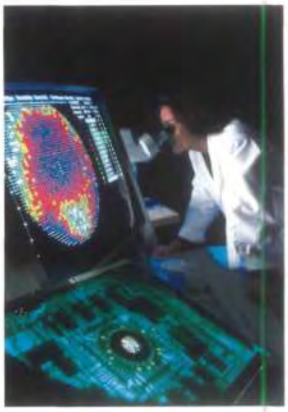
DaimlerBenz

Annual Report
1995

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

Daimler-Benz has a history that dates back more than one hundred years, a tradition marked by extraordinary earning power and social responsibility.

We have paved the way for continuing that tradition. It has entailed a vigorous campaign with repercussions affecting our employees and shareholders alike.

The **road to our former earning power** brings with it the loss of jobs and considerable costs for the company. But it is simultaneously

the **road to social responsibility,** because only a healthy company will be able to act responsibly for its employees and for society over the long term.

By focusing Daimler-Benz on profitable core businesses, we have chosen

the **road into a successful future.**

Contents

Letter to the Stockholders and Friends of our Company

Ladies and Gentlemen,

1995 was a dramatic year in the history of Daimler-Benz - a history that goes back more than 100 years. We, the Board of Management that has been running the company since May 1995, decided to make a break. We made some decisions that will bring Daimler-Benz back to the high profitability on which our company's outstanding reputation is founded.

Our primary objective was to cut losses. The Board of Management therefore analyzed the group portfolio using strict criteria of profitability, and took consistent steps to tighten up structures wherever there was an urgent need. We also cut divested business areas in which further investment no longer made good economic sense.

As a result of these decisions, your company, Daimler-Benz, now has a more concentrated group profile organized around 28 fields instead of 35. This process is still in progress. These actions also called into question and, to a certain extent, reversed a number of policy decisions from earlier periods. Important changes in external factors forced us to take these actions. The decisions were necessary to quickly bring Daimler-Benz back to an internationally acceptable level of profitability.

The primary aim of the Board of Management is to offer you, the shareholders in Daimler-Benz AG, attractive prospects for return on investment. We continue to hold to the principle of being open with you, even with sensitive decisions, and to provide information as quickly as possible, offering you a transparent view with which to judge our course of action.

This includes the fact that we had to revise our anticipated profits to losses at the end of June 1995, once it had become clear, contrary to our expectations at the time, that the devaluation of the dollar, which affects our aviation business in particular, is not just a short-term change. The tremendous realignments between the European currencies also negatively impacted our profits in 1995. For us, as a company with international activities, this is crystal clear evidence of the need for a European currency union, even if only a few countries currently fulfill the prerequisites for such an arrangement.

At our release of our half-year results in New York, in September 1995, we announced that the Board of Management would introduce fundamental solutions as quickly as possible for two large unprofitable companies: AEG Daimler-Benz Industrie and the aircraft division - especially the Dutch aircraft manufacturer Fokker. In October we informed you of negotiations aimed at settling the problems of AEG Daimler-Benz Industrie. In mid-November we announced the final decision on the DASA competition initiative. Once this is implemented, all DASA divisions will be profitable, even with the dollar as low as 1.35 marks over the long term.

On January 17, 1996, we decided to restructure AEG, which will lead to a merger of AEG Aktiengesellschaft with Daimler-Benz AG before the end of 1996. Finally, on January 22, we ended our financial support of Fokker. This happened after the other major stockholder, the Dutch government, was unwilling to make an adequate contribution to the rescue operation after seven months of negotiations. In view of our 40% share in Fokker it was no longer acceptable, in the interest of our stockholders, to continue shouldering the entire risk alone. On March 15 of this year Fokker filed for bankruptcy.

We also decided to restructure our business involvement in the French software company Cap Gemini Sogeti. We will now have more influence in working together with debis Systemhaus to bring about an internationalization of the information technology business.

We have thus reached decisions on all of the topics which we presented as urgent in September. In the 1995 financial statements, these streamlining measures appear as extraordinary charges and special influences amounting to DM 5.1 billion. Some of these measures take the form of structural expenditures and also cut into the profits from business activities. At the same time, the additional reserves set aside to cover impending losses in the aircraft business are not included in this figure. The Board of Management is convinced that the groundwork has now been laid to put the group back on a successful course as quickly as possible.

Due to the above factors, the annual shortfall of DM 5.7 billion in the consolidated financial statements does not reflect the progress that the group divisions were able to achieve in the past year through numerous new and successful products and services, additional streamlining, and especially through increasing internationalization, which will expand net productivity into future-oriented markets. Mercedes-Benz has set new standards in these areas.

Despite operational improvements - results of operational activities were in the black again in the second half of the year - and the company's continuing high asset value, the Supervisory Board and the Board of Management have recommended that no dividend be paid for 1995.

A decisive measure of our management, however, is the market price of our stock. Our goal is not to maximize short-term profits, but to ensure high medium-and long-term profitability.

You will therefore also see in this report that despite forceful measures, our investments were significantly higher in 1995 than in previous years. We have expanded sites or opened new ones, both at home and abroad, wherever we anticipate positive results. We have kept research spending at a high level, in order to keep our position at the forefront of pioneering innovations and continuing developments in our markets.

The basis of our success is the dedication of our employees to our ambitious goals. Their potential for advancement certainly does not go unnoticed. In fact, advancement is guaranteed by the new and more efficient structures in the group headquarters that were implemented in June 1995. Responsibility will be transferred even more clearly than before to those employees close to operations. Only such flat hierarchies, organized into decentralized, flexible units, set free the entrepreneurial initiative in which a corporate culture can develop. That also includes the introduction of performance-based compensation and new dimensions of control, which measure the company's results directly against the reference figures produced according to U.S. standards. These reforms are being pushed forward in all parts of the group.

For many employees this is a challenge, but there are also some to whom it is a painful process, especially if improving efficiency means eliminating their jobs. But we at Daimler-Benz are not the only ones who have had to learn that clinging to received traditions ultimately leads to a dead end. In the future, our social structures, our work and production methods, our cost base must stand up much more consistently to those of successful international competitors.

We must therefore channel our entire creativity into inventing new structures and forms of cooperation. We must do everything in our power to make Germany an attractive and internationally competitive business site. Willingness to pursue such a dynamic course must be the standard by which we measure those who hold positions of responsibility in Germany, as well as the sense of sociopolitical responsibility of its business leaders.

Given this background, if we decide in favor of foreign sites, for reasons of currency or the market, this is not a rejection of Germany as a business location. Instead, we thereby secure jobs by supplying high-value components to those production sites abroad.

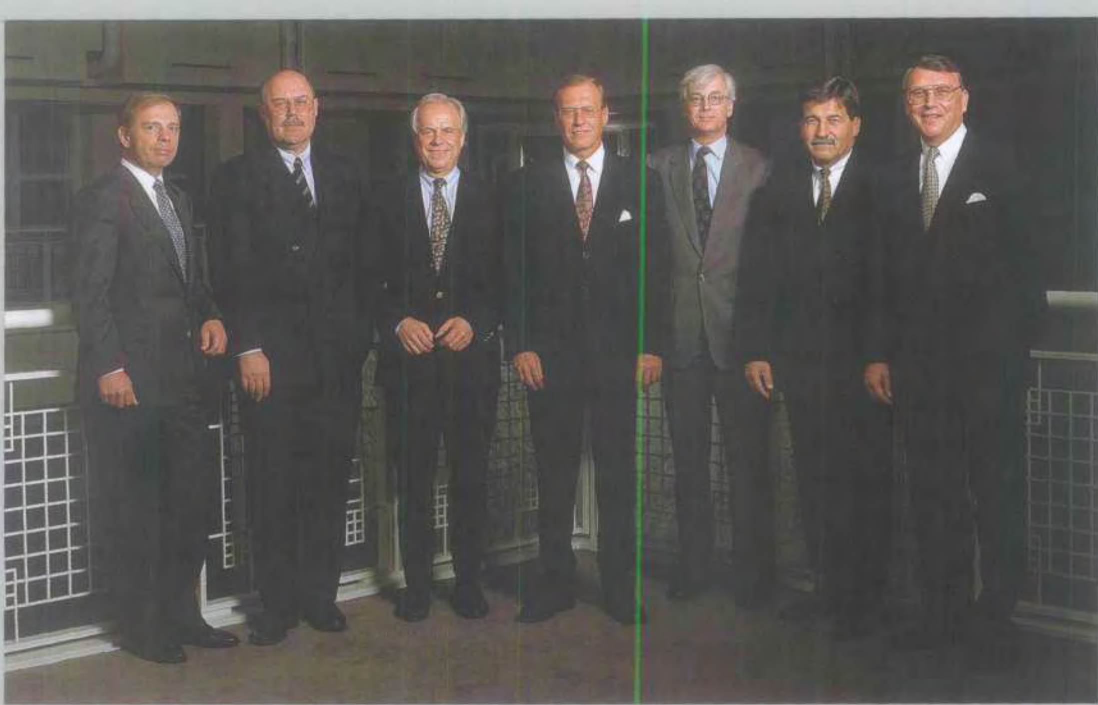
We, the Board of Management of Daimler-Benz, will face up to this responsibility. This is evident in the results of negotiations between management and employees in 1995 and again in recent weeks, in which operating agreements, some of the many necessary work alliances, were reached to confirm and secure German operations. We will also display the necessary pioneering spirit and the resolve to follow new paths in 1996.

The course we have set will return the company back to the profit column during this year. However, it is our desire to satisfy both your justifiable expectations and our ambitious goals. For that reason we will continue to inform you of further forceful measures in the months to come. At the same time, we intend to be just as deliberate in building up businesses that meet our income and profit expectations. We are convinced that we are on the right track with this new orientation.

Sincerely,

Jürgen Schrempp

Board of Management



Weule Stöckl Werner Schrempp Gentz Bischoff Mangold

JÜRGEN E. SCHREMPP
born 1944 in Freiburg,
Member of the Board of Management since 1987,
until 1988 responsible for the Commercial Vehicle Division,
until 1995 responsible for Daimler-Benz Aerospace,
since 1995 Chairman,
under contract until 2000.

DR. RER. POL. MANFRED BISCHOFF
born 1942 in Calw,
Member of the Board of Management since 1995,
responsible for Daimler-Benz Aerospace,
under contract until 2000.

DR. JUR. MANFRED GENTZ
born 1942 in Riga,
Member of the Board of Management since 1983,
until 1990 responsible for Personnel,
until 1995 responsible for Daimler-Benz InterServices (debis),
since 1995 responsible for Finance and Human Resources,
under contract until 2000.

DR. JUR. KLAUS MANGOLD
born 1943 in Pforzheim,
Member of the Board of Management since 1995,
responsible for Daimler-Benz InterServices (debis),
under contract until 2000.

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

HELMUT WERNER
born 1936 in Cologne,
Member of the Board of Management since 1987,
until 1992 responsible for the Commercial Vehicle Division,
since 1992 responsible for 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.

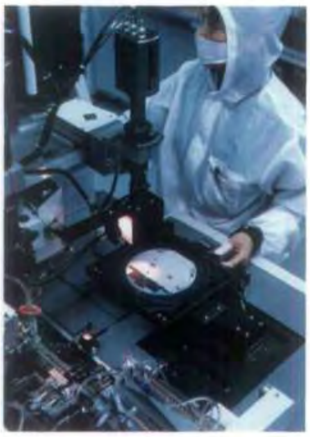
Retired from the Board of Management on May 24, 1995:
Edzard Reuter, Chairman
Dr. jur. Hans-Wolfgang Hirschbrunn
Dr. rer. pol. Gerhard Liener

Daimler-Benz Highlights

Daimler-Benz Group	1995	1995	1994	1993
	US $ Amounts in Millions [1]	DM Amounts in Millions		
Revenues	**72,185**	**103,549**	104,075	98,534
Germany	**26,570**	**38,115**	39,015	38,526
Europe (without Germany)	**19,770**	**28,360**	26,225	25,523
North America	**13,588**	**19,491**	19,609	17,431
Latin America	**3,505**	**5,028**	6,021	5,238
Other Markets	**8,752**	**12,555**	13,205	11,816
Employees (at Year-End)		**310,993**	330,551	366,736
Germany		**242,086**	251,254	284,576
Foreign		**68,907**	79,297	82,160
Research and Development	**6,233**	**8,941**	8,692	9,043
Cash Flow from Operating Activities	**3,107**	**4,457**	11,282	9,913
Cash Used for Investment Activities	**(7,697)**	**(11,041)**	(10,591)	(10,523)
Cash Flow from Financing Activities	**1,336**	**1,916**	3,383	679
Operating Profit/Loss	**(764)**	**(1,096)**	2,708	(3,299)
Net Income/Loss	**(3,997)**	**(5,734)**	895	615
Net Income/Loss per DM 50 Share [2) 3)] (in US $, in DM)	**(77.10)**	**(110.59)**	21.57	12.78
Net Income/Loss by U.S. GAAP [4)]	**(3,994)**	**(5,729)**	1,052	(1,839)
Net Income/Loss by U.S. GAAP per DM 50 Share (in US $, in DM)	**(77.84)**	**(111.67)**	21.53	(39.47)
Net Income/Loss by U.S. GAAP per ADS [5)] (in US $, in DM)	**(7.78)**	**(11.17)**	2.15	(3.95)
Daimler-Benz AG				
Capital Stock	**1,790**	**2,568**	2,565	2,330
Net Income/Loss	**(4,585)**	**(6,577)**	565	390
Total Dividend Amount	–	–	564	373
Dividend per DM 50 Share [3)] (in US $, in DM)	–	–	11.00	7.91

1) Values converted at US $ 1 = DM 1.4345 DM; this corresponds to the Noon Buying Rate of the Federal Reserve Bank of New York on December 29, 1995.
2) Excluding minority interests.
3) Adjusted figures for 1993 are comparably calculated on the basis of the 1994 capitalization issue.
4) U.S. accounting principles (Generally Accepted Accounting Principles).
5) 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, RK, D-70546 Stuttgart.



Mercedes-Benz

Total

DM Amounts in Millions	1995	1994
Revenues	**72,030**	70,715
Investments in Property, Plant and Equipment	**3,539**	2,939
R+D Cost	**3,726**	3,333
Employees (12/31)	**197,164**	197,568
Net income	**2,275**	1,849

Passenger Cars

DM Amounts in Millions	1995	1994
Revenues	**40,457**	42,085
Investments in Property, Plant and Equipment	**1,805**	1,460
R+D Cost	**2,501**	2,190
Production (Units)	**594,910**	590,060
Unit Sales	**583,432**	592,356
Employees (12/31)	**80,544**	83,396

Commercial Vehicles

DM Amounts in Millions	1995	1994
Revenues	**31,573**	28,630
Investments in Property, Plant and Equipment	**1,450**	1,270
R+D Cost	**1,225**	1,143
Production (Units)	**329,716**	291,854
Unit Sales	**320,089**	290,354
Employees (12/31)	**73,079**	81,012

AEG Daimler-Benz Industrie

Total

DM Amounts in Millions	1995	1994
Revenues	**10,312**	10,294
Foreign Share in %	**51**	45
Employees (12/31)	**49,432**	44,769
Net loss	**(2,256)**	(357)

Rail Systems

DM Amounts in Millions	1995	1994
Revenues	**1,610**	1,867
Foreign Share in %	**41**	37
Employees (12/31)	**7,079**	7,832

Microelectronics

DM Amounts in Millions	1995	1994
Revenues	**2,407**	1,212
Foreign Share in %	**60**	60
Employees (12/31)	**13,390**	7,132

Diesel Engines

DM Amounts in Millions	1995	1994
Revenues	**1,456**	1,421
Foreign Share in %	**72**	69
Employees (12/31)	**5,603**	5,705

Energy Systems Technology

DM Amounts in Millions	1995	1994
Revenues	**2,430**	2,517
Foreign Share in %	**45**	43
Employees (12/31)	**11,325**	13,487

Automation

DM Amounts in Millions	1995	1994
Revenues	**2,183**	2,641
Foreign Share in %	**39**	44
Employees (12/31)	**10,155**	14,607

Daimler-Benz Aerospace (DASA)

Total		
DM Amounts in Millions	**1995**	1994
Revenues	**15,037**	17,394
Foreign Share in %	**74**	69
Employees (12/31)	**50,784**	75,581
Net loss	**(4,182)**	(438)

Aircraft		
DM Amounts in Millions	**1995**	1994
Revenues	**8,507**	8,738
Foreign Share in %	**85**	82
Employees (12/31)	**29,248**	42,220

Space Systems		
DM Amounts in Millions	**1995**	1994
Revenues	**1,847**	1,354
Foreign Share in %	**92**	83
Employees (12/31)	**4,199**	4,205

Defense and Civil Systems		
DM Amounts in Millions	**1995**	1994
Revenues	**2,787**	3,066
Foreign Share in %	**35**	25
Employees (12/31)	**9,571**	9,970

Propulsion Systems		
DM Amounts in Millions	**1995**	1994
Revenues	**1,694**	3,039
Foreign Share in %	**66**	70
Employees (12/31)	**6,729**	12,618

Other Business Activities		
DM Amounts in Millions	**1995**	1994
Revenues	**202**	1,197
Foreign Share in %	**89**	66
Employees (12/31)	**1,222**	6,568

Daimler-Benz InterServices (debis)

Total		
DM Amounts in Millions	**1995**	1994
Revenues	**11,784**	10,804
Employees (12/31)	**10,196**	9,226
Net income	**91**	86

Systemhaus		
DM Amounts in Millions	**1995**	1994
Revenues	**1,990**	1,792
Employees (12/31)	**6,658**	6,129

Financial Services		
DM Amounts in Millions	**1995**	1994
Revenues	**7,651**	7,554
Employees (12/31)	**1,829**	1,736

Insurance Brokerage		
DM Amounts in Millions	**1995**	1994
Revenues	**95**	76
Employees (12/31)	**445**	353

Trading		
DM Amounts in Millions	**1995**	1994
Revenues	**402**	364
Employees (12/31)	**90**	98

Marketing Services		
DM Amounts in Millions	**1995**	1994
Revenues	**771**	542
Employees (12/31)	**331**	314

Mobile Communications Services		
DM Amounts in Millions	**1995**	1994
Revenues	**931**	529
Employees (12/31)	**639**	437

Real Estate Management		
DM Amounts in Millions	**1995**	1994
Revenues	**27**	15
Employees (12/31)	**54**	43

Business Review

Consolidated revenues at Daimler-Benz reached DM 103.5 billion in 1995. The 1% increase over the previous year was largely attributable to the favorable business development at Mercedes-Benz. In the interest of permanently improving the earning power of the company, we reviewed and restructured all of our activities in the second half of the year. At AEG Daimler-Benz Industrie and at DASA in particular, we introduced rigorous measures to eliminate the sources of loss that in recent years have had a negative effect on the company's income position. The DM 5.7 billion consolidated loss is predominantly the result of non-recurring expenses related to streamlining the group portfolio. In view of our latest decisions, these expenses had to be taken into account in the 1995 financial statements.

Economic Growth Flattens Worldwide

While the upswing of the world economy continued in 1995, there were definite signs of weakening in the second half of the year.

In Western Europe, a variety of factors played a role in the economic slowdown. Aside from the conservative monetary policy of the central banks, various governments practiced restrictive fiscal politics to fulfill the criteria for membership in the European Currency Union. Both investment activity and private consumption lost steam in most Western European countries.

The strong German mark and above-average collectively bargained wages and salaries had a lasting impact on the international competitiveness of the German industry and thus on the prospects of exporting from there. As a direct consequence, companies were less inclined to invest in Germany, and private consumption did not provide the necessary impetus either in an economy that traditionally depends on exports.

The growth of the U.S. economy also flattened noticeably during the year under review, above all as a result of less dynamic investment activity.

The economy in Japan was again burdened by the strong yen, the bank crisis and uncertainties in the political arena. The tentative recovery induced with public programs began to falter again toward the end of the year.

The newly industrializing countries in the Asian region supplied significant stimuli for the world economy, while the economic development in Latin America was affected by the crisis of the Mexican currency.

Consolidated Revenues Up by 1%

Consolidated revenues at Daimler-Benz reached DM 103.5 billion in 1995. This represents a 1 % increase over the previous year's total when adjusted to reflect changes in the consolidated group. At DM 62.6 billion, revenues in the European Union were 3% higher than in 1994, with growth especially vigorous outside of Germany, rising to 8%. In Germany, our business volume climbed by 3% to DM 38.1 billion, while our U.S. revenues, once converted into German marks, fell by 3% to DM 18.3 billion as a result of the unfavorable development of the dollar.

Excluding intragroup deliveries, Mercedes-Benz contributed 66%, AEG Daimler-Benz Industrie 10%, Daimler-Benz Aerospace 14% and debis 10% to total revenues at Daimler-Benz.

Mercedes-Benz Passenger Cars: Model Change in the E-Class

Because the recovery of the world economy was gradual at best, demand for passenger cars failed to reach expectations in many markets in 1995. For instance, the number of new cars sold in Western Europe was only slightly above the low level of the previous year. The positive trend experienced in the USA in 1994 came to an end, while the Japanese market managed to recuperate somewhat from the year before.

At Mercedes-Benz, the passenger car business was focused on the model change in the E-Class 1995. Nonetheless, revenues almost reached the record level of the previous year, at 583,400 units (1994: 592,400).

At more than DM 40.4 billion (1994: DM 42.1 billion), revenues in the Passenger Car Division were 4% lower than in 1994, primarily as a result of currency factors. In the USA, the weak dollar meant that we recorded a definite drop in revenues despite significantly higher unit sales. Conversely, we achieved marked growth in revenues and unit sales in the Republic of South Africa, in various Southeast Asian countries, in Scandinavia and in several other European markets.

Thanks to the high demand for our passenger cars and the successful introduction of the new E-Class, we increased production to 594,900 cars in 1995(1994: 590,100).

Mercedes-Benz Commercial Vehicles: Revenues at a Record High

On the whole, the development of the international commercial vehicle markets was positive in 1995. Mercedes-Benz sold 320,100 commercial vehicles worldwide (1994: 290,400), surpassing the record level of 1991 by more than 27,000 vehicles. Our activities in Germany and at our production companies outside of Europe both contributed to this success.

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

Revenues of the Commercial Vehicle Division rose 10% in 1995, reaching an all-time high at DM 31.6 billion; adjusted by the first-time inclusion of the Kassbohrer group, these revenues grew by 5%. While our revenues in Germany increased by 18% to DM 10.4 billion, our business volume in Western Europe outside of Germany, at DM 6.4 billion, was a full 25% higher. Despite the definite growth in unit sales achieved by our subsidiary Freightliner (+27%), the weak US dollar meant that North American revenues, once converted in the German marks, increased by only 11% to DM 7.0 billion.

A total of 329,700 commercial vehicles were produced by the Mercedes-Benz group in 1995 (1994: 291,900), of which 171,300 (1994: 143,000) were assembled at our German production sites.

AEG Daimler-Benz Industrie: Revenues Up Slightly

The upward revaluation of the German mark and subdued demand for capital goods in particular led to a slight drop in the German market for electronic products in 1995. Incoming orders stagnated domestically, largely because of the poor business climate, and the impetus from outside of Germany also became considerably less dynamic.

At DM 14.0 billion, incoming orders at AEG Daimler-Benz Industrie were 23% higher than in the previous year. The volume of orders in Germany was up by 25% to DM 7.3 billion, while total orders from outside of Germany were 21 % higher at DM 6.7 billion. All three of the divisions remaining in the company - Rail Systems, TEMIC and Postal Automation - recorded double-digit growth. Revenues at AEG Daimler-Benz Industrie reached DM 10.3 billion in 1995, or 2% above the figure for the previous year.

DASA: Weak Dollar Calls for Additional Structural Adjustments

Notwithstanding the revitalization of demand achieved by the airlines, existing surplus capacities meant that the price wars and predatory competition continued to intensify in the aircraft market. Financially strained public budgets led to additional cuts, which above all hit the aerospace industry. But the weak dollar and the related advantages enjoyed by competitors who produce in the dollar region had the greatest impact on the development of Daimler-Benz Aerospace in 1995.

Consolidated revenues at Daimler-Benz Aerospace reached the previous year's level at DM 15.0 billion. Although the Aircraft and Defense and Civil Systems divisions reported a drop in revenues, Propulsion Systems and Space Systems generated higher revenues in 1995. Incoming orders were up 2% to DM 14.3 billion as compared to the previous year.

Because the future development of the U.S. dollar is uncertain, we have introduced an initiative to ensure the competitiveness of each division at DASA assuming a low exchange rate of DM 1.35 per dollar, thus creating the conditions for lasting earning power. As part of this initiative, other personnel and structure adjustments are just as unavoidable as the sale of various locations.

Growth Continues at debis

Although the upswing of the world economy was only gradual at best, the service industry experienced growth in 1995, both in Germany and in other important markets.

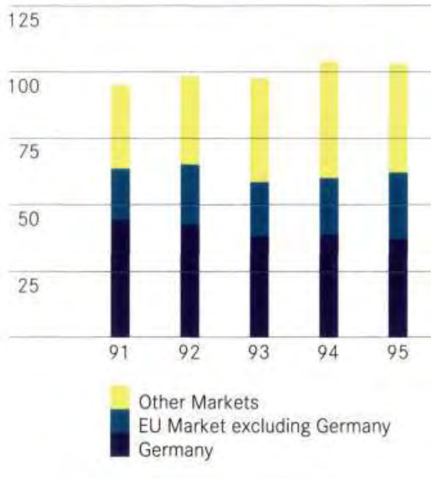
debis was able to increase its consolidated revenues by 9% to DM 11.8 billion, despite the fact that the changes in the consolidated group in conjunction with the reorganization of its domestic leasing business and currency effects had a restrictive impact on business volume in the financial services sector.

The persistent growth at debis was accomplished with an expanded range of products and services oriented to customer needs and with increased activities in new markets. As in the previous years, business with non-group customers expanded considerably. All of the divisions at debis made substantial contributions to the company's growth, but especially the Mobile Communications Services (+76%), Marketing Services (+42%) and Insurance Brokerage (+25%) divisions.

Systematic Review of Group Portfolio

In response to the major changes surrounding the company, and because of the need to strengthen the earning power of Daimler-Benz in the interest of our shareholders and employees, we conducted a systematic assessment of each corporate unit in 1995 as part of a strategic review. The measures and criteria established in the process primarily related to our market position, the existing and future competitive situation, income and return targets, risk assessment, capital requirements and

Consolidated Revenues
In Billions of DM



the strategic role of the corporation. The decisions arrived at in the course of the analysis predominantly concern certain divisions at AEG Daimler-Benz Industrie and Daimler-Benz Aerospace.

Reorganization of Activities at AEG Daimler-Benz Industrie

Following the comprehensive solution we developed for our activities at AEG Daimler-Benz Industrie, we focus our resources on Rail Systems (Adtranz joint venture with ABB), Microelectronics (TEMIC), Diesel Engines (MTU Friedrichshafen) and Postal Automation (AEG ElectroCom) and continue to expand the market position of these divisions.

A future-oriented expansion strategy, above all in Energy Systems Technology and Systems and Automation, would have required far more capital than warranted by the relative strategic importance of these divisions to Daimler-Benz. We therefore decided to spin off these segments to companies where they are among the core activities.

Once the reorganization of the activities at AEG Daimler-Benz Industrie is complete, AEG Aktiengesellschaft is to be merged with Daimler-Benz AG, providing the proposed merger is ratified by the shareholders on June 5, 1996.

Financial Support of Fokker Discontinued

After lengthy and essentially unsuccessful negotiations with the Dutch government, we decided to discontinue our financial support of Fokker at DASA. In consideration of the adverse competitive situation in the market for regional aircrafts, it no longer appears justifiable to continue injecting funds without reciprocation. In the course of concentrating on core activities, DASA sold Telefunken Sendertechnik in 1995 and gave up its majority stake in Dornier Medizintechnik in early 1996.

