DAIMLERBENZ

Annual Report 1990

Highlights

	1990	1989	90:89 in %
Daimler-Benz Group			
Sales (in millions of DM)	**85,500**	81,298[1]	**+ 5**
EC market	55,550	51,037	+ 9
Federal Rep. of Germany	36,674	33,075	+ 11
EC market (without Germany)	18,876	17,962	+ 5
Other markets	29,950	30,261	– 1
Employees (at year-end)	**376,785**	368,226	**+ 2**
Federal Rep. of Germany	303,404	298,199	+ 2
Foreign	73,381	70,027	+ 5
– Figures in millions of DM –			
Personnel Expenses	**26,890**	23,199	**+ 16**
Depreciation Allowances	**3,780**	3,218	**+ 17**
Cash Flow	**6,711**	5,991	**+ 12**
Investments	**6,857**	7,620	**– 10**
Research and Technology	**8,193**	7,546[1]	**+ 9**
Net Income	**1,795**	1,700[2]	**+ 6**
Daimler-Benz AG			
Capital Stock	**2,330**	2,330	
Net Income	**1,120**	1,120	
Total Dividend Amount	**557**	555	
Dividend per DM 50 share (in DM)	**12,–**	12,–	

[1]) After inclusion of MBB for comparison purposes.
[2]) Result calculated on a comparable basis to 1989.

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Daimler-Benz AG
Chairman of the Joint Labor Council,
AEG Aktiengesellschaft
(from October 11, 1990)

DR. JUR. ROLAND SCHELLING
Stuttgart
Attorney at Law

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Daimler-Benz AG

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(on March 7, 1990)

WILLI BOHM*)
Kandel
Member of the Labor Council,
Worth Plant, Mercedes-Benz AG
(on October 1, 1990)

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Bremen
Chairman of the Labor Council,
Bremen Plant, Mercedes-Benz AG
(on October 1, 1990)

PROF. DR. JUR. GERHARD TREMER
Grafelfing near Munich
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Bayerische Landesbank Girozentrale

(on July 4, 1990)

DIPL.-ING.
MARIA-CHRISTINE FURSTIN VON URACH*)
Stuttgart
Director
(died September 2., 1990)

*) Elected by the employees.

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Stuttgart
Mercedes-Benz

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HEINZ DÜRR
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Stuttgart
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(on April 30, 1990)

Directors

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HANSJÖRG BAUMGART
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MARTIN BERGER
Annual Accounts and Disclosure

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Technology

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KONRAD STRAUB
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Finances and Taxes

DR. JUR. SOLMS WITTIG*)
Staff Lawyer

GERD WORIESCHECK
Personnel Development
for Senior Executives

i With general power of procurement.

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Suite 800, 1350 I Street, N.W.
Washington D. C 2005, U.S.A.

To the Stockholders and Friends of our Company

Dear Madam,
Dear Sir,

1990 was a year with which we can well be pleased. There were indeed specific problems not anticipated in the form in which they emerged, and not least of all in parts of AEG. Nevertheless, we made commendable progress. After overcoming the quality problems which appeared at times, our cars gained considerable ground again facing tough competition, and consolidated their continued leading position. Our commercial vehicles were able to further improve their international leading position. Deutsche Aerospace is following the optimum course towards uniformly organizing its fields of activity, and is thus becoming a sought-after partner for international cooperation ventures. Daimler-Benz InterServices can look proudly at the first steps it made on the services market. Most importantly, we can be confident that in the financial year under review we passed the point of maximum costs and investment which we consciously took on with the goal of restructuring our company to become an integrated technology group.

We must not, however, overlook the fact that from a general economic point of view many things have happened since last fall on a wide front and with considerable momentum, which we too were not able to avoid. Since we wish to remain true to our strategy of being traditionally oriented toward circumspection and adequate provisions, we are therefore proposing that the dividend should remain the same as in 1989, at DM 12.00 per DM 50 share.

How have we reached this decision?

First and foremost exchange rates have been considered. If the exchange rates of the D-mark to the US dollar and yen had remained unchanged with respect to 1989, we would have been able to achieve DM 2 billion more in sales revenue. Although measures to secure exchange rates may cause a certain cushioning effect over time, a shift of this nature must, of course, be reflected in our net result at the end of the day.

For important export areas in German industry, this means that an ongoing currency parity which is below actual purchasing power demands considerable structural efforts in order to be able to balance out disadvantages on such a scale. In the long run they inevitably lead to the shifting abroad of parts of net product added which are of fundamental importance to the productive power of the whole of German industry. It would be irresponsible not to take this very seriously, particularly as there are enough sectors of industry and products which will not be able to convert simply to the "Made in Europe" of the single European market.

It is therefore difficult to comprehend which circumstances or interests could force German exchange rate policy to adopt a position which necessarily leads in the long term to the industrial foundations of Germany being eroded. In other words, the people bearing political responsibility must take note that the currency pain threshold in the case of exchange rates has been considerably exceeded in terms of how the latter have developed into 1991.

The only option open as a short-term counter measure to the export-oriented sectors is to take drastic action to reduce costs within their own companies. Daimler-Benz is thus also applying measures to reduce costs, which have now been in force over a longer period of time, with added vigor and more ambitious aims. We have promised ourselves a sustained reduction in the volume of costs over the next four to five years on a scale of DM 4 billion throughout the group.

However, as with the shifting of sourcing or of the company's own manufacturing facilities to other countries, measures taken by German industry on a comparable scale would have not only structural effects but also macro-economic consequences in the Federal Republic of Germany. Against such a background, it is not surprising that we at Daimler-Benz now look to the future with somewhat reserved expectations and are critically examining the availability of our resources. In addition, even with a continued favorable situation in Germany, there will be sufficient difficulty in advancing the rebuilding of industry in the new Federal German states without initial exertion.

There are, however, other difficulties. Developments in the Soviet Union and its former European satellite countries conceal risks which have now emerged as being more than just purely economic factors. The additional effects of the Gulf Crisis are difficult to fathom in their entirety, and its specific effects for Germany in terms of important trade partners give rise to feelings of apprehension.

Moreover, an important factor is that in Germany there is much public debate about exports of defense technology, which is energetically assisted by politicians, yet for the most part without a clear direction; a debate which extensively confuses an honorable strength of conviction with the misguided view that a world without security through defense and without security based on balance would be self-regulating and that this should be at the top of the agenda.

This subject also includes the fundamentally justified and welcome increase in export regulations for defense technology, including threats of greater punishment. The force behind that is partly what we had already established as a guideline within our group for our own export practise. Counter to many claims which were publicly made, in some cases, against better knowledge, the companies within the Daimler-Benz group have in no instance contravened the spirit or letter of existing laws.

Nevertheless, that does not mean that the new conditions would be unproblematic without exception. Under the extended laws, export goods which include almost all products in the electro-technology and electronic sector and which are required for the most varied purposes are subject to controls. If the definition of civilian goods which can be used to military ends ranges though from light bulbs to trucks, then it must be obvious that the instruments available for monitoring export goods not only become a frustrating bureaucratic tool, but one which must also fail due to being overstrained.

All in all, the international economic scene has therefore altered drastically over a short period of time. In Germany, 1991 should on the one hand still see positive growth rates, but on the other hand also considerable additional pressure on profits, which will not least of all be due to the new tax resolutions of the Federal government, however inevitable they may be.

In order not to fall into a possibly sustained exchange rate trap in the face of such conditions, we will closely examine the nature of our cost structure beyond the saving measures introduced. I cannot predict today the results which will emerge, but the strategic issues on the agenda are clear. Dogma regarding production locations or supplier preferences, taboos concerning voluntary social payments, financing means or company profiles in our group will not be permissible. We shall adhere to the fundamental experience that anyone will only have success with their strategy if they do their homework both resolutely and in good time, paying the necessary attention to proven traditions.

Since we feel that we have the capacity required, we also remain able to make the necessary outlay towards becoming an integrated technology group. Obviously, in the long term this can only be on the basis of corporate units which are autonomously profitable and capable of growth. We are working in that direction at full steam - which will become more apparent this year, after we were able to make such an impressive start in 1990 with the creation of debis.

However, a technology group always remains a mixture of deliberately tolerated losses, i.e. investment in new fields of activity, income sources used for innovations, i.e. "cash cows" and proceeds from planned disinvestment, i.e. from business coming to a close. The latter feature presupposes that analyses are constantly carried out in a company as to where things can be wound down before it becomes blatently obvious to all. Conversely that means from the purchaser's point of view that he can make more of the business concerned than the seller is able to. Only then can a reasonable, good sales price be achieved, and jobs in the new corporate network are more secure than before.

We can also continue this work with improved accuracy because our internal planning system allows us to operate effectively calculated resource management. Following the imminent conclusion of what has in part been extremely elaborate, methodical preliminary work, we will soon be in a position to control management resources, the promotion of up-and-coming employees, capital and liquidity, research, and project-related investment in accordance with criteria of corporate strategy.

We have proceeded with strategy projects of this kind in many fields of the group's activities, without making external announcements. It is indeed enough for the competitors to become acquainted with the resulting products. At any rate, this work confirms to us with each day that passes that the economic world is very much in motion. Anyone wishing to be successful tomorrow using today's product concept, with the exception of certain niches, will be bitterly disappointed.

A study for an overall transport system which we have presented to united Berlin shows what it is all about. We have demonstrated through it our capacity to develop complex systems in context and to deduce the correct specifications for individual products from an understanding of the whole. Conditions are required for this purpose which only Daimler-Benz can provide in such a combination: mastery of all vehicle techologies on road, rail and in the air, together with information technology and systems knowledge.

The companies still of course rely on politically favorable conditions for their conduct. We need open borders, since several projects such as the next generation of aircraft engines, space systems and traffic guidance technology, together with products such as road vehicles or helicopters, can only be mastered in an economically competitive manner if there is an international division of work.

This can also be seen from the example of a more recent form of international cooperation between companies, when they merge to become business alliances. Contrary to several misunderstandings which still exist in the public eye, it is not a matter of a new title for efforts which are questionable from the point of view of competition, nor of indissoluble alliances. The common interest is actually based on the fact that neither of the partners is able to implement the economic or technical aim of the collaboration entirely through their own efforts. The idea is therefore not to establish unrestrained market power but rather to secure, through collaboration, advantages comparable to those likewise secured by competitors through similar cooperation.

Daimler-Benz is only acting consistently in also using this instrument within the framework of our business policy. We now have a series of alliance partners in various fields, and with others, for example Mitsubishi, we are continuing promising discussions. We attribute a particular significance to the collaboration which has now been bindingly agreed between Deutsche Aerospace/MTU and United Technolgies/Pratt & Whitney in the domain of aircraft engines, which could open up interesting further possibilities with this important US technology partner.

Moreover, and I feel this point is not one of inconsiderable importance, a partnership network of this nature can contribute within the framework of business alliances to solving problems not just in the economic and technical spheres of our lives. Relationships arise which promote, beyond the companies concerned, growth towards one another for a community of interests with the spirit of good neighborliness.

All of our efforts would of course founder without the employees who work for the future of Daimler-Benz with their ability, commitment and enthusiasm. You, as our shareholders, can place your trust in them in the same way as we are proud of this vital prerequisite for the success of the course we have chosen.

Sincerely,

The Daimler-Benz Group

*) Outside Shareholders 19.8%.
**) Free and Hanseatic City of Hamburg 7%.

Worldwide Decline in Economic Growth

The economic growth stimuli in the industrialized countries of the west slackened off perceptibly during the course of 1990. This development, which had already become noticeable before the Gulf crisis, was accelerated by the temporary rise in oil prices. North America, the United Kingdom and the Scandinavian countries are in recession, with demand declining, the utilization of production capacity falling, and inflation rising. At the same time, the competitiveness of European products in price terms was considerably reduced by the weakness of the US dollar and the Yen. This resulted in a larger balance of trade deficit between the EC and the USA and Japan.

The economy of the Federal Republic of Germany remained largely unaffected by general trends in the world economy, experiencing an economic climate all of its own. As a result, particularly, of the enormous need to catch up in the new Federal German states, industry in the old Federal German states was operating virtually at full capacity. Gross National Product increased by 4.6 %, a figure not achieved for over ten years. At the same time, however, exports were considerably affected by falling demand in some important foreign markets and the rise in the value of the D-mark. The balance of trade surplus declined sharply for the first time since 1983, from DM 135 billion to DM 92 billion.

The generally healthy condition of the old Federal German states, however, must not be allowed to conceal the fact that no reversal of the difficult economic trend in the new Federal states is discernible.

Daimler-Benz: Worldwide Sales Over DM 85 billion

In the 1990 financial year, Daimler-Benz continued its upward trend. Consolidated sales rose above the comparable previous year's (i.e. including MBB) by 5.2 % to DM 85.5 billion. The increase in the domestic market, by 11 % to DM 36.7 billion, was well above average; in the other countries of the European Community our sales totaled DM 18.9 billion (+ 5.1 %). For the EC market as a whole, there was thus an 8.8 % rise, to DM 55.6 billion. Outside the EC the volume of business remained at the same level as in 1989, at DM 30.0 billion. This can be attributed above all to the rise in the value of the D-mark and the downturn in a number of major markets outside Europe.

More than two thirds of consolidated sales were accounted for by the corporate unit Mercedes-Benz. AEG and Deutsche Aerospace each contributed about 15%; the newly founded Daimler-Benz InterServices accounted for 3.2 % of consolidated sales.

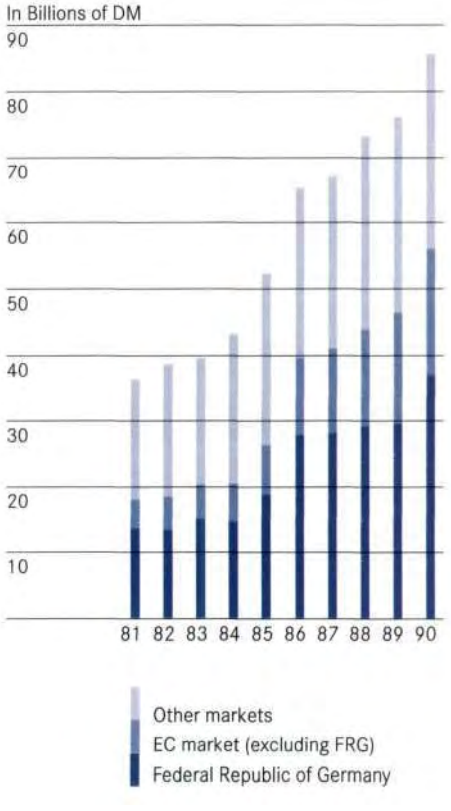
Mercedes-Benz Cars: Considerable Increase in Production Output

Despite a tendency to slacken on the part of some important automotive markets, the international passenger car industry in 1990 matched the high level of unit sales of the preceding years. One decidedly negative factor was the car market in the USA, which shrank by a further 4.8 %. In Japan, the already exceptionally high level of new-car registrations rose yet further; unit sales in Western Europe approximately matched the previous year's.

In the year under review, Mercedes-Benz sold 561,900 vehicles worldwide, 2.0 % more than in 1989. In Germany, new-car registrations totaled 245,600 units, slightly below the previous year's volume; this drop was mainly due to the taxation on discounts for company employees, which came into effect in 1990, and to the continuing fiscal discrimination against diesel cars. The compact-series models favored by our employees were particularly affected by this. By contrast, demand from our customers for the mid-series cars grew. In the S-class new car registrations again reached last year's volume.

Sales abroad went up by 3.0 % to 309,800 cars. Exports to the neighboring countries of the European Community rose by 5.3 % to 131,800 units, which was again above average. We achieved high growth rates particularly in Italy and Spain, while we were not able to escape the weak state of the markets in the United Kingdom and Sweden. Outside the EC, our passenger cars benefited from the opening up of the East European markets.

Consolidated Sales

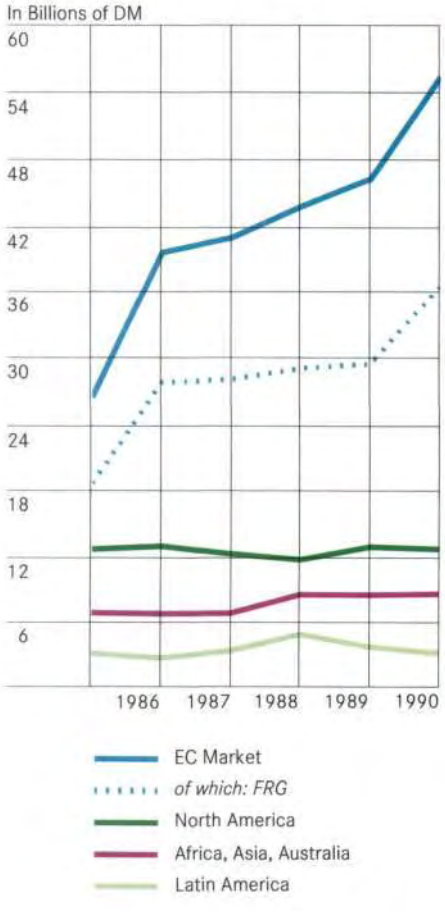


Note:
The Business Review is combined for Daimler-Benz AG and the group as a whole.

In the largest foreign market, the USA, we once more succeeded in selling more Mercedes-Benz cars, despite keener competition in the upper market segment. In Japan we continued the expansive trends of the last few years with a 23 % increase; this made us the highest-selling import make. In Indonesia, Malaysia and Singapore we sold over 70 % more cars than the year before and thus could reach a volume of 6,500 units.

With all available facilities working to full capacity, we raised production output in 1990 by 5.9 % to 574,200 cars. Growth was achieved above all by the mid-series - including the T-models - and by the coupes and the roadsters. The proportion of diesels to total cars produced fell yet again, to 23.6% (24.5% in 1989).

Consolidated Sales by Regions



Mercedes-Benz: Leading Position with Commercial Vehicles Improved

In 1990 most of the commercial vehicles markets abroad were affected by a general weakening of the economic situation. Demand-related cuts in output were necessary particularly in lapan, the USA and South America, while commercial vehicle production in Germany and Mexico experienced strong growth.

Mercedes-Benz consolidated its position of world leadership as a manufacturer of trucks of over 6 tonnes GVW. In Germany our new-vehicle registrations went up by a total of 20 %; of these, registrations of trucks over 6 tonnes rose by 24 %, and those of heavy-duty trucks of 16 tonnes and above by 26 %. Due to a decline in some European markets our exports out of our German plants decreased by 14 %, as compared with the previous year, to 87,100 units; among heavy-duty trucks over 16 tonnes, the decline amounted to 22 %. Nonetheless, we succeeded in improving our position in important countries like France and Italy. For trucks over 6 tonnes, Mercedes-Benz increased its market share by 3.0 percentage points to 26 % and thereby considerably expanded its leading market position.

Domestic manufacturing plants were operating at full capacity and produced 168,800 units, again 5.0 % more than in 1989. Output of kits for production abroad went up by 66 % to 21,200 units.

The fall in demand for commercial vehicles in South America made it necessary to cut the output of our subsidiaries in Brazil and Argentina by 18 % and 11 %, respectively. While this also resulted in a loss of market share in Brazil, the market share of Mercedes-Benz vehicles in Argentina increased.

Our subsidiary in Mexico nearly doubled its sales and considerably improved its market share. Despite generally weaker demand in the USA, Freightliner also increased its market share in the class 8, from 16 to 19 %. Mercedes-Benz of South Africa and Mercedes-Benz Espana suffered a drop in sales; Mercedes-Benz Turk, by contrast, achieved significant growth in the case of both trucks and buses.

Altogether, our foreign commercial vehicle companies cut back their output in 1990 by 10 % to 90,100 vehicles. For that reason, production output for the group as a whole was slightly below the previous year's high level, at 258,900 worldwide.

In the fall of 1990, Mercedes-Benz entered into a joint venture with Automobilwerk Ludwigsfelde GmbH (IFA) and the Treuhandanstalt (Federal German agency in charge of privatizing industry in the former East Germany), based in Berlin. For a transitional period, the agreement provides for the assembly of vans and trucks on a commission basis. For the medium term, we plan to build a new assembly plant in the Ludwigsfelde area, south of Berlin, which is to reach an annual capacity of 40,000 commercial vehicles by the mid-90's.

AEG: Further Increase in Sales and Incoming Orders

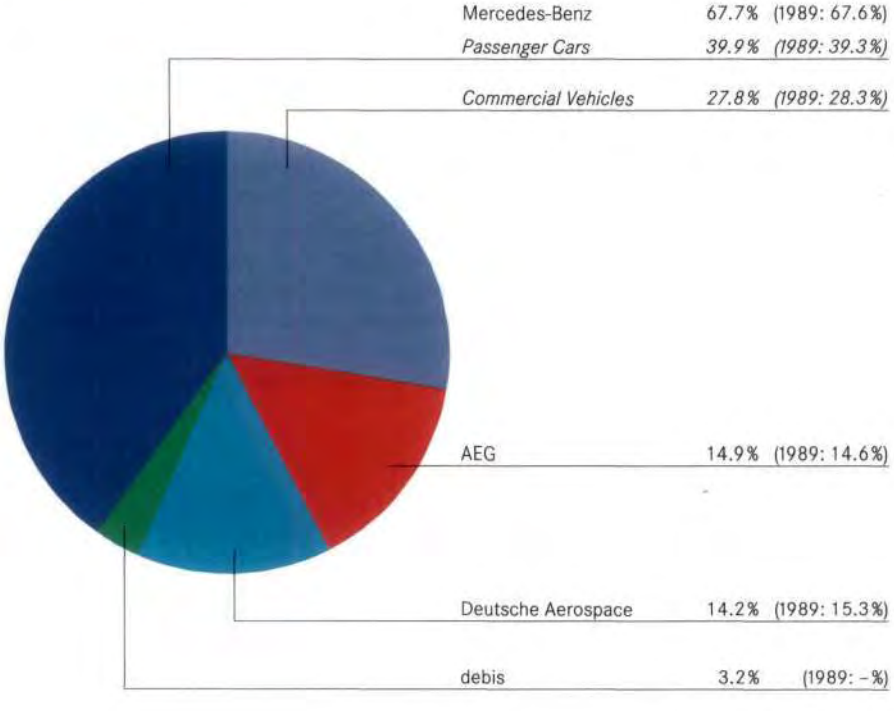
In the German electrical industry the pleasing development of former years continued on a high level. The AEG group fully participated in this growth and in some areas performed better than the sector as a whole. The increase in sales is principally attributable to domestic business. The fields of activity Rail Systems, Electrotechnical Systems and Components, Office and Communication Systems, and Domestic Appliances contributed two-figure growth rates to this increase. New acquisitions also added to total sales volume. Our microelectronics subsidiary TELEFUNKEN electronic and the divisions AEG Electrocom and Components boosted their volume of foreign business. In both the domestic and foreign markets, sales of Industrial Systems, in the Automation field of activity, were clearly above average.

Incoming orders for the AEG group exceeded the previous year's high level in 1990, at DM 14.2 billion. The 1.9 % rise came entirely from the domestic market. Here, AEG achieved growth of 11 %, to DM 7.9 billion, while orders from abroad were 7.2 % down on those for 1989.

The increase in orders for Germany is due mainly to the fields of activity Rail Systems, Electrotechnical Systems and Components, as well as Office and Communication Systems. In Rail Systems, this is partly the result of acquiring the track-bound vehicle sector of MAN GHH. In the field of activity Electrotechnical Systems and Components, increases were achieved especially by the divisions Components, and Power Transmission and Distribution; a gratifyingly high number of important orders were also received in the Industrial Systems sector of Automation.

The drop in export sales was due primarily to the fact that we had received a number of major orders in the field of activity Rail Systems in the previous year; moreover, the cyclical downturn in some important foreign markets, together with unfavorable trends in the dollar exchange rate, had an adverse effect on business.

Consolidated Sales by Corporate Units
DM 85.5 Billion (1989: DM 81.3 Billion)



DASA: Progress Despite increased Competition

Under the umbrella organization of Deutsche Aerospace (DASA), the companies Dornier, Messerschmitt-Bölkow-Blohm (MBB), MTU Motoren- und Turbinen-Union and Telefunken Systemtechnik (TST) have been integrated to form an efficient network. In bringing this about, we are catering for the growing globalization of markets, in which the only companies to survive are those with comprehensive know-how, coupled with the capability of assuming a leading role in international programs. Both as a competent partner and as a main contractor, the DASA group is participating in a number of international joint ventures, particularly in the fields of aviation and space technology, defense systems and propulsion units.

At Dornier, the Space Systems sector showed strong growth in sales turnover due to the settlement of invoices within the programs for the European Earth Reconnaissance Satellite ERS-1 and the X-ray satellite Rosat. Other contributors were the Dornier 228 regional aircraft, assemblies for the Airbus program, as well as further development work on the JF90/EFA fighter aircraft. In Defense Systems, major deliveries of the CL 289 reconnaissance drone were invoiced. In the Medical Systems division, the rise in sales did not meet expectations.

MBB achieved almost half of its sales in the Aviation sector, mainly due to the Tornado, the Airbus program and the helicopter types BO 105, BK 117 and Tiger (PAH-2). The Space Systems division invoiced products and services in the programs Ariane, Columbus, DFS Kopernikus and Hermes. In defense technology, the main sources of revenue were the Roland air defense weapons system and the Pars 3 and Milan anti-tank systems.

At MTU, the proportion of foreign business to the slightly lower total sales stabilized at the previous year's high level, although sales of diesel engines and of aero-engines for civil aviation suffered considerably due to a weak dollar. Activities centered around aero-engines for the Tornado and the IF90/EFA fighter aircraft, as well as on various civilian aircraft programs. In the Diesel Engines division, the main volume of business was accounted for by marine engines.

TST hived off the Marine Systems division at the beginning of 1990; at the same time, the company took over Telefunken Sendertechnik GmbH from AEG. When adjustment is made for these structural changes, TST achieved an increase in sales. The chief focus of business was in radar systems for the army and air force, increased scopes of delivery for remote reconnaissance systems, and large transmitting stations.

Altogether, at the end of 1990 Deutsche Aerospace had an extensive order backlog of DM 25 billion, which also reflects incoming orders for major projects from 1989.

Good Start for debis

The new Daimler-Benz InterServices (debis) AG started actual trading at the beginning of 1990, as the fourth corporate unit in the Daimler-Benz group; legally, it has been operating as a joint stock company since July 1, 1990. The company initially consists of five divisions, incorporating the services already existing in the Daimler-Benz group: Software House, Financial Services, Insurance, Trading and Marketing Services.

Despite considerable initial difficulties and keener international competition in 1990 the first year of trading, was generally encouraging. Total output was higher than originally expected. The reasons for this were the generally positive trend in business and a number of acquisitions made in 1990.

The latter include the purchasing of majority interests in Systemhaus Curadata GmbH, Hamburg, and in Metallgesellschaft Informationsverarbeitung GmbH, Frankfurt am Main, as well as the foundation of the new companies Mercedes-Benz Finance Ltd in the United Kingdom and sfi Systemhaus fur Informationsverarbeitung GmbH, Berlin. Also, debis took over the systemhaus GEI - Gesellschaft fur Elektronische Informationsverarbeitung mbH, Aachen, from AEG.

377,000 Employees in the Daimler-Benz Group

At the end of 1990, the Daimler-Benz group employed 376,785 people worldwide (1989: 368,226); of these, 303,404 were in Germany and 73,381 abroad. Of the total workforce, 17,565 young people were trainees or apprentices (1989: 17,032). Daimler-Benz AG and holding companies alone had 2,707 employees.

The increase in the workforce in Germany of 5,205 was due primarily to the taking on of new personnel which became necessary in the Passenger Car and Commercial Vehicle divisions of Mercedes-Benz AG. Abroad, employment levels of the production and assembly companies in some countries were affected by a more difficult economic and political environment. The increase by 3,354 employees is primarily attributable to the first-time inclusion of employees from Mercedes-Benz Turk.

At corporate unit level, Mercedes-Benz had 230,974 employees at year-end (1989: 223,219), AEG had 76,949 (1989: 77,722) and Deutsche Aerospace 61,276 (1989: 62,959). Following its foundation as a new company, debis took over staff from Daimler-Benz AG as well as from Mercedes-Benz, AEG and DASA; at the end of the year 4,879 people were working for the new corporate unit.

Further Rise in Group Purchasing Volume

In 1990, the Daimler-Benz group worldwide purchased goods and services to a value of over DM 50 billion (1989: DM 45 billion). More than two thirds of the total volume was accounted for by Mercedes-Benz, 14 % by AEG and 13 % by Deutsche Aerospace.

The price situation in the procurement markets was marked by higher personnel costs on the part of suppliers, and by falling raw materials prices. As a result of the Gulf crisis, oil-dependent products became significantly more expensive in the latter half of the year.

Our efforts to internationalize purchasing ("global sourcing") reduced costs. In future we will make greater use of foreign manufacturing bases belonging to domestic suppliers and thereby create new purchasing potential. We have incorporated the new Federal German states to a greater extent into our procurement policy; in the medium term, we expect important stimuli from this region in particular.

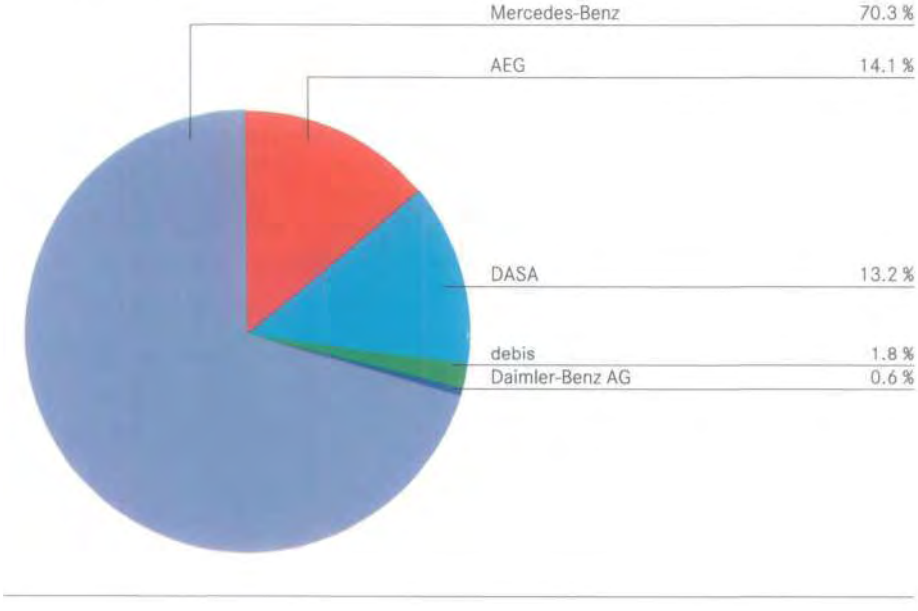
We aim to further intensify business relations with our suppliers by acquiring complex systems and components, extending quality assurance measures and increasing the scope of parts required from them. We are already including a growing number of them in product development at an early stage. In our decision-making on procurement, we are according more and more importance to the environmental compatibility of products and manufacturing processes, as well as to the recyclability of externally sourced parts.

In the year under review we further improved communication concerning goods and services to be purchased, by applying an integrated material requirements planning system and by making greater use of remote data transmission. The logistics from the supplier through to the final destination of the procured material in our factories have been optimized so as to ensure that production facilities are supplied smoothly.

At this point, we would like to express our thanks to all supply, transport and service-rendering companies for their good cooperation. Our suppliers, above all the medium-sized firms, showed a high degree of flexibility and innovative capability in 1990.

Purchasing Volume of the Daimler-Benz Group

DM 50.4 Billion (1989: DM 44.6 Billion)



Substantial Investment to Secure the Future

In the year under review, substantial funds were again invested to secure the future existence of the companies in the Daimler-Benz group. Despite good capacity utilization, we were able to implement our investment program smoothly and according to schedule.

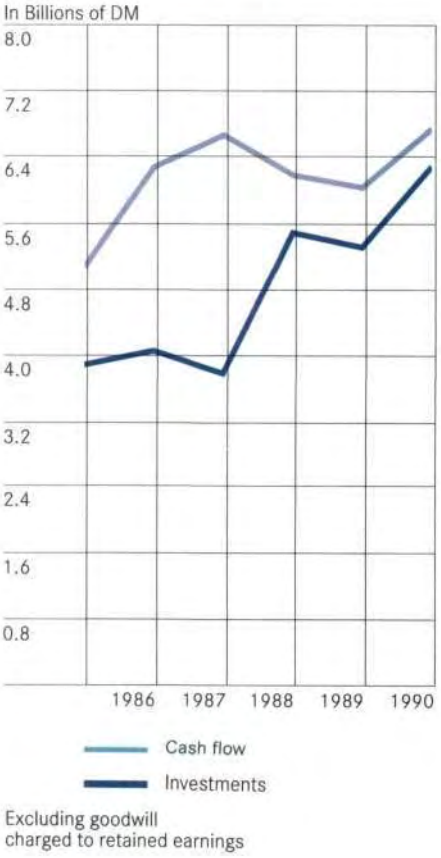
Additions to fixed assets amounted to DM 5.7 billion in 1990; the previous year's figure of DM 5.9 billion included the fixed assets taken over from MBB (DM 1.2 billion). Daimler-Benz invested DM 0.3 billion both in intangible and in financial assets. Following the restructuring of the Daimler-Benz group, a goodwill amount of DM 124 million has been shown; this is being written down as planned. Additions to intangible, fixed and financial assets were again fully financed from the cash flow of DM 6.7 billion.

The goodwill of DM 591 million arising particularly from the acquisition of a further interest in MBB raised the total volume of investments to DM 6.9 billion. This was directly offset against the stockholders' equity of the group, since it arises from the group's restructuring. In future, acquired goodwill amounts will be depreciated in instalments.

Of the investments made by the Daimler-Benz group in fixed assets, DM 3.5 billion (1989: DM 3.0 billion) was accounted for by Mercedes-Benz. The main focus was again on the passenger car division and pertained advance outlay for the production start-up of the new S-class in particular. On the commercial vehicle side, nearly DM 1 billion was invested. Additions to fixed assets totaled DM 774 million for AEG, DM 938 million for DASA and DM 333 million for debis. Efforts by all the corporate units concentrated on new products and features, introducing new technology and raising productivity.

Investment in the vehicle leasing activities of Daimler-Benz InterServices amounted to DM 3.6 billion (1989: DM 3.1 billion), financed by depreciation and disposals of fixed assets, and by sequential additions to liabilities. For the refinancing of our entire leasing and sales financing business, we borrowed DM 6.2 billion.

Financing of Investments in Intangible Assets, Fixed Assets and Financial Assets*)



*) Excluding goodwill charged to retained earnings

DM 8.2 Billion for Research and Development

Expenditure on research and development in the Daimler-Benz group - including MBB for the first time - rose to DM 8.2 billion (DM 7.5 billion in 1989). Worldwide, more than 36,000 people are employed in research, development and testing, to consolidate and further improve our position as an integrated technology enterprise.

"Research" at Daimler-Benz comes under the auspices of the executive holding company as a task which goes beyond corporate unit areas of competence. Accordingly, we devised research institutes which belong to the central "Research and Technology" division, but which are geared to the requirements of the individual corporate units and their fields of activity. In "Technology" we have concentrated all the instruments of knowledge and technology transfer, to ensure rapid and efficient exchange within Research and between the corporate units.

