

# DAIMLERBENZ



Annual Report  
1991

## Daimler-Benz Highlights

### Daimler-Benz Group

- DM Amounts in Millions -	1991	1990	1989
<b>Sales</b>	<b>95,010</b>	<b>85,500</b>	<b>81,298<sup>1)</sup></b>
EC-Market	63,350	55,550	51,037
Germany	44,443	36,674	33,075
EC (Without Germany)	18,907	18,876	17,962
U.S.A.	11,990	12,097	12,633
Other Markets	19,670	17,853	17,628
<b>Employees (at Year-End)</b>	<b>379,252</b>	<b>376,785</b>	<b>368,226</b>
Germany	305,295	303,404	298,199
Foreign	73,957	73,381	70,027
<b>Depreciation Allowances</b>	<b>4,328</b>	<b>3,780</b>	<b>3,218</b>
<b>Cash Flow</b>	<b>7,790</b>	<b>6,711</b>	<b>5,991</b>
<b>Investments</b>	<b>9,535</b>	<b>6,857</b>	<b>7,620</b>
<b>Research and Development</b>	<b>8,401</b>	<b>8,193</b>	<b>7,546<sup>1)</sup></b>
<b>Net Income</b>	<b>1,942</b>	<b>1,795</b>	<b>1,700<sup>2)</sup></b>

### Daimler-Benz AG

<b>Capital Stock</b>	<b>2,330</b>	<b>2,330</b>	<b>2,330</b>
<b>Net Income</b>	<b>1,194</b>	<b>1,120</b>	<b>1,120</b>
<b>Total Dividend Amount</b>	<b>605</b>	<b>557</b>	<b>555</b>
<b>Dividend per DM 50 Share (in DM)</b>	<b>13</b>	<b>12</b>	<b>12</b>

1) For reasons of comparability, including MBB.

2) Comparably calculated results.

#### Cover:

What looks like a motorway intersection is in fact a microscopic view of a silicon wafer section with power thyristor assembly. This technology is a key element for many products of the group.

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## Supervisory Board

HERMANN J. ABS  
Frankfurt am Main  
Honorary Chairman,  
Deutsche Bank AG

Honorary Chairman

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

Chairman

KARL FEUERSTEIN\*)  
Mannheim  
Chairman of the Corporate Labor  
Council, Daimler-Benz AG  
Chairman of the Joint Labor Council,  
Mercedes-Benz AG

Deputy Chairman

PROF. DR. RER. NAT. GERD BINNIG  
Munich  
Head of IBM Physics Group

DIPL.-ING. RICHARD BOLLMANN\*)  
Mannheim  
Senior Manager, Deputy Chairman  
of the Senior Managers' Committee,  
Mercedes-Benz AG

PROF. DR.-ING. E.H. WERNER BREITSCHWERDT  
Stuttgart

DR. RER. POL. HORST J. BURGARD  
Frankfurt am Main  
Member of the Board of Management,  
Deutsche Bank AG

HELMUT FUNK\*)  
Stuttgart  
Chairman of the Labor Council,  
Untertürkheim Plant and Main Office,  
Mercedes-Benz AG

ERICH KLEMM\*)  
Calw  
Member of the Labor Council,  
Sindelfingen Plant,  
Mercedes-Benz AG

MARTIN KOHLHAUSSEN  
Frankfurt am Main  
Speaker for the Board of Management,  
Commerzbank AG  
(from June 26, 1991)

RUDOLF KUDA\*)  
Frankfurt am Main  
Departmental Manager within the  
Board of Management,  
Metal-Workers' Union

HUGO LOTZE\*)  
Reinhardshagen  
Chairman of the Labor Council,  
Kassel Plant, Mercedes-Benz AG

DIPL.-ING. HANS-GEORG POHL  
Hamburg  
Chairman of the  
Board of Management,  
Deutsche Shell AG

DR. RER. POL. WOLFGANG RÖLLER  
Frankfurt am Main  
Speaker for the Board of Management,  
Dresdner Bank AG