Realignment of Sogeti Activities

We also reviewed our financial involvement in the French Sogeti group (IT services and consulting) in 1995, and together with the other principal shareholders agreed to change the investment structure. Once the former holding companies merge with their operating subsidiaries Cap Gemini Sogeti S. A. and Gemini Consulting, debis will hold a 25% stake in the new, publicly traded operating company effective in 1996.

With this realignment, we are intensifying our cooperation with our French partners, and consequently increasing our involvement in the international market for IT services and consulting.

Employment Situation Still Tense

In order to assert and improve our position in international competition, we were forced to make additional personnel cuts in various areas of the group during the year under review.

At year-end, the Daimler-Benz group employed a total of 310,993 persons (1994: 330,551), of which 242,086 worked in Germany (1994: 251,284).

The cutbacks, which again were designed to be as socially compatible as possible, affected AEG Daimler-Benz Industrie and DASA most of all. At Mercedes-Benz the employment situation stabilized thanks to the favorable development of revenues in 1995, and debis was able to hire more than one thousand new employees.

On December 31, 1995, Mercedes-Benz had 197,164 employees, AEG Daimler-Benz Industrie 49,432, DASA 50,784, debis 10,196 and Daimler-Benz AG 3,417.

In connection with the restructuring of corporate headquarters, we have reduced the number of employees involved in corporate management from more than 500 persons to less than 300 persons. The new structure significantly accelerates the decision process within the Daimler-Benz group.

Purchasing Activities Expanded Worldwide

In 1995, the Daimler-Benz group spent a total of DM 66.9 billion on goods and services purchased worldwide.

Some 69% of the purchases were made by Mercedes-Benz, 9% by AEG Daimler-Benz Industrie, 12% by Daimler-Benz Aerospace and 10% by Daimler-Benz InterServices.

As part of our efforts to globalize our corporate units, it is our goal to continue to increase foreign purchasing for our German production facilities as an active precaution against changes in exchange rates. Moreover, we are making use of local supplier markets and global sourcing structures for our foreign production sites.

Our purchasing strategy in Eastern Germany is focused on stabilizing our business relations and promoting cooperations. In doing so, we are making an important contribution toward strengthening the economy in Eastern Germany.

Investments Up

The investments in property, plant and equipment necessary for securing the future of the corporation increased to DM 5.0 billion in 1995 (1994: DM 4.7 billion). Newly acquired intangible assets amounted to DM 0.5 billion and were mainly attributed to goodwill from the acquisiton of Kassbohrer. Amortization of intangible assets and depreciation and disposals of property, plant and equipment amounted to DM 7.3 billion.

As in previous years, our Mercedes-Benz unit made the most investments in property, plant and equipment, at DM 3.5 billion (1994: DM 2.9 billion). In the Passenger Car Division, the investment budget was predominantly allocated to preparations for production of the new E-Class, the A-Class, the little SLK Roadster and the new engine plant in Stuttgart-Bad Cannstatt. In 1995, the most important project outside of Germany was the new plant in Tuscaloosa, Alabama, where the M-Class (All Activity Vehicle) will be produced. In the Commercial Vehicle Division, key areas included the preparations for the two new van families called Sprinter and Vito, the new 900 engine series for light trucks, preparations for the model change in the heavy-duty class and the introduction of the Century Class at Freightliner in the USA.

At AEG Daimler-Benz Industrie, investments in property, plant and equipment totaled DM 1.1 billion-of which DM 0.5 billion was contributed to the inclusion of MTU-F and the full incorporation of TEMIC -, at DASA DM 0.6 billion, at debis DM 0.2 billion and at Daimler-Benz AG DM 0.1 billion.

We spent a total of DM 6.3 billion on newly acquired leased equipment (1994: DM 5.6 billion). The volume of funds borrowed for our leasing and sales financing activities amounted to DM 15.9 billion (1994: DM 14.5 billion).

DM 8.9 Billion Invested in Research and Development

Our investments in research and development reached DM 8.9 billion in 1995 (1994: DM 8.7 billion). Of this amount, DM 3.6 billion were spent on order-related developments that almost exclusively pertained to activities at Daimler-Benz Aerospace.

Mercedes-Benz used a total of DM 3.7 billion (1994: 3.3 billion) on research and development, with an emphasis on developing our many new products for series production. A new, interdisciplinary approach to projects and the enhanced involvement of suppliers have clearly boosted the efficiency of research and development at Mercedes-Benz. Important progress made in this area includes shorter development times for the latest models and an unprecedented amount of new products to be introduced in the passenger car and commercial vehicle sectors in the coming years.

At AEG Daimler-Benz Industrie, expenditures for research and development reached DM 793 million in the period under review (1994: DM 736 million). Research activities in the rail systems and microelectronics sectors concerned a new generation of rolling stock with tilt technology, new control concepts for fully automated people mover systems, systems and components for motor vehicle electronics and sensors for microsystems. In Diesel Engines and Postal Automation, the emphasis was on developing, innovative, low-emission engine concepts, improved electrolysis techniques and modules capable of recognizing handwritten addresses.

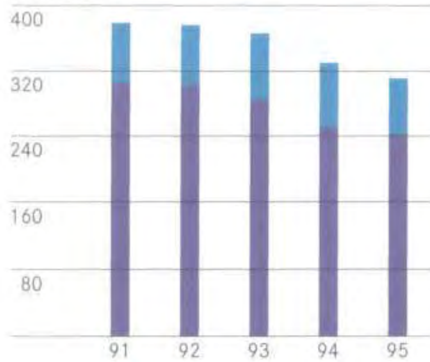
As in 1994, Daimler-Benz Aerospace spent DM 4.1 billion on research and development, of which DM 3.4 billion were allocated to projects conducted on behalf of third parties. Projects focused on in the Aircraft Division included the Airbus programs, the Dornier 328 and the Eurofighter (EF 2000). The most important projects in Space Systems were the Cluster and Polar Platform satellites and the Ariane launcher program. In the Defense and Civil Systems Division, the Trigat LR program dominated R&D activities, while in Propulsion Systems it was the EJ200 jet engine for the Eurofighter and the civil jet engine program operated jointly with Pratt & Whitney.

Consolidated Net Income Defined by Extraordinary Expenditures

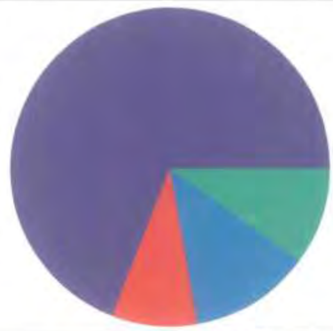
The Daimler-Benz group reported a DM 5.7 billion loss in 1995, which was above all the result of non-recurring expenditures related to streamlining the portfolio, and especially the divestiture of sources of loss. The areas involved are expenses that because of decisions made in the interest of recovering earning power have to be considered in the financial statements for the year ending December 31, 1995. The decision to discontinue financial support for Fokker entailed extraordinary expenditures in the order DM 2.3 billion. The restructuring of AEG Daimler-Benz Industrie, in turn, was associated with additional extraordinary expenditures in the amount of DM 1.6 billion.

The operating result of DM -1.1 billion (1994: DM +2.7 billion), which was positive in the second half of 1995, was largely determined by the unfavor-

Employees at Year-End
In Thousands



Purchasing Volume
DM 66.9 Billion (1994: DM 61.1 Billion)



	95 in %	94 in %
Mercedes-Benz	68.8	69.3
AEG DBI	8.5	8.5
DASA	12.4	14.3
debis	10.2	7.7
Daimler-Benz AG	0.1	0.2

able currency development and the related structural measures. At DASA, DM 0.8 billion were allocated to provisions for the risks in the orderbook due to the weak U.S. dollar. A total of DM 0.6 billion was allocated to the structural measures introduced as part of the competition initiative, and additional structural measures called for another DM 0.3 billion. Positive influences included the overall favorable development of business at Mercedes-Benz and ongoing cost-reduction programs in all areas of the group.

At DM 2.3 billion, the contribution of Mercedes-Benz to the consolidated operating result was slightly higher than in the previous year (1994: DM 2.2 billion). Encouraging sales and cost savings were offset by the negative effects of the upward valuation of the German mark.

AEG Daimler-Benz Industrie contributed a DM -0.5 billion loss (1994: DM -0.1 billion) to the group's operating result; the previous year's figure had included a DM 0.4 billion book profit from the sale of the domestic appliances activity and the power meter and lighting system units.

The contribution of Daimler-Benz Aerospace, at DM -2.7 billion (1994: DM -0.5 billion), was significantly worse than in the previous year. This development was partly a consequence of the difficult competitive situation in the market for commercial aircraft and its influence on DASA's profitability, but it was also related to the structural measures and provisions for anticipated losses referred to earlier totaling DM 1.7 billion.

Daimler-Benz InterServices (debis) was able to contribute DM 0.2 billion to the group operating result in 1995 (1994: DM 0.4 billion). The primary source of income at debis was again the Financial Services Division, debis Systemhaus, Marketing Services and Mobile Communication Services achieved noticeable improvements over the previous year.

The financial result reported in the consolidated statements of income improved from DM 1.0 billion to DM 1.2 billion. One reason for this development was the fact that after establishing partnerships with banks, a significant portion of the domestic leasing business is conducted at equity, which has an effect on the financial result. At DM 0.3 billion, significantly lower provisions for losses on financial assets and securities as compared to the previous year (1994: DM 0.6 billion) were another positive factor.

Consolidated Balance Sheet Shaped by Restructuring

The DM 2.0 billion decrease in the consolidated balance sheet total to DM 91.5 billion was primarily related to the deconsolidation of Fokker. The expansion of our leasing and sales financing activity also had a negative effect.

The development of the individual balance sheet items is distorted by the fact that the fixed and current assets or debts and reserves of the divisions divested at AEG Daimler-Benz Industrie (Automation Technology, Energy Systems Technology, Opto- and Vacuum Electronics) were reclassified as "Other assets" or "Other liabilities." Moreover, the balance sheet no longer contains the assets and debts of the rail systems companies that were merged with ABB Daimler-Benz Transportation (Adtranz). This joint venture, formed with ABB at the end of 1995, had been included in the previous year's financial statements at equity. As of 1996, it is to be consolidated pro-rata.

Without the financial services sector, which is predominantly financed with borrowed funds, stockholders' equity as a percentage of total assets dropped from 28% to 20%, while stockholders' equity as a percentage of fixed assets dropped from 79% to 65%. The proportion of long-term and medium-term capital within the consolidated balance sheet total reached 56% (1994: 60%).

Financial Result of Daimler-Benz AG

Daimler-Benz AG recorded a loss in the amount of DM -6.6 billion for the year ending December 31, 1995 (1994: profit of DM 0.6 billion). This loss, while significant, was above all caused by non-recurring expenditures totaling DM 5.1 billion, a figure that includes the immediate write-off of our involvement in Fokker. Other factors were the absorption of higher losses from AEG AG, Daimler-Benz Luft- und Raumfahrt Holding AG and debis AG that were partly the result of structural expenditures and loss provisions recorded on investments. Mercedes-Benz AG, on the other hand, contributed profits totaling DM 1.9 billion, which is DM 0.6 billion more than in the previous year. After offsetting the profit carried forward from 1994, the remaining loss is absorbed with a withdrawal from retained earnings. In consideration of this high loss, we are not planning to propose a distribution of dividends at the Annual General Meeting.

Outlook

The upturn in the world economy is likely to continue in 1996, although growth has already slowed down noticeably in the first few months of the year.

In Western Europe, and especially in Germany, the overall economic improvement has begun to contract. The Japanese economy is still desperately trying to overcome the structural crisis, and the strict monetary policy in the USA has had a dampening effect on economic activity.

The development in the newly industrializing countries, though, remains positive. Various countries in Central and Eastern Europe also have good prospects for growth this year, as do the Latin American countries that are gradually recovering from the crisis of the Mexican currency.

In this economic setting, the automotive industry can look forward to a slight increase at best in worldwide demand for motor vehicles.

Mercedes-Benz is counting on growth in new markets. In the coming years, we will be harnessing untapped potential by entering new regions and with attractive new models.

Since the introduction of the next generation E-Class in mid-1995, Mercedes-Benz has had an exceptionally fresh and contemporary passenger car program. In 1996, it will be enhanced yet again with the T models in the C-Class and E-Class, the compact SLK Roadster and the V-Class minivan.

In the commercial vehicle sector, too, the Sprinter and Vito vans marked the beginning of a comprehensive product strategy in 1995. Among other things, it entails the total makeover of the existing product line, as well as the introduction of new vehicles tailored to the specific needs of individual markets.

Thanks to its many new models and the progress made in boosting productivity and tapping new markets, Mercedes-Benz is looking forward to increased unit sales in 1996, in both the passenger car and commercial vehicle sectors.

In the next few years, we will focus on expanding the market position and systems capability of the AEG Daimler-Benz Industrie divisions that are still part of the Daimler-Benz group.

ABB Daimler-Benz Transportation, a rail systems joint venture founded with ABB, is the largest company in the industry worldwide. Its internationally leading position gives us an opportunity to take advantage of the growth in the world market for rail systems.

TEMIC will continue to assume the role of a competency center for microelectronics within the Daimler-Benz group and in this function will assert itself as an independent company. In user-oriented applications ranging from microchips to microelectronics systems, TEMIC is seeking to establish a leading position in Europe, USA and the Far East.

In the diesel engine sector, MTU Friedrichshafen has concentrated its activities on drive systems for commercial applications. Moreover, through the cooperation with Detroit Diesel Corporation (DDC), MTU is expanding its product range and enhancing its presence in the worldwide market.

In postal automation, we have reinforced our leading position in letter sorting systems worldwide by continuing to internationalize our market presence. A cooperation with Hitachi in Japan has helped us target the Asian markets.

Following the discontinuation of Fokker and other changes in the consolidated group, Daimler-Benz Aerospace expects to increase its business volume in 1996.

The Aircraft, Defense and Civil Systems and Propulsion Systems divisions are counting on higher revenues, while Space Systems will hardly be able to top the unusually high business volume experienced in 1995.

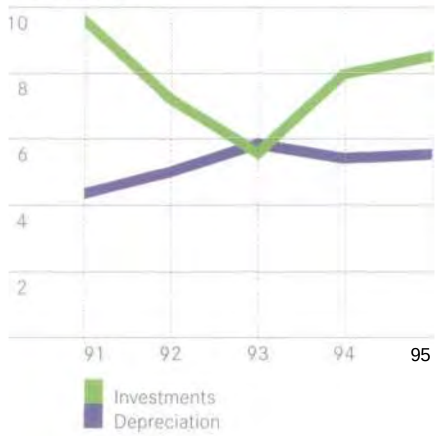
In December 1995, DASA concluded a basic agreement with Aerospatiale on establishing the joint ventures ESI (European Satellite Industries) and EMS (European Missile Systems). This represents an important step toward restructuring the aerospace and defense industries in Europe.

Daimler-Benz InterServices expects the favorable trend of 1995 to continue. Its commitment to open up new markets and expand its product range with innovative, future-oriented services will help debis attain this goal. In this connection, we are also carefully reviewing potential activities in the growing markets for telematics and value-added services in new media sectors.

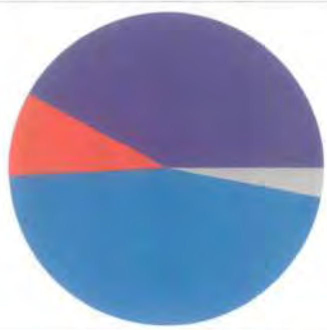
With the strategic realignment of the group's portfolio concentrating on the activities in which Daimler-Benz has potential for a leading position in terms of the market and returns, we have laid the groundwork for the healthy development of the company. Moreover, we have introduced rigorous measures - especially at DASA - designed to enable us to generate profits notwithstanding low dollar exchange rates. In the year under review, we formed extensive provisions for the proposed structural measures.

Based on the overall favorable development in the first quarter, we expect a positive result for 1996.

Investments and Depreciation
In Billions of DM



Research and Development Expenditure*)
DM 8.9 Billion (1994: DM 8.7 Billion)



	95 in %	94 in %
Mercedes-Benz	41.7	38.3
AEG DBI	8.9	8.5
DASA	46.2	49.9
Daimler-Benz AG	3.2	3.3

*) Including contract research

Corporate Unit Mercedes-Benz

The year 1995 was successful for Mercedes-Benz. Despite the negative effects of the upward revaluation of the German mark and the weak state of certain markets, sales at DM 72 billion were *2%* higher than in 1994. The markets responded positively to our new E-Class. While passenger car sales almost reached the previous year's level, notwithstanding the model change in the E-Class, the Commercial Vehicle Division was able to increase its sales by 10% and reach an all-time high. With the new management organization introduced in 1995, we have created the structural prerequisites for advancing our product, productivity, and globalization strategies with even greater determination.

International Automotive Business Flat

While the upturn in the international automotive business continued on the whole, the development of individual markets was in part quite erratic.

Based on the persistently high demand for replacements and upgrades, growth in commercial vehicle demand was vigorous in Western Europe. Sales of passenger cars, though, were only slightly above the relatively low level of the previous year, which among other things was related to the fact that purchasing incentives such as bonuses for junking used vehicles were discontinued in some European countries or no longer appear effective.

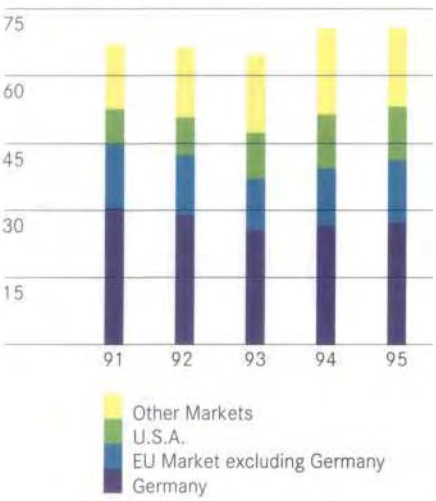
In Germany, there was a slight revival in demand for passenger cars and especially for trucks over 6 tons. But compared with the record levels of 1991 and 1992 in response to the reunification of Germany, the market volume in passenger cars and commercial vehicles was still low. Continued high unemployment and the high burden of taxes and levies had a dampening effect on private consumption, and consequently on passenger car demand. Demand for commercial vehicles was negatively affected by the noticeable flattening of investment activity in the course of the year, and therefore only reached the 1994 level.

In North America, sales of heavy commercial vehicles rose yet again, but light commercial vehicles and passenger cars experienced a marked decline.

In Japan, however, the market situation clearly improved from the low level in the previous year, both in the passenger car and commercial vehicle sectors.

The favorable development of the automotive markets in various newly industrializing countries in Asia and in Brazil continued, while the unstable economies in Mexico and Argentina almost caused a collapse of the commercial vehicle market there.

Revenues by Regions
Mercedes-Benz Group
in Billions of DM



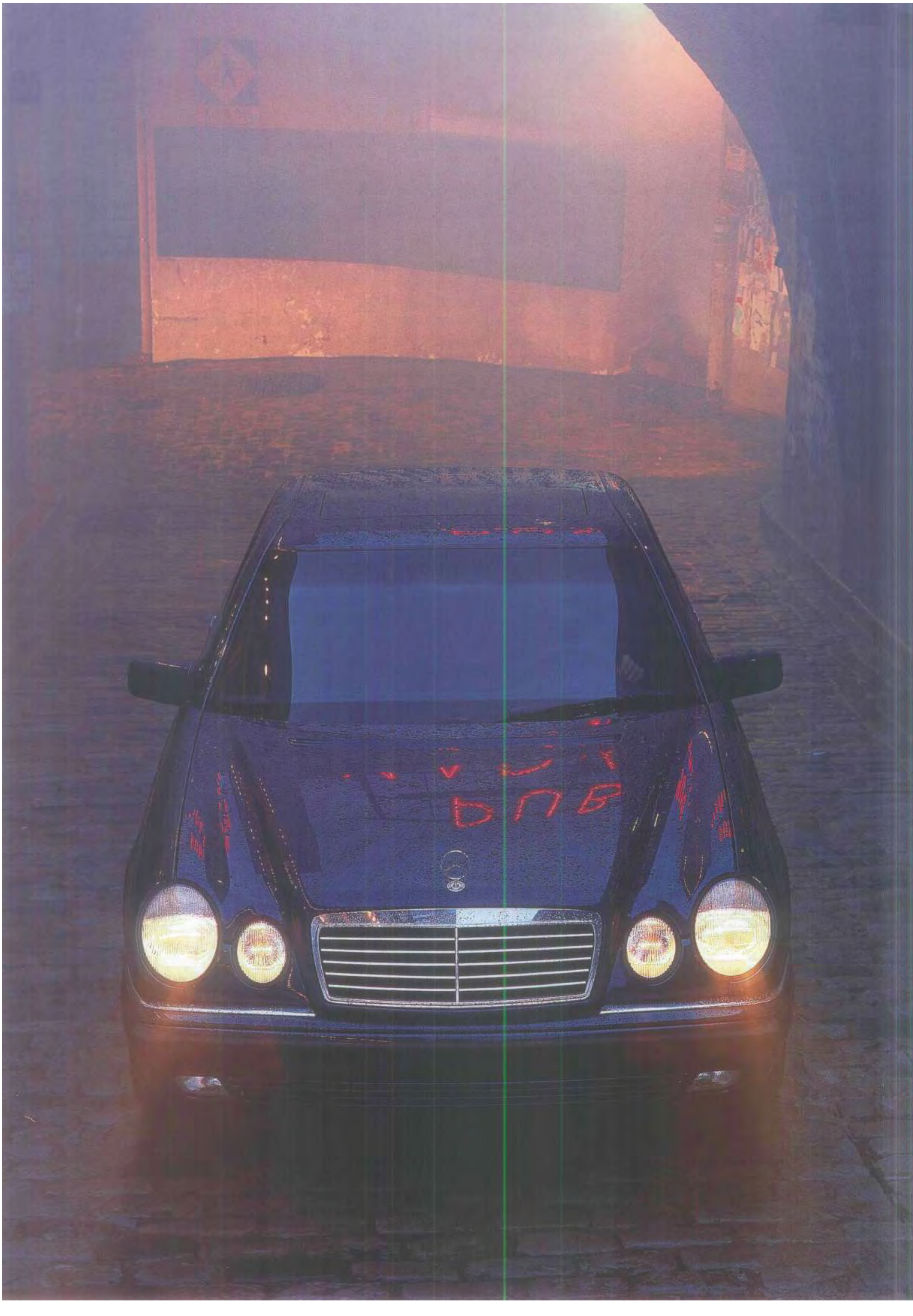
As a result of the international market situation, world production of commercial vehicles rose 4% to 14.8 million units. A total of 37.2 million passenger cars were produced, topping the previous year's figure by 3%.

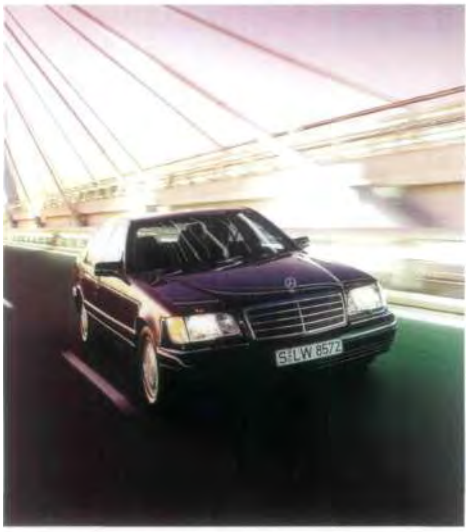
Mercedes-Benz Revenues Up Again

Despite the negative effects of currency trends, consolidated revenues at Mercedes-Benz were up 2% in 1995, reaching DM 72.0 billion. Adjusted by the first time consolidation of the Kassbohrer group, revenue was nearly unchanged. Growth was primarily contributed by the Commercial Vehicle Division, where revenues were 10% higher than in the previous year, amounting to DM 31.6 billion. Due to currency factors, but also as a consequence of the reticence of our customers in anticipation of the E-Class, revenues in the Passenger Car Division, at more than DM 40.4 billion (1994: DM 42.1 billion), failed to reach the high level of the previous year despite vigorous growth toward the end of the year.

In Western Europe outside of Germany, our sales were 10% higher than in 1994, totaling DM 15.3 billion. While our business volume in Germany was up by 5%, the weak dollar meant that we recorded only a moderate increase in the USA despite significantly higher unit sales. We achieved pronounced growth in Brazil, the Republic of South Africa and southeastern Europe.

The new E-Class limousine attracted tremendous attention in the international media. With the unmistakable twin-headlight design, it stands out against the other cars that populates our roads and highways even during daylight hours. Both international competitors and our customers give our E-Class high ratings. The one-hundred-thousandth E-Class limousine was sold in February 1996, just nine months after its market introduction.





Our customers have come to appreciate the advantages that made this car number one among top-of-the-line vehicles in 1995 once again.

The foreign share in consolidated revenues remained nearly unchanged at 61% (1994: 62%).

Mercedes-Benz Passenger Cars: Model Change in the E-Class

At Mercedes-Benz, the passenger car business was focused on the new E-Class, which was launched in Europe in June and toward the end of the year in other markets. Because the new E-Class attracted the attention of our customers early on thanks to positive reports in the media, passenger car sales at Mercedes-Benz did not reach the record level of the previous year, at 583,400 units (1994: 592,400).

After the dynamic increase in 1994, our new registration in Germany fell 5% to 236,800 passenger cars; compared to the high 8.2% share in the previous year our market share was down to 7.5% in 1995.

Outside of Germany, we sold 345,800 passenger cars in 1995. This is 1 % above the previous year and another all-time high for Mercedes-Benz. In Western Europe outside of Germany, our unit sales rose to 154,600 vehicles (1994: 153,300). With 76,800 Mercedes-Benz passenger cars sold in the USA, we surpassed the 1994 level by 5%, strengthening our position in the upper market segment. Business was encouraging in Japan as well, where our new registrations grew by 4% to 34,900 vehicles-stronger than the entire market. We recorded vigorous growth in Scandinavia and several other European markets, in various countries in southeast Asia and in the Republic of South Africa.

The C-Class: A compact favorite.

In response to the continuing high demand for our passenger cars in 1995, and in order to adequately supply our expanded sales network, we raised production to 594,900 cars in the year under review (1994: 590,100).

Mercedes-Benz Commercial Vehicles: Sales at a Record High

Business in the commercial vehicle sector was especially encouraging in 1995. Our worldwide sales rose by 10% to 320,100 commercial vehicles, by far the highest unit volume in the company's history. The impetus for growth largely originated in North America, Western Europe outside of Germany and Brazil. In Germany, sales of Mercedes-Benz commercial vehicles were up 7% to 84,200 units, developing a good deal more favorably than the market on the whole.

As a result of bottlenecks in supply at the beginning of the year, but also because of persistently fierce competition over prices and terms and the currency-related price advantages enjoyed by important competitors, we were not in a position to fully participate in the volume growth for trucks over 6 tons in the Western European market. However, with a 25% market share (1994: 27%), we were still able to assert our position as market leader by a wide margin. Due to vigorous growth in the second half of the year, our new registrations of trucks over 6 tons were 11% higher than in 1994. In the van sector, too, we experienced temporary bottlenecks in supply, because after the model change to the new Sprinter, production capacities were unable to satisfy demand. And yet, our new registrations in the market segment for vans in the 2 to 6 ton category in Western Europe grew by 10% to 93,400 vehicles. Our markets share also rose slightly, from 12.8% to 13.0%.

