first time. The growth in Automation was also sustained by the positive trend in orders at Modicon and in Systems and Automation. In contrast, orders for Project and Drive Systems fell below the 1993 level.

DM 10.3 Billion in Sales

AEG Daimler-Benz Industrie's sales in 1994 totaled DM 10.3 billion. Comparably calculated, i.e., not including the Domestic Appliances, Power Meter and Lighting Systems activities, revenues increased by 5% to DM 8.5 billion. Sales revenues rose by 13% abroad, while revenues in Germany fell by 2% compared with the previous year.

Rail Systems and Microelectronics, in particular, contributed to this largely satisfactory development. The growth in Rail Systems is essentially based on high project invoicing in Germany and the U.S. In Microelectronics, the positive business trend of TEMIC TELEFUNKEN microelectronic is responsible for the increase in sales.

Sales by Regions*)
AEG Group
DM 10.3 Billion (1993: DM 11.0 Billion)



	'94 in %	'93 in %
Germany	55.2	59.0
EU excl. Germany	15.7	16.3
Other Europ. Countr.	10.1	8.8
America	13.3	10.1
Asia/Australia	4.5	4.3
Africa	1.2	1.5

*) Not adjusted.

LCD information displays from our Microelectronics Division help airline passengers find their way around in large airports all over the world.

In Energy Systems Technology, sales revenues stagnated at the previous year's level. The weak business activity in Low and Medium-Voltage Systems caused by the economy was offset by higher project invoicing in High-Voltage Systems. In contrast, the business volume in Industry Components and Electrical Machinery was below the 1993 level.

In Automation, the previous year's revenues were not matched. The strong competitive pressure in both the Project and Drive Systems as well as Systems and Automation sectors led to a sharp decline in business. Modicon, however, registered a positive trend in sales.

Sale of AEG Hausgerate

Following the approval by the EU authorities of the sale of the Domestic Appliances Division to Electrolux, this business activity was eliminated from the group as of September 30, 1994. The profit and loss statement for AEG Hausgerate is still included in the consolidated financial statements for nine months.

Considerably Reduced Group Loss

The profit and loss situation of AEG Daimler-Benz Industrie in 1994 was hurt by the delayed economic upswing. The underutilization of capacities led to extremely fierce price competition. By carrying out restructuring programs and sweeping rationalization programs, we succeeded in cushioning the impact of these burdens, as well as the impact of increasing costs, and in maintaining operating losses at approximately DM 500 million compared with the previous year.

The restructuring costs incurred at the same time, which put a DM 600 million strain on the 1993 results, still totaled DM 150 million in 1994. Over and above the structural measures already introduced in the previous year, we have adopted additional projects such as gearing the domestic and foreign sales organization specifically toward the business units responsible for profits.

The profits from the sale of various activities, particularly Domestic Appliances, Power Meters and Lighting Systems, improved the net income for 1994 by DM 300 million, so that the net loss before loss absorption by the group totaled DM 350 million compared with DM 1.2 billion in 1993. For AEG Aktiengesellschaft, the loss came to DM 552 million, because the income from the divestiture of the Power Meters and Lighting Systems activities had already been included in AEG Aktiengesellschaft's profit and loss statement in the previous year.

Despite a marked increase in sales, the Rail Systems Division exhibited operating losses close to the previous year's figure. The poor revenues from customer orders played a role in this development.

Net income in Microelectronics improved considerably as a result of the gratifying business trend in vehicle electronics and because of the cost-cutting measures implemented, but still remain in the red, as expected.

The most modern three-phase AC locomotive in the world makes its debut: Through the modular design of the 12X locomotive family, AEG Daimler-Benz Industrie is offering customized rail cars to its customers throughout the world.

Automated and driverless transport systems form the backbone of many airports and amusement parks. AEG Transportation Systems is the world leader in this sector. With the Sky Line at Frankfurt Airport, this type of system has asserted its position on the European continent for the first time; it now takes less than three minutes to travel between Terminals 1 and 2.

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In Energy Systems Technology, the Power Transmission and Distribution business field broke even, even though revenues declined. Net income in the Components sector, which no longer includes the Power Meter and Lighting Systems activities, was burdened by a price-related decline in sales. However, because of the measures implemented with respect to structural reorganization and cost improvement, losses were reduced considerably.

The Automation Division countered the intensified competitive pressure in the industrial sector with intensive rationalization measures. However, because of the still insufficient utilization of streamlined capacities, as well as a further drop in prices, the net loss was higher than in 1993. Although net income fell in postal automation due to lower prices, it still remained gratifyingly positive. The activities of the acquired U.S. subsidiary ElectroCom Automation were included in the profit and loss statement for the fourth quarter of 1994.

The fully automated, computer-controlled baggage conveyor at the Frankfurt airport transports luggage to its destination at a speed of 2.5 m per second.

Reduction of Workforce

At year-end 1994, AEG Daimler-Benz Industrie employed 44,769 people worldwide. The drop in the employment figure compared with 58,921 in 1993 can basically be attributed to the negative balance from the sale and takeover of businesses. In addition, there were cutbacks as a result of structural and economic adjustments. Comparably calculated, this translates to a 5% decrease.

DM 1 Billion in Investments

Investment by AEG Daimler-Benz Industrie companies in 1994, including the assets taken over from newly acquired companies, totaled DM 983 million (1993: 764 million). This figure includes DM 564 million (1993: 622 million) in additions to property, plant and equipment, DM 215 million (1993: 105 million) of which involve foreign companies.

The full takeover of ElectroCom Automation represented the largest share of the investments. Investment activities in Germany also focused on the continued modernization of the Hennigsdorf plant for Rail Systems. Outside Germany, the companies of AEG Daimler-Benz Industrie invested primarily in a new production line for Microelectronics at the plant in Nantes, France. Projects that were completed included the Technology Center for Systems Electronics in Pittsburgh, U.S.A., and the administration and services facility in Greece, which we had already begun in the previous year.

Outlook

In the current business year, full recovery of the German electrical engineering industry can be expected. On this basis, AEG Daimler-Benz Industrie assumes that business volumes will grow, sustained by all divisions, especially Microelectronics. However, the economic recovery will have at best a delayed effect in sectors with long-term contracts, in particular.

As of January 1, 1995, we took over the industrial management of TEMIC, which will be fully included in our consolidated financial statements. The sales-boosting effects resulting from this and from the organizational allocation of MTU Friedrichshafen will more than compensate for the decline in sales associated with the divestiture of the Domestic Appliances Division.

Our goal remains to accelerate the structural reorganization of AEG Daimler-Benz Industrie by means of strategic, income-boosting measures in the individual fields of activities, focusing primarily on Rail Systems. We will concentrate our efforts on improving the quality of revenues and the utilization of capacities by cutting costs and further internationalizing our activities.

Thanks to high-frequency switching circuits for cellular telephones, people are no longer dependent on fixed installed cables. TEMIC supplies this key component to leading manufacturers of mobile telephones.

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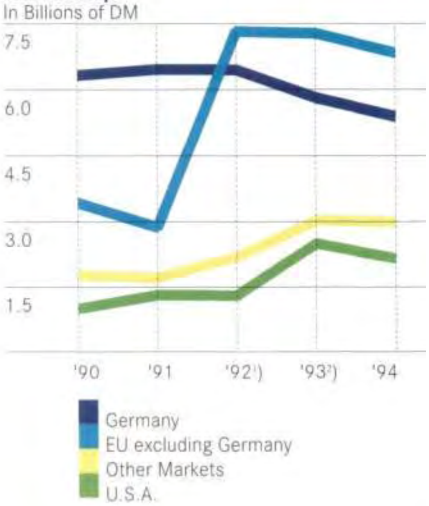
Corporate Unit Daimler-Benz Aerospace

In 1994, business trend for Daimler-Benz Aerospace was characterized by declining sales and a shortage of orders. Although the air travel market recovered, the positive development was not yet felt in our core business, the aircraft market. In the public sector, the funds available for space exploration and defense were cut even more drastically, and our business volume was painfully reduced. The programs we had introduced to adapt structures and capacities and reduce costs in response to the adverse market conditions in the year before required further workforce reductions in 1994. These measures represented an important step toward improving our earnings situation.

Strengthening the Core Business Through New Structures

The dramatic deterioration in the economic environment forced DASA to make incisive changes in order to ensure the company's existence. In October of 1993 an action plan was presented that focuses on strengthening the core fields of operation and discontinuing business activities that were no longer strategically relevant. The program includes measures for adapting structures and capacities to the reduced and anticipated levels of capacity utilization.



¹) First full consolidation of Daimler-Benz Aerospace Airbus, first consolidation of TEMIC.
²) First consolidation of Fokker.

In June 1994, the company and the employees reached a consensus on the proposed measures. The agreement confirms our intention to eliminate 10,300 jobs, primarily in the Aircraft and Defense and Civil Systems divisions. The reductions also include the plan to close or sell a number of sites in Germany in the period between 1993 and 1996. Particularly in the Air Transport Division, we will eliminate overlap between individual activities and implement a new manufacturing structure in the plants.

In Defense and Civil Systems, the dramatic cutback in the budget of the Federal Ministry for Defense (BMVg) made a fundamental strategic reorientation unavoidable. We converted the former four product areas of the division into a new management structure consisting of two product divisions with a number of profit centers and two independent profit centers. Further, we are reallocating a variety of activities to existing and future European companies.

Recovering Our Competitive Edge Through New Cooperative Ventures

As a consequence of reduced defense spending, certain defense capacities can only be maintained and utilized on a European scale. This prompted us to found additional European joint ventures in 1994. In the civilian sector too, we intensified our international cooperative effort to expand our worldwide market presence and penetrate new markets.

We entered into an agreement with Thomson-CSF to merge the activities of both companies in the area of high-performance explosives and form the new company TDA Armements S.A.S. Activities in the field of projectile propulsion were consolidated under the aegis of Bayern-Chemie. In a joint effort with Aerospatiale we will combine the area of guided weapons systems within EMS (European Missile Systems), a company to be founded for this purpose.

We were able to reach an agreement with the American company Collins Avionics, a subsidiary of Rockwell International, to found Collins-Dasa Avionics Systems GmbH. This joint venture will be responsible for the definition and worldwide marketing of products for satellite-supported navigation systems and state-of-the-art avionics. With the Russian company Aviapribor AG, the leading manufacturer of avionics and aircraft equipment in the CIS, we will found the joint venture Davia. Davia will be headquartered in Moscow and will handle the development, production and marketing of selected avionics and flight safety equipment for the CIS market. Later, Davia will expand its market westward.

In 1994, we entered into negotiations with Canada's Northern Telecom concerning the joint founding of a company that will develop and offer a broad range of services and systems for modern telecommunications networks to telecommunications carriers in Germany and Eastern Europe.

When the earth remote sensing satellite ERS-2 is deployed into orbit in the fall of 1995, it will offer the unique opportunity of a tandem mission with its predecessor, ERS-1 which has been in orbit since July 1991 operating at full functional performance. The scientific community expects to gain new insights into the earth's topography from this mission.

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In the year under review we transferred solar technology, formerly a part of the energy and system technology product division, to the company Angewandte Solarenergie - ASE GmbH, which was founded in cooperation with the RWE subsidiary Nukem. With Carl Zeiss, Oberkochen, we are working toward a joint venture in the field of Optronics.

In the Space Systems Division, negotiations continued with Aerospatiale on founding ESI (European Satellite Industries). In the aerospace sector, our cooperation with the People's Republic of China, begun over ten years ago, was reinforced during the reporting year with the founding of EurasSpace GmbH, Munich. This joint venture between CASC (China Aerospace Corporation) and DASA will take over the development, manufacturing and marketing of satellites for communication and earth surveillance, and the associated ground stations.

The Propulsion Systems Land/Marine Division entered into a comprehensive cooperation agreement with Detroit Diesel Corporation for the purpose of sharing the existing sales organizations of the two companies as well as developing, producing and marketing new diesel motors.

Intensified Cooperation Between Research and Industry

Together with Daimler-Benz AG and the German Aerospace Research Institute (DLR) we have reached a basic agreement on closer cooperation. The goal of this innovative partnership is to jointly pursue research and development objectives in future-oriented technologies in order to significantly increase the speed of innovation and make more efficient use of the shrinking pool of available funds. At the same time there are efforts to engage in cooperation with additional industrial and research entities.

The exchange of experience between industry and research is also to be intensified in the Technology Center founded jointly by Daimler-Benz Aerospace Airbus and the Hamburg-Harburg University, which was inaugurated in Hamburg-Finkenwerder in 1994.

Entering Markets of the Future: Marketing Companies Bring Us Closer to Our Customers

During the year under review we continued the worldwide market drive we began in countries that are of interest to our company as potential future markets. We founded marketing companies in Greece, Italy, Mexico, Austria, Singapore, Spain, Turkey, the United Arab Emirates and the People's Republic of China to bring us closer to our international customers. The marketing companies will combine the technological competence and product spectrum of several divisions, allowing us to offer complex solutions to potential customers in their own country. In addition, our circle of traditional liaison offices was expanded worldwide.

Group Sales Decline

Group sales for Daimler-Benz Aerospace, at DM 17.4 billion (1993: DM 18.6 billion) were down 7% from the year before. A major factor in this trend was a substantial decline in sales in the Aircraft Division, which contributes around 50% of the group's business volume.

In Germany, sales declined 7% to DM 5.4 billion (1993: DM 5.8 billion). Foreign sales, which as in 1993 contributed 69% of total sales, declined 6% to DM 12.0 billion (1993: DM 12.8 billion). The military portion of sales came to 29%, as in the prior year. Incoming orders showed a slight growth, by 5%, to DM 16.4 billion (1993: DM 15.6 billion). The significantly higher orders in the Aircraft Division were offset by declines in other divisions.

Losses for Aircraft, New Orders Rise

In the Aircraft Division, sales declined 15% to DM 8.7 billion (1993: DM 10.3 billion). Almost all divisions were affected, but especially drastically hit were the Fokker and Military Aircraft Divisions. In the civilian aircraft sector revenues were adversely affected by the drop in the dollar exchange rate and - especially for Fokker aircraft - by fierce competition over prices. In the short-haul aircraft sector a vigorous rise in-sales was achieved with the Dornier 328, which has been in series production since October 1993. Incoming orders rose 14% to DM 8.7 billion (1993: DM 7.6 billion), reflecting in particular the increase orders in the Airbus program and the Dornier 328 program, but they remained at an unsatisfactory level.

Space Systems at the Previous Year's Level

Space Systems sales were at the same level as the year before, at DM 1.4 billion. Along with the research satellite ERS-2, one of the most important contributors to sales was the Ariane program. Incoming orders were unchanged at DM 1.5 billion.

Downward Trend for Defense Technology

Sales declined throughout the Defense and Civil Systems Division. Only through extensive settling of accounts in the Stinger program was there a growth of 8% to DM 3.1 billion (1993: DM 2.8 billion). Orders were down 3% to DM 2.2 billion (1993: DM 2.3 billion). The volume of orders was considerably lower than sales, as in the years before.

The first series Fokker 70 aircraft was delivered to Ford in an executive version in late October 1994. By year's end, a total of 40 firm orders had been received for the 70-to-79-seater. In the year under review, we were able to retain our approximately 55% share in the 10-to-125-seat jet market segment.

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More Favorable Sales Situation for Propulsion Systems

Propulsion Systems sales, influenced by the departure of KKK from the consolidated group, were DM 3.0 billion (1993: DM 3.1 billion), 3% lower than in the year before. When calculated in comparable terms, however, there was an increase of 7%. The decline in orders by 12% to DM 2.8 billion (1993: DM 3.2 billion) was also influenced decisively by this change. Comparably calculated, the decline was only 5%.

Workforce Reductions Continued

Daimler-Benz Aerospace had 75,581 employees throughout the group at the end of 1994 (1993: 86,086), including 3,058 apprentices and trainees. There were 15,499 persons (1993: 16,713) working in foreign countries. The decline in workforce reflects the measures we introduced to adjust capacities. For example, we have largely withdrawn from the Lernwerder site. In addition to the workforce reductions, in many divisions of the group shortened working hours had to be implemented for an extended period.

By division, 42,220 persons (1993: 46,863) were employed in Aircraft, 4,205 (1993: 4,463) in Space Systems, 9,970 (1993: 12,387) in Defense and Civil Systems, and 12,618 (1993: 15,347, including 1,736 at KKK) in Propulsion Systems. In the other divisions, which include primarily the joint venture TEMIC, listed pro rata, and Medical Technology, there were 6,568 employees (1993: 7,026).

Lufthansa took delivery of the first series A321 aircraft on January 27, 1994.

Outlook

As of the end of 1994 we owned a 50% share each in TEMIC TELEFUNKEN microelectronic GmbH. At year's end we sold a 1% share to AEG Daimler-Benz Industrie, reducing our share to 49%. TEMIC will therefore be listed as an investment as of 1995, and will no longer be included pro rata in the consolidated financial statements of DASA. With the adjustment for the resulting effects, we are anticipating a moderate increase in comparative sales for the group in 1995.

In Space Systems the settlement of accounts for the development costs of the Ariane 5 will boost sales considerably. We are expecting a slight increase for Propulsion Systems and for Aircraft, where we are anticipating significant growth, particularly in the Fokker 70, Fokker 100 and Dornier 328 aircraft programs. However, a further decline can be expected in Defense and Civil Systems.

The programs initiated to lower costs and improve profits are progressing according to plan, including the elimination of additional positions and the closing of a number of sites. This will bring our costs down to a level and enable us to compete internationally.

For the same reason, we decided at the beginning of 1995 to undertake a restructuring program for Fokker in an effort to improve the earnings situation picture here as well.

At the same time we are continuing our policy of European cooperation and downsizing by merging domestic activities in the sector.

Finally, with our worldwide market campaign, we are making a significant contribution toward opening up new business opportunities in markets offering a high potential for growth.

With this program we are establishing the prerequisites for securing jobs in our core divisions, and for the healthy growth of our company in the future.

Corporate Unit Daimler-Benz InterServices

Following the upswing in the industrial services sector, debis increased its sales 14% to DM 10.8 billion in 1994. Growth in the Mobile Communications Division was especially good, in no small measure due to the acquisition of Bosch Telecom Service. Significant growth rates were evident in the Systemhaus and Financial Services Divisions. The internationalization of business activities was also a focus for Daimler-Benz InterServices. Restructuring measures were quite successful, especially in the area of information technology.

debis Continues to Grow

In the year under review, debis raised consolidated sales by 14% to DM 10.8 billion. Because of the conversion of the accounting system from the total cost method to the internationally prevalent cost of sales method, interest income from sales financing amounting to DM 1 billion is now included under sales; aside from minor inventory changes, this corresponds to the total output that we reported in previous financial years.

In all divisions, further internationalization contributed to the growth in sales. In terms of region, Germany accounted for 55% of 1994 sales, the partner countries of the European Union for 7%, the U.S. market for 29%, and other markets for 9%.

The acquisitions of Bosch Telecom Service, the Leipzig Data Processing Center and several other firms accounted for DM 0.1 billion of the higher sales figure. This is a clear indication that debis achieved the continuous growth primarily by its own efforts.

In addition, we partially restructured the refinancing of our domestic leasing and financing businesses. Through the investment of external partners in a vehicle holding company its sales are no longer consolidated; the disposal revenues at the point when the contract expired are also no longer included in the consolidated sales. The sales trend was also influenced by the fact that we expanded the sales financing business more strongly than the leasing business. A comparable effect was seen in the countertrade area, through the change in the proportions of the consulting business and own-account trading.

Systemhaus: Higher Profitability

debis Systemhaus was able to raise its sales by 9% to DM 1.8 billion and make a positive contribution to profits. Computer Communication Services (CCS) again contributed disproportionately to this result.

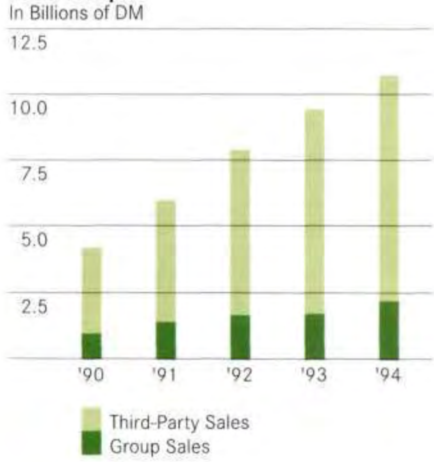
We restructured the cooperation with CAP-Gemini in Germany. While maintaining the commitment in terms of value, our French partner now holds a 19.6% investment in the overall activities of Systemhaus. As part of this restructuring, the separation of the individual areas under corporate law was abandoned in order to give CCS and the software projects and products the opportunity to enter the market together and under one name.

The business trends regarding software projects and products varied. The Services, Telecommunications, Public Sector, and Traffic subdivisions posted increases in incoming orders and sales. In the Industry and Standard Software Products divisions, which operate in a difficult environment, we implemented the majority of the restructuring measures decided on in the previous year. The attendant optimization of business processes resulted in cost savings and personnel cuts in these divisions. Contingency reserves were available for the resulting non-recurring expenses.

The software and management consulting business at Diebold continued at the previous year's high level. The order sposition was positive during the second six months especially.

The new joint venture with Mitsubishi, debis Advanced Communication Services, began offering enhanced fax services in the fall of 1994. The aim here is to offer our customers innovative services surrounding this widely used transmission medium.

Sales
debis Group
In Billions of DM



Financial Services: Further Upswing

The Financial Services Division was able to expand its sales by 12% to DM 7.6 billion. The biggest contribution to this figure was made by the domestic market, where the commercial and pre-owned car business expanded in particular. The main source of foreign sales revenue was our American company Mercedes-Benz Credit Corporation (MBCC). Despite the end of the special programs launched with Mercedes-Benz during the previous year, the company was able to further increase its sales. An especially positive trend could be observed in the Commercial Vehicle Division of MBCC, which works closely with the North American Mercedes-Benz Commercial Vehicle subsidiary, Freightliner. High sales increases were also posted by the company in Great Britain and by the new company operations in Mexico and Japan. In Italy and Spain, the respective measures taken in a difficult environment assured new business. In Portugal, Mercedes-Benz MultiServigos, and in Hungaria, Mercedes-Benz Lfzing Hungaria were founded, specializing in the classical vehicle leasing trade.