In the two divisions of Passenger Cars and Commercial Vehicles, Mercedes-Benz spent a total of DM 3.1 billion on research and development.

On the passenger car side, the 190 E 1.8, a model for first-time Mercedes buyers, received a positive response both in Germany and abroad. At the beginning of 1991 we further improved standard equipment and engine capacities in our compact class. In the mid-series, the Mercedes-Benz 500 E was launched as a new top model in October 1990; with its 5-liter, V8, 4-valve engine it is the most powerful car in this series.

In the spring of 1990 we introduced a new emission control system for our diesel cars consisting of exhaust gas recirculation and an oxidation catalytic converter; this is being offered as an optional extra. The system makes it possible to further reduce the already low emissions of hydrocarbons, carbon monoxide and particulates.

At the Geneva Motor Show in March 1991, two years after the premiere of our roadster, we presented the new S-class. It met with an exceptionally positive response internationally. This standard-setting automobile will further consolidate our leadership in the

automotive upper class. With an abundance of innovations in vehicle and environmental engineering, it sets new standards in comfort, motoring enjoyment and handling, without neglecting our basic values of solidity, security and high quality. In order to reconcile the desire for top-quality individual mobility with the demands of society and the environment, we have devoted particular attention to achieving the maximum ecological compatibility of all features and design criteria.

On the commercial vehicle side, we launched the models 1324 and 1524 from the "LK" or light Worth series, fitted with the 177 kW/240 horsepower OM 366 LA engine. In the equally new models of the Worth "MK", or medium-heavy series, with gross vehicle weights of 12, 14 and 17 tonnes, major technical elements from the heavy-duty series have been incorporated. The Diisseldorf-made T2 van range was extended by the addition of vehicles with permanent all-wheel drive, and by the introduction of the anti-lock braking system, ABS, as an optional extra.

With a view especially to safety and ecology, Mercedes-Benz has developed an engine brake of considerably improved efficiency; this not only raises active safety, it also reduces both wear and noise, and relieves stress on the wheel brake. For Mercedes-Benz commercial vehicles already in operation, our retail branches and agencies are offering an "eco-check", with low-cost repairs and environment-friendly retrofit packages. More noise-damping equipment is also being developed for all Mercedes-Benz commercial vehicles, and in some cases this can also be retrofitted.

At AEG, expenditure on research and development, at DM 782 million, nearly equaled the previous year's level and represented 5.9 % of the AEG group's total sales. A sum of DM 112 million was spent on research and development work related to specific orders. A total of 4,750 employees were working on the development of new products and processes. In 1990, AEG participated in 35 national and international research projects; these mainly involved the fields of activity Microelectronics, Automation, Rail Systems and Communication Systems.

The companies of the DASA group altogether spent DM 4.2 billion on research and development, representing 34 % of sales. Of this sum, DM 0.8 billion was accounted for by free research and development projects not related to specific orders. In the aviation sector, development effort was concentrated on the 30-seater Dornier 328 turboprop aircraft, the A321 and A330/A340 Airbus programs, and on the IF90/EFA European fighter aircraft. Work on the BO 108 light helicopter made good progress. In the space technology sector, the Rosat X-ray satellite was put into orbit, and the Ulysses space probe launched. In the Defense Systems division, we continued to develop the second and third-generation anti-tank systems as commissioned. Work on the engines for commercial and executive aircraft, and on military fixed-wing aircraft and helicopters was continued. In September 1990 we introduced the completely new 595-series diesel engines.

Consolidated Net Income DM 1.8 Billion

The 1990 consolidated statement of income shows the generally satisfactory amount of DM 1.8 billion. The slight increase over the calculated, notional net income of the previous year (DM 1.7 billion) can be attributed to the lower taxes on income in the year under review. Operating income, at DM 4.2 billion, was 10 % below the comparable figure for the previous year.

The mainstay of income in the Daimler-Benz group continues to be automotive business. However, the strength of the D-mark, which hampered exports, together with uncertainty regarding the international political situation, had a perceptible damping effect. This contrasted with positive stimuli resulting from the unique upturn in the German market, from increased sales in a number of major volume markets abroad, from a more favorable model mix, and from cost-reduction programs.

At AEG, losses incurred in current business, coupled with investments which had to be made in the interest of the group as a whole, depressed results considerably. Deutsche Aerospace shows a negative result in its statement of income, although this is entirely due to the year's net loss incurred by Deutsche Airbus GmbH. Because of provisions made the year before, this loss does not affect the consolidated statement of Daimler-Benz, so that DASA made a positive contribution to consolidated net income in 1990. This also applies to debis, whose result was distinguished by gratifying trends on the part of the leasing and finance companies.

In the non-operating area, average liquidity for the year was low, and income from interest declined by 12 % to DM 989 million. As in previous years, a monetary adjustment was made on the financial statements for subsidiaries in high-inflation countries, which to some extent eliminates apparent profits.

Balance Sheet Structures Remain Favorable

The expansion in the volume of business to DM 85.5 billion led to a DM 4.6 billion rise in the balance sheet total to DM 67.3 billion. Due to higher investments and another considerable increase in the inventory of leased vehicles, the assets side of the balance sheet has become more heavily weighted towards long-term investments. Currents assets, which rose in value by DM 0.8 billion, make up 63 % (1989: 66 %) of total assets. Since the ratios of items on the liabilities side, especially the equity ratio at 26 %, remain virtually unchanged, the rise in non-current assets has caused coverage of fixed assets by stockholders' equity to decline from 109 % to 102 %; this does not include leased items, which are mainly financed by borrowing. After inclusion of long and medium-term provisions, especially pension provisions, and liabilities due after more than one year, the share of medium and long-term capital in the consolidated balance sheet total amounts to 64 % (1989: 65 %). This means that non-current assets, inventories and parts of the remaining assets are covered.

Allocation of Earnings

The net income of Daimler-Benz AG amounts to DM 1,120 million, roughly equaling the previous year's level. As the executive holding company, Daimler-Benz again applied §58 Aktiengesetz (German Stock Corporations Law) and transferred half of this sum to retained earnings. By far the greatest part of the net income was contributed by Mercedes-Benz AG, which once again transferred its entire earnings for the year, DM 980 million. As laid down in the existing control contract, we assumed responsibility for the loss made by AEG Aktiengesellschaft of DM 214 million.

To the Annual General Meeting of Stockholders on June 26, 1991, we propose the paying out of a dividend of DM 12 per DM 50 share. The total dividend paid thus amounts to DM 557 million. The remaining DM 3 million is to be carried forward, together with the sum carried forward the previous year (DM 5 million).

The share capital increase authorized by the Annual General Meeting of July 2, 1986 is valid until June 30, 1991. To provide advance security for the complex tasks facing us in the future, and to ensure entrepreneurial flexibility, we propose that a new capital increase in the amount of DM 600 million be authorized.

Outlook

In a number of important Western industrialized countries, economic growth slackened off still further in the first few months of the year. However, following the swift conclusion of the Gulf war, the prospects that the world economy will pick up in the second half of 1991 have improved. The German economy will be able to continue the upturn stimulated by internal demand, although the situation in the new Federal German states gives rise to considerable concern.

The car industry is optimistic that the catching up still necessary in the new Federal German states will greatly benefit both domestic manufacturers and import makes in 1991. The number of cars sold in important export markets, on the other hand, is expected to fall further. Mercedes-Benz expects sales opportunities for its cars to be generally good, with the market launch of the new S-class having a positive rub-off effect on the whole model range.

Fiercer competition in a number of major international markets, and the pressure this causes on profit margins, is having an increasing effect on the performance of the European commercial vehicle industry. At the same time, the creation of the single European market and the opening up of Eastern Europe are creating attractive opportunities to adapt the quality of the product range to the growing demands of the movement of freight. Mercedes-Benz is prepared for such a development. We have a broad-based, technically mature vehicle range. Moreover we can offer services which optimize vehicle operation as well as environmental acceptability. For 1991 we expect the sales volume of Mercedes-Benz commercial vehicles to be high once again, with a special set of economic circumstances continuing in Germany and with generally improved market opportunities outside Europe.

AEG expects its volume of business to grow again in the current year. The main contributors to this will be its Automation and Rail Systems fields of activity. After the modest rise in export sales in the year under review we expect a significant improvement in 1991. In Germany we expect growth to be boosted by our activities in the five new Federal German states; it is especially in this region of Germany that we wish to build on our old traditions. The historically close contact between AEG and the countries of Eastern Europe is to be further developed as the political and economic situation allows. The basis for this is provided by the branches we have already opened in Poland, Hungary and Czechoslovakia, together with the agency agreement concluded with a Bulgarian partner, which involves the entire AEG product range. Despite the great significance which the new Federal German states and Eastern Europe have for us, however, we will not be neglecting to improve our position in the economic areas of the European Community, the USA and the Far East.

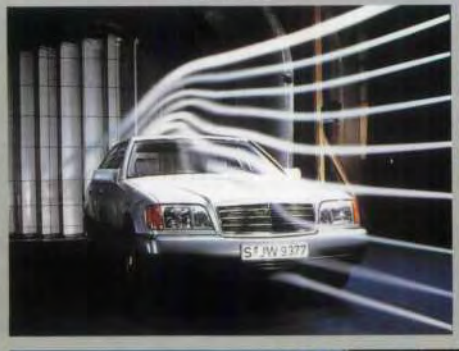
Deutsche Aerospace also expects sales to increase further in the current year. In the aviation sector, settlements of invoices in the aircraft and helicopter programs should be higher overall; for the Tornado, by contrast, sales will decline. In the space sector, we expect major payments to be made for the development projects Hermes and Ariane 5, for the launching of the ERS-1 and for the Eureca platform; in the longer term, this sector is subject to a degree of uncertainty because the space flight programs of ESA are being totally revised. In the defense sector, the first payments for work on the program for the European version of Stinger will be made. Deliveries of the CL 289 drone are also expected to be stepped up. We will have to wait and see what effects the political decisions still to be made will have on defense spending. In the propulsion systems sector, business will greatly depend on exchange rate parities and on military procurement programs; cooperation with international partners will provide us with important additional market opportunities.

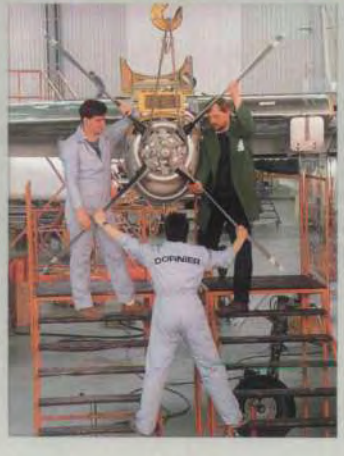
Daimler-Benz InterServices has set itself some ambitious objectives for its future business. By extending the existing fields of activity, by consistently tailoring the range of services to the specific requirements of customers and by greatly expanding the volume of business with customers inside and outside the Daimler-Benz group, debis aims to double the total revenue of the year under review in the medium term. The expansion of the corporate unit is taking place against the backdrop of a fundamental change in Europe's economic environment, because services are increasingly being offered across international borders, and therefore have to take account of European - and indeed global - competition in terms of both structure and approach. The processes of concentration in the field of information technology and among companies offering marketing services is accelerating. The opening up of the Eastern European markets is making increasing demands of barter trading. In the classic fields of finance services and insurance, additional and more varied services are being offered.

Altogether, Daimler-Benz as an internationally oriented technology group views these developments as tantamount to a major challenge. In order to remain successful in the face of worldwide competition, we will therefore systematically continue our cost-reducing programs, which have already proved effective. At the same time, we aim to offer our customers innovative services and systems in accordance with market requirements and to an even greater extent than before. This includes the development of new concepts in transport, on which we are working intensively. In view of the ever-increasing volume of goods traffic, for instance, the truck must be better integrated into transport chains which employ different types of carrier. The linking together of various means of transport - and this applies right across international frontiers - will therefore become more and more important.

We expect the creation of the single European market and the fundamental political and economic changes in Eastern Europe to provide more potential for increases across our business spectrum. Our confidence in the development of the Daimler-Benz group is emphasized by the fact that we plan to invest about DM 30 billion in the next five years. Added to this are expenditures on research and development totaling over DM 43 billion.

The Group's Corporate Units and Divisions

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DM figures in millions	1990	1989
Sales	59,815	56,367
Year-end result	1,545	1,492
Investment in fixed assets	3,453	3,003
R + D expenditure	3,083	2,816
Employees (12/31)	230,974	223,219

In the year under review, Mercedes-Benz increased employment and production and again achieved gratifying results, amounting to DM 1.5 billion. At DM 59.8 billion, the sales of the group exceeded those of the previous year by 6.1 %. Sales of the Passenger Car division increased sharply by 8.0 % to DM 35.5 billion, while commercial vehicles contributed DM 24.3 billion (+ 3.4 %). Cars thus accounted for 59 % of consolidated sales and commercial vehicles for 41 %.

The importance of the EC markets for Mercedes-Benz continued to increase; DM 37.0 billion, or 62 % (1989: 58 %) of total business, was generated in this important economic zone. In Germany alone, we increased our sales by 19 % to DM 24.3 billion. In the markets outside the EC, the strong Deutschmark and declining commercial vehicles business in South and North America meant that sales were slightly short of the previous year's high level at DM 22.8 billion (1989: DM 23.4 billion). Mercedes-Benz AG on its own increased its sales by 12 % to DM 48.6 billion (1989: DM 43.6 billion).

At the end of 1990, the Mercedes-Benz group employed 230,974 (1989: 223,219) people around the world, 179,120 (1989: 173,510) of these in Germany and 51,854 (1989: 49,709) abroad. Of this total, 11,288 were trainees and apprentices.

In 1990 we again undertook substantial investment to secure the future of our vehicles business and our comprehensive investment program proceeded according to schedule. DM 3.5 billion (1989: DM 3.0 billion) was invested in fixed assets worldwide, DM 2.7 (1989: DM 2.0 billion) of this in Germany. The main focus was again the Passenger Car division, with an expenditure of DM 2 billion, chiefly comprising preparations for production of the new S-class and the setting up of the Rastatt car assembly plant. Of the investments in the Commercial Vehicles division, DM 500 million was accounted for both by the German factories and by the foreign production companies. Mercedes-Benz spent a total of DM 3.1 billion on research and development.

About DM 300 million was invested in further extending the performance of our worldwide sales and service organization. The main emphasis was on branches and supply depots in the territory covered by Mercedes-Benz Vertriebsorganisation Deutschland (MBVD) and Mercedes-Benz Japan.

In the coming years, Mercedes-Benz expects sales to increase substantially. The exploitation of inherent technological potential within the Daimler-Benz group will open up promising prospects for the future of the motor vehicle. We shall seize this opportunity by investing DM 21 billion in fixed assets over the next five years, and spending a further DM 16 billion on extensive research and development activities.

Passenger Car Division

DM figures in millions	1990	1989
Sales	35,527	32,887
Investment in fixed assets	2,024	1,850
R + D expenditure	2,100	1,865
Production (units)	574,227	542,160
Employees (12/31)	100,479	96,734

Downturn in International Vehicle Markets

After seven years of continuous boom in international car business, 1990 saw a downturn in the vehicle markets. Despite this however, the high sales volume of the previous years was repeated. World production again exceeded 36 million cars. In the USA, sales fell by a further 4.8 % in 1990 to 9.3 million cars. The US manufacturers were particularly affected. They had to reduce their production by 16 % to 4.9 million cars. By contrast, the Japanese manufacturers increased their production in the USA by 17 % to 1.1 million cars; in conjunction with the 1.5 million cars imported from lapan, they increased their market share from 25 % to 28 %. 85,000 of the new lapanese luxury cars were sold in their very first year. The German car manufacturers represented in the high-quality market segment sold 168,000 cars, 1.4 % more than in the previous year.

In Japan, with an increase of 16 % to 5.1 million new car registrations, the previous year's results were substantially exceeded. Imported makes increased their sales by 19 % in 1990, to 209,000 cars.

German importers, who account for around two thirds of car imports, made large gains particularly in the category over 2 liters engine displacement. Exports of cars by Japan increased only slightly, by 1.8 %, to 4.5 million vehicles. In the year under review, some 2 million cars carrying Japanese makers' names were produced outside the country; in total, Japanese vehicle companies built some 12 million cars.

In Western Europe, including the new Federal German states, car sales attained a similar magnitude to those of the previous year at 13.2 million units. While there were substantial falls in sales in the United Kingdom, Spain and Sweden, the large French and Italian markets maintained the high levels of the previous year. At 13.6 million cars, production in Western Europe was slightly below the previous year's level (13.7 million).

The new S-class is setting standards in the luxury car category.

The front air intake louvers identify the car as the powerful 300 D Turbo.

The popular T-model: dual purposes for both business and private use.

The elegant 300 CE-24 coupé has become more attractive with its six cylinder four-valve engine.

Federal Republic of Germany: Record Number of Registrations in the West German States

In the states of former West Germany, new car registrations for the first time exceeded the 3 million mark. This gratifying trend was due to the increase in real income in the old West German states and buoyant used vehicle business in the new Federal German states, which had a positive effect on substitution demand for new vehicles. In the new Federal German states, approximately 1 million cars were registered, including 280,000 new vehicles. The unexpected increase in demand in Germany led to substantial delivery problems for West German manufacturers. European and Japanese competitors profited from this

The new 500 E, met with an enthusiastic response from motor journalists and customers alike.

The Mercedes G, now even more comfortable, more distinctive and more powerful.

The SL continues on a successful course.

The newly designed buildings of our regional sales and service outlet in Innsbruck, Austria.

and sharply increased their market share in the former West German states. The share of foreign makes supplying the German market increased to 32.3 % (1989: 30.2 %); in the new Federal German states, their share of new registrations was considerably higher still, at almost 40 %.

In former West Germany, 96 % of vehicles newly registered in 1990 were in the pollutant-reduced category; 90 % of all gasoline-engined cars were equipped with a closed-loop catalytic converter. There was an increase in sales of diesel cars for the first time since 1986 (+ 15 %); their share of the total market increased to 11%. Clearly, the objective arguments for buying a diesel, such as high economy and long life, seem to be gaining recognition once again.

As far as exports are concerned, the German vehicle industry achieved its second best ever result (2.6 million cars (-4.6 %). Higher exports to Japan and the USA contrasted with a decline in deliveries to Western Europe. West German car production climbed during 1990 to a new record level of 4.7 million cars (+2.1 %). Foreign production by German manufacturers increased further to 1.6 million (1989: 1.5 million) vehicles.

Mercedes-Benz: Domestic Registrations at Last Year's Level

There were 245,600 new registrations of Mercedes-Benz cars in the Federal Republic of Germany in the year under review (1989: 247,100). Sales to company employees suffered noticeably - though less than expected - from the new taxation of employee car sale discounts. The resulting drop in sales to employee customers affected particularly diesels. 86,000 compact class cars were registered in the year under review, 7 % less than in the previous year. The gratifying demand for our mid-series, continued unabated

in the year under review, with 139,000 new registrations (+3.5 %). 14,100 (1989: 14,600) S-class vehicles were newly registered in 1990; given the advent of the new generation announced for spring 1991, this was a remarkable success.

Foreign Sales Record

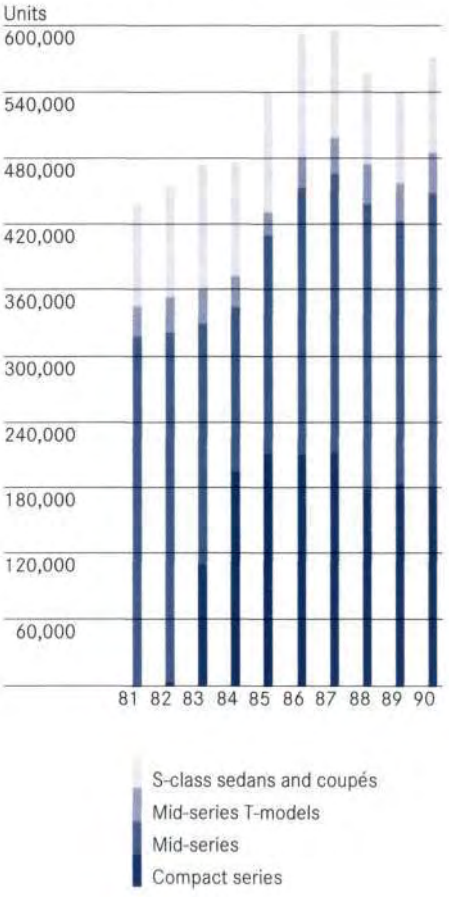
In 1990 we increased our sales abroad by 3.0 % to 309,800 cars, which represented our best sales result to date. In the markets of the European Community excluding Germany, we sold 131,800 cars (+5.3 %), the largest volume ever. Italy, with a 13 % rise in Mercedes-Benz sales to 39,200 cars, was again our largest market. In France, we gained ground with an increase of 4.0 % to 28,700 vehicles, while the economic situation in the United Kingdom resulted in a 5.2 % fall from the record year of 1989 to 27,300 cars sold.

Sales in the USA were 3.5 % up on those of 1989 at just under 78,400 Mercedes-Benz cars, despite the general worsening in market conditions. There was a high demand particularly for our roadster and also for our mid-series coupes and the S-class.

The East Asian markets are becoming more and more important for Mercedes-Benz. This applies particularly to Japan. In the year under review, 38,700 Mercedes-Benz cars were registered there (+23 %). Our mid-series models were again particularly successful as were the S-class models and the coupes and sports cars. Outstanding sales successes were achieved also in Indonesia, Malaysia and Singapore, where we increased our sales by 74 % to 6,500 Mercedes-Benz cars.

In the year under review, Mercedes-Benz built 574,200 cars (+5.9 %). The diesel share of this fell further for demand reasons from 24.5 % to 23.6 %. Licensed production of cross-country vehicles at Steyr-Daimler-Puch AG in Graz, Austria, was stepped up considerably during 1990 due to the new model generation.

Mercedes-Benz Passenger Car Production



Further Attractive Models and Environment-Friendly Diesel Engines

A variety of technical improvements and new model versions have now made our car range even more attractive. The four model series offer our customers 56 different models to choose from.

Further upgrading of our compact series took place at the beginning of 1991 when the range of standard equipment was extended.

At the Paris Motor Show in October 1990, we presented our new top model in the mid-series, the 500 E. Wider wheel arches, 225/55 ZR16 tyres and greater track width are among the more striking outward features; the four-valve 5-liter V8 engine already proven in the SL series provides performance to match the calibre of the vehicle. A breath-taking stride has been taken in engine and drive management with sequential fuel injection, which supplies the correct quantity of fuel to each cylinder at exactly the right moment.

Since December 1990, the 500 SL has been offered with acceleration skid control (ASR) as standard.

In September 1990, we brought out a completely new generation of stereo equipment which combines the latest technology with a perfect matching of all systems to the interior design of the vehicle.

In spring 1990, we introduced as an option for diesel cars a new emission control concept consisting of exhaust gas recirculation and oxidization catalyst. The already very low hydrocarbon, carbon monoxide and particulate emissions are thereby reduced still further.

The Geneva Motor Show in March 1991 - two years after our sports car made its premiere at the same event - saw the presentation of the new S-class. It met with an exceptionally positive response from the international public. We are convinced that this vehicle series will consolidate our leading position in the luxury market segment, particularly since its many innovations in vehicle and environment technology entail no sacrifices in our basic values of sound workmanship, security and high quality.

Innovations in Vehicle Safety

Mercedes-Benz has more than 50 years of experience in the field of vehicle safety. Innovation followed innovation, pointing the way for others to follow. Mercedes-Benz has fitted more than 2.5 million ABS systems, more than 7.2 million belt-tensioners and more than 750,000 airbags into its cars, thereby making a major contribution to greater active and passive road safety. In the event of an accident, the new S-class offers occupants and other road users even greater protection than its predecessor thanks to a more rigid passenger cell and longer deformation zones front and rear.

Greater Investment in the Passenger Car Division

During the year under review, DM 2 billion was invested in the Passenger Car Division, some 10 % more than in the previous year. The main activities were again directed at the introduction of new products built on efficient, innovative and economical production facilities. The use of the latest technologies guarantees product quality, reduces the strain on employees at the workplace and at the same times promotes effective environmental protection.

A case in point is the production of our new S-class. A highly flexible bodyshell production set-up was installed at the Sindelfingen plant, capable of reacting at short notice to market requirements by reallocating production between different model series. We have broken new ground with modular assembly technology which allows separate pre-assembly of the doors, the cockpit and major assemblies. A progressive elimination of overhead work - the bodies are tilted to a convenient working position - and further automation measures for example in window installation have brought major benefits in workplace design. To accommodate the many technological and logistic restructuring measures, an increase in the factory area was necessary.

Modern Development Methods

New methods of vehicle development are required to keep pace with the ever greater complexity of vehicle technology and ensure development progress in the space of shorter model cycles. Computer Aided Design (CAD) and Simultaneous Engineering are particularly useful instruments here.

It is increasingly important when testing the vehicle as an overall system to check all electric and electronic components in the vehicle for their electro-magnetic compatibility (EMC). A large EMC test shop went into service this year, where highly informative tests, which can be reproduced infinitely, can be carried out quickly on vehicles and their components. Our aim is to ensure even more reliable functioning of the electronic systems in our vehicles.

Good Collaboration With Suppliers

In order to maintain at all times the supply of bought-in parts to our production lines and to minimize the strains imposed by the more difficult situation as far as environmental matters are concerned, we have taken the step of overhauling our information and communication systems. At the same time, collaboration with the supply industry is geared to keeping costs under control. Amongst other things, this entails making greater use of the international procurement markets. We always consider foreign materials sourcing as an alternative when the parts can be supplied with precisely the same high quality standards, without major risk of interruptions in supply and at competitive prices.

We further stepped up our collaboration with suppliers in the fields of research into, development of and implementation of new technologies. The high flexibility and commitment of our suppliers were in particular evidence among those firms who helped us prepare for production of the new S-class.

Continuing Success in Motor Sport

In 1990, we again had a very successful motor sport year. For the second time in succession, Mercedes-Benz won the teams' and drivers' title in the World Sports Prototype Championships (Group C), thus consolidating its position at the head of the field.

With eight wins - including five double wins - in nine races, the Silver Arrows and the Sauber Mercedes team took first place among the teams. The drivers' title was fought out among the Mercedes works drivers: Frenchman Jean-Louis Schlesser and Italian Mauro Baldi won six races and became joint World Champions, just in front of Jochen Mass.

Although not winning a title, Mercedes-Benz had a good season overall in the German Touring Car Championships (Group A), whose rules were the subject of some debate. The AMG team took third and fifth places among the drivers with the Dane Kurt Thiim and the German driver Klaus Ludwig respectively; this is an extremely satisfactory result for the Mercedes-Benz 190 E 2.5-16 Evolution II.

Outlook

The outlook for the German car market remains favorable. The demand for used vehicles in the new Federal German states will again be the major factor. There are many indications that the German car industry may be able to repeat the high sales volume of 1990, although the continuing high interest rates and tax increases approved by the German government in early 1991 pose a threat to the German vehicle market.

The Gulf War has had a depressing effect on already slackening car demand in important markets in Europe and in Japan. In the USA, sales are further handicapped by the decision to impose a luxury tax on cars designed to hit hardest the German manufacturers represented in this market segment.

Despite the prevailing risks, Mercedes-Benz believes there is a good chance of maintaining the high level of production and sales established in recent years. In the German market particularly, we expect continued growth in sales, influenced to an increasing extent by rising demand in the five new Federal German states, where we are steadily expanding our sales network. We have high hopes that the new S-class will act as a stimulus to a growth in sales of all models in our car range. We are therefore also confident that it will be possible to partially offset the substantial fall in sales in the USA by increases in other markets.

Thanks to adjustable camshafts, the four-valve engines develop dynamic power over the whole engine speed range.

The flow of air along the bodywork contours is demonstrated in the wind tunnel.

The Mercedes Silver Arrows won the 1990 World Sports Prototype Car Championship (Group C), with Schlesser, Baldi and Mass leading the drivers' ranking.

In the 1990 German Touring Car Championship, Kurt Thiim and Klaus Ludwig, driving Mercedes-Benz 190 E 2.5-16 models, finished in the acceptable third and fifth places, respectively.

A special airbag for the front passenger complements the driver airbag.

Commercial Vehicle Division

DM figures in millions	1990	1989
Sales	24,288	23,480
Investment in fixed assets	851	719
R + D expenditure	983	943
Production (units)	258,947	260,956
Employees (12/31)	93,920	90,663

Decline in World Demand for Commercial Vehicles

The international commercial vehicle market declined further in the course of 1990. The fall in demand on the American continent and in Japan in particular led to a reduction in worldwide production to 12.5 (1989: 13.7) million commercial vehicles.

In the USA, sales fell by 4.5 % to 4.8 million vehicles. The American vehicle industry cut back its production by 8.9 % to 3.7 million commercial vehicles. In Argentina and Brazil, restrictive anti-inflation measures depressed demand for commercial vehicles. The stabilization and liberalization in Mexico on the other hand led to a further substantial improvement in truck and bus business. In Japan, new registrations of commercial vehicles fell by 6.2 % in the year under review to 2.7 million units. Japan remained by far the world's largest exporter of commercial vehicles with exports of some 1.4 million vehicles. Its production fell by 11 % to 3.5 million units.

In Western Europe, demand for commercial vehicles fell appreciably following five years of expansion. A depressing effect was exercised particularly by an economic downturn and the increased interest rates; the headlong modernization of vehicle fleets in recent years was another factor. New registrations of commercial vehicles in the countries of the European Community fell by a total of 3.0 % to 1.7 million units; production fell by 6.1 % to 1.8 million units.

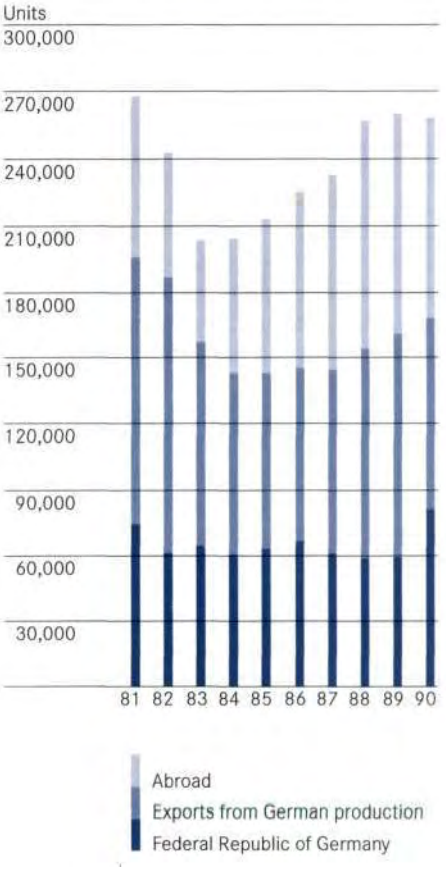
German Commercial Vehicle Industry: Domestic Market Continues Strong

Demand for commercial vehicles expanded sharply in the Federal Republic of Germany in 1990. Crucial factors in this were the favorable macroeconomic conditions, the lively state of the capital goods and construction industries and additional market capacity in the new Federal German states for new and used vehicles. Total new registrations of commercial vehicles in Germany increased by 18 % to 203,400. Exports at 167,900 units were in the order of last year's high level. Domestic production by all manufacturers increased by 10 % to 315,900 vehicles.

Successful Performance of Mercedes-Benz Commercial Vehicles in European Market

With worldwide sales of 261,800 commercial vehicles (+ 2.5 %), we maintained our position as the world's largest truck manufacturer and in important markets improved our standing further. In the Federal Republic of Germany, new Mercedes-Benz registrations climbed 20 % to 84,700 units. The increase for trucks over 6 t was above the average, with a rise of 24 % to 39,500 vehicles. Heavy-duty trucks upwards of 16 t registered an increase of 26 % to 19,300 units. Mercedes-Benz was not able to escape the downturn

Mercedes-Benz Worldwide Commercial Vehicle Production



in important commercial vehicle markets around the world. Exports from the German plants therefore fell by 14 % to 87,100 units. In the truck category over 6 t, Mercedes-Benz remained the largest supplier in Western Europe with a growth in market share of 3 percentage points to *26%*. The countries of the European Community absorbed 73,300 commercial vehicles in 1990, 7.8 % fewer than in the previous year.

Substantial Recovery in Bus Demand

In the former Western German states, new registrations of Mercedes-Benz buses increased by 1.4 % to just short of 1,500, raising our market share there to 37.1 %. Exports of buses over 8 t were 22 % higher than in the previous year at 3,600 units. At the German plants of Mercedes-Benz AG, total production in all weight categories amounted to some 5,500 buses and bus chassis (+ 11 %). Worldwide production of Mercedes-Benz buses and bus chassis increased by 15 % to 22,000 units.

Practical in every respect – the light trucks from Wörth.

Unimog used for landscape gardening.

The new O 408 country bus.

Reliable refuse-collection vehicles with reduced exhaust and noise emissions.

MB 100 D – Punctual and reliable, as a daily shuttle for new hotel guests.

Testing of EPS, the standard electronic power shift.

The new constantly-open throttle valve increases braking performance on downhill gradients by 60 %.

A Mercedes has to operate reliably even at arctic temperatures.

High Sales of Unimogs and MB-tracs

Sales of Unimogs increased in the year under review by 14 % to 4,200, with an increase of 26 % in Germany alone to more than 2,000 units. The new, most powerful, Unimog with 214 hp output as well as the Unimog with 240 hp output for fire-fighting, airfield and disaster-aid application have proven very popular on the market. Sales of the MB-trac increased worldwide. As planned, production of the MB-trac will be discontinued at the end of 1991.

Industrial Engines: Stabilization at a High Level

Sales of industrial engines and installation engines from the German plants to manufacturers of agriculture and construction machinery, fork-lift trucks, buses and special-purpose vehicles were in the same order as those for 1989 at 15,900 units. As a result of continued growth in demand in the crane and bus segments, we were able to supply more powerful engines with a higher invoice value. Sales of axles and transmissions totalled 4,700 (1989: 4,900).

Commercial Vehicle Capacity Fully Stretched in the Federal Republic of Germany

Output at our plants in the Federal Republic of Germany increased further in 1990 by 5.0 % to 168,800 commercial vehicles. Manufacture of parts kits for production at our plants abroad climbed by two thirds to 21,200 units. Capacity at our German commercial vehicle plants was fully utilized throughout the entire year.

Production in the New Federal German States Planned

In the fall of 1990, a co-operation agreement was drawn up between Mercedes-Benz AG, Automobilwerk Ludwigsfelde GmbH (IFA) and the Berlin-based Treuhandanstalt, the state agency in charge of privatization in the former East Germany, providing for assembly of Mercedes-Benz commercial vehicles for a limited period at the present plant to the south of Berlin in liaison with the Worth and Düsseldorf truck plants.

By 1993/94, it is planned to step up truck production in stages to more than 20,000 trucks. In the medium term, we are planning to set up a new commercial vehicle assembly plant in the Ludwigsfelde region. When this is fully operational, it will be capable of manufacturing up to 40,000 vehicles annually.