Once again, our subsidiary Freightliner contributed significantly to the positive developments overseas. Freightliner managed to increase its sales in the United States by 19% to 60,900 vehicles, expanding its leading market position in the U.S. market for Class 8 trucks (gross weight over 15 tons) from 25% to over 26%. Our Brazilian subsidiary also noticeably increased its unit sales, while business in Mexico and Argentina was shaped by the difficult economic situation in these countries.

A total of 329,700 commercial vehicles (1994: 291,900) were produced by Mercedes-Benz around the world. Production volume at our German locations totaled 171,300 vehicles (1994: 143,000).

Product Strategy for Passenger Cars and Commercial Vehicles

In addition to globalizing our activities and boosting our productivity, expanding the range of products we offer is one of the key elements of the Mercedes-Benz corporate strategy.

After launching the C-Class in 1993, the product strategy in the Passenger Car Division continued with the introduction of the limousines in the new E-Class. The T models of the C-Class and E-Class, the V-Class minivan, and the fascinating SLK Roadster will follow in 1996. The M-Class, a sport/utility vehicle that will be produced in the USA as of 1997, the A-Class, a small coupe and the Smart will make our range of models even more attractive in the coming years.

Following the introduction of the Sprinter van (2.5 to 4.6 tons) at the beginning of the year, the 1995 product strategy in the Commercial Vehicle Division entered phase two. By October, we launched the compact Vito van for the 2.0 to 2.7 ton market sector in Spain, the country where it is produced. The new Century Class, designed to expand the product range of our subsidiary Freightliner in trucks over 15 tons, was marketed in the USA for the first time in fall 1995. Among the new products to be introduced in 1996 are the four-cylinder in-line engines for the light truck category and, toward the end of the year, the new heavy-duty trucks.

Bus Business in Europe Restructured

After receiving the approval of the EU Commission for Mercedes-Benz AG to take over Karl Kassbohrer Fahrzeugwerke GmbH, we consolidated our bus activities within EvoBus GmbH in Stuttgart on February 23, 1995. This move represented an opportunity for Mercedes-Benz to restructure its bus business in Europe and enhance its competitiveness. The four production sites of the company are located in Mannheim and Ulm, Germany, Hosdere-Davutpasa, Turkey, and Ligny-en-Barrois, France.

This coalition of European manufacturing sites offers us new opportunities for increased productivity. We will take advantage of these potentials for the benefit of the Mercedes-Benz and Setra makes. The first steps taken in this direction include joint purchasing and the standardization of non-proprietary components.

Production at EvoBus amounted to 6,200 vehicles in 1995. Together with production and assembly overseas, a total of 27,800 busses and bus chassis were produced by Mercedes-Benz worldwide in 1995 (1994: 25,800). Once again, we have asserted our position as the world's leading manufacturer of busses in the category over 8 tons.

New Management Structure Supports Strategic Realignment

With the management structure that has been in place since July 1, 1995, we have created the organizational conditions for a more flexible and more focused realignment of the company as part of our product, productivity and globalization strategies.

An integral part of the structural development was the formation of independent, process-related sectors responsible for specific regions and products. The Trucks Europe sector, for instance, handles all functions related to the category of Unimogs and trucks over 6 tons in the European region. The advantages of this organizational approach are obvious: greater responsibility reinforces the motivation of the employees involved; it expedites the decision-making process and promotes a higher degree of market awareness, customer sensitivity and flexibility.

Executive Department Sales Created

We founded Sales in 1995 to effectively support the product strategy introduced by Mercedes-Benz. The new executive department is not only responsible for the worldwide market position of the sales organization, but also for introducing programs to further increase sales efficiency, flexibility and customer proximity.

With extensive training programs, state-of-the-art communications technologies and considerable investments, we laid the groundwork in 1995 for more individualized and more efficient customer service around the world. By expanding our sales and service organization in new, growing markets, we have also reinforced the global presence of the company. The investment volume allocated to Sales amounted to DM 172 million in 1995 (1994: 135 million).

DM 3.5 Billion Invested in Property, Plant and Equipment

In the interest of enhancing the innovative base of our vehicle business and thus securing our international competitiveness, we made some significant investments in 1995.

In the Passenger Car Division capital expenditures totaled DM 1.8 billion (1994: DM 1.5 billion). Key areas for investments were the final preparations

With its versatile model range, the Sprinter is an ideal and especially economical solution for any application in the category under 4.6 tons.

With a variety of uses established on European highways: The heavy truck category of Mercedes-Benz.

for production of the new E-Class, the new engine plant in Bad Cannstatt near Stuttgart and the preparations for production of the new generation of transmissions. Moreover, preparations proceeded apace at the Bremen and Rastatt plants for production of the SLK Roadster and the new A-Class. In 1995, our most important project outside of Germany was the new plant in Tuscaloosa, Alabama.

Our investments in the Commercial Vehicle Division were primarily focused on preparing for the production of new vehicle generations. In Europe, the two new van types Sprinter and Vito were in the foreground, as was the new 900 engine series for our light-duty trucks and preliminary work on the model change in the heavy-duty class. The introduction of the new Century Class by our subsidiary Freightliner was the most extensive investment project outside of Germany. A total of DM 1.5 billion (1994: DM 1.3 billion) were invested in the Commercial Vehicle Division worldwide.

DM 3.7 Billion Invested in Research and Development

The success of our research and development efforts is the basis of our product strategy in the passenger car and commercial vehicle sectors. The global diversification of our development work not only guarantees cost advantages, but also a maximum of market and customer proximity. With new forms of interdisciplinary projects and the increased participation of the supplier industry, we have noticeably increased the efficiency of our research and development more than ever in the past few years. We have shortened the development time for our most recent models and plan to introduce many new products by 1998. Of the DM 3.7 billion (1994: DM 3.3 billion) spent on research and development in the year under review, DM 2.5 billion were allocated to passenger cars and DM 1.2 billion to commercial vehicles.

Strategic Activities with Our Suppliers

As part of the TANDEM concept, we have further intensified our cooperation with suppliers. Open communication on issues such as markets, products, strategies, joint corporate responsibilities, product optimization and value-added processes was the basis for a number of projects designed to enhance the competitiveness of both sides.

In an effort to minimize the currency risk in the medium and long term and at the same time contribute to the competitive pricing of our products, our goal in purchasing is to increase foreign sourcing for production in Germany.

Our purchasing volume rose 8% in 1995 to DM 47.5 billion, which is the result of higher production volume and reduced vertical integration. The proportion of purchases made outside of Germany increased once again.

Both surprising and convincing: The Vito is generous on the inside, compact on the outside. Its design is fresh, dynamic, spunky and practical. With its technically perfected ergonomics and plenty of space for passengers and loading, the Vito not only offers plenty of driving comfort, it also meets the highest safety standards. It is a decidedly different vehicle.


CAFETERIA
S LP 7121

Outlook

Although the growth trend recently experienced in the world economy has become noticeably flatter, the slight upturn in the international automotive industry will likely continue in 1996.

In Western Europe, visible indications suggest that demand will increase in the passenger car and commercial vehicle sectors, although growth will be extremely limited in the market for trucks over 6 tons. In Japan, too, an improvement of the market situation is expected. The U.S. market for commercial vehicles, however, will hardly reach the level of 1995, and in the U.S. passenger car sector there will be at best a slight increase. The Asian region still offers good prospects. In the Eastern European countries where economic reforms are gradually beginning to take root, we see promising sales potentials for passenger cars and commercial vehicles in the medium term. In Latin America, automotive demand will not regain speed until the economic situation in Mexico and Argentina is successfully stabilized.

Mercedes-Benz is counting on growth in new markets. We plan to secure new customers in the coming years with regional activities and with additional attractive models. Since the model change in the E-Class in mid-1995, and with the enhanced features in the other series, the Mercedes-Benz Passenger Car Division now has the most up-to-date product range ever. It will become even more attractive in the next few years as we introduce other new vehicles. Our objective is to position ourselves as a top-of-the-line automotive manufacturer in growing markets and market segments.

With the Sprinter and the Vito, we also launched a comprehensive product strategy in the commercial vehicle sector. Moreover, the strategy encompasses a total makeover of the existing product line, as well as the introduction of new vehicles tailored to the specific needs of individual markets.

The passenger car and commercial vehicle product strategy is accompanied by the extensive realignment of our internal structures and processes. This is the only way to ensure that we will improve our cost position over the long term in the face of increasingly fierce competition and respond flexibly to changes in the markets. Both in the interest of efficiency and to minimize currency risks we are focusing our all of our efforts on structuring the entire value-added production chain with an even greater global emphasis.

With the new Century Class, Freightliner is setting new standards for customer benefits, serviceability and safety.

From a cost and product perspective, we have created the conditions for continuing the positive trend in sales and income in 1996. We do, however, face a few uncertainties with respect to the overall development of the economy in important markets and the persistently high currency risks.

Corporate Unit AEG Daimler-Benz Industrie

The comprehensive restructuring of the business activities of AEG Daimler-Benz Industrie within the Daimler-Benz group had a significant effect on the year-end financial statements of December 31, 1995, and led, mainly due to an extraordinary loss, to a total annual loss of DM 2,256 million. In day-to-day operations, orders rose by 23 %, while sales - with varying trends in the individual divisions - were slightly above the level of the previous year. The result of ordinary business activities was worse than in 1994.

Negative Influence on the Electrical Industry

The sluggish economy was especially evident in the German electrical industry. Production rose by a modest rate of 2 %, while employment continued to decline. The upward revaluation of the German mark and the flat demand for capital goods also led to a slight decline in demand in the electrical industry. The volume of domestic orders stagnated, primarily due to the worsening business climate, and impetus from abroad also slowed down. Because of strong international competition, pressure on prices continued unrelieved in 1995. The result was losses in earnings in the German electrical industry.

In electrical capital goods, both sales and orders declined.

The trend in electronic components, far above average, was sustained, as demand grew again in 1995 by a substantial 12%.

In particular, energy technology suffered under the cut-backs in investments by the energy supply companies and important industrial customers.

The first signs of flattening in investment goods were evident in controller technology. Orders and sales grew by a disappointing 1 %.

Incoming Orders Up 23 %

In 1995 AEG Daimler-Benz Industrie orders rose to DM 14.0 billion, up 23 % over the comparable volume of the previous year. While domestic order volume grew by 25 % to DM 7.3 billion, foreign orders were up by 21 % to DM 6.7 billion.

The Rail Systems Division in particular contributed to this gratifying development, with a 63 % increase in orders. Significant factors in this development were large orders from Deutsche Bahn AG for S-Bahn and medium-distance train equipment - in particular for the Berlin S-Bahn -, for locomotives, the ICE 2 and self-propelled cars. Moreover, important orders for the municipal rail project for Kuala Lumpur in Malaysia, and the BART order for San Francisco regional transport were taken.

Both Microelectronics subdivisions recorded significantly higher orders. TEMIC achieved growth of 10 % over last year's figure, mostly in semiconductors and automotive electronics. Order volume in Opto- and Vacuum Electronics rose by 17%.

The Diesel Engines Division, with DM 1.5 billion in orders, achieved moderate growth of 3 %. MTU was especially successful in high-speed commercial ferries.

Orders were 15% higher in the Energy Systems Technology Division in 1995 than in the previous year. This increase was carried by Energy Distribution, with 22 % growth, whereas Components showed a decline of 2 %.

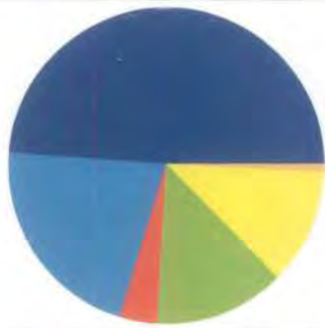
The Automation Division achieved an increase in order volume of 15 % over the previous year, calculated on a comparable basis. Without propulsion-oriented automation and programmable logic control systems, whose activities were transferred into joint ventures, Industrial Automation recorded an increase of 7 %. In Postal Automation, the acquisition of the American company ElectroCom Automation, Arlington, Texas, took full effect. Incoming orders, which included in particular large orders from the Deutsche Post AG and the U.S. Postal Service, therefore surpassed the previous year's figure by 33 %.

Sales Hold Last's Year Level

Sales for AEG Daimler-Benz Industrie in 1995, amounting to DM 10.3 billion, were 2 % higher than 1994 if calculated on a comparable basis. The increase came entirely from foreign business, while domestic business, which made up almost half of the total volume, showed a decline.

Sales for the Rail Systems Division failed to reach the previous year's level due to a decreased invoicing, and posted a 14 % decline.

Revenues by Regions
AEG Group
DM 10.3 Billion (1994: DM 10.1 Billion*)



	95 in %	94 in %
Germany	48.7	50.0
EU excl. Germany	21.5	19.0
Other European Countries	4.0	4.7
America	13.2	13.0
Asia/Australia	11.7	11.8
Africa	0.9	1.5

*) Revenues for 1994 adjusted.

The Microelectronics Division achieved a higher sales volume in 1995 than in the previous year. The positive development in gas generators and semiconductors led to a growth of 11 % for TEMIC, whereas there were no significant changes from the previous year in Opto- and Vacuum Electronics.

The Diesel Engines Division was able to show a slight rise in sales of 4 % in the year under review. Overall, the focus of business was in Europe outside of Germany and in Asia.

Business volume in Energy Systems Technology fell 3 % in 1995. This decline is due almost entirely to industrial components and motors.

The new cars of the metro in Oslo were developed and built in a joint project of AEG Daimler-Benz Industrie and ABB.

The 15 % increase in sales in the Automation Division was influenced significantly by the first-time full-year consolidation of ElectroCom Automation in Postal Automation, which allowed a rise of 57 %. The area of Industrial Automation, without the de-consolidated fields of programmable logic control systems and propulsion-oriented automation, grew 5 %.

Restructuring of AEG

The consolidated group financial statements for December 31, 1995, show substantial changes in comparison to the previous year. Increases resulted from the full incorporation of the TEMIC group, which had been announced in 1994, and the economic integration of the MTU group. Deletions are due especially to the fact that the former Rail Systems Division was merged into the joint venture with ABB at the end of the year. The shares in this joint enterprise were valued at equity on December 31, 1995. A pro rata consolidation is planned starting in 1996. The values for the consolidated companies are still included in the income statement at their full annual values.

Additional disposals resulted from the joint ventures with Cegelec in propulsion-oriented automation and Schneider S.A. in programmable logic control systems, which affected both the balance sheet and the income statement.

The Domestic Appliances Division, which was sold in 1994, still appears in the 1994 income statement until September 30.

Provision was made in the financial statements for the planned disposal - effective as of January 1, 1996 - of the Energy Systems Technology Division and of the Automation Division with the exception of Postal Automation, and the sale of the Opto- and Vacuum Electronics sector, by reclassifying the balance-sheet values of these units as Other Assets and Other Liabilities. This explains the tremendous increase in these items compared to the previous year.

Overall, restructuring resulted in an extraordinary loss which covers in particular the provision for risks associated with the planned disposals, and the extreme changes in the foreign sales organization and the central offices.

Differentiated Trends in Operational Results

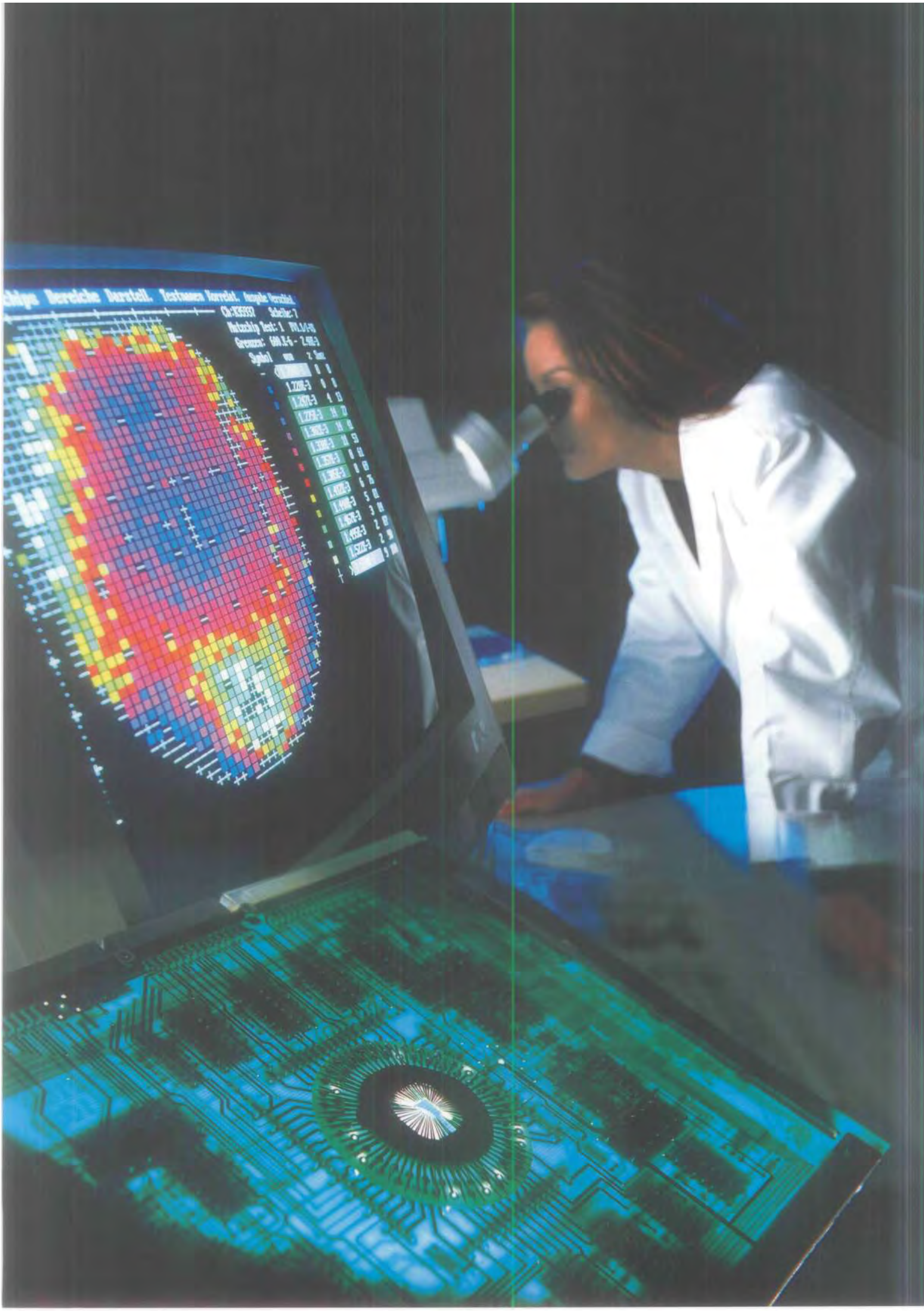
The Rail Systems Division, which was not yet operating as part of the joint venture in 1995, posted a substantial loss due to risks associated with orders, temporary under-utilization of capacities, and delays in implementation of structural measures.

In the Microelectronics Division, the contribution to earnings from TEMIC declined from the previous year. The losses in Opto- and Vacuum Electronics remained at the previous year's level.

The Diesel Engines Division again achieved positive results because of consistently applied measures to improve efficiency and the additional growth in foreign business, despite the negative effect of exchange rates on earnings.

In the Energy Systems Technology Division, Energy Distribution suffered a drop in earnings in transformers. Losses in Components were reduced over 1994.

The manufacturing of IC-integrated circuits is not possible without the involvement of qualified personnel and modern technology. One of the last tests before implementation is the Wafer-Test, which pin-points errors in electric circuits.



The earnings trend was also uneven in the Automation Division. In Industrial Automation results remained negative. Postal Automation, on the other hand, achieved significantly higher profits compared to the previous year.

Almost DM 3 Billion in Investments

Investments by the companies of AEG Daimler-Benz Industrie during the year under review, including the capital assets taken over from newly acquired companies, totaled DM 2.891 billion (in 1994: 983 million). This value includes additions to property, plant and equipment in the amount of DM 1.112 billion (1994: 564 million).

A large proportion of the newly added tangible assets came from the first-time inclusion of MTU Motoren- und Turbinen-Union in the balance sheet, as well as from the full consolidation of TEMIC TELEFUNKEN microelectronic. Without these first-time consolidations added tangible assets totaled DM 577 million (1994: 489 million).

Engines of MTU provide the propulsion of large high-speed ferries, like the KATTEGAT which operates between the Danish islands Jylland and Sjaeland.

Investment activity in Germany was concentrated on the expansion of the manufacturing facilities at the Laage site, whereas foreign investments were focused on expanding the new product line in the plant in Nantes, France, which belongs to the Microelectronics Division. Additional investments were made in projects that had already been started in previous years, such as the modernization of the Hennigsdorf plant in the Rail Systems Division.

The additions to financial assets include in particular the payment of DM 1.3 billion to ABB for the purchase of 50 % of the shares in the joint venture in the Rail Systems Division.

Research and Development

Expenditures for research and development totaled DM 793 million during the reporting period (1994: 736 million). This represents 8 % (1994: 7 %) of group sales volume.

In the Rail Systems Division, special developments by AEG include a new generation of rail vehicles with tilting technology, modules for local passenger transport, and new control concepts for fully automatic personnel transfer systems.

In the Microelectronics Division, research and development was concentrated on further integration of semiconductors, sensors for microsystems technology, communication and infrared modules, and propulsion and airbag components of automotive electronics.

In the Diesel Engines Division, innovative low-emission motor designs and ongoing development of electrolysis processes and MCFC (carbonate) fuel cells brought significant progress in environmentally friendly energy production and conversion.

In the Energy Systems Technology Division, the important developments were new switching devices for medium voltages, intelligent power breakers for high voltage applications, and a decentralized control system for network automation.

Research and development activities in the Automation Division concentrated on process and production control technology, and in modules for recognition of handwritten addresses by sorting and distribution systems in Postal Automation.

Merger into Daimler-Benz AG

As part of the move to streamline Daimler-Benz's numerous fields of activity, it was decided that the group will focus in the future on improving the market position and system capabilities on the Rail Systems, Microelectronics, Diesel Engines and Postal Automation divisions. The capital expenditure that would have been required to ensure the future of the Energy Systems and Automation divisions would not have been justified in terms of their strategic importance. It was therefore decided that all operating areas of AEG Aktiengesellschaft not destined to become part of the Daimler-Benz group will be spun off as closed corporations (GmbHs) and sold to other companies in the industry. The planned new structure, which provides ultimately for the merger of AEG Aktiengesellschaft with Daimler-Benz AG, will be put to a vote at the annual stockholders' meeting on June 5, 1996.

Corporate Unit Daimler-Benz Aerospace

In 1995, the business trend for Daimler-Benz Aerospace was characterized by substantial changes in currency parities, especially in regard to the US dollar, and the competitive initiatives introduced to confront those changes. DASA's sales and incoming orders persisted at the comparable level of the previous year. Net income was considerably burdened, primarily by the precedent developments at Fokker, but also by extensive, future-oriented measures in connection with the dollar's drastic loss in value. In the meantime, increasing orders for aircraft point to a recovery of the aircraft market. The inter-governmental agreements concerning a Franco-German satellite reconnaissance system and ESA's participation in the International Space Station provided the European space and defense industry with new prospects for the future.

Trend Reversal in Important Markets

The improved earnings position, the increasing need to upgrade fleets as well as the continued expected growth in traffic volume, have influenced the airlines to intensify their purchasing activities. In addition, due to the fact of the still existing over-capacity in the industry, the aircraft manufacturers are engaged in fierce competition, primarily over prices.

This situation, which is favorable to the airlines, has substantially contributed to the marked increase of orders for jet aircraft to 660 units (1994: 321).

The European aircraft manufacturers were unable to participate in this trend. Due to the enormous price pressure on the market and the deterioration of their price competitiveness resulting from the low dollar exchange rate, they were forced to give back the market share they had won in 1994.

Besides increased orders, the decline in cancellations points to a recovery of the aircraft market. Their number went from 322 in 1993 to 138 in 1994 and to 98 in 1995.

Public sector spending policy in Germany continued to be restrained by the difficult financial situation. The defense budget has, however, bottomed out. An increase of available funds was particularly noticed in the investment budgets relevant to the defense technology industry.

On a governmental level, two important landmark decisions for the future of the European aviation and space industry were taken. In October 1995, the members of the ESA Council of Ministers decided to participate in the International Space Station and at the beginning of December the heads of state of Germany and France agreed to the development of a joint satellite reconnaissance system.

Increasingly intense price wars and predatory competition are being waged worldwide in the commercial aerospace markets, particularly in launchers and communications satellites. However, with our international partners we have been able to consolidate and further expand our market position.

Decline of the Dollar Necessitates Additional Adjustments

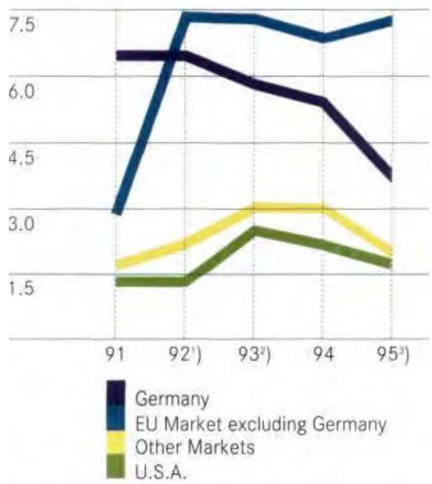
Based on the increasing likelihood of a continuously low exchange rate for the US currency, we have introduced initiatives to make each division operating in the global market independently competitive - even at an exchange rate of DM 1.35 for the dollar. To secure this objective, the existing structures and workflows within the company must be streamlined to further increase economic efficiency. Our role as technological leader must be secured and expanded, and the labor and management processes must be redesigned to significantly increase the involvement of our employees. At the same time, far-reaching personnel and structural adjustments will be inevitable.

We will further improve the high standard of our technology and innovation management by concentrating and strengthening our forces. Furthermore, we will vigorously continue our market and product strategy with the expansion of our market presence and the introduction of new products to the market.

Financial Support for Fokker Ended

In addition to the fall of the dollar, further drastic changes in the economic environment brought about lasting adverse effects for Fokker. The weak demand on the aircraft market and the dramatic drop in prices were of primary importance. Besides these developments, there were the risks and burdens resulting from the changed market conditions for the sale of aircraft, with the original cash market developing into a lease market with the associated residual value risks.

Revenues by Regions
DASA Group
In Billions of DM



¹) First full consolidation of Daimler-Benz Aerospace Airbus, first consolidation of TEMIC.
²) First consolidation of Fokker.
³) Excluding Propulsion Systems, Land/Marine Applications, and TEMIC.

As a result of these burdens, Fokker's equity capital had been entirely depleted by the third quarter of 1995.

In view of the additional expenditure of funds that would have been required to put Fokker on an economically sound footing, as well as the extremely difficult long-term market condition, it was no longer acceptable for Daimler-Benz and DASA to bear the burdens for Fokker alone.

We therefore requested the Dutch government to make an adequate financial contribution in the form of an equity capital subsidy of NLG 1.3 billion for the restructuring of Fokker and consequently the preservation of the aircraft industry in the Netherlands. However, it was not possible to arrive at an agreement concerning this matter. We were therefore forced to discontinue our financial support of Fokker with immediate effect as of January 22, 1996. This decision averted an impending long-term financial burden that was in no proportion to the strategic value of Fokker to the group. Accordingly, Fokker was no longer included in the consolidation in the 1995 financial statements.

The three EC 135 preseries aircraft were tested in more than 800 flying hours. The first deliveries to the customer are planned for mid-1996.

Structures of the European Aerospace and Defense Industry Further Strengthened

The mergers in the American aerospace industry have again made it clear that a European aerospace industry will be internationally competitive and thus capable of surviving only if the industries presently fragmented along national lines are restructured into competitive units on a European scale.