SIEGFRIED SAUTER\*)  
Frankfurt am Main  
Deputy Chairman of the Corporate  
Labor Council, Daimler-Benz AG  
Chairman of the Joint Labor Council,  
AEG Aktiengesellschaft

DR. JUR. ROLAND SCHELLING  
Stuttgart  
Attorney at Law

PETER SCHÖNFELDER\*)  
Augsburg  
Member of the Labor Council,  
Messerschmitt-Bölkow-Blohm GmbH

PROF. DR. IUR. JOHANNES SEMLER  
Kronberg/Taunus  
Member of the Board of Management,  
Mercedes Aktiengesellschaft Holding

FRANZ STEINKÜHLER\*)  
Frankfurt am Main  
First Chairman, Metal-Workers' Union

HERMANN-JOSEF STRENGER  
Leverkusen  
Chairman of the Board of Management,  
Bayer AG

BERNHARD WURL\*)  
Mainz  
Departmental Manager within the  
Board of Management,  
Metal-Workers' Union

Retired from the Supervisory Board:

DR. IUR. WALTER SEIPP  
Frankfurt am Main  
Chairman of the Supervisory Board,  
Commerzbank AG  
(on June 26, 1991)

\*) Elected by the employees.

EDZARD REUTER  
Stuttgart  
Chairman

PROF. DR.-ING. E.H. DR. H.C. WERNER NIEFER  
Stuttgart  
Mercedes-Benz

## Board of Management Deputy Chairman

DR. JUR. MANFRED GENTZ  
Berlin/Stuttgart  
Daimler-Benz InterServices (debis)

DR. JUR. HANS-WOLFGANG HIRSCHBRUNN  
Stuttgart  
Personnel

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Stuttgart  
Finance and Materials

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Munich  
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ERNST G. STÖCKL  
Frankfurt am Main  
AEG

HELMUT WERNER  
Stuttgart  
Mercedes-Benz

PROF. DR.-ING. HARTMUT WEULE  
Stuttgart  
Research and Technology

## Directors

DR. JUR. BOY-JÜRGEN ANDRESEN Personnel and Social Policy	WERNER POLLMANN Technology, Environmental Officer Daimler-Benz
HANSJÖRG BAUMGART Daimler-Benz Art Possessions	JÖRG SEIZER Subsidiaries and Affiliated Companies
MARTIN BERGER Annual Accounts and Disclosure	KONRAD STRAUB Corporate Auditing
DR. RER. POL. ROLF A. HANSSEN Corporate Planning and Controlling	DR. OEC. PUBL. PAUL WICK*) Finance and Taxes
MATTHIAS KLEINERT*) Public Relations and Economic Policy	DR. JUR. SOLMS WITTIG*) Staff Lawyer
DR.-ING. MICHAEL KRÄMER (provisionally) Research 1	GERD WORIESCHECK Personnel Development for Senior Executives
DR. RER. NAT. VOLKER LEHMANN Research 2	I With general power of procurement

## Daimler-Benz Group Representatives

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U.S.A.

## To the Stockholders and Friends of our Company



Throughout the year, your company is exposed to the scrutiny of a critical public. This is only right and proper - so long as the scrutiny remains objective, and for the most part this has so far been the case. We believe we have an active obligation to provide regular, comprehensive and open information. One might well therefore wonder what really new information, apart from columns of figures, an annual report can contain.

The answer is that in our annual report, we set out to do far more than simply fulfil our legal duty. In the interests of everyone connected in any way with Daimler-Benz, we wish to make it clear why loyalty to the company is worthwhile not only for the customer but also for the shareholder. The same goes for our employees: despite our endeavors to keep them permanently abreast of events, they too will find no better summary than this annual report.

I stress this in view of the fact that the competitiveness of your company is closely bound up with the skills, the hard work and the enthusiasm of the people who work for us. That is why we feel particularly pleased that we are so much sought after by young men and women all over the world who are looking for a fulfilling career. We are also aware that at the higher levels of management too we must resolutely aim for internationalization if we are to maintain our ground successfully in global competition.