More Difficult Market Conditions for Foreign Production Companies

Production at our foreign commercial vehicle companies had to be cut back during the year under review by 10 % to a total of 90,100 vehicles, due particularly to the generally difficult economic situation in South and North America and also in South Africa. By contrast, the trend in Mexico and Turkey was positive. Total commercial vehicle production by the Mercedes-Benz group fell slightly short of the previous year's high production volume, at 258,900 vehicles.

Mercedes-Benz do Brasil sold only 21,300 commercial vehicles (1989: 27,600) in 1990. Production was hampered by strikes and a five-week close-down, causing the market share for trucks over 6 t to fall from 43 % to 34 % and that for buses from 76 % to 75 %. Production fell by 18 % to 31,200 trucks and buses. At Mercedes-Benz Argentina, sales fell by a further 12 % to 2,700 vehicles. Nonetheless, the market share for trucks increased to 46 % (1989: 39 %) and that for buses climbed slightly to 69 % (1989: 67 %). Production was cut back to 2,700 vehicles (1989: 3,100).

Our Mexican subsidiary, which changed its name at the beginning of 1991 to Mercedes-Benz Mexico, increased its sales by 73 % to almost 6,000 vehicles. Its share of the truck market remained roughly constant at 36.4 %; in the bus market, its share surged from 11.1 % to 31.2 %.

Due to the continuing slow-down of the commercial vehicle market in the USA, particularly in Class 8 (upwards of 15 t GVW), our subsidiary Freightliner recorded a fall in sales to 23,000 vehicles (-1.5 %), although its market share increased from 16.1 % to 19.0 %. In the USA and Canada, the company produced a total of 24,800 vehicles (1989: 26,500).

Sales at Mercedes-Benz of South Africa were hit during the year under review by a strike lasting eight weeks and a recession in the market. Sales fell 29 % to 2,700 commercial vehicles; production was cut back to 2,245 units (1989: 3,764).

Mercedes-Benz Espana sold 23,100 vans from its own production (-6.1 %). New registrations of commercial vehicles imported from Mercedes-Benz AG declined due to the fall in the market by 3.1% to 5,100.

Following an increase in the Daimler-Benz holding to 50.3 %, our Turkish subsidiary was renamed Mercedes-Benz Turk A.S. (MBT). It sharply increased its sales of commercial vehicles in 1990 to 2,800 (1989: 1,700) units of which 1,160 were buses (1989: 840).

Mercedes-Benz Commercial Vehicle Production by Types

Trend at the Associated Companies

The Indonesian affiliates P.T. German Motor Manufacturing, P.T. Star Engines Indonesia, Wanaherang, and P.T. Star Motors Indonesia, Jakarta, were able to profit from the favorable economic trend in the country and to increase their sales to 2,300 commercial vehicles (1989: 2,000).

NAW Nutzfahrzeuggesellschaft Arbon & Wetzikon AG, Switzerland, which converts and assembles Mercedes-Benz commercial vehicles built 1,700 units during the year under review (1989: 1,900).

New Products and Product Improvements

1990 saw further additions and product improvements in the broad range of individually-tailored, environmentally advanced Mercedes-Benz commercial vehicles designed for economical transport work.

The new light Worth "LK" models 1324 and 1524 and the vehicles in the new heavy-duty Unimog series are fitted with an upgraded 177 kW/240 hp OM 366 LA engine. While the light-series trucks are designed for particularly economical long-distance operation, the heavy-duty Unimogs are used particularly in fire-fighting, airfield and disaster-aid application. The new medium-heavy "MK" models with gross weights of 12, 14 and 17 t feature many of the technical specifications of the heavy-duty series. This applies particularly to the cabs and the central lubrication system, so that in this category too, maintenance intervals are increased to as much as 45,000 km in long-distance operation.

In the bus sector, we presented the new O 600 bus series based on the T 2 vans (O 609 D, O 611 D and O 614 D).

The 814 DA models in the T 2 van series from Düsseldorf offer permanent all-wheel drive and the anti-lock braking system is optionally available. The Tl and T2 series vans with M 102 gasoline engines can optionally be supplied with closed-loop three-way catalytic converter, exhaust gas recirculation systems.

Developments in the Interests of Road Safety and Environmental Protection

In the Commercial Vehicle Division, we devote around a third of our annual research and development expenditure to improving the environmental compatibility and safety of our vehicles. One valuable result of this work can be seen in the new engine brake with enhanced performance, which offers greater safety on downhill gradients and which in the meantime is available for all V8 engines. This engine brake with a constantly open throttle valve - incorporated as an additional valve in the cylinder head - increases engine brake performance by about 60 % in the top engine speed range and up to 100 % at the lower end of the range. There are further advantages in terms of brake lining wear and quieter operation.

The Mercedes-Benz branches and agents offer an "environmental check-up" for the Mercedes-Benz vans, trucks, buses and Unimogs on the roads today. This consists of attractively priced repair packages for the injection system and a retrofit package for the flame-starting system, which prevents white smoke emission when starting the engine. The "environment check 90" also includes a whole series of checks covering amongst other

things the intake, fuel and exhaust systems and the engine brake. A noise package developed for all Mercedes-Benz commercial vehicles reduces emission of noise by vehicles with engines above 150 kW/204 hp rating to a maximum of 84 dB (A), corresponding to a reduction in noise intensity of 60 %. The noise package is also available for retrofitting.

Substantial Investment in New Products and Production Technologies

With the goal of ensuring progressively designed products and efficient production technologies, we invested almost DM 1 billion worldwide in the Commercial Vehicle division. The "Truck of the Year 1990" award for the SK series is an incentive for us to continue to produce tailor-made vehicles with the customary high utility value on economical and ergonomically and environmentally advanced production facilities at our plants.

Easily and effortlessly maneuvrable even in narrow alleys.

A proud trucker's pièce de résistance.

The demand for fresh fish at all times calls for an efficiently organized transport chain.

Longer servicing intervals even under tough operating conditions.

Integration of Purchasing Function into the Commercial Vehicles Division

With the aim of co-ordinating our materials procurement even more effectively with our diversified commercial vehicle product range, we took the step in 1990 of integrating purchasing activities in the Commercial Vehicles division. In this way we will be better able to co-ordinate our global procurement activities with our international production locations.

We continued to implement our long-term purchasing strategy. In particular, in the year under review, we optimized the numbers of our suppliers and the allocation of components between them. We also concluded a greater number of long-term supply contracts. At the same time, we maintained our traditional commitment towards medium-sized and smaller companies and in the social sphere, for example to workshops for the handicapped.

Our procurement logistics in 1990 again reflected the high standards of our product range and our increasingly international production structure. Our efforts to reduce transport and storage costs and improve in the area of just-in-time materials requisitioning systems, were successfully continued.

The close collaboration with our suppliers not only made it easier for us to reorganize purchasing but also helped in markets with capacity problems to ensure a trouble-free supply of materials at all times. Our requirements in terms of quality, reliability and innovation were fulfilled most satisfactorily. We should like to take this opportunity to express our thanks to all our suppliers and transport and service companies for their support.

Preparation for the Single European Market

The creation of the single European Market including a united Germany and the opening up of Eastern Europe give European industry the chance of acquiring a new dimension. This applies particularly as far as the haulage market is concerned. At the same time as the quantitative increase in transport demand, the demand for greater quality and efficiency in haulage operations has also grown. As market leader in the truck category over 6 t, with a full and diversified product range, we are able to offer high-calibre vehicles and services for all transport tasks. In the interests of swiftly implementing environmental solutions to goods haulage, we are keen to optimize vehicle operation by means of new technologies and innovative services. Our formula for the 1990's is: "Vehicle plus intelligent service". As well as flexible maintenance and diagnosis systems, an extensive service network and 24 Hour Service, this also embraces our Fleet Information Systems.

Within the framework of a European environmental strategy it is important to further reduce exhaust and particulate emission. Against this background, Mercedes-Benz will be moving in two stages to cut the pollutant emission of trucks by up to 60 % by the mid 1990's and thus to offer our customers environmentally advanced vehicles across the entire product spectrum.

A further element in our environment strategy is the development of new transport concepts. As goods transport continues to grow, better integration of the truck in transport chains which embrace a range of different types of transport is required. Thus in the future the importance of combining different types of transport will grow considerably.

Outlook

The European commercial vehicles market, which declined considerably over the last year following five years of uninterrupted growth, will probably diminish only slightly this year. While diverging sales trends can be expected in the West European markets, the markets now opening up in Eastern Europe so far lack adequate purchasing power. The increasing intensity of competition will accelerate the process of co-operation and concentration in the European commercial vehicles industry.

Mercedes-Benz is confident that it will be able to repeat in 1991 the satisfactory overall trend of the previous years, in contrast to the general market trend in Europe. With its competitive product range, broad European presence and the relatively favorable state of the German commercial vehicles market, we again expect Mercedes-Benz to generate a high volume of sales. In the Commercial Vehicles division, the immediate future will

see wide-ranging and ambitious cost-cutting programs. New products and production facilities require a large amount of investment; with an investment budget of some DM 6 billion over the next five years, we shall be doing everything in our power to maintain our technical and qualitative lead on the European commercial vehicle front.

We are convinced that the truck will retain its leading position in European goods transport. Without it, swift integration of the outlying parts of Europe and Eastern Europe into the international division of labor will not be possible. As market leader, Mercedes-Benz has the capability to make a major contribution to efficient and environment-friendly goods transport in Europe.

A Mercedes city bus produced at our Brazilian factory.

New on the US market: Freightliner class 6/7 trucks.

The new heavy-duty truck series for the Brazilian market.

A new market with considerable growth potential: Mexico.

DM figures in millions	1990	1989
Sales	13,149	12,244
Year-end result	(205)	275
Incoming orders	14,156	13,893
Investment in fixed assets	774	739
R + D expenditure	782	787
Employees (12/31)	76,949	77,722

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The West German electrical industry was able to profit from a generally favorable economic climate and continue the upward trend of the last few years on a high level The focus of growth, however, shifted from capital goods to consumer goods, and especially to domestic appliances. Business in systems and equipment for power generation and distribution was also encouraging. The demand for electronic components did not match the positive development in the electrical sector until the second half of the year.

Consolidated sales of AEG amounted to DM 13.1 billion (+ 7.4%) in the year under review. The increase was due mainly to the 12 % rise in domestic sales to DM 7.4 billion, although new acquisitions in the fields of activity Rail Systems and Electrotechnical Systems and Components also contributed. The volume of business abroad rose by 2.4 %. Losses from current business and investments which had to be made in the interest of the group as a whole caused a negative result for the year of DM 205 million.

Incoming orders for the AEG group totaled DM 14.2 billion (+ 1.9 %) in 1990, once again topping the previous year's high level. This growth came entirely from the domestic market, where orders went up by 11 % to DM 7.9 billion, while they declined in the export market by 7.2 %. The encouraging growth in Germany was experi-

over, the cyclical downturn in a number of important foreign markets, and the unfavorable trend in the dollar exchange rate, tended to dampen overall performance.

At the end of 1990 AEG had 76,949 employees worldwide; 57,173 in Germany and 19,776 abroad. Of the total number of employees, 3,030 were trainees and apprentices; about 80 % of the employees work in technical professions.

Investment by AEG, including noncurrent assets taken over from newly acquired companies, amounted to over DM 1 billion in 1990. Additions to fixed assets worldwide amounted to DM 774 million; DM 128 million was invested in the equity of affiliates. Important projects include the integrated technology center for medium-voltage switchgear and circuit breakers in Regensburg (construction of which began in 1990), the extension of the factory in Rothenburg ob der Tauber for cooking and floor-care appliances as well as small household devices, and the modernization and extension of the IC manufacturing facilities in Heilbronn. Abroad, investment in fixed assets mainly concerned MODICON in the USA, AEG Austria and TELEFUNKEN electronic in Austria, and TELEFUNKEN Semiconductors in the Philippines.

Investment in subsidiaries and affiliates mainly went into the acquisition of MAN GHH Schienenverkehrstechnik GmbH in Niirnberg and Schorch GmbH in Monchengladbach, and the raising of our capital stake in Siliconix, Santa Clara/California.

Expenditure on research and development in the year under review amounted to DM 782 million (5.9 % of consolidated sales of AEG), nearly matching the previous year's level. We spent DM 112 million on research and development projects related to specific orders.

In the field of propulsion technology, new designs for drives with speed and position control were investigated. In microelectronics we are pursuing the objective of developing new transistors and monolithically integrated microwave circuitry with very high cutoff limits. In the field of digital data transfer we are concentrating primarily on developing the scientific foundations for video telephones. In pattern recognition, research is focusing on handwriting recognition and document analysis. In the field of large-area electronics, electronic circuitry is being based on glass and other electrically inactive substrates. In systems engineering and software technology a prototype "switchgear expert" was developed. As part of a joint venture, AEG heads a project to develop the high-energy sodium/nickel-chloride battery for industrial use. Research work in the field of environmental technology has led to the development of new equipment for measuring the sulphur and nitrogen oxide emissions of large and small furnaces.

AEG will continue its expansion in the former GDR begun at the end of 1989. At an early stage, we achieved comprehensive coverage of the new Federal German states by setting up technical sales offices in Magdeburg, Erfurt, Rostock and Dresden, as well as sales support offices in Halle, Schwerin, Leipzig and Chemnitz, and by extending the activities of our technical sales office in Berlin; in 1991, we intend to reinforce that coverage. At the same time, the historically close contact between AEG and the countries of Eastern Europe is to be further developed as the political and economic situation allows. The basis for this is provided by the branches we have already opened in Poland, Hungary and Czechoslovakia, together with the agency agreement concluded with a Bulgarian partner, which involves the entire AEG product range. In Yugoslavia we are still working together with a number of foreign representatives. Despite the great significance of the new Federal German states and Eastern Europe, have for us, we will in no way neglect expanding our position in the economic areas of the European Community, the USA and the Far East.

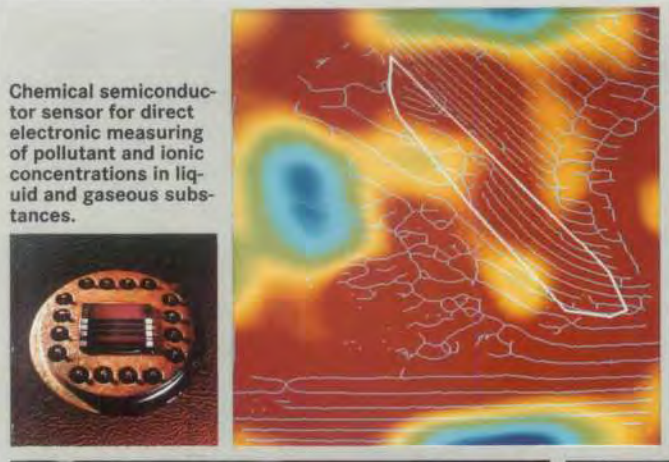
Automation

	1990	1989
Sales (millions of DM)	2,712	2,529
Foreign share in %	44	42
Employees (12/31)	16,953	17,577

This field of activity comprises Industrial Automation, with the divisions Automation Systems and Products and Industrial Systems, as well as Postal Automation, with the division AEG Electrocom GmbH (AEC). The activities of the systems and software house GEI-Gesellschaft fur Elektronische Informationsverarbeitung mbH, registered in Aachen, were transferred to debis Systemhaus GmbH in 1990.

Sales of this field of activity in the year under review rose further to DM 2.7 billion. The range of products and services available with the Geamatics automation system was enlarged, and the activities of MODICON Steuerungs- und Regelungstechnik (Control and Regulation Systems) - the core of Geamatics - further expanded. The worldwide market launch of a stored-program small control unit which can be integrated into various different systems is especially noteworthy. Delivery of the new MODCOMP MC 97 real-time computer also started in 1990; more than 100 new systems are for NASA alone. Both in high-performance drives and servo systems, AEG achieved an overproportionate share of the market's growth.

In Industrial Systems, too, the rise in sales was above average. One major project involved the equipping of a test rig for 12-cylinder engines at the Stuttgart-Untertiirkheim plant of Mercedes-Benz AG. In the field of process and environmental technology, some encouraging orders were received, including major projects such as process control systems for large sewage treatment plants in Frankfurt am Main, the control system for regulating and monitoring a drinking water pipeline carrying treated Lake Constance water to the Stuttgart area, as well as the automation and monitoring



Chemical semiconductor sensor for direct electronic measuring of pollutant and ionic concentrations in liquid and gaseous substances.

Automatic image analysis for checking on the surface quality of a welding seam.

High-performance address reader of the first AEG letter sorting system operated in the Far East featured on a Korean stamp.

Measuring system of the North-Rhine Westphalian department for emmission control, which monitors air quality at more than 70 measuring stations.

Automated electrolytic coil-coating plant for sheet steel.

Fully automatic final testing of twelve-cylinder engines at Mercedes-Benz AG's plant in Stuttgart-Untertürkheim.

The modern ET 480 multiple train set for Berlin's rapid transit system.

The new low-floor streetcar operated by the local public transport authorities of Bremen, Germany.

Fully automatic People Mover system from AEG Westinghouse for local public transport in Miami, Florida.

The "Comfort Line" typewriter models are setting new standards in terms of design and technology.

1280 inquiry and switchboard system operated by the fire brigade in Remscheid, Germany.

equipment for the runway and taxiway lighting, including the power supply equipment, for the Frankfurt am Main Airport. In the raw materials and processing industries, modernization projects predominated.

For the Eurotunnel between Great Britain and France, AEG was made main contractor, in cooperation with Daimler-Benz Research, to equip the 50 km service tunnel with a transport system, including the auxiliary systems.

AEG Electrocom (AEC) further globalized its core area of activity, postal automation, and penetrated new markets in 1990. The first orders were received from the new Federal German states and from Eastern Europe. AEC has added logistics consultancy for efficient, competitive goods distribution to its range of services. In order to strengthen our involvement with licencees in the USA, we have acquired a stake in ElectroCom Automation, Arlington/Texas.

We are expecting further growth for the Automation field of activity in 1991.

Rail Systems

	1990	1989
Sales (millions of DM)	722	587
Foreign share in %	40	59
Employees (12/31)	3,885	3,067

This field of activity comprises the companies AEG Westinghouse Transport-Systeme GmbH, Berlin, AEG Westinghouse Transportation Systems, Inc., Pittsburgh/Pennsylvania, Magnetbahn GmbH, Starnberg, and MAN GHH Schienenverkehrstechnik GmbH, Niirnberg.

Through the takeover of a part of MAN GHH, with its track-bound vehicle activities, on June 30, 1991 AEG, as a supplier of local and long-distance transport systems, will in future be

able to manufacture not only electrical equipment, but also complete traction vehicles and rail cars. In addition, the track-bound vehicle activities of MBB were transferred to the Rail Systems field of activity at the end of 1990. We have thereby taken an important step towards our objective of supplying comprehensive rail systems.

Compared with the previous year we raised this field of activity's sales considerably, from DM 587 to DM 722 million.

The first ICE high-speed trains, for which AEG is supplying the electrical equipment in the power driving units and intermediate trailer cars, were handed over to the German state railroad company (Bundesbahn) in the year under review. MAN GHH Schienenverkehrstechnik and the track-bound vehicle sector of MBB are playing a major part in supplying the intermediate trailer cars of the ICE trains. Further orders have already been received. We delivered the first new standard trains for Berlin's rapid transit system. We also received a follow-up order for 55 suburban multiple train sets.

A water cooling unit was developed for compact and environment-friendly, modular high-performance rectifiers in electric traction vehicles. The first of a new generation of low-floor streetcars developed by MAN GHH Schienenverkehrstecknik were successfully presented in Bremen and Munich.

AEG Westinghouse received an order from the New York subway company for three-phase current equipment, to be fitted in a prototype series of 10 vehicles. With the delivery of a series of DUO buses for Seattle, vehicles fitted as standard with three-phase drive technology entered service for the first time in the USA. We also received an order for the electrical equipment of 88 vehicles for the new Taipei Metro.

AEG Westinghouse has been commissioned to plan and build a complete People Mover system for transferring passengers to and from Denver Airport; the system is to go into service in 1993. The People Mover systems at the international airports of Las Vegas and Orlando are being extended by the supply of further vehicles and more track sections. After one-and-a-half years of trials in Berlin, the main conditions for approving the M-Bahn as a public transport system in accordance with the legislation on passenger transport have been fulfilled.

We expect a further increase in sales during the current financial year. Our intended acquisition of the track-bound vehicle sector of Lokomotivbau - Elektrotechnische Werke Hennigsdorf GmbH should strengthen our position as a supplier of comprehensive systems; at the same time we expect this involvement to give us access to the markets of Eastern Europe.

Office and Communication Systems

	1990	1989
Sales (millions of DM)	1,127	1,107
Foreign share in %	53	59
Employees (12/31)	7,765	8,186

This field of activity comprises AEG Olympia Office GmbH and AEG Mobile Communication GmbH. Effective October 1, 1990, we brought all our mobile radio activities into the newly founded AEG Mobile Communication GmbH. Since then, the area of business of AEG Olympia Office has been made up of the product divisions Office Systems and Office Equipment. TELEFUNKEN Sendertechnik GmbH, Berlin, was transferred to Deutsche Aerospace AG effective April 1, 1990. AEG Electrocom GmbH, Konstanz, was put under the control of the Automation field of activity in 1990.

Calculated on a comparable basis, sales by the field of activity in the year under review were of the same order of magnitude as the previous year's, at DM 1.1 billion. This also applies to AEG Olympia Office, in which a decline in sales in some important export markets was balanced out by higher domestic income. The improvement in domestic business was partly the result of successful marketing of the personal computer range, the turnover in the five new Federal German states, and the commissioned manufacturing carried out at the factory in Wilhelmshaven.

Due to the extension of the personal computer range, and the winning over of new software houses and systems centers as business partners, the Office Systems product division succeeded in greatly increasing PC sales. Augmenting the range with comprehensive packages has made it possible to gain access to the market for larger PC projects. In the typewriter segment, the Office Equipment product division succeeded in improving its domestic market position and increasing turnover. Sales of copying machines, for which we adopted a standardized model range for the whole of Europe, also exhibited a positive trend. Sales revenue from telephone answering devices and cordless telephones was slightly higher than in the previous year.

AEG Mobile Communication returned a highly gratifying performance particularly in the sales of terminals; in car telephones, growth amounted to over 50 %. In the Radio Systems division, sales were slightly below the comparable figure for the previous year; by contrast, incoming orders in 1990 enjoyed an exceptional increase.

In view of growing competition and due to prices falling at an increasing rate, AEG Olympia Office is endeavoring to enter into joint ventures in the office technology sector.

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Electrotechnical Systems and Components

	1990	1989
Sales (millions of DM)	4,546	4,112
Foreign share in %	38	42
Employees (12/31)	23,705	22,133

Electrotechnical Systems and Components

	1990	1989
Sales (millions of DM)	4,546	4/112
Foreign share in %	38	42
Employees (12/31)	23,705	22,133

This field of activity consists of the divisions Power Transmission and Distribution, Components and AEG KABEL Aktiengesellschaft.

Sales of the field of activity rose in the year under review by 11 % to DM 4.5 billion. In the Power Transmission and Distribution Division, we benefited from the general growth in the market and again increased both sales and incoming orders. In the high-voltage switchgear sector we received some impressive major orders from within Germany and from abroad. We started producing our new series of third-generation, high-voltage circuit-breakers on schedule. The market situation with regard to medium-voltage switchgear and circuit breakers remains favorable. The new building for the integrated Technology Center for Medium-Voltage Systems in Regensburg will come into service in 1991.

In order to build up business in the new Federal German states and the cities of Eastern Europe, AEG has acquired Starkstromanlagen Dresden GmbH. In Hungary, a joint venture called AEG Union has been founded, with AEG as senior partner, in collaboration with VAV Schaltanlagenbau and Transelektro AG in Budapest. Our transformer business has been given a broader base with the addition of the transformer division of Schorch GmbH, Monchengladbach.

The continued favorable economic climate and a large number of product innovations resulted in a further considerable rise in sales and incoming orders for the Components division in 1990. There was encouraging growth in the volume of business for low-voltage switchgear and switchboards.

Through the acquisition of Schorch GmbH in Monchengladbach, including the motor program of Garbe, Lahmeyer & Co. AG, we rounded off our range of products in the Electrical Machines segment. In the field of special meters we further consolidated our market position. Together with EAW-Automatisierungstechnik AG, we founded AEG EAW Zahler GmbH in Berlin-Treptow, in which AEG has a majority interest. We achieved high growth rates in Germany and the rest of Europe with the Elfa line of miniature circuit breakers. Demand for the new, energy-saving devices was especially high. At the Hanover Industrial Trade Fair 1990 we presented for the first time the Rondolux exterior lighting system, which offers variety and a high degree of flexibility due to various structural elements.

AEG KABEL continued the positive business trends of the previous years. After adjustment for copper prices, which were lower than in 1989, sales rose again, particularly in the domestic market. The concentration of our enamelled wire production at Lackdraht Union GmbH, which we acquired in 1989, went according to schedule. This made it easier to reorganize the production routines of AEG KABEL in the Monchengladbach plant to meet the demand of the markets in East and West as they grow together.

With our involvement in the new Federal German states and the countries of Eastern Europe we are in a good position to expand our business in this region.

Domestic Appliances

	1990	1989
Sales (millions of DM)	2,817	2,599
Foreign share in %	48	50
Employees (12/31)	12,516	11,945

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	1990	1989
Sales (millions of DM)	2,817	2,599
Foreign share in %	48	50
Employees (12/31)	12,516	11,945

Effective June 1, 1990, we transformed the Domestic Appliances division into a legally independent company, AEG Hausgerate AG. This now consists of the divisions Domestic Appliances and Power Tools.

Due to the lively economic climate in the domestic market, we increased sales in this field of activity by 8.4 % to DM 2.8 billion. Our plants were working to full capacity during the financial year under review. In many areas, it was not possible to satisfy demand. Even so, AEG's domestic appliances achieved a 12 % growth in sales in the domestic market. Exports rose by 13%, considerably more than the average for the industrial sector. We achieved gratifyingly high sales, exceeding our expectations, in the former GDR. On the export side, high increases were again noted in Spain and the Netherlands. AEG Hausgerate AG was awarded the German Marketing Prize in 1990 for exceptional marketing achievements.

The Power Tools Division succeeded in considerably raising the volume of domestic business, achieving powerful growth. Demand for high-quality power tools for professional use was above average. We improved our market position in Germany and abroad particularly in the segment for rechargeable battery-driven tools. Despite this, foreign sales revenue declined, since a large proportion of the power tools business is carried out in countries belonging to the dollar zone.

For the current financial year, we expect sales revenue to increase further. The main growth stimulus will once again come from the domestic market, because there is a large requirement for products which form the basic equipment of a modern household in the new Federal German states. For our business abroad, we expect the depressed export climate which is now becoming apparent to continue. Despite this, AEG's domestic appliances will maintain their position due to their good quality image.

Microelectronics

	1990	1989
Sales (millions of DM)	1,060	1,151
Foreign share in %	47	43
Employees (12/31)	10,309	11,768

This field of activity comprises TELEFUNKEN electronic GmbH and the Opto- and Vacuum Electronics Division. Effective April 1, 1990, AEG brought its fractional horsepower motors business into a joint venture with Electrolux.

In the year under review, the Microelectronics field of activity recorded sales totaling DM 1.1 billion. The slight decline compared with the previous year can be attributed to the hiving off of the Fractional Horsepower Motors division; calculated on a comparable basis, the volume of business increased significantly. The growth in sales was due in approximately equal measure to TELEFUNKEN electronic and the Opto- and Vacuum Electronics Division.

For TELEFUNKEN electronic the sales of electronic components, particularly for the automotive industry, and of individual semiconductors, were responsible for the increase in the volume of business to an above-average extent.

Elfatherm S/SLC – the most intelligent heating control unit in its class.

Mud-flat cables from AEG KABEL for the power supply of the Hooksielplatte radar station and the Ruhwarden switching station off the North Sea coast.

Three out of a total 2,520 versions of "Rondolux" outdoor lighting systems from AEG.

Gas-insulated high-voltage switchgear for a rated voltage of 123 kV with integrated protection and control for the power supply network of Frankfurt am Main.

Uninterruptible power supply system in a new, compact design.

"Öko-Lavamat 685", AEG's newly designed top-of-the-range washing machine with start timer and "Aqua-Alarm" water spill protection system.

"Competence" cooker with Vitramic ceramic surface and touch control.

Traveling-field tubes for TV and communications satellites.

Newly developed electronic ignition for motor vehicles.

Liquid-crystal information board at Toronto International Airport.

In Nurnberg, we inaugurated a new development center for future systems in automotive electronics. At the Heilbronn plant, modernization of the wafer production facilities for integrated circuits continued. In future, application-oriented integrated circuits (ASIC's), based on 6-inch silicon slices, are to be manufactured here.

We raised our holding in Siliconix, Santa Clara/California, from 39 to 80 %. AEG has acquired 50 % of the shares in Matra-MHS in Nantes. The company is active in the field of CMOS semiconductors, specializing in ASIC's and in the production of microcontrollers under licence from Intel.

In the Opto- and Vacuum Electronics Division, displays are gaining in importance, e.g. large liquid-crystal display boards. These are destined, for instance, for the airports of Orlando, Toronto, Basel-Mulhouse and Munich II; some deliveries of these have been effected. In the Condensers sector, into which the Transducer section was recently incorporated, AEG consolidated its market position and performed well in the fiercely competitive components market.

With the increase of our stake in Siliconix and the joint ventures together with Matra-MHS and Remitel electronic (Hungary), we have opened up additional potential for growth. High incoming orders lead us to expect another increase in sales for 1991.

DM figures in millions	1990	1989*)
Sales	12,525	12,731
Year-end result	(135)	(139)
Investment in fixed assets	938	1,068
R + D expenditure	4,208	3,820
Employees (12/31)	61,276	62,959

Within the Deutsche Aerospace AG group; Dornier, Messerschmitt-Bolkow-Blöhm, MTU Motoren- und Turbinen-Union and Telefunken Systemtechnik have grown together to form an effective union of companies. The group has become a viable cooperation partner on an international level, above all in its key fields of activity - aerospace, defence technology and propulsion systems. Through our systematic policy of collaboration we are taking into account the increasingly global trend in these markets. We have made agreements to extend our policy on collaboration, with European and both American and Japanese partners, and these are currently being applied within the individual business alliances.

The continued development of the corporate structure of DASA should be seen against this background. In all the companies business activities were allocated to product divisions which operate independently and with a high degree of market proximity. The product divisions each collaborate within a corporate division. The internal reorganization of key aspects of work was commenced with the structural concept for aviation, which is now being implemented. In accordance with the condition stipulated by the Federal Minister for Economic Affairs, imposed with the approval for acquisition of a majority share in MBB, the specified areas of Marine and Special Systems of MBB and TST were hived off at the beginning of 1990, and 51 % of them were sold. In accordance with the condition stipulated, in 1991 we shall relinquish the remaining shares in marine technology activities.

The group sales of Deutsche Aerospace reached DM 12.5 billion in 1990, corresponding to the volume of the previous year. Since Marine and Special Systems are no longer included, this equates to a rise of 5.0 % on a comparable basis. Due to the annual deficit of Deutsche Airbus GmbH to be assumed pro rata, DASA shows a negative year end result of DM 135 million. Incoming orders remained, at DM 11 billion, below the value of 1989, which was influenced by several large orders occurring over a longer period.

Investments in fixed assets amounted to DM 938 million (1989: DM 1,068 million). Expenditure on research and development was further increased and reached 34 % of turnover, at DM 4.2 billion (1989: DM 3.8 billion). At year-end 1990, the companies within the DASA group employed 61,276 people (1989: 62,959). The drop is mainly due to the fact that the Marine and Special Systems divisions have been hived off.

The future course of business activities at DASA will depend on how the procurement programs of public authorities at home and abroad develop. They include the space programs of the European Space Agency (ESA). Exchange rates will also have a considerable influence on future developments.

DASA has introduced comprehensive new projects to consolidate its market position. Agreements were made with our partners Aerospatiale and Alenia to further pursue the project for a regional aircraft with 80 to 130 seats, with substantial participation by Deutsche Aerospace. Our subsidiary MBB signed a Memorandum of Understanding with Aerospatiale regarding close cooperation in the helicopter sector. This represents the first step towards uniting the activities of the two companies in a joint entity.

In the field of space flight, the signature of a Memorandum of Understanding prepared the foundation of the industrial consortium EuroHermespace, in which Aerospatiale, Dassault Aviation and Aeritalia will participate alongside DASA. The responsibility of this company, residing in Toulouse, will be to advance development of the Hermes orbital glider. Deutsche Aerospace intends to take over Luftfahrttechnik Ludwigsfelde in the new Federal German states.

*) 1989 including MBB. Figures for Marine and Special Systems at MBB and TST, which were hived off on January 1, 1990, are still included in 1989.

Dornier

	1990	1989
Sales (millions of DM)	2,827	2,204
Foreign share in %	56	57
Employees (12/31)	10,931	10,247

Exceptional Growth of Sales Volume

In the reporting year, the Dornier Group increased its sales by 28 % to DM 2.8 billion. With settlements over DM 900 million for the European remote sensing satellite ERS-1 and the X-ray satellite Rosat, the Space Systems division made the largest contribution to this growth rate. As expected, the volume of incoming orders to the amount of DM 3.1 billion did not reach the level of the previous year which had been marked by the contract for the Stinger license production program and a surge in orders for the Dornier 328 regional airliner which is under development. Major orders in the reporting year include the development of the JF90/EFA fighter aircraft and the service life extension program for the transport helicopter Bell UH-1D of the German Armed Forces, which extends over a period of four years.

In 1990, expenditure for research and development rose from DM 925 million to DM 1,287 million. The spending on projects performed for third parties rose to DM 1,022 million (1989: DM 715 million). Efforts were concentrated on the Space System division. Spending on in-house projects amounted to DM 265 million (1989: DM 210 million). Investments in fixed assets totaled DM 157 million (1989: DM 201 million) with the emphasis on the expansion of plant facilities and the improvement of plant infrastructure. At the end of 1990, the Dornier Group numbered 10,931 employees (1989: 10,247).

Aviation

During the year, 15 (1989: 17) Dornier 228 aircraft were delivered. More than 70 customers throughout the world operate 179 Dornier 228's in regional air traffic or as special versions for maritime, coastal and border patrol as well as for environmental protection. Up until the end of 1990 our Indian licensee Hindustan Aeronautics Ltd., Bangalore, had delivered a total of 22 airplanes of this typ, 9 thereof in the reporting year.

Development efforts on the 30-seat Dornier 328 turboprop airplane, for which 39 firm orders and 48 options had been placed by the end of 1990, continued as planned. The maiden flight is targeted for 1991; our customers can expect delivery from 1993 on. Under contract to Deutsche Airbus GmbH, Dornier participates in the development and assembly of various components. In addition major development steps for the technologically sophisticated European Fighter Aircraft JF90/EFA were taken.

In the aircraft support sector we were awarded the important contract for the service life extension program for the Bell UH-1D transport helicopter. As the prime contractor Dornier services Nato's E-3A early warning fleet (Awacs).

Space Systems

At the end of May, the X-ray satellite Rosat was deployed into orbit; in October the Ulysses space probe set off on a trajectory which will take it into orbit around the sun. The launch of the European remote sensing satellite ERS-1 which was scheduled for 1990 is now planned for May 1991. For all three programs Dornier was the prime contractor. For the Hubble Space Telescope, deployed into orbit in April, we developed the Faint Object Camera designed to detect extremely faint objects in space.