In this context, our most important projects are the joint ventures planned with Aerospatiale under the working titles EMS (European Missile Systems) and ESI (European Satellite Industries). They are intended to combine the activities of both partners in the area of guided missiles and satellite systems. The signing of a basic agreement concerning the formation of these two joint venture companies by representatives of Aerospatiale and DASA in the middle of December 1995 was a critical milestone. A condition was the agreement arrived at by the German and French governments at the beginning of December concerning the development of a joint strategic satellite reconnaissance system.

At the same time, we were able to improve our international market position in 1995 by forming several new joint ventures.

Concentration on Core Activities

As part of DASA's realignment and concentration on its core activities, we transferred MTU Motoren- und Turbinen-Union Friedrichshafen GmbH and Temic Telefunken microelectronic GmbH to AEG Daimler-Benz Industrie. Moreover, we sold Telefunken Sendertechnik at the end of the year and in early 1996 transferred our majority interest in Dornier Medizintechnik to a partner that has now also taken over the industrial mangement of this activity.

Business Volume at the Level of 1994

At DM 15.0 billion, consolidated sales of Daimler-Benz Aerospace reached the level of the previous year. Declines in the Aircraft Division and the Defense and Civil Systems Division were offset by higher revenues in Propulsion Systems and in Space Systems. Due to lower sales in defense technology, the military share of group sales dropped from 32% to 31%.

In Germany, the business volume of DASA declined by 17% to DM 3.8 billion (1994: DM 4.6 billion). In contrast, foreign sales rose by 8% to DM 11.2 billion (1994: DM 10.4 billion). The settling of accounts for large projects in the Space Systems Division as well as high revenues from the takeover of leased aircraft by debis AirFinance made important contributions to this growth. When calculated in comparable terms, incoming orders increased by 2% to DM 14.3 billion (1994: DM 13.9 billion).

At DM 8.5 billion, sales in the Aircraft Division were just under the 1994 level of DM 8.7 billion. The fall of the dollar exchange rate played a substantial role in this development. At DM 8.2 billion (1994: DM 8.7 billion),

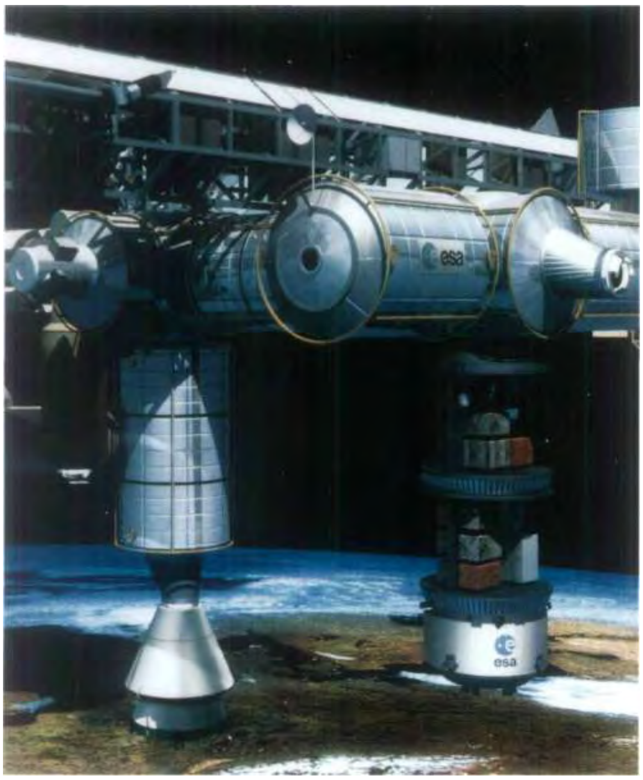
With more than one hundred aircraft, Deutsche Lufthansa took delivery of the largest Airbus fleet so far. Not only does the aircraft itself offer convenience and safety, but we also supply a wide range of products with these characteristics - from satellite-based navigation allowing automatic landing in scheduled service in the near future through airport equipment and up to automatic baggage claim via tele-sensomatics.

incoming orders were 5% below the level for 1994. In addition to the lower incoming orders in the Airbus program caused by exchange rates, demand for regional aircraft was distinctly lower.

In the Space Systems Division, sales jumped by 36% to DM 1.8 billion (1994: DM 1.4 billion). The settling of accounts for the Cluster satellites and income for development services in the Ariane-5 program contributed decisively to this growth. Large orders in the satellite communications sector and in the Ariane-5 program caused incoming orders to soar by 36% to DM 2.1 billion (1994: DM 1.5 billion).

At DM 2.8 billion (1994: DM 3.1 billion), sales in the Defense and Civil Systems Division did not reach the level of the previous year which was characterized by large settlements of accounts in one large program. At DM 2.2 billion, incoming orders reached the 1994 level.

The Propulsion Systems Division, which after the 1995 spin-off of MTU Friedrichshafen includes activities in the area of aircraft propulsion systems, was able to increase its sales by 4% to DM 1.7 billion (1994: DM 1.6 billion) as a result of the increased settlements of accounts in military propulsion systems. There was also an upturn of order volume for civilian propulsion systems. Altogether, incoming orders rose by 18% to DM 1.6 billion (1994: DM 1.4 billion).



The International Space Station will have a total mass of about 415 tons and have a dimension of 108 by 74 meters. Construction is to be started in 1997 with complete operation by 2003.

Research and Development Expenditures Increased

As in the previous year, we allocated DM 4.1 billion (calculated at comparable levels) to research and development. At DM 3.4 billion, expenditures for projects carried out for third parties were at the 1994 level, representing 23% of sales. We spent DM 0.7 billion on projects financed out of our own funds. This represents a 5% share of sales.

In the Aircraft Division, the focus was on the Airbus program as well as on the Dornier 328 and the Eurofighter (EF 2000). The emphasis in the Space Systems Division was on the Cluster and the Polar Platform satellites as well as the Ariane launcher program. In Defense and Civil Systems, we concentrated on the Trigat LR program and in the Propulsion Systems Division, the focus was on the EJ200 propulsion system for the Eurofighter as well as the civilian propulsion systems program carried on jointly with Pratt & Whitney.

Outlook

The departure of Fokker from the consolidated group in early 1996 will reduce the business volume of DASA in the current financial year. However, when adjustments are made for this structural change, we expect an overall expansion of business.

Increased settlements of accounts in the Aircraft Division, particularly in the Tornado and Eurofighter programs, will contribute to an increase of sales. In Space Systems, the conclusion of the large Polar Platform project is imminent however, we do not expect to entirely reach the extraordinarily high level of sales generated in 1995. In the Defense and Civil Systems Division, we expect an upturn of business in nearly all areas. In Propulsion Systems, jet engine components for Tornados are being delivered in increasingly large numbers, but the civilian jet engine business will also contribute to growth.

The initiatives adopted in November to assure our competitiveness will be implemented according to plan along with the measures initiated earlier. This will include further workforce reductions and the withdrawal from business activities, as well as the closing of plant sites that are not part of our core competencies.

The elimination of the high non-recurring burdens of 1995 will clearly improve earnings for the current financial year. Added to this is the fact that the measures initiated to improve competitiveness are already showing initial positive results in 1996 and will lead to an improvement in operating income in individual divisions.

Corporate Unit Daimler-Benz InterServices

debis was able to profit from the positive trend in industry-related services in 1995 and step up its business volume by 9% to DM 11.8 billion. Contributing factors to this favorable development included the expansion of our range of services and our increased activities outside of Germany. The dynamic growth in the Mobile Communications Division continued, and we were able to secure a large number of new customers in this sector. But the other divisions also kept up with the growth enjoyed by this corporate unit.

Growth of Service Sector above Average

In Germany the growth in the services sector was again above average. The positive trend continued particularly in industry-related services, where the Information Technology Division profited on a broad scale. The growth was spurred by the restructuring of business processes in many industries and by the growing demand for complete data-processing solutions.

In the leasing industry, new investments rose in Germany in 1995, unlike 1994. Here the increase in vehicle financing through manufacturers was above average again. Despite a reduced demand for capital goods in the USA, the commercial vehicle market, important to our leasing business, improved again.

Opportunities for growth in the advertising sectors were limited in 1995 because many companies cut back their advertising and marketing budgets.

Mobile communications, on the other hand, was one of the definite growth industries, both nationally and internationally, although competitive pressure has intensified considerably.

debis Continues on Growth Course

In 1995, debis group sales increased by 9% to roughly DM 11.8 billion, and the increase in foreign business was above average again. On the other hand, structural changes in connection with the reorganization of our domestic leasing business in 1995 had a diminishing effect on sales. Due to participations of outside bank partners in a vehicle ownership company, the latter's sales are no longer consolidated with the debis group.

The breakdown of the 1995 sales by region is as follows: Germany 53%, EU member countries 9%, North • America 32%, other markets 6%. Especially gratifying was the trend in the EU countries other than Germany, where debis sales increased by over 40% in comparison to 1994; however, sales in the UK and Italy were negatively affected by currency exchange rates. In the USA, we were able to surpass the 1994 sales figure despite the weak dollar.

The expansion of our range of services and our stepped-up activity abroad were the basis for our growth. As in previous years, the business with customers outside the Daimler-Benz group rose sharply; in all divisions, outside customers now account for more than half the sales.

Systemhaus: Market Position Improves in All Divisions

In debis Systemhaus, the positive trend of the previous year continued in all divisions. Sales rose by 11 % to nearly DM 2 billion. Thus we have further reduced our dependence on Daimler-Benz group contracts. The number of our employees increased in 1995 to 6,658 (1994: 6,129).

In the Software Projects and Products Division, we made DM 700 million in sales. Especially in the Telecommunications, State and Communities, Traffic, Financial Services, and Management Information Systems Subdivisions, our growth was clearly above that of the market.

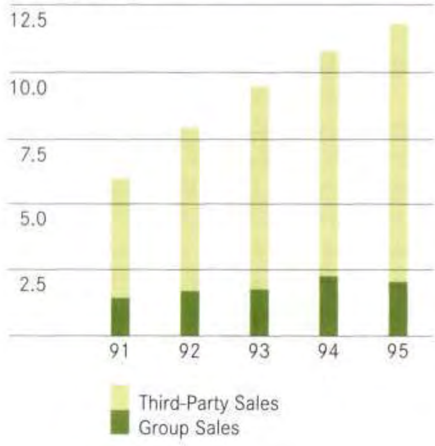
The Information Systems Management Division attained high growth in the area of distributed systems and desktop services. Information Systems Management achieved DM 1.2 billion in sales in 1995.

In 1995 we increased our participation in the consulting firm Diebold Deutschland GmbH from 84% to 100% and instituted a new management structure. This measure led to marked improvement in sales and profit in the second half of the year. Our consulting activities, of which Diebold forms the core, accounted for roughly DM 90 million in sales.

debis Systemhaus is one of the few suppliers that offer planning, development, installation and operation of IT services from a single source. Therefore we intend to step up our activity in the complex IT services segment in the future.

In addition, we will take advantage of our close ties to the French Cap Gemini group to expand our international orientation.

Revenues debis Group
In Billions of DM



Financial Services: Business Volume Continues to Rise

The debis leasing and financing companies had another successful year in 1995. New business worldwide reached DM 14.0 billion, up DM 0.2 billion from 1994. The accountable contract volume amounted to 571,000 units (1994: 530,000), for a total value of DM 26.5 billion (1994: 25.1 billion). This figure includes all contracts for which debis bears executive responsibility. The percentage of Mercedes-Benz passenger cars and commercial vehicles financed by debis leasing and financing companies in their market territories remained at the 1994 level of about 25%.

In the USA, despite the adverse currency exchange effects of the weak US dollar, we again surpassed the sales figures of 1994. However, our business in Mexico was impaired considerably by the economic crisis, and we took steps to stabilize the leasing business there.

The internationalization of the Financial Services Division made further progress in 1995. Here special emphasis was placed on strengthening the development of markets in Southeast Asia. We now have a worldwide presence, with 48 companies operating in 19 countries; that is 17 more companies than in 1994.

The debis Aviation Leasing Division remained on a positive course and successfully placed five new aircraft leasing funds in 1995. We also extended our range of services beyond aeronautics in 1995 to include large movable goods and real estate, and to this end we established debis Funds Management, which develops and realizes funding solutions for this promising sector. For instance, it was able to place the first fund for railcars for local public passenger transport in Germany. The total volume of funds managed by debis Aviation Leasing and debis Funds Management is DM 1.4 billion (1994:0.9 billion).

Insurance Brokerage: Range of Services and Service Network Expanded

In the increasingly competitive insurance industry environment, the debis Assekuranz group managed to further increase its premium and brokerage volume in 1995. The rise in premium volume was mainly attributable to the sharp growth in business with commercial customers, an increase of DM 155 million to a total of DM 873 million. At the same time, commissions rose by 25% to DM 95 million.

We expanded our range of services in 1995 primarily in the reinsurance sector. The reinsurance company debis Re Insurance and the reinsurance brokerage debis Re Brokers, both founded in 1994, became established in the market and together with our consulting company debis Risk Consult, provided for greater risk transparency and risk limitation for customers and insurers.

Trading: New Market Potentials Developed

Using modern countertrading methods, debis Trading was able to develop additional market potentials in 1995 in countries with low foreign currency reserves. The exports that debis made possible amounted to roughly DM 0.5 billion. Companies outside the group accounted for 60% of this figure.

In addition to developing business relations with countries in Asia and the Middle East, we stepped up trading with partners in Eastern Europe. For instance, several basic agreements were concluded with several former Soviet republics. The DITGAS trading company, a joint venture with the Russian energy group Gasprom, successfully carried out investment programs to expand and modernize industrial enterprises in Russia again in 1995.

The commodity trading company MG NE Produkthandel GmbH, a joint venture with Metallgesellschaft Handel und Beteiligungen AG, had a positive year against the background of stable aluminum prices.

Marketing Services: Sales Show Clear Increase

The Market Services Division's modular range of services met with a very positive response in the market in 1995. The winning of several major advertising accounts enabled debis Marketing Services to achieve approximately DM 0.8 billion in sales, an increase of 42% over the 1994 level.

The international advertising network Orion International Media Solutions, a joint venture with the leading Spanish advertising agency Media Planning, was founded in response to the increasing internationalization of our customers.

The Fairs & Exhibitions Division was able to achieve a slight increase in revenues as compared to the previous year, in spite of strong pressure from the competition. The division handled projects at some 240 fairs and exhibitions worldwide. The Marketing Consulting Division continued to expand its business volume with outside customers, particularly in the technical consumer goods segment.

debitel was the first to introduce airtime billing by the second, for fair and cost-efficient telephony. On the other hand, we're not sparing at all when it comes to offering individual tariffs. Inb simple terms: we tailor our services to the needs and usage habits of our customers. It's one way of becoming the number 1 independent service provider.

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Due to the increase in advertising and marketing expenditures, the Communications Services Division was able to continue its successful course. In 1995 the concept for the new debis image campaign was realized.

Mobile Communications Services: Vigorous Growth Continues

The Mobile Communications Services Division managed to hold onto its leading position as a network-independent telephone company in the German mobile communications market in 1995. Our two German companies debitel and Bosch Telecom Service profited from the sustained, dynamic growth, characterized by 1.3 million new mobile telephone users; at the end of 1995, 489,000 customers were being served (1994: 320,000). The market share was 16% (1994: 19%).

We are laying the foundations for a future built on soil fertile in tradition. The Potsdamer Platz will soon again be one of Berlin´s most lively districts.

The two foreign mobile communications companies debitel France and debitel Nederland also gained a considerable number of new customers and participated in the market growth. The number of customers for the two companies combined rose from 45,000 to 111,000.

The range of services for mobile communications customers was further expanded. In particular, the precise billing of calls including seconds, introduced by debitel, set the standard for the entire industry. In France, the Netherlands, and the UK, since recently, debitel customers can take advantage of services abroad. In Germany debitel gained an important sales partner to start off the year 1996 in the specialized retail distributor SNS Selectric.

Real Estate Management: Business Activity Expands and Progress at Potsdamer Platz on Schedule

debis Gesellschaft fur Potsdamer Platz Projekt und Immobilienmanagement mbH (dIM) continued to expand its business activity in 1995. As before, the realization of the Potsdamer Platz building project and the marketing of the office space and residential units are among the main tasks of dIM. In addition to real estate within the group, however, outside real estate is also being developed for marketability. For instance, dIM has assumed responsibility for the commercial management of the project "Am Spittelmarkt" in central Berlin, in the scope of a joint venture. The project is scheduled for completion in 1997.

Sogeti Activity Reorganized

In 1995 debis reexamined its investment commitment in Sogeti and, together with the other principal stockholders, arranged for changes in the investment structure. After the merger of the former holding companies Sogeti S.A. and SKIP with their operative subsidiaries Cap Gemini Sogeti S.A. (CGS) and Gemini Consulting, debis has a direct investment in the new company directly active in the market, as of 1996. debis will hold less than a 25% interest in this new listed company. A capital increase in the amount of FRF 2.1 billion, which will occur in this connection, and in which debis will participate by changing a portion of its convertible bonds, will provide a base for expanding existing business and permit investments in new projects. The cooperation with debis Systemhaus will be intensified further.

Outlook

We expect the world economy to continue its upward trend in 1996, although from today's vantage point it would appear that the growth rates could continue to level off. We are nevertheless confident of our ability to continue the positive trend of the past few years.

In addition to further expanding sales, we expect to be able to improve our net income situation considerably.

In the Information Technology Division, our range of far-reaching problem solutions is expected to contribute to the positive earnings trend. The Financial Services Division, in addition to securing its competitive position in the existing markets, will concentrate on the development of new growth markets in the course of its internationalization and vigorously strive to expand its range of services. The other debis divisions will also increasingly utilize and develop their international resources and improve their position in promising markets, sometimes in cooperation with local partners.

Further we are testing new developing markets such as multimedia and telematics. Business opportunities exist in the multimedia sector, especially in digital television services and online services.

Central Corporate Functions

Research and Technology

At Daimler-Benz we strengthened our international activities in 1995 to better target research to individual market needs. Also, in light of more intense competition, we made use of comprehensive measures designed to increase productivity. Significant projects in the automotive sector included the Vario Research Car, driver assistance systems and a new ergonomic test rig for vehicle development. Our extensive research activities also extended to the development of innovative rail and transportation systems, information technology and multimedia.

Internationalization of Research

Fast and efficient response to future customer needs worldwide means conducting research where our markets are. We have therefore intensified cooperation with leading universities all over the world and we are beginning to implement more projects for our foreign companies. The joint Research Laboratory on Packaging (founded with the Shanghai Institute of Metallurgy) and the Research & Technology Center in California, both established in 1994, are now in operation. The newly opened Freightliner Vehicle System Technology Center in Portland represents an important addition to our American research facilities, intended to ensure the effective transfer of research results to Freightliner and our other subsidiaries in the Western Hemisphere.

A Daimler-Benz research institute is scheduled to open in India in 1996. This additional Asian facility will give the Daimler-Benz group direct access to the region's growing expertise in multimedia, pattern recognition, software development and manufacturing solutions. Beyond utilizing cost-effective research options, we are focusing on accessing new markets and cooperating with our subsidiaries in Asia.

Research and Development Department Restructured

We have initiated a number of measures to make our research activities internationally competitive, and we plan to increase productivity in Research and Development by 30 percent within only three years. Research will be reorganized as a group business unit according to a financing system aimed at even greater competitiveness and concentrating on the corporate responsibility of each division for securing its future.

Daimler-Benz Research Prize

The 1995 Daimler-Benz Research Prize was awarded to Walter Bogner, Dr. Karl-Ernst Haak, Dr. Bernd Krutzsch, Gunter Wenninger and Dr. Friedrich Wirbeleit for their outstanding research on a new process that reduces nitrogen oxide formation in internal combustion engines. Nitrogen oxide is retained in an adsorber attached to the exhaust, fed into the intake and reduced in the engine. The new process looks especially promising for diesel engines, where nitrogen oxide emissions cannot be reduced by standard three-way catalytic converters.

Four Cars in One: The Vario Research Car

Our customers' changing needs make it increasingly important to make personal mobility not only more attractive, but more varied. Daimler-Benz research has set new standards in this area with the Vario Research Car. The car is built in such a way that it can be transformed from a cabriolet to a limousine, pick-up or station wagon in a few easy steps. The Vario Research Car combines four different car types in one, offering motorists new alternatives for individual, adaptable use. Public response to the new concept at a number of presentations has been extremely positive.

The idea also includes a flexible marketing concept that provides drivers with the possibility of renting the various car types at special service stations according to given seasons and personal needs.

The research vehicle serves as a laboratory on wheels for the development and testing of future-oriented vehicle systems, from innovative steering systems, lightweight construction and adaptable chassis to innovative operating and monitoring systems.

The new ergonomic test rig provides vehicle developers with important information about customer needs.

New Ergonomic Test Rig Developed

Ergonomic and customer-oriented interiors also play an important part in designing new cars. Daimler-Benz's new ergonomic test rig, unique around the world for its complexity and its link to CAD systems, has adjustable and interchangeable seats, a steering wheel, pedals, operating parts and instruments. From subcompact to limousine, sports car to off-road vehicle, the new test rig can be used for virtually every type of vehicle. Various automobile interiors can now be evaluated by test persons and optimized by development teams in the early prototype stage, saving both time and money.

Greater Safety and Convenience with Driver Assistance Systems

The Prometheus research project - Program for European Traffic with Highest Efficiency and Unprecedented Safety - was completed in 1994. It has demonstrated the potential of combining video-based recording of surrounding conditions and subsequent image processing by powerful parallel computers for use in motor vehicles. In-house research projects have since taken the development of these driver assistance systems several steps further.

The 1995 Research Prize concentrated on new adsorb materials, which like conventional 3-way catalytic converters are saturated with exhaust fumes.

The optical lane tracking system installed in our Oscar test vehicle contributes substantially to improved riding comfort. The system, which is as easy to use as cruise control, has proven its capabilities in more than 5,000 km of testing.

The Otto test truck was equipped with an "electronic shaft" that measures and controls the distance and lateral positioning with respect to the car in front. Using this device, a truck can follow another vehicle exactly and safely at a distance of less than ten meters.

With the knowledge gained in these tests, we are making an important contribution to the new joint European Promote Chauffeur project. Together with Freightliner, we have also dealt with commercial vehicle aspects of the Automated Highway System, a project aimed at creating fully automated highway traffic.

Micromechanical Sensors for Motor Vehicle Applications

The motor vehicles of the future will increasingly use microsystems technology. We are already hard at work in our research labs on expanding the scientific bases for improving existing and developing new sensor systems.

One of our primary research objectives is to develop a microchip that integrates the acceleration and speed sensors for driving dynamics control and airbag systems. In addition, new sensor systems are planned for use in motor vehicles and the aviation and aerospace industries. To translate the results of our research directly into new sensors, thereby cutting the time required for development and product placement, we will convert an existing microsensor process line in Ottobrunn to a production line in 1996. Under the project coordination of TEMIC at the same location, micromechanical acceleration sensors for airbag applications are to be produced starting in 1997.

Innovative Train Chassis

The train chassis of the future are being developed in a research project carried out in close cooperation with Deutsche Bahn AG. Daimler-Benz intends to use this project to meet the increasingly demanding worldwide requirements, especially for high-speed trains, and to lay the foundation for long-term success in the global rail car market. At the same time, progress made in the field will be applied to InterCity and rapid regional transit.

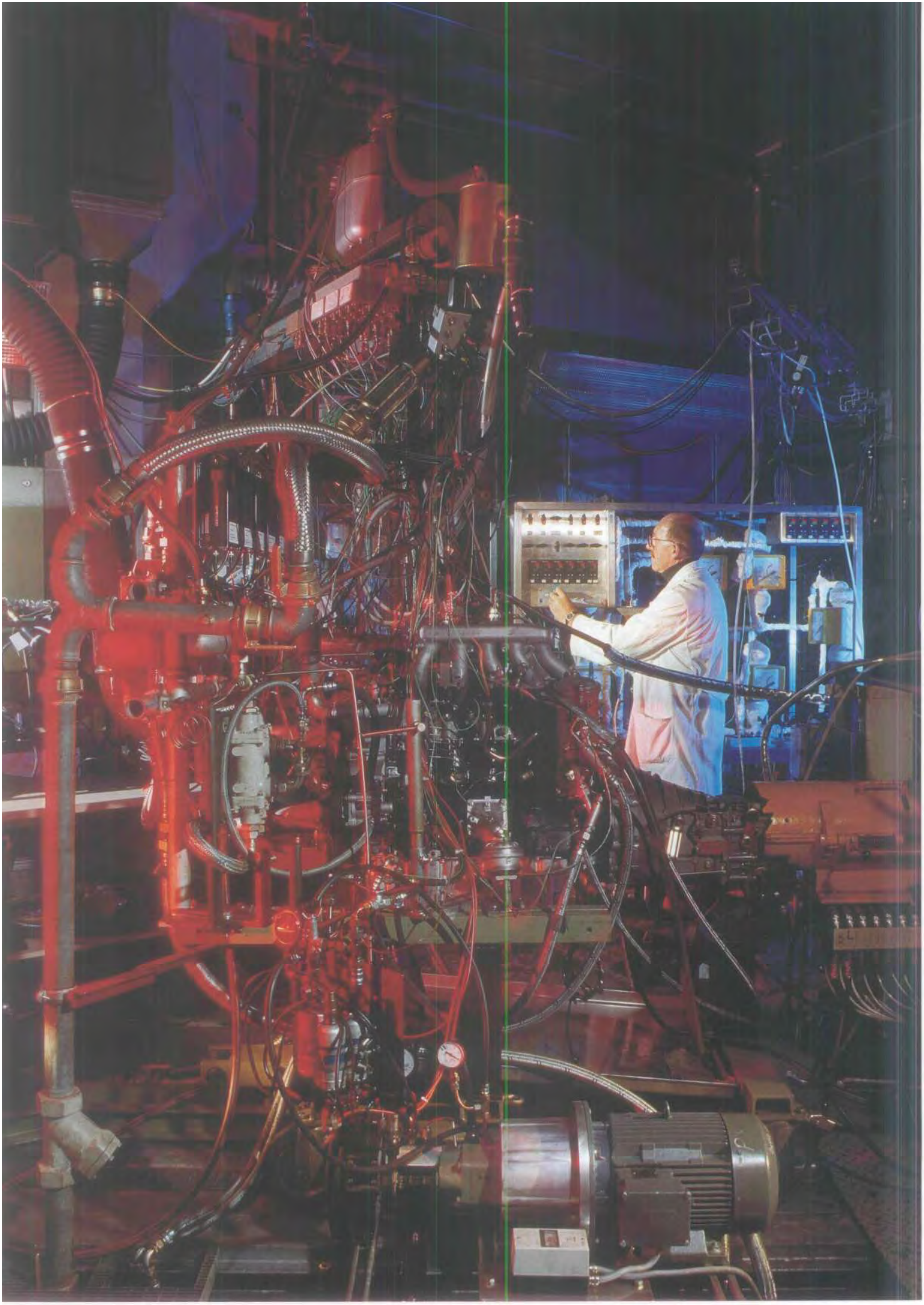
As part of the project, we will design, build and test an advanced generation of engines, locomotives and rolling stock. It is our goal to develop innovative components such as new direct drive systems, high performance brakes, coordination control units for shared drive systems and active servo components to improve riding comfort. Finally, we also plan to devise new system concepts.

New Concepts in Transport Technology

Too often, transportation and distribution orders cannot be filled with adequate speed and flexibility. This problem can be solved by using individual autonomous transport vehicles that are supplied contact-free with information and energy.

We have developed such a contact-free information and energy transfer system at Daimler-Benz Research. The number of transport vehicles used can be varied widely and their speed can be controlled individually to create an interconnected conveyor system for complex

Awarded the 1995 Research Prize: In our engine test rigs researchers developed a new process for the selective reduction of nitrogen oxide in internal combustion engine exhaust. This process looks especially promising for diesel engine applications.



integrated facilities. The new system, which is extremely cost-effective and environmentally friendly, will be used to transport goods for the first time in 1996 in the cargo center of a major European airport.