In this context, we are particularly grateful that recent decisions by the Supervisory Boards of Daimler-Benz AG and Mercedes-Benz AG, have once again created a balanced age structure in these bodies.

Besides making provision for the future, we also regard this as impressive testimony to the broad fund of experienced management potential at our disposal.

Thus it is as rewarding as ever to place one's trust in Daimler-Benz. The strength of the company, as always, derives from its ability not to gear its development primarily, let alone exclusively, to short-term yardsticks of success.

This is fully compatible however with a determination to act very promptly indeed wherever such action is called for. We have demonstrated this on many occasions recently, wherever the restructuring of our corporate units in accordance with competitive criteria was concerned. We were particularly saddened by the consequences of AEG's unavoidable withdrawal from the office and communication systems sector for jobs at its location in Wilhelmshaven. At the same time, these events nevertheless showed that it is also possible, when all parties concerned co-operate responsibly, to keep the burden on those directly concerned within acceptable bounds.

Of course, the problems facing us are similar to those facing other companies too. The relinquishing of the Office and Communication Systems field of activity indicates, not least, the near impossibility of manufacturing certain industrial products competitively in Germany. New requirements in environmental matters, trends in traffic flows, the Single European Market, German unification, the restoration of freedom in the post-Communist countries, the globalization of economic activity - all of these create new tasks and new difficulties. At the same time, however, enormous new opportunities are opened up.

Our competitors are as aware of this as we are. It therefore continues to be of crucial importance that we successfully implement, in our day-to-day operations, the strategic path on which our company is embarked and which is entirely correct in its conception. In this regard, I believe that a thoroughly respectable picture again emerges when we take stock of the past year.

This is reflected above all in the fact that both our internal operating results and the net income shown in the financial statements are once again moving in an upward direction - although it should be borne in mind that we are merely coming out of a high-level plateau rather than emerging from a trough. There can be very few companies able to even contemplate such an ambitious re-orientation of their strategy and of their entire company structure without the associated costs plunging their annual results far into the red.

Your company has again, despite all the burdens, successfully held its ground on the market. For some, this alone would be reason for satisfaction. We however draw satisfaction only from those achievements that go beyond the horizon of day-to-day operations.

This applies not least to our endeavors to make further improvements to cost structures throughout the group. Our existing targets have been fully complied with. But further substantial progress in the coming years is necessary if we are to hold our ground against the efforts which our competitors will certainly be mounting. Clearly, there are no exceptions to this among our various areas of operation.

Even the longest-established structures need to be called into question. We are directing a spotlight on the flexibility and efficiency of our entire organization; these criteria must be applied by no means just at management level but also to the production process itself.

I will not conceal that following this examination it could well prove difficult, perhaps even impossible, to realize productivity improvements simply through natural wastage. This will depend not least on future economic trends; the present outlook makes us take a cautious view however.

Another objective must be to ensure even more rigorously than before that your company has sufficient presence in the international markets as far as the location of operations is concerned. This applies not only to the sales organization, but also to manufacturing operations or research and development. The agreement to manufacture Mercedes-Benz engines in South Korea under license, and the related acquisition of an interest in SsangYong Motor Company is one example; the founding of the Eurocopter S.A. joint venture by Deutsche Aerospace and its French partner Aerospatiale is another.

Proximity to the market and the endeavor to attain a strong competitive position in the new Federal States and in the post-Communist countries of Central and Eastern Europe is the motive underlying a number of important investment projects and acquisitions about which you will learn more in this report. At the more general level, experience has shown that a broader spread of locations gives a welcome degree of cushioning against exchange rate fluctuations.

In political terms, the preparations for the Single European Market have progressed far. Economically however, further adjustments will be necessary, even after January 1, 1993. This affects a number of fields in which our company is involved.

In the area of rail systems, for example, some European companies have not, by world standards, achieved a "critical mass" and have also up to now had some degree of protection in their national markets. Additionally, pioneer markets exist which are currently in transition to an era of high growth; as a result, international company structures in the fields of space, civilian aircraft and systems services are undergoing constant change.