Further notable accounts were settled for the Columbus, Cluster and Ariane 5 projects. Within the Columbus project Dornier is developing the environmental monitoring and life support systems; under the Cluster project we are responsible for the development of four satellites which will investigate solar winds. The first central-stage bulkheads were furnished for the launcher Ariane 5.

Defense Systems

In the Defense Systems division Dormer's major activities lay with mobile ground systems and the CL 289 reconnaissance system which we are developing together with Canadian and French partners. In the year under review the deliveries of workshop equipment for the Roland air defense system again reached a substantial volume. For the Patriot system antenna mast systems were supplied.

The setting up of the production facilities for the license production of Stinger in Europe proceeded according to plan. In addition to the Federal Republic of Germany Turkey, Greece and the Netherlands are participating in this project under the leadership of Dornier. The first units of this short-range air defense missile are scheduled for delivery in 1992. Dornier is also the prime contractor for the anti-radar drone project, for which the definition and development work were carried out in the year under review.

Medical Sytems

Once Dornier Medizintechnik GmbH had been granted approval for the MPL 9000 and the MFL 5000 lithotripters in lapan towards the end of 1989, it was able to conclude long-term skeleton agreements with lapanese dealers. At home and abroad a total of 83 lithotripters (1989: *66)* were delivered, nearly half of these being MPL 9000 units.

To expand its product line, Dornier Medizintechnik GmbH increased the stake it had origionally acquired in 1989 in Acoustic Imaging Technologies Corp., Tempe/Arizona to 82 %. The high-quality ultrasonic diagnostic devices of this company are marketed as separate units, but they are also built into Dornier's lithotripers as imaging units.

Special Markets

The main focus of effort in the Special Markets division during the year under review was on motor vehicle electronics, with special attention to environmental conservation and traffic safety. Development projects are concerned with tyre pressure control, engine management, radar systems for monitoring traffic to the rear, flat-surface test rigs and driving pilots. Further fields include energy systems, information systems, planning consultancy and materials technology.

Outlook

In the current business year, the sales of the Dornier Group will not achieve the high level of 1990, which was attributable to the settlement of large-scale accounts, even though the major settlement of accounts is expected in the aircraft division for the programs Dornier 228 and Bell UH-1D. In the Space Systems division, the settlement of large-scale accounts is expected for the Hermes and Ariane 5 development projects and for ERS-1 launch support. Sales in the Defense Systems division will rise as a result of a higher delivery volume for the CL 289 program. The Medical Systems division, as well, anticipates growing sales revenues.

To complement activities in the communications sector, the takeover of the Data Networks division of AEG Electrocom GmbH, Konstanz, is envisaged.

Third-generation regional aircraft: Dornier 328.

The Ulysses space probe is to provide new findings about the sun.

Dornier's mobile antenna mast, used here for the Patriot air defense system.

High-definition sonography from Dornier: the AI 3200, a mobile ultrasonic diagnosis station.

Dornier Fleet Monitoring System – communication and planning for the management of vehicle fleet and trucks.

Messerschmitt-Bölkow-Blohm

	1990	1989*)
Sales (millions of DM)	4,610	5,112
Foreign share in %	41	32
Employees (12/31)	23,229	24,194

	1990	1989*)
Sales (millions of DM)	4,610	5,112
Foreign share in %	41	32
Employees (12/31)	23,229	24,194

Positive trend in the Aircraft Sector

Due to the transfer of the Marine and Special Systems division, business during the financial year declined by 10 % to DM 4.6 billion. Comparable sales remained at the previous year's level. The Aircraft division accounted for approximately one half of total sales. Increases were mainly due to the invoicing of larger amounts in the Airbus program and the BO 105, BK 117 and Tiger (PAH-2) helicopter programs. Defense Systems sales were largely accounted for by the Roland weapon system, as well as the Pars 3 and Milan antitank weapons. At DM 3.7 billion orders received remained below the high levels recorded in the previous year.

Expenditure on research and development totaled DM 2.0 billion, amounting to 43 % of sales. Research and development projects charged to external customers amounted to DM 1.8 billion (1989: DM 1.9 billion); company projects totaled DM 213 million (1989: DM 191 million). Investments on fixed assets rose to DM 315 million (1989 : DM 264 million). Due to the transfer of the Marine and Special Systems division, the number of employees decreased to 23,229 (1989: 24,194).

*) Not including the transport and commercial aircraft group, which was transferred to Deutsche Airbus in the middle of the year.

Aviation

In the Aircraft division, the largest earner was again the Tornado program. The consortium under the management of the Panavia Aircraft GmbH had delivered a total of 846 aircraft by the end of 1990, 44 thereof in the year under review. The development work for the JF90/EFA fighter aircraft continued. An important landmark in the Aircraft Division was the successful maiden flight of the German-American experimental aircraft X-31A in October 1990. As the prime contractor MBB has been commissioned to modernize of the Phantom II F-4F used by the German Airforce. Under our cooperation agreement with Deutsche Airbus GmbH to develop and manufacture major assemblies and components for the Airbus family, production of the A330 and A340 began in 1990.

The main customers for our BO 105 multipurpose helicopter were again the police and air rescue services. It is especially pleasing that the BK 117, developed jointly with Kawasaki Heavy Industries, turned out to be the best selling twin engine rescue helicopter on the hotly contested US market. The market share amounted to 37.0 %, together with the BO 105 it came to as much as 59 %. The development work on the BO 108, which is to succeed the BO 105, as well as on the Tiger antitank helicopter (PAH-2/HAC/HAP), a German and French bilateral program, continued successfully.

Space Systems

MBB had a major role in the development of five communication satellites and one research satellite which were deployed in 1990. The third German telecommunications satellite DFS Kopernikus 3 was completed in the year under review. Subsystems work on further flight equipment for the European Eutelsat II communication satellite system, the Japanese Superbird and the Chinese DFH-3 are almost completed. Systems development for the ISO European infrared observatory and the Astro-Spas scientific satellite proceeded according to plan.

Production of the second stage and the liquid-fuel booster rockets for the European launcher Ariane 4 was at the forefront of work in the Orbital Infrastructure Strategic Business Unit. This Unit is involved in developing the upper stage of the new European launcher Ariane 5. Integration of Europe's first free-flying retrievable carrier Eureca (European Retrievable Carrier) proceeded on target. Within the framework of ESA's Columbus program MBB prepared a proposal which in the meantime has been submitted to ESA.

Defense Systems

The Roland program continued to be the main earner in the Defense Systems division. Since the Roland weapon systems program, which was handled by the Franco-German marketing company Euromissile, was completed in the year under review, sales attributable to this program fell short of the previous year's levels.

We continued the development of the Hot and Milan second-generation antitank systems and of the Pars 3 MR/LR third-generation anti-tank systems for medium and long-range operation. In December 1990, the American company Raytheon and DASA signed a Joint Venture Agreement for future development, production and logistical support in the operational field of medium and long-range air defense systems.

Industrialization of the DWS 39 dispenser system for the Swedish Air Force was contractually completed in 1990.

Other Activities

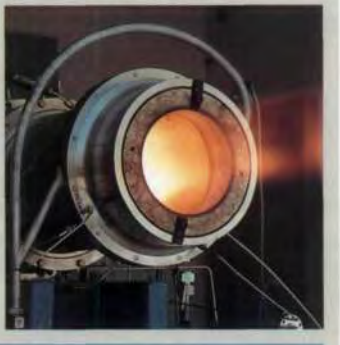
Finding new applications for know-how gained in the aerospace and defense sectors has led us to a number of new activities. In the field of energy technology MBB is building large wind farms and developing photovoltaic systems. The erection of a pilot plant for manufacturing large solar modules is particularly noteworthy here. Among our diversification products, one of the most important is the airbag, for which demand on the part of the automotive industry has increased considerably. There was a further expansion of activities in the fields of data and control technology, plastics and medical laser systems.

Outlook

An increase in sales is expected for 1991. MBB anticipates a significant increase in the Aircraft Division, in particular in the Airbus program and the BO 105 helicopter line, even if the Tornado remains our main earner; major **parts** of the JF90/EFA European Fighter Aircraft program **will** again be invoiced. We also expect a vigorous rise in sales in the Space Systems division. In contrast, we expect declining turnover in the Defense Systems division.

A decisive prerequisite for **the** scheduled amalgamation under the umbrella of a joint holding company, Paris-based Eurocopter S.A., of the activities conducted by the Helicopter Unit with those of Aerospatiale's Division Helicopteres was created by concentrating helicopter activities at the Donauworth plant. A Memorandum of Understanding concerning this cooperation was signed by MBB and Aerospatiale on December 21, 1990.

Lift-off of the European Ariane 4 launcher in Kourou, French Guiana.



The turbo ramjet engine, operating on liquid hydrogen, for the Sänger space carrier completed its first test run at Mach 4.

Loading the first front fuselage segment for the new A 340 Airbus into a "Super Guppy" transport aircraft.

The BO 105 and BK 117 are the most sought-after rescue helicopters in the United States.

Space carrier system of the 21st century – the reusable Sänger.

MTU Motoren- und Turbinen-Union

	1990	1989
Sales (millions of DM)	3,602	3,659
Foreign share in %	65	66
Employees (12/31)	17,524	17,654

	1990	1989
Sales (millions of DM)	3,602	3,659
Foreign share in %	65	66
Employees (12/31)	17,524	17,654

Successful Commencement of Strategic Realignment

In view of the fact that the MTU group is predominantly export-oriented, the trend in the exchange rate of the dollar has detracted from the otherwise positive situation with regard to sales and profits, particularly as far as engines for commercial aircraft and diesel engines are concerned. Furthermore, the continuing low levels of government spending in important export countries had a curbing effect on demand. Sales fell slightly to DM 3.6 billion. At 65 %, the share accounted for by exports stabilized at the high level of the previous year. Incoming orders of DM 3.0 billion were below the level of the previous year.

DM 509 million (1989: DM 469 million) was spent on research and development with DM 282 million (1989: DM 232 million) relating to projects conducted on behalf of third parties. The MTU group invested DM 239 million (1989: DM 264 million) in fixed assets, principally buildings and manufacturing facilities. At the end of 1990, at 17,524, the number of employees was slightly below the level of the previous year (17,654).

An important step toward ensuring further success in the field of aero-engines for commercial and executive aircraft was the agreement entered into by MTU on extensive future cooperation with its long-standing American partner Pratt & Whitney (P & W), a division of United Technologies Corp. (UTC), Hartford/Connecticut; the agreement is to be further underpinned by each of the companies acquiring shares in the other. We entered into this business alliance without jeopardizing our traditionally good relations with General Electric (GE); after managing amicably to resolve a temporary misunderstanding, MTU will continue in future to engage in its long-standing and successful cooperation with GE.

Aero-Engines

In the Aero-Engine unit the programs RB 199 and El 200 for the Tornado and the fighter aircraft IF90/EFA, respectively, made a substantial contribution to sales in the year under review. The EJ 200 engine is also by far the largest research and development project; toward the end of the year, the prototype successfully completed its first trial. Major earners were the CF 6 and JT 8D aero-engines; these are used by the aircraft manufacturers Airbus Industrie, Boeing and McDonnell Douglas.

In August 1990, the PW 300 aero-engine, which has been developed for executive aircraft, received its approval. Within the V 2500 program we dismantled the engine with the hitherto highest number of hours in operation for inspection purposes; the result revealed that the engine was in very good condition. Among other aircraft, the Airbus A3 20 is fitted with this engine. The helicopter engine MTR 390 for the German-French anti-tank helicopter Tiger (PAH-2) was given approval for flight-testing at the beginning of November 1990. The first two prototypes have now been delivered to Eurocopter. Concept and technology development laid the groundwork for, inter alia, a propfan engine, hypersonic propulsion systems and gas turbines.

Diesel Engines

With diesel engines, which are produced by MTU Friedrichshafen, business once again focused on engines from the 396 series, mainly for marine application. There was an increased demand in engines for high-speed yachts and high-speed ferries. Particularly encouraging was the order to supply marine engines and engines for the operation of on-board equipment for 10 frigates of the Australian and New Zealand navies. Steady progress is being made with the completion of the large-scale order concluded with the USSR in 1986 for the supply of engines for tractors and earthmoving machinery. A large number of locomotive engines were delivered to the Dutch state-owned railways.

In September 1990, we presented the 595 engine series. These completely new engines in the power range between 2,000 and 4,400 kW feature a successful combination of benefits for the user with regard to power concentration, service life, economic efficiency and environmental compatibility. The first engine of this new series was installed in the ocean-going ferry Deutschland. In the following years, this engine will be used for field-testing, providing data to supplement the previous tests conducted on the test stand.

Other Activities

In the year under review, MTU Maintenance GmbH maintained and repaired aero-engines from our cooperation partners General Electric and Pratt & Whitney. The company extended its production area and was able fully to utilize its capacity with a further-augmented workforce.

The sales of fans, compressors and steam turbines developed and produced by Aktiengesellschaft Kühnle, Kopp und Kausch in Frankenthal almost equaled those of the previous year. As a result of the general downturn in this European automobile industry, the number of exhaust-gas turbochargers produced for vehicle and industrial engines was below the high figure of the previous year.

L'Orange GmbH, Stuttgart, which manufactures high-grade fuel-injection systems for large diesel engines was able further to expand its business.

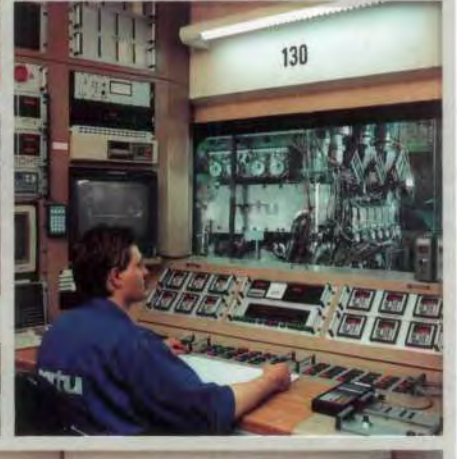
Outlook

In order to safeguard its competitive position in the market place, MTU will increase its efforts to promote the development of new products and to improve existing successful products. By means of even more intensive collaboration with international partners and new cooperation projects, MTU will seize the opportunities available on the world market and will further consolidate its market position. The large number of aero-engines on order and the introduction of new diesel engines suggest that, overall, 1991 will see a slight rise in sales together with a satisfactory level of utilization of existing capacity. However, it is not possible at present to estimate the impact that the tightening of export regulations for all dual-use exports will have.

As far as aero-engines are concerned, it can be expected that the principal area of activity will be engines for civilian aircraft, the Tornado and the JF90/EFA fighter aircraft. As regards diesel engines, attention will be focused on the 396 series.

Assembly line for the Tyne turboshaft engines.

The CF 6 being tested.



The new 595 diesel engine series on the test bench.

Preparation of a V 2500 engine for testing.

Test rig control center.

Telefunken Systemtechnik

	1990	1989
Sales (millions of DM)	1,688	1,961
Foreign share in %	22	19
Employees (12/31)	9,372	10,779

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Comparable Sales Increased

At the beginning of the year under review, the Marine and Special Systems division was separated from Telefunken Systemtechnik GmbH; at the same time the company took over Telefunken Sendertechnik GmbH from AEG. In consequence, sales at DM 1.7 billion remained slightly below the previous year's level; if adjustment is made for these structural changes sales increased by 3.0 % results. At DM 1.7 billion, orders received were below last year's figure, which was substantially influenced by a large order for the modernization of the Phantom aircraft.

Research and development work for the civilian sector increased again; accordingly comparable expenditure increased by 13 % to DM 373 million. Investment in fixed assets amounting to DM 126 million (1989: DM 147 million) were related mainly to construction, modernization and rationalization measures initiated in 1987 which will be completed in 1991. At year end, Telefunken Systemtechnik employed a staff of 9,372.

Radar, Radio and Sensor Systems

In the year under review, further TRM-S 3D air space surveillance radar systems were delivered to the German Armed Forces for deployment in the Army anti aircraft system. Further Roland air defense command stations of the German Air Force were equipped with TRM-L 2D radar systems.

Deliveries were continued to schedule of forward-looking nose radars for the Tornado. Production has started as planned of the airborne radar APG-65 for Phantom aircraft so that deliveries can commence during 1991. Telefunken Systemtechnik is contributing substantially to the development of the airborne radar for the fighter aircraft JF90/EFA.

In the field of electronic warfare (EW), development of self-protection systems for the Tornado was continued. Orders for shipborne EW systems as well as for computer-controlled communication systems were received from the German Navy. From the German Army we received an extensive order for HF/DF equipment sets for data transmission in the Army EW system. Under contract to the American company Raytheon, Telefunken Systemtechnik is participating in the further development of the seeker head of the Patriot system; the program will decisively improve defensive capability against ballistic missiles.

In view of declining defense budgets, our civilian activities are being steadily expanded. In radar systems the emphasis was on control and surveillance of vessel traffic. During the year under review, orders were executed inter alia for the replacement of the radar systems along the river Elbe and in Hamburg.

From the Federal German Railways we received a consultancy contract for the transport system TS 90. TST opened up a new field of activity in the area of short-wave communication with the successful completion of an HF communication system, for which a total of 850 field sets were delivered.

In export business, TST secured a large order for spares for the mobile radio reconnaissance system supplied to the Spanish Army in the preceeding year. In addition the Spanish broadcasting company ordered a large-scale transmitter system. We also received an order for the installation of TV transmitters in the new Federal German states; the first transmitters went into service during the year under review. In response to an order from the Central Telecommunications Bureau (FTZ) in Darmstadt, TST supplied a large number of recently developed digital analysis receivers, which are used for high-quality receiving and measurement purposes.

Electrical Energy Systems

In the field of power supply, electrical engineering and electronics, the percentage of civilian orders was further increased in the year under review. The most important current project is the large contract for the new airport Munich 2, for runway lighting, for which we are project leader. In addition, orders were executed for various civilian and military airports. The mature technology of TST in traffic control systems contributed decisively towards the Northern Bavaria motorways authority placing an order with us for the expansion of its traffic data acquisition and traffic control systems. Among future civilian applications, we view the development of the VSCF power generation system for the JF90/EFA fighter plane as particulary important.

For the Hubble space telescope TST developed the flexible, reeled high-power solar generator and for the X-ray satellite Rosat a rigid solar generator. TST has sofar equipped more than 120 spacecraft and satellites with power supply systems. For the solar-driven automobile Spirit of Biel II,

which won a competition in Australia, TST supplied the most powerful terrestrial solar generator ever manufactured. The Federal German Ministry of Research and Technology is sponsoring this new development.

In the field of regenerative power, we received an order for the hybrid installation to exploit both solar and wind energy on the North Sea island of Pellworm. For this installation, the largest of its type so far, the company undertook system responsibility in cooperation with Schleswag AG.

Logistics and Training

In the field of system support TST expanded its range of services by securing the maintenance contract for the training simulator Asim of the Federal German Airtraffic Control Authority. In the new Federal German states we have become main contractor for the vocational advancement service. Particularly noteworhty in the field of systems technology were orders to supply analysis stations for a radio reconnaissance system and also logistics services for German coastal radar operations in the Baltic.

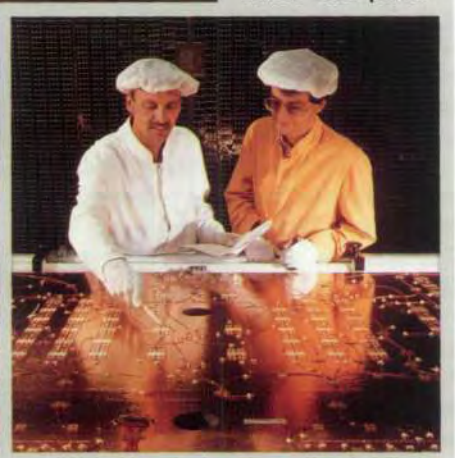
Outlook

The company's wide-ranging expertise in diverse fields of high-technology areas constitute a good premise for growing engagement in civilian projects. With targeted research and development, TST will exploit its chances in the civilian sector and continue to expand its market presence in the fields of orbital and terrestrial solar technology, traffic control technology, electronics and electronic testing technologies. Supported by a high volume of orders on hand, which will en sure capacity working for about eighteen months, TST will continue to increase sales in the current financial year.

Airport infrastructure systems.

Computerized security control center for monitoring.

Assembly of shunt diodes on the back of a "Eureca" solar panel.



Industrial AT-compatible IAPR 386 computer with Teleport 9 hand-held radio receiver and transmitter unit.

TV TAB display unit for the Tornado.

"Spirit of Biel II" solar mobile equipped with the high-performance solar generator from Telefunken Systemtechnik.

Daimler-Benz InterServices

DM figures in millions	1990	1989
Sales	3,689	–
Total revenue	4,020	–
Year-end result	50	–
Investment in fixed assets	333	–
Increase in leased assets	4,174	–
Employees (12/31)	4,879	–

After extensive examinations, it was decided at the end of 1989 to concentrate the service activities of the Daimler-Benz group in a fourth corporate unit. Daimler-Benz InterServices (debis) AG, which is structured into the five divisions Software House, Financial Services, Insurance, Trading and Marketing Services, commenced its activities at the beginning of 1990. The company was legally founded on July 1, 1990.

The aim of Daimler-Benz InterServices is to offer sophisticated services and to meet the customer's requirements quickly, at a competitive price and with a high level of quality. It provides its services to the companies of the Daimler-Benz group and to external customers. After a short transition period, all group companies can decide whether they wish to use the services of debis or of other companies. This means that debis is exposed to international competition from the outset.

The first financial year for Daimler-Benz InterServices, 1990, was altogether favorable, despite considerable initial outlay and more intense international competition. Debis achieved a total revenue of DM 4.0 billion worldwide. This includes sales revenue of DM 3.7 billion and interest received from sales financing. The year-end result reached DM 50 million.

Of the total ouput, 48 % is accounted for by the domestic market, 11 % by other EC countries and 37 % by the US market. A volume of DM 974 million resulted from companies in the Daimler-Benz group.

At year-end 1990, debis had 4,879 employees worldwide, 4,148 located in Germany, and 731 abroad. The number of trainees and apprentices in the total was 82.

Investment in fixed assets (mainly data processing equipment) amounted to DM 333 million, and in rented assets DM 4,174 million. Vehicle leasing represents approximately 94 % of total assets. Additions to financial assets were DM 13 million. In the year under review, majority holdings in Systemhaus Curadata GmbH, Hamburg, and Metallgesellschaft Informationsverarbeitung GmbH, Frankfurt am Main were acquired. Like the newly founded Mercedes-Benz Finance Ltd. in the United Kingdom and the sfi Systemhaus fur Informationsverarbeitung GmbH, Berlin, these have also been incorporated into the group. In addition, there was the takeover from AEG of the Systemhaus GEI - Gesellschaft fur Elektronische Informationsverarbeitung mbH, Aachen.

Software House

Major parts of the information processing activities of the German companies in the Daimler-Benz group have been joined together in debis Systemhaus GmbH, which was founded on January 1, 1990, as an independent division.

The debis software house, which produced a total revenue of DM 657 million in the reporting year, comprises five subdivisions.

The Computer and Communication Services area took over the majority of the computer centers in the Daimler-Benz group in 1990. This process will be completed in 1991. At the same time, the existing computer centers will be concentrated into a few large computer centers within the framework of a regionalization concept. The planned formation and expansion of a functional group-wide network has begun and shall be completed in 1991. The network will also be offered to external customers. With the majority takeover of Metallgesellschaft Informationsverarbeitung GmbH, together with the computer center of Industrieanlagen Betriebsgesellschaft mbH (IABG), we are taking into account the growing trend among major users of increasingly transferring data processing tasks to external specialists.

The combination of various hardware with effective local networks is becoming increasingly important in data processing. With this in mind, we have founded the software company DisCom - Distributed Computing GmbH.

In June 1990 the first important step was made for entering the markets of the new Federal German states and Eastern Europe with the foundation of the software company sfi Systemhaus fur Informationsverarbeitung GmbH, in Berlin, in which Hewlett-Packard has a minority holding of 25.1 %.

In the Commercial Systems and Projects subdivision, activities are concentrated on developing software for the group. In order to extend our business with customers outside the Daimler-Benz group, we acquired the software companies Systemhaus Curadata GmbH and ORGA-SOFT Organisation und Software GmbH in 1990. Curadata provides products for tax advisors, accountants and tax departments in large companies. ORGA-SOFT markets services for logistics and trade. Both companies were successful in 1990 in the new Federal German states.

The Industrial Systems and Projects subdivision develops comprehensive systems for individual customers, markets standard products and services and advises design and manufacture divisions of industrial users. Systemhaus Industrie GmbH develops and sells user software systems for production planning and control, quality assurance and servicing.

Systemhaus GEI-Gesellschaft fur Elektronische Informationsverarbeitung mbH, was transferred during 1990 from AEG to the debis software house.

The company has over 20 years' experience in production automation, information and communication systems, information technology security and in the field of CASE (Computer Aided Software Engineering).

The Training subdivision, which is being established, provides training for the software house's own products, current subjects of information technology such as project management, software engineering and programming languages, as well as operating systems.

The market for computer center and network services as well as complex software developments is subject to strong growth stimuli due to the changing framework conditions in the single European market and the increasing liberalization of the telecommunication sector. This will result in a considerable expansion of business volume at the software house in the next few years.

Financial Services

The debis Financial Services division offers complex leasing and finance programs tailored to customers' requirements. In addition to pure financing, service components desired by the customer are also included, which are offered within the framework of full service leasing contracts. They encompass, for example, the handling of repair and maintenance work, tyre replacement, vehicle tax, replacement vehicles, insurance and service cards.

The group's own leasing and financing companies now operate in all the important sales markets of Mercedes-Benz AG, and thus Germany, the USA, France, Italy, the United Kingdom, Switzerland, the Netherlands, Belgium, Spain and Canada. With the foundation of Daimler-Benz InterServices (debis) AG, and the transfer of these companies to debis, financial services are available both for Mercedes-Benz vehicles and the products of the corporate units AEG and DASA.

From the first advertising campaign of debis.

The computer center of debis Software House provides equipment and capacity for every conceivable task.

debis Finance Services offers individually adapted leasing and full-service leasing schemes as well as tailor-made financing facilities to Mercedes customers.

debis Insurance Services acts as an agent for modern and efficient insurance schemes, for instance for the transport of highly sensitive and valuable goods.

Barter trading increases both import and export trade with countries short of hard currency and allows the implementation of complex industrialisation projects.

debis Marketing Services assumes responsibility for all activities arising in conjunction with a trade fair, e.g. the Technogerma in Seoul, Korea.

Highly qualified staff rendering sophisticated services – the start-up capital of debis.

Through combined efforts and close collaboration between leasing and finance companies and the sales organization of Mercedes-Benz AG, success was achieved in 1990 too in gaining many new customers despite difficult market conditions, and in continuing the growth of the last few years. Newly acquired business rose by 23 % to 122,000 vehicles. Around 70 % of new contracts applied to passenger cars. The proportion of new vehicles financed and leased via the debis leasing and finance companies was on average 17 % in the markets in which this type of company is established. The number of contracts increased by 26 % to 282,000. This corresponds to a value of DM 12.2 billion.

In the USA the Mercedes-Benz Credit Corporation, the largest leasing and finance company of debis, increased the number of contracts by 32 % to 112,000. In Canada, Mercedes-Benz Credit of Canada concluded 47 % more new contracts than in the previous year.

The European leasing and finance companies also continue to enjoy steady growth. Mercedes-Benz Finanz GmbH and Mercedes-Benz Leasing GmbH, which operate in Germany as Mercedes-Benz Lease Finanz, extended their business volume by 37 % to DM 2.9 billion. An important aspect was the strong demand from the new Federal German states.

In Spain we acquired a capital share of 40 % from our partner the Banco Hispano Americano, so that our holding now totals 90 %. The most recently created company, Mercedes-Benz Finance Ltd, founded in February 1990 in the United Kingdom, has so far been extremely successful in the highly competitive British market, achieving a business volume of approximately DM 420 million.

The leasing and finance companies will meet the challenges arising from changing requirements with new services that go beyond what is currently available.

Insurance

The lack of restrictions on services within the EC will accelerate the cooperation and concentration processes among insurance companies and brokers. This was the reason why we joined together all of the insurance activities of the Daimler-Benz group within Daimler-Benz InterServices. The newly founded Insurance division of debis (debis Assekuranz) is to handle the insurance requirements of the Daimler-Benz group, including its subsidiaries, with comprehensive, favorably priced risk management. The grouping of insurance activities was implemented in part in 1990. Daimler-Benz Versicherungsdienst GmbH was taken over from the point at which Daimler-Benz InterServices was founded, and was renamed debis Assekuranz Vermittlungs GmbH. To date the debis Insurance division has covered the insurance requirements of Daimler-Benz AG and Mercedes-Benz AG, and carried out risk management for these companies.

Since the beginning of 1991, the division has also taken over the shares of EAS Assekuranz Vermittlungs-GmbH previously held by AEG. Preparations are being made to incorporate the other insurance services of the group.

The brokerage services of debis Assekuranz will increasingly be offered to third party industrial clients, and the availability to employees of the Daimler-Benz group will be expanded. All in all, we expect debis Insurance to increase its total premium income in 1991.

Trading

Existing know-how in the field of barter is concentrated in the debis Trading division in order to open up the markets in countries short of foreign currency to exports from the Daimler-Benz group and external customers. The amount made available for barter purposes was approximately DM 110 million.

Daimler-Benz InterServices has 50 % of shares in Industriehandel Handels- und Industrieausrustungsgesellschaft mbH, Stuttgart, a joint enterprise with Metallgesellschaft AG, Frankfurt am Main. In November 1990 debis, together with Intrac Handelsgesellschaft mbH, Berlin, founded debis International Trading GmbH with its registered office in Berlin; debis holds 75 % of the stock. This company debis International Trading is to operate in the countries of Asia, Latin America, Eastern Europe and in the Soviet Union. The Trading division provides solutions to complex problems regarding barter, by identifying exportable goods in the relevant targetted markets, finding marketing routes and partners.

In the face of the debt crisis of the countries of the Third World and the economic changes in Eastern Europe, the Trading division anticipates a considerable rise in sales volume.

Marketing Services

debis Marketing Services GmbH was founded through renaming the former AEG subsidiary, Werbeagentur Dr. Kuhl GmbH (WAK) on June 13, 1990. Furthermore, important parts of AEG's central marketing (marketing consultancy, trade fairs and exhibitions, parts of central advertising) have been incorporated in the Marketing Services division. In the abbreviated financial year of 1990, debis Marketing Services GmbH which is divided into four subdivisions, achieved a total output of DM 109 million.

The field of Marketing Consulting comprises customer-specific market research and conventional marketing advice. The points of emphasis are capital goods and service marketing.

In the year under review, orders were carried out in the market segments of passenger car fleet business, traffic guidance technology, photovoltaics, added value services, electronic displays and various other capital goods.

In 1990, the media budgets of the Passenger Car Division of Mercedes-Benz AG, of AEG and Deutsche Aerospace were transferred to the largest marketing division, Communication & Media. Due to existing contractual links, the other budgets in the group will be transferred to debis Marketing Services in the course of 1991. The Sales Promotion Services subdivision comprises trade marketing, sponsoring advice, event marketing (marketing and setting up of events) together with services in the sphere of advertising media (advice, selection, purchase and dispatch).

The Fairs & Exhibitions subdivision handled over 200 trade fairs and exhibitions, worldwide, in 1990. The largest customers were AEG, Daimler-Benz and Deutsche Aerospace. Due to the high growth potential and varied interests of customers from Asia, debis Marketing Services Asia and Pacific Pty. Ltd. was founded in July 1990 in Singapore.

Marketing Services anticipates a considerable increase in the volume of business in all fields of activity.

Research Geared to Corporate Units

In the integrated technology group of Daimler-Benz, research is a task which goes beyond the confines of individual companies, so it is carried out under the auspices of the executive holding company. The activities are geared to the requirements of the corporate units and their fields of business. In order for the different development departments to utilize the results of that research quickly and efficiently, we further modified the structure of the research sector in 1990. In doing so, our objective was to combine the advantages of centrally organized research with those of decentralized research, in accordance with the principle "as centralized as necessary, as decentralized as possible."

We therefore devised research institutes which belong to the central "Research and Technology" division but which are directly tailored to the needs of the individual corporate units and their fields of business. Basic topics affecting several corporate units simultaneously, on the other hand, are dealt with as central "Joint Research Fields." In this way, we can achieve the essential integration of the individual research institutes.

Under the designation "Technology", we have concentrated all the instruments of knowledge and technology transfer to ensure the rapid and effective exchange of information within Research and with the development sectors.

Mercedes-Benz Research Institute Organized

The "Mercedes-Benz Research Institute," which belongs to the Daimler-Benz holding company in terms of corporate structure, took clear shape in 1990. Its brief is two-pronged: firstly, the acquisition of basic knowledge in fields such as alternative propulsion systems which are of particular strategic importance to Mercedes-Benz AG. Secondly, its task is to work closely with the development departments of Mercedes-Benz itself and to conduct research geared to the medium and long-term aims of those departments.

The Mercedes-Benz Research Institute is divided into three Centers of Competence. These deal with: basic questions of physics and chemistry; thermo- and aerodynamics; as well as cybernetics and simulation. Then there are four Product-Oriented Centers: electronics, vehicles, vehicle components and vehicle information technology. Further improvements to quality and efficiency are to be achieved by combining various fields of scientific work, reducing the number of hierarchical levels and streamlining project structures. The directorate responsible for the Mercedes-Benz Institute is also in charge of the Joint Research Fields of materials and transport technology. This new concept is intended to serve as an example for the other research institutes.

Joint Research Fields at the Ulm Research Center

For the Joint Research Fields within the Research and Technology division, the Ulm Research Center will play a major role. The buildings erected in the first phase of construction, at Oberer Eselsberg, were inaugurated on June 1, 1990, also the foundations for the second phase were laid. By the end of 1992, two more laboratory buildings and a "cafeteria" should be completed; the cafeteria building will also contain seminar and lecture facilities, and will serve as a communication center.

The Research Center will function as a knowledge center not just for the Daimler-Benz group. It will also become an integral part of Ulm as a city of science, which already includes the Ulm universities, related institutes and a science park. Close contact is planned between these bodies to promote the extensive exchange of findings by university and industrial research. Work has already begun with the formation of working teams to deal with materials and production research, information technology and energy research; these teams are initially based in the first-phase buildings, in Ulm-B6fingen and in Esslingen. Before they can be expanded, however, priority is being given to precise definition of the main work focus and to qualifying the new employees.

Environmentally Compatible Production Research

The move to Ulm by the production research team has paved the way for the smooth expansion of this sector. In 1990 the main task here was to define what had to be researched and detail the approaches to be adopted.

Environmental compatibility is a central theme of industrial production, and will become more and more important in the future. For this reason, the focal points of production research are, on the one hand, those aspects of manufacturing processes which affect the environment and, on the other, those areas of technology concerned with reprocessing and recycling. With regard to this, the factory must not be viewed in isolation, but must be investigated in all the ways it relates to the environment.