Innovative Projects to Improve Information Technology

New and efficient information processing methods and tools play a key role in our future business success, both as aids for our engineers in their complex tasks and as components for improving the way our products function.

The Research and Technology Division has therefore initiated a number of projects to improve information processing in conjunction with the Daimler-Benz corporate units. Among other things, these projects involve using computers to integrate individual product steps from design, development and construction to manufacturing and documentation as well as devising new programming methods aimed at simplifying program development. Moreover, we are attempting to identify previously unrecognized connections between data in the group data bases and provide the marketing department with suggestions for target-group-oriented products and services.

Tests on test rigs are part of our research activities in innovative high-speed rail track systems.

Multimedia and Virtual Reality

As part of multimedia sales support for Mercedes-Benz we improved our customer interaction system for the 1995 International Auto Show for use on the World Wide Web (WWW). Using text, photos and videos, customers can choose the model, color and options of their ideal car on a PC screen. The system recognizes combinations that are not available and suggests alternatives.

In addition, our researchers have developed concepts and EDP facilities to intensify customer contact. In the future, more customers will be able to submit their ideas, desires and suggestions directly to Mercedes-Benz via online media.

In the virtual reality arena, Daimler-Benz has developed a process in which photos can be used to simulate the virtual geometric shape and surface appearance of real objects. In one application, we use this technology in a project to optimize the design of control panels with the help of virtual models, thus eliminating the need for real models.

To study how customers react to the interior size, colors, or shape of our vehicles, we have created a system depicting car interiors. Our goal is to provide design information in the early development stage.

Future-Oriented Labs

The Society and Technology research group has set up so-called future labs to develop strategic recommendations or product evaluations for interdisciplinary issues. For example, project groups deal with future customer requirements for our products and the optimization of processes to efficiently manage future tasks. Our Berlin team is in charge of methodology, applying technology and lifestyle research from the social sciences. About twelve future-oriented lab sessions were conducted in 1995.

Strategies for Production Technology

High-quality, cost-efficient production that respects the environment and resources is one of industry's primary tasks in securing competitiveness.

At Daimler-Benz, the production technology steering committee is responsible for this goal. Its tasks consist of ensuring the efficient use of resources in production technology, developing key technologies and integrating them into complex systems while avoiding unnecessary duplication.

With respect to increasing globalization and the associated local competition, we have assumed leadership of a working group with members from thirteen German companies. The working group's common task is to develop a domestic inter-company research strategy for production technology. Basic elements include intensified cooperation and coordination in the industry and a greater integration of state research facilities. The selected research areas extend to various industries have a high innovation potential and produce results that can be implemented in relatively short periods of time.

Environmental Protection

In 1995, the Daimler-Benz Group made important progress in the area of environmental protection. Here too, the introduction of the new E-Class represented a special milestone. We were also able to demonstrate our commitment to the environment with various environmental projects and with the data compiled from the newly-developed group environmental information system. In 1995 our investments in the environment increased to DM 211 million, while general expenditures amounted to DM 870 million. In addition, over DM 1 billion was spent on research and development projects serving environmental protection.

Environmental Quality Goals

Increasingly, political and environmentalist groups are demanding quantitative product information with respect to environmental compatibility. We regard the environmental balance sheet method, that is a comprehensive product evaluation, as the basis for such information.

The information typically required for packaging and products, for example, entails accounting for energy and material flows during a product's entire life cycle. It may also entail parameters for the biological or climatic impact of individual materials and groups of materials. Beyond the difficulties associated with establishing scientifically-based impact categories, there is also the problem of how to evaluate them in relation to one another. In this respect, long-term environmental quality goals must be defined politically and socially as reference points for comparative environmental balance sheets.

In this regard, Daimler-Benz participated in the creation of relevant political discussion groups. Such groups are becoming increasingly important because the environmental taxes under consideration must be based on environmental quality goals.

Environmental Accounting

With the help of an environmental balance sheet, we plan, for the first time, to identify the ecological weak points in product life cycles and processes. Moreover, alternative processes and materials can be compared as to their ecological impact to promote more environmentally compatible products and processes, and to take preventive environmental protection measures.

In order to ensure the maximum efficiency of environmental accounting, Daimler-Benz Research developed the CUMPAN environmental accounting program. Using its modular software design, we can divide complex processes into sub-processes, which in turn can be reintegrated into various large-scale processes. Elaborate reports are then automatically generated from the input and output data.

We already use environmental balance sheets specifically designed for various optimizations and analyses of weak points, for example, in examining alternative materials or new vehicle concepts (city bus, van). At this time, however, we are unable to generate a final environmental report due to the considerable amount of research still required into the pollutant impact balance sheet. In addition, at the political level, specific environmental quality goals have yet to be set or prioritized.

External marketing of CUMPAN software developed in the course of our research is now being conducted by the corporate unit debis.

Design for Environment

As product characteristics are almost entirely established during development, it is crucial to integrate environmental concerns into existing production and development processes.

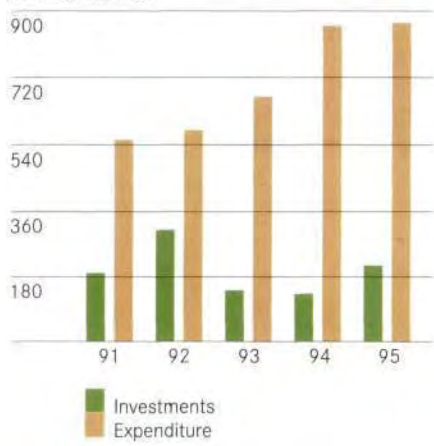
These considerations prompted us to conclude the Design for Environment (DFE) feasibility study in 1995. We undertook the study to compare the information currently available to car designers with the extent of information ideally required.

Using this as a starting point, a number of projects were defined to be implemented in the intergroup pilot project DFE. Specific development projects combine expert knowledge on environmentally safe materials, environmentally correct production processes, disassembly techniques and recycling processes with related information such as the current cost of raw materials, disposal costs and legal requirements.

Electronic Scrap Recycling

Printed board assemblies create special problems for the environmentally sound disposal of electronic scrap. In this instance, the reusable materials and contaminants are hard to separate.

Environmental Protection Investments and Expenditure
In Millions of DM



A special problem solved with the help of a pilot station: The environmentally sound separation and treatment of printed board scrap.

When incinerated they create pollutant emissions such as dioxin and furfuran; in household waste dumps they are mixed with less contaminating waste.

The research division of Daimler-Benz has therefore developed a concept to ensure the environmentally sound treatment of printed board scrap. A pilot station built in 1995 has tested a process substantially superior to other methods. It is capable of achieving higher purity of recyclable material and recovered metal concentrates through improved material treatment, reduced emissions during the treatment process, avoidance of dioxin and furfuran build-up and a simpler process technology.

In the year under review, Daimler-Benz researchers were awarded the Environment Prize of the City of Ulm. This award underscores the significance of recent developments in separating plastic compound waste.

Use of Natural Fibers

Beyond ecological advantages such as easy recyclability, neutral CO_2 balance when incinerated, and the conservation of limited raw material resources, the use of renewable raw materials offers technological and economic advantages in many technical applications. In addition, the increased use of natural materials supports agriculture, providing new opportunities for sources of income in areas other than foodstuffs.

At Daimler-Benz we conduct intensive research into reinforcing plastics with natural fibers to replace the fiberglass currently being used. In cooperation with German and foreign research institutions we are studying processes to produce high-strength, inexpensive and qualitatively valuable natural fibers such as flax, ramie and curaua. At the Daimler-Benz Research Institute in Ulm we have had initial success with the EXPRESS process and SRIM technology, which are used to produce a material reinforced with natural fibers. A number of applications have been found for these materials, including car interiors.

We are applying continuing research to develop recyclable plastics created wholly from renewable raw materials and strengthened with natural fibers. This so-called EcoComposite is to be used in passenger cars, commercial vehicles and rail transportation.

Environmental Protection in the Product: The New Mercedes-Benz E-Class

With the E-Class introduced in 1995, Mercedes-Benz set new standards in its commitment to the environment. For instance, despite larger interiors, the average fuel consumption of this class dropped 6%, and was up to 10% less for some engines. Thanks to modifications to the exhaust manifold and the catalytic converter, exhaust emissions have been decreased up to 48% over previous models.

Significant research developments in raw materials were successfully introduced in past years in the new E-Class. By using recyclates and renewable raw materials in high-grade applications, for example in trunk linings or in the noise shields in diesel engines, we actively contribute to closing materials cycles and conserving resources.

The new E-Class introduced in 1995 sets new environmental standards. In addition to reduced exhaust emissions and low fuel consumption, various parts of the vehicle are produced from recyclates or renewable raw materials in order to conserve resources.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Personnel

At the end of 1995, the Daimler-Benz group employed 310,993 persons (1994: 330,551) worldwide, of which 242,086 (1994: 251,254) worked in Germany. While DASA and AEG Daimler-Benz Industrie had to undergo further downsizing, the staff of Mercedes-Benz remained virtually unchanged; debis added personnel. Priority tasks during the year under review included adjusting our personnel policy to changing economic conditions, recruiting junior staff and orienting human resources to the group's ongoing globalization.

Staff Development Supports Globalization

To secure new markets for our products and to successfully set up production in a location, we require highly qualified executives familiar with local conditions. We have therefore increasingly regionalized our international staff development. In 1995, the Asian growth markets were prominent in this effort. We devoted special attention to recruiting international junior staff.

Employees by Division
(at Year-End)

	95 in %	94 in %
Mercedes-Benz	63.4	59.8
AEG DBI	15.9	13.5
DASA	16.3	22.9
debis	3.3	2.8
Daimler-Benz AG	1.1	1.0

Our international junior staff group plays a key role in this process, which offers university and technical institute graduates the possibility of qualifying for careers in the group through internationally oriented training with project participation in Germany and abroad.

In the future, filling the first and second levels of management will be limited to individuals capable of multicultural management. Moreover, we intend to use substantially more foreign executives, especially in our German headquarters.

Also, as in previous years, the international alignment of our executive training programs helped us prepare our staff in Germany for the challenges of dealing with foreign markets.

Employment Situation Still Tight

In order to maintain our international competitive position, we were compelled to continue personnel cutbacks in various group divisions during the year under review.

At the end of 1995, 310,993 persons (1994: 330,551) were employed in the Daimler-Benz group, of which 242,086 (1994: 251,254) were in Germany.

Social hardships resulting from personnel cutbacks, which particularly impacted AEG Daimler-Benz Industrie and DASA, were kept to a minimum. Only a few layoffs were required for operational reasons, and these were unavoidable.

Due to the positive sales picture at Mercedes-Benz, layoffs stopped during the year under review, in spite of measures aimed at increasing productivity. New staff was hired in some areas, under both fixed-term and long-term work agreements. At the end of 1995, 197,164 persons (1994: 197,568) were employed at Mercedes-Benz. Changes were largely related to the acquisition of Karl Kassbohrer GmbH, the spin-off of the former Bad Homburg plant and its reorganization as EuroVal GmbH, the sale of the Sofunge foundry in Brazil and the transmission production facility in Argentina.

At the end of the reporting year, 49,432 persons were employed by AEG Daimler-Benz Industrie. A number of structural measures were taken to enhance competitiveness.

Continuing weak demand in aviation resulted in further staff cutbacks. Whenever possible, adjustments of capacities to changing market conditions were made by not filling previously occupied positions, early retirement measures, severance agreements and shortened working hours. In the instances where these steps did not suffice, operational layoffs were announced. As part of the competition initiative passed by the Board of Management of DASA and Daimler-Benz AG, extensive measures were announced to restore and secure the competitiveness and earning power of DASA even with a continued low dollar exchange rate. To achieve this, further layoffs and the sale of individual businesses are unavoidable. DASA companies employed 50,784 persons at the end of the year under review.

As part of the Daimler-Benz Forum in October 1995 in Haus Lämmerbuckel, employees from all corporate units were given a better idea of the current situation in Vietnam. The emphasis was on discussions with experts, networking and, last but not least, an incentive for involvement in this South East Asian country.

Daimler-Benz InterServices increased personnel in virtually every division. Growth was particularly strong in Mobile Communications Services and Financial Services. The number of employees grew 11% to 10,196.

We introduced a new organizational structure at Daimler-Benz AG in August 1995. Since then, group headquarters is exclusively involved with group management. This function includes managing the group portfolio, finances, group accounting and controlling, inter-group personnel management and representing the group to the rest of the world. The service functions previously managed by group headquarters have been combined in group service centers that provide the corporate units with their services for a fee. In the future, administration, the restaurant, security and Haus Lämmerbuckel will be run as site services. Daimler-Benz Research will be operated as a largely independent unit.

As part of this restructuring we have made a substantial reduction of the group management staff from over 500 to about 300 employees. This new structure has accelerated the decision-making process within the Daimler-Benz group and increased the group companies' capacity to act on the market.

The only way to meet future demands of international competition is with well-trained junior staff in administration and production.

Junior Staff Development as a Factor for Success

The need to cut the number of jobs at all levels and in all areas in group companies went hand in hand with the training of qualified junior staff. We view this as a strategic task, particularly with regard to future competitive challenges.

Training was also very important in 1995. At the end of the year, there were 11,100 young people in vocational training at our German locations. Internationally, the Daimler-Benz group had 13,800 trainees, apprentices and graduate students.

Personnel and Social Welfare Expenses / Company Pensions

Personnel expenditures amounted to DM 30,1 billion as in the previous year. The increase is primarily due to German collective wage agreements concluded during the year under review.

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.

Compensation System Expanded

We expanded the group compensation system by including second level management in the group-wide system of variable compensation. A portion of the salary is based on qualitative and quantitative goal agreements. The system was instituted for top management in 1993.

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 1995 capital formation drive. A total of 69,300 group employees 44% of the persons eligible to participate each purchased an employee share of Daimler-Benz AG at a preferential rate of DM 374. Some 200,000 persons now own employee shares.

Collective Bargaining Agreements in 1995

As per the collective bargaining agreements concluded in 1995 after lengthy negotiations in Western Germany, collectively bargained labor costs increased 4% during the year under review, and will increase by an additional 3% in 1996. Introduction of the 35-hour week on October 1, 1995 entailed an additional nominal expense of 2.9%. In total, the collectively bargained wages and salaries for both years added some DM 1.3 billion in additional costs for the entire group.

In Eastern Germany previous agreements provided that the collective bargained wages and salaries were raised to 94% of the level of Western Germany on July 1, 1995.

Thanks to Our Employees

We extend our thanks to our employees, and especially to the members of the labor councils and management committees at all levels of the group, for their tremendous commitment and efforts.

The negative consolidated net income in the amount of DM 5.7 billion is characterized by high non-recurring expenses in connection with the streamlining of the group portfolio, and above all the separation of loss-ridden units. This also applies to the net income determined on the basis of U.S. accounting principles (U.S. GAAP) showing a net loss of DM 5.7 billion. Operating profit, which deteriorated from DM +2.7 billion in 1994 to DM -1.1 billion in 1995, was also beset with exceptional negative factors. At the same time, it is important to consider that operating profit was positive again in the second half of the year.

Statement of Income Characterized by High Non-Recurring Expenses

The consolidated financial statements prepared in accordance with the German Commercial Code were significantly burdened by non-recurring expenses in 1995. This was a consequence of the systematic analysis and examination of all the divisions conducted by Daimler-Benz in the second six months. It became clear that certain units at AEG Daimler-Benz Industrie and of DASA would not only fail to meet the group return targets in the foreseeable future, but would continue to burden net income. In view of the targeted increase of the company's earning power, it was therefore inevitable that the business portfolio should be streamlined and that loss-making divisions should be eliminated. At the same time, far-reaching actions would have to be taken. Cleaning up the portfolio alone resulted in an extraordinary expense amounting to DM 1.6 billion in the case of AEG DBI and DM 2.3 billion at DASA. These were burdens that because of our latest decisions had to be included in the balance sheet for the 1995 financial statements. An additional DM 1.2 billion was incurred for restructuring costs (1994: DM 1.1 billion). The steps taken at DASA in this connection should make it possible for DASA to be competitive, even at an exchange rate of DM 1.35 per dollar. The non-recurring expenses that must be carried in these financial statements in the interest of the healthy development of the company add up to a total of DM 5.1 billion.

At DM 103.5 billion, group revenues were down slightly in 1995 compared to the amount for the previous year of DM 104.1 billion. However, if the 1994 amount is adjusted to reflect the changes in the consolidation group, the 1995 amount is 1% higher. The appreciation of the German mark relative to other currencies prevented a strong growth in revenues.

After subtracting the cost of sales, which rose disproportionately due to the preparations for numerous product launches at Mercedes-Benz as well as currency-related reductions in revenues (increase from 87% to 89% of revenues), gross profit dropped by 16% relative to 1994 to DM 11.5 billion.

Selling expenses fell by DM 0.3 billion to DM 10.8 billion; as a percentage of revenues, they dropped from 11% to 10%. The absolute level of administrative expenses increased by DM 0.2 billion to DM 3.5 billion; in relation to revenues, they were unchanged at 3%.

Of the basic types of expenses contained in selling and general administrative expenses, personnel expenses were nearly unchanged at DM 30.1 billion. The lower expenses resulting from continued workforce reductions were offset by higher expenses resulting from collective bargaining agreements. In contrast, primarily as a result of the continued increase of production at Mercedes-Benz, costs of materials rose by DM 5.3 to DM 61.6 billion.

The financial results in 1995 showed a vigorous increase by DM 1.0 billion to DM 1.2 billion. Of critical importance here was the fact that provisions for losses on financial assets and short-term securities, at DM 0.3 billion, were distinctly lower than in 1994 (DM 0.6 billion). In addition, after taking on banking partners, a substantial share of the domestic leasing business is carried at equity and is thus reflected in the financial results. Moreover, higher interest and investment income was recorded in 1995.

The results from ordinary business activities clearly deteriorated from DM 2.1 billion to DM-0.8 billion. The reconciliation of operating profit to the results from ordinary business activities is shown on page 48.

However, neither this parameter nor the operating profit/loss and to an even lesser degree the change in net income accurately reflect the trend of the operating results in the course of 1995. Special factors influenced both 1994 net income and - to an even greater extent - that of 1995. Above all the net loss in the amount of DM 5.7 billion (1994: DM +0.9 billion) is characterized by non-recurring expenses in connection with the withdrawal from loss-making divisions, which is shown as an extraordinary loss (DM -3.9 billion). But special factors are also reflected in the operating result for both years, which declined from DM +2.7 billion to DM -1.1 billion. Thus the 1994 amount contained non-recurring earnings of DM 1.4 billion, which increased income, while at the same time it contained restructuring costs amounting to DM 1.1 billion. Restructuring costs totaling DM 1.2 billion had to be accepted again in 1995. In addition, German accounting regulations necessitated dollar exchange rate-dependent valuation expenses of DM 0.8 billion (provisions for risks in the orderbook) for the loss-free valuation of unfilled orders, particularly in the Aircraft Division of DASA.

After making an adjustment for these expenses, which cannot be directly allocated to operations, the resulting deterioration relative to 1994 is primarily attributable to the direct influence of the upward valuation of the German mark relative to other important currencies.

Operating Profit

in millions of DM	1995	1994
Mercedes-Benz	**2,296**	2,245
AEG DBI	**(502)**	(111)
DASA	**(2,698)**	(465)
debis	**245**	375
Eliminations	**(437)**	664
Daimler-Benz group	**(1,096)**	2,708

Decisive factors for the higher contribution of Mercedes-Benz included the generally favorable sales trend and cost-cutting measures, although both were offset by the upward valuation of the German mark. The profit contribution of AEG DBI continued to be negative, while the more favorable contribution in 1994 was influenced by book profits totaling DM 0.4 billion from the sale of the AEG Domestic Appliances Division as well as the power meters and lighting systems units. At DM -2.7 billion, the contribution of Mercedes-Benz Aerospace was clearly worse than in 1994. On the one hand, this can be attributed to the drop of the dollar as well as the difficult competitive situation on the market for commercial aircraft and its effects on DASA's profitability, but it is also a result of restructuring expenses and provisions for anticipated losses totaling DM 1.7 billion. Daimler-Benz InterServices (debis) again made a positive contribution. The decline in relation to 1994 is primarily attributable to the changes in the domestic leasing business. The main contributor to the debis operating profit was again the Financial Services Division. Significant improvements were seen in the Systemhaus and Mobile Communications Services divisions.

Although the U.S. net income is in the same order of magnitude as the net loss according to the German Commercial Code, there are significant differences in the composition of the respective values (see reconciliation chart on page 49). In the reconciliation, extraordinary depreciation on property, plant and equipment and amortization of goodwill had a negative effect on income. This was offset by income from deferred taxes, primarily based on increased tax losses carried forward in the group. In addition, under U.S. GAAP, unrealized profits from the valuation of securities and financial instruments at market prices must also be considered.

Balance Sheet Strongly Influenced by Financial Services Business

The balance sheet of the Daimler-Benz group continues to be strongly influenced by the continued brisk expansion of our leasing and sales financing business.

Our leasing and sales financing contracts represent a total volume of future payments amounting to DM 21,687 million distributed over the coming years as follows:

1996	1997	1998	1999	2000	2001 thereafter
in millions of DM					
9,385	5,648	3,820	1,884	701	249

Consolidated Balance Sheet Influenced by Restructuring

The decline of the group's total assets by DM 2.0 billion to DM 91.5 billion is primarily the result of the deconsolidation of Fokker. A neutralizing effect was provided by the expansion of the leasing and sales financing business. However, the trend of the individual balance sheet items is distorted by the fact that the non-current and current assets and the liabilities and provisions of the divisions of AEG Daimler-Benz Industrie destined for sale (Energy Systems Technology, Automation excluding Postal Automation, Opto- and Vacuum Electronics) were reallocated to "Other assets" and "Other liabilities." In addition, the balance sheet no longer contains the assets and liabilities of the companies of the Rail Systems Division that were included in the joint venture formed with ABB, ABB Daimler-Benz Transportation (Adtranz). This joint venture, formed at the beginning of 1996, is included in the present consolidated financial statements at equity. Pro-rata consolidation is planned starting in 1996.

As a result of the deconsolidations and reclassifications, current assets have fallen by 12% to DM 31.8 billion. Without the influence of the financial services business, current assets were reduced by DM 3.7 billion to DM 21.2 billion. The balance sheet figures are lower for both property, plant and equipment (from DM 17.7 billion to DM 15.9 billion) as well as financial assets, which fell from DM 7.4 billion to DM 4.6 billion. These amounts were affected by the reallocation of investment securities to current assets, the restructuring of the domestic leasing business as well as the offsetting of the Sogeti goodwill.

The book value of leased equipment increased by DM 0.3 billion to DM 10.5 billion.

Receivables from the sales financing business increased again, by 15% to DM 11.7 billion.

The decrease in net inventories by DM 2.4 billion to DM 19.4 billion is primarily due to the deconsolidation of Fokker as well as the disposal of the inventories of the AEG rail systems companies brought into Adtranz. Higher inventories of finished products at Mercedes-Benz had an offsetting effect. Due to the even greater decline in advance payments received - by DM 3.1 billion to DM 3.7 billion - net inventories are up from DM 15.0 to DM 15.8 billion. The restructurings and deconsolidations were felt here also.

Liquid assets also declined to DM 11.1 billion (1994: DM 14.0 billion); their share of total assets fell from 15.0% to 12.1%.

On the liabilities side, stockholders' equity decreased by DM 6.4 billion to DM 13.8 billion. The high net loss, the offsetting of goodwill and currency effects had a negative impact. This was offset, on the other hand, by the deconsolidation of Fokker. With the departure of Fokker, we have retained the offsetting of goodwill not affecting net income, which was recorded at the initial consolidation of Fokker in 1993 at DM 0.8 billion. If the offsetting had affected net income, the group loss would have been correspondingly higher. On the whole, stockholders' equity as a percentage of total assets fell from 21.1% to 15.1%. Without the financial services business, which due to business considerations was predominantly externally financed, stockholders' equity as a percentage of total assets is 20.4% (1994: 27.6%). The percentage of non-current assets

ASSETS - in millions of DM -	**1995**	1994
Consolidated balance sheet total without financial services business	**67,885**	71,293
From the financial services business:		
Leased equipment	**10,541**	10,209
Other non-current assets	**66**	1,129
Receivables	**12,882**	10,738
Deferred taxes	**166**	167
Total assets from the financial services business	**23,655**	22,243
Consolidated balance sheet total	**91,540**	93,536

LIABILITIES - in millions of DM -	**1995**	1994
Consolidated balance sheet total without financial services business	**67,885**	71,293
From the financial services business:		
Change in stockholders' equity	**(18)**	1
Liabilities from leasing and sales financing	**15,933**	14,543
Amortization of liabilities	**7,403**	7,372
Deferral of leasing installments and special rents	**337**	327
Total liabilities from the financial services business	**23,655**	22,243
Consolidated balance sheet total	**91,540**	93,536

(without the influence of the financial services business) covered by stockholders' equity decreased from 79.1% to 65.5%.

As in the previous years, liabilities from leasing and sales financing continued to rise, reaching DM 15.9 billion (1994: DM 14.5 billion). Provisions rose from DM 35.6 billion to DM 36.4 billion. Pension accruals stayed at the 1994 level of DM 13.1 billion; the reclassifications at AEG Daimler-Benz Industrie offset the increase due to normal additions. Other provisions increased by DM 0.8 billion to DM 23.3 billion due to the restructuring provisions and provisions for anticipated losses set up in earlier years.

Both the non-current assets (without the influence of the financial services business) and the net inventories (reduced by advance payments) continue to be covered by stockholders' equity and long and medium-term provisions.

On page 46 we have provided the segment report based on German accounting in the same form contained in Form 20-F, which we file with the SEC each year.

Segment Report

a) Data by Segments:

1995 - in millions of DM -	MB	AEG DBI	DASA	debis	Other	Eliminations	Consolidated
Revenues to unaffiliated customers	68,750	9,873	14,942	9,984	–	–	103,549
Intersegment sales	3,280	439	95	1,800	–	(5,614)	–
Total revenues	72,030	10,312	15,037	11,784	–	(5,614)	103,549
Operating profit (loss)	2,296	(502)	(2,698)	245	–	437	(1,096)
Identifiable assets	32,227	8,925	11,225	25,302	13,861	–	91,540
Depreciation and amortization	2,986	642	1,681	2,113	101	–	7,523
Capital expenditures[4]	3,339	568	592	231	52	–	4,782

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

b) Data by Geographic Areas:

1995 - in millions of DM -	Germany	Other European countries	North America	Latin America	Asia	Other Countries	Eliminations	Consolidated
Revenues (by destination)	38,115	28,360	19,491	5,028	8,727	3,828	–	103,549
Revenues (by operation):								
To unaffiliated customers	56,312	19,274	17,670	4,169	3,529	2,595	–	103,549
Transfers between geographic areas	29,420	2,993	1,098	631	350	144	(34,636)	–
Total revenues	85,732	22,267	18,768	4,800	3,879	2,739	(34,636)	103,549
Export sales from Germany	–	9,599	1,925	450	5,095	1,056	–	18,125
Net income (loss)	(4,669)	(1,323)	372	(164)	(33)	83	–	(5,734)
Identifiable assets	54,236	12,575	16,881	3,325	3,394	1,129	–	91,540

1994 - in millions of DM -	Germany	Other European countries	North America	Latin America	Asia	Other Countries	Eliminations	Consolidated
Revenues (by destination)	39,015	26,225	19,609	6,021	9,728	3,477	–	104,075
Revenues (by operation):								
To unaffiliated customers	57,823	17,579	17,695	5,069	3,639	2,270	–	104,075
Transfers between geographic areas	26,653	1,730	1,050	1,070	125	68	(30,696)	–
Total revenues	84,476	19,309	18,745	6,139	3,764	2,338	(30,696)	104,075
Export sales from Germany	–	9,699	1,613	573	5,873	1,241	–	18,999
Net income (loss)	206	(189)	588	167	55	68	–	895
Identifiable assets	54,280	14,827	16,570	3,374	3,558	927	–	93,536

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.