The debis leasing companies, which are concerned with financing other products of the group, were also able to significantly expand their portfolio. The development of the American debis Financial Services was especially positive in this regard. During the year under review, we founded new companies in Switzerland, the Netherlands, Great Britain and Japan in order to expand this business.

Worldwide, new business rose by 10% to 213,000 units, valued at DM 13.8 billion. Accountable contract volume thus rose by 15% to 530,000 units, which correspond to a value of DM 25.1 billion. Accountable contract volume includes all contracts for which debis bears corporate responsibility. This also covers those contracts that were brought into non-consolidated companies as part of the effort to make refinancing more flexible or were divested through other off-balance-sheet measures.

debis Aviation Leasing was able to continue the successful business trend of the previous year and raise the number of realized aircraft leasing funds to five.

It took intensive planning to find the highest and best multiple use of the land for the construction project on Potsdamer Platz.

Insurance Brokerage: Expansion of Third-Party Business

Through steady growth, especially in the external commercial customer trade, debis Assekuranz was able to raise the commission earnings posted as sales to DM 76 million. The premium volume amounted to DM 0.7 billion. In further developing the Insurance Brokerage Division, we focused on the reinsurance business.

Another focus was continued internationalization. Besides the opening of new offices in Singapore and Italy, the presence in France was expanded through an investment in the Théoréme insurance broker.

Trading

Despite the difficult political and economic situation of important partner countries for countertrade transactions, debis Trading was able to expand the countertrade volume by 16% to DM 0.6 billion by strengthening the consulting business. Cooperation with the Russian company Gasprom as part of the DITGAS Handelshaus joint venture continued to proceed positively.

Marketing Services

At DM 0.5 billion, sales of debis Marketing Services were in the same range as the previous year. The largest contribution to this was made by the Media subdivision. In order to cover international media budgets, a European network of media agencies were initiated.

The future headquarters of Daimler-Benz InterServices will be built in the heart of Berlin, on Potsdamer Platz. It is one of nineteen buildings that Daimler-Benz will erect in the new urban subdivision in direct proximity to the Brandenburg Gate and the government district.

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Mobile Communications Services: Acquisition of Bosch Telecom Service

The Mobile Communications Services Division took advantage of the strong market growth in Germany and the other deregulated European countries. Sales in Germany rose to DM 0.5 billion (1993: DM 0.2 billion). Because the foreign subsidiaries and affiliated companies are still of secondary importance, they were not included in the debis consolidated financial statements.

Through the acquisition of competitor Bosch Telecom Service (BTS), whose range of products is to be maintained as a second brand name, debitel is in second place in Germany after Mannesmann Mobilfunk, with a 19% market share (1993: 11%). debitel and BTS have taken steps to counter the loss of receivables outstanding that is especially serious in the mobile communications market and represents a major burden on the annual financial statements. In an effort to better limit losses, they are geared toward credit solvency-oriented growth. The division still managed to more than double the number of customers - even without considering BTS. In Germany, around 320,000 customers utilized the services of our two mobile communications companies at year-end.

The French affiliated company 2MTEL, which we are also operating jointly with our Europe-wide partner Metro, has in the meantime acquired around 30,000 subscribers. That corresponds to a share of 6% of the French digital mobile communications market. debitel Niederlande has handled around 15,000 customers since the official network startup in July 1994, which corresponds to a market share of 12%.

Real Estate Management: Progress at Potsdamer Platz on Schedule

After excavation work began in the spring of 1994, the cornerstone for the construction project on Berlin's Potsdamer Platz was laid in October, a project which debis Immobilienmanagement (dIM) is managing for Daimler-Benz AG. Construction continues to proceed completely on schedule. Thus, it is currently projected that the first segment of construction will be completed in 1997.

During the past year, dIM has already managed to win over the first attractive operators for a hotel, a musical theater, a cinema complex, and retail operations in the area offering 340,000 square meters of gross floor space

In addition, the company has begun offering developer and facility management services for other properties. In this context, usage analyses and marketing concepts are formulated for various properties.

Outlook

Based on past performance, debis is confident that it can take advantage of the opportunities present in the consistently dynamic services sector. This positive expectation applies both to further increases in sales and to profits.

The restructuring measures taken in the past, especially in the area of information technology, already had an effect in the most recent financial year. For that reason we are confident that we will further raise and solidify the earning power in this area. In the New Federal States, the consolidation of the individual divisions of Systemhaus will make it possible to centralize the development of solutions for all work areas. We will place particular emphasis on expanding comprehensive business solutions.

The Financial Services Division will continue its internationalization with the founding of further leasing and financing companies in Sweden and Argentina. Growth opportunities for our leasing and financing companies outside the automotive sector should be seized by our own companies in Belgium, Italy and Argentina. There are outstanding prospects for an expansion of business in the United States, in part through the agreement to offer exclusive financial services for the engine manufacturer Detroit Diesel Corporation.

Trading and Insurance Brokerage will vigorously continue their expansion of business. Through the further development of the international Media Network, Marketing Services has good prospects for tailoring its full service marketing services to the European market. With the companies founded in the Netherlands and France, the Mobile Communications Services Division will take part in the dynamic growth of those deregulated markets. In Germany, the outstanding market position, combined with credit solvency-oriented growth, will make it possible for the division to further strengthen its profitability.

With thirty-one leasing and financing companies in fifteen countries, the Financial Services Division offers custom-tailored financing concepts, such as long-term leasing of Mercedes-Benz commercial vehicles under the trade name Mercedes-Benz CharterWay.

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Research and Technology

Internationalization is also accelerating in the Research and Technology Department. Greater international cooperation in several projects in 1994 was accompanied by the establishment of new research centers in the U.S.A. and in China. A worldwide sensation was caused when we presented Europe's first roadworthy vehicle with a fuel cell that operates under ordinary conditions. At the same time, we have taken over the market leader position in this technology segment.

First Roadworthy Vehicle with Fuel Cell

In the worldwide search for alternative automobile propulsion systems, Daimler-Benz has reached an important milestone: Europe's first vehicle with a fuel cell that operates under ordinary conditions was unveiled to the public in May 1994 at the new Research Center in Ulm. The fuel cell generates electrical current directly from hydrogen gas. The propulsion system is emission-free. The only by-product of the "cold combustion" is water vapor.

Our position as market leader in this technology was attainable only through cooperation from several sectors. We consolidated the fuel-cell research activities, formerly established at three subsidiaries, into one project under Research and Technology. In addition, we secured expertise not already available within the group through international cooperation.

Now that Daimler-Benz has demonstrated that the fuel cell used is suitable in principle and can be integrated in a vehicle, researchers are working on ways to reduce the cost, volume and weight of the new propulsion system. They also hope to improve its efficiency and substitute liquid methanol for the hydrogen gas currently used as the energy source. When they succeed, the ranges common today for vehicles that run on gasoline or diesel fuel will be attainable for the first time with an electric vehicle.

With our expertise in fuel cell technology, we also hope to play an important role in the promising market of decentralized electric power supply. However, it will take several more years of research and development work before the new technology is ready for the market.

In a joint venture with the Shanghai Institute of Metallurgy, Daimler-Benz is conducting research in the field of packaging technology for microelectronic components.

"Innovation Campaign" in Research

The success of the fuel cell research is a result of Research and Technology's effort to expedite the transfer of knowledge from research to product and to foster innovation.

Also serving this goal was the "Innovation Campaign" begun in 1994. Its purpose is to strengthen internal and external factors that promote innovation, to reinforce international ties, and to intensify interdisciplinary cooperation.

This program is supported by a newly developed procedure for planning research activities, which not only demands innovation and but also advances it.

Strategy Workshop

As part of the annual strategy workshop, a process was introduced for critically reviewing the allocation of funds for research areas and projects. Its objective is to adapt research priorities to new knowledge and internal reorientation. Less successful projects are discontinued and the funds reallocated to new and innovative undertakings. As a result, 20 long-range projects were defined, and it became evident in the process that information technology in particular would become considerably more important in research.

Daimler-Benz Research Prize Awarded

The Daimler-Benz Research Prize is awarded to employees in Research and Technology who have made outstanding achievements. With this prize, we aim to reward outstanding work at Daimler-Benz with an additional bonus over and above the usual remuneration systems, in order to increase employee motivation.

The prize was awarded in 1994 for the first time. It went to Dr. Peter Konhauser, Prof. Boris Kerner and Martin Schilke, who were honored for their in-depth studies of the phenomenon of traffic congestion. Their work made possible the development of a new model that can help simulate traffic flow on highways. The newly gained knowledge will enable us to develop appropriate measures for optimizing traffic flow.

Research Audit, a Research Evaluation Process

Procedures to determine the efficiency and effectiveness of research are being sought worldwide. In this context, Daimler-Benz developed and implemented the "research audit", in which research fields of strategic importance are evaluated against world standards and the competition, as well as for their prospects of success. The audit is based on firmly established criteria. Both internal decision-makers and outside experts take part in the process.

Daimler-Benz subjects about four research areas to this audit annually. So far the process has brought valuable information to light, for example in optical character recognition and in combustion research, which allows us to assess the status of our research accurately by international standards. It has also reinforced our resolve to become a leader in all relevant research fields by world standards.

Cooperation with the Chinese Academy of Sciences

Another step toward internationalization in the research sector was the establishment of a joint research institute with the Shanghai Institute of Metallurgy, a member of the Chinese Academy of Sciences. This cooperative project in the field of packaging technology for microelectronic components is connected with a joint venture, TEMIC TELEFUNKEN microelectronic GmbH. The joint venture, also headquartered in Shanghai, took over final production of semiconductor components destined for the world market. With new packaging technologies, we hope to secure and enhance TEMIC's competitive edge in power semiconductor technology.

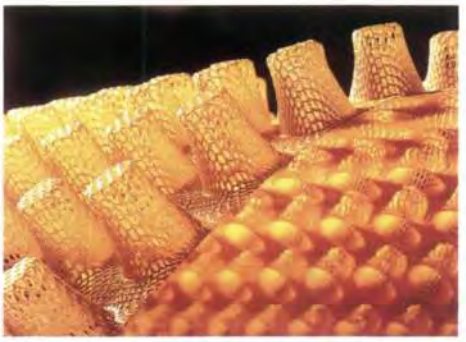
New Research Center Established in U.S.A.

Another result of the innovation process is the Daimler-Benz Research & Technology Center established in California. Its purposes are to arrange contacts and cooperative projects with other research institutions in the U.S.A. and to observe technological developments on site. The research center, which became operational at the end of 1994, will also undertake its own research, especially in information technology and microelectronics. In addition, it will conduct research in the field of "technology and society".

Research Projects to Increase Production Efficiency

In national, pan-European, and global cooperation, our researchers are working on projects to improve efficiency in production.

The pilot phase of the aerospace and automotive industry's pan-European project "AIT-Advanced Information Technology in Design and Manufacturing", which we initiated, began in 1994. In this project, over thirty manufacturers and supply companies aim to pool their research potential and make use of the latest information technology to shorten development and production times drastically in the future. The procedure used heretofore was reversed, in that for the first time users of the information technology defined the demands to be placed on the future technology and set the priorities important for them. In the main phase, which will begin in 1995, they will work jointly with the suppliers of information technology to put the results of the research projects into practice.



A three-dimensional braid of plastic fibers is a potential material for light-gauge construction. The highly ductile burled pattern is an ideal base structure for the production of light-weight but very solid parts, even with complicated shapes.

At a cost of millions, we created the best engine-testing stations that today's technology has to offer. Here new passenger-car and commercial-vehicle engines make their first rounds.

Daimler-Benz also played a substantial role in the establishment of the project ProSTEP in the spring of 1994. The goal of this project is to enable the exchange of standardized electronic processing data, for example between automobile manufacturer and suppliers, and thus considerably shorten production time. Meanwhile nearly 100 companies - including some from Italy, Sweden and Switzerland - have joined in this initiative.

Under the auspices of the research program IMS-Intelligent Manufacturing System, we are working with partners in Canada, the U.S.A. and Australia. The sub project "Rapid Product Development", completed in 1994, was a study not only of how the prototype of a product can be quickly produced from CAD data in the future, but also of how electronically readable design data can be quickly retrieved from a modified prototype.

The "Process Chain" Program

Information technology is also used to support process chains in the manufacturing of a product. In contrast to isolated applications still widely used, continuous information technology systems and software aim to optimize the process chain as a unit. The primary goal is to improve product run times in manufacturing.

In addition to four pilot projects pertaining to automobile, rail car and aircraft construction, the program also addresses comprehensive interdisciplinary topics, in order to quantify the attainable benefits of the program, expand expertise within the group, and facilitate the exchange of practical knowledge.

Global Networking

In support of the globalization of the group, Daimler-Benz is currently developing a series of innovative procedures that will make intercontinental networking possible. An example of this cooperative work is the "Live-Board", an electronic panel currently being tested in a pilot program at AEG Bahntechnik, with which empirical data are currently collected from Pittsburgh, Pennsylvania, and Nuremberg, Germany, as well as from the research center in Ulm, Germany.

Lower Pollutant Emissions and Fuel Consumption

Independent of its research in alternative propulsion systems, Daimler-Benz will continue to pursue its goal of developing engines with lower emissions and fuel consumption. For this research, we have the most up-to-date engine-testing stations in Europe. We believe that it is possible to reduce hydrocarbon and nitrogen oxide emissions much further. We are convinced that the potential for conserving fuel is far from exhausted.

Fiber-Reinforced Plastics

Daimler-Benz also sees potential for conservation in materials, whereby "intelligent light-gauge construction" merits special attention. Based on expertise derived from aerospace, we are working intensively to lay the technological groundwork for the economical use of fiber-reinforced plastics in motor vehicles and rail cars. The current projects have already shown that even the passive safety of future vehicles can be significantly improved.

Reactivation of the Driving Simulator

In the winter of 1994, the driving simulator in Berlin was officially put back in operation following an eight-month period of remodeling. After almost ten years of use, an extensive overhaul was needed in the area of sight simulation. At the same time, the data processing system was brought up to date. The simulator's range of movement has been increased, which essentially allows more realistic movements and thus offers a broader range of benefits.

During the last years, the driving simulator furnished valuable information about the behavior of automobile drivers. In addition, Mercedes-Benz uses it intensively in the development of new model series to study driving behavior even before a prototype is built.

Germany as Innovation Site

In view of the increasing international competition to which German industry is exposed, we have joined in the public discussion concerning Germany's future as a site for industry and research. Daimler-Benz would like to contribute to this dialog, in the interest of using the funds for research as efficiently as possible. We therefore advocate a research policy that has the common support of industrial, scientific, and political communities and will ensure the future of German industry.

The idea of generating power from hydrogen and oxygen is not new – it is even older than the original Benz motorcar patented in 1886. But with the "Necar – New Electric Car", Daimler-Benz research succeeded in realizing the idea for the first time in Europe in a vehicle operated under ordinary conditions.

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PROMETHEUS Project Successfully Concluded

The research project "PROMETHEUS-Programme for a European Traffic with Highest Efficiency and Unprecedented Safety", which Daimler-Benz initiated several years ago in cooperation with the European automobile industry, was successfully concluded in 1994. Preliminary market research generated many suggestions for new products. The findings of the study in the area of automotive safety, comfort, and environmental compatibility are now being put into practice.

One result of the PROMETHEUS project is the Daimler-Benz experimental vehicle VITA II (Vision Technology Application), which is computer-controlled and requires no human input. It is capable of recognizing objects and can independently adjust distance intervals and speed to the given situation. This "computer vision" enables the vehicle to change lanes and pass other vehicles automatically without collision. It is supported by the ability to recognize traffic signs.

In addition, the PROMETHEUS program also branched out into several subprojects, one of which was "Fleet Management". The knowledge gained from this project is currently being applied to new products in the Mercedes-Benz Commercial Vehicle Division.

The subproject "Dual Target Control" is also being further pursued in the traffic management project "STORM", which tests modern traffic information and advice systems in the Stuttgart area. After construction of the infrastructure at the beginning of 1995, STORM took over the pilot operation.

ITF Intertraffic Concentrates on the Environment and Mobility

ITF Intertraffic, a company specializing in integrated traffic management systems, draws on the knowledge of the entire group with the goal of this expertise as a service. In February 1995, ITF opened an office in Berlin, where it will develop traffic concepts for Berlin and the New Federal States.

Market Preparation for Microelectronic Components

Our efforts to transfer research knowledge into products at a faster pace are showing the first signs of success in the Microelectronics Division. Here we have gained a position of world leadership in silicon germanium transistors, which are indispensable as electronic switches. These transistors make excellent switching components, e.g. for the growing mobile communications sector, for satellite communications, or for global vehicle position indication systems. TEMIC is now working to translate the existing possibilities into products. Series production will begin soon in Heilbronn.

In addition, researchers in Ulm hope to develop technologically superior and less expensive switching elements based on the silicon germanium compound, as opposed to the components currently in use based on pure silicon. Matra MHS, one of TEMIC's joint ventures, has taken this project under its wing.

Environmental Protection

Daimler-Benz stepped up its activities in the area of environmental protection in 1994. With our reinforced efforts in waste prevention and recycling, we are making a lasting contribution to the solution of environmental problems. We begin by considering environmental protection aspects in the design of a new product, and we are pursuing the use of natural raw materials. We are also concentrating on the separation of waste into its individual materials and on the qualified processing of these materials according to regulation.

Waste Legislation

The environmental legislation passed in 1994 was essentially shaped by developments in the field of waste law. Now that the Basel Accord has been translated into national law, the export of waste into countries outside the EU and EFTA is prohibited. It is also unlawful to export waste for use in countries outside the OECD if these countries have neither signed the Basel Accord nor concluded comparable bilateral agreements. In such cases, the exporting country is obligated to retrieve any waste exported illegally.

Also adopted in 1994 was an amendment to the waste law that had been under discussion for many years: the recycling law. The responsibility this legislation places on the generator of the waste in terms of production and product underscores the need for the diverse efforts of the Daimler-Benz group in the field of waste prevention and recycling.

Daimler-Benz Environmental Report —Open Information Policy on Environmental Data

With its environmental report, first presented for the year 1993, the Daimler-Benz group lives up to the claim of "open information" expressed in its environmental protection policy.

In this document, we report comprehensively on the most important group environmental data. The pollution levels connected with production are disclosed in the figures on significant emissions, energy consumption, and waste generation.

Also documented are the efforts the group has made in recent years to minimize the effects of production on the environment. Through several research projects, some long-term, we show how technological innovations can lead to ecological improvements.

Investments and Expenditures for Environmental Protection

Mainly due to special factors such as the sale of the Domestic Appliances Division, the investments made in the area of environmental production were slightly lower in 1994, at DM 133 million. The highest single amount was contributed by investments for the conversion to water based paints in car production.

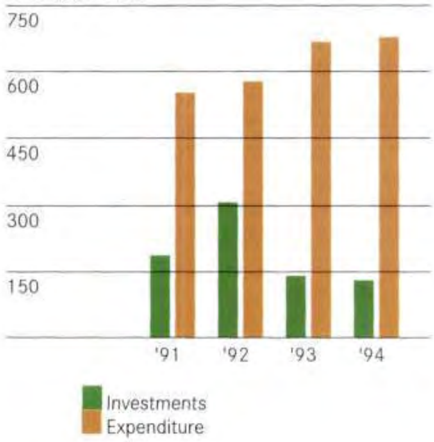
Meanwhile, expenditures for environmental protection -which, in contrast to investments, better reflect the long-term trend - rose to over DM 680 million.

Recycling — Less Pollution and Greater Conservation of Resources

In the course of global industrialization, it has become increasingly evident that resources will not be available forever and that nature's ability to absorb pollutants is limited. Problems such as the petroleum shortage and the greenhouse effect cannot be solved by our continuing to pursue the industrial development course of the past; nor can it be solved by placing the very concept of the industrial society under question. What we need are improvements in both product and production technology, as well as in the reprocessing and recycling of used products and production waste.

Daimler-Benz research made visible progress in these areas in 1994. Using intelligent processing and recycling procedures, and without harming the environment, we succeeded in stripping previously unrecyclable painted bumpers of their paint and reclaiming the

Environmental Protection Investments and Expenditure
In Millions of DM



Painted polycarbonate car bumpers are ground in preparation for qualified processing. The high-grade stripping of the polycarbonate chips results in a plastic that is reprocessed into high-grade recycled materials.

high-grade plastic (polycarbonate) as a base material for new bumpers. The resulting paint sludge is then processed into secondary polyol, a high-grade base material.

Another focus of our recycling research at the Ulm Research Center is the area of electronic waste processing. Experimenting with new procedures, we succeeded in separating metal, precious-metal and plastic fractions on a laboratory scale at a quality level never before attained, thus laying the groundwork for high-grade reuse of the individual materials.

In addition to the various recycling processes, we are also studying application possibilities for renewable raw materials. Besides the advantages of a natural material cycle, these raw materials also have an even $C0_2$ balance. The use of renewable raw materials in technology - for example, in natural-fiber-reinforced plastics - is only an intermediate step toward the production of so-called "ecocomposites" in a biological recycling process. In these fiber-reinforced plastics, not only is the fiber made of a renewable raw material, but the plastic is also made from vegetable-based oils. In addition to studying material properties, we are also developing suitable processes for economically recovering the usable fibers and oils from plants and processing them into components. The first concrete results of these efforts have already been carried over into series production.

Parallel to the research into the use of new types of materials, we are also investigating new possibilities for environmentally friendly processing of conventional components. For instance, our goal in the dry processing project was to find new production processes and tool materials that would eliminate the need for the ecologically unsound cooling lubricants still necessary in many areas.