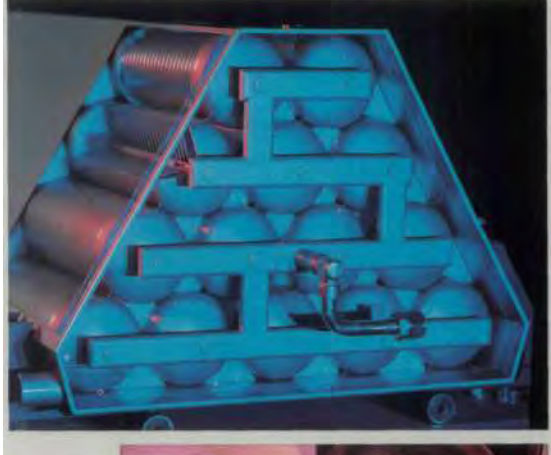
Lower Pollutant Levels due to Improved Propulsion Technology

Conserving the environment is also a central issue when it comes to improving propulsion technology. With new concepts, we are trying to further reduce the levels of pollutants generated by the combustion of gasoline or diesel fuel in the engine. This primarily means nitrogen oxides, unburnt hydrocarbons and particulates. Our basic research is aimed at finding out how these substances form and how they can be avoided. Special experimental engines with optical windows make it possible to see inside the combustion chamber. The individual combustion cycles are analysed with the aid of multi-dimensional lasers. In parallel to this, we conduct computer simulations of the physical and chemical processes involved, so as to back up practical observation with theoretical understanding. Only in this way is it possible to improve combustion chamber design and to optimize fuel injection even further.

With the "thermal induction control" for the four-stroke engine, there is no throttle valve for regulating the load. This means the engine consumes less fuel in the part-load range, thereby producing lower quantities of pollutant and less carbon dioxide. More fuel is also saved by having pistons with variable compression; these are already being tested in eight-cylinder engines. What is known as ARD technology (adsorption, reduction, desorption) has proved in principle suitable for the post-combustion treatment of nitrogen oxides in an oxidizing environment. In a first step, the nitrogen oxides stick (adsorb) to the surface of catalysts. Through the addition of special reducing agents in a second step, they separate into nitrogen and oxygen, after which they are released (or desorb) from the catalyst's surface. These processes alternate during driving. The catalysts are arranged on a disk which turns slowly in the exhaust gas stream.

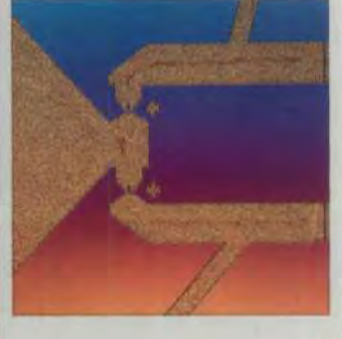
The first completed section of the Daimler-Benz Research Center in Ulm.

View under the engine hood of an electrically powered car from the Daimler-Benz Research division.



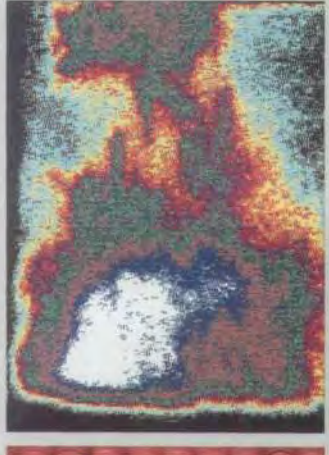
Chemical hydrogen storage systems are expected to provide a particularly high degree of safety.

A complete radar system on a single silicon chip.



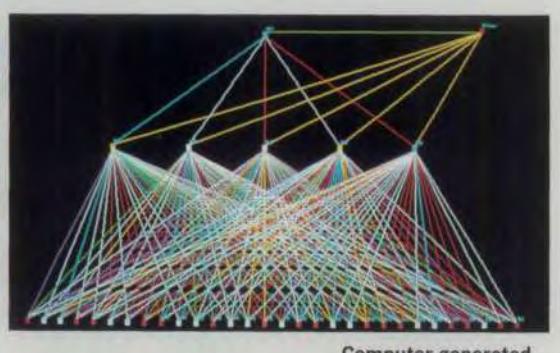
In the clean room of the Ulm Research Center.

High-temperature super-conductors for conducting electricity free of losses at the temperature levels of liquid nitrogen – the basis for new chip developments.



Distribution of fuel in an engine, photographed with the use of laser technology.

"Hot Elly", a high-temperature electrolysis plant for the production of hydrogen.



Computer-generated "neuronal networks" are to simulate the structures of the brain.

This high-performance battery has three to four times the capacity of a lead-acid battery of the same weight.

Alternatives to Gasoline and Diesel Fuels

For over 20 years now, research has been investigating possible alternatives to gasoline and diesel engines, and trying to find viable propulsion systems which do not require fossil fuels. The first electro-hybrid bus from Mercedes-Benz, using combined diesel and electric drive, took to the road as early as 1970. In 1975 a Mercedes-Benz van became the first vehicle in the world to derive its energy from a hydrogen hydride storage medium. The latest legislation in California has made research in these areas more topical than ever. The law stipulates that, from the year 2003, a manufacturer like Mercedes-Benz has to equip 10% of the vehicles it sells there as "zero-emission vehicles." At present, the only vehicles to meet this demand are electrically powered ones - provided their electricity comes from non-fossil energy sources.

The main problem with both electric and hydrogen drive is how to store the "fuel." Even the most efficient high-temperature batteries are many times heavier and bulkier than a gasoline or diesel tank. It is a similar story with the storage of hydrogen. Neither pressurized gas nor liquid hydrogen nor hydride storage gives vehicles the performance or transport efficiency to match modern vehicles with gasoline or diesel engines. For this reason, alternative propulsion systems are initially limited to applications in which shorter range and lower performance do not matter.

Daimler-Benz as a technology group has the opportunity to go beyond the motor vehicle and work on basic solutions to energy and environmental problems. For instance, within the framework of project "HYPASSE" (*Hydrogen* lowered Automobiles using Seasonal and Weekly Surplus of Electricity), sponsored by the Federal German Ministry for Research and Technology, we are developing a proto-

type city bus. This is to be fueled by hydrogen which is produced using the excess energy generated at certain times of the week and during certain seasons of the year by Swiss hydroelectric power stations.

High-Capacity Battery

One of the key elements in the utilization of environment-friendly energy technology is the battery, as the storage unit for electricity. Batteries available today are far too heavy; moreover, they do not have have the necessary durability and are also too expensive.

As part of a joint venture, AEG is helping to develop the sodium/nickel-chloride battery for industrial use; its storage capacity, at equal weight, is three to four times as high as that of a conventional lead/acid battery. The research team is concerned with the material, the cell configuration and the production process, with a view to improving the efficiency and durability of this type of battery even further.

Comprehensive Solutions to Traffic Problems

One of the ways our research sector is dealing with energy and environmental problems is through new approaches to traffic technology. Within the European traffic projects PROMETHEUS and DRIVE we are working, together with partners in the automotive and electronics industries, on traffic guidance systems and information technology. The objective is to devise and build up a system which uses autonomous vehicle-borne elements on the open road, and in urban areas receives information via traffic lights or other sources from a central control station. Examples of this include recommended detours or up-to-the-minute information on traffic routes,

In the goods transportation sector we are developing fleet management systems which cover the entire information chain from logistics and fleet scheduling up to actual vehicle systems. An essential prerequisite for use throughout Europe is the laying down of standards for communication systems between individual vehicles and the fleet headquarters.

A digital road map of Europe is designed as the basis for fleet management and traffic guidance systems. Here, too, there is a need for standardizing processes and formats in order to record the enormous quantity of data involved, keep it up to date and make it accessible to users. In the Greater Stuttgart area, a traffic project called "STORM" (Stuttgart Transport Operation by Regional Management) has been started up in collaboration with the city authorities and the government of Baden-Wuerttemberg. This forms the basis of a long-term, comprehensive research project. The idea is to extend the regions' transport infrastructure, integrating it in an overall system to provide an optimum network which makes use of road, rail and air transport. The first step is a feasibility study as part of the European cities initiative POLIS.

Studies on the Transport of the Future

Investigations into the economic and social context of transport and technology have acquired new emphasis with the reunification of Germany. Our study on "The Transport Environment and Transport Structures of the GDR" has therefore met with great interest. In cooperation with a large number of external partners from various Berlin research facilities, conceptual plans for an inter-disciplinary research project "The City as a Living Environment" were detailed and submitted for decision. A further focus of effort was our participation in the study "Berlin - City in a State of Change." This presented the ideas of the Daimler-Benz group with regard to traffic and transport systems in a unified Berlin, and was handed over to the authorities in the eastern and western parts of the city in October of 1990.

We concluded a further strategic study, the "Development of Road Transport in the People's Republic of China," at the end of 1990. The results of this joint project between Daimler-Benz AG and the Chinese government are being phased into China's next Five-Year Plan and are to form the basis for further cooperative ventures with the People's Republic.

New Research Results for More Active Safety

Active safety systems help the driver to retain control of the vehicle even in potentially critical situations. Rear axle steering, for instance, can compensate for negative influences from road surfaces, wind or from trailers.

In this context, our road testing is augmented by our driving simulator in Berlin. This makes it possible to investigate critical situations - such as the failure of a major component - without any danger. It is thus also possible to systematically study the behavior of less experienced drivers. It is especially these drivers who could be particularly at risk in a car which remained stable right up to the physical limits, if they were not warned in time that those limits were about to be reached. We are therefore concerning ourselves with appropriate alarm systems, as well as with systems which intervene actively in the accelerator, brake and steering mechanisms in such cases. These systems are capable not only of improving safety, but also of relieving the driver of routine functions. The automatic distance retaining system is one example, which we have already tested in experimental vehicles, with the help of radar and infrared monitoring equipment.

In this context we are also working on "computer vision," by which pictures from a camera directed at the road are interpreted automatically. On empty sections of motorway, an experimental vehicle equipped with such a system has already proved it can work at speeds of up to 100 km/h. This helps to provide the conditions under which vehicles can - in extreme cases - be driven automatically, and at least stay in the correct lane or for instance move along safely in a traffic jam.

Technology in the Service of Man

The interaction between the driver and the vehicle is to a large extent determined by the instruments and controls. As part of the the "F 100" experimental vehicle, we developed some completely new concepts. Since the driver needs to be informed as comprehensively as possible, while at the same time concentrating on essentials, important information is presented centrally and in a large display in this vehicle. Only faults etc. which require immediate action are indicated while the vehicle is being driven.

The outer edges of the instrument panel relate the vehicle to its environment. If an object approaches in a threatening manner, the display alarms the driver by means of colored markings in the sector concerned; at the same time, a warning signal sounds. The controls of the F 100 are grouped together according to their functions and arranged around the steering wheel in such a way that the driver intuitively uses the right one.

Functions which are not important with regard to safety could be controlled by voice; to this end, we have initiated the project "VESPRA." The cassette/radio, climate control, window mechanisms, seat adjustment and telephone can be activated by vocal commands. The system is designed to adapt to the user's familiarity with it, and not to require the studying of a long operator's manual.

Adapting technology to human beings is also an important field for our Berlin research group dealing with "The Environment of Technology." Work here concentrates on optimizing vehicles and domestic appliances. In the year under review, this mainly consisted of dealing with details relating to the new S-class, and a control simulator for AEG domestic appliances

Extra-High-Frequency Chips

Extra-high frequencies, e.g. for satellite communications or distance warning radar for vehicles, require exceptionally high processing speeds on the part of the electronic components involved. Since such frequencies cannot be achieved using conventional silicon chips, new solutions are necessary. With what is called hetero technology, extremely thin layers of varying composition but a uniform crystalline structure are built up. Using this technique, we have already attained extremely high cutoff frequencies of about 100 Megahertz.

The basic technology for manufacturing discrete hetero-transistors has been transferred to TELEFUNKEN Electronic. The first microwave circuits for low-noise, broad-band amplifier systems have been developed.

Pattern Recognition - Reading Handwritten Texts

The aims of pattern recognition are to read writing and analyze documents. For AEG Electrocom, which is one of the leaders in the market for letter distribution and mail system automation, we are working on methods of automatically interpreting handwritten and incomplete letter addresses. This is an important prerequisite for future success in the international market.

The automatic reading of addresses and entire documents requires very many analytical steps. To keep processing times low despite this, several characters have to be analyzed in parallel by different processors. We have already developed the foundations for such a parallel text recognition system.

In the field of multiple parallel systems, we are investigating the suitability of neuronal networks for special tasks in signal processing. This technology uses a very large number of simple processing units which are linked together in a tight network and all operate in parallel. They are not programmed but "learn" independently to perform their respective jobs by adapting the links between the units to prescribed solutions.

High-Grade Flat Monitor Screens for Information Systems

While conventional microelectronics uses single-crystal silicon slices as a base for integrated circuits a few square centimeters in size, large-area electronics employs glass and other substrate materials. The semiconducting poly-crystalline silicon structures are applied by means of large-area thin-film deposition processes. NMOS and CMOS thin-film circuitry for clock pulse rates of up to 10 MHz are under development.

One example of a highly promising application is in high-definition, color-capable flat screens, known as active-matrix liquid crystal displays. The activating elements for the individual matrix dots can be integrated with the drive electronics on one and the same glass substrate, which cuts costs. Using this technology, a compact flat screen which would be suitable for vehicle-borne driver information systems is being developed.

Synergy Project "Energy Systems"

The rapid translation of research findings into development and into plans for new products and areas of business is just as important as acquiring the research findings in the first place. The aim of the synergy projects undertaken by the Central Research and Technology division is to act as a catalyst to that effect. One such synergy project concerns itself with energy technology.

Problems relating to the environment and to natural resources necessitate new answers. Our entire group, with all its activities, itself depends on the commercial availability and degree of acceptance of energy media. It is therefore advantageous for Daimler-Benz, as an integrated technology group, to have a broad technological base and the necessary comprehensive capacity within the group.

As part of a DASA diversification project, for example, a study was made as to whether the technical and economic resources sufficed to set up a group-wide "Energy Systems" sector. The main areas of emphasis were:

- utilization of regenerative energy sources such as solar cells and wind-generated power
- efficient utilization of energy by means of combined power and heat generation, using gas engines and gas turbines, and later "fuel cells"
- electro-chemical energy storage using high-temperature batteries and hydrogen generated from water by means of electrolysis.

As they near completion, the investigations are revealing some interesting possibilities and commercial potential for a sector which could be designated "Decentralized Energy Supply Systems." At the same time, the investigations show that putting such projects into practice will require considerable investment.

The "F 100" research vehicle is equipped with a new door concept.

When reverse gear is engaged, a camera in the rear of the car is extended.

The cockpit of the "F 100".

The displays provide the driver with the information which is relevant in any given situation.

New Responsibilities for the Personnel Department

The increasing pressure of competition and costs, the dynamic development of the markets and the objective of securing the future success of the group place high demands on our managerial staff and employees.

It is the responsibility of the personnel department to provide the necessary personnel policy framework for this environment, which is undergoing a process of transition. Moreover, the personnel sector is searching for new ways of matching the group's requirements and those of its employees. Efforts concentrated especially on the continuing development of personnel exchange, a group-wide managerial staff development and planning program, and intensified basic and advanced training programs.

Employment Developments and Structure

At the end of 1990, the Daimler-Benz group employed a staff of 376,785 (1989: 368,226) in all, including 303,404 (1989: 298,199) at the domestic plants alone. The employment situation in Germany was encouraging overall. On the other hand, some of our foreign production and assembly subsidiaries had to contend with difficult political and economic conditions, which in some cases had considerable effects on employment figures.

Employees (12/31)	Germany	Abroad	Overall
Daimler-Benz	2,689	18	2,707
Mercedes-Benz	179,120	51,854	230,974
AEG	57,173	19,776	76,949
DASA	60,274	1,002	61,276
debis	4,148	731	4,879
Daimler-Benz group	303,404	73,381	376,785

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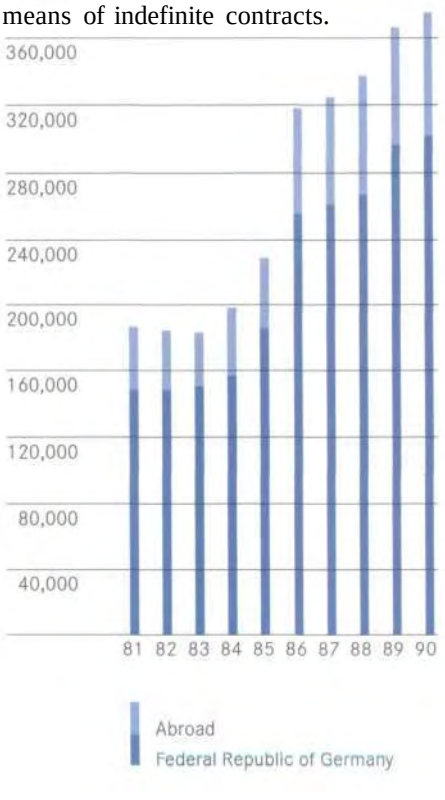
At Mercedes-Benz, full capacity utilization was achieved at all domestic plants throughout the year under review; the number of employees increased by more than 5,300. The increased personnel requirements due to higher production volumes at the passenger car plants were met largely by means of indefinite contracts.

Employees



The employment situation for 1990 at AEG was well-balanced overall; the domestic production plants were well utilized for the most part. The fact that the number of employees within Germany fell by 2.3 % (1,300 employees) was above all due to the transfer of activities to other corporate units of the Daimler-Benz group and the hiving off of individual sectors.

The reduction in DASA's workforce by 1,700 as against 1989 was largely accounted for by the hiving off of the marine technology activities.

The employees of the newly established Daimler-Benz InterServices originate largely from the group's subsidiaries which were transferred to debis, but also from companies newly acquired during the year under review.

At the end of 1990, the group employed 13,257 severely handicapped people domestically. The legally prescribed employment quota of 6 % was not reached; as in previous years, however, a considerable number of orders were awarded to outside workshops for the handicapped.

Collective Agreements for 1990

The collective bargaining round in 1990 brought about a 6 % increase in standard wages and salaries for the employees of the metal-working industry effective on April 1, 1990 and new collective agreements relating to a reduction in working hours.

Negotiations resulted in a standard working week of 36 hours from 1993 and 35 hours from 1995. As a departure from the 37-hour week which came into effect April 1, 1989, individual working hours of up to 40 hours per week were negotiated for 18 % of a company's employees in North Wiirttemberg/North Baden, Lower Saxony and North-Rhine Westphalia. In other regions, the quota was 13 %. The domestic group companies are making use of this opportunity.

Personnel Expenditure

The group's personnel expenditure rose by 16 % to DM 26.9 billion. In the domestic works of our Corporate divisions, rises in standard wages, salaries and social welfare contributions were due to an increase in the number of employees, particularly through the inclusion of MBB.

Company Pensions

As before, company pensions constitute the nucleus of social benefits in all corporate units of the Daimler-Benz group. Together with state pensions and individual personal savings, they help assure financial security for our retired employees. Within the Daimler-Benz group in Germany, a total of DM 1.3 billion in company pensions was paid. The same pension benefit rules, as established in 1987, continued to be in effect for both Daimler-Benz AG and Mercedes-Benz AG even after the regrouping of the vehicle business. The Daimler-Benz AG and Mercedes-Benz AG paid a total of DM 274 million to 45,600 pensioners, widows and children in the year under review. As per the Company Pension Law, payments of DM 6.6 million were made to approximately 21,500 pensioners and widows, that received assistance till 1974 as well as for the first time in the years 1975, 1978, 1981, 1984 and 1987.

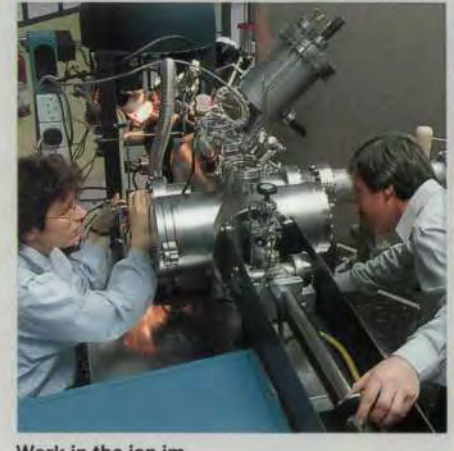
One off assistance payments were made to approximately 6,500 employees. Three years after the introduction of the Pension regulations, with effect from the 1st of January 1990, the Pension tables were increased by 5.6 %.

Highly-qualified staff are required for the assembly of modern aero-engines, e.g. the EJ 200.

Modern workplaces in the new fully-automated large-scale liquid-crystal production plant in Ulm.

Ergonomically designed production facilities relieve our staff from stresses and strains.

In aircraft production, too, team work is essential, e.g. in the final assembly of propellers.

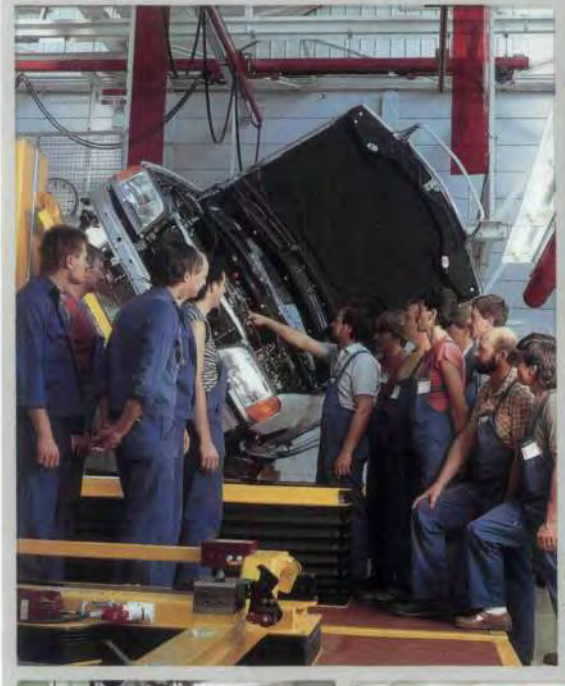


Work in the ion implantation facility of the Daimler-Benz Research division.

The expertise of every individual employee ensures the quality of our products.

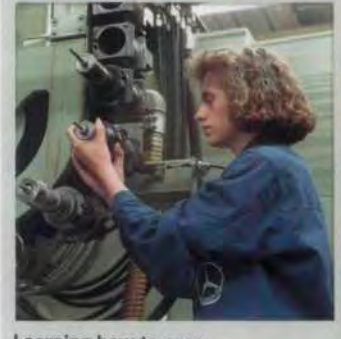
Vocational training at MBB; excellent job opportunities for young women also arise in aircraft production.

Staff training on the assembly of the new S-class in Sindelfingen.



Excellent training conditions are encountered in the workshops where the Dornier 328 is being developed in Friedrichshafen, Germany.

By tradition, great significance is attached within the Daimler-Benz group to comprehensive vocational training.



Learning how to operate modern machine tools forms an important part of our vocational training syllabus.

In order to cover future payments, an amount totaling DM 1.0 billion was allocated to pension provisions at Daimler-Benz AG and Mercedes-Benz AG. Of this amount DM 28 million pertained to Daimler-Benz AG and DM 986 million to Mercedes-Benz AG. Of the latter figure, Daimler-Benz AG, in accordance with the contractual agreement at the time of the reassignment of the vehicles business, bore DM 184 million.

AEG disbursed DM 133 million to 42,000 pensioners, widows and orphans during the year under review. Corresponding payments made by the companies of Deutsche Aerospace amounted to DM 72 million.

Special Remuneration

The special remuneration awarded domestically amounted to more than DM 1 billion in all. These payments are broken down between the individual corporate units as follows:

Daimler-Benz AG and Mercedes-Benz AG:	DM 667 million
AEG	DM 96 million
Deutsche Aerospace	DM 284 million
debis	DM 5 million

At Daimler-Benz AG and Mercedes-Benz AG, the basic Christmas bonus was increased by DM 100, with an additional DM 10 increase for every three years spent at the company.

Assistance in the Formation of Private Capital

In accordance with the 5th Capital Formation Law, all the employees in Germany were given the opportunity, for the first time, of purchasing shares in Daimler-Benz AG for a preferential price and at a reduced tax rate. Employees of Daimler-Benz AG, Mercedes-Benz AG and Daimler-Benz InterServices AG were alternatively offered Mercedes Aktiengesellschaft Holding shares. Such an offer was introduced as a regular feature of Daimler-Benz AG's capital formation policy in 1973, and this social institution has now also proved very popular with employees of the other corporate units. This offer has been taken up by 154,877 employees in all. Each employee of Daimler-Benz AG and Mercedes-Benz AG was also given the opportunity of putting DM 312 in company debt certificates with an interest rate of 10 %. This option was made use of by 30,835 employees.

Residential Property Subsidies

Many of the group's member companies supported their employees once more in the building and acquisition of apartments and houses. Interest-free and reduced-interest loans totaling more than DM 78 million were granted for 3,315 houses and apartments.

Family and Career

An important responsibility in the personnel policy of all corporate units of Daimler-Benz is enabling our employees to plan a working career compatible with family life. At Daimler-Benz AG, Mercedes-Benz AG, AEG Aktiengesellschaft and Messerschmitt-Bölkow-Blohm GmbH, labor agreements were reached which for example provide a "family break" for a maximum of ten years as a continuation of the legally prescribed maternity/ paternity leave, after which employees are entitled to resume working in a comparable job. At the end of 1990, this provision had been made use of by a total of 600 female and some male employees.

Managerial Planning and Development

In the implementation of our corporate strategies, the recognition, qualification and specific use of the management potential already at our disposal is of decisive importance. Now that the development and disposition of managerial staff has been implemented in a comparable manner throughout all corporate units, we have started to extend promotion programs for up-and-coming managerial staff to the entire group and have established a broadly based group-wide scheme for the placement of top managerial staff. We have thus further improved the systematic development and the specific utilization of managerial potential.

Vocational Training

At the end of 1990, 14,630 young people were undergoing vocational training within the Daimler-Benz group. In the year under review, 4,440 young men and women began their training courses, including 3,550 in the technical trades and 890 in business professions. Of those who completed their courses, 85 % commenced work for the various corporate units. As a result of general trends in population growth, the number of applicants for vocational training courses continued to decline. Within the framework of intensified information and advertising programs, young women in particular were informed of the opportunities available to them in technical training courses.

In 1990, too, there was great demand for special programs for school leavers and for courses of study at colleges of advanced vocational studies. Within our qualification scheme for young specialist personnel, we have assisted a large number of students and intensified our program for their care and counseling by means of training placements, opportunities for writing theses and seminars to supplement their courses of study.

Considerable investments in modern equipment have been made in order to meet the increasing demands in technology training. The training staff have received appropriate further qualification with regard to both teaching methods and content, in order to deal with the introduction of new technologies.

Advanced Training

The group's training scheme for senior managerial staff from all corporate units has now become a firm constituent of our training program. This provides an effective contribution towards a common understanding for the development of the group and towards personal dialog amongst the responsible managerial staff.

Our in-company and external advanced training programs are continuing to prove very popular. A total of 171,000 employees participated in these courses during working hours.

The education program for our staff in the area of new technologies and information processing, in particular, was extended. We have also further intensified advanced training measures for our workers. The costs due to advanced training rose during the year under review to DM 750 million.

New Forms of Work Organization

In view of the increasing proportion of work procedures which are automated and incorporated into information processing networks, along with the higher qualifications of our employees and their changing attitudes to work, the distribution of labor is gradually having to make way for new forms of work organization to be implemented in production. Group-based work unites corporate and employee aims in an exemplary manner. This increases work satisfaction and uncovers previously unrealised potential. Especially Mercedes-Benz AG is putting comprehensive pilot projects on group-based work to the test. This future-oriented form of work organization places modified requirements on employees and managerial staff; the personnel and training departments have prepared themselves for this with intensified activities for development in all areas of the company.

Preventive Health Care and Safety at Work

The medical services of the various corporate units employed a staff of 276 in all, including 57 company doctors. Particularly at small locations, this staff was supported by a large number of part-time company doctors and contracted doctors. Their work was mainly concerned with rendering first aid, carrying out preventive check-ups, offering advice and giving courses on topics such as nutrition and addictive and dangerous substances; a further significant activity was collaboration in workplace design.

The number of industrial accidents occurring in the various corporate units was either reduced or maintained at an already low level. This pleasing result was particularly due to the commitment of managerial staff and their employees, the advanced training of safety experts and the careful planning of hazard analysis programs. The increased attention given to safety at work and ergonomics right at the planning stage of work systems has also helped reduce hazards.

In-company social consultancy, practised above all by Mercedes-Benz AG, has been very successful. This service offers counseling for employees in danger of addiction and for those with psychological problems or in personal crisis situations. In cooperation with doctors and other advisory services, it also refers employees to sources of assistance within and outside the company.

The Incorporation of Employees in Problem-Solving

In 1990, the workshop and production quality circles continued to prove their worth as the expression of the reinforced identification of our employees with the respective departments' objectives and their more efficient fulfillment.

With more than 34,000 suggestions for improvement submitted, the employees of all corporate units continued to show great interest in their work. The employees' suggestions were rewarded with premiums amounting to about DM 11 million.

Activities in the New Federal German States

By offering basic and advanced training programs and trainee posts to employees of former GDR concerns for qualification in west German concerns and by providing experienced staff, the personnel and training departments of all corporate units contributed to the economic growth of the new Federal German states in 1990.

Thanks to Our Workforce

We would like to express our gratitude to all our employees for their commitment and hard work throughout a difficult year, which was marked by far-reaching transformations in the political and economic spheres and by the continuation of the restructuring of our group. Our thanks are also due to the representatives on the various labor councils and committees at all levels of our group for their confident cooperation.

Preventive medical check-ups are made at regular intervals.

The examinations also include hearing tests.

At specially organized events, employees of Mercedes-Benz are individually advised about old-age pension schemes.

Being able to select one's meal according to one's own preferences is becoming increasingly popular, as in the staff restaurant in Stuttgart-Möhringen.

The company's sports program comprises a wide range of sports, from A for aerobics to V for volleyball.

New Valuation Methods in Group Financial Statements Prove Beneficial

The change in the valuation methods in the 1989 consolidated financial statements, where we have more closely adapted our accounting policies to internationally accepted accounting practices, was positively received both at home and abroad. For the purpose of analyzing companies and industries, the data can now be directly taken from the Daimler-Benz consolidated financial statements. Improved comparability of our group financials with other large industrial enterprises operating worldwide has made it easier during the reporting year to list the Daimler-Benz shares on important stock exchanges such as London and Tokyo. In each instance, we were able to rely solely on the published annual financials and we were not required to submit additional computations for important key figures such as net income for the year and net equity.

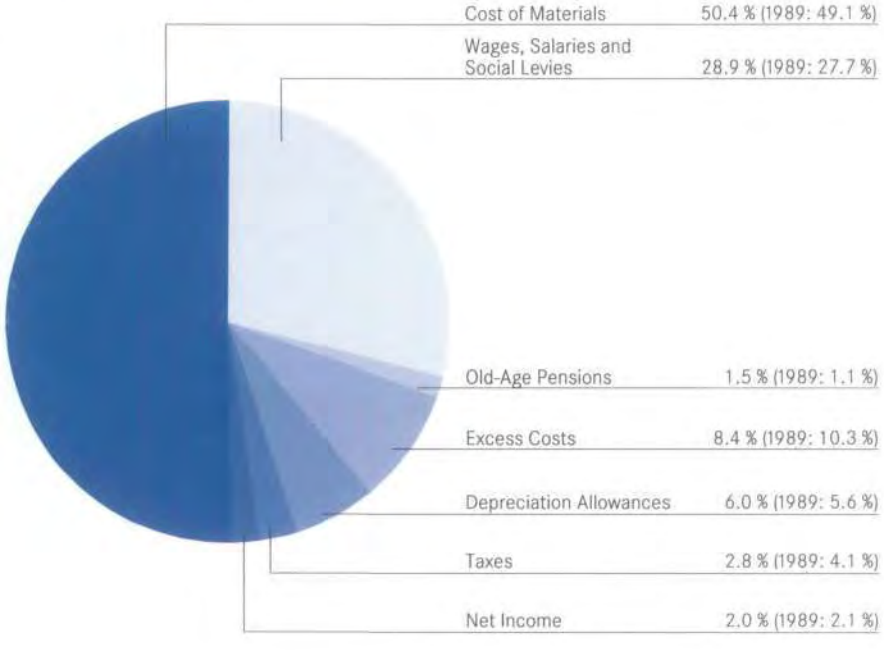
The new valuation of pension provisions and inventories in the 1989 group financials had not only impacted the balance sheet but also the statement of income. For this reason, some basic figures in last year's income statements are not comparable with those of 1990. Moreover, we have, for the first time, included the accounts of MBB in the earnings statements. In order to illustrate the actual development, we are therefore partly deviating in the following analysis from the official presentation of our accounts.

Net Income of 1.8 billion has Same Magnitude as Comparably Computed Net Income of Last Year

In 1990, sales revenues of the Daimler-Benz group rose 5.2 %, to DM 85.5 billion, in comparison to the previous year. To facilitate comparision, we added the sales of MBB to last year's figures. Total output, as a result of higher inventories and other capitalized in-house-output, jumped 11 %, to DM 88.3 billion; apart from the first-time inclusion of MBB, the expansion of the vehicle leasing business is also reflected in these figures. Compared to the increase of total output, purchases of goods and services showed an above-average rise of 12 %; its share of total output now amounts to 50.4 % (49.1 % last year). Considering the fact that general price levels rose only moderately, our purchases of goods and services increased, in spite of sales losses due to low exchange rates for the U.S. dollar and yen. The disproportionate increase in personnel expenses, a 16 % increase to DM 26.9 billion, was the result of new hiring at Mercedes-Benz AG, and the collective bargaining wage and salary increases effective April 1st, 1990. Furthermore, additional unscheduled pension provisions totaling DM 250 million were made, DM 100 million alone on account of the Rent Reform Act of 1992.