Consolidated Statements of Cash Flows of the Daimler-Benz Group

- in millions of DM -	1995	1994
Net income (loss)	**(5,734)**	895
Disposals of subsidiaries	–	(378)
Deconsolidation of MBL Fahrzeug-Leasing GmbH & Co. KG	–	(652)
Sale of intangible assets	–	(366)
Extraordinary results	**3,884**	–
Depreciation and amortization of non-current assets (including amounts related to leased equipment of DM 1,958 million in 1995 and DM 2,275 million in 1994)	**7,431**	7,676
Increase in provisions, net	**1,348**	221
Gain on disposal of non-current assets	**46**	(384)
Change in assets and liabilities		
Inventories, net (less advance payments received)	**(1,627)**	1,351
Receivables	**(2,485)**	1,461
Accounts payable and other operating liabilities	**1,494**	1,560
Other	**100**	(102)
Cash provided by operating activities	**4,457**	11,282
Purchase of non-current assets	**(5,541)**	(5,323)
Increase in leased equipment	**(6,338)**	(5,062)
Proceeds from disposal of non-current assets (including net change in leased equipment of DM 2,392 million in 1995 and DM 1,978 million DM in 1994)	**3,499**	3,095
Payments for acquisition of investments in related parties	**(2,260)**	(1,491)
Proceeds from disposals of investments in related parties	**1,694**	1,382
Net change in short-term investments	**(174)**	(1,957)
Increase in leasing and sales financing receivables, net	**(2,081)**	(1,836)
Cash provided by / used for change in companies in consolidation	**(162)**	127
Other	**322**	474
Cash used for investing activities	**(11,041)**	(10,591)
Change in commercial paper borrowings, net	**1,624**	1,172
Additions to financial liabilities (including amounts for leasing and sales financing, net of DM 1,390 million DM in 1995 and DM 883 million DM in 1994)	**2,462**	965
Repayment of financial liabilities	**(1,687)**	(1,442)
Dividends paid	**(580)**	(486)
Proceeds from capital increase	**97**	3,174
Cash provided by financing activities	**1,916**	3,383
Effect of foreign exchange rate changes on cash	**(143)**	(113)
Net increase (decrease) in cash	**(4,811)**	3,961
Cash at beginning of year	**6,915**	2,954
Cash at year-end	**2,104**	6,915
Securities	**8,466**	6,469
Other liquid assets	**519**	633
Total liquid assets	**11,089**	14,017

Decline in Cash Flow from Operating Activities

Cash flow from operating activities declined in 1995 by DM 6.8 billion, to DM 4.5 billion. The primary cause was the difference in working capital, corrected for changes in the consolidated group, effects of exchange rates, and the extraordinary results; this factor alone affected the comparative figures for the two years by DM -7.0 million. While it had been possible in the previous year to reduce the capital tied up in inventories and receivables, the tie-up of capital rose substantially in 1995, above all as a result of the build-up of inventory at Mercedes-Benz and higher accounts receivable. The cash flow from investment activities rose to DM 11.0 billion (1994: 10.6 billion). Higher net expenditures for leasing and sales financing activities (1995: DM 6.0 billion, 1994: DM4.9 billion) and for investments in related companies (DM 0.8 billion) contrasted with a reduction of DM 1.8 billion in outlays for short-term financial investments. The main element in the cash flow from financial activities in 1995 was outside financing totaling DM 2.4 billion (1994: DM 0.7 billion); the 1994 figure had been affected by the inflow of funds from the Daimler-Benz AG capital increase (DM 3.0 billion). The decline in the various cash flow figures leads to a reduction of DM 4.8 billion in cash and a decline of DM 2.9 billion in liquidity.

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 (see page 49) 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 80.

Reconciliation of Operating Profit to Results from Ordinary Business Activities:

- in millions of DM -		**1995**		1994
Operating (loss) profit		**(1,096)**		2,708
Income from affiliated, associated and related companies [1]	**252**		7	
Interest income, net [2]	**488**		220	
Write-downs of financial assets and of securities	**(294)**		(552)	
Other financial results	**199**		34	
Financial results		**645**		(291)
Corporate overhead and other items not allocable to segments		**13**		83
Corporate research of Daimler-Benz AG		**(397)**		(423)
Results from ordinary business activities		**(835)**		2,077

1) Excluding earnings from Airbus Industrie of DM 331 million (1994: DM 203 million) and write-downs of investments of DM 251 million (1994: DM 233 million).
2) Excluding DM 205 million (1994: DM 314 million) of interest earned on advance payments by suppliers.

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

- in millions of DM -	1995	1994
Consolidated net (loss) income in accordance with German HGB (Commercial Code)	**(5,734)**	895
+/- Changes in appropriated retained earnings:		
provisions, reserves and valuation differences	**(640)**	409
	(6,374)	1,304
Additional adjustments		
+/- Long-term contracts	**(9)**	53
Goodwill and business acquisitions	**(2,241)**	(350)
Deconsolidation of MBL Fahrzeug-Leasing GmbH & Co. KG	**369**	(652)
Pensions and other postretirement benefits	**(219)**	(432)
Foreign currency translation	**52**	(22)
Financial instruments	**49**	633
Securities	**238**	(388)
Other valuation differences	**(215)**	232
Deferred taxes	**2,621**	496
Consolidated net (loss) income in accordance with U.S. GAAP before cumulative effect of a change in accounting principle	**(5,729)**	874
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 (loss) income in accordance with U.S. GAAP	**(5,729)**	1,052
Net (loss) income per share in accordance with U.S. GAAP	**DM (111.67)**	DM 21.53
Net (loss) income per American Depositary Share[1] in accordance with U.S. GAAP	**DM (11.17)**	DM 2.15

Stockholders' equity in accordance with German HGB	**13,842**	20,251
.+ Appropriated retained earnings:		
provisions, reserves and valuation differences	**5,604**	6,205
	19,446	26,456
Additional adjustments		
+/- Long-term contracts	**253**	262
Goodwill and business acquisitions	**(559)**	1,978
Deconsolidation of MBL Fahrzeug-Leasing GmbH & Co. KG	**(283)**	(652)
Pensions and other postretirement benefits	**(2,469)**	(2,250)
Foreign currency translation	**115**	63
Financial instruments	**1,058**	1,013
Securities	**525**	27
Other valuation differences	**(1,073)**	(336)
Deferred taxes	**5,847**	2,874
Stockholders' equity in accordance with U.S. GAAP	**22,860**	29,435

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

Consolidated Balance Sheet

ASSETS	Note	December 31, 1995 DM in Millions	December 31, 1994 DM in Millions
Non-Current Assets			
Intangible Assets	(1)	**743**	880
Property, Plant and Equipment	(2)	**15,901**	17,727
Financial Assets	(3)	**4,598**	7,423
Leased Equipment	(4)	**10,541**	10,209
		31,783	36,239
Current Assets			
Inventories	(5)	**19,435**	21,764
Advance Payments Received	(6)	**(3,671)**	(6,788)
		15,764	14,976
Financing Receivables	(7)	**11,682**	10,151
Other Receivables	(8)	**15,144**	14,561
Other Assets	(9)	**6,355**	3,965
Securities	(10)	**8,466**	6,469
Cash	(11)	**2,104**	6,915
		59,515	57,037
Prepaid Expenses and Deferred Taxes	(12)	**242**	260
Total Assets		**91,540**	93,536
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity	(13)		
Capital Stock	(14)	**2,568**	2,565
(Authorized but Unissued Capital: DM 300 Million)			
Additional Paid-In Capital	(14)	**4,948**	4,904
Retained Earnings	(15)	**5,449**	12,048
Minority Interest	(16)	**877**	151
Unappropriated Profit of Daimler-Benz AG		**–**	583
		13,842	20,251
Provisions			
Provisions for Pensions and Similar Obligations	(17)	**13,112**	13,150
Other Provisions	(18)	**23,269**	22,446
		36,381	35,596
Liabilities			
Liabilities from Leasing and Sales Financing	(19)	**15,933**	14,543
Accounts Payable Trade	(20)	**7,222**	7,718
Other Liabilities	(21)	**17,618**	14,959
		40,773	37,220
Deferred Income	(22)	**544**	469
Total Stockholders' Equity and Liabilities		**91,540**	93,536

Consolidated Statements of Income

	Note	1995 DM in Mill.	1994 DM in Mill.
Revenues	(23)	**103,549**	104,075
Cost of Sales	(24)	**(92,059)**	(90,337)
Gross Profit		**11,490**	13,738
Selling Expenses	(24)	**(10,814)**	(11,089)
General Administrative Expenses	(24)	**(3,499)**	(3,283)
Other Operating Income	(25)	**3,689**	4,602
Other Operating Expenses	(26)	**(2,882)**	(2,117)
Financial Income, Net	(27)	**1,181**	226
Results from Ordinary Business Activities		**(835)**	2,077
Extraordinary Results	(28)	**(3,884)**	–
Income Taxes	(29)	**(1,015)**	(1,182)
Net Income (Loss)	(30)	**(5,734)**	895
Profit Carried Forward from Previous Year		**19**	18
Withdrawal from / Transfer to Retained Earnings		**5,655**	(489)
Income Applicable to Minority Stockholders		**(183)**	(169)
Loss Applicable to Minority Stockholders		**243**	328
Unappropriated Profit of Daimler-Benz AG		**–**	583

Consolidated Non-Current Assets

DM in Millions	Balance at January 1, 1995[1]	Currency Change	Additions[1]	Reclassi-fications	Disposals	Balance at December 31, 1995
	Acquisition or Manufacturing Costs					
Intangible Assets						
Franchises, Industrial Property Rights and Similar Rights and Values, as well as Licenses to Such Rights and Values	728	(10)	189	8	211	704
Goodwill	920	(25)	320	–	71	1,144
	1,648	**(35)**	**509**	**8**	**282**	**1,848**
Property, Plant and Equipment						
Land, Leasehold Improvements and Buildings, incl. Buildings on Land Owned by Others	20,027	(102)	633	151	2,009	18,700
Technical Equipment and Machinery	25,248	(45)	1,510	646	3,051	24,308
Other Equipment, Factory and Office Equipment	18,058	(92)	1,316	248	3,506	16,024
Advance Payments Relating to Plant and Equipment and Construction in Progress	1,648	(14)	1,576	(1,061)	125	2,024
	64,981	**(253)**	**5,035**	**(16)**	**8,691**	**61,056**
Financial Assets						
Investments in Affiliated Companies	686	(6)	450	31	438	723
Loans to Associated and Affiliated Companies	18	–	24	–	27	15
Investments in Associated Companies	2,264	21	2,030	(2)	2,607	1,706
Investments in Related Companies	1,562	(11)	175	(2)	636	1,088
Loans to Associated and Related Companies	130	.	61	–	96	95
Long-Term Securities	2,724	.	336	(30)	2,082	948
Other Loans	1,139	(1)	130	3	472	799
	8,523	**3**	**3,206**	**–**	**6,358**	**5,374**
	75,152	**(285)**	**8,750**	**(8)**	**15,331**	**68,278**
Leased Equipment	**14,504**	**(716)**	**6,338**	**8**	**4,789**	**15,345**

1) Including balances carried forward from companies consolidated for the first time.

		Depreciation				Book Values	Book Values
Balance at January 1, 1995[1)]	Currency Change	Current Year	Reclas-sifications	Disposals	Balance at December 31, 1995	Balance at December 31, 1995	Balance at December 31, 1994
473	(6)	139	–	163	443	261	255
295	.	407	–	40	662	482	625
768	**(6)**	**546**	**–**	**203**	**1,105**	**743**	**880**
10,725	(23)	1,009	11	896	10,826	7,874	9,302
21,243	(18)	1,994	58	2,612	20,665	3,643	4,005
15,267	(71)	1,695	(56)	3,186	13,649	2,375	2,791
19	–	9	(13)	.	15	2,009	1,629
47,254	**(112)**	**4,707**	**–**	**6,694**	**45,155**	**15,901**	**17,727**
126	(1)	123	–	39	209	514	560
3	1	–	–	2	2	13	15
142	21	11	–	153	21	1,685	2,122
669	–	117	–	368	418	670	893
3	–	1	–	–	4	91	127
9	–	1	–	2	8	940	2,715
148	(1)	9	–	42	114	685	991
1,100	**20**	**262**	**–**	**606**	**776**	**4,598**	**7,423**
49,122	**(98)**	**5,515**	**–**	**7,503**	**47,036**	**21,242**	**26,030**
4,295	**(181)**	**2,270**	**–**	**1,580**	**4,804**	**10,541**	**10,209**
						31,783	**36,239**

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 are in millions of German marks (DM). The items combined in the balance sheet as well as in the statement of income are listed separately and explained in the notes.

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. Goodwill resulting from a capital consolidation is amortized over a period of 20 years, provided it is not charged to consolidated reserves.

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, such as § 4 of the Development Area Act and § 6b of the Income Tax Act.

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 primarily 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 costs. 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 design.

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

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.

Provisions for pensions and similar obligations, including post-retirement 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 using the entry age actual cost method. Derivative financial instruments such as currency hedges (forward exchange transactions and currency options) and interest hedges (primarily interest rate and currency swaps and futures) 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, the consolidated group consists of 319 (1994: 357) domestic and foreign subsidiaries as well as 18 (1994: 16) joint ventures. The joint ventures are accounted for using the pro-rata consolidation method.

During 1995, 68 subsidiaries and 5 joint ventures were added to the consolidation.

The figures for the eight companies of the Rail Systems Division brought into Adtranz (a joint venture with ABB Asea Brown Boveri) on December 31, 1995, are newly recorded in the consolidated statement of income only. They are no longer recorded in the consolidated balance sheet. The opening balance of the joint venture, which is comprised of 55 companies, was initially included at equity in the consolidated financial statements. After the end of the first year of business of Adtranz, we will consolidate its balance sheet and statement of income pro-rata.

One hundred and six subsidiaries and three joint ventures left the consolidated group.

Due to the financial difficulties affecting Fokker in 1995 and the decision of Daimler-Benz Aerospace AG to discontinue its financial support of Fokker, court composition proceedings have been filed for Fokker under Dutch law *(surseance),* and management has been transferred to an independent receiver. With Fokker no longer under group management, Fokker-Holding B.V. and N.V. Vliegtuigenfabriek Fokker, together with their subsidiaries, were severed from the consolidated group effective December 31, 1995. The income statement of the group is still fully included in the consolidated financial statements.

The seven companies brought into the joint ventures with Schneider Electric SA and CEGELEC SA and additional corporate units of AEG AG were deconsolidated on January 1, 1995.

The AEG corporate units (companies and divisions of AEG AG or of multi-division companies) of the divisions Energy Systems Technology and the Automation excluding Postal Automation, as well as the Opto- and Vacuum Electronics Division that was formerly a part of the Microelectronics Division, are destined for sale. They will for the most part be severed from the consolidated group effective January 1, 1996. For that reason, the assets of these corporate units have been reallocated to "Other assets" and the provisions and liabilities have been reallocated to "Other liabilities."

The principal effects of the change in the consolidation group on the consolidated balance sheet and on the consolidated statement of income are explained under the individual balance sheet items.

Three hundred sixty-seven (1994: 291) subsidiaries were not included as their effect on the assets, finances and earnings position 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 using 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.

In the interest of comparability with the previous years' figures, the DM 841 million in goodwill that was allocated to group reserves when the Fokker shares were acquired in 1993 has been retained - even after the separation of Fokker from the consolidated group. The goodwill of AEG DBI allocated in 1989 in the amount of DM 202 million was treated in a similar manner in the deconsolidation of the affected corporate units. Consolidated earnings were not affected in either case.

A deferred difference arising from the 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. 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 142 *associated companies are* recorded in the consolidated financial statements.

For the year ended December 31, 1995, 12 associated companies have been included in the consolidated financial statements at equity using the *book value method.*

The remaining associated companies are shown as investments in related companies at acquisition cost net of applicable depreciation, since they are of minor significance for the assets, finances and earnings position of the group.

Payables and receivables between 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, revenues 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 exchange rate on the balance sheet date 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 rates are used.

The stockholders' equity in German marks is the remainder after offsetting translated assets as well as borrowed funds and unappropriated profits. The difference resulting from the currency translation of the balance sheet items is charged or credited to stockholders' equity; for countries operating in highly inflationary countries, translation gains or losses are applied to income.

Expense and income items and the net income 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 net income is adjusted accordingly. The difference resulting after translation of the change in reserves, and the balance sheet profit or loss using the year-end exchange rate, is charged or credited to the stockholder's equity.

Notes to the Consolidated Balance Sheet

1 Intangible Assets

Intangible assets amounting to DM 743 million (1994: DM 880 million) consist of goodwill, acquired computer software, patents and, to a lesser extent, advance payments. The decrease relative to the previous year is based primarily on the unscheduled amortization of goodwill of Eurocopter and ElectroCom Automation, which is offset by a slight increase resulting from the acquisition of Kässbohrer.
The year under review includes additional non-scheduled amortization amounting to DM 290 million (1994: DM 9 million).

2 Property, Plant and Equipment

The decrease in property, plant and equipment by DM 1,826 million to DM 15,901 million is primarily the result of deconsolidations – particularly those of Fokker and the Rail Systems Division of AEG – as well as reclassifications of other assets of property, plant and equipment from certain units of AEG destined to be sold.
The 1995 decrease included DM 4,707 million in depreciation expense, DM 1,997 million in disposals, DM 141 million in negative currency fluctuations and DM 16 million in reclassifications; this amount is offset by DM 5,035 million in additions.
In accordance with tax regulations, in particular § 4 of the Development Area Act and § 6b of the Income Tax Law, depreciation in the amount of DM 41 million (1994: DM 326 million) was taken. Additional non-scheduled depreciation amounted to DM 228 million (1994: DM 148 million).

3 Financial Assets

The financial assets of DM 4,598 million (1994: DM 7,423 million) primarily include investments in associated companies as well as investment securities. The decrease is predominantly related to the reallocation of investment securities to current assets, the contractually agreed withdrawal of capital by Mercedes-Benz AG from the capital account of MBL Fahrzeug-Leasing GmbH & Co. KG, as well as the reduction of the equity valuation of Sogeti S.A. In contrast, the equity valuation for the rail systems joint venture with ABB, which includes a difference of DM 1,190 million from the initial consolidation, represented an increase in financial assets. Non-scheduled depreciation totaling DM 262 million (1994: DM 253 million) were recorded primarily on investments in affiliated companies, investments in related companies and investments in associated companies.

4 Leased Equipment

The increase in leased equipment by DM 332 million to DM 10,541 million is above all due to the inclusion of MBL Mercedes-Benz Leasing GmbH throughout the financial year 1995; in 1994 the company was included for only three months.
In accordance with the provisions of tax law, depreciation has been recorded in the amount of DM 5 million (1994: DM 8 million).

5 Inventories

	12/31/95 DM in mill.	12/31/94 DM in mill.
Raw materials and supplies	**3,147**	3,390
Work in process, service in process	**7,051**	9,715
Finished goods, replacement parts and goods purchased for resale	**8,097**	6,781
Advance payments to suppliers	**1,140**	1,878
	19,435	21,764

The greater share of the inventories is held by Mercedes-Benz and Daimler-Benz Aerospace. The DM 2.3 billion decrease is mainly related to deconsolidation of Fokker as well as the reallocation to other assets of inventories of the AEG companies destined for sale.

6 Advance Payments Received

Advance payments received in the amount of DM 3,671 million (1994: DM 6,788) almost exclusively represent projects and long-term contracts with Daimler-Benz Aerospace AG, Dornier and MTU. Such payments have been deducted from inventories. The reduction is chiefly attributed to the departure of the AEG rail companies brought into the joint venture with ABB and the reclassification of the amounts available in the AEG companies destined for sale as well as the deconsolidation of Fokker.

7 Financing Receivables

This item represents receivables from customers in the amount of DM 11,682 million (1994: DM 10,151 million), of which DM 7,503 million (1994: DM 5,831 million) are due within more than one year. The total reflects valuation adjustments amounting to DM 191 million.

8 Other Receivables
9 Other Assets

	DM in mill.	12/31/95 DM in mill.	12/31/94 DM in mill.
Accounts receivable trade		9,820	10,173
of which long-term is	270 (1994: 276)		
Receivables from affiliated companies		2,655	2,466
of which long-term is	– (1994: 3)		
Receivables from associated and related companies		2,669	1,922
of which long-term is	109 (1994: 241)		
Other receivables		15,144	14,561
of which long-term is	379 (1994: 520)		
Other assets		6,355	3,965
of which long-term is	355 (1994: 726)		

Out of the receivables from associated and related companies, DM 395 million (1994: DM 436 million) are attributable to deposits in banks.

Other assets essentially consist of tax refund claims and interest receivables. This item also includes liquid assets in non-marketable debt instruments amounting to DM 124 million (1994: DM 197 million).

An allowance of DM 4,014 million (1994: DM 1,662 million) has been taken for other receivables and other assets. The increase is related to the discontinuation of our involvement with Fokker and the restructuring of AEG DBI.

Other assets include the following reallocations within the AEG companies destined for sale: DM 25 million from intangible assets; DM 697 million from property, plant and equipment; DM 261 million from financial assets; DM 1,376 million from inventories; DM 1,246 million from receivables and DM 91 from the remaining assets. The reallocations before devaluation total DM 3,696 million.

10 Securities

	12/31/95 DM in mill.	12/31/94 DM in mill.
Treasury stock	–	–
Other securities	8,466	6,469
	8,466	6,469

In 1995, we purchased a total of 304,046 shares of treasury stock at an average price DM 700 per share to transfer to employees of Daimler-Benz AG and the corporate units, and to fulfill the conversion offer still in effect for AEG shareholders. Of this amount, 70,000 shares are allocated to the capital increase for issuing employee shares, and 234,046 shares to acquisitions in the market (4,771 in January; 903 in February; 5,701 in March; 14,410 in June; 2,852 in July; 64,820 in August; 23,120 in September; 14,510 in October; 44,346 in November; and 58,613 in December).

In November 1995, Daimler-Benz AG and the corporate units sold a total of 69,313 shares (par value of DM 3.5 million, or 0.13% of subscribed capital) to employees at a discount price of DM 374 per share. As part of the conversion offer, AEG shareholders received 233,779 Daimler-Benz shares. The remaining 954 shares were sold; accordingly, no treasury stock was on hand on December 31, 1995.

Other securities consist primarily of shares and fixed-interest debt instruments.The increase over 1994 is due to reallocations of securities previously included in non-current assets.

Certain current assets could have been increased by DM 20 million to their original value; however, this was not done for tax reasons.

11 Cash

The balance of DM 2,104 million (1994: DM 6,915 million) includes cash in banks, cash on hand, cash in the German Bundesbank and deposits in transit.

The liquid assets included in various balance sheet positions total DM 11.1 billion (1994: DM 14.0 billion). The checks written but not yet cashed, as well as an irrevocably issued payment order, have been recorded as a reduction of liquidity.

12 Prepaid Expenses and Deferred Taxes

This item predominantly reflects deferred rents, interest and insurance premiums as well as discount sums amounting to DM 12 million (1994: DM 26 million). It also includes deferred taxes generated from elimination procedures affecting income totaling DM 17 million (1994: DM 33 million; a deferred tax liability).

13 Stockholders' Equity

Stockholders' equity has developed as follows:

	DM in mill.
Balance at December 31, 1994	20,251
Dividends paid by Daimler-Benz AG for 1994	(564)
Withdrawal from retained earnings	(5,655)
Offsetting of goodwill	(810)
Change in minority interest	726
Change in the consolidated group	484
Difference from currency translation	(610)
Other changes	20
Balance at December 31, 1995	13,842

The offsetting of goodwill against stockholders' equity is based primarily on the equity valuation of Sogeti. The change in minority interests as well as the changes in the consolidated group result almost exclusively from the deconsolidation of Fokker.

14 Capital Stock and Additional Paid-in Capital

The capital stock increased by a nominal DM 2,568.4 million as a result of the DM 3.5 million par-value capital increase for the issuance of employee shares in November 1995.The number of votes is now 51,368,736.

Of the DM 600 million in authorized capital approved on June 26, 1991, the remaining amount is DM 367 million, which may be utilized until June 30, 1996. At the Annual General Meeting on May 22, 1996, a proposal will be made to the shareholders to approve new authorized capital in the amount of DM 500 million, to be utilized by April 30, 2001. Of the DM 20 million in authorized capital for the issuance of employee shares approved on May 18, 1994, the remaining amount is DM 14.2 million, which may be utilized until April 30, 1999. The authorized but unissued capital in the amount of DM 300 million is intended for the extension of subscription rights to the holders of convertible bonds and options issued by the Board of Management as authorized by the shareholders on May 18, 1994. No use has yet been made of this authorization, which extends through April 30, 1999.

The increase in paid-in capital to DM 4,948 million (1994: DM 4,904 million) is attributable to the premium resulting from the 1995 capital increase for the issuance of employee shares.

15 Retained Earnings

Retained earnings contain the German statutory provision of DM 160 million and other retained earnings of Daimler-Benz AG totaling DM 6,534 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 and from the consolidation of debt as well as foreign currency translation gains and losses.

16 Minority Interest

The interest held by third parties in the stockholders' equity of the consolidated subsidiaries is for the most part held in Daimler-Benz Luft- und Raumfahrt Holding AG, AEG Aktiengesellschaft, Mercedes-Benz Türk, Mercedes-Benz (Switzerland), Dornier, MTU Friedrichshafen and Eurocopter.

17 Provisions for Pensions and Similar Obligations

The decrease in pension accruals arising from the reclassification at AEG DBI is nearly offset by normal additions, resulting in total pension accruals of DM 13,112 million (1994: DM 13,150 million).
The pension accruals and the plan assets of the external pension plan, fully fund the company's pension obligations.

18 Other Provisions

	12/31/95 DM in mill.	12/31/94 DM in mill.
Accrued taxes	**1,694**	1,449
Difference from capital consolidation with accrual character	**36**	36
Other provisions	**21,539**	20,961
	23,269	22,446

Tax provisions primarily represent currently payable income taxes for foreign Mercedes-Benz group companies and for tax contingencies of Daimler-Benz AG.
The difference from capital consolidation with accrual character resulted from the initial consolidation of a subsidiary; the remaining amount is available to offset additional expenses expected in the startup years.

The other provisions consist of:

	12/31/95 DM in mill.	12/31/94 DM in mill.
Estimated future losses on open contracts	**5,880**	5,067
Accrued warranties and contract costs	**5,294**	5,910
Adjustments to capacities and reduction in workforce	**2,145**	2,712
Other employee benefits and social costs	**1,502**	1,550
Discontinuation of financial support of Fokker	**1,036**	–
Other risks	**5,682**	5,722
	21,539	20,961

19 Liabilities from Leasing and Sales Financing

	DM in mill.	12/31/95 DM in mill.	12/31/94 DM in mill.
Bonds		**5,532**	5,449
of which are due within one year	1,679 (1994: 1,013)		
Commercial paper		**5,070**	3,841
of which are due within one year	5,070 (1994: 3,841)		
Liabilities to financial institutions		**4,447**	4,541
of which are due within one year	2,694 (1994: 2,595)		
Liabilities to associated and related companies		**488**	349
of which are due within one year	208 (1994: 207)		
Miscellaneous liabilities		**396**	363
of which are due within one year	255 (1994: 244)		
Total liabilities from leasing and sales financing		**15,933**	14,543
of which are due within one year	9,906 (1994: 7,900)		
in more than 5 years	2,031 (1994: 1,944)		

Liabilities from leasing and sales financing provide funds for the purchase of leased equipment and for sales financing receivables. Commercial paper is denominated in U.S. dollars, specifically on the date of issue plus accrued interest on the balance sheet date.
Miscellaneous liabilities consist of loans payable and interest accruals related to sales financing.