Further action is therefore required, worldwide, although we remain convinced that despite the global developments, Europe must remain our home market.

To this end, additional expenditure will be necessary, be it in the form of direct investment or of acquisitions. With the same vigor, we shall also be pursuing the courses of collaboration with independent partners and the formation of strategic alliances.

Helicopters have already been mentioned. We very much hope that a European solution on similar lines will soon follow in the field of regional aircraft too. The worldwide success of the Airbus, in which we have a major involvement via Deutsche Airbus, clearly shows the major opportunities which are emerging in this area. We view as extremely important the alliance agreed last year between the French company Cap Gemini Sogeti and debis in the field of data processing.

Important too however are the joint ventures now arising on the basis of synergetic effects - now making themselves felt ever more strongly in the group. I am thinking for example of the new microelectronics company, in which the microelectronics activities of AEG and Deutsche Aerospace have been brought together.



In all of this you may have become aware of one problem to which no patent solutions exist and which we are nevertheless addressing with care and patience.

You may occasionally find it difficult to form a clear overview of your company. If so, this is essentially a consequence of applying standards geared to traditional industrial companies when viewing the international breadth of activity and dynamism which are indispensable for an integrated high-technology concern. If we wish to be successful we need, quite simply, a healthy mix of both familiar and progressive technologies, each contained in its own market-oriented division.

Since the life cycles not only of the products but also of the divisions as such inevitably differ, it has become more difficult to give you, our investors, a detailed and accurate presentation. The manufacturing and service-rendering companies grouped under our one roof require different levels of stockholders' equity. An overall assessment based on average values can lead to erroneous conclusions; I would refer here to the notes on our leasing business, which indicate that we must elaborate appropriate standards by which to measure ourselves.

All in all, 1991 provided sufficient proof of the earning power and vitality of your company. Again it showed that we need not shrink from comparison with anyone. Barring unforeseen eventualities, you can assume that the current year will see a further qualitative improvement in our consolidated statements, despite the many difficulties. This will be achieved not solely as a result of ordinary business activity but increasingly from the advantages of the new structure of Daimler-Benz AG.

We therefore believe it right, following a number of years without movement, to propose to our shareholders that the dividend for 1991 be increased to DM 13 per share. At the same time, we confirm that we are considering asking our Supervisory Board to approve implementation of part of the authorized capital increase, providing that this seems advisable taking into account the general stock market situation at the relevant time.

In recent times, the media have grown increasingly accustomed to bombarding the public with ever more reports of political, economic or ecological dangers. Certainly, this often reflects real facts and real concerns, which have a very direct bearing on our company too. Nevertheless, a somewhat unbalanced picture is presented.

This picture takes no account of the fact that the task of overcoming all these problems, and others still, within a defined time frame, hold major opportunities, now that the East/West conflict has ended, to release immense growth potential throughout the world. Your company is well prepared to play a major role in positive developments of this kind, which, we continue to believe, will bring particular benefits for our company.



# Report of the Board of Management

## Business Review

### Low World Economic Growth Continues

The slowdown in economic activity in most Western industrialized countries continued in 1991. The positive expectations for the United States which prevailed following the swift conclusion of the Gulf War were not fulfilled. Thus the world economy failed to receive the hoped for stimuli. The Japanese economy too lost considerable momentum during the course of the year. In Germany's West European neighbors, demand and production expanded only very slightly, or in some cases actually declined.

In the Federal Republic of Germany by contrast, economic growth continued; however, the exceptional boom resulting from reunification was far less dynamic than in the previous year. Following a generally favorable trend in the first six months of the year, the upward stimulus slackened off considerably in the second half of the year; tax increases and the rise in public borrowing, with negative consequences for interest rates, exerted a damping effect. The large rises in standard wages and salaries added fuel to this trend. By contrast, support to the economy was provided by the continued high level of investment activity and a rise in exports starting in the middle of the year. The high current account deficit began to fall again towards the end of 1991 due to a slackening of the spending boom in the new Federal states. Although the East German economy received tangible stimuli from state infrastructure projects and a range of private investment activities, industrial re-structuring meant that no improvement took place in the labor market.