Expense Structure in Terms of Total Output, Daimler-Benz Group

Total Output DM 88.3 Billion (DM 80.6 Billion Prior Year)



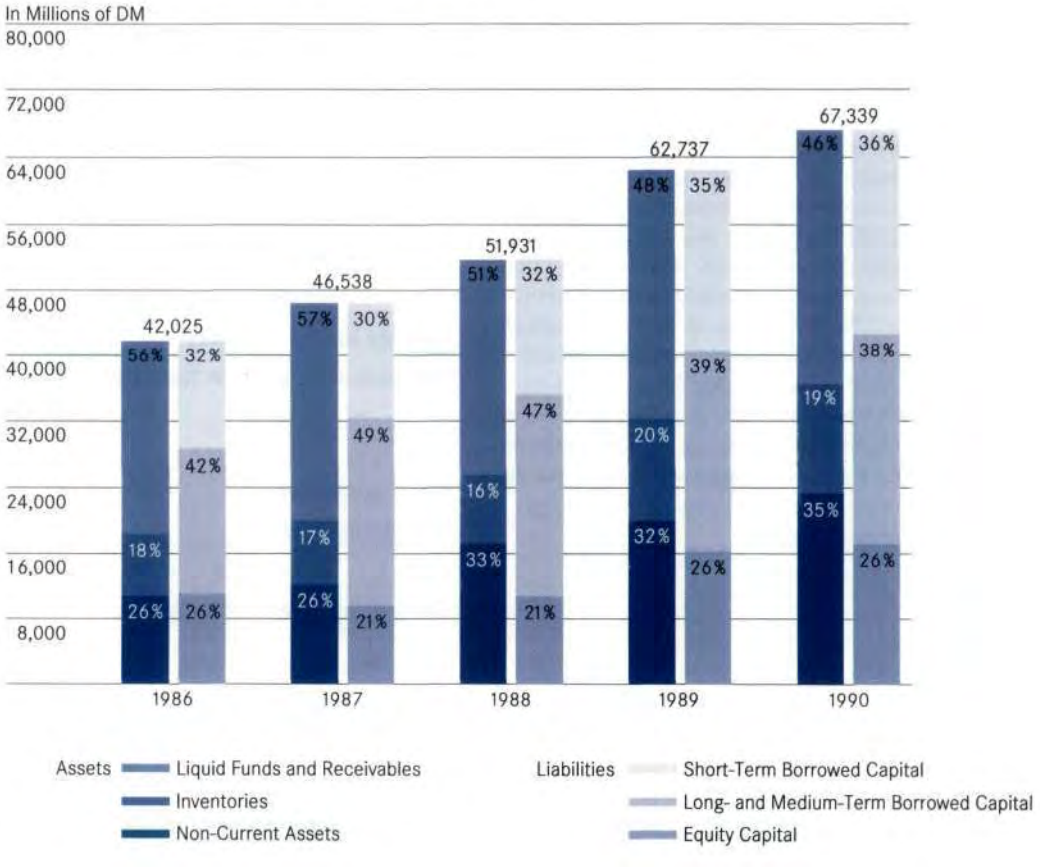
Because of the noticably higher volume of investment activities of prior years, depreciation of fixed assets, including leasing vehicles, write- downs and amortization of marketable securities and intangible assets respectively, climbed further, i.e., by 17 % to DM 5.3 billion. Other operating income is shown at DM 4.0 billion. Last year, this income item included to a larger extent credits resulting from the change in valuation methods. Other operating expenses continued at a high level even though last year's figure was likewise influenced by non-recurring expenses.

In the non-operating sector, with lower annual average liquidity, net interest income declined DM 132 million to DM 989 million. As in prior years, we have reduced the interest income earned in the high-inflation countries of Argentina and Brazil by the inflation portion. The results from ordinary business activities dropped to DM 4.2 billion (DM 10.1 billion last year); comparably computed, it was 10 % below the previous year. Due consideration must also be given here to the fact that last year's income taxes were DM 0.4 billion higher due to the new method of valuing inventories. Although the net income amount of DM 1.8 billion shows a slight increase as compared to last year's comparably computed amount of DM 1.7 billion, much of it is due to lower income taxes, particularly at some foreign subsidiaries.

Balanced Group Balance Sheet Ratios

The balance sheet total of the Daimler-Benz group rose further, by DM 4.6 billion to DM 67.3 billion, on account of the larger business volume. Capital assets, including leasing items, rose from DM 20.1 billion to DM 23.4 billion. Intangible assets included goodwill of DM 124 million. Such goodwill originated subsequent to the restructuring of the Daimler-Benz group, and was written off systematically. The goodwill resulting mainly from the acquisition of additional shares in MBB in the amount of DM 591 million was, in contrast, charged to retained earnings. Fixed asset additions of DM 5.7 billion were offset by disposals and depreciation totaling DM 4.1 billion. The DM 0.2 billion increase in financial assets, to DM 1.6 billion, pertains to new equity investments in the corporate divisions of AEG, DASA and debis. The balance sheet amount of leasing items - largely cars and commercial vehicles of Mercedes-Benz - has continued to increase strongly, from DM 5.0 billion to DM 6.5 billion; this represents about 10 % of total assets meanwhile and nearly 30 % of capital assets. Excluding leasing vehicles, the ratio of capital to total assets amounted to 25.1 % (24.0 % last year). Inventories at DM 18.9 billion, almost

Balance Sheet Structure Daimler-Benz Group



unchanged from last year, were financed by advance payments from customers to the tune of almost 33 %; the ratio of net inventories in relation to total assets declined slightly from 19.7 % to 19.5 %. Liquid assets also declined, i.e., from DM 14.6 billion to DM 13.7 billion. This amounted to 20.3 % of total group assets (23.3 % last year).

On the liability side of the balance sheet, shareholders' equity - excluding the amount set aside for dividend payments (unappropriated profit) - rose DM 0.9 billion to DM 17.3 billion. A total of DM 1.1 billion of the consolidated net income was allocated to retained earnings; goodwill amounts written off here had opposite effects. The ratio of equity capital, amounting to 25.6 %, was slightly lower than last year's figure of 26.2 %. With the simultaneous increase of the capital asset ratio, capital assets covered by equity capital also decreased slightly, from 109 % to 102 %. Leasing vehicles were not considered here because they are basically financed through borrowed capital apart from depreciation and proceeds from disposals. Our financial liabilities for the leasing and financing business amounted to DM 6.2 billion. Even though provisions rose further, by DM 0.7 billion to DM 27.4 billion, their share in terms of the balance sheet total declined from 42.6 % to 40.6 %. Both capital assets and net inventories but also part of the remaining current assets are covered by equity capital and long- and medium-term provisions.

Consolidated Statement of Changes in Financial Position (In Millions of DM)

Sources of Funds from Business Activities		
Net income	1,795	
Depreciation allowances and disposal of intangible and of fixed assets	4,061	
Write-down of financial assets	110	
Increase of pension provisions	745	
Cash flow		**6,711**
Sources of Funds from Financing Activities		
Increase in medium- and long-term liabilities	1,194	
Increase of short-term liabilities and deferred credits	1,550	
Disposal of fixed assets	205	
		2,949
Application of Funds		
Increase of intangible assets	(281)	
Increase of fixed assets	(5,667)	
Net increase of financial assets	(318)	
Increase of leasing vehicles (reduced by depreciation and disposals)	(1,474)	
Increase of inventories (net)	(792)	
Change of other current assets and of prepaid expenses	(1,391)	
Reduction of net equity	(379)	
Application of other provisions	(88)	
Dividend payment for 1989	(555)	
		(10,945)
Change in Net Liquidity		**(1,285)**

Analysis of Change in Net Liquidity

	12/31/89	12/31/90	
Cash	2,985	3,786	801
Other securities	5,900	5,093	(807)
Remaining liquidity	5,753	4,814	(939)
	14,638	13,693	(945)
Short-term liabilities to banks	(1,975)	(2,315)	(340)
	12,663	11,378	**(1,285)**

Investment in Fixed and Financial Assets Again Fully Financed By Cash Flow

Additions to fixed assets, intangible assets as well as net additions to financial investments, totaling DM 6.3 billion, were fully financed in the reporting year by internally generated cash-flow which amounted to DM 6.7 billion. Additional funds were derived from the increase in liabilities, particularly in connection with the refinancing of our rapidly growing leasing business worldwide.

In the application of funds, the continued vigorous investment activities of the Daimler-Benz group become evident, with which we wish to enhance the productivity and competitiveness of our products.

Activities of the Group Treasury

The concept of centralized financial management, which was adopted in connection with the restructuring of the Daimler-Benz group of companies, has resolutely been pursued during the reporting year. With this concept, strategic financial decisions in the group are made centrally. Operative finance and liquidity management is also carried out in the central finance department. From time to time, the handling of individual finance measures can also be organized decentrally.

With the inclusion of MBB this year, we essentially concluded the transfer of liquid funds and marketable securities from the domestic companies to Daimler-Benz AG. This transfer was started last year with the introduction of our Cash Concentration Program. The entire liquidity, which at year's end amounted to DM 13.7 billion, is being invested in such a way that all financial requirements derived from the business purposes of the company can be met on a short-term basis. The investment in marketable securities is in harmony with the figures in the medium-term investment plan and also takes into account the prospective interest trend. The portfolio is composed of fixed-interest securities of first-class issuers. We use new investment instruments if they fit our general investment strategies.

For the purpose of refinancing our activities, especially the leasing and retail financing business, we take advantage of all opportunities which international money and capital markets had to offer. Thus, lire 150 billion, A $ 100 million and DM 200 million as Fixed-Reverse-Floaters were raised through the issuance of Eurobonds via Daimler-Benz International Finance B. V. In addition, we, as the first German company to do so, have initiated a D-mark based Commercial-Paper-Program which will primarily serve our short-term refinancing needs.

In the central foreign exchange management department, we evaluate the extensive currency risk of the group companies, develop in cooperation with the corporate divisions individually designed hedging strategies, and direct their implementation. It is the objective of the foreign exchange management department, depending on the anticipated exchange rate development in risk-prone currencies, to protect through continuing hedging measures a proportion of the delivery volume - varying from country to country - and thus limit and ameliorate the currency risk.

Key Figures of Major Subsidiaries of Daimler-Benz AG

	Ownership in %	Net Equity[1] in Millions of DM	Net Income[1] 1990 in Millions of DM	Net Income[1] 1989 in Millions of DM	Sales[2] 1990 in Millions of DM	Sales[2] 1989 in Millions of DM	Employment at Year-End 1990	Employment at Year-End 1989
Corporate Unit Mercedes-Benz								
Mercedes-Benz AG, Stuttgart	100.0	4,935	980.0	980.0	48,567	43,557	177,127	171,082
Mercedes-Benz España, Madrid	87.5	306	63.3	70.4	1,626	1,756	3,295	3,391
Mercedes-Benz (United Kingdom), Milton Keynes[3]	100.0	128	8.3	66.5	2,538	2,928	1,203	1,208
Mercedes-Benz Nederland, Utrecht[3]	100.0	.[4]	.[4]	.[4]	1,069	1,079	671	711
Mercedes-Benz Belgium, Brussels	100.0	153	42.9	36.3	1,143	1,015	957	943
Mercedes-Benz France, Rocquencourt[3]	100.0	.[4]	.[4]	.[4]	3,175	3,115	2,200	2,145
Mercedes-Benz Italia, Rome[3]	88.5	344	66.2	67.3	2,783	2,393	776	765
Mercedes-Benz (Schweiz), Zurich	51.0	111	13.0	7.4	1,126	1,077	297	292
Freightliner, Portland[3]	100.0	.[4]	.[4]	.[4]	2,768	3,316	5,344	6,141
Mercedes-Benz of North America, Montvale[3]	100.0	.[4]	.[4]	.[4]	6,035	6,116	1,614	1,763
Mercedes-Benz Mexico, Mexico D.F.[3]	80.0	145	22.0	30.9	316	222	1,401	1,009
Mercedes-Benz do Brasil, São Bernardo do Campo[3]	100.0	720	113.3	429.9	2,439	3,195	20,509	19,556
Sofunge, São Paulo	100.0	22	3.8	11.6	109	196	2,317	2,404
Mercedes-Benz Argentina, Buenos Aires[3]	100.0	225	- 11.3	1.3	194	114	1,986	1,993
Mercedes-Benz of South Africa, Pretoria[3]	50.1	198	16.3	35.2	1,288	1,667	4,521	5,519
Mercedes-Benz Türk, Istanbul[5]	50.3	102	31.2	-	642	416	2,873	2,378
Mercedes-Benz Japan, Tokyo	100.0	152	34.9	52.2	2,110	1,582	287	225
Mercedes-Benz (Australia), Mulgrave/Melbourne[3]	100.0	127	10.5	36.3	536	709	950	1,018
Corporate Unit AEG								
AEG Aktiengesellschaft, Berlin und Frankfurt am Main	80.2	2,160	- 204.6	9.4	4,604	5,480	21,492	32,524
AEG KABEL Aktiengesellschaft, Mönchengladbach	99.2	163	59.3[6]	21.1[6]	1,113	1,139	6,361	5,674
AEG Olympia Office GmbH, Wilhelmshaven	99.2	193	- 139.8[6]	- 166.3[6]	708	763	3,571	4,092
AEG Westinghouse Transport-Systeme GmbH, Berlin	80.9	90	34.7[6]	9.7[6]	398	335	2,003	1,759
TELEFUNKEN electronic GmbH, Heilbronn	98.4	166	- 26.6[6]	4.5[6]	707	644	3,604	3,688
MODICON, Inc., Andover	100.0	.[4]	.[4]	.[4]	234	289	996	1,128
Modular Computer Systems, Inc., Fort Lauderdale	100.0	.[4]	.[4]	.[4]	120	105	552	786
Corporate Unit Deutsche Aerospace								
Deutsche Aerospace Aktiengesellschaft, Munich	93.0	5,621	57.6	45.8	-	-	220	85
Dornier GmbH, Friedrichshafen[3]	57.6	330	- 37.0	- 88.2	2,827	2,204	10,931	10,247
Messerschmitt-Bölkow-Blohm GmbH, Ottobrunn	64.9	1,996	60.0	101.1	4,066	5,796	20,911	21,946
MTU Motoren- und Turbinen-Union GmbH, Munich[3]	100.0	382	60.7	40.4	3,602	3,659	17,524	17,654
Telefunken Systemtechnik GmbH, Ulm[3]	100.0	294	70.6	127.9	1,688	1,961	9,372	10,779
Coporate Unit debis								
Daimler-Benz InterServices (debis) AG, Berlin	100.0	550	1.6	-	-	-	163	-
debis Systemhaus GmbH, Stuttgart	100.0	150	- 10.2[6]	-	584	-	1,826	-
Mercedes-Benz Finanz GmbH, Stuttgart[3]	100.0	288	16.1	- 2.3	1,072	819	294	270
Mercedes-Benz Credit Corp., Norwalk/USA[3]	100.0	.[4]	.[4]	.[4]	1,337	1,110	351	342
Mercedes-Benz Finanziaria, Rome	85.0	36	1.9	2.0	235	167	117	99
Holding Companies								
Daimler-Benz Holding France, Rocquencourt[3]	99.7	367	45.3	55.2	-	-	-	-
Daimler-Benz Holding Belgium, Brussels	100.0	296	40.2	4.5	-	-	-	-
Daimler-Benz Holding Nederland, Utrecht[3]	100.0	175	14.6	7.7	-	-	-	-
Daimler-Benz Holding, Zurich	100.0	320	97.3	164.3	-	-	-	-
Daimler-Benz North America Corporation, New York[3]	100.0	3,076	82.3	130.7	-	-	12	7

[1] Net equity and net income respectively, net income before income transfer from national financial statements; foreign financial statements converted at applicable year-end exchange rates.
[2] Converted at applicable average exchange rates.
[3] Preconsolidated financial statements.
[4] Included in the consolidated financial statements of the holding company of the respective country.
[5] Consolidated in 1989 for the first time; statement of income not consolidated.
[6] Because of profit sharing agreements, net income is included in the accounts of the respective parent company.

Financing of Sales and Projects

The indebtedness problems of developing and under-developed countries, and the huge needs of the new federal states and of eastern Europe have led to a strong demand for funds. Taylor-made programs increasingly gain in importance here; this is particularly true for large infrastructure projects in which our group companies are participating.

Looking at the difficult economic conditions in the countries of eastern Europe and the Third World, commercial banks are quite reluctant to extend credit. It is for this reason that governmental development funds, within the scope of bilateral and multilateral cooperation, are becoming more and more important. Funds which are thus made available are also of growing importance to our business.

In the export business it was also our goal during the reporting period to ascertain all conceivable risks and to provide sufficient protection. In this regard, we have fully utilized the traditional instruments of protection.

*

Our business policy at home and abroad in 1990, again conformed with the "OECD-Guidelines for Multinational Companies."

"Die Dynamik der Idee" ('The dynamics of an idea') by Ben Willikens, wall painting in the auditorium, 1989.

"Flächenplastik im Raum" ('Two-dimensional sculpture in three-dimensional space') by Norbert Krichl, 1964.

"Eine und vier gleiche Gruppen" ('One and four identical groups') by Richard Paul Lohse, 1949 – 1968.

"Kopf mit Tasse" ('Head with cup') by Oskar Schlemmer, 1923.

"Montaru auf Rosa" by Willi Baumeister, 1953

These paintings and sculptures by renowned artists lend an unmistakable character to the new headquarters in Stuttgart-Möhringen.

Consolidated Balance Sheet

ASSETS	Notes	December 31, 1990 In Millions of DM	December 31, 1989 In Millions of DM
Non-Current Assets			
Intangible Assets	(1)	304	130
Fixed Assets	(2)	15,057	13,508
Financial Assets	(3)	1,569	1,403
Leased Equipment	(4)	6,518	5,043
		23,448	20,084
Current Assets			
Inventories	(5)	18,855	18,726
Advanced Payments Received	(6)	(5,727)	(6,390)
		13,128	12,336
Receivables	(7)	11,321	10,511
Other Assets	(8)	9,019	9,732
Marketable Securities	(9)	5,154	6,016
Cash	(10)	3,786	2,985
		42,408	41,580
Prepaid Expenses and Deferred Taxes	(11)	1,483	1,073
		67,339	62,737
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity	(12)		
Capital Stock	(13)	2,330	2,330
Paid-In Capital	(13)	2,117	2,114
Retained Earnings	(14)	11,934	11,195
Minority Interests	(15)	881	767
Unappropriated Profit of Daimler-Benz AG		565	560
		17,827	16,966
Provisions			
Provisions for Old-Age Pensions and Similar Obligations	(16)	10,831	10,086
Other Provisions	(17)	16,536	16,624
		27,367	26,710
Liabilities			
Accounts Payable Trade	(18)	6,469	5,810
Other Liabilities	(19)	15,312	12,963
		21,781	18,773
Deferred Credits		364	288
		67,339	62,737

Consolidated Statement of Income

	Notes	1990 In Millions of DM	1989 In Millions of DM
Sales Revenue	(20)	**85,500**	**76,392**
Increase in Inventories and Other Capitalized In-House Output	(21)	2,840	4,160
Total Output		**88,340**	**80,552**
Other Operating Income	(22)	3,598	7,977
Purchases of Goods and Services	(23)	(44,477)	(39,552)
Personnel Expenses of which for Old-Age Pensions DM 1,347 million (1989: DM 862 million)	(24)	(26,890)	(23,199)
Amortization of Intangible Assets, Depreciation of Fixed Assets and of Leased Equipment	(25)	(5,169)	(4,387)
Other Operating Expenses	(26)	(12,016)	(12,292)
Net Income from Affiliated, Associated and Related Companies	(27)	4	48
Net Interest Income	(28)	989	1,121
Write-Downs of Financial Assets and of Marketable Securities	(29)	(158)	(172)
Results from Ordinary Business Activities		**4,221**	**10,096**
Income Taxes	(30)	(1,814)	(2,743)
Other Taxes	(30)	(612)	(544)
Net Income	(31)	**1,795**	**6,809**
Profit Carried Forward from Previous Year		5	–
Transfer to Retained Earnings		(1,124)	(5,870)
Income Applicable to Minority Shareholders		(145)	(446)
Loss Applicable to Minority Shareholders		34	67
Unappropriated Profit of Daimler-Benz AG		**565**	**560**

Consolidated Statement of Non-Current Assets

In Millions of DM	Acquisition-/Self-Construction Costs 1/1/1990 *)	Additions *)	Reclassifications	Deductions	12/31/1990
Intangible Assets					
Franchises, Patents and Similar Rights, as well as Licences to Such Rights	342	131	10	43	440
Goodwill	-	150	-	-	150
	342	**281**	**10**	**43**	**590**
Fixed Assets					
Land, Land Titles and Buildings Including Buildings on Land Owned by Others	13,881	981	601	310	15,153
Technical Equipment and Machinery	18,385	1,421	492	494	19,804
Other Equipment, Factory and Office Equipment	13,635	1,725	276	819	14,817
Advance Payments Relating to Plant and Equipment and Construction in Progress	1,902	1,540	(1,350)	167	1,925
	47,803	**5,667**	**19**	**1,790**	**51,699**
Financial Assets					
Investments in Affiliated Companies	736	86	58	71	809
Loans to Affiliated Companies	19	8	-	19	8
Investments in Associated Companies	197	198	(6)	138	251
Investments in Related Companies	616	47	(18)	71	574
Loans to Related Companies	18	16	-	2	32
Investments in Long-Term Securities	290	16	-	61	245
Other Long-Term Receivables	422	486	(64)	257	587
	2,298	**857**	**(30)**	**619**	**2,506**
	50,443	**6,805**	**(1)**	**2,452**	**54,795**
Leased Equipment	**7,233**	**3,588**	**1**	**1,378**	**9,444**

*) Including carry-forward amounts of companies consolidated for the first time.

	Amortization/Depreciation/Write-Down				Net Book Value	
1/1/1990 *)	Current Year	Reclassifications	Deductions	12/31/1990	12/31/1990	12/31/1989
212	86	-	38	260	180	130
-	26	-	-	26	124	-
212	**112**	**-**	**38**	**286**	**304**	**130**
6,771	665	11	86	7,361	7,792	7,110
15,874	1,383	(1)	397	16,859	2,945	2,511
11,638	1,485	10	728	12,405	2,412	1,997
12	25	(20)	-	17	1,908	1,890
34,295	**3,558**	**-**	**1,211**	**36,642**	**15,057**	**13,508**
470	11	-	12	469	340	266
2	2	-	2	2	6	17
14	13	-	-	27	224	183
249	29	-	2	276	298	367
2	1	-	-	3	29	16
57	3	-	23	37	208	233
101	51	-	29	123	464	321
895	**110**	**-**	**68**	**937**	**1.569**	**1,403**
35,402	**3,780**	**-**	**1,317**	**37,865**	**16,930**	**15,041**
2,190	**1,499**	**-**	**763**	**2,926**	**6,518**	**5,043**
					23,448	**20,084**

The consolidated financial statements have been prepared in accordance with regulations set forth in the Accounting Standards Act; the amounts are shown in millions of D-marks. The summarized balance sheet and statement of income items are separately shown in the notes, and, where necessary, explained.

Accounting Principles and Valuation Methods

Accounting principles and valuation methods were unchanged, after having been more closely brought in line with internationally accepted accounting practice last year. Since the pension provisions, in this regard, have been calculated at the tax-allowable interest rate of 6 %, there exists a variance against the account of the parent company which based its provision computation on an interest rate of 3.5 %. Assets and liabilities presented in the consolidated balance sheet - in identical group circumstances - are uniformly valued. In 1990 as in previous years, provisions for approved conversion, reconstruction, maintenance and development projects have been set up or have been systematically continued.

Intangible assets are valued at acquisition costs. Beginning with additions in 1990, goodwill resulting from the capital consolidation is being amortized over five years, which includes the year of acquisition. Goodwill acquired in 1990 totaling DM 591 million, which was still in connection with the restructuring to an integrated technology concern, was charged to retained earnings as in prior years.

Fixed assets are valued at acquisition or self-construction costs. The self-constructed facilities comprise direct labor direct materials and applicable manufacturing overhead including depreciation.

The acquisition costs/self-construction costs for fixed assets are reduced by scheduled depreciation charges. The opportunities for special tax-deductible depreciation allowances were fully utilized, i.e. in connection with Section 7d of the Income Tax Act and Section 82d of the Income Tax Regulations (environmental protection, and research and development investments), Section 14 of the Berlin Development Law, Section 3 of the Zone Border Area Development Law Section 6b of the Income Tax Act and Subsection 35 of the Income Tax Guidelines.

Scheduled fixed asset depreciation allowances are calculated generally using the following useful lives: 17 to 40 years for buildings, 8 to 20 years for site improvements, 3 to 20 years for technical facilities and machinery, and 2 to 10 years for other facilities and factory and office equipment. Facilities used for multishift operations are depreciated using correspondingly lower useful lives. Buildings are depreciated using straightline depreciation rates - and where allowable under the Tax Code - declining rates. Movable property is depreciated using the declining-balance-method. For movable property, we change from the declining-balance method to the straightline method of calculating depreciation allowances when the equal distribution of the remaining net book value over the remaining useful life leads to higher depreciation amounts. Depreciation allowances on additions during the first and second half of the year are calculated using the full year or half-year rates, respectively, in conformity with the Tax Simplification Rules. Assets of little value are expensed in the year of acquisition.

Investments in *related companies,* and in *other long-term financial assets* are valued at the lower of cost or market; non-interest bearing or low-interest bearing long-term receivables are shown at their present value. Major investments in associated companies are valued according to the equity method.

Leasing equipment is valued at cost, and is depreciated using the declining-balance method.

Raw materials, manufacturing supplies and *goods purchased for resale* are valued at the lower of cost or market value. *Manufactured products* are valued at production costs which comprise, apart from direct materials and direct labor, applicable manufacturing overheads including depreciation charges. To the extent that inventory risks are determinable, i.e. for reduced usability after prolonged storage or after design changes, reasonable deductions are made, which for manufactured goods must not result in a loss upon sale.

Receivables and other assets - if non-interest bearing - are reduced to their present value at the balance sheet date, and are valued taking into account all known risks. A lump-sum allowance for doubtful accounts on a country-specific scale is deducted from the receivables in recognition of the general credit risk inherent in receivables.

Treasury stock and *other marketable securities* valued at the lower of cost or market value at the balance sheet date.

Provisions for old-age pensions and similar obligations are actuarially determined on the basis of an assumed interest rate of 6 % using the Entry Age Actuarial Cost Method. The regulations of the 1992 Pension Reform Act have, for the first time, been taken into account in calculating the provision amounts.

Provisions for taxes and *other provisions* are determined on the basis of fair and reasonable business judgements. The obligations in the personnel and social area are reflected in the financial statements at non-discounted values expected to be paid in the future as benefits are vested.

Liabilities are shown at their repayment amount.

Companies Included in Consolidation

The companies included in consolidation encompass, apart from Daimler-Benz AG, 269 domestic and foreign subsidiaries.

During the reporting year, 27 companies were added to and 23 companies deleted from consolidation. Comparability of financial data with the previous year has not thereby been impaired.

Not included are 182 subsidiaries whose effect on the consolidated financial statements is not material (their total sales volume is less than 1 % of consolidated sales) and 12 companies administering pension funds whose assets are solely used for pension purposes and are subject to restrictions.

In accordance with Section 296, Subsection 1, No. 1, of the Commercial Code, Deutsche Airbus GmbH is not consolidated because Messerschmitt-Bolkow-Blohm GmbH, with regard to this company, on account of agreements with the Federal Republic of Germany and of rules in the bylaws with respect to resolutions, is restricted in exercising its rights.

One subsidiary, in which we acquired a majority interest at the end of 1990, was not included in consolidation because common management did not exist and the majority of the voting rights could not be unrestrictedly excercised. The company was, therefore, valued according to the equity method.

In connection with the restructuring of the Daimler-Benz-group, Daimler-Benz InterServices (debis) AG was founded during the middle of 1990. The restructuring had no material effect on the Daimler-Benz consolidated financial statements because the companies which were assigned to debis came to a large extent from other corporate units, and thus were already included in the 1989 consolidation.

During the reporting year, the statements of income of Messerschmitt-Bölkow-Blohm GmbH and its subsidiaries were included in the consolidation for the first time. In the previous year, merely the balance sheets were consolidated because Deutsche Aerospace AG did not acquire a majority interest in Messerschmitt-Bolkow-Blohm GmbH until December of 1989.

Principles of Consolidation

Capital consolidation was effected according to the book value method where the parent's acquisition costs are eliminated against the relevant share capital and retained earnings at the time of acquisition or first-time inclusion in consolidation.

The differences resulting from the capital consolidation are, as far as possible, allocated to the relevant balance sheet items. For the treatment of the remaining difference (goodwill) resulting from additions in 1990, see explanation given in the caption "Accounting Principles and Valuation Methods". The hidden reserves have been made active and will be written off over their useful lives in an effective manner.

Profits earned by subsidiaries after the date of acquisition are added to consolidated retained earnings. The unappropriated profit, as shown both in the separate financial statements of Daimler-Benz AG and in the consolidated financial statements, is thus the same. In this connection we have charged the income-affecting consolidation measures and the profits/losses earned by the subsidiaries to consolidated retained earnings.

In the consolidated financial statements we have included 108 *associated companies.*

Eleven associated companies as well as our subsidiaries Deutsche Airbus GmbH, Hamburg, and Siliconix Inc., Santa Clara/U.S.A., have been included in our consolidated financial statements according to the *book value method* at equity. Goodwill resulting from additions in 1990 was capitalized and is being written off pro rata.

The remaining associated companies are shown under investments in affiliated companies at cost of acquisition and in some instances less write-downs as they are not material to the consolidated balance sheet, financial condition and results of operations.

Intercompany receivables and payables have been eliminated; the differences resulting from *debt consolidation* have been charged or credited to income.

All material *intercompany profits* resulting from intercompany sales of goods and services have been eliminated, except items of minor importance. The same holds true for sales of goods and services by associated companies to companies included in consolidation.

Intercompany sales and other intercompany earnings have been eliminated against the relevant costs, or reclassified to "capitalized in-house output" or to "increase in inventories", respectively.

Deferred taxes (assets side) shown in the consolidated balance sheet result from income-affecting consolidation adjustments.

Currency Translation

Foreign currency receivables are translated in the individual financial statements at the bid price on the day they are recorded or at the spot rate on the balance sheet date, if lower. Foreign currency payables are translated at the asked price on the day they are recorded or the spot rate on the balance sheet date if higher.

The accounts of all foreign subsidiaries are translated to D-marks on the basis of historical exchange rates for non-current assets, and at year-end exchange rates for current assets, borrowed capital and unappropriated profit. Stockholders' equity in D-marks is the remaining difference between translated assets less translated liabilites and unappropriated profit. The difference resulting from the translation of balance sheet items is recorded in consolidated retained earnings.

Expense and income items are essentially translated at average annual exchange rates. To the extent that they relate to fixed assets (fixed asset depreciations, profit or loss from disposal of fixed assets), they are translated at historical costs. Net income, additions to retained earnings, and the unappropriated profit are translated at year-end rates. The differences resulting from the translation at average rates in effect during the year and the exchange rates at the balance sheet date are reflected in other operating expenses.

The adjustments made in the income statements by our subsidiaries in Brazil for monetary devaluations have been retained in the consolidated statement of income without change, effectively preventing reflection of inflationary profits.

The income taxes, which were already geared to the balance sheet date in the national financial statements, have been translated at year-end rates.

Items from inflation-adjusted income statements of our Argentinian companies are translated at year-end exchange rates. Fictitious profits/losses resulting from the divergence between the inflationary trend and the changes in the currency's value have been eliminated.

Notes to Consolidated Balance Sheet

(1) Intangible Assets

Intangible assets, amounting to DM 304 million (1989: DM 130 million) comprise mostly acquired EDP Software, patents, and goodwill acquired for valuable consideration. Moreover, net book value of goodwill arising from the capital consolidation is being shown under this caption. To a minor degree, this caption also comprises advance payments made.

(2) Fixed Assets

The increase in property, plant and equipment by DM 1,549 million to DM 15,057 million is derived from investments of DM 5,667 millions and reclassifications of DM 19 million reduced by disposals of DM 579 million and depreciation of DM 3,558 million.

Special tax-deductible depreciation allowances amount to DM 95 million (1989: DM 187 million); depreciation in excess of scheduled depreciation amount to DM 2 million (1989: DM 60 million).

(3) Financial Assets

A complete listing of our stock ownership will be filed with the commercial registry office at the county court house in Stuttgart (Dept. B No. 173). Investments in long-term securities totaling DM 208 million (1989: DM 233 million) are mostly accounted for by Daimler-Benz AG. Unscheduled write-downs of investments in affiliated companies, of investments in related companies and of other long-term receivables, totaling DM 110 million (1989: DM 80 million), had to be made.

Because of increased market values, investments in long-term securities should have been written up by DM 24 million (1989: DM 49 million) in accordance with the value appreciation doctrine (Section 280, of the Commercial Law). However, such a write-up was not made for reasons of tax law.

(4) Leased Equipment

The increase in leased equipment - almost exclusively vehicles - by DM 1,475 million to DM 6,518 million pertains largely to Mercedes-Benz Credit Corporation, Norwalk, U.S.A., and to Mercedes-Benz Leasing GmbH, Stuttgart. About 88 % of this balance sheet item pertains to these two companies.

(5) Inventories

In millions of DM	12/31/90	12/31/89
Raw materials and manufacturing supplies	3,468	3,143
Work in process	7,553	7,196
Finished goods, parts and goods purchased for resale	7,083	6,655
Advance payments to suppliers	751	1,732
	18,855	18,726

AEG and Deutsche Aerospace account for nearly 50 % of the consolidated inventory total.

(6) Advance Payments Received

Advance payments received amounting to DM 5,727 million (1989: DM 6,390 million) were received from customers almost exclusively for projects and long-term contracts at AEG, Dornier, MTU and MBB; they were deducted from inventories.

(7) Receivables
(8) Other Assets

In millions of DM	12/31/90		12/31/89	
Receivables from sales of goods and services		9,077		8,336
of which maturing after more than one year	338		393	
Receivables from affiliated companies		359		395
of which maturing after more than one year	113		163	
Receivables from related companies		1,885		1,780
of which maturing after more than one year	659		495	
Total receivables		11,321		10,511
of which maturing after more thank one year	1,110		1,051	
Other assets		9,019		9,732
of which maturing after more than one year	4,249		4,775	

Approx. DM 0.9 billion (1989: DM 1.1 billion) of the receivables from related companies pertain to credit balances at financial institutions, marketable securities and fixed-interest debt instruments. Other assets include investments of liquid funds in debt instruments not traded on stock exchanges. They amount to DM 3,866 million (1989: DM 4,671 million). Also shown here are receivables derived from the business activities of finance and leasing companies.

(9) Marketable Securities

In millions of DM	12/31/90	12/31/89
Treasury stock	61	116
Other marketable securities	5,093	5,900
	5,154	6,016

In October of 1990 we sold 205,016 shares to our employees (par value DM 10 million = 0.4 % of total outstanding share capital) at a preferential price of DM 346 for each share (in the event one share was purchased) or DM 392 for each share (in the event two shares were purchased). On the balance sheet date, we held 111,063 shares of treasury stock (par value DM 6 million = 0.2 % of total outstanding capital stock), 108,563 shares of which were purchased in 1988. In August of 1990, a further 2,500 shares were purchased at an average price of DM 643 a share.

Other securities largely pertain to fixed-interest-bearing debt instruments. Pursuant to the value appreciation doctrine, they should have been written up by DM 7 million but such a write-up was not recorded for reasons of tax law.

(10) Cash

Cash amounting to DM 3,786 million (1989: DM 2,985 million) consists of deposits in banking institutions, cash on hand, deposit at the Bundesbank (German Federal Bank), in post office accounts, and checks on hand.

(11) Prepaid Expenses and Deferred Taxes

Deferred taxes on income-affecting elimination entries amount to DM 1,363 million (1989: DM 992 million). Deferred taxes - a debit amount overall - as shown in the individual balance sheets of consolidated companies, are not included.

(12) Stockholders'Equity

The changes in stockholders' equity are as follows:

	In millions of DM
Balance 12/31/89	16,966
Dividends paid by Daimler-Benz AG for 1989	(555)
Capital stock increase of DASA AG in 1990	421
Amount transferred from 1990 net income to retained earnings and to minority interests	1,230
Dividend payments to minority shareholders	(41)
Write-off of goodwill	(591)
Unappropriated profit of Daimler-Benz AG 1990	565
Reduction in minority interests through change in stockownership	(64)
Difference from currency translation	(117)
Other changes	13
Balance 12/31/90	17,827

(13) Capital Stock and Paid-in Capital

Capital stock and paid-in capital pertain to Daimler-Benz AG.