20 Accounts Payable Trade
21 Other Liabilities

	DM in mill.	12/31/95 DM in mill.	12/31/94 DM in mill.
Accounts payable trade		**7,222**	7,718
of which are due within one year	7,163 (1994: 7,670)		
Financial liabilities			
Bonds		**213**	2,709
of which are due within one year	– (1994: 480)		
Commercial paper		**455**	345
of which are due within one year	455 (1994: 345)		
Liabilities to financial institutions		**3,528**	2,798
of which are due within one year	2,021 (1994: 1,444)		
Notes payable		**182**	200
of which are due within one year	174 (1994: 148)		
Other liabilities			
Liabilities to affiliated companies		**2,008**	1,153
of which are due within one year	1,253 (1994: 830)		
Liabilities to associated and related companies		**3,065**	1,806
of which are due within one year	2,856 (1994: 1,621)		
Miscellaneous liabilities		**8,167**	5,948
of which are due within one year	7,254 (1994: 4,898)		
of which for taxes	985 (1994: 964)		
of which for social benefits	1,182 (1994: 1,367)		
Total other liabilities		**17,618**	14,959
Total		**24,840**	22,677
of which are due within one year	21,176 (1994: 17,436)		
in more than 5 years	840 (1994: 1,368)		

Liabilities to associated and related companies include DM 170 million (1994: DM 77 million) due to financial institutions. The majority of the remaining liabilities to associated and related companies are 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.

Most of the commercial paper is issued in German marks, specifically on the date of issue plus accrued interest on the balance sheet date.

Miscellaneous liabilities are for the most part obligations resulting from the December payroll as well as tax liabilities.

The bonds, liabilities to financial institutions, notes payable, liabilities to affiliated and related companies and miscellaneous liabilities are secured by mortgages and liens and the assignment of receivables amounting to approximately DM 820 million (1994: DM 911 million).

The miscellaneous liabilities contain the following reclassification within the AEG companies destined for sale: DM 420 million from provisions for pensions; DM 679 million from other provisions; DM 415 million from accounts payable trade; DM 138 million from liabilities to financial institutions; DM 4 million from notes payable; DM 22 million from liabilities to subsidiaries and affiliated companies and DM 814 million from advanced payments received. The reclassifications total DM 2,492 million.

22 Deferred Income

Deferred income primarily contains deferred lease payments and special payments of rent as well as deferred income for interest, license fees, insurance premiums and rents.

Notes to the Consolidated Statements of Income

23 Revenues

	1995 DM in mill.	1994 DM in mill.
Revenues by segments:		
Mercedes-Benz	**68,750**	68,239
AEG Daimler-Benz Industrie	**9,873**	10,034
DASA	**14,942**	17,053
debis	**9,984**	8,749
	103,549	104,075

Revenues include interest income from sales financing amounting to DM 1,105 million (1994: DM 941 million).

	1995 DM in mill.	1994 DM in mill.
Group revenues by geographic areas:		
Domestic	**38,115**	39,015
Foreign	**65,434**	65,060
Foreign revenues are as follows:		
EU countries*)	**24,478**	20,881
Other Europe	**3,882**	5,344
North America	**19,491**	19,609
Latin America	**5,028**	6,021
Other Countries	**12,555**	13,205

*) Includes the new EU members Austria, Finland and Sweden in 1995.

24 Cost of Sales, Selling and General Administrative Expenses

The selling and general administrative expenses are classified as cost of sales, selling expenses and general administrative expenses in the consolidated statement of income.
Interest expenses from leasing and sales financing business included in the cost of sales amount to DM 1,000 million (1994: DM 918 million). Miscellaneous taxes total DM 218 million (1994: DM 297 million).

25 Other Operating Income

Other operating income chiefly includes income from dissolved provisions in the amount of DM 1,566 million (1994: DM 1,610 million). This item also contains income from the sale of investment disposals and from the transfers of various obligations.
DM 2,130 million (1994: DM 2,718 million) of the other operating income relates to other financial years.

26 Other Operating Expenses

Other operating expenses primarily reflect increases to provisions that cannot be allocated to selling and general administrative expenses, as well as amortization of goodwill and expenses from investment disposals.
A total of DM 144 million (1994: DM 121 million) of the other operating expenses relates to other financial years.

27 Financial Income, Net

	DM in mill.	1995 DM in mill.	1994 DM in mill.
Income from investments		**448**	331
of which are from affiliated companies	36 (1994: 27)		
Income from profit transfer agreements		**14**	10
Income from the disposal of investments and shares in affiliated companies		**7**	38
Income from companies valued at equity		**259**	(80)
Losses from the disposal of investments and shares in affiliated companies		**(18)**	(13)
Depreciation of investments in affiliated companies		**(251)**	(233)
Loss from loss absorption agreements		**(127)**	(76)
Income from affiliated, associated and related companies		**332**	(23)
Income from other securities and long-term investments		**261**	192
Other interest and similar income		**1,640**	1,576
of which are from affiliated companies	5 (1994: 6)		
Other interest and similar expenses		**(1,208)**	(1,234)
of which are to affiliated companies	– (1994: 6)		
Interest income, net		**693**	534
Income from the disposal of marketable securities		**246**	253
Provisions for losses on marketable securities		**(32)**	(299)
Provisions for losses on loans and long-term investments		**(11)**	(20)
Miscellaneous other financial result		**(47)**	(219)
Other financial income		**156**	(285)
Total financial income, net		**1,181**	226

The depreciation of financial assets and on long-term securities total DM 294 million (1994: DM 552 million).

28 Extraordinary Results

The extraordinary loss of DM -3,884 million includes non-recurring expenses in the amount of DM 4,287 million from the sale and restructuring of the Energy Systems Technology and the Automation divisions (excluding Postal Automation) of AEG DBI, as well as the provision for risks for the discontinuation of the Fokker involvement; it also includes extraordinary income from the deconsolidation in the amount of DM 403 million (including deferred taxes of DM 114 million).

29 Income Taxes

The income taxes of DM 1,015 million (1994: DM 1,182 million) primarily represent income taxes of the foreign Mercedes-Benz group companies.

30 Net Income (Loss)

The net group loss of DM -5,734 million (1994: DM +895 million) was influenced by statutory depreciation of financial and current assets as well as by the omission of write-ups on non-current assets. These and future effects on net income are immaterial.

Other Information

Personnel Expenses/ Number of Employees	1995 DM in mill.	1994 DM in mill.
Wages and salaries	**24,150**	24,145
Social levies	**4,301**	4,506
Expenses for pensions	**1,627**	1,457
	30,078	30,108
Number of employees (annual average)	**Number**	Number
Hourly-paid employees	**173,510**	181,586
Salaried employees	**135,217**	146,663
Trainees and apprentices	**12,495**	13,656
	321,222	341,905

A total of 12,365 persons are employed in the joint venture companies.

Cost of Materials	1995 DM in mill.	1994 DM in mill.
Cost of raw materials, supplies and goods purchased for resale	**49,200**	47,324
Cost of services purchased	**12,439**	8,965
	61,639	56,289

Derivative Financial Instruments

Derivative financial instruments are used exclusively to hedge against interest rate and currency risks and against foreign exchange risks involved in the holding of foreign securities. They cover the basic supplier and service transactions of the corporate units as well as the original financial transactions (basic transactions). The derivative financial instruments are subject to risk checks appropriate to the scope of the transactions that follow a strict functional division according to trade, administration, documentation and control criteria. 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. To reduce risks, limits were set with reference to contracting parties and types of transactions. Contracts exist with respected international financial institutions only. The general credit risk is minimal because of the rating of contracting parties by reputable rating agencies.

	- Face values - 12/31/95 DM in mill.	12/31/94 DM in mill.
Currency hedging instruments	**27,942**	23,246
Interest rate hedging instruments	**14,589**	15,704
	42,531	38,950

The currency instruments above all relate to future exchange transactions and currency options. They are primarily used to protect receivables and liabilities already reported as well as future transactions in the currencies of major industrial countries. The interest rate instruments are predominantly interstate swaps and combined interest rate/currency swaps, forward rate agreements, futures and related options. They are essentially used to reduce the risk of changes in interest rates. The par-values represent the non-balanced total of all purchase and sales contracts of the derivative financial transactions.

	- Book Values -		- Market Values -	
	12/31/95 DM in mill.	12/31/94 DM in mill.	**12/31/95 DM in mill.**	12/31/94 DM in mill.
Asset items				
Currency hedging instruments	**49**	38	**1,780**	1,064
Interest rate hedging instruments	**11**	6	**389**	113
	60	44	**2,169**	1,177
Liability items				
Currency hedging instruments	**(288)**	(296)	**(313)**	(324)
Interest rate hedging instruments	**(83)**	(60)	**(250)**	(189)
	(371)	(356)	**(563)**	(513)
Balance	**(311)**	(312)	**1,606**	664

The book values are derived from the balance sheet items. The market values are derived from the amounts at which the affected derivative financial instruments were traded or listed on the balance sheet date without taking into consideration contrary trends in value resulting from the basic transactions. If no market values are available, they are determined according to accepted valuation methods.

Commitments and Contingencies

	12/31/95 DM in mill.	**12/31/94 DM in mill.**
Guarantees	**3,515**	1,247
Notes payable	**255**	214
Contractual guarantees	**616**	673
Pledges for indebtedness of others	**393**	80

In addition, the company is liable for compensatory payments guaranteed by Daimler-Benz Aerospace AG which cannot be reasonably estimated for 1996 and future years. For outside shareholders of AEG AG and Daimler-Benz Luft- und Raumfahrt Holding AG as well as the shareholders of MTU Motoren- und Turbinen-Union Friedrichshafen, claims also exist for compensatory payments which cannot be reasonably estimated for 1996 and future years.

Other Financial Obligations

The other financial obligations deriving from rental, leasehold and leasing agreements amount to an annual average of approximately DM 1,427 million; the average contractual period is 6 years.
Other financial obligations toward non-consolidated subsidiaries represent annual payments due of approximately DM 111 million over an average contractual period of 9 years.
In connection with the fiduciary settlement by Daimler-Benz Aerospace Airbus GmbH of the federally guaranteed serial credits, the probable maximum amount of the tranche to be redeemed by the German Federal Government could only be approximately ascertained based on the negotiations and the audits already completed by the German Federal Government. The final amount of the claim basically existing since 1989 will not be determined until 1996 and after a final audit of all the related facts by the Federal Government. This also applies to the reorganization profit received in 1989.
As part of the government-supported Airbus Development Program, Daimler-Benz Aerospace Airbus GmbH has agreed to assume performance portions itself. DM 295 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 conveyed 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 arising thereof 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, in particular purchase order commitments for capital investments, are within the normal range.
The obligation arising from stock and capital subscriptions in accordance with § 24 of the Limited Liability Company Act (GmbHG) amounts to DM 11 million.
Within the scope of sales financing, industry-standard commitments have been entered.
The company is jointly and severally liable for certain non-incorporated companies, partnerships and joint ventures. In addition, there exists performance and miscellaneous guarantees in connection with normal business transactions.
Within the scope of a right of tender, the company is obligated to purchase the shares of minority shareholders in a subsidiary on demand or to exchange them for treasury stock.
A right of tender has been granted the co-partner in a joint venture for its share. Since the value depends on future net income, a value cannot be established at the present time.
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 DM 3.3 billion production costs for the entire complex and are expected to take full effect at the end of 1998, cannot be valued at the present time.

Executive Bodies

The total remuneration paid by the group companies to the members of the Board of Management of Daimler-Benz AG amounts to DM 11,941,418. The remuneration paid to the members of the Supervisory Board of Daimler-Benz AG totals DM 445,257. Disbursements to former members of the Board of Management of Daimler-Benz AG and their survivors amount to DM 15,769,213. An amount of DM 94,369,991 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, 1995, there existed no advances and loans to members of the Board of Management of Daimler-Benz AG.

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 20, 1996

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

Balance Sheet of Daimler-Benz AG

ASSETS	December 31, 1995 DM in Mill.	Dezember 31, 1994 DM in Mill.
Non-Current Assets		
Intangible Assets	**4**	4
Property, Plant and Equipment	**658**	717
Financial Assets	**24,310**	24,324
	24,972	25,045
Current Assets		
Receivables from Affiliated Companies	**6,868**	4,907
Other Receivables and Other Assets	**1,267**	1,186
Securities	**6,706**	5,137
Cash	**2**	4,277
	14,843	15,507
Prepaid Expenses	**.**	.
Total Assets	**39,815**	40,552

STOCKHOLDERS' EQUITY AND LIABILITIES		
Stockholders' Equity		
Capital Stock	**2,568**	2,565
(Authorized but Unissued Capital: DM 300 million)		
Additional Paid-In Capital	**4,948**	4,904
Retained Earnings	**6,694**	13,251
Unappropriated Profit	**–**	583
	14,210	21,303
Provisions		
Provisions for Pensions and Similar Obligations	**5,487**	5,210
Other Provisions	**845**	731
	6,332	5,941
Liabilities		
Liabilities Payable to Affiliated Companies	**17,385**	12,606
Other Liabilities	**1,876**	691
	19,261	13,297
Prepaid Expenses	**12**	11
Total Stockholders' Equity and Liabilities	**39,815**	40,552

Statements of Income of Daimler-Benz AG

	1995 DM in Mill.	1994 DM in Mill.
Income (Loss) from Affiliated, Associated and Related Companies	**(711)**	1,538
Interest Income, Net	**116**	190
Other Financial Income/Expenses	**149**	(127)
Cost for Research and Development	**(671)**	(777)
General Administrative Expenses	**(432)**	(430)
Other Operating Income	**464**	513
Other Operating Expenses	**(303)**	(307)
Results from Ordinary Business Activities	**(1,388)**	600
Extraordinary Result	**(5,117)**	–
of Which from Investments in Affiliated, Associated and Related Companies (DM 5,050 Million)		
Income Taxes	**(28)**	34
Other Taxes	**(44)**	(69)
Net Income (Loss)	**(6,577)**	565
Profit Carried Forward from Previous Year	**19**	18
Withdrawal from Retained Earnings	**(6,558)**	–
Unappropriated Profit	**–**	583

Supervisory Board

HILMAR KOPPER
Frankfurt/Main
Member of the Board of Managing Directors, 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

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

DR. H.C. BIRGIT BREUEL
Berlin
General Commissioner of EXPO 2000

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

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

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 AG

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

ULRICH HARTMANN
Dusseldorf
Chairman of the Board of Management and CEO, VEBA AG
(since 03/12/1996 judicially appointed)

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

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

RUDOLF KUDA[1)]
Frankfurt/Main
Departmental Manager,
Office of the Board of Management, Metalworkers' Union

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

EDZARD REUTER
Stuttgart
(from 05/24/1995 until 02/12/1996)

WALTER RIESTER[2)]
Frankfurt/Main
Second Chairman, Metalworkers' Union

JÜRGEN SARRAZIN
Frankfurt/Main
Chairman of the Board of Managing Directors, 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
Attorney at Law

BERNHARD WURL[1)]
Frankfurt/Main
Departmental Manager,
Office of the Board of Management, Metalworkers' Union

Committees of the Supervisory Board:

Committee pursuant to §27 Sec. 3 MitbestG

HILMAR KOPPER (CHAIRMAN)
KARL FEUERSTEIN
EDZARD REUTER
(from 05/24/1995 until 02/12/1996)
PROF. DR. JUR. JOHANNES SEMLER
(until 05/24/1995 and since 02/21/1996)
BERNHARD WURL

Executive Committee

HILMAR KOPPER (CHAIRMAN)
KARL FEUERSTEIN
EDZARD REUTER
(from 05/24/1995 until 02/12/1996)
PROF. DR. JUR. JOHANNES SEMLER
(until 05/24/1995 and since 02/21/1996)
BERNHARD WURL

Audit Committee

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

Outgoing Member of the Supervisory Board:

PROF. DR. RER. NAT. GERD BINNIG
Ruschlikon
Project Manager IBM Research Division
(on May 24, 1995)

Employee representatives.

Report of the Supervisory Board

In 1995, the Supervisory Board conferred with the Board of Management concerning the current situation of the group in four regular meetings. In addition to the detailed status report, the agenda focused on the following topics: The March meeting dealt with mid-term corporate planning and the refinancing of the company; the April meeting focused on the 1994 annual report, the formation of the joint venture in the rails sector with ABB (Adtranz) and the Potsdamer Platz project; the June meeting was primarily devoted to DASA; and the central themes of the November meeting were civil aviation, Adtranz and the events at AEG and Sogeti.

The Audit Committee met twice with the auditors for a comprehensive review of the 1994 annual accounts and the first-half reports for 1995. The Executive Committee also met twice to confer concerning contractual matters of the members of the Board of Management. There was no need to convene the Committee that was formed pursuant to the Law on Codetermination.

Each month, the Board of Management provided the Supervisory Board with detailed reports concerning the position of the corporation and its divisions. Special developments were additionally explained both orally and in writing. The chairman of the Supervisory Board received regular updates from the Board of Management in individual discussions. The Board of Management and the Supervisory Board have fulfilled all legal requirements as well as those set forth in the articles of incorporation.

The topics addressed by the Supervisory Board primarily include those determined by the economic environment. Dominating were the strong appreciation of the German Mark against the US dollar and several important European currencies, the high level of public debt, the lackluster economic trend in Western Europe as well as the strong deterioration of conditions, particularly in civil aviation. The Board of Management has reacted to this trend with a thorough evaluation of the group portfolio, which already in the first phase at the end of 1995 / beginning of 1996 resulted in extensive cuts, restructurings, divestments and sales.

At DASA, extended measures to achieve competitiveness even at a low dollar exchange rate were introduced. Due to the negative trend at Fokker, the Board of Management and the Supervisory Board resolved in January 1996 to terminate the stop-gap loans to Fokker after negotiations failed with the Dutch government concerning a financial rescue plan.

The Board of Management and the Supervisory Board held intensive discussions concerning the corporate options at AEG Daimler-Benz Industrie. As a result, based on appropriate committee decisions, AEG is to be merged with Daimler-Benz AG. Activities such as energy systems technology and automation technology will be sold; the remaining investments are to be under the direct management of Daimler-Benz AG.

After an extensive analysis by the interested parties - also against the background of the restrictive provisions of the US Bank Holding Act - the cooperative relationship of debis Systemhaus with the French software company Cap Gemini Sogeti was reoriented - both in a business sense and in terms of company law.

An additional main topic of discussion was the project at the Potsdamer Platz in Berlin. Particularly the implementation of the plan and its financing were discussed.

The Board of Management has decisively begun the elimination of weak points in the group portfolio. With its strategic plans, the Board has laid a strong foundation for the future development of the group.

KPMG Deutsche Treuhand-Gesellschaft AG auditing company in Frankfurt/Main has audited the 1995 annual accounts for Daimler-Benz AG, the consolidated financial statements and the consolidated business review with the inclusion of the accounting. They also affixed the unqualified audit certificate. In the Supervisory Board's thorough examination, no grounds for complaints were found. At its meeting on April 3, 1996, at which the auditors were present, the Board therefore concurred with the results of the audit by KPMG, and approved the 1995 annual accounts for Daimler-Benz AG.

The change in the Board of Management already adopted in the previous year was completed in 1995. Dr. Mangold joined the Board of Management on April 1, 1995 as did Dr. Bischoff on May 25, 1995. At the conclusion of the Annual General Meeting on May 24, 1995, Mr. Reuter, Dr. Hirschbrunn and Dr. Liener left the Board of Management prematurely. At the same time, Mr. Schrempp assumed the chairmanship of the Board of Management to succeed Mr. Reuter.

Prof. Dr. Binnig resigned from his position on the Supervisory Board effective at the conclusion of the 1995 Annual General Meeting. The General Meeting elected Mr. Reuter to fill his position. This body then elected him to succeed Prof. Dr. Semler in the Presidential and Conference Committees. On February 12, 1996, Mr. Reuter resigned from his position on the Supervisory Board. Mr. Hartmann, chairman of the board of management of VEBA AG, will assume Mr. Reuter's place on the Supervisory Board.

We wish at this time to express our special gratitude to the former members of the Board of Management and the Supervisory Board for their many years of work, guidance and commitment.

Stuttgart-Mohringen, April 1996
The Supervisory Board

Kopper
Chairman

Executive Management, Daimler-Benz Corporate Representative and Liaison Offices

Executive Management

DR. JUR. BOY-JURGEN ANDRESEN
Personnel Policy (until 12/31 /1995)

HANSJÖRG BAUMGART
Corporate Art Department

MARTIN BERGER
Corporate Controlling

HUBERTUS BUDERATH
Corporate Audit

DR. RER. POL. ECKHARD CORDES[1)]
Corporate Development

MATTHIAS KLEINERT[1)]
International Relations and Corporate Business

DR.-ING. MICHAEL KRAMER
Research 1

DR. RER. NAT. VOLKER LEHMANN
Research 2 (until 09/30/1995)

PROF. WERNER POLLMANN
Environmental Officer Daimler-Benz

PROF. DR. RER. NAT. ROLF SCHARWACHTER[1)]
New Markets

JORG SEIZER
Subsidiaries and Affiliated Companies (until 06/30/1995)

DR. JUR. CHRISTOPH WALTHER
Corporate Communications

DR. OEC. PUBL. PAUL WICK[1)]
Corporate Treasury

DR. JUR. SOLMS WITTIG[1)]
Law

GERD WORIESCHECK
Corporate Human Resources

1) With general power of procurement.

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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 1995	Net Income[2] in Millions of DM 1994	Revenues[3] in Millions of DM 1995	Revenues[3] in Millions of DM 1994	Employment at Year-End 1995	Employment at Year-End 1994
Corporate Unit Mercedes-Benz								
Mercedes-Benz AG, Stuttgart	100.0	6,435	1,932.0	1,330.0	53,163	53,001	139,733	147,061
Mercedes-Benz España S.A., Madrid	100.0	221	(32.5)	15.4	1,518	1,501	2,691	2,858
Mercedes-Benz (United Kingdom), Milton Keynes [4]	100.0	.[5]	.[5]	.[5]	3,109	2,815	962	965
Mercedes-Benz Nederland, Utrecht [4]	100.0	.[5]	.[5]	.[5]	1,053	927	515	517
Mercedes-Benz Belgium S.A./N.V., Brussels	100.0	125	9.9	35.9	1,100	1,087	560	661
Mercedes-Benz France, Rocquencourt [4]	100.0	.[5]	.[5]	.[5]	2,958	2,942	1,700	1,710
Mercedes-Benz Italia, Rome [4]	100.0	244	16.0	25.7	2,103	2,012	598	590
Mercedes-Benz (Schweiz) AG, Zurich	51.0	93	1.1	1.3	964	913	286	283
Freightliner, Portland [4]	100.0	.[5]	.[5]	.[5]	7,099	6,444	10,657	9,428
Mercedes-Benz of North America, Montvale [4]	100.0	.[5]	.[5]	.[5]	5,523	6,005	1,248	1,315
Mercedes-Benz Mexico, Mexico D.F. [4]	80.0	.[5]	.[5]	(18.5)	141	816	750	1,735
Mercedes-Benz do Brasil, São Bernardo do Campo [4]	100.0	1,317	100.0	273.4	3,852	4,063	14,414	16,264
Mercedes-Benz Argentina, Buenos Aires [4]	100.0	253	(49.9)	39.3	551	759	1,612	2,387
Mercedes-Benz of South Africa, Pretoria [4]	87.0	256	84.5	53.3	2,061	1,568	4,331	3,853
Mercedes-Benz Türk A.S., Istanbul	55.6	47	9.8	(30.9)	718	404	2,509	2,185
Mercedes-Benz Japan Co. Ltd., Tokyo	100.0	272	72.2	54.0	2,470	2,625	416	413
Mercedes-Benz (Australia), Mulgrave/Melbourne [4]	100.0	94	17.3	21.2	575	625	720	770
Corporate Unit AEG Daimler-Benz Industrie								
AEG Aktiengesellschaft, Berlin und Frankfurt/Main	93.2	2,160	(2,705.0)	(552.0)	2,893	3,458	9,907	13,577
TEMIC TELEFUNKEN microelectronic GmbH, Heilbronn	100.0	609	(60.3)	(57.7)	1,245	1,141	3,689	3,320
MTU Motoren- und Turbinen-Union Friedrichshafen, Friedrichshafen	88.4	100	20.0	20.0	1,314	1,276	4,963	5,091
AEG ElectroCom International Inc., Irving [4]	100.0	440	13.8	8.8	274	76	1,108	856
Corporate Unit Daimler-Benz Aerospace								
Daimler-Benz Aerospace Aktiengesellschaft, Munich	100.0	4,142	(4,841.6)	(546.3)	2,675	3,401	11,142	14,904
Daimler-Benz Aerospace Airbus GmbH, Hamburg	100.0	1,143	(371.1)	258.6	3,557	4,292	16,498	19,304
Dornier, Friedrichshafen [4]	57.6	456	(553.5)	9.4	2,736	3,015	6,809	7,234
MTU Motoren- und Turbinen-Union München, Munich [4]	100.0	268	289.3	(85.4)	1,704	3,042	6,729	12,616
N.V. Koninklijke Nederlandse Vliegtuigenfabriek Fokker, Amsterdam [4] [6]	51.0	(532)	(1,158.4)	(400.7)	3,350	2,144	7,864	8,770
Eurocopter Holding S.A., Paris [4]	40.0	1,064	(1,124.8)	(114.7)	2,676	2,690	10,029	10,340
Corporate Unit Daimler-Benz InterServices (debis)								
Daimler-Benz InterServices (debis) AG, Berlin	100.0	1,936	(517.2)	64.4	–	–	238	179
Mercedes-Benz Finanz GmbH, Stuttgart	100.0	373	34.0	26.5	237 [7]	231 [7]	177	171
Mercedes-Benz Leasing GmbH, Stuttgart	100.0	66	11.0	25.9	1,361	1,293	–	–
Mercedes-Benz Credit, Norwalk/U.S.A. [4]	100.0	.[5]	.[5]	.[5]	3,657 [7]	3,444 [7]	516	586
Mercedes-Benz Finance Co. Ltd., Tokyo	90.0	91	17.1	1.6	135 [7]	130 [7]	25	20
Regional Holding and Finance Companies								
Daimler-Benz Holding AG, Zurich	100.0	394	79.7	83.7	–	–	2	2
Daimler-Benz UK plc, London [4]	100.0	268	72.9	72.2	–	–	6	6
Daimler-Benz Holding France, Rocquencourt [4]	100.0	279	(36.9)	10.9	–	–	2	2
Daimler-Benz Holding Nederland B.V., Utrecht [4]	100.0	188	20.3	19.5	–	–	–	–
Daimler-Benz Holding Belgium S.A./N.V., Brussels	100.0	181	40.0	78.8	–	–	–	–
Daimler-Benz Coordination Center S.A., Zaventem	100.0	672	32.4	16.1	–	–	21	25
Daimler-Benz España S.A., Madrid	87.9	216	(35.7)	14.0	–	–	14	12
Daimler-Benz North America Corporation, New York [4]	100.0	3,784	331.0	308.3	–	–	27	27

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 converted at year-end exchange rates; net income converted at average exchange rates, with the exception of the net income of Mercedes-Benz do Brasil and Mercedes-Benz Türk, which has been converted at year-end 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) Eliminated from the consolidated group effective December 31, 1995.
7) Including interest income from sales financing.