Cooperation with Mitsubishi

The joint research efforts of Daimler-Benz and Mitsubishi Heavy Industries in the field of recycling plastic and electronic waste were intensified in 1994, and the first phases were successfully concluded.

Through a feasibility study, we proved that the planned recycling process is technically viable. Its economic feasibility is being studied in trials at the institutional level. In addition, joint ventures with Mitsubishi in other areas of environmental technology are being considered.

Building on the ecological balance sheet project begun in 1992, Daimler-Benz and Mitsubishi are stepping up work on an instrument that indicates environmental aspects of a component at the design stage. It will help the development engineer to recognize at an early stage the ecological impact of the materials used and of the production and disposal or reclamation processes.

The paint is off: After the paint is separated from the plastic, the resulting paint sludge is processed at this facility into secondary polyol, a high-grade base material that can be reused for various purposes.

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Personnel

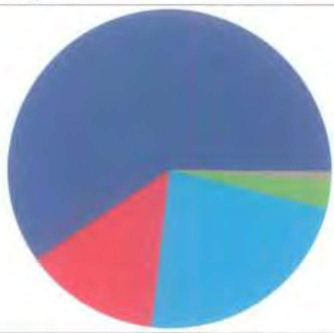
In 1994, the number of employees in the Daimler-Benz group at the end of the year dropped 10% to 330,551. The decline was primarily due to the restructuring measures also implemented in 1994. Irrespective of the tight personnel situation, the professional development of our core employees and the maintenance of a qualified junior staff remained top priorities in our Personnel Department.

Fit for Global Competition

The strategic realignment of business areas in the Daimler-Benz group in 1994 also affected the work of the personnel departments. Their main task was to keep abreast of the necessary changes and help shape them.

A special emphasis in this regard was the further decentralization of corporate responsibility. We were able to pass on to other divisions the experience we had gained with smaller business units over the past few years in AEG Daimler-Benz Industrie and Daimler-Benz Aerospace. To enable us to act more quickly and directly in the markets, we also optimized work flow and set new challenges for ourselves in the formulation of quality goals.

Employees by Division
(at Year-End)



	'94 in %	'93 in %
Mercedes-Benz	59.8	57.2
AEG DBI	13.5	16.1
DASA	22.9	23.5
debis	2.8	2.4
Daimler-Benz AG	1.0	0.8

In the future human resources will be shaped by the need to work - and especially to produce - closer to the markets internationally, as well as by further changes in the corporate structure.

Employment Situation

At the end of the year, 330,551 persons (1993: 366,736) were employed in the Daimler-Benz group, and of these, 251,254(1993: 284,576) were in Germany.

As in the previous year, we were able to make most of the personnel cutbacks in the German companies (95%) through early retirement measures, severance agreements, or outplacements. Layoffs were announced only in exceptional cases. Further personnel adjustments will therefore be necessary in 1995.

At Mercedes-Benz a total of 197,568 persons were employed at the end of 1994, and of these, 148,194 in Germany. Hours had to be reduced only for some workers in the Commercial Vehicles Division. In the Passenger Cars Division we were again able to conclude a limited number of fixed-term work agreements, because of the sharp increase in demand in the last half of the year.

AEG Daimler-Benz Industrie had a total of 44,769 employees at the end of 1994, and of these, 31,828 in Germany. Reduced working hours remained in effect in several divisions. The Rail Systems Division had a particularly tight employment situation in 1994. The Household Appliances Division, with 9,800 employees, was taken over by the Swedish firm Elektrolux on September 30.

Daimler-Benz Aerospace had 75,581 employees at the end of 1994, and of these, 60,082 in Germany. Because business in the fields of aeronautics, space systems, and defense technology continued to be slow, extensive cuts in the corporate structure and personnel were necessary. Here again, we were able to adjust capacities to a large extent through normal attrition, early retirement, severance agreements and reduced working hours. But wherever these possibilities did not suffice, we had to announce layoffs. The entire package of measures was the subject of a June 1994 reconciliation of interests/ social compensation plan and included the Lemwerder plant, which was taken over by a company owned by the state of Lower Saxony on January 1, 1995.

Daimler-Benz InterServices had a total of 9,226 employees at the end of 1994, and of these, 7,817 in Germany. While the employment situation was tense in parts of the Systemhaus Division, expanding business enabled us to hire new employees in the Mobile Communications and Financial Services Divisions.

The goal of our international junior personnel policy is to develop a future generation of managerial staff that will contribute worldwide mobility, openness, and the insights gained from different cultural backgrounds. Over a one to two year period, members of the international junior management group participate in company projects in foreign and domestic units. Each project lasts several months and prepares the trainees for demanding responsibilities in their future careers.

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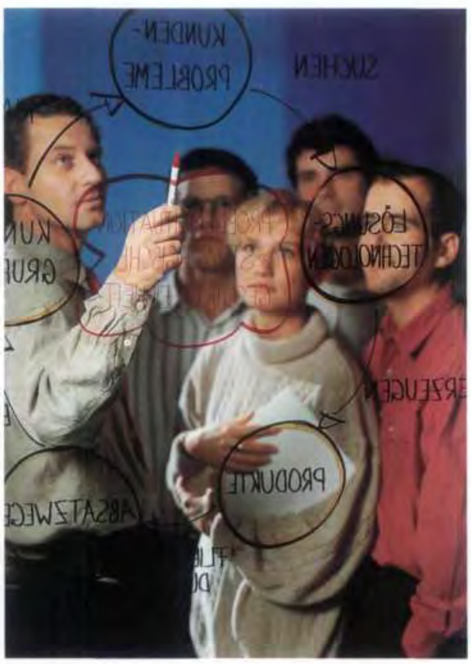
The group management function is served by 520 (1993: 540) employees. An additional 1,734(1993: 1,274) employees are work on group research projects at headquarters, and another 1,153 (1993: 1,170) work in service capacities for the corporate units and the Mohringen site.

A total of 3,407 (1993: 2,984) persons were employed at Daimler-Benz AG. The increase over the previous year is due primarily to the integration of research centers, to additional jobs for undergraduate trainees and doctoral candidates and to positions at headquarters arising from the employment initiative of the Daimler-Benz group.



Even — and especially — in times of personnel adjustment, it is essential that we continue to foster a well-trained junior staff.

1994 Collective Wage Agreements

In the Old Federal States, a 2% wage increase was negotiated, effective June 1, 1994. Wages remained unchanged for the first five months of the year. The collectively bargained claim to special payments was lowered by ten percentage points. Through this arrangement, combined with further cost-cutting measures, we were largely able to avoid a wage-based rise in personnel costs.

Within the framework of a collective contract on occupational safety in effect until the end of 1995, we made further progress with the flexible structuring of working hours. Furthermore, this contract makes it possible, for a limited time, to reduce the work week from 36 hours to 30 hours through voluntary shop agreements.

In the New Federal States, under a graduated plan, the parties to the collective contract raised wages to 87% of the level of the Old Federal States, effective July 1, 1994. After a further step on July 1, 1995, to 94%, the planned 100% level will become effective July 1, 1996. This settlement affects most of the roughly 10,000 employees of the Daimler-Benz group in the New Federal States.

Compensation Policy

In view of the economic situation, we refrained from a general review and increase of salaries in the German companies of the Daimler-Benz group in 1994. The bonuses for managers were cut.

The compensation systems were reviewed in many parts of the group with a view to the promotion of autonomous managerial action. We decided to extend the group-wide uniform system of variable compensation based on qualitative and quantitative goal agreements, already in effect at top management levels, to the second management level beginning in 1995.

Personnel and Social Welfare Expenses / Company Pensions

Personnel expenditures amounted to DM 30.1 billion in 1994. The core of our employee benefit package is still the company pension plan. Financed by the company, the individual pension plans in the Daimler-Benz group contribute to the economic security of the employees and their families in retirement as well as in the event of disability or death.

The pension plans for top managers have largely evened out within the group. The goal, in principle, is fixed compensation scales irrespective of salary history. They are already fully in effect at Daimler-Benz AG, Mercedes-Benz AG, AEG Daimler-Benz Industrie, and partially at DASA and debis. The revision of older DASA pension plans that do not conform with this principle is underway. This measure ensures socially equitable and financially uniform management of the pension systems.

Capital Formation

Employees of Daimler-Benz AG and Mercedes-Benz AG as well as some of the debis member companies were able to participate in the 1994 scheme for the formation of private capital. Approximately 47,000 employees - 31 % of those eligible to participate - each acquired an employee share of Daimler-Benz AG at a preferential rate set by the company.

Junior Staff Development

An important strategic task of the Personnel department is the development of a qualified junior staff. In 1994, in the context of our International Junior Management Group, we offered 50 college graduates with internationally oriented training an opportunity to qualify for higher-level positions in the group through project assignments in Germany and abroad. Overall, some 200 junior management positions are provided in the group.

To expand the development of junior management staff beyond the filling of existing positions, we offered 100 college graduates a one-year internship to facilitate their entry into their career field. Complementing this initiative were additional programs and models in the corporate units, such as part-time opportunities at the entry level. We continued to foster and expand our contacts with colleges and universities, and with students at both undergraduate and graduate levels.

We also devoted special attention to developing and securing junior technical personnel, to maintain our preparedness for expected medium- and long-term needs.

At the end of 1994, there were 11,200 young people in vocational training at our German locations, and of these, 2,967 had begun their training during that year. We provided training in nearly 60 industrial/technical and 10 commercial career fields. In addition, we have 15 special training programs for high-school graduates, particularly in professional academies.

Again the acceptance of trainees posed problems. We tried to consider the interests of our young employees along with our own, through limited-term and part-time contracts as well as a number of permanent placements.

Human Resource Development

The strategic orientation at Daimler-Benz requires a continuous, targeted professional development program for employees.

The change processes within the group have the primary goal of conferring decision-making authority and responsibility on our employees and promoting independent managerial action at all levels. This idea is fostered not only through specialized continuing education but also through the newly implemented variable compensation plan.

To add impetus to the growing desire for new tasks and positions, we have adopted a policy of assigning a management executive to any given task for a limited term only. An internal publication listing open management positions throughout the group, also serving to make employees' areas of competence as broad as possible.

Another emphasis in personnel development is the international orientation of employees. Along with sponsorship of the International Junior Management Group, our primary goal is to make our German employees into even more competent players in international business through job rotation, international project work and network forums.

Preventive Health Care and Occupational Safety

In our corporate social policy we place great emphasis not only on traditional preventive health care, but also on the promotion of good health. Our goal is to promote healthy behavior among our employees and to make them conscious of their individual responsibility for their own health. We consider this an investment in the future.

For needs related to industrial health and safety, we employed some 200 full-time safety officers in Germany alone. They provided advice and support in all matters of safety in the workplace.

Thanks to Our Employees

We could not have achieved our renewed success without the efforts of our employees. We extend our thanks to everyone, and especially to the members of the labor councils and managerial committees at all levels of the group, for their great commitment.

The Company´s Role in Society

In public relations work, our activity in 1994 was focused on supporting and promoting the globalization of the group through appropriate communication measures. One emphasis was the establishment of additional group representation and liaison offices worldwide. We expanded our social welfare activity by awarding scholarships to Chinese students.

Expansion of the Worldwide Public Affairs Network

In 1994 we continued with the development of group representation and liaison offices begun in 1989. The network now covers all strategically significant regions. We have representation in the important European cities of Berlin, Bonn and Brussels, as well as in Washington, Moscow, Beijing, Mexico City, Tokyo and Jerusalem; there are group liaison offices in London, Paris, Singapore, Hong Kong, Cairo, Sao Paulo, Mulgrave and Pretoria. These group representation and liaison offices perform tasks that are very important to our internal and external communication as well as to our entry in the markets. They support our operating divisions by accompanying political delegations as they endeavor to open new trade channels, particularly in the developing markets of the Far East, Mexico/NAFTA and the Middle East. The network is an important early warning system for changes in the general political and socioeconomic climate. Finally, it ensures that our active employees in the respective regions are kept abreast of corporate activity beyond their own work areas.

International Presence Enhanced

Through group presentations and informational events, as well as through greater participation in fairs and exhibitions in the Pacific Rim and NAFTA, we focused on regional interests in the portrayal of our range of products and services, just as we do in Europe. Examples are the group exhibitions on traffic and environmental technology in Hanoi and Ho Chi Minh City, Waste-Tec in Tokyo and Technogerma in Mexico. We also increased our press and media presence in the most important regions.

Enhancement and Concentration of International Youth Advancement

In the interest of continuity, our corporate grant activities are based on long-term cooperation with international institutions. Especially in regions of growing significance to our business, it is important that the Daimler-Benz technology group enjoy respect and public sympathy, not only because of the technology and quality standards of its products, but also because of its public-mindedness and willingness for dialog. We aim to be a responsible corporate citizen in the countries in which we do business and are prepared to accept the duties that go along with it.

Since 1991, our Award of Excellence program, which includes thousands of high schools and over 200,000 young people, has made it possible for students from the U.S.A. and Canada to spend several weeks in Germany. In 1994 we established a Daimler-Benz scholarship program for students at Beida University, the largest and oldest of the renowned institutions of higher learning in Beijing. In this program, we not only grant scholarships to students with outstanding grades; we also provide stipends for room and board for students from low-income families throughout the entire four years of study.

However, involvement and dialog also require willingness to take a stand at home and abroad on current sociopolitical issues. For instance, in cooperation with political, humanitarian, and scientific institutions, we tackled the subjects of xenophobia and violence. In the model Youth Against Violence project, we are working with others to develop concrete solutions.

"Daimler-Benz AZUBI-POWER - We Get Things Moving." Roughly 400 Daimler-Benz group trainees from Northern Germany took part in our program. Azubi teams presented the results of their work on topics such as the economy, technology, ecology, and social policy in the form of shows and sketches.

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Technology and the Environment

A number of new instruments were developed to better communicate the technological accomplishments and potentials of the Daimler-Benz group to relevant target audiences, particularly in environmental matters. For instance, we were the first German company to offer a service that provides audio reports - and since 1993 also audiovisual reports - of selected events to radio and television broadcasters, and increasingly to educational and informational institutions as well. These activities, which have thus far focused mainly on Europe, are being expanded.

Through the Daimler-Benz HighTech Report, our quarterly technology magazine published in German and English, over 100,000 subscribers around the world are informed about the technological innovations and leading accomplishments of our company, with good response. We reach an estimated 400,000 readers in 117 countries with this publication. Featured topics last year were the fuel cell, with which we are exploring an alternative to the combustion engine in the automotive sector; "intelligent light-gauge construction", as applied to road vehicles, aircraft, satellites and rail cars; image processing in factories, satellites and optical character recognition.

Daimler-Benz supports students at Beida University in Beijing by awarding scholarships and stipends.

For the first time in 1994, through a detailed year-end environmental report, we informed the general public of our company's environment-related accomplishments, thus continuing the tactic of dialog, especially with environmental groups - something very few companies have done so far.

New Financial Disclosure Guidelines

When we went public at the New York Stock Exchange in 1993, we adjusted our financial disclosure policy to the strict rules in effect there; similar rules became effective in Germany in 1994 with the adoption of the Second Law for the Promotion of the Financial Market. Our clearing office, housed in the Public Relations department and operated jointly with Investor Relations and the Legal department, examines and distributes all corporate communications intended for publication, from the point of view that news relevant to market prices is forwarded to all securities and exchange commissions by the stated deadline and made available to the public according to regulation.

Finance and Materials

The main focuses of our financial activity in 1994 were two successful capital increases. As a result, Daimler-Benz AG acquired a total of DM 3 billion in new stockholders[1] equity. As a result of the New Federal States Purchasing Drive, the Daimler-Benz group purchased goods and services from Eastern Germany valued at one billion DM in 1994, reaching that level a year ahead of schedule.

Group Treasury Expanded

In 1994 we expanded our central Cash Management Department by integrating our European group member companies into the cash concentration process technically and conceptually, making it even more flexible and economical. We made greater use of the commercial paper programs available in various countries for short-term financing of regular business traffic.

In the context of asset allocation, funds available for a longer term were invested in fixed-interest-rate instruments of first-class issuers. For these, we use instruments of modern portfolio management in which risk-control factors are taken into account.

The duties of the foreign exchange management consisted of recognizing the currency risks in the area of operation and limiting them through appropriate hedging measures. We tailor the hedging strategy in each case to foreign exchange rate expectations, which are constantly reviewed, adjusting the financial instruments to individual currencies and fields of business activity. Because of our increased business volume in newly industrializing countries, foreign-exchange hedging is becoming increasingly important for currency risks in these countries.

Outside capital for the group is procured primarily through Daimler-Benz AG and our network of regional holding and finance companies. The sustained growth of the Financial Services Division led to a greater need for outside capital. This need was covered to a large extent through our Euro medium-term note program, which we also use increasingly to issue Eurocurrency loans. To enable us to take advantage of opportunities offered by the international capital markets at any time, we have boosted the program from two billion to three billion U.S. dollars. We were able to keep our group debt within bounds by selling off sales financing receivables in securitized form again in 1994.

For all treasury activities, limits were set on contracting parties, transaction types and dealers on the basis of risk analyses. With the help of data-processing systems, we not only keep track of credit and market risks, but we also examine liquidity, business and legal risks.

Successful Capital Increases

More than four years after Daimler-Benz AG's last capital increase in 1989, we implemented two successful capital increases in 1994. For the first, more significant increase in June/July, we raised the capital stock by DM 233 million to DM 2,563 million, at a ratio of 10:1, using part of the approved capital. In addition, 4,659,276 new shares were issued at a par value of DM 50. At an issue price of DM 640, Daimler-Benz AG gained a total of roughly DM 3 billion in new stockholders' equity.

The second capital increase, intended exclusively for the employees of the group, was carried out in November. This was the first time we made use of the capital approved for the issue of employee shares, in the amount of DM 20 million. The new shares were issued at a price of DM 832 and offered to employees at DM 532, taking into account the maximum amount permissible under the tax law. Thus Daimler-Benz AG received additional stockholders' equity of roughly DM 25 million. The capital stock increased to DM 2,565 million.

We were able to meet our goal of broadening our worldwide stockholder base in 1994 by internationalizing our offer and by creating a new globally oriented underwriting structure. Besides expanding the purchasing syndicate to include foreign banks, we established an international and a U.S. selling syndicate. These selling groups had the task of selectively placing the new shares procured by the purchasing syndicate on the large capital markets, especially in the U.S.A. Because of the high demand in the U.S.A., the share of American investors in the capital stock increased to over 8%.

The funds generated from the capital increases, together with our savings and the capital available from other financing, are used both for investments to further corporate growth and for new products and production facilities.

Financial Planning and Control

On the basis of our corporate financial plan, we are optimizing the use of the funds available to the group, our goal being to minimize financing costs and at the same time preserve the solid quality of the group's financing. In 1994 our quality claim was once again confirmed by agency ratings of Aa3 by Moody's Investors Service and AA- by Standard & Poor's Ratings Group.

In addition to procuring outside capital, our centrally controlled regional holding and finance companies also fulfill important internal capital allocation functions. For instance, we enhanced our potential in 1994 by establishing a regional holding structure in Mexico, which allows us to realize a whole range of synergistic financial effects there.

In 1994 we also devoted special attention to capital tie-up within the group. Despite a higher business volume, we managed to reduce working capital. We intensified our efforts to use the capital tied up in noncurrent assets efficiently. For the management of our real estate in particular, we developed concepts that allow more economical use and improve the management and organization of our real estate. For individual properties with unneeded space, we made plans to develop and use them or otherwise turn them to good account.

Sales and Project Financing

For marketing the products of our group internationally, we see a growing need for product and customer-specific solutions beyond traditional export financing, which will allow us to offer suitable financing and still hedge against economic and political risks. In guarding against outside risks, we are essentially striving to select financing solutions that will ease the strain on the balance sheet.

We especially need new and innovative financing and hedging structures for the projects of divisions involved in the infrastructure sector. Financing models from the private business sector are fast gaining recognition.

While the economies in the countries of Latin America, Central Europe and the Far East continued to rally, the political stability and general economic conditions of some African and Eastern European countries (including the CIS) deteriorated in 1994, or they stabilized at a low point. In these areas we resorted to state export credit insurance wherever possible, although the restrictive authorization policy for credit insurance limited the financing possibilities. The risk commitment of the international banks continues to be limited. If any acceptable solutions are to be found, it will only be through elaborate structuring of financing.

Sponsorship programs offered by public and supranational institutions for the financing of delivery and investment projects are important for the newly industrializing and developing countries of Africa, Asia, and Latin America, as well as for the countries of Eastern Europe and the CIS. For these countries, financing is also possible within the framework of technical assistance and rehabilitation programs, which are used to a very limited extent to finance our group's products.

Investor Relations Activities

In the course of our investor relations activities, we provided comprehensive information about our business and its development to financial analysts and institutional investors, as well as to our individual stockholders and potential domestic and foreign investors. We communicate with our stockholders, as well as the general public, through our annual report and through periodic interim reports.

For individual stockholders, we cooperated with DG Capital Management in sponsoring an investor relations forum in Düsseldorf/Neuss in October 1994. At this event, we provided over 1,000 interested guests with a brief overview of the activities of the Daimler-Benz group. In light of the overwhelmingly positive response, we will continue to hold events aimed at communicating with individual investors.

In addition, we address the informational needs of institutional investors and financial analysts through roundtable discussions and corporate presentations. The sharply rising demand for such programs reinforces our resolve to intensify this form of communication with the capital market in the future.

We hold the corporate presentations in Germany, as well as in the major financial centers abroad, in close cooperation with renowned business and investment banks. On the docket as early as January 1994 was an extended road show in the U.S.A., through which we supported the placement of Daimler-Benz shares from the holdings of the Deutsche Bank. Over a period of ten days, we made 11 presentations and conducted 55 one-on-one sessions in 21 cities.