### Daimler-Benz: Sales of DM 95 billion

In the 1991 financial year, the consolidated sales of Daimler-Benz totaled DM 95.0 billion (+ 11 %). Sales in the German market grew by 21 % to DM 44.4 billion, while in the other countries of the European Community,

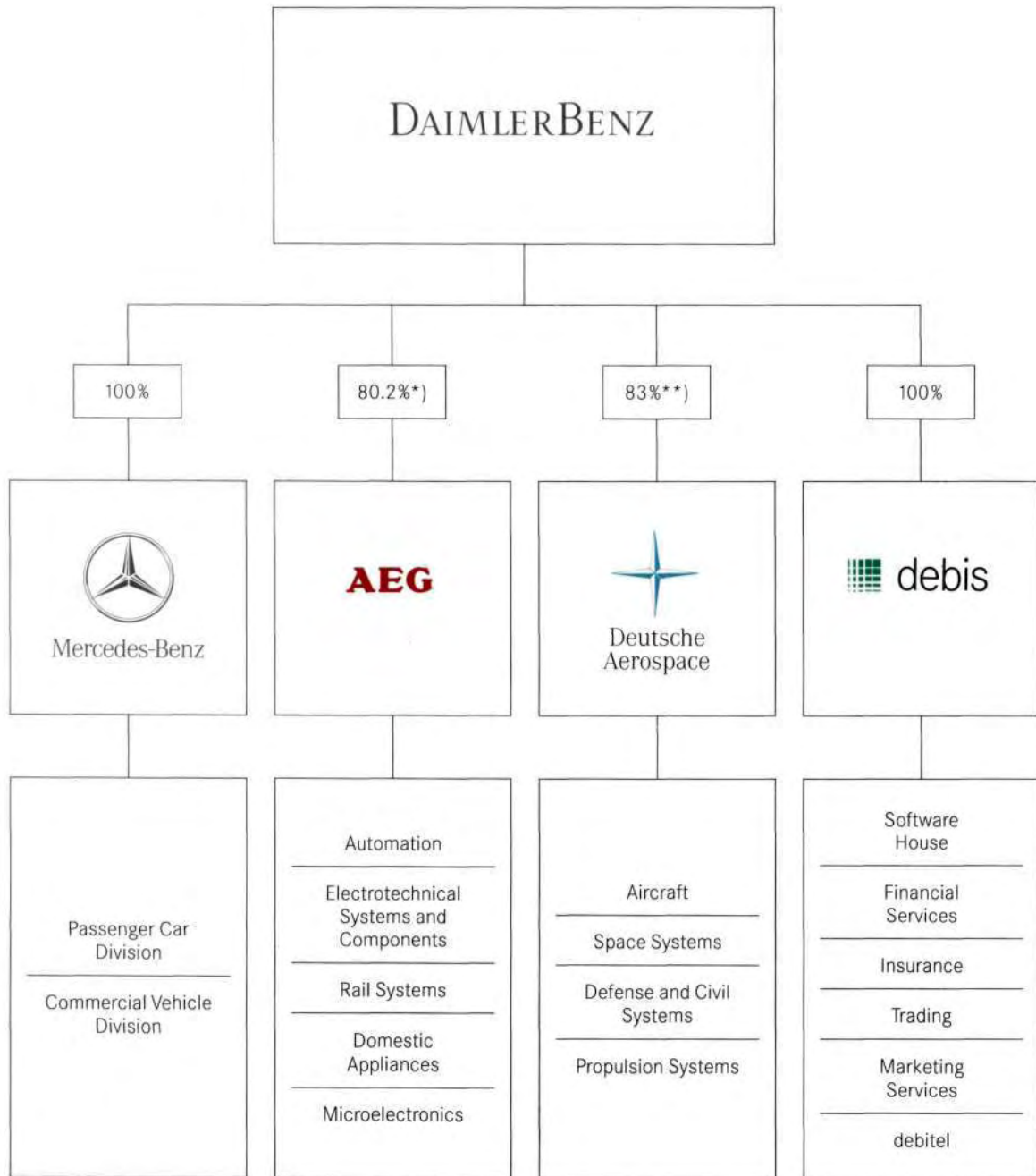
despite the decline in economic activity, sales remained at the previous year's level. Sales in the US market, at DM 12.0 billion, were only marginally below the level of 1990. By contrast, we increased our sales in the other foreign markets by 10 %. More than two thirds of consolidated sales were accounted for by the Mercedes-Benz corporate unit; AEG contributed 14 %, Deutsche Aerospace 13 % and Debis 4 %.