Principal Subsidiaries and Affiliated Companies of Daimler-Benz AG

Mercedes-Benz

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

EvoBus GmbH
Stuttgart
DEM 150,000,000
100% owned

Maschinenfabrik
Esslingen AG
Esslingen/Neckar
DEM 42,515,000
99.0% 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 262.9 million)
100% owned

Mercedes-Benz
(United Kingdom) Ltd.
Milton Keynes/United Kingdom
GBP 50,000,000
(DEM 110.7 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 430,000,000
(DEM 125.8 million)
100% owned

Mercedes-Benz
Italia S.p.A.
Rome/Italy
ITL 107,500,000,000
(DEM 97.2 million)
100% owned

Mercedes-Benz
(Schweiz) AG
Zurich/Switzerland
CHF 6,000,000
(DEM 7.5 million)
51% owned

NAW Nutzfahrzeuge 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 62.3 million)
51% owned

Mercedes-Benz Österreich
Vertriebsgesellschaft m.b.H.
Salzburg/Austria
ATS 10,000,000
(DEM 1.4 million)
50% owned 1)

Mercedes-Benz Hellas S.A.
Athens/Greece
GRD 3,766,000,000
(DEM 22.8 million)
100% owned

Mercedes-Benz Portugal
Comércio de Automóveis, S.A.
Abrunheira/Portugal
PTE 500,000,000
(DEM 4.8 million)
100% owned

Mercedes-Benz Danmark AS
Hillerød/Denmark
DKK 70,000,000
(DEM 18.1 million)
100% owned

Mercedes-Benz Sverige AB
Spanga/Sweden
SEK 70,000,000
(DEM 15.0 million)
100% owned

Freightliner Corp.
Portland, Oregon/U.S.A.
USD 180,000,000
(DEM 258.0 million)
100% owned

Mercedes-Benz
of North America, Inc.
Montvale, New Jersey/U.S.A.
USD 130,000,000
(DEM 186.4 million)
100% owned

Mercedes-Benz
Canada, Inc.
Toronto/Canada
CAD 5,000,000
(DEM 5.2 million)
100% owned

Mercedes-Benz
Mexico S.A. de C.V.
Mexico D.F./Mexico
MXN 94,519,721
(DEM 17.9 million)
100% owned

Mercedes-Benz do Brasil S.A.
São Bernardo
do Campo/Brazil
BRL 609,285,000
(DEM 898.9 million)
100% owned

Mercedes-Benz
Argentina S.A.
Buenos Aires/Argentina
ARS 30,000,000
(DEM 43.0 million)
100% owned

Mercedes-Benz of
South Africa (Pty.) Ltd.
Pretoria/Republic of South Africa
ZAR 31,837,500
(DEM 12.5 million)
87% owned

Anambra Motor Manufacturing
Co. Ltd. (ANAMMCO)
Enugu/Nigeria
NGN 37,500,000
(DEM 2.4 million)
40% owned 2)

Mercedes-Benz Türk A.S.
Istanbul/Turkey
TRL 1,500,000,000,000
(DEM 37.5 million)
55.6% owned

Mercedes-Benz
Japan Co. Ltd.
Tokyo/Japan
JPY 8,000,000,000
(DEM 111.3 million)
100% owned

P.T. German Motor
Manufacturing
Jakarta/Indonesia
IDR 5,103,000,000
(DEM 3.2 million)
33.3% owned 2)

P.T. Star Motors
Indonesia
Jakarta/Indonesia
IDR 899,640,000
(DEM 0.6 million)
45.6% owned 2)

Iranian Diesel Engine
Manufacturing Comp. (IDEM)
Tabriz/Iran
IRR 5,000,000,000
(DEM 2.4 million)
30% owned 2)

Tata Engineering and
Locomotive Comp. Ltd. (TELCO)
Bombay/India
INR 2,314,588,952
(DEM 94.8 million)
10.3% owned 2)

Bajaj Tempo Ltd.
Poona/India
INR 98,583,777
(DEM 4.0 million)
16.9% owned 2)

Mercedes-Benz
(Australia) Pty. Ltd.
Mulgrave, Melbourne/Australia
AUD 70,000,000
(DEM 74.8 million)
100% owned

AEG Daimler-Benz Industrie

AEG Aktiengesellschaft
Berlin and
Frankfurt/Main
DEM 931,171,700
93.2% owned 3)

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

ABB Daimler-Benz
Transportation GmbH
Berlin
DEM 2,000,000
50% owned 1)

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

Siliconix Inc.
Santa Clara, California/U.S.A.
USD 59,552,894
(DEM 85.4 million)
80.4% owned

Matra MHS S.A.
Nantes, Frankreich
FRF 286,000,000
(DEM 83.7 million)
50.0% owned

MTU Motoren- und Turbinen-
Union Friedrichshafen GmbH
Friedrichshafen
DEM 100,000,000
88.4% owned

E.I.B. S.A.
Dison, Belgium
BEF 406,718,094
(DEM 19.8 million)
74.2% owned

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

AEG Fábrica de Motores S.A.
Terrassa, Barcelona/Spain
ESP 1,500,000,000
(DEM 17.7 million)
100% owned

AEG ElectroCom
International Inc.
Irving, Texas/U.S.A.
USD 269,800,000
(DEM 386.8 million)
100% owned

AEG Schneider Automation
International S.A.S.
Boulogne-Billancourt/France
FRF 300,000,000
(DEM 87.8 million)
50% owned 1)

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

AEG Austria Gesellschaft m.b.H.
Vienna/Austria
ATS 360,000,000
(DEM 51.2 million)
100% owned

AEG do Brasil
Energia e Automacao Ltda.
São Paulo/Brazil
BRL 29,836,976
(DEM 44.0 million)
100% owned

AEG Ibérica de
Electricidad S.A.
Madrid/Spain
ESP 2,550,000,000
(DEM 30.1 million)
100% owned

Daimler-Benz Aerospace

Daimler-Benz Luft- und
Raumfahrt Holding AG
Munich
DEM 2,008,042,000
93.8% owned

Daimler-Benz Aerospace AG
Munich
DEM 873,000,050
100% owned

Daimler-Benz Aerospace Airbus
GmbH
Hamburg
DEM 930,000,000
100% owned

N.V. Koninklijke Nederlandse
Vliegtuigenfabriek Fokker
Amsterdam/Netherlands
NLG 525,292,000
(DEM 469.3 million)
51.0% owned 4)

Eurocopter Holding S.A.
Paris/France
FRF 3,720,587,500
(DEM 1,088.4 million)
40% owned 5)

Airbus Industrie G.I.E.
Toulouse/France
FRF –
(DEM –)
37.9% owned 2)

MTU Motoren- und Turbinen-
Union München GmbH
Munich
DEM 156,600,000
100% owned

MTU Maintenance GmbH
Langenhagen
DEM 30,000,000
100% owned

Dornier GmbH
Friedrichshafen
DEM 150,402,800
57.6% owned 6)

Dornier Luftfahrt GmbH
Oberpfaffenhofen
DEM 50,000,000
100% owned

Daimler-Benz InterServices (debis)

Daimler-Benz InterServices
(debis) AG
Berlin
DEM 600,000,000
100% owned

debis Systemhaus GmbH
Hamburg
DEM 150,726,900
80.4% owned

Diebold Deutschland GmbH
Eschborn
DEM 1,098,000
100% owned

Mercedes-Benz Finanz GmbH
Stuttgart
DEM 240,000,000
100% owned

Mercedes-Benz Credit Corp.
Norwalk, Connecticut/U.S.A.
USD 274,970,000
(DEM 394.2 million)
100% owned

debis Assekuranz
Vermittlungs GmbH
Stuttgart
DEM 6,115,000
100% owned

debis International Trading
GmbH
Berlin
DEM 10,000,000
100% owned

debis Marketing Services GmbH
Frankfurt/Main
DEM 7,000,000
100% owned

debitel Kommunikations-
technik GmbH & Co. KG
Stuttgart
DEM 10,000,000
60% owned

Sogeti S.A.
Grenoble/France
FRF 769,132,600
(DEM 225.0 million)
34% owned 1)

Holding- und Finanzgesellschaften

Daimler-Benz
Holding AG
Zurich/Switzerland
CHF 147,000,000
(DEM 183.1 million)
100% owned

Daimler-Benz UK plc
London/United Kingdom
GBP 116,000,000
(DEM 256.8 million)
100% owned

Daimler-Benz Holding
France S.A.
Rocquencourt/France
FRF 270,000,000
(DEM 79.0 million)
100% owned

Daimler-Benz
Holding Nederland B.V.
Utrecht/Netherlands
NLG 150,000,000
(DEM 134.0 million)
100% owned

Daimler-Benz Holding
Belgium S.A./N.V.
Brussels/Belgium
BEF 3,370,000,000
(DEM 164.1 million)
100% owned

Daimler-Benz
Coordination Center S.A.
Zaventem/Belgium
BEF 12,300,000,000
(DEM 598.8 million)
100% owned

Daimler-Benz España S.A.
Madrid/Spain
ESP 17,514,911,000
(DEM 206.5 million)
87.9% owned

Daimler-Benz Holding
Skandinavien AS
Hillerød/Denmark
DKK 184,617,000
(DEM 47.7 million)
100% owned

Daimler-Benz North America
Corporation
New York, N.Y./U.S.A.
USD 1,554,984,000
(DEM 2,229.1 million)
100% owned

Daimler-Benz Mexico S.A. de C.V.
Mexico D.F./Mexico
MXN 1,670,282,913
(DEM 316.7 million)
100% owned

Note:

Selected consolidated and non-consolidated companies.

Capital ties of principal subsidiaries and affiliated companies shown in the table on page 73 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) Included at equity.

2) Not consolidated.

3) As of 02/29/1996.

4) Via intermediate holdings.

5) Consolidated pro rata.

6) Voting stock 87.5 %.

Daimler-Benz in Figures

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Number of Employees (at Year-End)										
Daimler-Benz Group	**319,965**	**326,288**	**338,749**	**368,226**	**376,785**	**379,252**	**376,467**	**366,736**	**330,551**	**310,993**
of which: Germany	257,538	262,658	268,277	298,199	303,404	305,295	302,464	284,576	251,254	242,086
Foreign	62,427	63,630	70,472	70,027	73,381	73,957	74,003	82,160	79,297	68,907
Mercedes-Benz	–	–	–	223,219	230,974	237,442	222,482	209,933	197,568	197,164
AEG Daimler-Benz Industrie	78,199	80,499	89,585	77,722	76,949	76,338	60,784	58,921	44,769	49,432
Daimler-Benz Aerospace	–	–	–	62,959	61,276	56,465	81,872	86,086	75,581	50,784
debis	–	–	–	–	4,879	6,203	8,258	8,812	9,226	10,196
Major Balance Sheet and Income Figures - in Millions of DM -										
Daimler-Benz Group										
Non-Current Assets	10,857	12,202	17,342	20,084	23,448	29,198	33,633	35,354	36,239	31,783
Current Assets	31,168	34,336	34,589	42,653	43,891	46,516	52,551	55,572	57,297	59,757
Capital Stock	2,118	2,118	2,118	2,330	2,330	2,330	2,330	2,330	2,565	2,568
Total Paid-In Capital and Retained Earnings[1]	7,742	6,778	8,075	13,314	14,059	15,301	15,557	14,881	16,971	10,397
of which: Paid-In Capital	368	370	370	2,114	2,117	2,117	2,117	2,117	4,904	4,948
Retained Earnings[1]	7,374	6,408	7,705	11,200	11,942	13,184	13,440	12,764	12,067	5,449
Minority Interests in Subsidiaries	1,251	768	626	767	881	1,214	1,228	561	151	877
Stockholders' Equity[2]	**11,111**	**9,663**	**10,819**	**16,411**	**17,270**	**18,845**	**19,115**	**17,772**	**19,687**	**13,842**
% of Total Assets	26.4	20.8	20.8	26.2	25.6	24.9	22.2	19.5	21.0	15.1
% of Non-Current Assets[3]	102.3	97.7	79.2	109.1	102.0	89.3	80.1	75.7	79.1	65.5
Long and Medium-Term Liabilities[4]	17,696	22,744	24,485	24,331	25,529	28,045	33,833	37,118	36,144	37,343
Stockholders' Equity Plus Long and Medium-Term Liabilities	**28,807**	**32,407**	**35,304**	**40,742**	**42,799**	**46,890**	**52,948**	**54,890**	**55,831**	**51,185**
Balance Sheet Total	**42,025**	**46,538**	**51,931**	**62,737**	**67,339**	**75,714**	**86,184**	**90,926**	**93,536**	**91,540**
Total Investment[5]	**4,691**	**5,540**	**7,116**	**5,517**	**6,805**	**9,607**	**7,210**	**5,548**	**7,949**	**8,497**
% of Revenues	7.2	8.2	9.7	7.2	8.0	10.1	7.3	5.7	7.6	8.2
of which: in Property, Plant and Equipment and Intangible Assets	4,368	5,350	6,628	5,010	5,948	7,124	6,625	4,705	4,793	5,291
in Financial Assets	323	190	488	507	857	2,483	585	843	3,156	3,206
Total Depreciation[3]	**3,338**	**3,101**	**3,086**	**3,218**	**3,780**	**4,328**	**4,990**	**5,821**	**5,401**	**5,515**
of which: in Property, Plant and Equipment and Intangible Assets	3,216	3,046	3,074	3,138	3,670	4,213	4,907	5,523	5,148	5,253
in Financial Assets	122	55	12	80	110	115	83	298	253	262
Cash Flow[6]	**6,214**	**6,626**	**6,130**	**5,991**	**6,711**	**7,814**	**5,328**	**9,913**	**11,282**	**4,457**
% of Revenues	9.5	9.8	8.3	7.8	7.8	8.2	5.4	10.1	10.8	4.3

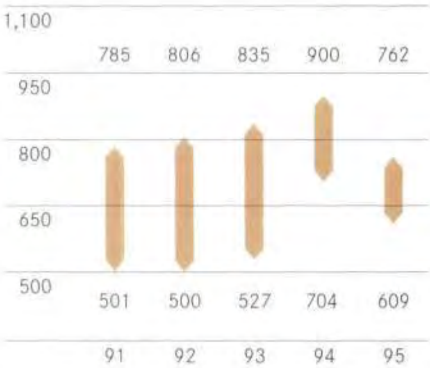
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
- in Millions of DM -										
Revenues	**65,498**	**67,475**	**73,495**	**76,392**	**85,500**	**95,010**	**98,549**	**97,737**	**104,075**	**103,549**
of which: Germany	27,838	28,064	29,094	29,562	36,674	44,443	42,572	38,319	39,015	38,115
Foreign	37,660	39,411	44,401	46,830	48,826	50,567	55,977	59,418	65,060	65,434
Foreign Revenues in %	57.5	58.4	60.4	61.3	57.1	53.2	56.8	60.8	62.5	63.2
Mercedes-Benz	–	–	–	54,969	57,872	65,317	64,849	61,728	68,239	68,750
of which: Passenger Cars	31,405	31,472	31,833	31,865	34,142	38,331	38,650	36,370	40,107	38,030
Commercial Vehicles	17,755	19,454	23,063	23,104	23,730	26,986	26,199	25,358	28,132	30,720
AEG Daimler-Benz Industrie	11,070	11,480	13,152	11,852	12,721	13,573	11,184	10,733	10,034	9,873
Daimler-Benz Aerospace	4,882 7)	4,421 7)	4,976 7)	7,489	12,168	11,974	16,735	18,173	17,053	14,942
debis	–	–	–	–	2,739	4,146	5,781	7,103	8,749	9,984
Total Average Annual Revenues Per Employee (in DM)	207,559	207,128	218,102	224,765	228,477	249,036	257,555	263,366	304,397	322,360
Purchases of Goods and Services	**32,467**	**33,701**	**37,646**	**39,552**	**44,477**	**49,456**	**49,084**	**51,076**	**56,289**	**61,639**
Personnel Expenses	**19,367**	**20,670**	**22,371**	**23,199**	**26,890**	**29,372**	**32,003**	**33,790**	**30,108**	**30,078**
Average Annual Personnel Expenses Per Employee (in DM)	60,581	63,451	66,388	68,257	71,857	76,989	83,639	91,052	88,060	93,636
Results from Ordinary Business Activities	**5,880**	**5,297**	**5,197**	**10,096 8)**	**4,221**	**4,027**	**2,533**	**(1,083)**	**2,077**	**(835)**
% of Revenues	9.0	7.9	7.1	13.2	4.9	4.2	2.6	(1.1)	2.0	(0.8)
Extraordinary Results	–	–	–	–	–	(544)	–	2,603	–	(3,884)
Taxes 9)	4,113	3,515	3,495	3,287	2,426	1,541	1,082	905	1,182	1,015
Net Income (Loss)	**1,767**	**1,782**	**1,702**	**6,809 8)**	**1,795**	**1,942**	**1,451**	**615**	**895**	**(5,734)**
% of Revenues	2.7	2.6	2.3	8.9	2.1	2.0	1.5	0.6	0.9	(5.5)
Daimler-Benz AG										
Net Income (Loss)	**1,404**	**1,403**	**1,382**	**1,120**	**1,120**	**1,194**	**703 10)**	**390**	**565**	**(6,577)**
Total Dividend Amount (Paid/Proposed)	**507**	**503**	**504**	**555**	**557**	**603**	**604**	**373**	**564**	**–**
Dividend for Each DM 50 Par Value Share (in DM)	12,-	12,-	12,-	12,-	12,-	13,-	13,-	8,-	11,-	–
Tax Credit for Each DM 50 Par Value Share (in DM) 11)	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) 12)	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) 12)	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 prol
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; excluding leased vehicles (from 1987 on) and non-current assets taken over from newly acquired subsidiaries.
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) For our stockholders who are taxable in Germany.
12) Allowing for increases in capital stock (retroactive adjustment).

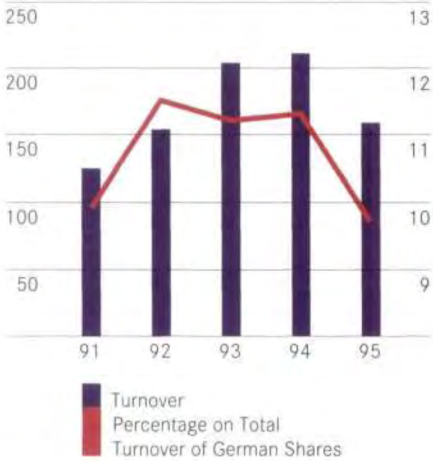
The Daimler-Benz Share

In 1995, the development of the Daimler-Benz share was characterized above all by the negative profit prospects and the announced streamlining of the group portfolio. The capital markets have responded positively to our decisions to increase our concentration on core competencies and divest loss-making activities.

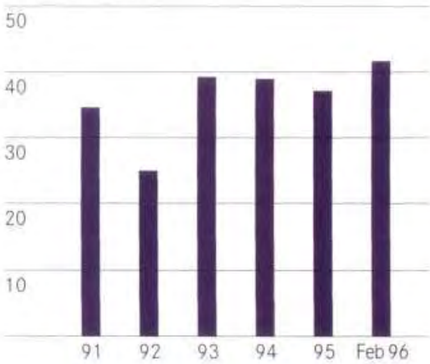
Daimler-Benz Share
High and Low Share Price (Spot Rate)
(adjusted)
DM



Turnover of the Daimler-Benz Share on the German Stock Exchanges
In Billions of DM — in %



Market Capitalisation of the Daimler-Benz Share
(at the end of the reporting period)
In Billions of DM



Statistics per Share

		1995	1994	1993
Dividend[1]	DM	–	11.00	7.91
Dividend incl. tax credit[1]	DM	–	15.71	11.30
By German accounting standards				
Net Income/Loss[1] [2]	DM	**(110.59)**	21.57	12.78
Stockholders' equity[1] [2]	DM	**252.71**	399.75	365.36
By U.S. GAAP				
Net income/loss	DM	**(111.67)**	21.53	(39.47)
per ADS[3]	DM	**(11.17)**	2.15	(3.95)
Stockholders' equity	DM	**445.57**	602.30	564.26

1) Adjusted figures for 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

The development of the major international stock exchanges varied widely in 1995. While New York and London were up by at least a third, or 20%, setting record highs, the price level remained unchanged on the Japanese market. Although the performance of the 30 issues listed on the German stock index (DAX) was positive at 7%, it failed to meet expectations. The reasons were twofold: the development of exchange rates affected most German companies unfavorably and the collectively bargained wages were generally perceived as too high. In late March the DAX fell to the year's lowest level at 1.911 points. Two prime rate reductions to encourage the stabilization of the financial markets and a lower rate of return in the bond market then led to a price rally, with the index reaching the historic high 2.317 points by mid-September. At year-end the DAX was at 2.254 points as compared to 2.107 points at the end of 1994.

A general recovery or prices set in with the beginning of 1996. Based on the low interest rate, the stable U.S. dollar and confidence in a recovery of the economy in the second half of the year, the DAX surpassed the 1995 record by 10% in February 1996, reaching 2.474 points.

The Daimler-Benz Share on the Stock Markets

In 1995, the price development of Daimler-Benz stock was predominantly shaped by the negative results expected for the year under review. At year-end, the price was at DM 724, representing a 5% decrease from the closing rate for 1994.

In early 1996, our stock profited from the generally upbeat market trend. Our announcement in January 1996 that we will be discontinuing our support of Fokker and implementing the final restructuring of AEG led to another surge in prices. At the end of February, Daimler-Benz stock closed at DM 812.30. At 12.2%, the increase over the closing rate for 1995 was higher than on the DAX, which increased by 9.7%.

The value of transactions on the eight German securities exchanges was lower than in the previous year. The same applied to sales of Daimler-Benz shares. And yet, in terms of volume, our stock was still among the most heavily traded securities. With a market value of DM 159 billion, our stock was the volume leader on the German stock markets; this figure represents 10% of all German shares. As one of the major forces on the German stock exchange, we were also included in the electronic trading system IBIS.

Aside from being traded on the German stock markets, options on Daimler-Benz shares are traded on the German futures market (DTB). Some 1.2 million contracts for Daimler-Benz shares were placed in the past year, making Daimler-Benz one of the three volume leaders on the DTB.

In addition to the eight German securities exchanges, our stock is also listed on nine stock exchanges outside of Germany:

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

In New York, Daimler-Benz stock is traded in the form of American Depositary Shares (ADS); in Singapore, the shares are referred to as Singapore Depositary Shares (SDS). In both instances, the value of each is one-tenth of a common German share at a par value of DM 50.

As on the German stock markets, volume trading of our stock decreased in the international markets too in 1995, with trading down by 17% to 16.3 million shares. Once again, the heaviest volume was far and away in London and New York.

Investor Relations

With the letters to our shareholders, interim reports, press releases and annual reports, we regularly update our shareholders on developments at Daimler-Benz. We satisfy the additional information requirements of institutional investors and financial analysts with round-table conferences and corporate presentations. As in previous years, we gave corporate presentations in several important stock markets in 1995. All of these activities are geared at reinforcing the confidence of our shareholders, potential investors, analysts and portfolio managers within our company, and they encourage more diversified holdings of our stock among international investors.

Some 6,700 shareholders, shareholder representatives and guests attended our Annual General Meeting on May 24, 1995. This turnout represented 71 % of the subscribed capital.

Conversion to 5 DM par value stock

In order to make our stock even more attractive, especially for private investors, we propose to the Annual General Meeting that the par value of the stock be lowered from DM 50 to DM 5. This would at the same time lower the former high barrier to variable-price trading; in the future it would be possible to trade as few as 100 shares with a par value of DM 5 at the variable-price quotations, instead of 50 shares with a par value of DM 50.

Capital Stock

Our capital stock increased by DM 3.5 million to DM 2,568 million in 1995 following the issuance of employee shares. Another DM 14 million have been approved for the issuance of additional employee shares by early 1999. Because the remaining approved capital for capitalization issues in the amount of DM 367 million will expire on June 30, 1996, we are proposing at the Annual General Meeting that it be replaced with another DM 500 million in approved capital. The simplified exclusion principle allowed by § 186 of the German Stock Corporation Law for capitalization issues is to be adopted at the same time. An additional DM 300 million in authorized but unissued capital has been approved through 1999. This gives us the opportunity to issue warrant or convertible bonds for a total nominal amount of up to DM 2 billion.

Some two-thirds of our capital stock is widely held. Deutsche Bank holds a 24.4% share; the second-largest shareholder is the government of Kuwait, holding just under 13%. Stella Automobil-Beteiligungsgesellschaft, which held a 12.3% share, was merged with our corporation in March 1995. With a market value of DM 41.7 billion (end of February 1996) and more than 450,000 shareholders, Daimler-Benz is one of Germany's largest public corporations.

Development of a Daimler-Benz Stock Portfolio

What is decisive for the return on a stock portfolio is first and foremost the price of the share when the investment is made. Based on the high fluctuation margin of Daimler-Benz stock, its performance for German investors varies greatly among the three, six and twelve-year periods we traditionally postulate.

Because of the favorable price situation in early 1993, a German mark investor achieved an average return of 16.2% in approximately three years. For a twelve-year investment, the return was only 5.5%. These calculations are based on the assumption 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. 1984	Jan. 1990	Jan. 1993
Investment duration in years (approx.)	12	6	3
Portfolio value at 2/29/96 (in DM)	19,143	11,033	16,090
Average annual return in %			
from an investment in DEM	5.5%	1.6%	16.2%
from an investment in USD	11.0%	3.8%	20.0%
from an investment in JPY	4.0%	-1.3%	13.6%
from an investment in GBP	10.4%	4.8%	19.3%

Notes to the Reconciliation of Consolidated Net Income/Loss 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 for that reason alone by DM 5.3 billion in 1995. The changes not only affected provisions but also property, plant and equipment, 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 up to 20 years. Under U.S. GAAP, goodwill must be capitalized and amortized over a period not exceeding 40 years. The expenses of 1995 are based on additional amortization of such goodwill that must be taken in accordance with U.S. GAAP.

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.

Publications for Our Shareholders:

- Daimler-Benz Annual Report
  (German, English and French)
- Form 20 F
  (English)
- Mercedes-Benz Annual Report
  (German and English)
- AEG Daimler-Benz Industrie Annual Report
  (German and English)
- Daimler-Benz Aerospace (DASA) Annual Report
  (German and English)
- Daimler-Benz InterServices (debis) Annual Report
  (German and English)
- Daimler-Benz Interim Reports for 1st, 2nd & 3rd Quarters
  (German, English and French)
- Disk with Financial Information
  (English; editable MS EXCEL tables)

The above publications can be requested from:

Daimler-Benz AG
Dept. PWV
70546 Stuttgart, Germany
Tel/Fax: 49-711-17-9 22 87

Additional information on Daimler-Benz is available on the Internet at http:\\www.daimler-benz.com.

Investor Relations:

Daimler-Benz AG, RKI
Tel: 49-711-17-9 22 83 or 9 22 61
Fax:49-711-17-9 41 09

Bajance Sheet Press Conference:

April 11, 1996
10:00 am
Liederhalle
Stuttgart, Germany

Annual General Meeting:

May 22, 1996
10:00 am
Hanns-Martin-Schleyer-Halle
Stuttgart, Germany

Daimler-Benz will be reporting on the first quarter of 1996 at the Balance Sheet Press Conference on April 11, 1996, on the first six months with a semi-annual report published on August 29, 1996, and on the first nine months in mid-November 1996.

Conception and Content:
Daimler-Benz AG, RKB

Layout:
Mercedes-Benz AG, BS/M
Daimler-Benz AG, KOM/U

Typesetting and Separation:
Fotosatz Schmidt+Co., Weinstadt

Printing:
Bechtle-Druck, Esslingen

This report has been printed on environmentally friendly paper bleached without the use of chlorine.