Further highlights were the presentations in connection with the introduction of our shares on the Stock Exchange of Singapore and the road show we conducted in May and June in preparation for the capital increase. The latter included events in Frankfurt, Zurich, Paris, Vienna, London, and Edinburgh, as well as in numerous cities of the U.S.A.

Investments in Related Companies / Mergers & Acquisitions

Within the framework of the general corporate policy, we continued to work on adjusting or rounding out the core businesses of the group through joint ventures, divestitures, and selective acquisition, in order to safeguard our competitive position. This activity included working out a transaction structure, determining valuations for enterprises, performing business analyses (due diligence) for purchasing procedures, and developing investment and management concepts.

In addition to our consultation duties, we administered the group assets. The group's investments in subsidiaries and affiliated companies were evaluated in terms of their performance, and if necessary corrective measures were conceived jointly with the group planning department and the corporate units. These measures ranged from optimization of the capital invested to consideration of joint ventures and divestitures.

In the context of portfolio-investment management, we performed duties related to service on the Supervisory Boards of group member companies, tracked and evaluated current projects and prepared draft resolutions.

Global Sourcing Activities

With our global sourcing activities, we were again able to increase purchases from foreign suppliers. The expansion of our international supplier contacts also allows worldwide expertise to flow into our products. Global sourcing ensures us not only an influx of new technology but also supplier prices at the attractive world-market level. We see new potentials for global sourcing primarily in the input markets of the Asian Pacific Rim.

In 1994, with the cooperation of all corporate units, we held a group supplier fair focusing on Italy. Our buyers were able to establish contacts with over 100 capable suppliers in Italy, and are now following up and expanding the relations they forged. We realized the first successes of the initiative before year end, in contracts awarded to companies that had participated in the supplier fair.

Purchasing Drive in the New Federal States

In 1994, one year earlier than expected, the Daimler-Benz group reached the DM 1 billion threshold for goods and services purchased from the New Federal States. The purchase volume will continue to increase as companies in Eastern Germany become better known and expand on the existing commercial contacts.

The purchasing activities were shown to inspire great personal commitment and raise the self-confidence and motivation of the people in the New Federal States. Furthermore, our involvement so far has saved some 11,000 jobs.

Managers from the Daimler-Benz group have sponsored 180 Eastern German businesses to date. As a result of this support, order volumes quadrupled in comparison to 1993.

To preserve jobs in the New Federal States and increase them in some cases, our purchasing drive is not limited to awarding more contracts to Eastern German businesses. We also promote economic expansion by introducing appropriate technology to our suppler companies. Against this background, our purchasing drive, scheduled to continue until the end of 1996, is increasingly becoming an industrialization drive.

Again in 1994, our business policy at home and abroad was in conformity with the OECD Guidelines for Multinational Corporations. The internal transfer prices between the individual companies in the group are set on the basis of the "arms-length" principle.

Key Figures of Major Subsidiaries of Daimler-Benz AG

	Ownership[1] in %	Stockholders' Equity[2] in Millions of DM	Net Income[2] in Millions of DM		Revenues[3] in Millions of DM		Employment at Year-End	
			1994	1993	1994	1993	1994	1993
Corporate Unit Mercedes-Benz								
Mercedes-Benz AG, Stuttgart	100.0	6,435	1,330.0	(1,141.6) [6]	53,001	48,068	147,061	159,098
Mercedes-Benz España S.A., Madrid	100.0	247	15.4	(30.8)	1,501	1,243	2,858	2,829
Mercedes-Benz (United Kingdom), Milton Keynes [4]	100.0	. [5]	. [5]	. [5]	2,815	2,219	965	967
Mercedes-Benz Nederland, Utrecht [4]	100.0	. [5]	. [5]	. [5]	927	862	517	628
Mercedes-Benz Belgium S.A./N.V., Brussels	100.0	130	35.9	8.2	1,087	1,028	661	868
Mercedes-Benz France, Rocquencourt [4]	100.0	. [5]	. [5]	. [5]	2,942	2,701	1,710	2,039
Mercedes-Benz Italia, Rome [4]	88.5	237	25.7	(41.0)	2,012	1,938	590	724
Mercedes-Benz (Schweiz) AG, Zurich	51.0	87	1.3	(4.0)	913	780	283	289
Freightliner, Portland [4]	100.0	. [5]	. [5]	. [5]	6,444	5,034	9,428	7,770
Mercedes-Benz of North America, Montvale [4]	100.0	. [5]	. [5]	. [5]	6,005	5,429	1,315	1,483
Mercedes-Benz Mexico, Mexico D.F. [4]	80.0	234	(18.5)	61.3	816	787	1,735	1,673
Mercedes-Benz do Brasil, São Bernardo do Campo [4]	100.0	1,412	273.4	79.3	4,063	3,457	16,264	16,946
Sofunge S.A., São Paulo	100.0	48	6.1	(4.8)	137	119	1,873	1,763
Mercedes-Benz Argentina, Buenos Aires [4]	100.0	277	39.3	27.0	759	593	2,387	2,493
Mercedes-Benz of South Africa, Pretoria [4]	87.0	191	53.3	7.9	1,568	1,378	3,853	3,630
Mercedes-Benz Türk A.S., Istanbul	55.6	34	(30.9)	6.5	404	951	2,185	3,195
Mercedes-Benz Japan Co. Ltd., Tokyo	100.0	270	54.0	8.3	2,625	2,585	413	433
Mercedes-Benz (Australia), Mulgrave/Melbourne [4]	100.0	98	21.2	3.0	625	470	770	747
Corporate Unit AEG Daimler-Benz Industrie								
AEG Aktiengesellschaft, Berlin und Frankfurt/Main	81.1	2,160	(552.0)	(923.1)	3,458	4,043	13,577	16,310
AEG Schienenfahrzeuge GmbH, Hennigsdorf	100.0	128	(62.5)	(43.5)	1,086	979	5,151	5,540
AEG Schneider Automation, Inc., Andover/U.S.A. [4]	100.0	97	. [5]	. [5]	315	287	911	881
TEMIC TELEFUNKEN microelectronic GmbH, Heilbronn	100.0	609	(57.7)	(146.8)	1,141	856	3,320	3,300
Corporate Unit Daimler-Benz Aerospace								
Daimler-Benz Aerospace Aktiengesellschaft, Munich	100.0	4,140	(546.3)	(987.0)	3,401	3,663	14,904	17,363
Daimler-Benz Airbus GmbH, Hamburg	100.0	1,514	258.6	159.8	4,292	4,793	19,304	21,151
Dornier, Friedrichshafen [4]	57.6	366	9.4	(336.6)	3,015	2,123	7,234	8,239
MTU Motoren- und Turbinen-Union München, Munich [4]	100.0	272	(85.4)	(174.8)	3,042	3,131	12,616	15,347
N.V. Koninklijke Nederlandse Vliegtuigenfabriek Fokker, Amsterdam [4]	51.4	635	(400.7)	(410.7)	2,144	3,304	8,770	10,414
Eurocopter Holding S.A., Paris [4]	40.0	2,195	(114.7)	(135.0)	2,690	2,933	10,340	10,813
Corporate Unit Daimler-Benz InterServices (debis)								
Daimler-Benz InterServices (debis) AG, Berlin	100.0	1,936	64.4	(106.2)	-	-	179	179
Mercedes-Benz Finanz GmbH, Stuttgart	100.0	323	26.5	86.7	231 [7]	206 [7]	171	145
Mercedes-Benz Leasing GmbH, Stuttgart	100.0	66	25.9	52.7	1,293	1,198	-	-
Mercedes-Benz Credit, Norwalk/U.S.A. [4]	100.0	. [5]	. [5]	. [5]	3,444 [7]	3,134 [7]	586	457
Mercedes-Benz Finance Co. Ltd., Tokyo	90.0	65	1.6	5.8	130 [7]	80 [7]	20	31
Regional Holding and Finance Companies								
Daimler-Benz Holding AG, Zurich	100.0	380	83.7	58.7	-	-	-	-
Daimler-Benz UK, London [4]	100.0	290	72.2	16.8	-	-	6	6
Daimler-Benz Holding France, Rocquencourt [4]	99.9	310	10.9	(13.4)	-	-	2	2
Daimler-Benz Holding Nederland B.V., Utrecht [4]	100.0	179	19.5	4.2	-	-	-	-
Daimler-Benz Holding Belgium S.A./N.V., Brussels	100.0	206	78.8	31.1	-	-	-	-
Daimler-Benz Coordination Center S.A., Zaventem	100.0	670	16.1	56.0	-	-	25	23
Daimler-Benz España S.A., Madrid	87.9	252	14.0	(24.3)	-	-	12	13
Daimler-Benz North America Corporation, New York [4]	100.0	3,613	308.3	169.3	-	-	27	26
Daimler-Benz Mexico S.A. de C.V., Mexico D.F.	100.0	88	(7.2)	.	-	-	-	-

1) Relating to the respective parent company.
2) Stockholders' equity and net income/net income before income transfer taken from national financial statements; stockholders' equity and net income for 1993 converted at year-end exchange rates, net income for 1994 converted at average exchange rates.
3) Converted at average exchange rates.
4) Preconsolidated financial statements.
5) Included in the consolidated financial statements of the holding company in the respective country.
6) Excluding extraordinary income of DM 1,042.0 million.
7) Including interest income from sales financing.

The Daimler-Benz Share

Interest in Daimler-Benz stock has increased worldwide. With the introduction of our shares on the Singapore stock market in May 1994, we acknowledged the increased importance of Southeast Asia as an investment region. After our capital increase in June 1994, the portion of Daimler-Benz stock held in the U.S.A. rose to roughly 8% of our share capital.

Statistics per Share

		1994	1993	1992
Dividend[1]	DM	**11.00**	7.91	12.85
Dividend incl. tax credit[1]	DM	**15.71**	11.30	20.08
By German accounting standards:				
Net Income[1) 2)]	DM	**21.57**	12.78	30.12
Stockholders' equity[1) 2)]	DM	**399.75**	365.36	379.94
By U.S. GAAP				
Net income/loss	DM	**21.53**	(39.47)	29.00
per ADS[3]	DM	**2.15**	(3.95)	2.90
Stockholders' equity	DM	**602.30**	564.26	593.01

1) Adjusted figures for 1992 and 1993 are comparably calculated on the basis of the 1994 capitalization issue.
2) Excluding minority interests.
3) American Depositary Share. The value of an ADS is equivalent to one tenth of the par value of a Daimler-Benz share.

Stock Exchange Trend

After the splendid record of the previous year, the stock exchange year 1994 failed to meet our expectations. The indexes declined sharply in all major stock markets except for Japan. A primary factor in the price declines was the global rise in interest rates, which made bonds appear much more attractive than stock investments.

The German stock market was also unable to escape the negative effects of the bond market in the course of the year, after the German stock index (DAX) reached a record high of 2.271 points in the middle of May. It was only the favorable prognoses for corporate profits and the unexpectedly fast recovery of the German economy that kept prices from falling still further. At the end of the year the DAX stood at 2,107 points - *7%* below the closing level of the previous year.

The price of the Daimler-Benz share essentially followed the course of the market in general. At the end of the year, our stock, at DM 759.50, stood 10% below the relatively high level at the end of 1993; in the preceding year, it had gained more (+57%) than the DAX (+47%).

In the first two months of 1995, after an initial weak phase, the DAX began an upward trend, only to be interrupted toward the end of February by the strike in the metal industry and a further drop in the U.S. dollar. The price of a Daimler-Benz share continued to lag behind the general market during this period, and at the end of February it was 6% below the 1994 closing price, while the DAX declined only slightly.

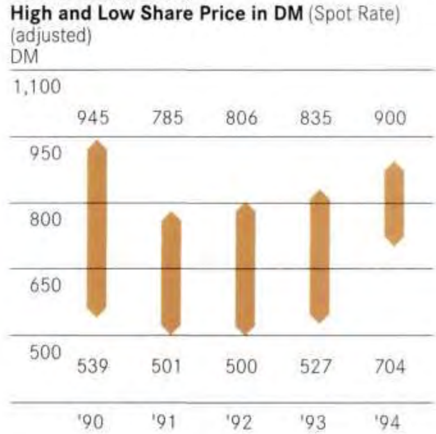
After brisk activity in 1993, the trading volume on the German stock exchange declined in 1994. Trading in Daimler-Benz stock declined 15% to 263 million shares. However, our stock remained one of the most heavily traded securities on the German stock exchange. This volume, at a market value of DM 211 billion, represented 11% of all domestic share trading. Also in the German futures market, options on Daimler-Benz shares, at one million contracts, continued to be among the most heavily traded securities.

International Financial Profile

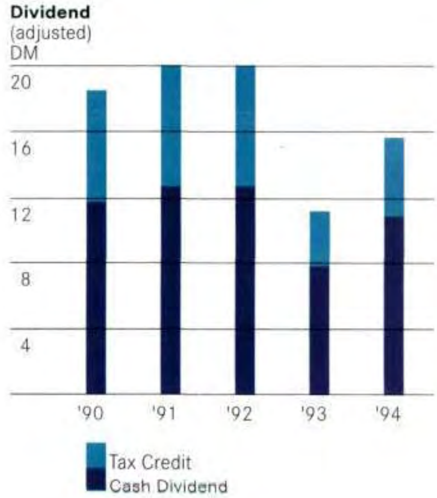
The international range of investors in our stock expanded again in 1994. At the beginning of the year, Deutsche Bank placed shares from its Daimler-Benz holding on the American market, thus reducing its stake in Daimler-Benz AG to 24.4%. This move raised the portion of our share capital held by U.S. investors to over 7%.

Turnover of the Daimler-Benz Share on the German Stock Exchanges

Daimler-Benz Share
High and Low Share Price in DM (Spot Rate) (adjusted)



Dividend



In May we became the first German company to introduce stocks in Singapore. As on the New York Stock Exchange, they are traded in Singapore in the form of Singapore Depository Shares (SDS). The SDS are issued in U.S. dollars and denominated at one tenth of the par value of a German share, just as they are in New York.

At the time of our capital increase in June 1994, stock rights not used in Germany were largely placed in the United States, so that the portion of American-held shares increased to more than 8% of our capital stock. We expect this percentage to increase in the next few years.

Since the stockholders voted an authorized but unissued capital increase in the amount of DM 300 million at the Annual General Meeting in May 1994, we can now also issue convertible bonds up to a par value of DM 2 billion until 1999. In addition, DM 367 million in approved capital is available for rights issues until the middle of 1996, and roughly DM 18 million for the issue of employee shares until the beginning of 1999.

Today Daimler-Benz stock is listed on nine foreign stock exchanges:

Basel, Geneva and Zurich	since January 1977
Tokyo	since September 1990
London	since December 1990
Vienna	since February 1991
Paris	since November 1991
New York	since October 1993
Singapore	since May 1994

The trading volume for our stock on foreign stock exchanges reached 20 million shares in 1994. Trading was especially heavy in London and New York.

Widely Held Stock

After Deutsche Bank, at 24.4%, the Emirate of Kuwait is the second-largest shareholder of Daimler-Benz at almost 13%. Stella Automobil-Beteiligungsgesellschaft mbH, which formerly held a 12.3% share, was merged with our company in March 1995. Just under two-thirds of our capital stock is now widely held. With a market value of DM 36.6 billion (end of February 1994) and over 450,000 stockholders, Daimler-Benz is one of Germany's largest public corporations.

Dividend 11 DM for Each Share of DM 50 Par Value

For the financial year 1994, a dividend of DM 11 (1993: DM 8) for each share of DM 50 par value will be proposed at the Annual General Meeting on May 24, 1995. For stockholders subject to income taxes in Germany, the gross dividend amounts to DM 15.71.

Good Return Prospects

A long-term investment in Daimler-Benz stock has good return prospects, although interim price declines, such as the one in 1994, can also result in a much lower or even negative return. On the other hand, slump periods offer favorable striking prices and thus the prospect of a high return. Foreign investors also have the chances and risks due to fluctuation in the exchange parities, so that the return can deviate considerably from the return in German marks.

An investment in Daimler-Benz stock for about twelve years calculates to an average return of 9.6% per year. For a commitment of only three years, on the other hand, it was -0.7%. The assumption in these calculations is that the proceeds from the stock rights and the cash dividends (excluding tax credit) were always reinvested in Daimler-Benz shares and that the investor made no additional payments.

A 10,000 DM Investment in Daimler-Benz Shares

Investment date	Jan. 1983	Jan. 1989	Jan. 1992
Investment duration in years (approx.)	12	6	3
Portfolio value at 2/28/94 (in DM)	30,612	11,109	9,790
Average annual return in %			
from an investment in DEM	9.6%	1.7%	-0.7%
from an investment in USD	14.1%	4.8%	0.4%
from an investment in JPY	6.1%	0.7%	-7.1%
from an investment in GBP	14.3%	7.2%	6.0%

Discussion and Analysis of the Financial Situation

The rise in the consolidated net income in 1994 from DM 0.9 billion (1993: DM 0.6 billion) inadequately reflects the improvement in performance in the operative area, since the previous year's figure was characterized by high non-recurring earnings. The net income determined on the basis of U.S. accounting principles (U.S. GAAP) shows a turnaround from DM -1.8 billion to DM 1.1 billion. The operating profit also improves clearly from DM -3.3 billion to DM 2.7 billion.

Statements of Income According to Cost-of-Sales-Method

In 1993, for the first time for a German company, we published a reconciliation of net income and stockholders' equity according to the German Commercial Code to values under U.S. GAAP. The response of the financial press and the widespread approval by analysts and investors have confirmed that the international financial world welcomed our step.

The financial analyses since published on Daimler-Benz reveal that in their statements and recommendations, leading financial analysts rely predominantly on U.S. figures. The most important reason is perhaps that American accounting practices are accepted worldwide, and hence allow accurate comparisons irrespective of a company's home base. Therefore, we will continue to observe the trends in international accounting with utmost care, and we will also critically participate in the discussion of future developments in the interest of providing maximum disclosure and improved quantitative information to our investors.

To best meet these goals, we have changed the presentation of the statements of income to the internationally accepted cost-of-sales-method; data for 1993 have been reclassified accordingly. Aside from recording expenses based on the functional areas of production, sales, and general administration, another factor distinguishing the cost-of-sales-method from the previously used total-cost-method is that interest income from the sales financing business and interest expenses from the refinancing of leasing and sales financing activities are no longer recorded under interest income net, but rather under sales or cost of sales.

Consolidated Net Income Up by DM 280 Million to DM 895 Million

The consolidated financial statements according to the German Commercial Code were characterized in 1994 by a substantial improvement of operating income; non-recurring income is included to a much lower extent than in 1993.

Sales rose by 5.6% to DM 104.1 billion in 1994. Of critical importance to this development was the strong growth in business volume at Mercedes-Benz. debis too was able to achieve a marked increase in sales. In contrast, revenues decreased at AEG Daimler-Benz Industrie, based on changes in the consolidated group, as well as at DASA, due to the persistently poor demand for aircraft and budget restrictions in the public defense and aerospace areas.

After subtracting the cost of sales, which because of cost-cutting measures showed a disproportionately low increase of DM 0.4 billion to DM 90.3 billion, and which dropped from 91 % to 87% as a percentage of sales, the gross profit rose by DM 5.2 billion to DM 13.8 billion.

Total selling expenses increased by DM 0.2 billion to DM 11.1 billion; as a percentage of sales they remain at 11%. The absolute level of general administrative expenses dropped by DM 0.2 billion to DM 3.3 billion, so that the corresponding percentage is only 3.2% (1993: 3.5%).

Of the basic types of expenses contained in selling and general administrative expenses, personnel expenses decreased by DM 3.7 billion to DM 30.1 billion, reflecting the lower number of employees and lower additions to restructuring provisions. In contrast, as a result of the pronounced increase in production at Mercedes-Benz, the costs of materials rose considerably by DM 5.2 billion to DM 56.3 billion.

The financial result in 1994 was low (DM 0.2 billion) as compared to 1993 (DM 2.2 billion) showing much higher figures due to the sale of securities. Another negative element was the fact that provisions had to be made for losses on the investment portfolio and securities due to the drop on the bond market.

Calculated on comparable bases, the results from ordinary business activities clearly improved from DM -1.5 billion to DM 2.1 billion.

After subtracting the income taxes, which rose from DM 0.5 billion to DM 1.2 billion as a result of increased profits of the foreign Mercedes-Benz production and sales companies, net profit is up from DM 615 million to DM 895 million. This increase inadequately reflects the improvement of the operating profit from DM -3.3 billion to DM 2.7 billion. Non-recurring income of DM 1.4 billion was included in 1994 as well, of which DM 0.6 billion related to the deconsolidation of MBL Fahrzeug-

Leasing GmbH & Co. KG and DM 0.4 billion related to capital gains from divestments at AEG Daimler-Benz Industrie and Fokker, each. These earnings were offset by restructuring expenses totaling DM 1.1 billion (1993: DM 3.5 billion) associated with the measures to restructure technical capacities and reduce the workforce. The reconciliation of the operating profit to the results from ordinary business activities is shown on page 66.

Operating Profit

in millions of DM	1994	1993
Mercedes-Benz	**2,245**	(1,267)
AEG DBI	**(111)**	(935)
DASA	**(465)**	(994)
debis	**375**	366
Eliminations	**664**	(469)
Daimler-Benz group	**2,708**	(3,299)

Decisive factors for the rise in operating profit at Mercedes-Benz included the expansion of passenger and commercial vehicle sales and the cost-cutting measures implemented in previous years. Restructuring expenses related to personnel amounted to only DM 0.3 billion, compared to DM 1.7 billion in 1993.

The contribution to profit from AEG Daimler-Benz Industrie includes gains from the sale of the Domestic Appliances Division and of the power meters and lighting systems company units, totaling DM 0.4 billion. A further improvement of DM 0.4 billion resulted from the reduction in restructuring costs.