### Mercedes-Benz Cars: Sales Continue at a High Level

1991 was a more difficult year for car business generally. The production of the international car industry declined significantly for the first time following the upward trend of the previous eight years. Car demand in the USA fell appreciably once again. Though American manufacturers were particularly affected by this, the German importers too suffered considerable declines, while the Japanese manufacturers increased their sales and further expanded their market share. In Japan too, there was a fall in the number of new registrations. The West European market absorbed 13.5 million cars, only slightly fewer than in the previous year; substantial declines were recorded in the British, French, Spanish and most of the Scandinavian markets.

This decline was almost completely made up for by the positive trends in the Federal Republic of Germany, where increased demand triggered by reunification resulted in a record 4.2 million new car registrations (1990: 3.3 million). New car registrations in the new Federal states more than doubled, to 730,000 units; every second vehicle was supplied by foreign manufacturers. European and Japanese competitors, who in some cases faced substantial contraction of their own markets, thus participated in the favorable development in the German market and at 32 % maintained their share of the total market.

# The Daimler-Benz Group



\*) Outside Shareholders 19.8%,  
 \*\*) Free and Hanseatic City of Hamburg 7%;  
 Free State of Bavaria 10%

The overall weakness in important export markets resulted in a total decline of 19 % in exports of the German car industry to 2.2 million units. However, this in part reflects the fact that German manufacturers gave priority to serving the domestic market. The exceptional boom in the German market largely compensated for the fall in exports, with the result that capacity utilization remained high in the German car industry and the production volume of 4.7 million cars fell only slightly short of the high level of the previous year.

World sales of Mercedes-Benz in 1991 totaled 560,100 cars, almost repeating the level of the previous year. In Germany, 270,400 new Mercedes-Benz cars were registered, a rise of 10 %; increases were recorded in all model series. The diesel models were highly successful, their sales increased by 25 %. Pleasing growth was recorded for the compact series, the S-class, the SEC coupes and the SL models.

In foreign markets, however, we were unable to escape the generally negative market trend. Our sales here of 283,000 Mercedes-Benz cars were 8.6 % below the record level of 1990. In the other countries of the European Community, our sales declined by 3.3 % to 127,500 cars. Falls in the French, British and Benelux markets contrasted with double-figure growth rates in Italy and Spain.

In the USA, the slump in the market and the additional tax on luxury cars with a price of more than US\$ 30,000 hit us sharply. In Japan however, although new registrations fell, the company was able to maintain its position as the best-selling imported make. Sales to the Middle East experienced a recovery.

We produced 578,000 cars (1990: 574,200) during the past year, with full utilization of our production capacity. Increases were recorded particularly in the case of the SL and S-class models; the diesel share increased to 26.8 % (1990: 23.6 %) of total car production.

#### **Mercedes-Benz Commercial Vehicles: Leading Position Improved**

The economic downturn in numerous industrialized countries severely affected international commercial vehicle business in 1991. While sales in the USA declined again, Brazil, Argentina and Mexico absorbed more commercial vehicles. The Japanese market remained at the level of the previous year, while in Western Europe demand for commercial vehicles declined considerably. In the German market, the surge in demand due to reunification led to a growth in the market which benefited all European manufacturers.