(14) Retained Earnings

Retained earnings comprise retained earnings allocated under statute of DM 160 million, retained earnings allocated for treasury stock of DM 61 million and other retained earnings of Daimler-Benz AG of DM 7,841 million. Also reflected here are the company's share in the retained earnings and results of operations of consolidated subsidiaries, insofar as they have been earned since belonging to the group. Additionally, this caption takes into account the cumulative results from the elimination of intercompany earnings and from the debt consolidation, as well as the difference arising from currency translations. The amount allocated from consolidated net income to retained earnings amount to DM 1,230 million.

(15) Minority Interests

The stock ownership of outside third parties in the subsidiaries included in consolidation pertain mostly to MBB, AEG, Mercedes-Benz of South Africa, Dornier and to MTU.

(16) Provisions for Old-Age Pensions and Similar Obligations

When the assets of the provident funds are added to the provisions for old-age pensions, the company's pension obligations are fully covered.

(17) Other Provisions

In millions of DM	12/31/90	12/31/89
Provision for taxes	1,649	2,160
Other provisions	14,887	14,464
	16,536	16,624

The provisions for taxes include DM 1,139 million (1989: 1,589 million) which pertain, to a large extent, to Daimler-Benz AG for open years pending final assessment.

Apart from existing worldwide warranty obligations, other provisions take into account, above all, obligations in the personnel and social area, risks for losses inherent in pending business transactions, risks arising from contractual liabilities and pending litigations as well as devaluation risks in high-inflation countries.

Additional provisions exist for expenditures which are based on approved change-over, alteration and some development projects, for possible additional costs in connection with completed contracts, and for maintenance which had been planned for the year under review but had to be deferred until the following year.

(18) **Accounts Payable Trade**
(19) **Other Liabilities**

In millions of DM	12/31/90		12/31/89	
Accounts payable trade		6,469		5,810
of which due within one year	6,357		5,713	
Financial liabilities				
Bonds		2,077		1,714
of which due in more than five years	842		840	
Liabilities to banking institutions		4,123		3,438
of which due within one year	2,109		1,770	
in more than five years	343		453	
Notes payable		2,555		1,630
of which due within one year	2,366		1,618	
in more than five years	7		8	
Other liabilities				
Liabilities to affiliated companies		677		568
of which due within one year	677		513	
in more than five years	–		7	
Liabilities to related companies		1,401		1,184
of which due within one year	1,005		1,100	
in more than five years	54		4	
Miscellaneous liabilities		4,479		4,429
of which due within one year	3,868		3,854	
in more than five years	298		362	
of which for taxes	907		1,028	
of which for social benefits	758		609	
Other liabilities		15,312		12,963
Total accounts payable trade and other liabilities		21,781		18,773
of which due within one year	16,382		14,568	
in more than five years	1,544		1,674	

Of the liabilities to related companies DM 270 million (1989: DM 200 million) relates to liabilities to banking institutions.

Financial liabilities include approx. DM 6.2 billion in connection with the refinancing of the strongly expanding leasing and sales financing activities for cars and commercial vehicles.

The liabilities to related companies mostly pertain to obligations recorded at MBB in favor of joint venture companies.

Miscellaneous liabilities largely comprise December accruals for wages and salaries as well as tax liabilities. Liabilities to financial institutions, notes payable, liabilities to related companies, miscellaneous liabilities, and advance payments received from customers (directly deducted from inventories) are mainly secured through mortgage conveyance or through assignment of receivables in the total amount of DM 1,223 million (1989: DM 1,228 million).

*

Commitments and Contingencies

In millions of DM	12/31/90	12/31/89
Collaterals	1,675	1,431
Discounted notes	156	130
Contractual guarantees	300	226
Pledges for indebtedness of others	12	10

Minimum dividend guarantees in favor of co-owners of three subsidiaries, as well as contractual performance guarantees could not reasonably be estimated.

Other Financial Commitments

Financial commitments arising from rental, lease and leasing contracts average approx. DM 557 million annually; the average contract duration is nine years.

For companies not included in consolidation, we have financial commitments amounting to DM 156 million.

The other financial commitments, particularly purchase order commitments for capital investments, are within the scope of normal business activities.

The obligation arising from stock subscriptions and from capital subscriptions in close corporations pursuant to Section 24 of the GmbH Act, amount to DM 9 million. We are jointly and severally liable for certain non-incorporated companies, partnerships and joint venture work groups. In addition, there exist performance contracts and miscellaneous guarantees in connection with ongoing business transactions.

Notes to Consolidated Statement of Income

(20) Sales Revenue

In millions of DM	1990	1989
Sales revenue by corporate divisions:		
Mercedes-Benz	57,872	54,969
AEG	12,721	11,852
DASA	12,168	7,489
debis	2,739	–
Others	–	2,082
	85,500	76,392
Sales revenue by regions:		
Domestic	36,674	29,562
Foreign	48,826	46,830
Breakdown of foreign sales:		
EC countries	18,876	16,912
Other European countries	5,288	4,515
North America	12,820	13,032
Latin America	3,160	3,790
Other countries	8,682	8,581

(21) Increase in Inventories and Other Capitalized In-House Output

In millions of DM	1990	1989
Increase in inventories of finished goods and of work in process, including parts	1,514	2,929
Other capitalized in-house output	1,326	1,231
	2,840	4,160

In comparison to the reporting year, last year's relatively large increase in inventories was due to the change in the valuation method of products in 1989.

(22) Other Operating Income

The income amount included in this caption for the dissolution of provisions total DM 792 million. Additional income is derived from exchange profits in connection with ongoing purchase and payment transactions, mostly earned abroad, from costs charged to third parties, from tax refunds, from security sales, and from rentals and leases. The reduction of the lump-sum allowance for doubtful accounts contributes DM 23 million. Profits from the sale of capital assets amount to DM 58 million.

DM 1,412 million of other operating income is attributable to prior years. Last year, this caption comprised an amount of DM 5.5 billion from dissolution of provisions, of which DM 5.2 billion was derived from a change in the method of computing pension obligations in 1989 in compliance with tax regulations.

(23) Purchases of Goods and Services

In millions of DM	1990	1989
Expenditures for raw materials, manufacturing supplies and for goods purchased for resale	39,601	35,987
Expenditures for services purchased	4,876	3,565
	44,477	39,552

When measured against total output of DM 88,340 million (1989: DM 80,552 million), the ratio of expenditure for goods and services amounts to 50% (1989: 49 %).

(24) Personnel Expenses/Employment

In millions of DM	1990	1989
Wages and salaries	21,881	18,864
Social levies and expenses for old-age pensions	5,009	4,335
	26,890	23,199
Employment (weighted annual average)	Number	Number
Wage earners	216,515	202,120
Salaried employees	141,631	122,899
Trainees/apprentices	16,071	14,856
	374,217	339,875

Both the increased number of employees and the collective bargaining wage and salary increases were the main reason for the higher personnel expenses.

(25) Amortization of Intangible Assets, Depreciation of Fixed Assets and of Leased Equipment

In millions of DM	1990	1989
Amortization of intangible assets	112	56
Depreciation of fixed assets	3,558	3,082
Depreciation of leased equipment	1,499	1,249
	5,169	4,387

The depreciation of fixed assets pertains with more than 50 % to Mercedes-Benz AG. The increase in depreciation of leasing equipment results from the growth of the leasing business of our domestic and foreign financing companies.

The rise in amortization of intangible assets of DM 56 million over last year to DM 112 million is largely due to the amortization of capitalized goodwill from the capital consolidation.

(26) Other Operating Expenses

This caption comprises additions to provisions, maintenance expenses, administrative and selling expenses including sales commissions, rental and lease expenses, exchange rate losses incurred in the normal course of business, freight-out, packaging, and the difference resulting from the currency translation of income statements of foreign subsidiaries. Losses from valuation adjustments and losses from disposal of fixed and current assets amounts to DM 644 million. Other operating expenses amount to DM 12,016 million (1989: DM 12,292 million). Last year, this caption included DM 1.4 billion in expenses which were caused by special factors in connection with the restructuring; in 1990, MBB is included for the first time with expenses amounting to about DM 1 billion.

Overall, DM 162 million is applicable to prior years.

(27) Net Income from Affiliated, Associated and Related Companies

In millions of DM	1990	1989
Income received from related companies	34	16
of which from affiliated companies DM 8 million (1989: DM 1 million)		
Income from profit sharing agreements	20	20
Profit (loss) from associated companies	(31)	12
Loss from profit sharing agreements	(19)	–
	4	48

(28) Net Interest Income

In millions of DM	1990	1989
Income from other securities, and from long-term financial assets	54	25
Other interest and similar income	2,165	2,022
of which from affiliated companies DM 3 million (1989: –)		
Interest and similar expenses	(1,230)	(926)
of which to affiliated companies DM 5 million (1989: DM 13 million)		
	989	1,121

With a lower average liquidity for the year, net interest income declined, by DM 132 million to DM 989 million.

(29) Write-Downs of Financial Assets and of Marketable Securities

In millions of DM	1990	1989
Write downs of financial assets	110	80
Write-downs of marketable securities	48	92
	158	172

(30) Taxes

In millions of DM	1990	1989
Income taxes	1,814	2,743
Other taxes	612	544
	2,426	3,287

The decline in taxes is due to the reduction of the German corporate income tax rate from 56 to 50 % in the reporting period and to the decrease of the taxable income of several foreign subsidiaries. In comparison with the prior year the deferred tax liability set up in connection with the charge in the valuation method of inventories in 1989 resulted in a non-recuring expense of DM 0.4 billion in the prior year.

(31) Net Income

Consolidated net income of DM 1,795 million has predominantely been earned by the Mercedes-Benz corporate unit. The 1989 net income, comparably adjusted, amounted to DM 1.7 billion. Special tax depreciation of fixed assets and tax-allowable write-downs of current assets have reduced net income only slightly. Also, future charges in connection with such write-offs will not be material.

Other Information/Boards

Under the assumption that the proposed dividend is ratified by shareholders at the Annual General Meeting on June 26, 1991, the remunerations paid by the Group companies to the members of the Board of Management and to the Supervisory Board of Daimler-Benz AG amount to DM 13,750,618 and DM 1,990,115 respectively. Disbursements to former members of the Management Board of Daimler-Benz AG and their survivors amount to DM 12,448,571. An amount of DM 91,601,693 was recorded on the books 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, 1990, advances and loans to members of the Board of Management of Daimler-Benz AG amount to DM 90,297. Home loans included herein are not subject to interest; other loans and advances bear interest at 5.5 %. During the year, DM 122,822 was repaid. The stipulated maturities are ten years for home loans, and one year for other loans and advances.

Independent Auditors' Report

The accounting records and the consolidated accounts, which have been audited in accordance with professional standards, comply with the legal provisions. With due regard to the generally accepted accounting principles, the consolidated accounts give a true and fair view of the assets, liabilities, financial positions and profit and loss 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 accounts of Daimler-Benz Aktiengesellschaft and the consolidated accounts.

Frankfurt am Main, April 10, 1991

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Zielke
Wirtschaftsprüfer
(Certified Public Accountant)

Dr. Koschinsky
Wirtschaftsprüfer
(Certified Public Accountant)

Balance Sheet of Daimler-Benz AG

ASSETS	Notes	December 31, 1990 In Millions of DM	December 31, 1989 In Millions of DM
Non-Current Assets			
Intangible Assets	(1)	7	6
Fixed Assets	(2)	811	725
Financial Assets	(3)	16,079	15,144
		16,897	15,875
Current Assets			
Receivables from Affiliated Companies	(4)	3,153	2,034
Other Receivables and Other Assets	(5)	4,115	4,985
Marketable Securities	(6)	3,526	4,129
Cash	(7)	1,714	1,164
		12,508	12,312
Prepaid Expenses		.	.
		29,405	28,187
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Capital Stock	(8)	2,330	2,330
Paid-In Capital	(9)	2,117	2,114
Retained Earnings	(10)	8,062	7,502
Unappropiated Profit		565	560
		13,074	12,506
Provisions			
Provisions for Old-Age Pensions and Similar Obligations	(11)	6,469	5,701
Other Provisions	(12)	1,590	2,283
		8,059	7,984
Liabilities			
Liabilities Payable to Affiliated Companies	(13)	7,891	7,242
Other Liabilities	(14)	381	455
		8,272	7,697
Deferred Credits		-	.
		29,405	28,187

Statement of Income of Daimler-Benz AG

	Notes	1990 In Millions of DM	1989 In Millions of DM
Income from Affiliated, Associated and Related Companies	(15)	**3,486**	**4,151**
Net Interest Income	(16)	111	137
Other Operating Income	(17)	844	704
Personnel Expenses of which for old-age pensions DM 28 million (1989: DM 27 million)	(18)	(306)	(365)
Amortization of Intangible Assets and Depreciation of Fixed Assets	(19)	(142)	(170)
Write-Down of Financial Assets and of Marketable Securities	(20)	(30)	(138)
Other Operating Expenses	(21)	(906)	(1,051)
Results from Ordinary Business Activities		**3,057**	**3,268**
Income Taxes	(22)	(1,761)	(1,970)
Other Taxes	(22)	(176)	(178)
Net Income	(23)	**1,120**	**1,120**
Profit Carried Forward from Previous Year		5	-
Transfer to Retained Earnings		(560)	(560)
Unappropriated Profit		**565**	**560**

Statement of Non-Current Assets of Daimler-Benz AG

	Acquisition/Self-Construction Costs				
	1/1/1990	Additions	Reclassification	Disposals	12/31/1990
In Millions of DM					
Intangible Assets	**13**	**5**	**.**	**5**	**13**
Fixed Assets					
Land, Land Titles and Buildings, Including Buildings on Land Owned by Others	467	173	144	46	738
Technical Facilities and Machinery	49	16	4	8	61
Other Equipment Factory and Office Equipment	420	85	10	140	375
Advance Payments Relating to Plant and Equipment and Construction in Progress	179	28	(158)	-	49
	1,115	**302**	**.**	**194**	**1,223**
Financial Assets					
Investments in Affiliated Companies	15,646	1,104	10	167	16,593
Loans to Affiliated Companies	263	40	-	26	277
Investments in Related Companies	293	2	(10)	6	279
Loans to Related Companies	4	-	-	1	3
Investments in Long-Term Securities	274	14	-	59	229
Other Long-Term Receivables	5	7	-	2	10
	16,485	**1,167**	**-**	**261**	**17,391**
Total Non-Current Assets	**17,613**	**1,474**	**-**	**460**	**18,627**

Amortization/Depreciation/Write-Down					Net Book Value	
1/1/1990	Current Year	Reclassifications	Disposals	12/31/1990	12/31/1990	12/31/1989
7	**2**	**.**	**3**	**6**	**7**	**6**
66	57	.	18	105	633	401
31	11	.	5	37	24	18
293	72	.	95	270	105	127
–	–	–	–	–	49	179
390	**140**	**.**	**118**	**412**	**811**	**725**
1,064	2	–	6	1,060	15,533	14,582
13	–	–	8	5	272	250
206	3	–	1	208	71	87
–	–	–	–	–	3	4
56	3	–	23	36	193	218
2	1	–	–	3	7	3
1,341	**9**	**–**	**38**	**1,312**	**16,079**	**15,144**
1,738	**151**	**–**	**159**	**1,730**	**16,897**	**15,875**

Principles and Methods

The financial statements of Daimler-Benz AG have been prepared in accordance with regulations set forth in the Accounting Standards Act. The summarized balance sheet and statement of income items are separately shown in the supplement. The figures are shown in millions of D-marks and have been prepared allowing for the appropriation of net income.

Accounting Principles and Valuation Methods

During the reporting year, Daimler-Benz AG continued with the same accounting principles and valuation methods from last year.

Intangible assets and *fixed assets* are valued at acquisition costs which are reduced by scheduled depreciation allowances. The opportunities for special tax-deductible depreciation allowances were fully utilized i.e., in connection with Section 7d of the Income Tax Act (environmental protection investments) and Section 6b of the Income Tax Act.

Scheduled fixed asset depreciation allowances are calculated generally using the following useful lives: 20 to 40 years for buildings, 10 to 20 years for site improvements, 3 to 10 years for technical facilities and machinery, other facilities as well as factory and office equipment.

Buildings are depreciated using straight-line depreciation rates - and where allowable under the Tax Code - declining rates. Movable property with a useful life of four years and more is depreciated using the declining-balance-method. We change from the declining-balance-method to the straight-line method of calculating depreciation allowances when the equal distribution of the remaining net book value over remaining useful life leads to higher depreciation amounts.

With reference to the Tax Simplification Rules, depreciation allowances on fixed assets additions during the first and second half of the year are calculated using the full year or half-year rates, respectively. Assets of little value are expensed in the year of acquisition.

Investments in affiliated companies, in *related companies* and in *other long-term financial assets* are valued at the lower of cost or market value; non-interest bearing or low-interest bearing long-term receivables are valued at their present value.

Receivables - if non-interest bearing - are reduced to their present value at the balance sheet date, taking into account all known risks. An allowance for doubtful accounts on a country-group basis is deducted from the receivables in recognition of the general credit risks inherent in receivables.

Treasury stock and other *marketable securities* are valued at the lower of cost or market value.

Provisions for old-age pensions and similar obligations have, in accordance with the drop-down and capital contribition agreements between Daimler-Benz AG and Mercedes-Benz AG, been made for pension claims of eligible vested employees and for pensioners of both companies retiring on or after July 1, 1989. The obligations for old-age pension benefits are actuarially determined using the Entry Age Actuarial Cost Method on the basis of an assumed interest rate of 3.5 %. In computing the provision for old-age benefits, we have included all eligible employees, taking into account company-specific fluctuation probabilities. Pension accrual starts with entry age and ends with the earliest possible age of retirement as defined in the Pension Reform Act 1992.

Provisions for taxes and *other provisions are determined on the basis of reasonable business judgement.*

Liabilities are shown at their repayment amounts.

Currency Translation

Foreign currency receivables are translated in the financial statements at the bid price on the day they are recorded or at the spot rate on the balance sheet date if lower; foreign currency payables are translated at the asked price on the day they are recorded or at the spot rate on the balance sheet date if higher.

Notes to the Balance Sheet of Daimler-Benz AG

(1) Intangible Assets

Intangible assets amounting to DM 7 million (1989: DM 6 million) comprise mostly acquired EDP software.

(2) Fixed Assets

Fixed assets totaling DM 811 million (1989: DM 725 million) pertain largely to the research centers in Ulm and Frankfurt am Main, the Daimler-Benz head office building in Stuttgart-Mohringen, the parcel of land on the Potsdamer Platz in Berlin and the Lammerbuckel training center situated in the hills of the Schwabische Alb.

Scheduled depreciation and special tax depreciation amount to DM 134 million and DM 6 million, respectively.

(3) Financial Assets

The investments in affiliated and related companies amount to DM 15,604 million. Additions of DM 1,106 million pertain most of all to capital stock increases at Daimler-Benz North America Corporation and to the newly-founded Daimler-Benz InterServices (debis) AG.

The listing of the shareholdings of Daimler-Benz AG will be filed with the registry office at the county court house in Stuttgart.

Because of increased market values, investments in securities should have been written up by DM 5 million in accordance with the value appreciation doctrine (Section 280 of the Commercial Code), but was not done for reasons of tax law.

Unscheduled write-downs of financial assets, amounting to DM 9 million, pertain to write-downs of DM 5 million for investments in affiliated respectively related companies, and of DM 4 million for investments in securities and receivables.

(4) Receivables from Affiliated Companies
(5) Other Receivables and Other Assets

In millions of DM	12/31/90	12/31/89
Receivables from affiliated companies	3,153	2,034
of which maturing after more than one year	695	1,200
Receivables from related companies	730	848
of which maturing after more than one year	100	209
Receivables from sale of goods and services	4	7
Other assets	3,381	4,130
of which maturing after more than one year	1,839	2,792
Other receivables and other assets	4,115	4,985

Receivables from affiliated companies mostly pertain to loans extended to domestic and foreign subsidiaries.

DM 513 million of the receivables from related companies pertain to credit balances at financial institutions, and DM 211 million to marketable securities and fixed income debt instruments.

Other assets include investments of liquid funds in debt instruments not traded on stock exchanges; they amount to DM 3,064 million. Also shown here are interest receivables and tax refund claims.

Together with marketable securities (item 6) and cash (item 7), Daimler-Benz AG's liquidity amounts to DM 8,967 million (1989: DM 9,857 million).

(6) Marketable Securities

In millions of DM	12/31/90	12/31/89
Treasury stock	61	116
Other marketable securities	3,465	4,013
	3,526	4,129

In October of 1990 we sold 205,016 shares to our employees (par value DM 10 million = 0.4 % of total outstanding share capital) at a preferential price of DM 346 for each share (in the event one share was purchased) or DM 392 for each share (in the event two shares were purchased). On the balance sheet date, we held 111,063 common shares (par value DM 6 million = 0.2 % of total outstanding capital stock), 108,563 shares of which were purchased in 1988. In August of 1990, a further 2,500 shares were purchased at an average price of DM 643 a share.

Other marketable securities largely pertain to fixed-interest-bearing debt instruments. Because of increased market values they should have been written up by DM 7 million in accordance with the value appreciation doctrine but was not recorded for reasons of tax law.

(7) Cash

Cash amounting to DM 1,714 million (1989: DM 1,164 million) consists almost exclusively of deposits in banking institutions; in addition, we held small amounts of cash on hand, deposits at the Bundesbank (German Federal Bank) and in post office accounts.

(8) Capital Stock

In millions of DM		12/31/90
Common stock	46,548,840 votes	2,328
Preferred stock	43.920 votes	2
in the special cases of section 17, of the bylaws	1,317,600 votes	
		2,330

The capital stock is unchanged from last year.

Of the authorized share capital totaling DM 500 million as approved by the shareholders at their meeting on July 2, 1986, DM 112 million still is available until June 30, 1991, after having used partial amounts of DM 176 million and DM 212 million at the end of 1986 and at the end of 1989, respectively.

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

(9) Paid-in Capital

Paid-in Capital includes the "agio" (net proceeds in excess of par value) from previous capital stock increases and from rights issues not taken up by shareholders. In the year under review DM 3 million have been appropriated.

(10) Retained Earnings

In millions of DM		
Allocated under statute		
Balance 12/31/90 unchanged from balance 12/31/89		160
Allocated for treasury stock		
Balance 12/31/89	116	
Transfer to unallocated retained earnings	(55)	
Balance 12/31/90		61
Unallocated retained earnings		
Balance 12/31/89	7,226	
Transfer from net income 1990	560	
Reclassification from "allocated for treasury stock"	55	
Balance 12/31/90		7,841
		8,062

(11) Provisions for Old-Age Pensions and Similar Obligations

The direct and indirect pension obligations of Daimler-Benz AG and of Mercedes-Benz AG are actuarially computed on the basis of the pension rules valid since January 1, 1987. The pension provisions of both companies rose to DM 9.3 billion (1989: DM 8.5 billion). The assets of the Daimler-Benz Unterstiitzungskasse GmbH (Provident Fund) amount to DM 3.1 billion (1989: DM 3 billion). The pension obligations of Daimler-Benz AG and of Mercedes-Benz AG are thus fully covered.

(12) Other Provisions

In millions of DM	12/31/1990	12/31/89
Provisions for taxes	1,139	1,589
Other provisions	451	694
	1,590	2,283

The provisions for taxes pertain largely to open years pending final assessment, to the tax portion with respect to the special equity reserve reclassified in 1987, and to the obligations for employee jubilee payments only temporarily tax deductible.

The other provisions take into account, above all, risks arising from equity investments, from contractual liabilities and pending litigation, and from obligations in the personnel and social benefits areas. In addition, provisions were made for maintenance expenditures planned for the reporting year, but which cannot be carried out until the following year, as well as for expenditures for approved change-over, alteration and maintenance projects.

(13) Liabilities Payable to Affiliated Companies
(14) Other Liabilities

In millions of DM	12/31/90	12/31/89
Liabilities to affiliated companies	7,891	7,242
of which due within one year	7,891	7,242
Liabilities to financial institutions	21	25
of which due within one year	4	4
after more than 5 years	1	5
Advance payments received from customers	12	9
of which due within one year	12	9
Liabilities from purchases of goods and services	177	236
of which due within one year	177	236
Liabilities to related companies	5	3
of which due within one year	5	3
Miscellaneous liabilities	166	182
of which due within one year	114	142
after more than 5 years	6	8
of which for taxes	19	49
of which for social benefits	7	7
Other liabilities	381	455
Total liabilities	8,272	7,697
of which due within one year	8,203	7,636
after more than 5 years	7	13

The liabilities to affiliated companies pertain largely to the corporate units Deutsche Aerospace, Mercedes-Benz, AEG and Daimler-Benz InterServices. They are largely due to liquidity transfers and intercompany transactions, within the framework of centralized finance and liquidity management.

Liabilities to financial institutions declined to DM 21 million through scheduled repayments. In 1991, repayments will amount to DM 4 million.

The liabilities from purchases of goods and services declined largely as a result of continuing progress payments for the new administration building in Stuttgart-Mohringen.

The slightly lower miscellaneous liabilities include - apart from obligations arising from amounts withheld from employees for income taxes and social security payments - mostly loans extended by employees to the company in connection with the capital formation program, and obligations arising from property transactions.

Commitments and Contigencies

In millions of DM	12/31/90	12/31/89
Payment guarantees in favor of creditors from bond issues of Daimler-Benz International Finance B.V., Utrecht, Netherlands:		
DM-bond issue 1986/2001	500	500
DM-bond issue 1990/2000	200	–
Italian lire bond issue 1990/1995	200	–
U.S. dollar bond issue 1989/1999	150	170
Australian dollar bond issue 1990/1995	118	–
Liabilities from contractual guarantees, largely from joint liabilities for pension obligations of Mercedes-Benz AG	2,785	2,790
Pledges for domestic and foreign related companies	363	381

A minimum dividend guarantee for 1991 and later, exists in favor of co-owners of Dornier GmbH that cannot reasonably be estimated. A non-estimative dividend guarantee was assumed in favor of outside shareholders of AEG Aktiengesellschaft and of Deutsche Aerospace AG.

Other Financial Commitments

These commitments total DM 929 million; those to affiliated companies amount to DM 194 million.

The purchase order commitments for capital investments are within the scope of normal business activities.

We are jointly and serve rally liable for two non-incorporated companies which have profit and loss pooling agreements with controlling entities, and for one partnership by reason of an ownership interest therein.

Notes to Statement of Income of Daimler-Benz AG

(15) Income from Affiliated, Associated and Related Companies

In millions of DM	1990	1989
Income from pooling agreements	1,040	1,031
of which: Mercedes-Benz AG	980	980
Deutsche Aerospace AG	52	46
Income from tax allocations	2,308	2,648
of which: Mercedes-Benz AG	2,256	2,551
Deutsche Aerospace AG	20	82
Dividends received	348	466
of which: Mercedes-Benz do Brasil S.A., São Bernardo do Campo	104	222
Daimler-Benz Holding AG, Zürich	93	126
Income from related companies	5	6
Losses from pooling agreements	(215)	(.)
	3,486	4,151

The losses from pooling agreements pertain with DM 214 million to AEG Aktiengesellschaft; included herein is a provision in the amount of DM 9 million for outside AEG shareholders who have been given a dividend guarantee by Daimler-Benz AG in the amount of 20 % of their own rate of dividend. The income transfer of DASA AG amounts to DM 58 million; a provision of DM 6 million for compensatory payments to outside shareholders has been deducted therefrom.

(16) Net Interest Income

In millions of DM	1990	1989
Income from other securities and from long-term financial assets	43	27
of which from affiliated companies	23	10
Other interest and similar income	870	681
of which from affiliated companies	170	57
Interest and similar expenses	(802)	(571)
of which to affiliated companies	(774)	(559)
	111	137

Interest expenses comprise credits to domestic subsidiaries in the amount of DM 730 million, particularly for their liquidity transfers to Daimler-Benz AG within the framework of centralized finance and liquidity management at the holding company.

(17) Other Operating Income

This summary caption comprises, above all, income from charges for intercompany services and for completed research and development work. Also included herein is income from the dissolution of provisions (DM 176 million) and profits from the sale of securities.

Altogether DM 334 million is attributable to prior years.

(18) Personnel Expenses/Employment

In millions of DM	1990	1989
Wages and salaries	248	304
Social levies	30	34
Expenses for old-age pensions	824	440
of which charged to Mercedes-Benz AG	(796) 28	(413) 27
	306	365

Employment (weighted annual average)	Number	Number
Wage earners	376	315
Salaried employees	2,614	3,081
Trainees	25	65
	3,015	3,461

The 1990 personnel expenses reflect, on the one hand, the transfer of Daimler-Benz AG employees to the newly-founded corporate unit Daimler-Benz InterServices, and on the other hand, the *6%* union-negotiated wage and salary increase and the new increase in the taxable wage base for social security contributions. Expenses for old-age pensions for 1990, together with the amount of DM 986 million shown at Mercedes-Benz AG, total DM 1,014 million.

(19) Amortization of Intangible Assets and Depreciation of Fixed Assets

Depreciation allowances of DM 142 million (1989: DM 170 million) pertain with DM 59 million to fixed asset additions at the research centers and the new administrative building.

(20) Write-Downs of Financial Assets and of Marketable Securities

The write-down amount of DM 30 million (1989: DM 138 million) is largely due to falling securities prices.

(21) Other Operating Expenses

This summary caption comprises, above all, administrative and maintenance expenses, as well as office supplies, and light and power. Furthermore, this caption comprises additions to other provisions, and the interest portion from the allocation of pension expenses to Mercedes-Benz AG, for which pension provisions are maintained at Daimler-Benz AG.

Altogether DM 60 million is attributable to prior years.

(22) Taxes

Daimler-Benz AG, as the controlling entity, is also liable for taxes of its affiliated companies with whom it has management and profit and loss sharing agreements. These are mainly Mercedes-Benz AG, Deutsche Aerospace AG and Daimler-Benz InterServices (debis) AG. Beginning in 1989, there exists an interlocking relationship with AEG Aktiengesellschaft with respect to municipal business taxes while the interlocking relationship with respect to corporate income taxes will not become effective until 1992. The decline in income tax expenses to DM 1,937 million (1989: DM 2,148 million) is largely due to the lowering of the corporation tax rate from 56 to 50 %.

(23) Net income

Net income for 1990 of DM 1,120 million is distributed one half each to retained earnings and unappropriated profit respectively. We will propose, at the Annual General Meeting, to pay out, from the DM 565 million unappropriated profit (including DM 5 million profit carried forward), an amount of DM 557 to shareholders and to carry-forward DM 8 million to 1991.

Tax allowable depreciation of fixed assets does not materially affect net income. Future negative effects on net income will not be material.

*

Other Information/Boards

Under the assumption that the proposed dividend is ratified by the shareholders at the annual meeting on June 26, 1991, the remunerations paid to the Board of Management and the Supervisory Board amount to DM 6,324,508 and DM 1,459,126, respectively. Disbursements to former members of the Board of Management and their survivors total DM 12,448,571. For pension obligations to former members of the Board of Management and their survivors an amount of DM 91,601,693 has been provided for i.e., - in accordance with the drop-down and capital contribution agreement - largely at Mercedes-Benz AG.

The names of the members of the Supervisory Board and the Board of Management are listed on pages 2 and 3.

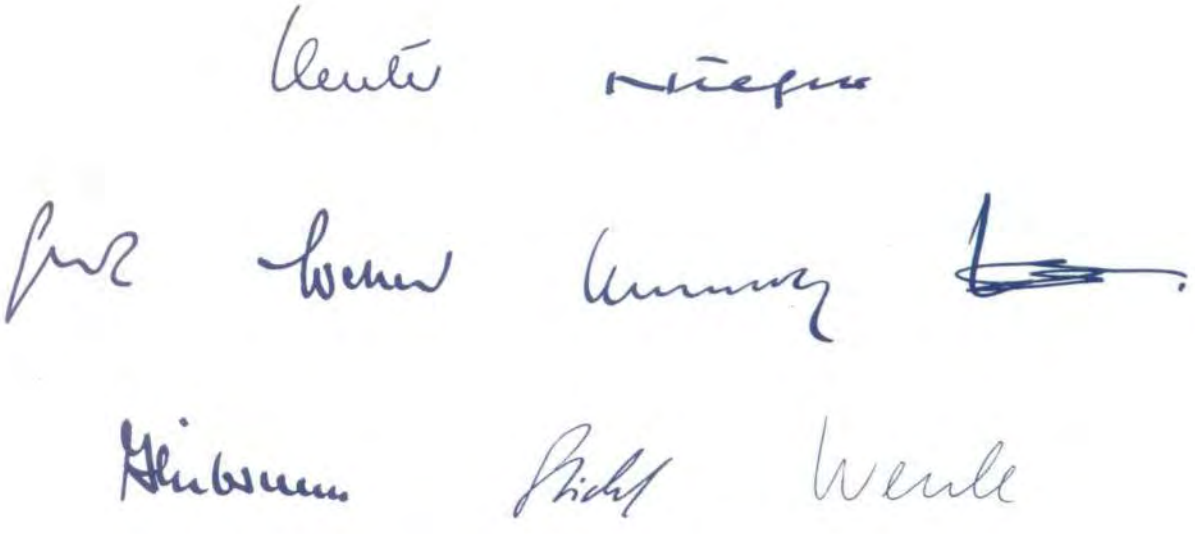
Proposal for the Allocation of Unappropriated Profit

The annual financial statements of Daimler-Benz AG as of December 31, 1990, show an unappropriated profit of DM 565,139,668. It will be proposed to the Annual General Meeting that this amount be applied as follows:

		DM
3⅓ %	dividend on the eligible preferred share capital of DM 2,196,000	73,200
DM 12	dividend for each eligible common share of DM 50 par value	556,815,324
Dividend amount		556,888,524
Profit carried-forward		8,251,144
Unappropriated profit		565,139,668

Stuttgart-Möhringen, March 28, 1991

The Board of Management



Report of Independent Auditors

The accounting records, which have been audited in accordance with professional standards, comply with the legal provisions. With due regard to the generally accepted accounting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of Daimler-Benz Aktiengesellschaft. 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 accounts.

Frankfurt am Main, April 10, 1991

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Müller
Wirtschaftsprüfer
(Certified Public Accountant)

Dr. Koschinsky
Wirtschaftsprufer
(Certified Public Accountant)

Report of the Supervisory Board

In the five Supervisory Board meetings held last year and by means of written and verbal reports, we have been informed in detail, and have consulted with the Board of Management on the state of the corporation and on principal matters of corporate policy. In particular these discussions centered on questions in connection with the continuing development of the company into an integrated technology concern. Moreover, we dealt with employment trends, results of operations and medium- and long-term corporate planning including capital spending policy. Furthermore, we discussed important individual business transactions and made business decisions which, by law or bylaws, had to be submitted to us for approval.