Net losses of DASA were reduced considerably because of, except for Fokker, improved operating results. A positive effect was due to lower restructuring expenses of DM 0.7 billion (1993: DM 1.1 billion). The persistently difficult market for civil commercial aircraft and the restrictive budget policy in the areas of defense and aerospace hindered a further improvement in performance.

The main contributor to the debis operating profit, which was virtually unchanged as compared to 1993, was the Financial Services Division. Significant improvements were seen at Systemhaus and Mobile Communications Services.

In contrast to the net income according to the German Commercial Code, net income according to U.S. GAAP shows a clear turnaround from DM -1.8 billion to DM 1.1 billion. This was due to the fact that non-recurring income was eliminated from the 1993 net income. Although the U.S. net income is thus in the same order of magnitude as the net income according to the German Commercial Code, there are significant differences in the composition of the respective values (see reconcilation chart on page 67). In the reconciliation to U.S. GAAP, non-recurring income from deconsolidation of the domestic leasing company and the capital gains from divestments at Fokker were eliminated. In contrast, net income is increased by the fact that under U.S. GAAP unrealized profits from financial instruments must be recognized. The differences in determining and calculating deferred taxes and provisions also have a positive effect on net income.

Balance Sheet and Statements of Income Influenced by Financial Services Business

Both the statements of income and the balance sheet of the Daimler-Benz group are still strongly influenced by the continued expansion of our leasing and sales financing business.

Our stock of leasing and sales financing contracts comprises a total volume of future payments amounting to DM 20,274 million, distributed over the coming years as follows:

in millions of DM 1995	1996	1997	1998	1999	2000, there-after
7,716	5,452	3,931	1,975	752	448

Changes in the Consolidated Balance Sheet Through Capital Increase

The group's total assets increased 2.9% to DM 93.5 billion as a result of the mid-year capital increase and the further expansion of the leasing and sales financing business. A neutralizing effect was provided by the restructuring of the domestic leasing business and the sale of company units at AEG Daimler-Benz Industrie. On the whole, non-current assets increased 2.5% to DM 36.2 billion. Without the influence of the financial services business, non-current assets rose by DM 1.4 billion to DM 24.9 billion. While property, plant and equipment decreased by DM 1.2 billion to DM 17.7 billion due to high depreciations on investments made in the preceding periods with a low level of additions, financial assets increased by DM 3.4 billion to DM 7.4 billion. This reflects both the reclassification of long-term securities from current to non-current assets and the restructuring of the domestic leasing business, since the previously fully consolidated company is included as an associated company at equity and is recorded under financial assets. Similar considerations apply to the decrease of the book value of leased equipment by DM 1.7 billion to DM 10.2 billion; without this effect, there would have been a further increase of this caption in the balance sheet. Thus, the investment quota (excluding the effect of the financial services business) increased from 25.8% to 26.6%. Receivables from sales financing business increased again, by 15.9% to DM 10.2 billion.

The decrease in net inventories by DM 2.0 billion to DM 15.0 billion is primarily due to lower inventories at the foreign sales companies of Mercedes-Benz and at Airbus and Fokker. As a result of the capital increase, liquid assets increased by one-third to DM 14.0 billion; their share of total assets rose from 11.5% to just under 15%.

On the liabilities side, stockholders' equity - excluding planned dividend distribution - increased by DM 2.0 billion to DM 19.7 billion. Transfers from the capital increase and from net income were partly offset by decreases in stockholders' equity due to currency influences and offsetting goodwill resulting from the acquisition of shares in DASA from the State of Bavaria. On the whole, stockholders' equity as a percentage of total assets rose from 19.5% to 21.1%. Without the financial services business, which due to business considerations was predominantly externally financed, stockholders' equity as a percentage of total assets is 27.6% (1993: 26.0%); coverage of the non-current assets (without the influence of the financial services business) by stockholders' equity increased from 77.5% to 79.1%.

Liabilities from leasing and sales financing continued to rise, up 6.5% to DM 14.5 billion. In contrast, provisions decreased slightly by 0.8% to DM 35.6 billion. While pension accruals rose only DM 0.4 billion to DM 13.2 billion due to normal additions, the DM 0.7 billion drop in other provisions to DM 22.4 billion is related to the utilization of the restructuring provisions set up in previous years. Both the non-current assets (without the influence of the financial services business) and the net inventories continue to be covered by stockholders' equity and long- and medium-term provisions.

On page 64 we have provided the segment report based on German accounting in the same form contained in the report according to Form 20-F, which we will file with the SEC.

ASSETS - in millions of DM -	**1994**	1993
Consolidated balance sheet total without financial services business	**71,293**	70,098
From the financial services business:		
Leased equipment	**10,209**	11,879
Other non-current assets	**1,129**	–
Receivables	**10,738**	8,771
Deferred taxes	**167**	178
Total assets from the financial services business	**22,243**	20,828
Consolidated balance sheet total	**93,536**	90,926

LIABILITIES - in millions of DM -	**1994**	1993
Consolidated balance sheet total without financial services business	**71,293**	70,098
From the financial services business:		
Change in stockholders' equity	**1**	(431)
Liabilities from leasing and sales financing	**14,543**	13,660
Amortization of liabilities	**7,372**	7,272
Deferral of leasing installments and special rents	**327**	327
Total liabilities from the financial services business	**22,243**	20,828
Consolidated balance sheet total	**93,536**	90,926

Segment Report

a) Data by Segments:

1994 - in millions of DM -	MB	AEG DBI	DASA	debis	Other	Eliminations	Consolidated
Revenues to unaffiliated customers	68,239	10,034	17,053	8,749	-	-	104,075
Intersegment sales	2,476	260	341	2,055	-	(5,132)	-
Total revenues	70,715	10,294	17,394	10,804	-	(5,132)	104,075
Operating profit/loss	2,245	(111)[1]	(465)[2]	375	-	664[3]	2,708
Identifiable assets	30,708	5,806	16,248	22,349	18,425	-	93,536
Depreciation and amortization	3,276	412	1,202	2,402	131	-	7,423
Capital expenditures[4]	2,927	478	792	211	114	-	4,522

1993 - in millions of DM -	MB	AEG DBI	DASA	debis	Other	Eliminations	Consolidated
Revenues to unaffiliated customers	61,728	10,733	18,173	7,900	-	-	98,534
Intersegment sales	2,968	279	453	1,591	-	(5,291)	-
Total revenues	64,696	11,012	18,626	9,491	-	(5,291)	98,534
Operating profit/loss	(1,267)	(935)	(994)	366	-	(469)	(3,299)[5]
Identifiable assets	30,690	6,662	17,691	23,357	12,526	-	90,926
Depreciation and amortization	3,148	530	1,557	2,693	131	-	8,059
Capital expenditures[4]	2,585	607	1,012	182	102	-	4,488

b) Data by Geographic Areas:

1994 - in millions of DM -	Germany	Other European countries	North America	Latin America	Other Countries	Eliminations	Consolidated
Revenues (by destination)	39,015	26,225	19,609	6,021	13,205	-	104,075
Revenues (by operation):							
To unaffiliated customers	57,823	17,579	17,695	5,069	5,909	-	104,075
Transfers between geographic areas	26,653	1,730	1,050	1,070	193	(30,696)	-
Total revenues	84,476	19,309	18,745	6,139	6,102	(30,696)	104,075
Export sales from Germany	-	9,699	1,613	573	7,114[6]	-	18,999
Net income/loss	206	(189)	588	167	123	-	895
Identifiable assets	54,280	14,827	16,570	3,374	4,485	-	93,536

1993 - in millions of DM -	Germany	Other European countries	North America	Latin America	Other Countries	Eliminations	Consolidated
Revenues (by destination)	38,526	25,523	17,431	5,238	11,816	-	98,534
Revenues (by operation):							
To unaffiliated customers	55,732	17,483	15,053	4,544	5,722	-	98,534
Transfers between geographic areas	24,515	1,745	759	760	244	(28,023)	-
Total revenues	80,247	19,228	15,812	5,304	5,966	(28,023)	98,534
Export sales from Germany	-	9,603	1,521	489	6,076[6]	-	17,689
Net income/loss	(814)	(159)	895	541	152	-	615
Identifiable assets	55,487	13,114	15,346	2,906	4,073	-	90,926

1) Including profits from the sale of the Domestic Appliances Division and of the power meters and lighting systems company units, totaling DM 364 million.
2) Including the positive effect of DM 366 million from the sale and leaseback of certain technology by Fokker.
3) Including the recognition of DM 652 million of profit recognized in connection with the deconsolidation of MBL Fahrzeug-Leasing GmbH & Co. KG. .
4) Expenditure for property, plant and equipment excluding the net book value of fixed assets of companies included in the consolidation for the first time.
5) Including the negative effects of appr. DM 3,500 million of charges in respect of the Group's workforce reduction program (DM 3,100 million) and capacity reductions and other structural measures (DM 400 million) and the positive effects of reversal of certain provisions (DM 1,300 million).
6) Including export sales to Asia of DM 5,873 million in 1994 and DM 4,883 million in 1993.

Consolidated Statements of Cash Flows of the Daimler-Benz Group

- in millions of DM -	1994	1993
Net income	895	615
Disposals of subsidiaries	(378)	-
Deconsolidation of MBL Fahrzeug-Leasing GmbH & Co. KG, effective June 30, 1994	(652)	-
Sale of intangible assets	(366)	-
Extraordinary results	-	(2,603)
Depreciation and amortization of non-current assets (including amounts related to leased equipment of DM 2,275 million in 1994 and DM 2,536 million in 1993)	7,676	8,357
Increase in provisions, net	221	2,483
Gain on disposal of non-current assets	(384)	(208)
Gain on sale of securities	-	(1,659)
Change in assets and liabilities		
Inventories, net (less advance payments received)	1,351	3,072
Receivables	1,461	163
Accounts payable and other operating liabilities	1,560	(718)
Other	(102)	411
Cash provided by operating activities	11,282	9,913
Purchase of non-current assets	(5,323)	(5,310)
Increase in leased equipment	(5,062)	(5,373)
Proceeds from disposal of non-current assets (including net change in leased equipment of DM 1,978 million in 1994 and DM 1,396 million DM in 1993)	3,095	2,693
Payments for acquisition of investments in related parties	(1,491)	(986)
Proceeds from disposals of investments in related parties	1,382	573
Net change in short-term investments	(1,957)	1,016
Increase in leasing and sales financing receivables, net	(1,836)	(2,605)
Cash provided by change in companies in consolidation	127	43
Other	474	574
Cash used for investing activities	(10,591)	(10,523)
Change in commercial paper borrowings, net	1,172	(473)
Additions to financial liabilities (including amounts for leasing and sales financing, net of DM 883 million DM in 1994 and DM 2,689 million DM in 1993)	965	2,990
Repayment of financial liabilities	(1,442)	(1,205)
Dividends paid	(486)	(633)
Proceeds from capital increase	3,174	-
Cash provided by financing activities	3,383	679
Effect of foreign exchange rate changes on cash	(113)	(83)
Net increase (decrease) in cash	3,961	(14)
Cash at beginning of year	2,954	2,968
Cash at year-end	6,915	2,954
Securities	6,469	6,889
Other liquid assets	633	614
Total liquid assets	14,017	10,457

Cash Flow from Operating Activities Considerably Up

The increase in the cash flow from operating activities to DM 11.3 billion reflects both the improved operating income and the decrease in working capital. At DM 10.6 billion, the cash flow from investment activities remained similar to 1993 (DM 10.5 billion). This was due to lower net expenditures for our leasing and sales activities (1994: DM 4.9 billion; 1993: DM 6.6 billion) and for investments in related companies. Additionally, this was due to outflows of funds for short-term capital investments amounting to DM 2.0 billion after DM 1.0 billion had flowed in during 1993. We expect investments in the Daimler-Benz group to remain high in the coming years as well.

The cash flow from financing activities was principally influenced by the capital increase of Daimler-Benz AG (DM 3.0 billion); outside financing increased by DM 0.7 billion. The financial trend is reflected in the increase in cash by DM 0.4 billion to DM 6.9 billion and in liquidity by DM 3.5 billion to DM 14.0 billion.

Additional Information in Accordance with the U.S. Generally Accepted Accounting Principles (U.S. GAAP)

With the listing of Daimler-Benz stock on the New York Stock Exchange, we are obligated to file an annual report on Form 20-F with the Securities and Exchange Commission (SEC). Much of the information contained in this report is taken from our annual report; however, additional data and financial information are provided that were determined on the basis of U.S. accounting principles. Since there are substantial differences, especially in net income and stockholders' equity, the reconciliations are required to convert certain financial data from the German consolidated financial statements to the values calculated using the U.S. GAAP. An explanation of the most important items is provided on page 96.

Reconciliation of Operating Profit to Results from Ordinary Business Activities:

- in millions of DM -		1994		1993
Operating profit/loss		**2,708**		(3,299)
Income from affiliated, associated and related companies [1]	**7**		37	
Interest income, net [2]	**220**		484	
Write-downs of financial assets and of securities	**(552)**		(300)	
Gain on sale of securities	-		1,659	
Other financial results	**34**		-	
Financial results		**(291)**		1,880
Gain on transfer of pension fund assets [3]		-		237
Corporate overhead and other items not allocable to segments		**83**		(9)
Corporate research of Daimler-Benz AG		**(423)[4]**		(282)
Results from ordinary business activities		**2,077**		(1,473)

1) Excluding earnings from Airbus Industrie of DM 203 million (1993: DM 66 million) and write-downs of investments of DM 233 million (1993: DM 284 million).
2) Excluding DM 314 million (1993: DM 314 million) of interest earned on advance payments by suppliers.
3) Mercedes-Benz AG and Daimler-Benz AG pension fund assets were transferred back to the Group to avoid tax penalties relating to an overfunded pension plan. The transfer was recognized as income for German GAAP purposes.
4) Including corporate overhead for research which in 1993 was included in corporate overhead and other items not allocable to segments.

Reconciliation of Consolidated Net Income and Stockholders' Equity to U.S. GAAP

- in millions of DM -	1994	1993
Consolidated net income in accordance with German HGB (Commercial Code)	**895**	615
+/- Minority interest	**159**	(13)
Adjusted net income under German GAAP	**1,054**	602
+/- Changes in appropriated retained earnings: provisions, reserves and valuation differences	**409**	(4,262)
	1,463	(3,660)
Additional adjustments		
+/- Long-term contracts	**53**	78
Goodwill and business acquisitions	**(350)**	(287)
Deconsolidation of MBL Fahrzeug-Leasing GmbH & Co. KG, effective June 30, 1994	**(652)**	-
Pensions and other postretirement benefits	**(432)**	(624)
Foreign currency translation	**(22)**	(40)
Financial instruments	**633**	(225)
Securities	**(388)**	-
Other valuation differences	**73**	292
Deferred taxes	**496**	2,627
Consolidated net income/loss in accordance with U.S. GAAP before cumulative effect of a change in accounting principle	**874**	(1,839)
Cumulative effect of change in accounting for certain investments in debt and equity securities as of January 1, 1994, net of tax of DM 235 million	**178**	-
Consolidated net income/loss in accordance with U.S. GAAP	**1,052**	(1,839)
Earnings/loss per share in accordance with U.S. GAAP	**DM 21.53**	DM (39.47)
Earnings/loss per American Depositary Share[1)] in accordance with U.S. GAAP	**DM 2.15**	DM (3.95)

	1994	1993
Stockholders' equity in accordance with German HGB	**20,251**	18,145
./. Minority interest	**(151)**	(561)
Adjusted stockholders' equity under German GAAP	**20,100**	17,584
+ Appropriated retained earnings: provisions, reserves and valuation differences	**6,205**	5,770
	26,305	23,354
Additional adjustments		
+/- Long-term contracts	**262**	207
Goodwill and business acquisitions	**1,978**	2,284
Deconsolidation of MBL Fahrzeug-Leasing GmbH & Co. KG, effective June 30, 1994	**(652)**	-
Pensions and other postretirement benefits	**(2,250)**	(1,821)
Foreign currency translation	**63**	85
Financial instruments	**1,013**	381
Securities	**27**	-
Other valuation differences	**(185)**	(698)
Deferred taxes	**2,874**	2,489
Stockholders' equity in accordance with U.S. GAAP	**29,435**	26,281

1) Corresponds to one tenth of a share of stock of DM 50 par value.

Financial Statements

Consolidated Balance Sheet

ASSETS	Note	December 31, 1994 DM in Millions	December 31, 1993 DM in Millions
Non-Current Assets			
Intangible Assets	(1)	**880**	523
Property, Plant and Equipment	(2)	**17,727**	18,921
Financial Assets	(3)	**7,423**	4,031
Leased Equipment	(4)	**10,209**	11,879
		36,239	35,354
Current Assets			
Inventories	(5)	**21,764**	24,262
Advance Payments Received	(6)	**(6,788)**	(7,317)
		14,976	16,945
Finance Receivables	(7)	**10,151**	8,771
Other Receivables	(8)	**14,561**	15,349
Other Assets	(9)	**3,965**	4,095
Securities	(10)	**6,469**	6,889
Cash	(11)	**6,915**	2,954
		57,037	55,003
Prepaid Expenses and Deferred Taxes	(12)	**260**	569
Total Assets		**93,536**	90,926
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity	(13)		
Capital Stock	(14)	**2,565**	2,330
(Authorized but Unissued Capital: DM 300 Million)			
Additional Paid-In Capital	(14)	**4,904**	2,117
Retained Earnings	(15)	**12,048**	12,747
Minority Interest	(16)	**151**	561
Unappropriated Profit of Daimler-Benz AG		**583**	390
		20,251	18,145
Provisions			
Provisions for Pensions and Similar Obligations	(17)	**13,150**	12,759
Other Provisions	(18)	**22,446**	23,128
		35,596	35,887
Liabilities			
Liabilities from Leasing and Sales Financing	(19)	**14,543**	13,660
Accounts Payable Trade	(20)	**7,718**	6,859
Other Liabilities	(21)	**14,959**	15,796
		37,220	36,315
Deferred Income		**469**	579
Total Stockholders' Equity and Liabilities		**93,536**	90,926

Consolidated Statements of Income

	Note	1994 DM in Mill.	1993 DM in Mill.
Revenues	(22)	**104,075**	98,534
Cost of Sales	(23)	**(90,337)**	(89,964)
Gross Profit		**13,738**	8,570
Selling Expenses	(23)	**(11,089)**	(10,913)
General Administrative Expenses	(23)	**(3,283)**	(3,474)
Other Operating Income	(24)	**4,602**	4,450
Other Operating Expenses	(25)	**(2,117)**	(2,311)
Financial Income, Net	(26)	**226**	2,205
Results from Ordinary Business Activities		**2,077**	(1,473)
Extraordinary Results		**-**	2,603
Income Taxes	(27)	**(1,182)**	(515)
Net Income	(28)	**895**	615
Profit Carried Forward from Previous Year		**18**	-
Transfer to Retained Earnings		**(489)**	(212)
Income Applicable to Minority Stockholders		**(169)**	(339)
Loss Applicable to Minority Stockholders		**328**	326
Unappropriated Profit of Daimler-Benz AG		**583**	390

Consolidated Non-Current Assets

DM in Millions	Balance at January 1, 1994[1]	Currency Change	Additions[1]	Reclassi-fications	Disposals	Balance at December 31, 1994
	Acquisition or Manufacturing Costs					
Intangible Assets						
Franchises, Industrial Property Rights and Similar Rights and Values, as well as Licenses to Such Rights and Values	725	(10)	176	17	193	715
Goodwill	575	(1)	442	.	111	905
	1,300	**(11)**	**618**	**17**	**304**	**1,620**
Property, Plant and Equipment						
Land, Leasehold Improvements and Buildings, incl. Buildings on Land Owned by Others	19,470	(134)	605	534	589	19,886
Technical Equipment and Machinery	24,945	(82)	1,394	470	1,589	25,138
Other Equipment, Factory and Office Equipment	18,213	(113)	1,342	272	1,796	17,918
Advance Payments Relating to Plant and Equipment and Construction in Progress	1,744	(25)	1,311	(1,293)	89	1,648
	64,372	**(354)**	**4,652**	**(17)**	**4,063**	**64,590**
Financial Assets						
Investments in Affiliated Companies	674	2	88	.	78	686
Loans to Associated and Affiliated Companies	19	.	13	-	14	18
Investments in Associated Companies	1,273	(4)	1,645	33	683	2,264
Investments in Related Companies	1,332	(3)	384	-	152	1,561
Loans to Associated and Related Companies	119	.	13	.	2	130
Long-Term Securities	370	.	843	1,513[2]	3	2,723
Other Loans	1,218	(19)	172	(33)	201	1,137
	5,005	**(24)**	**3,158**	**1,513**	**1,133**	**8,519**
	70,677	**(389)**	**8,428**	**1,513**	**5,500**	**74,729**
Leased Equipment	**17,499**	**(1,238)**	**5,599**	**.**	**7,358**	**14,502**

1) Including balances carried forward from companies consolidated for the first time.
2) Reclassification of additions to securities in 1993.

Depreciation						Book Values	Book Values
Balance at January 1, 1994[1]	Currency Change	Current Year	Reclassi-fications	Disposals	Balance at December 31, 1994	Balance at December 31, 1994	Balance at December 31, 1993
472	(8)	144	8	156	460	255	253
305	.	86	.	111	280	625	270
777	**(8)**	**230**	**8**	**267**	**740**	**880**	**523**
9,831	(44)	1,091	49	343	10,584	9,302	9,639
20,600	(60)	1,994	5	1,406	21,133	4,005	4,345
14,955	(88)	1,817	.	1,557	15,127	2,791	3,258
65	.	16	(62)	-	19	1,629	1,679
45,451	**(192)**	**4,918**	**(8)**	**3,306**	**46,863**	**17,727**	**18,921**
137	.	14	-	25	126	560	537
3	.	5	-	5	3	15	16
179	-	36	-	73	142	2,122	1,094
490	-	183	-	5	668	893	842
3	.	-	-	.	3	127	116
4	-	4	-	-	8	2,715	366
158	1	11	-	24	146	991	1,060
974	**1**	**253**	**-**	**132**	**1,096**	**7,423**	**4,031**
47,202	**(199)**	**5,401**	**-**	**3,705**	**48,699**	**26,030**	**23,475**
5,620	**(406)**	**2,275**	**-**	**3,196**	**4,293**	**10,209**	**11,879**
						36,239	**35,354**

Notes to the Consolidated Financial Statements
Summary of Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with German generally accepted accounting principles ("German GAAP"). All amounts shown herein, unless separately stated, are in millions of German marks ("DM").