Mercedes-Benz further expanded its position as the world's largest producer of trucks over 6 tonnes. In the West German states, our new registrations increased by 15 % to 97,300 trucks, vans, buses and Unimogs. In the new Federal states, 24,600 Mercedes-Benz commercial vehicles were sold. Weak commercial vehicle demand in major EC volume markets resulted in an 11 % fall in sales of Mercedes-Benz commercial vehicles in other Community countries to 64,900 units. Due to the positive trend in Germany, our total sales to all West European markets nevertheless increased by 16,500 to 199,100 commercial vehicles, so that our market share for trucks over 6 tonnes rose to 31.4 % (1990:26.3%).

At our commercial vehicle factories in Germany, 188,600 units (+ 12 %) were produced. Capacity was fully utilized throughout the year. Following the sharp increase in 1990, manufacture of parts kits for production abroad was cut back to 17,800 units (1990: 21,200). More than 8,300 LN1 and LN2 trucks were assembled on a commission basis during the past year at Nutzfahrzeuge Ludwigsfelde GmbH, south of Berlin.

As far as our foreign commercial vehicle companies are concerned, sales of Mercedes-Benz do Brasil increased by 33 % and those of Mercedes-Benz Argentina by 23 %. Assisted by the strong growth in the Mexican commercial vehicle market, sales of Mercedes-Benz Mexico climbed by 63 %. In the USA, Freightliner too was affected by the poor domestic demand but was nevertheless able to further increase its market share in class 8 trucks to 23 % (1990: 19 %). Sales declined at Mercedes-Benz of South Africa (- 12 %) and Mercedes-Benz Turk (- 21 %). On the other hand, an increase was again recorded at Mercedes-Benz Espafia (+19 %). In total, our foreign commercial vehicle companies increased their production by 19 % to 107,200 vehicles. Worldwide, 295,800 commercial vehicles (+ 14 %) left Mercedes-Benz assembly lines; this represented a new record.

#### **Restructuring at AEG**

The favorable trend in the German electrical engineering industry continued in 1991. Business of the AEG group was characterized by more or less balanced growth both in Germany and abroad. Sales growth in Germany was particularly pronounced in the fields of Rail Systems, Automation,

Electrotechnical Systems and Components and Domestic Appliances. The increase in sales outside Germany was accounted for in particular by the Microelectronics, Rail Systems and Automation fields of activity. In the Microelectronics field, the first-time inclusion of Siliconix of Santa Clara, California, resulted in growth.

Orders received by the AEG group during the 1991 financial year rose to DM 14.6 billion (+ 3.1 %). The domestic increase was due particularly to good business in Domestic Appliances and in the Electrotechnical Systems and Components field of activity. Export orders also rose, especially in the Rail Systems and Microelectronics fields of activity.

Given the continued poor business performance of AEG Olympia Office GmbH, AEG has decided to withdraw from office and communication systems; development and production activities in Germany will cease by December 31, 1992. Nevertheless, the "Olympia" marque, including the service and parts business, will continue to be represented on the market, as part of our efforts to keep to a minimum the job losses resulting from our withdrawal from this line of business.

In the course of restructuring the AEG group, AEG KABEL was sold on December 31, 1991 to the French group Alcatel; prior to the sale, manufacture of cable harnesses for the vehicle industry was hived off as TELEFUNKEN Kabelsatz GmbH and grouped with the vehicle electronics activities in the Microelectronics field of activity. AEG sold its Power Tools division on December 31, 1991 to the Swedish industrial concern Atlas Copco. In November 1991, a contract was signed to acquire the track-bound vehicle activities of Lokomotivbau-Elektrotechnische Werke Henningsdorf GmbH.

### New Management Structure at DASA

During the year under review, the new management structure was introduced in almost all sectors of Deutsche Aerospace (DASA). This means that across the still existing legal boundaries, the various activities are now combined in market-oriented, independently acting strategic business units.