We have examined the financial statements and the business review report, which was combined for Daimler-Benz AG and the group, together with the recommendations for the payment of dividends. The financial statements of Daimler-Benz AG and of the group as of December 31, 1990, including the business review report and the accounting principles used, were verified by KPMG Deutsche Treuhand-Gesellschaft AG, Wirtschaftsprufungsgesellschaft, Frankfurt am Main, and have been found to be in accordance with the books and with the pertinent legal requirements. The Supervisory Board, in a joint meeting with the Board of Management on April 22, 1991, noted the result of the audit with approval.

The result of the examinations made by the Supervisory Board and the auditors has shown no cause for questioning. We have approved the financial statements of Daimler-Benz AG as prepared by the Board of Management; they are hereby ratified. We concur with the recommendations of the Board of Management regarding the application of the unappropriated profit. The financial statements, the business review report and the external auditors' report had been available to the Supervisory Board.

With the conclusion of the Annual General Meeting on July 4, 1990, Prof. Dr. Gerhard Tremer resigned from the Supervisory Board of Daimler-Benz AG to which he had belonged since July of 1986. During this time, important decisions, such as the organizational restructuring of the concern, the investment in Messerschmitt-Bölkow-Blohm GmbH and the founding of the fourth corporate division, were made. His experience and perspicacious advice has been very valuable to us. We would like to take this opportunity to express our gratitude to Prof. Dr. Tremer.

In his place, the shareholders in their meeting on July 4, 1990, elected Dr. Gerd Binning, Munich, as member of the Supervisory Board of our company.

On September 2, 1990, Maria-Christine Princess von Urach passed away. As a qualified engineer, she had been working in the design department of Daimler-Benz since 1959, and since 1973 was in charge of organization and data processing at our Untertürkheim plant. She was a member of the Supervisory Board of Daimler-Benz AG since 1978, representing management staff. Her commitment and valuable advice over three decades have earned Mrs. von Urach acclaim and appreciation, also outside the company. She was a person who earned a great deal of respect, and we shall remember her with gratitude. In Mrs. von Urach's place, Mr. Richard Bollmann, head of Production in the bus sector of the Mannheim plant, was appointed to the Supervisory Board of Daimler-Benz AG as representative of management employees, effective September 2, 1990.

Messrs. Richard Helken and Willi Böhm, representatives of employees on the Supervisory Board of Daimler-Benz AG resigned their positions effective October 1, 1990. They thus made it possible to have a stronger representation of employees on the Supervisory Board who are working in other areas than the automobile sector. Mr. Helken and Mr. Böhm had belonged to the Board since 1983 and 1973 respectively. Both gentlemen had distinguished themselves through their dedicated service and their open-minded cooperation on the Supervisory Board. We would like to take this opportunity to express our acknowledgement and gratitude to Mr. Helken and Mr. Böhm.

In place of the two departing gentlemen and at the request of the Daimler-Benz Corporate Labor Council, Messrs. Siegfried Sauter, deputy chairman of the Corporate Labor Council of Daimler-Benz AG and chairman of the Joint Labor Council of AEG, and Peter Schonfelder, member of the Labor Council of Messerschmitt-Bölkow-Blohm GmbH, were appointed members of the Supervisory Board by the Administrative Court of Stuttgart.

Dr. Ing. Rudolf Hörnig resigned from the Board of Management of Daimler-Benz AG at his own request effective at the end of April 1990. He was responsible for "Research and Development". Dr. Hörnig joined the company in 1956, as a test engineer, and in 1984 was appointed member of the Board of Management in charge of the Research and Development Division. Dr. Hörnig started establishing the Research and Technology Division, so crucial for our integrated technology group, with great commitment. We would like to express our gratitude for Dr. Hörnig's many years of successful activity at Daimler-Benz.

The Supervisory Board has appointed Prof. Dr.-Ing. Hartmut Weule deputy member of the Board of Management effective September 1, 1990. He took over the functional division "Research and Technology" from Prof. Dr. Dr. Niefer who had managed this division on an interim basis since Dr. Hörning's departure. Subsequently thereto and until his admission to the Board of Management, he had been chairman and director of the Institute for Tooling Machines and Industrial Technology at the Karlsruhe University of Engineering.

Mr. Heinz Dürr, member of the Board of Management of Daimler-Benz AG, asked the Supervisory Board to approve his resignation from the Board effective December 31, 1990. He accepted the request of the Federal government to become chairman of the Board of Management of the Deutsche Bundesbahn (German railway). The Supervisory Board has, with due respect, taken notice and accepted his request. Mr. Dürr had belonged to the Board of Management of Daimler-Benz AG since 1986. As chairman of the Board of Management of AEG Aktiengesellschaft, he had made a major contribution during a very difficult phase of this company's development, which made AEG into a significant corporate division of the Daimler-Benz group of companies. We wish to express our special thanks to Mr. Dürr for his dedicated service and achievements.

Effective January 1, 1991, the Supervisory Board has appointed Mr. Ernst Georg Stöckl as deputy member of the Board of Management of Daimler-Benz AG. He is now responsible for the corporate division AEG. Concurrently, the Supervisory Board of AEG also appointed Mr. Stöckl chairman of the Board of Management of this corporation. Mr. Stöckl has belonged to Daimler-Benz since 1971. His last position was that of chairman of Freightliner Corporation, our American subsidiary.

Stuttgart-Möhringen
April 1991

The Supervisory Board

Chairman

Daimler-Benz in Figures

	1981	1982	1983	1984	1985	1986	1987[1]	1988	1989	1990
Number of Employees (at Year-End)										
Daimler-Benz Group	**188,039**	**185,687**	**184,877**	**199,872**	**231,077**	**319,965**	**326,288**	**338,749**	**368,226**	**376,785**
of which: Federal Republic of Germany	149,096	149,118	151,273	158,043	186,652	257,538	262,658	268,277	298,199	303,404
Foreign	38,943	36,569	33,604	41,829	44,425	62,427	63,630	70,472	70,027	73,381
Mercedes-Benz	–	–	–	–	–	–	–	–	223,219[2]	230,974
AEG	–	–	–	–	–	78,199	80,499	89,585	77,722[2]	76,949
Deutsche Aerospace	–	–	–	–	–	–	–	–	62,959[2]	61,276
debis	–	–	–	–	–	–	–	–	–	4,879
Major Balance Sheet and Income Figures – in Millions of DM –										
Daimler-Benz Group										
Non-Current Assets	5,791	6,958	7,743	8,228	10,209	10,857	12,202	17,342	20,084	23,448
Current Assets	14,637	15,996	17,084	20,398	25,571	31,168	34,336	34,589	42,653	43,891
Capital Stock	1,529	1,529	1,699	1,699	1,699	2,118	2,118	2,118	2,330	2,330
Reserves[3]	4,546	5,173	5,848	6,831	8,070	7,742	6,778	8,075	13,314	14,059
of which: Paid-In Capital	–	–	–	–	–	368	370	370	2,114	2,117
Retained Earnings[3]	–	–	–	–	–	7,374	6,408	7,705	11,200	11,942
Minority Interests in Subsidiaries	50	59	76	143	330	1,251	767	626	767	881
Stockholders' Equity[4]	**6,075**	**6,703**	**7,547**	**8,530**	**9,769**	**11,111**	**9,663**	**10,819**	**16,411**	**17,270**
in % of Total Assets	29.7	29.2	30.4	29.8	27.3	26.4	20.8	20.8	26.2	25.6
in % of Non-Current Assets[5]	104.9	96.3	97.5	103.7	95.7	102.3	97.7	79.2	109.1	102.0
Long- and Medium-Term Liabilities[6]	5,710	6,768	7,534	9,452	11,201	17,696	22,744	24,485	24,331	25,529
Stockholders' Equity Plus Long- and Medium-Term Liabilities	**11,785**	**13,471**	**15,081**	**17,982**	**20,970**	**28,807**	**32,407**	**35,304**	**40,742**	**42,799**
in % of Non-Current Assets[5]	203.5	193.6	194.8	218.5	205.4	265.3	327.6	258.4	270.9	252.8
Balance Sheet Total	**20,428**	**22,954**	**24,827**	**28,626**	**35,780**	**42,025**	**46,538**	**51,931**	**62,737**	**67,339**
Total Investments[7]	**3,076**	**3,598**	**3,519**	**3,523**	**5,492**	**5,580**	**3,736**	**7,007**	**7,620**	**6,857**
in % of Sales	8.4	9.2	8.8	8.1	10.5	8.5	5.5	9.5	10.0	8.0
of which: in Fixed Assets and Intangible Assets	3,033	3,427	3,464	3,374	4,014	5,385	3,834	6,628	7,242	6,539
Federal Republic of Germany	2,233	3,004	3,047	2,166	2,753	3,891	3,392	6,038	6,459	5,680
Foreign	800	423	417	1,208	1,261	1,494	442	590	783	859
in Financial Assets (Net)	43	171	55	149	1,478	195	(98)	379	378	318
Total Depreciation and Write-Downs[5]	**1,688**	**2,273**	**2,574**	**2,828**	**3,275**	**3,361**	**2,560**	**3,086**	**3,218**	**3,780**
of which: in Fixed Assets and Intangible Assets	1,633	2,265	2,567	2,825	3,242	3,239	2,505	3,074	3,138	3,670
Federal Republic of Germany	1,379	1,975	2,292	2,342	2,514	2,575	2,192	2,708	2,620	3,071
Foreign	254	290	275	483	728	664	313	366	518	599
of Financial Assets	55	8	7	3	33	122	55	12	80	110
Cash flow	**3,523**	**4,090**	**4,554**	**5,562**	**5,012**	**6,214**	**6,626**	**6,130**	**5,991**	**6,711**
in % of Sales	9.6	10.5	11.4	12.8	9.6	9.5	9.8	8.3	7.8	7.8

Note: "Daimler-Benz Group" comprises Daimler-Benz AG plus all domestic and foreign companies in which Daimler-Benz AG, directly or indirectly, has the majority of voting rights.

[1]) Figures in accordance with the Accounting Standards Act; prior year adjusted accordingly.
[2]) Figures according to the new structure of the Group.
[3]) Including allocations authorized by the shareholders at the Annual Meeting and profit carried forward us unappropriated profit.
[4]) Excluding dividend; including equity portion contained in equity reserve.
[5]) Excluding leasing vehicles (from 1987 on).
[6]) Long- and medium-term provisions as well as long- and medium-term liabilities.
[7]) Intangible assets, fixed assets, financial assets (net) and cost of investments in excess of book value at acquisition (to 1986), excluding leasing vehicles (from 1987 on).
[8]) From 1985 on newly defined.
[9]) In Group sales included consolidated values of Dornier and MTU.
[10]) Because of extraordinary income and expense items not comparable with other years.
[11]) Dividend plus bonus.
[12]) For our stockholders who are taxable in the Federal Republic of Germany.
[13]) Allowing for increases in capital stock (retroactive adjustment).

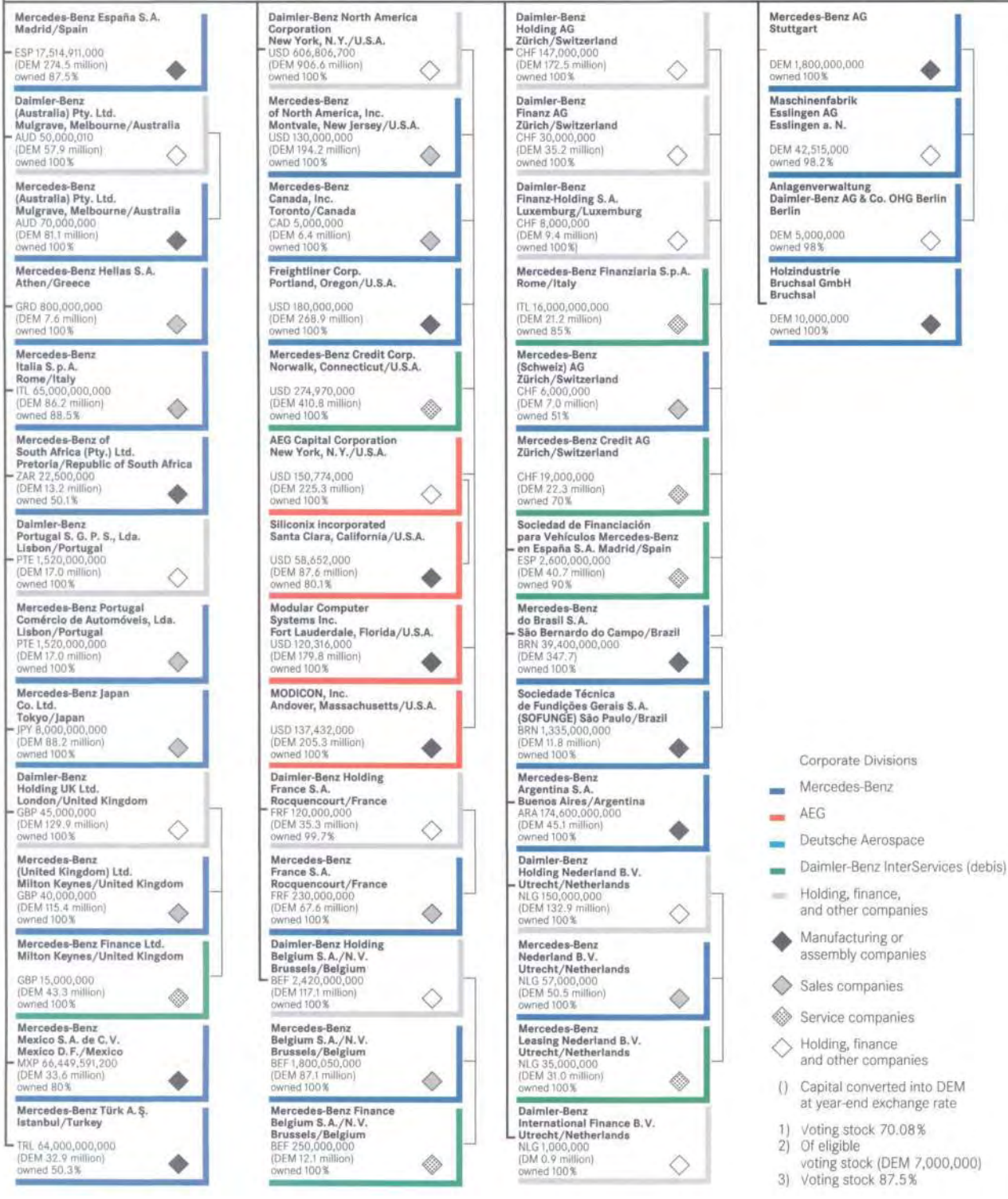
– in Millions of DM –	1981	1982	1983	1984	1985	1986	1987[1]	1988	1989	1990
Sales	**36,661**	**38,905**	**40,005**	**43,505**	**52,409**	**65,498**	**67,475**	**73,495**	**76,392**	**85,500**
of which: Federal Republic of Germany	13,577	13,316	15,177	14,682	18,706	27,838	28,064	29,094	29,562	36,674
Foreign	23,084	25,589	24,828	28,823	33,703	37,660	39,411	44,401	46,830	48,826
Foreign Share in %	63.0	65.8	62.1	66.3	64.3	57.5	58.4	60.4	61.3	57.1
Mercedes-Benz	–	–	–	–	–	–	–	–	54,969	57,872
of which: Passenger Cars	16,572	18,722	21,012	23,245	28,549[8]	31,405	31,472	31,833	31,865	34,142
Commercial Vehicles	18,862	18,859	17,653	18,367	20,204[8]	17,755	19,454	23,063	23,104	23,730
AEG	–	–	–	–	–	11,070	11,480	13,152	11,852[2]	12,721
Deutsche Aerospace	–	–	–	–	3,917[9]	4,882[9]	4,421[9]	4,476[9]	7,489[2]	12,168
debis	–	–	–	–	–	–	–	–	–	2,739
Total Output	**37,553**	**39,730**	**40,527**	**44,078**	**53,775**	**66,418**	**69,061**	**75,637**	**80,552**	**88,340**
Total Average Annual Output Per Employee (in DM)	197,949	211,526	219,808	225,572	235,648	207,759	211,996	224,459	237,005	236,066
Purchases of Goods and Services	**19,497**	**20,047**	**20,299**	**22,707**	**27,245**	**32,467**	**33,701**	**37,646**	**39,552**	**44,477**
Personnel Expenses	**9,993**	**10,712**	**10,941**	**11,598**	**13,657**	**19,367**	**20,670**	**22,371**	**23,199**	**26,890**
Average Annual Personnel Expenses Per Employee (in DM)	52,677	57,030	59,344	59,355	59,846	60,581	63,451	66,388	68,257	71,857
Results from Ordinary Business	**–**	**–**	**–**	**–**	**–**	**5,880**	**5,297**	**5,197**	**10,096**[10]	**4,221**
in % of Total Output	–	–	–	–	–	8.9	7.7	6.9	12.5	4.8
Taxes	3,091	3,310	3,263	3,027	4,341	4,113	3,515	3,495	3,287	2,426
Net Income	**826**	**921**	**988**	**1,104**	**1,682**	**1,767**	**1,782**	**1,702**	**6,809**[10]	**1,795**
in % of Total Output	2.2	2.3	2.4	2.5	3.1	2.7	2.6	2.3	8.5	2.0

Daimler-Benz AG

Net Income	**608**	**687**	**710**	**711**	**1,252**	**1,404**	**1,403**	**1,382**	**1,120**	**1,120**
Total Dividend Amount (Paid Respectively Proposed)	**304**	**350**	**355**	**356**	**491**	**507**	**503**	**504**	**555**	**557**
Dividend for Each DM 50 par Value Share (in DM)	10.–	10.50+1.–[11]	10.50	10.50	12.–+2.50[11]	12.–	12.–	12.–	12.–	12.–
Tax Credit for Each DM 50 par Value Share (in DM)[12]	5.62	6.47	5.91	5.91	8.16	6.75	6.75	6.75	6.75	6.75
Dividend for Each DM 50 par Value Share Adjusted (in DM)[13]	7.14	8.21	8.26	8.26	11.41	11.65	11.65	11.65	12.–	12.–
Tax Credit for Each DM 50 par Value Share Adjusted (in DM)[13]	4.02	4.62	4.65	4.65	6.42	6.56	6.56	6.56	6.75	6.75

Principal Subsidiaries of Daimler-Benz AG

Subsidiaries



AEG Aktiengesellschaft
Berlin und Frankfurt am Main
DEM 931,171,700
owned 80.2%

AEG Olympia Office GmbH
Wilhelmshaven
DEM 170,000,000
owned 99.2%

AEG Electrocom GmbH
Konstanz
DEM 20,000,000
owned 100%

AEG Westinghouse Transport-Systeme Beteiligungsgesellschaft mbH
Berlin
DEM 131,000,000
owned 80.9%

AEG KABEL Aktiengesellschaft
Mönchengladbach
DEM 96,000,000
owned 99.2%

TELEFUNKEN electronic GmbH
Heilbronn
DEM 118,750,000
owned 98.4%

AEG Elektrowerkzeuge GmbH
Winnenden
DEM 80,000,000
owned 100%

AEG Hausgeräte AG
Nürnberg
DEM 120,000,000
owned 100%

AEG Ibérica de Electricidad S. A.
Madrid/Spain
ESP 3,800,090,500
(DEM 59.5 million)
owned 100%

AEG Fábrica de Motores S. A.
Terrassa, Barcelona/Spain
ESP 3,000,000,000
(DEM 47.0 million)
owned 100%

AEG Austria Gesellschaft m. b. H.
Vienna/Austria
ATS 300,000,000
(DEM 42.6 million)
owned 57%

AEG France S. A.
Clamart, Paris/France
FRF 82,000,000
(DEM 24.1 million)
owned 100%

AEG Italiana S. p. A.
Milan/Italy
ITL 23,400,000,000
(DEM 31.0 million)
owned 100%

AEG ETI Elektrik Endüstrisi A. Ş.
Gebze, Istanbul/Turkey
TRL 30,000,000,000
(DEM 15.4 million)
owned 51%

Deutsche Aerospace Aktiengesellschaft
Munich
DEM 1,720,300,000
owned 93%

Messerschmitt-Bölkow-Blohm GmbH
Ottobrunn
DEM 858,000,000
owned 64.9% 1)

Deutsche Airbus GmbH
Hamburg
DEM 930,000,000
owned 80%

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

MTU Motoren- und Turbinen-Union Friedrichshafen GmbH
Friedrichshafen
DEM 50,000,000
owned 86%

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

AG Kühnle, Kopp & Kausch
Frankenthal
DEM 14,000,000
owned 61.6% 2)

Dornier GmbH
Friedrichshafen
DEM 150,402,800
owned 57.6% 3)

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

Dornier Medizintechnik GmbH
Munich
DEM 10,000,000
owned 100%

Telefunken Systemtechnik GmbH
Ulm
DEM 250,000,000
owned 100%

Daimler-Benz InterServices (debis) AG
Berlin
DEM 500,000,000
owned 100%

debis Systemhaus GmbH
Stuttgart
DEM 150,000,000
owned 100%

Systemhaus GEI-Gesellschaft für Elektronische Informationsverarbeitung mbH
Aachen
DEM 20,000,000
owned 100%

Systemhaus Discom-Distributed Computing GmbH
Aachen
DEM 1,000,000
owned 100%

Systemhaus Industrie GmbH
Stuttgart
DEM 3,000,000
owned 100%

Mercedes-EDV-Beratung GmbH
Weinheim
DEM 1,000,000
owned 100%

sfi Systemhaus für Informationsverarbeitung GmbH
Berlin
DEM 1,000,000
owned 74.9%

ORGA-SOFT Organisation und Software GmbH
Münster
DEM 2,100,000
owned 90%

Systemhaus Curadata GmbH
Hamburg
DEM 1,500,000
owned 66.67%

Mercedes-Benz Finanz GmbH
Stuttgart
DEM 220,000,000
owned 100%

Mercedes-Benz Leasing GmbH
Stuttgart
DEM 66,000,000
owned 100%

debis Assekuranz Vermittlungs GmbH
Stuttgart
DEM 3,500,000
owned 100%

debis Marketing Services GmbH
Frankfurt am Main
DEM 200,000
owned 100%

debis International Trading GmbH
Berlin
DEM 10,000,000
owned 75%

Other Affiliated Companies

Solovom-Société de Locations de Véhiculos Automobiles Mercedes S. A. le Chesnay/France
FRF 263,500,000
(DEM 77.4 million)
owned 50%

Industriehandel Handels- und Industrieausrüstungsgesellschaft mbH Stuttgart
DEM 10,000,000
owned 50%

Deutsche Automobil-gesellschaft mbH
Hannover
DEM 5,000,000
owned 50%

HWT Gesellschaft für Hydrid- und Wasserstofftechnik mbH
Mülheim/Ruhr
DEM 3,000,000
owned 50%

Anambra Motor Manufacturing Co. Ltd. (ANAMMCO)
Engu/Nigeria
NGN 30,000,000
(DEM 5.4 million)
owned 40%

National Automobile Industry Company Ltd. (NAI)
Jeddah/Saudi Arabia
SAR 70,000,000
(DEM 27.9 million)
owned 26%

P. T. German Motor Manufacturing
Jakarta/Indonesia
IDR 5,103,000,000
(DEM 4.0 million)
owned 33.3%

P. T. Star Motors Indonesia
Jakarta/Indonesia
IDR 846,720,000
(DEM 0.7 million)
owned 49%

Iranian Diesel Engine Manufacturing Comp. (IDEM)
Tabris/Iran
IRR 5,000,000,000
(DEM 119.0 million)
owned 30%

Tata Engineering and Locomotive Comp. Ltd. (TELCO)
Bombay/India
INR 1,036,739,600
(DEM 85.4 million)
owned 10.4%

Bajaj Tempo Ltd.
Poona/India
INR 66,013,338
(DEM 5.4 million)
owned 25.2%

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

NAW Nutzfahrzeuggesellschaft Arbon & Wetzikon AG
Arbon/Switzerland
CHF 15,000,000
(DEM 17.6 million)
owned 40%

Statistics per Common Share

		1990	1989
Net income	DM	36.20	35.35
Dividend	DM	12.00	12.00
Dividend plus tax credit	DM	18.75	18.75
Cash flow	DM	141.80	127.95
Stockholders' equity	DM	371.00	352.55

Market Price of Daimler-Benz stock*)

		1990	1989
High	DM	955.50	827.95
Low	DM	545.00	624.00
Year-end close	DM	550.00	808.00

*) Taking into account the capital stock increase of November, 1989.

Lively Turnover of Daimler-Benz Shares

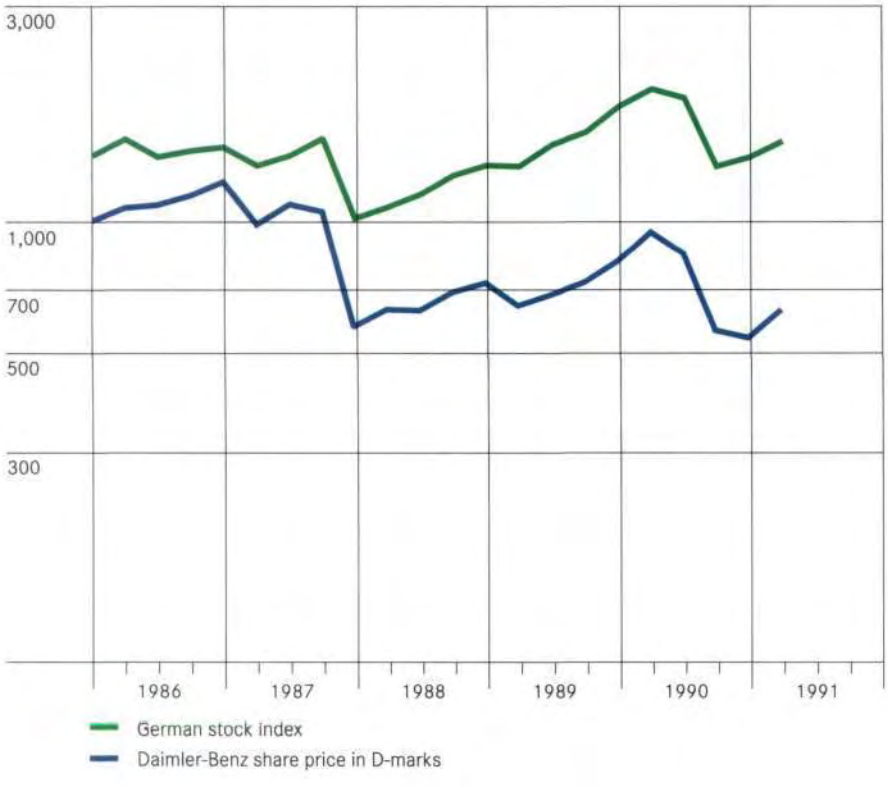
The favorable trend on the German stock exchange, which began in the autumn of 1989 with the collapse of the Berlin wall, continued until the summer of 1990. Because of the crisis in the Persian Gulf, the situation deteriorated dramatically as from the beginning of August. The German Stock Index (DAX), which at the end of March, 1990 reached its high for the year at 1,969 points, dropped at the end of September to low for the year of 1,335. The Daimler-Benz share by and large moved in parallel with the overall market, although the weakness of both the U.S. dollar and the yen had already adversely affected the performance of the share during the spring rally.

In 1990, the Daimler-Benz AG share was again among the most frequently traded German blue chips. On the German stock exchanges alone more than 158 million Daimler-Benz shares, with a market value of over DM 120 billion, were traded; representing 7.5 % of all domestic stock trades. On the new German options exchange, Daimler-Benz share also belonged to the most actively traded issues.

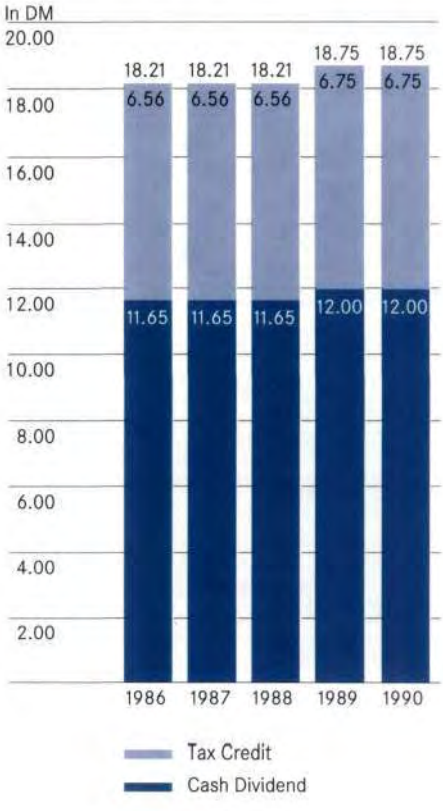
Dividend remains at DM 12

For the business year 1990, a dividend unchanged from last year of DM 12 for each eligible share of DM 50 per value will be proposed to the Annual General Meeting taking place on June 26, 1991; for shareholders subject to income taxes in Germany, the dividend thus amounts to DM 18.75 gross. The total payment amount has

Price Development of Common stock
Allowing for Capital Stock Increases



Dividend per DM 50 Share
Allowing for Capital Stock Increases



slightly increased over that of last year, from DM 555 million to DM 557 million, on account of lower treasury stock holdings. We continue to proceed according to the principle that shareholders should participate in the success of our company in an appropriate manner, and to gear the dividend payment to the earnings results; that is, to the longer-term trend in earnings.

Daimler-Benz Shares are a Good Long-term Investment

All investments in marketable securities must take into account possible price declines against the purchase price. A common share cannot deny its characteristics as a risk instrument over the longer term, however, it is paritcularly this kind of instrument which offers total return opportunities which cannot be achieved with fixed-income securities. An investment made in Daimler-Benz shares 12 years ago has thus achieved, despite market declines during the last four years, a total return of 11.9 % annually. We have hereby assumed that the amounts realized from the sale of subscription rights and the cash dividends received (without tax credit) were reinvested in Daimler-Benz shares without having to make additional cash payments.

Investment in Daimler-Benz Shares
Investment Amount DM 10,000

Investment date	Jan.2,79	Jan.2,85	Jan.2,88
Investment duration	12¼ yrs.	6¼ yrs.	3¼ yrs.
Portfolio value March 28, 1991 in DM	39,630	14,620	12,520
Change in value in % since investment date	296	46	25
Average total annual return in %	11.9	6.3	7.2

Stable Shareholder Structure

With three large shareholders, which together hold more than two-thirds of our capital stock, Daimler-Benz AG has a reliable and manageable shareholder structure. This assures our independence and prevents any takeover attempts; at the same time, it enables us to carry out those capital related measures which appear reasonable in the interest of our entrepreneurial flexibility.

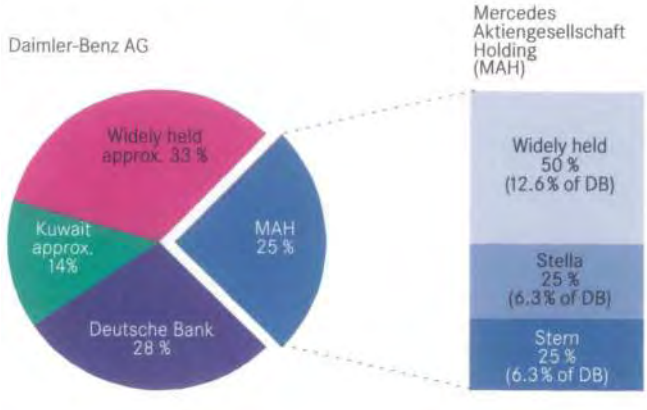
Deutsche Bank, which holds 28 % of our share capital, has been a large shareholder of Daimler-Benz since the late twenties. The Mercedes-Benz Aktiengesellschaft Holding (MAH), Frankfurt am Main, has held a 25.23 % stake since it was founded in 1975. Stern Autombil-Beteiligungsgesellschaft und Stella Automobil-Beteiligungsgesellschaft each hold a 25 % stake in MAH.

Stern and Stella enjoy an institutional following who consider their investments on a long-term basis. The remaining 50 % of the MAH shares are broadly distributed and belong to about 50,000 shareholders. This ensures that no single shareholder is able to dominate the MAH.

The third largest shareholder is the government of Kuwait, whose equity stake amounts to about 14 %. After the end of the Gulf war, it has again been speculated that Kuwait would have to sell substantial portions of its large-scale shareholdings for the purpose of financing the continuing burden of reconstruction. The Kuwait Investment Office, which is domiciled in London and which also is administering the Daimler-Benz package, has let us know that a sale of Daimler-Benz shares is not being contemplated.

The remaining 33 % of our share capital is widely held by about 300,000 investors both at home and abroad. If the scattered ownership of MAH is taken into account as well, about 45 % of our share capital is then, directly or indirectly, broadly distributed.

Shareholders' Structure



Presence on Foreign Stock Exchanges

Apart from the German stock exchanges, the Daimler-Benz share has been listed on the Swiss stock exchanges in Basel, Geneva and Zurich since 1976.

We shall pay even more attention in the future to increasing market globalization, also in the procurement of funds, and will introduce Daimler-Benz shares to the world's import stock exchanges. With the official introduction of our shares in Tokyo, London and Vienna, we have already made considerable headway in this regard.

Since the listing in Tokyo in September 1990, average monthly trades totaled 150,000 Daimler-Benz shares. Our share thus enjoys a top position among foreign shares traded on the Tokyo exchange. At the end of February, nearly 600,000 Daimler-Benz shares had been registered with the Japanese Securities Clearing Corporation (JSCC); proof of the lively interest in our share.

On the seventh of December 1990, the Daimler-Benz share was officially listed on the International Stock Exchange in London, even before this Daimler-Benz was actively traded electronically (SEAQ). Already in the first two months after introduction, about 1,4 million Daimler-Benz shares were traded on the International Stock Exchange in London. The listing on the Viennese Stock Exchange took place on February 25, 1991.

Investor Relations Activities Intensified

Both the development from an automobile company to an integrated technology conglomerate and the increasing presence on foreign stock exchanges have led to a growing interest in Daimler-Benz. We are meeting the growing need for information connected therewith by expanding our investor relations activities. In addition to the information media such as shareholders' meetings, annual reports and regular interim reports, through which we address all our shareholders, we make increasing use of company presentations for financial analysts and institutional investors in all major financial centers. Last year, we made such presentations in Zurich, Madrid, Boston and New York but also on the occasion of the stock exchange listings in Tokyo, London and Edinburgh. In February of this year, we presented our company to financial analysts and professional investors in Vienna, Austria.

International Shareholders' Fair in Dusseldorf

For the first time, the International Shareholders' Fair (ISF) took place from August 30, to September 1, 1990 in Dusseldorf. More than 18,000 visitors informed themselves about shares as an investment alternative. The special lure was the combination of both fair and convention. Daimler-Benz used this opportunity to introduce itself to a broad public. At our stand, we gave potential shareholders support for an investment decision in Daimler-Benz shares. Our "Fair Quiz", in which more than 10,000 visitors participated, met with a lively response.

The International Shareholders' Fair was also the forum for our meeting with analysts from the German Association for Financial Analysis and Investment Advice (DVFA). About 90 analysts, bankers and investment adivsors took advantage of the opportunity to inform themselves about the current business situation of the Daimler-Benz group.

Annual General Meeting:

June 26, 1991
10.00 o'clock
Hanns-Martin-Schleyer-Halle
Stuttgart

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