The 1994 income statement has been prepared according to the internationally prevailing cost-of-sales method for the first time. The figures for the prior year were classified accordingly; the net income remained unchanged.

According to the cost-of-sales method, operating expenses are assigned to the functional areas of manufacturing, distribution and general administration. The manufacturing costs of sales-generating activities are identified in the statements of income under cost of sales. This item also includes the expenses for personnel and materials for research and development, as well as for warranties and the depreciation of inventories. Also included in the cost of sales is interest expenses from refinancing the leasing and sales financing business, which in previous years was listed under net interest income. The interest income previously included in the net interest income from the sales financing business is now recorded under sales, resulting in a slight change of the figure for the previous year.

In the financial results we have summarized the income from affiliated, associated and related companies, net interest income and other financial results; the individual components are explained in Note 26.

Accounting and Valuation

Where the circumstances are the same within the consolidated group, assets and liabilities are valued uniformly in the consolidated financial statements.

Intangible assets are valued at acquisition cost and are amortized on a straight-line basis over their respective useful lives. Goodwill resulting from capital consolidation is amortized over a period of five years, providing it relates to the expansion of the group. Where it relates to the restructuring of the group, it is charged to retained earnings. Goodwill resulting from strategic alliances is split; the amount relating to the expansion of the group is charged to earnings and the amount relating to restructuring is charged to retained earnings.

Property, plant and equipment is valued at acquisition or manufacturing cost - less accelerated depreciation. Additional depreciation is recorded where a lower reported amount is required. In addition, where applicable, accelerated depreciation methods are used in Germany pursuant to certain sections of the German tax guidelines.

The manufacturing costs of company-built equipment and facilities cover direct costs, as well as allocable overhead costs of materials and manufacturing, including depreciation.

Property, plant and equipment is depreciated over the following useful lives: 10 to 50 years for buildings, 8 to 20 years for site improvements, 3 to 20 years for technical equipment and machinery and 2 to 10 years for factory, office and other equipment. If equipment is used in multiple-shift operations, the useful life is reduced accordingly.

Buildings are depreciated using the greater of the straight-line method or the declining balance method. Moveable property in Germany having a useful life of four years or more is depreciated using the declining balance method. We employ the straight-line depreciation method as soon as even distribution of the residual book value over the remaining useful life yields larger depreciation allowances. For foreign companies, moveable property is depreciated for the most part using the straight-line method.

Depreciation on plant, property and equipment additions in Germany during the first and second half of the year is calculated using full or half-year rates, respectively, on the basis of the tax simplification rule. Items having an immaterial value are expensed when purchased.

Investments in affiliated companies and *other financial assets* are valued at the lower of cost or market; long-term non-interest or low-interest bearing loans are recorded at present value. Significant *investments in associated companies* are valued at-equity according to the book value method.

Leased equipment is valued at acquisition or manufacturing cost. It is depreciated to residual value primarily using the declining balance method. We employ the straight-line depreciation method as soon as even distribution of the residual book value over the remaining useful life yields larger depreciation allowances.

Raw materials, supplies and *goods purchased for resale* are valued at the lower of cost or market; *finished goods* are valued at manufacturing cost. Manufacturing costs include direct material, labor and applicable manufacturing overhead including depreciation. Loss provisions are recorded for inventories that have long periods of storage or changes in construction.

Non-interest or low-interest bearing *receivables* and *other assets* with more than one year remaining to maturity are discounted as of the balance sheet date and valued after taking into account all known risks. An allowance for doubtful accounts is deducted from the receivables.

Short-term securities are valued at the lower of cost or market as of the balance sheet date.

Provisions for pensions and similar obligations, including postretirement medical benefits for retirees of U.S. subsidiaries, are actuarially determined on the basis of an assumed interest rate of 6% using the entry age actuarial cost method.

Provisions for taxes and *other provisions* have been recorded using the principles of reasonable accounting valuation. The obligations in employee benefits and social costs are generally recorded for the most part using the entry age actuarial cost method. Derivative financial instruments (primarily future exchange transactions and currency options, interest rate and currency swaps) are valued individually. If there is a direct relationship between a derivative financial instrument and a basic transaction, a valuation unit is formed. Provisions exist for interest rate and currency risks as well as for general credit risk.

Liabilities are recorded at their repayment amount.

Consolidated Group

In addition to Daimler-Benz AG, the consolidated group consists of 357 (1993: 305) domestic and foreign subsidiaries and 16 (1993: 12) joint ventures. The joint ventures are accounted for using the pro rata consolidation method.

During 1994, 80 subsidiaries and 5 joint ventures were added to the consolidation.

Daimler-Benz Aerospace and the Thomson-CSF group (France) contributed individual divisions to new joint ventures; the shares of the new joint ventures are held equally. As they were part of the group until mid-December 1994, the statements of income for the contributed Daimler-Benz Aerospace subdivisions are fully included. By contrast, the balance sheets of the joint ventures are included pro rata.

ElectroCom Automation, Inc. (Arlington, U.S.A.), which was previously included as a participation at equity (26% share), was fully consolidated upon acquisition of the remaining shares in 1994.

Twenty-eight subsidiaries and one joint venture were not included in the consolidated group. The major effects on the consolidated balance sheet and on the consolidated statements of income are explained under the individual balance sheet items.

As part of the further development of our leasing business in Germany, MBL Mercedes-Benz Leasing GmbH & Co. oHG (Stuttgart) was transformed into MBL Fahrzeug-Leasing GmbH & Co. KG (Stuttgart) in which external bank partners hold a total participation of 80%. Accordingly, MBL Fahrzeug-Leasing GmbH & Co. KG is no longer consolidated as of June 30, 1994; instead, it is included as a 20% investment at equity.

Due to the sale of the domestic appliances division of AEG Daimler-Benz Industrie, 4 companies are no longer included in the consolidated group.

Two hundred and ninety-one (1993: 271) subsidiaries were not included as their effect on the financial position and results of operation was not material. In addition, 11 companies administering external pension funds, whose assets are subject to restrictions, have not been included in the consolidated financial statements. The entire consolidated group of Daimler-Benz AG is contained in the list of investment holdings filed in the Stuttgart Commercial Register as entry No. HRB 15 350.

Consolidation Principles

Capital consolidation is accomplished using the book value method by netting the acquisition cost and the pro rata share of stockholders' equity of the subsidiary at the time of its acquisition or when it is first included in the consolidation. Joint ventures are also accounted for under this method.

Wherever possible, the accrued differences arising from capital consolidation are shown under the respective consolidated balance sheet item and are amortized to income over the expected useful life. Goodwill is amortized in accordance with the method discussed in "Accounting and Valuation" above.

A deferred difference arising from capital consolidation is shown separately under "Other provisions" as "Difference from capital consolidation with accrual character."

Appropriated retained earnings of acquired subsidiaries are included in the company's retained earnings. The unappropriated profit reported in the consolidated financial statements represents the unappropriated profits of Daimler-Benz AG. Accordingly, the proceeds from consolidation measures affecting operating income and the unappropriated profits of the subsidiaries have been offset against the retained earnings of the company.

Investments in 143 *associated companies* are recorded in the consolidated financial statements.

For the year ended December 31, 1994, 22 *associated companies* have been included in the consolidated financial statements at equity using the *book value method.*

The remaining *associated companies* are reported as investments at acquisition cost net of applicable depreciation because the ownership is immaterial to the financial position of the company.

Payables and receivables between the consolidated companies are offset; differences resulting from the *consolidation of debts* are treated according to their effect on results.

Intermediate results deriving from transactions within the group are eliminated, if they are not already insignificant. In the consolidated income statement, proceeds from *internal sales,* as well as other internal revenues, are charged against the corresponding expenses.

The consolidated balance sheet includes *deferred taxes* from elimination procedures affecting net income.

Currency Translation

Foreign currency assets are translated at the lower of the entry date exchange rate or year-end exchange rate; foreign currency liabilities are translated at the higher of the selling rate on the entry date or at the year-end selling rate.

The year-end exchange rate is generally used to translate balance sheet items of foreign companies from the respective local currency to German marks. Excluded from this treatment are the non-current assets and inventories of companies in highly inflationary countries, where historical exchange rates are used.

The difference resulting from the currency translation of the balance sheet items is charged or credited to stockholders' equity; for companies operating in highly inflationary countries translation gains or losses are applied to income.

Expense and income items and the annual results are translated at the annual average exchange rate. Where such items concern non-current assets and inventories of companies in highly inflationary countries, the historical exchange rates are used and the annual results are adjusted accordingly. The difference resulting after translation of the change in reserves and the balance sheet profit or loss is charged or credited to the stockholders' equity.

Notes to the Consolidated Balance Sheet

1 Intangible Assets

At December 31, 1994, intangible assets amounting to DM 880 million (1993: DM 523 million) consist of goodwill, acquired computer software, patents and, to a lesser extent, advance payments. The increase over the previous year is related primarily to the acquisition of ElectroCom Automation, U.S.A.
The year under review included additional amortization amounting to DM 9 million (1993: DM 88 million).

2 Property, Plant and Equipment

The decrease in property, plant and equipment by DM 1,194 million to DM 17,727 million is a result of DM 4,918 of depreciation expense, DM 757 million in disposals, DM -162 million in currency fluctuations and DM -9 million in reclassifications; this amount is offset by DM 4,652 million in additions. In accordance with tax regulations, depreciation of DM 326 million (1993: DM 76 million) was taken. Non-scheduled depreciation amounted to DM 148 million (1993: DM 287 million).
As part of the first inclusion of subsidiaries, capital expenditures and depreciation increased by DM 353 million and by DM 223 million, respectively.

3 Financial Assets

The financial assets of DM 7,423 million (1993: DM 4,031 million) primarily include securities in non-current assets and participations in associated companies.
The increase in financial assets is related primarily to the addition of MBL Fahrzeug-Leasing GmbH & Co. KG which is now included as a 20% share under financial assets instead of being consolidated. Moreover, due to an altered investment strategy, securities with fixed interest rates were reallocated from current assets to non-current assets.
Non-scheduled depreciations amounting to DM 253 million (1993: DM 298 million) were recorded in participations and participations in associated companies.

4 Leased Equipment

The decrease in leased equipment of DM 1,670 million to DM 10,209 million reflects primarily the deconsolidation of MBL Fahrzeug-Leasing GmbH & Co. KG, effective June 30, 1994.
In accordance with the provisions of tax law, depreciation has been recorded in the amount of DM 8 million (1993: DM 5 million).

5 Inventories

	12/31/94 DM in mill.	12/31/93 DM in mill.
Raw materials and supplies	**3,390**	3,406
Work in process, service in process	**9,715**	10,543
Finished goods, replacement parts and goods purchased for resale	**6,781**	8,258
Advance payments to suppliers	**1,878**	2,055
	21,764	24,262

The majority of the inventory is owned by Mercedes-Benz and Daimler-Benz Aerospace. The decrease in 1994 is mainly due to a decrease in inventory levels at the foreign Mercedes-Benz sales companies and fewer semifinished goods at Airbus and Fokker.

6 Advance Payments Received

Advance payments received in the amount of DM 6,788 million (1993: DM 7,317 million) primarily represent projects and long-term contracts with AEG Daimler-Benz Industrie, Daimler-Benz Aerospace AG, Fokker, Dornier and MTU. Such payments have been deducted from inventories.

7 Finance Receivables

This item represents receivables from customers in the amount of DM 10,151 million (1993: DM 8,771 million), of which DM 5,831 million (1993: DM 5,569 million) are long-term receivables. An allowance for losses of DM 236 million has been recorded on these receivables.

8 Other Receivables
9 Other Assets

	DM in mill.	12/31/94 DM in mill.	12/31/93 DM in mill.
Accounts receivable trade		**10,173**	11,695
of which long-term is	276 (1993: 387)		
Receivables from affiliated companies		**2,466**	2,299
of which long-term is	3 (1993: 6)		
Receivables from associated and related companies		**1,922**	1,355
of which long-term is	241 (1993: 87)		
Other receivables		**14,561**	15,349
of which long-term is	520 (1993: 480)		
Other assets		**3,965**	4,095
of which long-term is	726 (1993: 378)		

Tax refund claims and interest receivables are included in other assets. This item also includes liquid assets in non-marketable debt instruments amounting to DM 197 million (1993: DM 186 million).
An allowance for loss of DM 1,662 million has been provided for on other receivables and other assets.

10 Securities

	12/31/94 DM in mill.	12/31/93 DM in mill.
Treasury stock	-	-
Other securities	**6,469**	6,889
	6,469	6,889

In 1994 we purchased a total of 78,705 treasury shares at an average price of DM 823 per share to transfer to employees of Daimler-Benz AG and the corporate units and to fulfill the exchange offer still in effect for AEG shareholders. Of this, 46,700 shares are allocated to the capital increase for issuing employee shares and 32,005 shares to acquisitions in the market (5,702 in March, 6,701 in April, 9,703 in October, 56,380 in November and 219 in December).

In November 1994, Daimler-Benz AG and the corporate units sold 46,969 shares (par value of DM 2.3 million, or 0.09% of equity) to employees at a discounted price of DM 532 per share. As part of the exchange offer, AEG shareholders received 31,736 Daimler-Benz shares. No treasury stock was on hand on December 31, 1994.
Other securities consist primarily of fixed-interest debt instruments.
Certain current assets could have been increased by DM 22 million to their original values in accordance with German GAAP; however, the revaluation was not recorded due to a negative effect on currently payable income taxes.

11 Cash

The balance of DM 6,915 million (1993: DM 2,954 million) includes cash in banks, cash on hand, cash in the German Bundesbank and Postbank as well as deposits in transit.
The liquid assets included in the various balance sheet positions total DM 14.0 billion (1993: DM 10.5 billion); of this, DM 1.8 billion is committed between one and ten years through valuation units with derivative financial instruments. The increase in liquid assets over the previous year in the amount of DM 0.4 billion is related to the altered reporting of the checks written to compensate for supplier commitments which were not yet redeemed by the receiver.

12 Prepaid Expenses and Deferred Taxes

This item primarily reflects deferred rents, interest, insurance premiums and discount sums of DM 26 million (1993: DM 16 million). In contrast to the previous year, at December 31, 1994, deferred taxes generated from elimination procedures affecting income were reported as a liability.

13 Stockholders' Equity

Stockholders' equity has developed as follows:

	DM in mill.
Balance at December 31, 1993	18,145
Dividends paid by Daimler-Benz AG for 1993	(373)
Capital increase for Daimler-Benz AG	3,022
1994 net income to retained earnings	489
Reductions in goodwill	(378)
Unappropriated profit of Daimler-Benz AG 1994	583
Change in minority interest	(410)
Difference from currency translation	(703)
Other changes	(124)
Balance at December 31, 1994	20,251

The offsetting of goodwill against stockholders' equity is based primarily on the acquisition of all shares in Bayerische Beteiligungsgesellschaft fur Luft- und Raumfahrtwerte mbH, Munich, which in turn holds 10% of the shares in Daimler-Benz Luft- und Raumfahrt Holding AG, Munich.

14 Capital Stock and Additional Paid-in Capital

The capital stock increased by DM 235.3 million to DM 2,564.9 million through the capital increase in June 1994 in the amount of par DM 233.0 million and the capital increase for issuing employee shares in November 1994 in the amount of par DM 2.3 million. Following these two capital increases, the number of votes is 51,298,736.
Of the DM 600 million of additional share capital approved on June 26, 1991, the remaining amount is DM 367.0 million, which may be utilized until June 30, 1996. Of the DM 20 million of additional share capital for issuance of employee shares approved on May 18, 1994, the remaining amount is DM 17.7 million, which may be utilized until April 30, 1999. In addition, as authorized by the shareholders on May 18, 1994, the company maintains authorized but unissued capital in the amount of DM 300.0 million which is intended for the extension of subscription rights to the holders of convertible bonds and options issued by the Board of Management. No use has yet been made of this authorization, which extends through April 30, 1999.
The increase in paid-in capital to DM 4,904 million (1993: DM 2,117 million) is to be attributed to the premium from the two 1994 capital increases.

15 Retained Earnings

Retained earnings contain the German statutory provision of DM 160 million and other retained earnings of Daimler-Benz AG totaling DM 13,091 million. Retained earnings also include the group's share of the consolidated subsidiaries' retained earnings and balance sheet results, provided the earnings were generated by such subsidiaries since joining the company. Additionally, retained earnings include the cumulative effect resulting from the elimination of inter-company profits from the consolidation and foreign currency translation gains and losses.

16 Minority Interest

The interest held by third-parties in the stockholders' equity of the consolidated subsidiaries primarily consists of AEG Daimler-Benz Industrie, Daimler-Benz Luft- und Raumfahrt Holding AG, Mercedes-Benz (Switzerland) AG, Dornier, MTU and Eurocopter.
In addition to the above, a negative minority interest amounting to DM 973 million relates to Fokker.

17 Provisions for Pensions and Similar Obligations

Pension accruals have increased by DM 391 million to DM 13,150 (1993: DM 12,759 million) as a result of the annual increase in pension provisions.
The pension accruals and the plan assets of the external pension plan fully fund the company's pension obligations.

18 Other Provisions

	12/31/94 DM in mill.	12/31/93 DM in mill.
Accrued taxes	**1,449**	1,668
Difference from capital consolidation with accrual character	**36**	44
Other provisions	**20,961**	21,416
	22,446	23,128

Tax provisions represent currently payable income taxes for Daimler-Benz AG and the foreign Mercedes-Benz group companies as well as deferred taxes generated from elimination procedures affecting income in the amount of DM 33 million.
The difference from capital consolidation with accrual character represents the purchase of one subsidiary consolidated for the first time and an accrual for related start-up expenses.

The other provisions consist of:

	12/31/94 DM in mill.	12/31/93 DM in mill.
Estimated future losses on open contracts	**5,067**	5,280
Accrued warranties and contract costs	**5,910**	5,753
Adjustments to capacities and reduction in workforce	**2,712**	3,397
Other employee benefits and social costs	**1,550**	1,734
Other risks	**5,722**	5,252
	20,961	21,416

19 Liabilities from Leasing and Sales Financing

	DM in mill.	12/31/94 DM in mill.	12/31/93 DM in mill.
Bonds		**5,449**	5,187
of which are due within one year	1,013 (1993: 303)		
Commercial paper		**3,841**	3,212
of which are due within one year	3,841 (1993: 3,212)		
Liabilities to financial institutions		**4,541**	4,408
of which are due within one year	2,595 (1993: 2,316)		
Notes payable		**-**	220
of which are due within one year	- (1993: 220)		
Liabilities to associated and related companies		**349**	235
of which are due within one year	207 (1993: 78)		
Miscellaneous liabilities		**363**	398
of which are due within one year	244 (1993: 254)		
Total liabilities from leasing and sales financing		**14,543**	13,660
of which are due within one year	7,900 (1993: 6,383)		
in more than 5 years	1,944 (1993: 1,989)		

Liabilities from leasing and sales financing provide the funds for the purchase of leased vehicles, equipment and installment sales receivable. Commercial paper borrowings are denominated in U.S. dollars.

Miscellaneous liabilities consist of loans payable and interest accruals for the financial service companies.

20 Accounts Payable Trade
21 Other Liabilities

	DM in mill.	12/31/94 DM in mill.	12/31/93 DM in mill.
Accounts payable trade		**7,718**	6,859
of which are due within one year	7,670 (1993: 6,746)		
Financial liabilities			
Bonds		**2,709**	2,797
of which are due within one year	480 (1993: 267)		
Commercial paper		**345**	209
of which are due within one year	345 (1993: 209)		
Liabilities to financial institutions		**2,798**	3,810
of which are due within one year	1,444 (1993: 2,326)		
Notes payable		**200**	244
of which are due within one year	148 (1993: 235)		
Other liabilities			
Liabilities to affiliated companies		**1,153**	1,126
of which are due within one year	830 (1993: 354)		
Liabilities to associated and related companies		**1,806**	1,819
of which are due within one year	1,621 (1993: 1,573)		
Miscellaneous liabilities		**5,948**	5,791
of which are due within one year	4,898 (1993: 4,780)		
of which for taxes	964 (1993: 1,131)		
of which for social benefits	1,367 (1993: 1,176)		
Total other liabilities		**14,959**	15,796
Total		**22,677**	22,655
of which are due within one year	17,436 (1993: 16,490)		
in more than 5 years	1,368 (1993: 2,131)		

Liabilities to associated and related companies include approximately DM 77 million (1993: DM 243 million) due to financial institutions. The remaining liabilities to associated and related companies are primarily obligations of Daimler-Benz Aerospace Airbus GmbH to Airbus Industrie G.I.E., Toulouse, and accrued liabilities of Daimler-Benz Aerospace due to project companies.

Commercial paper is recorded at a discounted basis plus accrued interest.

Miscellaneous liabilities consist primarily of accrued payroll and related payroll withholding tax deductions.

Liabilities to financial institutions, notes payable, liabilities to affiliated and related companies and miscellaneous liabilities are secured by mortgages, liens and assignment of receivables of approximately DM 911 million (1993: DM 1,934 million).

Notes to the Consolidated Statements of Income

22 Revenues

	1994 DM in mill.	1993 DM in mill.
Revenues by segments:		
Mercedes-Benz	**68,239**	61,728
AEG Daimler-Benz Industrie	**10,034**	10,733
DASA	**17,053**	18,173
debis	**8,749**	7,900
	104,075	98,534

Revenues include interest income from sales financing amounting to DM 941 million (1993: DM 797 million).

	1994 DM in mill.	1993 DM in mill.
Group revenues by geographic areas:		
Domestic	**39,015**	38,526
Foreign	**65,060**	60,008
Foreign revenues are as follows:		
EU countries	**20,881**	20,267
Other Europe	**5,344**	5,256
North America	**19,609**	17,431
Latin America	**6,021**	5,238
Other Countries	**13,205**	11,816

23 Cost of Sales, Selling and General Administrative Expenses

The selling and general administrative expenses include restructuring costs amounting to DM 1,114 million (1993: DM 3,486 million). Interest expense from leasing and sales financing business included in the cost of sales is DM 918 million (1993: DM 1,139 million). Miscellaneous taxes total DM 297 million (1993: DM 390 million).

24 Other Operating Income

Other operating income primarily includes income from dissolved provisions in the amount of DM 1,610 million (1993: DM 2,348 million). This item also includes income from the sale of corporate units and from deconsolidations in the amount of DM 1,029 million and income from land sales, which for the most part were further committed based on depreciation methods pursuant to German tax law.

DM 2,718 million (1993: DM 3,581 million) of the other operating income relates to other fiscal years.

25 Other Operating Expenses

Other operating expenses include increases to provisions that cannot be allocated to selling and general administrative expenses as well as expenses from investment disposals.

DM 121 million (1993: DM 224 million) of the other operating expenses relates to other fiscal years.

26 Financial Income, Net	DM in mill.	1994 DM in mill.	1993 DM in mill.
Income from investments		**331**	145
of which are from affiliated companies	27 (1993: 15)		
Income from profit transfer agreements		**10**	13
Income from the disposal of investments and shares in affiliated companies		**25**	6
Income from companies valued at equity		**(80)**	(35)
Depreciation of investments in affiliated companies		**(233)**	(284)
Loss from loss absorption agreements		**(76)**	(26)
Income from affiliated, associated and related companies		**(23)**	(181)
Income from other securities and long-term investments		**192**	149
Other interest and similar income		**1,576**	1,538
of which are from affiliated companies	6 (1993: 11)		
Other interest and similar expenses		**(1,234)**	(889)
of which are to affiliated companies	6 (1993: 60)		
Interest income, net		**534**	798
Income from the disposal of marketable securities		**253**	1,436
Provisions for losses on marketable securities		**(299)**	(2)
Provisions for losses on loans and long-term investments		**(20)**	(14)
Miscellaneous other financial result		**(219)**	168
Other financial income		**(285)**	1,588
Total financial income, net		**226**	2,205

The provisions for losses on financial assets and long-term investments total DM 552 million (1993: DM.300 million).

27 Income Taxes

The income taxes of DM 1,182 million (1993: DM 515 million) primarily represent income taxes of the foreign Mercedes-Benz group companies.

28 Net Income

The net group income of DM 895 million was influenced by statutory depreciation of financial and current assets as prescribed by German tax law in the amount of DM 270 million. Future effects are immaterial.

Other Information

Personnel Expenses/ Number of Employees		1994 DM in mill.	1993 DM in mill.
	Wages and salaries	**24,145**	27,653
	Social levies	**4,506**	4,741
	Expenses for pensions	**1,457**	1,396
		30,108	33,790
	Number of employees (annual average)	**Number**	Number
	Hourly-paid employees	**181,586**	199,797
	Salaried employees	**146,663**	156,793
	Trainees and apprentices	**13,656**	14,517
		341,905	371,107
	A total of 10,790 persons are employed in joint ventures.		

Cost of Materials		1994 DM in mill.	1993 DM in mill.
	Cost of raw materials, supplies and goods purchased for resale	**47,324**	44,481
	Cost of services purchased	**8,965**	6,595
		56,289	51,076

Derivative Financial Instruments		- Face value - 12/31/94 DM in mill.	- Face value - 12/31/93 DM in mill.	- Market value - 12/31/94 DM in mill.	- Market value - 12/31/93 DM in mill.
	Currency instruments	**23,246**	30,850	**+ 740**	+ 210
	Interest-rate instruments	**15,704**	13,101	**- 76**	+ 45
		38,950	43,951	**+ 664**	+ 255

Derivative financial instruments are used to hedge against interest rate and currency risks. They primarily cover the basic supplier and services transactions. They are used to a minor extent to optimize the interest rate and currency results. Contracts are signed only with reputable international financial institutions.

The derivative financial instruments are subjected to risk checks appropriate to the extent of the transactions and are executed under strict functional division into trade, administration, documentation and control. The necessary critical organization and work procedures are stipulated by internal guidelines. The effectiveness of the internal controls and the reliability of the procedures are subjected to continual examination. For decision-making purposes, the current risk positions are presented in each case based on regular, standardized financial reports.

The currency instruments relate primarily to future exchange transactions and options in the currencies of the major industrialized countries. The interest-rate instruments primarily include interest-rate swaps and combined interest-rate/currency swaps, forward rate agreements, futures and related options. The face values are calculated from the non-balanced sum of all buy and sell amounts for derivative instruments. The market values are derived from the prices at which the derivative instruments are traded or quoted on the balance sheet date without taking into account contrary trends in the basic transactions.

Commitments and Contingencies		12/31/94 DM in mill.	12/31/93 DM in mill.
	Guarantees	**1,247**	1,229
	Notes payable	**214**	275
	Contractual guarantees	**673**	746
	Pledges for indebtedness of others	**80**	3

In addition, the company is liable for compensatory payments guaranteed by Daimler-Benz Aerospace AG which cannot be reasonably estimated for 1995 and future years. For outside shareholders of AEG AG and Daimler-Benz Luft- und Raumfahrt Holding AG, claims also exist for compensatory payments which cannot be reasonably estimated for 1995 and future years.

Other Financial Obligations

The other financial obligations deriving from rental, leasehold and leasing agreements amount to an average of approximately DM 1,102 million; the average contractual period is 6 years.
Other financial obligations toward non-consolidated subsidiaries represent annual payments due of approximately DM 751 million over an average contractual period of 4 years.
In connection with the fiduciary settlement by Daimler-Benz Aerospace Airbus GmbH of the federally guaranteed serial credits, the effective amount cannot be determined until the beginning of 1995 when the German Federal Government's last tranche of DM 1 billion is due; this also applies to the reorganization profit received in 1989.
Within the scope of the government-supported Airbus Development Program, Daimler-Benz Aerospace Airbus GmbH has agreed to assume performance portions itself. DM 127 million thereof relate to the time after the balance sheet date, to the extent that they are not already reflected in the annual accounts.
All assets acquired by Daimler-Benz Aerospace Airbus GmbH with subsidy funds have been transferred to the Federal Republic of Germany as security.
With reference to the development work for the Airbus program, Airbus Industrie G.I.E. has given a performance guarantee to Agence Executive (the government office in charge of Airbus); this guarantee was taken over by Daimler-Benz Aerospace Airbus GmbH - to the extent of its share interest - without restriction. Daimler-Benz Aerospace Airbus GmbH considers the obligation fully covered by the relevant agreements for the financing and execution of the development work.
Beginning in 2002, the profit sharing agreement provides that the German Federal Government will share 40% in the profits of Daimler-Benz Aerospace Airbus GmbH. This requirement, in its economic effect, stipulates the sequence of the government's repayment demands.
The remaining financial obligations, particularly purchase order commitments for capital investments, are within the scope of normal business activities.
The obligation arising from stock and capital subscriptions pursuant to Section 24 of the GmbHG (Limited Liability Company Act) amounts to DM 79 million.
Within the scope of sales financing, Daimler-Benz Aerospace has submitted to industry-standard liabilities.
The company is jointly and severally liable for certain non-incorporated companies, partnerships and joint ventures. In addition, there exist performance and miscellaneous guarantees in connection with normal business transactions.
In order to finance the construction project on Potsdamer Platz in Berlin, the company has signed leases with several special companies committing to pay future leasing rates. These leasing rates, which are computed on the basis of the estimated production costs for the entire complex of DM 3.3 billion and are expected to take full effect at the end of 1998, cannot be valued at the present time.

Executive Bodies

Executive Bodies

Under the presumption that the proposed dividend is ratified by the shareholders at the Annual Meeting on May 24, 1995, the remuneration paid by the group companies to the members of the Board of Management and the Supervisory Board of Daimler-Benz AG amounts to DM 16,759,041 million and DM 1,736,035 million, respectively. Disbursements to former members of the Board of Management of Daimler-Benz AG and their survivors amount to DM 12,271,514 million. An amount of DM 90,943,099 million has been accrued in the financial statements of Daimler-Benz AG and Mercedes-Benz AG for pension obligations to former members of the Board of Management and their survivors. As of December 31, 1994, advances and loans to members of the Board of Management of Daimler-Benz AG amounted to DM 58,017. Home mortgages included herein are not subject to interest; other loans and advances bear interest averaging 5.5%. During 1994, DM 111,846 of outstanding loans was repaid. The terms for home mortgages are ten years and less than one year for loans and advance payments.

Auditor's Report

We rendered an unqualified opinion on the consolidated financial statements and the business review report in accordance with § 322 HGB (German Commercial Code). The translation of our opinion reads as follows:

"The consolidated financial statements, which we have audited in accordance with professional standards, comply with the legal provisions. With due regard to the generally accepted accounting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of operations of the Daimler-Benz group. The business review report, which summarizes the state of affairs of Daimler-Benz Aktiengesellschaft and that of the group, is consistent with the financial statements of Daimler-Benz Aktiengesellschaft and the consolidated financial statements."

Frankfurt/Main, March 22, 1995

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprufungsgesellschaft

Zielke	Dr. Koschinsky
Wirtschaftsprufer	Wirtschaftsprufer
"Certified Public Accountant"	"Certified Public Accountant"

Balance Sheet of Daimler-Benz AG

ASSETS	December 31, 1994 DM in Mill.	Dezember 31, 1993 DM in Mill.
Non-Current Assets		
Intangible Assets	**4**	7
Property, Plant and Equipment	**717**	757
Financial Assets	**24,324**	21,378
	25,045	22,142
Current Assets		
Receivables from Affiliated Companies	**4,907**	5,657
Other Receivables and Other Assets	**1,186**	1,374
Securities	**5,137**	4,833
Cash	**4,277**	1,287
	15,507	13,151
Prepaid Expenses	**.**	.
Total Assets	**40,552**	35,293

STOCKHOLDERS' EQUITY AND LIABILITIES		
Stockholders' Equity		
Capital Stock	**2,565**	2,330
(Authorized but Unissued Capital: DM 300 million)		
Additional Paid-In Capital	**4,904**	2,117
Retained Earnings	**13,251**	13,251
Unappropriated Profit	**583**	390
	21,303	18,088
Provisions		
Provisions for Pensions and Similar Obligations	**5,210**	4,800
Other Provisions	**731**	1,145
	5,941	5,945
Liabilities		
Liabilities Payable to Affiliated Companies	**12,606**	10,595
Other Liabilities	**691**	654
	13,297	11,249
Prepaid Expenses	**11**	11
Total Stockholders' Equity and Liabilities	**40,552**	35,293

Statements of Income of Daimler-Benz AG

	1994 DM in Mill.	1993 DM in Mill.
Income/loss from Affiliated, Associated and Related Companies	**1,538**	(2,811)
Interest Income, Net	**190**	85
Other Financial Income/Expenses	**(127)**	1,717
Cost for Research and Development	**(777)**	(594)
General Administrative Expenses	**(430)**	(438)
Other Operating Income	**513**	545
Other Operating Expenses	**(307)**	(283)
Results from Ordinary Business Activities	**600**	(1,779)
Income Taxes	**34**	538
Other Taxes	**(69)**	(91)
Results from Ordinary Business Activities after Taxes	**565**	(1,332)
Extraordinary Results of Which from Investments in Related Companies DM - (1993: DM 1,042 million)	**-**	1,722
Net Income	**565**	390
Profit Carried Forward from Previous Year	**18**	-
Unappropriated Profit	**583**	390

Proposal for the Allocation of Unappropriated Profit

The annual financial statements of Daimler-Benz AG as of December 31, 1994, show an unappropriated profit of DM 582,970,700.00. It will be proposed at the Annual General Meeting that this amount be applied as follows:

	DM
Dividend amount of DM 11.00 for each share of DM 50.00 par value	564,286,096.00
Profit brought forward	18,684,604.00
Unappropriated profit	582,970,700.00

Stuttgart-Möhringen, March 14, 1995

The Board of Management

Supervisory Board

HILMAR KOPPER
Frankfurt/Main
Member of the Board of Management,
Deutsche Bank AG

Chairman

KARL FEUERSTEIN[1]
Mannheim
Chairman of the Corporate Labor Council, Daimler-Benz Group
Chairman of the Joint Labor Council, Mercedes-Benz AG

Deputy Chairman

PROF. DR. RER. NAT. GERD BINNIG
Ruschlikon
Project Manager IBM Research Division

WILLI BOHM[1]
Worth
Member of the Labor Council,
Worth Plant, Mercedes-Benz AG

DR. H.C. BIRGIT BREUEL
Berlin
President of the Treuhandanstalt (Government Agency for Privatization, until 12/31/94)
General Commissioner of EXPO 2000

PROF. HUBERT CURIEN
Paris
Former Minister for Research and Technology of the Republic of France

DR. JUR. MICHAEL ENDRES
Frankfurt/Main
Member of the Board of Management,
Deutsche Bank AG

1) Elected by the employees.
2) Judicially appointed as employee representative.

WOLFGANG GABELE[1]
Bremen
Deputy Chairman of the Corporate Labor Council, Daimler-Benz Group
Chairman of the Corporate Labor Council and the Joint Labor Council, AEG

MANFRED GOBELS[1]
Stuttgart
Senior Manager, Mercedes-Benz AG
Chairman of the Senior Managers' Committee, Daimler-Benz Group
Chairman of the Senior Joint Managers' Committee, Mercedes-Benz AG

ERICH KLEMM[1]
Sindelfingen
Chairman of the Labor Council,
Sindelfingen Plant, Mercedes-Benz AG

MARTIN KOHLHAUSSEN
Frankfurt/Main
Chairman of the Board of Management,
Commerzbank AG

RUDOLF KUDA[1]
Frankfurt/Main
Departmental Manager within the Board of Management,
Metal-Workers' Union

HELMUT LENSE[1]
Stuttgart
Chairman of the Labor Council,
Untertürkheim Plant,
Mercedes-Benz AG

WALTER RIESTER[2]
Frankfurt/Main
Vice-Chairman, Metal-Workers' Union

JÜRGEN SARRAZIN
Frankfurt/Main
Chairman of the Board of Management,
Dresdner Bank AG

DR. JUR. ROLAND SCHELLING
Stuttgart
Attorney at Law

DR. RER. POL. MANFRED SCHNEIDER
Leverkusen
Chairman of the Board of Management,
Bayer AG

PETER SCHONFELDER[1]
Augsburg
Member of the Labor Council,
Daimler-Benz Aerospace AG

PROF. DR. JUR. JOHANNES SEMLER
Kronberg/Taunus
Lawyer

BERNHARD WURL[1]
Frankfurt/Main
Departmental Manager within the Board of Management,
Metal-Workers' Union

Committees of the Supervisory Board:

Committee pursuant to §27 Sec. 3 MitbestG

HILMAR KOPPER (CHAIRMAN)
KARL FEUERSTEIN
PROF. DR. JUR. JOHANNES SEMLER
BERNHARD WURL

Executive Committee

HILMAR KOPPER (CHAIRMAN)
KARL FEUERSTEIN
PROF. DR. JUR. JOHANNES SEMLER
BERNHARD WURL

Audit Committee

HILMAR KOPPER (CHAIRMAN)
KARL FEUERSTEIN
WILLI BOHM
DR. BIRGIT BREUEL

Report of the Supervisory Board

In 1994, the Supervisory Board held four regular meetings. Independent of these, the Executive Committee, which is also responsible for the contractual affairs of the Board of Management, met three times. The Balance Sheet Committee dealt thoroughly with the mid-year report, as well as the financial statements for the entire year. There was no need to convene the conference committee formed pursuant to the Law on Codetermination.

In addition to providing periodical reports on the course of business, the Board of Management reported in detail on the position of the corporation and basic business policy. We were also informed in detail about the development of the corporation through numerous other reports on the general situation and on special topics, which we discussed thoroughly with the Board of Management.

Among the topics addressed were the details of the medium-term business plan, including the investment, employment and profit plans, and the development of the group structure and significant individual business transactions.

Selected areas of focus were the measures for globalization and localization and for strengthening our international competitiveness. Highlights were the restructuring at AEG Daimler-Benz Industry, the selling off of the household appliance and cable harness activities as well as meters and lighting systems, the joint ventures with CEGELEC and Magna, and the acquisition of ECA in the Postal Automation Division. Highlights for Mercedes-Benz were the takeover of Kassbohrer and the decision for the Micro Compact Car. For Daimler-Benz Aerospace, we thoroughly discussed the development at Fokker as well as the pan-European cooperative ventures. Other important topics commanding the Supervisory Board's attention were the 1994 capital increase, refinancing and sales financing (e.g. aircraft leasing) and the Potsdamer Platz project in the corporate unit debis.

The developments listed testify to the fact that the Board of Management has defined the challenges arising from the markets and implemented appropriate measures to maintain the international competitiveness of the corporation.

The Supervisory Board is satisfied that the accounting, the annual financial statement of December 31, 1994, and the consolidated business review for Daimler-Benz AG and the group were audited by KPMG Deutsche Treuhand-Gesellschaft AG auditing company in Frankfurt/Main and affixed with the unqualified audit certificate. In our own thorough examination, we found no grounds for complaint, and we agree with the findings of KPMG. With the approval of the Supervisory Board, the annual financial statement is hereby ratified. We concur with the proposal of the Board of Management regarding the allocation of unappropriated profit.

At its meeting on June 29, 1994, the Supervisory Board designated Mr. Schrempp to succeed Mr. Reuter as Chairman of the Board of Management effective from the date of the Annual General Meeting on May 24, 1995. Thus, the future leadership of the group was clarified at an early date.

At the meeting on November 2, 1994, we then made further decisions regarding appointments to the Board of Management after the Annual General Meeting on May 24, 1995. Dr. Hirschbrunn, Personnel, and Dr. Liener, Finance and Materials, will leave the Board of Management at this time. Dr. Gentz will assume the management of both departments at the same time. Dr. Mangold was appointed to the board effective April 1, 1995. He will succeed Dr. Gentz as President and Chief Executive Officer of Daimler-Benz InterServices (debis) effective May 25, 1995. In the corporate unit Daimler-Benz Aerospace, Dr. Bischoff has been appointed as the successor of Mr. Schrempp effective May 25, 1995.

Stuttgart-Möhringen, April 1995
The Supervisory Board

Kopper
Chairman

Executive Management and Daimler-Benz Group Representation and Liaison Offices

Executive Management

DR. JUR. BOY-JÜRGEN ANDRESEN
Personnel Policy

HANSJÖRG BAUMGART
Daimler-Benz Art Possessions

MARTIN BERGER
Annual Accounts and
Accounts Planning

DR. RER. POL. ECKHARD CORDES[1])
Corporate Planning and Controlling

MATTHIAS KLEINERT[1])
Public Affairs and
Political-Economic Policy

DR.-ING. MICHAEL KRAMER
Research 1

DR. RER. NAT. VOLKER LEHMANN
Research 2

WERNER POLLMANN
Technik,
Technology, Environmental Officer
Daimler-Benz

PROF. DR. RER. NAT.
ROLF SCHARWÄCHTER[1) 2)]
Directorate for Group Business in
Emerging Markets

JÖRG SEIZER
Subsidiaries and Affiliated Companies

HUBERTUS BUDERATH
Corporate Auditing

DR. OEC. PUBL. PAUL WICK[1])
Finance and Taxes

DR. JUR. SOLMS WITTIG[1)]
Staff Lawyer

GERD WORIESCHECK
Personnel Development
for Senior Group Executives

1) With general power of procurement.
2) Also deputy member of the Mercedes-Benz Board of Management without an own department.

Daimler-Benz Group Representation Offices

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CARLOS ESPINOSA DE LOS MONTEROS
Jose Ortega y Gaset 22-24
28006 Madrid

South Africa
CHRISTOPH KOEPKE
P. O. Box 1717
Pretoria 0001

Principal Subsidiaries and Affiliated Companies of Daimler-Benz AG (by Corporate Units)

Mercedes-Benz

Mercedes-Benz AG
Stuttgart
DEM 1,950,000,000
100% owned

Maschinenfabrik Esslingen AG
Esslingen a. N.
DEM 42,515,000
98.9% owned

Holzindustrie Bruchsal GmbH
Bruchsal
DEM 22,000,000
100% owned

Mercedes-Benz CharterWay GmbH
Stuttgart
DEM 1,000,000
100% owned

Mercedes-Benz España S.A.
Madrid/Spain
ESP 22,296,291,000
(DEM 262.2 million)
100% owned

Mercedes-Benz (United Kingdom) Ltd.
Milton Keynes/United Kingdom
GBP 50,000,000
(DEM 121.0 million)
100% owned

Mercedes-Benz Nederland B.V.
Utrecht/Netherlands
NLG 57,000,000
(DEM 50.9 million)
100% owned

Mercedes-Benz Belgium S.A./N.V.
Brussels/Belgium
BEF 1,800,050,000
(DEM 87.6 million)
100% owned

Mercedes-Benz France S.A.S.
Rocquencourt/France
FRF 230,000,000
(DEM 66.6 million)
100% owned

Mercedes-Benz Italia S.p.A.
Rome/Italy
ITL 77,500,000,000
(DEM 73.9 million)
88.5% owned

Mercedes-Benz (Schweiz) AG
Zurich/Switzerland
CHF 6,000,000
(DEM 7.1 million)
51% owned

NAW Nutzfahrzeuggesellschaft Arbon & Wetzikon AG
Arbon/Switzerland
CHF 15,000,000
(DEM 17.7 million)
100% owned

MC Micro Compact Car AG
Biel/Switzerland
CHF 50,000,000
(DEM 59.1 million)
51% owned

Mercedes-Benz Österreich Vertriebsgesellschaft m.b.H.
Salzburg/Austria
ATS 5,000,000
(DEM 0.7 million)
50% owned 2)

Mercedes-Benz Hellas S.A.
Athens/Greece
GRD 3,766,000,000
(DEM 24.3 million)
100% owned

Mercedes-Benz Portugal Comércio de Automóveis, S.A.
Abrunheira/Portugal
PTE 500,000,000
(DEM 4.9 million)
100% owned

Mercedes-Benz Danmark AS
Hillerød/Denmark
DKK 70,000,000
(DEM 17.8 million)
100% owned

Freighliner Corp.
Portland, Oregon/U.S.A.
USD 180,000,000
(DEM 278.8 million)
100% owned

Mercedes-Benz of North America, Inc.
Montvale, New Jersey/U.S.A.
USD 130,000,000
(DEM 201.3 million)
100% owned

Mercedes-Benz Canada, Inc.
Toronto/Canada
CAD 5,000,000
(DEM 5.5 million)
100% owned

Mercedes-Benz Mexico S.A. de C.V.
Mexico D.F./Mexico
MXN 94,519,721
(DEM 28.7 million)
80% owned

Mercedes-Benz do Brasil S.A.
São Bernardo do Campo/Brazil
BRL 497,530,000
(DEM 913.2 million)
100% owned

Sociedade Técnica de Fundições Gerais S.A. (SOFUNGE)
São Paulo/Brazil
BRL 17,485,000
(DEM 32.1 million)
100% owned

Mercedes-Benz Argentina S.A.
Buenos Aires/Argentina
ARS 30,000,000
(DEM 46.5 million)
100% owned

Mercedes-Benz of South Africa (Pty.) Ltd.
Pretoria/Republic of South Africa
ZAR 28,300,000
(DEM 12.4 million)
87% owned

Anambra Motor Manufacturing Co. Ltd. (ANAMMCO)
Enugu/Nigeria
NGN 37,500,000
(DEM 2.6 million)
40% owned 1)

Mercedes-Benz Türk A.S.
Istanbul/Turkey
TRL 1,060,700,000,000
(DEM 42.5 million)
55.6% owned

Mercedes-Benz Japan Co. Ltd.
Tokyo/Japan
JPY 8,000,000,000
(DEM 124.3 million)
100% owned

P.T. German Motor Manufacturing
Jakarta/Indonesia
IDR 5,103,000,000
(DEM 3.6 million)
33.3% owned 1)

P.T. Star Motors Indonesia
Jakarta/Indonesia
IDR 899,640,000
(DEM 0.6 million)
45.6% owned 1)

Iranian Diesel Engine Manufacturing Comp. (IDEM)
Tabriz/Iran
IRR 5,000,000,000
(DEM 4.4 million)
30% owned 1)

Tata Engineering and Locomotive Comp. Ltd. (TELCO)
Bombay/India
INR 1,288,442,140
(DEM 62.6 million)
10.3% owned 1)

Bajaj Tempo Ltd.
Poona/India
INR 98,530,750
(DEM 4.8 million)
16.9% owned 1)

Mercedes-Benz (Australia) Pty. Ltd.
Mulgrave, Melbourne/Australia
AUD 70,000,000
(DEM 84.2 million)
100% owned

AEG Daimler-Benz Industrie

AEG Aktiengesellschaft
Berlin and Frankfurt/Main
DEM 931,171,700
81.1% owned

AEG Bahnsysteme GmbH
Berlin
DEM 131,000,000
100% owned

AEG Transportation Systems, Inc.
Pittsburgh, Pennsylvania/U.S.A.
USD 39,200,000
(DEM 60.7 million)
100% owned

AEG Schienenfahrzeuge GmbH
Hennigsdorf
DEM 120,000,000
100% owned

AEG Schneider Automation, Inc.
Andover, Massachusetts/U.S.A.
USD 84,414,402
(DEM 130.7 million)
100% owned

AEG Electrocom GmbH
Konstanz
DEM 60,000,000
100% owned

AEG ETI Elektrik Endüstrisi A.S.
Gebze, Istanbul/Turkey
TRL 108,000,000,000
(DEM 4.3 million)
98.9% owned

AEG Starkstromanlagen Dresden GmbH
Dresden
DEM 19,200,000
100% owned

AEG Ibérica de Electricidad S.A.
Madrid/Spain
ESP 6,635,524,500
(DEM 78.0 million)
100% owned

AEG Austria Gesellschaft m.b.H.
Vienna/Austria
ATS 360,000,000
(DEM 51.2 million)
73.6% owned

AEG Fábrica de Motores S.A.
Terrassa, Barcelona/Spain
ESP 3,000,000,000
(DEM 35.3 million)
100% owned

TEMIC TELEFUNKEN microelectronic GmbH
Heilbronn
DEM 238,200,000
100% owned

	Daimler-Benz Aerospace	Daimler-Benz InterServices (debis)	Holding- und Finanzgesellschaften
TEMIC MBB Mikrosysteme GmbH Kirchheim unter Teck DEM 46,000,000 100% owned	**Daimler-Benz Luft- und Raumfahrt Holding AG Munich** DEM 2,008,042,000 93.8% owned	**Daimler-Benz InterServices (debis) AG Berlin** DEM 600,000,000 100% owned	**Daimler-Benz Holding AG Zurich/Switzerland** CHF 147,000,000 (DEM 173.8 million) 100% owned
TEMIC Bayern-Chemie Airbag GmbH Aschau DEM 22,000,000 74.9% owned	**Daimler-Benz Aerospace AG Munich** DEM 873,000,000 100% owned	**debis Systemhaus GmbH Hamburg** DEM 150,726,900 80.4% owned	**Daimler-Benz UK plc London/United Kingdom** GBP 116,000,000 (DEM 280.8 million) 100% owned
Siliconix Inc. Santa Clara, California/U.S.A. USD 59,278,000 (DEM 91.8 million) 80.4% owned	**Daimler-Benz Aerospace Airbus GmbH Hamburg** DEM 930,000,000 100% owned	**Diebold Deutschland GmbH Eschborn** DEM 1,098,000 84% owned	**Daimler-Benz Holding France S.A. Rocquencourt/France** FRF 270,000,000 (DEM 78.2 million) 99.9% owned
	N.V. Koninklijke Nederlandse Vliegtuigenfabriek Fokker Amsterdam/Netherlands NLG 525,282,470 (DEM 469.0 million) 51.4% owned 5)	**Mercedes-Benz Finanz GmbH Stuttgart** DEM 240,000,000 100% owned	**Daimler-Benz Holding Nederland B.V. Utrecht/Netherlands** NLG 150,000,000 (DEM 133.9 million) 100% owned
	Eurocopter Holding S.A. Paris/France FRF 3,720,587,500 (DEM 1,078.1 million) 40% owned 3)	**Mercedes-Benz Credit Corp. Norwalk, Connecticut/U.S.A.** USD 274,970,000 (DEM 425.9 million) 100% owned	**Daimler-Benz Holding Belgium S.A./N.V. Brussels/Belgium** BEF 3,370,000,000 (DEM 164.0 million) 100% owned
	Airbus Industrie G.I.E. Toulouse/France FRF - (DEM -) 37.9% owned 1)	**debis Assekuranz Vermittlungs GmbH Stuttgart** DEM 6,115,000 100% owned	**Daimler-Benz Coordination Center S.A. Zaventem/Belgium** BEF 12,300,000,000 (DEM 598.4 million) 100% owned
	MTU Motoren- und Turbinen-Union München GmbH Munich DEM 156,600,000 100% owned	**debis International Trading GmbH Berlin** DEM 10,000,000 100% owned	**Daimler-Benz España S.A. Madrid/Spain** ESP 17,514,911,000 (DEM 206.0 million) 87.9% owned
	MTU Motoren- und Turbinen-Union Friedrichshafen GmbH Friedrichshafen DEM 100,000,000 88.4% owned	**debis Marketing Services GmbH Frankfurt/Main** DEM 5,000,000 100% owned	**Daimler-Benz North America Corporation New York, N.Y./U.S.A.** USD 1,382,520,457 (DEM 2,141.2 million) 100% owned
	MTU Maintenance GmbH Langenhagen DEM 30,000,000 100% owned	**debitel Kommunikations-technik GmbH & Co. KG Stuttgart** DEM 10,000,000 60% owned	**Daimler-Benz Mexico S.A. de C.V. Mexico D.F./Mexico** MXN 304,850,050 (DEM 92.6 million) 100% owned
	Dornier GmbH Friedrichshafen DEM 150,402,800 57.6% owned 4)	**Sogeti S.A. Grenoble/France** FRF 769,132,600 (DEM 222.9 million) 34% owned 2)	
	Dornier Luftfahrt GmbH Oberpfaffenhofen DEM 50,000,000 100% owned		
	Dornier Medizintechnik GmbH Munich DEM 10,000,000 100% owned		

Note:

Selected consolidated and non-consolidated companies.

Capital ties of principal subsidiaries and affiliated companies shown in the table on page 58 as well as in the subsidiaries and affiliates list under section 313 of the HGB (German Commercial Code).

Ownership percentages relate to the relevant parent company.

( ) Capital converted into DEM at year-end rates.

1) Not consolidated.

2) Included at equity.

3) Consolidated pro rata.

4) Voting stock 87.5 %.

5) Via intermediate holdings.

Daimler-Benz in Figures

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Number of Employees (at Year-End)										
Daimler-Benz Group	**231,077**	**319,965**	**326,288**	**338,749**	**368,226**	**376,785**	**379,252**	**376,467**	**366,736**	**330,551**
of which: Germany	186,652	257,538	262,658	268,277	298,199	303,404	305,295	302,464	284,576	251,254
Foreign	44,425	62,427	63,630	70,472	70,027	73,381	73,957	74,003	82,160	79,297
Mercedes-Benz	-	-	-	-	223,219	230,974	237,442	222,482	209,933	197,568
AEG Daimler-Benz Industrie	-	78,199	80,499	89,585	77,722	76,949	76,338	60,784	58,921	44,769
Daimler-Benz Aerospace	-	-	-	-	62,959	61,276	56,465	81,872	86,086	75,581
debis	-	-	-	-	-	4,879	6,203	8,258	8,812	9,226
Major Balance Sheet and Income Figures - in Millions of DM -										
Daimler-Benz Group										
Non-Current Assets	10,209	10,857	12,202	17,342	20,084	23,448	29,198	33,633	35,354	36,239
Current Assets	25,571	31,168	34,336	34,589	42,653	43,891	46,516	52,551	55,572	57,297
Capital Stock	1,699	2,118	2,118	2,118	2,330	2,330	2,330	2,330	2,330	2,565
Total Paid-In Capital and Retained Earnings[1]	8,070	7,742	6,778	8,075	13,314	14,059	15,301	15,557	14,881	16,971
of which: Paid-In Capital	-	368	370	370	2,114	2,117	2,117	2,117	2,117	4,904
Retained Earnings[1]	-	7,374	6,408	7,705	11,200	11,942	13,184	13,440	12,764	12,067
Minority Interests in Subsidiaries	330	1,251	768	626	767	881	1,214	1,228	561	151
Stockholders' Equity[2]	**9,769**	**11,111**	**9,663**	**10,819**	**16,411**	**17,270**	**18,845**	**19,115**	**17,772**	**19,687**
% of Total Assets	27.3	26.4	20.8	20.8	26.2	25.6	24.9	22.2	19.5	21.0
% of Non-Current Assets[3]	95.7	102.3	97.7	79.2	109.1	102.0	89.3	80.1	75.7	79.1
Long and Medium-Term Liabilities[4]	11,201	17,696	22,744	24,485	24,331	25,529	28,045	33,833	37,118	36,144
Stockholders' Equity Plus Long and Medium-Term Liabilities	**20,970**	**28,807**	**32,407**	**35,304**	**40,742**	**42,799**	**46,890**	**52,948**	**54,890**	**55,831**
Balance Sheet Total	**35,780**	**42,025**	**46,538**	**51,931**	**62,737**	**67,339**	**75,714**	**86,184**	**90,926**	**93,536**
Total Investment[5]	**5,492**	**5,580**	**3,736**	**7,007**	**7,620**	**6,857**	**9,579**	**8,363**	**6,804**	**8,109**
% of Revenues	10.5	8.5	5.5	9.5	10.0	8.0	10.1	8.5	7.0	7.8
of which: in Property, Plant and Equipment and Intangible Assets	4,014	5,385	3,834	6,628	7,242	6,539	7,231	8,047	6,515	5,858
Germany	2,753	3,891	3,392	6,038	6,459	5,680	6,115	7,284	4,061	4,264
Foreign	1,261	1,494	442	590	783	859	1,116	763	2,454	1,594
in Financial Assets (net)	1,478	195	- 98	379	378	318	2,348	316	289	2,251
Total Depreciation[3]	**3,275**	**3,361**	**2,560**	**3,086**	**3,218**	**3,780**	**4,328**	**4,990**	**5,821**	**5,401**
of which: in Property, Plant and Equipment and Intangible Assets	3,242	3,239	2,505	3,074	3,138	3,670	4,213	4,907	5,523	5,148
Germany	2,514	2,575	2,192	2,708	2,620	3,071	3,639	4,269	4,858	4,389
Foreign	728	664	313	366	518	599	574	638	665	759
in Financial Assets	33	122	55	12	80	110	115	83	298	253
Cash Flow[6]	**5,012**	**6,214**	**6,626**	**6,130**	**5,991**	**6,711**	**7,814**	**5,328**	**9,913**	**11,282**
% of Revenues	9.6	9.5	9.8	8.3	7.8	7.8	8.2	5.4	10.1	10.8

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
- in Millions of DM -										
Revenues	**52,409**	**65,498**	**67,475**	**73,495**	**76,392**	**85,500**	**95,010**	**98,549**	**97,737**	**104,075**
of which: Germany	18,706	27,838	28,064	29,094	29,562	36,674	44,443	42,572	38,319	39,015
Foreign	33,703	37,660	39,411	44,401	46,830	48,826	50,567	55,977	59,418	65,060
Foreign Revenues in %	64.3	57.5	58.4	60.4	61.3	57.1	53.2	56.8	60.8	62.5
Mercedes-Benz	-	-	-	-	54,969	57,872	65,317	64,849	61,728	68,239
of which: Passenger Cars	28,549	31,405	31,472	31,833	31,865	34,142	38,331	38,650	36,370	40,107
Commercial Vehicles	20,204	17,755	19,454	23,063	23,104	23,730	26,986	26,199	25,358	28,132
AEG Daimler-Benz Industrie	-	11,070	11,480	13,152	11,852	12,721	13,573	11,184	10,733	10,034
Daimler-Benz Aerospace	3,194[7]	4,882[7]	4,421[7]	4,976[7]	7,489	12,168	11,974	16,735	18,173	17,053
debis	-	-	-	-	-	2,739	4,146	5,781	7,103	8,749
Total Average Annual Revenues Per Employee (in DM)	229,119	207,559	207,128	218,102	224,765	228,477	249,036	257,555	263,366	304,397
Purchases of Goods and Services	**27,245**	**32,467**	**33,701**	**37,646**	**39,552**	**44,477**	**49,456**	**49,084**	**51,076**	**56,289**
Personnel Expenses	**13,657**	**19,367**	**20,670**	**22,371**	**23,199**	**26,890**	**29,372**	**32,003**	**33,790**	**30,108**
Average Annual Personnel Expenses Per Employee (in DM)	59,846	60,581	63,451	66,388	68,257	71,857	76,989	83,639	91,052	88,060
Results from Ordinary Business Activities	-	**5,880**	**5,297**	**5,197**	**10,096[8]**	**4,221**	**4,027**	**2,533**	**- 1,083**	**2,077**
% of Revenues	-	9.0	7.9	7.1	13.2	4.9	4.2	2.6	- 1.1	2.0
Extraordinary Results	-	-	-	-	-	-	- 544	-	2,603	-
Taxes[9]	4,341	4,113	3,515	3,495	3,287	2,426	1,541	1,082	905	1,182
Net Income	**1,682**	**1,767**	**1,782**	**1,702**	**6,809[8]**	**1,795**	**1,942**	**1,451**	**615**	**895**
% of Revenues	3.2	2.7	2.6	2.3	8.9	2.1	2.0	1.5	0.6	0.9
Daimler-Benz AG										
Net Income	**1,252**	**1,404**	**1,403**	**1,382**	**1,120**	**1,120**	**1,194**	**703[10]**	**390**	**565**
Total Dividend Amount (Paid/Proposed)	**491**	**507**	**503**	**504**	**555**	**557**	**603**	**604**	**373**	**564**
Dividend for Each DM 50 Par Value Share (in DM)	12,-+2.50[11]	12,-	12,-	12,-	12,-	12,-	13,-	13,-	8,-	11,-
Tax Credit for Each DM 50 Par Value Share (in DM)[12]	8.16	6.75	6.75	6.75	6.75	6.75	7.31	7.31	3.43	4.71
Dividend for Each DM 50 Par Value Share Adjusted (in DM)[13]	11.28	11.52	11.52	11.52	11.87	11.87	12.85	12.85	7.91	11.-
Tax Credit for Each DM 50 Par Value Share Adjusted (in DM)[13]	6.35	6.48	6.48	6.48	6.67	6.67	7.23	7.23	3.39	4.71

1) Including allocations authorized by the Annual General Meeting and profit carried forward as unappropriated profit.
2) Excluding dividend; including equity portion contained in equity reserve.
3) Excluding influences from the financial services business (from 1987 on).
4) Long and medium-term provisions as well as long and medium-term liabilities.
5) Intangible assets, property, plant and equipment, long-term financial assets (net) and cost of investments in excess of book value at acquisition (to 1986), excluding leased vehicles (from 1987 on).
6) From 1991 on cash flow from business activities.
7) Consolidated values of Dornier and MTU included in group revenues.
8) Due to non-recurrent income and expense items not comparable with other years.
9) From 1994 on income taxes.
10) Excluding extraordinary income of DM 4,490 million.
11) Dividend plus bonus.
12) For our stockholders who are taxable in Germany.
13) Allowing for increases in capital stock (retroactive adjustment).

Notes to the Reconciliation of Consolidated Net Income and Stockholders' Equity to U.S. GAAP

Appropriated Retained Earnings: Provisions, Reserves and Valuation Differences

U.S. accounting principles by far do not allow provisions and reserves to the same extent as the German Commercial Code. Non-recognized provisions and reserves have to be eliminated, which has an effect on net income as well as stockholders' equity. According to U.S. GAAP, the stockholders' equity increased by DM 6,205 million as of December 31, 1994, also affecting provisions, net inventories and receivables. We use the term "appropriated retained earnings" to disclose to the American investors that such retained earnings are not available for distribution as dividends. This term also establishes a bridge between the two different accounting cultures.

Long-Term Contracts

Customer revenues and cost of sales are recorded under German law in accordance with the completed contract method, whereas U.S. principles generally require that the percentage of completion method be used. The majority of contracts within the group require partial prepayment as well as partial recognition of profits based upon payments received. Contracts of this nature are also customary in the U.S.A., and are recognized under its accounting regulations. The resulting differences are therefore not material.

Goodwill and Business Acquisitions

Under German accounting regulations, goodwill can be offset against stockholders' equity, or capitalized and amortized generally over the expected useful life, which in Germany ranges between 5 and 15 years. Under U.S. GAAP, goodwill must be capitalized and amortized over a period not exceeding 40 years. The expenses of 1994 are principally based on one event at Fokker that must be reversed under U.S. GAAP. The sale of technology resulted in a profit of DM 366 million, which according to U.S. GAAP had to be offset against the company's goodwill.

Deconsolidation

Under German accounting principles, a company can be deconsolidated once the majority of the shares have been sold. According to U.S. GAAP, however, a leasing company of which a majority interest has been sold to non-group entities must remain consolidated until the economic risks and rewards have been fully transferred.

Pensions and Other Postretirement Benefits

According to U.S. accounting principles, the determination of provisions for pensions is based, among other things, on anticipated increases in wages and salaries. The calculation is not based on a discount rate of 6%, which is applicable under German Tax Law, but instead, on the interest rate of the countries involved. Another difference relates to the requirement that health care costs for retirees be actuarially calculated and accrued for in the U.S.A.

Foreign Currency Translation and Financial Instruments

Unrealized profits and losses related to the valuation of amounts denominated in foreign currencies and to financial instruments are treated differently in the two accounting systems. Under German law, according to the imparity principle, only unrealized losses are to be recorded, whereas under U.S. GAAP, as well unrealized profits must be recognized.

Securities

Under German accounting principles, securities are valued at the lower of cost or market. In contrast, U.S. GAAP requires that securities be marked to higher market value. The changes in the market value are recorded either directly in the statements of income or in the stockholders' equity.

Other Valuation Differences

Additional differences between German and American accounting methods may occur with respect to inventories, minority interests and leasing activities.

Deferred Taxes

In the German consolidated financial statements, deferred tax assets result primarily from elimination entries affecting net income. According to U.S. GAAP, future advantages from (temporary) differences between tax and book values and from tax losses carried forward are also taken into consideration.

Balance Sheet Press Conference:

April 12, 1995
10.00 a.m.
Haus der Wirtschaft
Stuttgart

Annual General Meeting:

May 24, 1995
10.00 a.m.
Hanns-Martin-Schleyer-Halle
Stuttgart

Daimler-Benz reports on the first quarter of 1995 during the Balance Sheet Press Conference on April 12, 1995, on the first six months with an audited semi-annual report on September 11, 1995, and during early November on the first nine months of 1995.

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