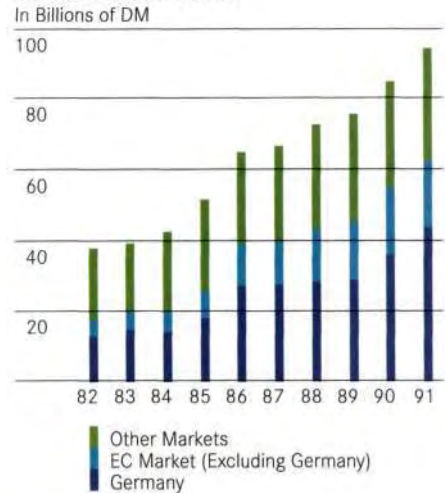
The structural concept for the Aircraft division was implemented by hiving off the Laupheim and Speyer factories of Messerschmitt-Bölkow-Blohm on July 1, 1991 and the Neuaußing factory of Dornier Luftfahrt on September 1, 1991. The three factories were taken over by Deutsche Airbus GmbH, in which MBB has an 80 % holding. In the Defense and Civil Systems division, parallel activities and overlapping areas have been eliminated; the structural concept for the Space Systems division is currently being implemented. With a view to future structural evolution, Daimler-Benz AG at the end of 1991 acquired the shares in MBB held by the state of Bavaria, which in exchange received shares in Deutsche Aerospace AG, thus raising our holding in MBB to 82 %.

In March 1991, MTU signed an agreement with the American company Pratt & Whitney regarding large-scale, wide-ranging co-operation in the aero-engine sector. In addition at the end of the year the helicopter division of MBB was merged with that of the French company Aerospatiale into the newly founded Eurocopter Holding S.A. With this joint venture, we aim to consolidate and expand our position in the world helicopter market.

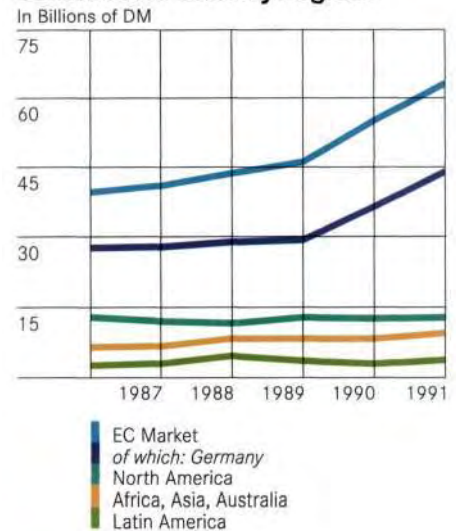
The consolidated sales of Deutsche Aerospace remained at approximately the same level as those of the previous year. A substantial rise was recorded in the Aircraft division, to which a rise in sales of Airbus assemblies and services contributed.

Overall sales of the Daimler-Benz group rose 11% to DM 95.0 billion – sales in Germany increased by 21% to DM 44.4 billion and foreign sales by 3.6% to DM 50.6 billion.

### Consolidated Sales



### Consolidated Sales by Regions



Sales of the Propulsion Systems division were similar to those of 1990, while the Space Systems division recorded a fall in income due to invoicing factors. The Defense and Civil Systems division increased its volume of business.

The volume of incoming orders was similar to that of the previous year, totaling DM 10.4 billion (1990: 10.8 billion). The value of orders on the books at the year end, totaling DM 22.8 billion (1990: DM 25.0 billion), would theoretically ensure capacity working for some 22 months.

### **Successful Enlargement of Daimler-Benz InterServices**

During the 1991 financial year, Daimler-Benz InterServices (debis) further expanded all its divisions as well as the breadth and depth of its services. At the same time, important decisions were taken with a view to improving the competitiveness of debis services in the national and international markets and to embarking on new and interesting fields of activity.

In its second year of operation, debis sharply boosted its total output, consisting of both sales and interest income from sales financing activities. Particularly pleasing business was recorded at Mercedes-Benz Credit Corporation, Norwalk/USA, at Mercedes-Benz Lease Finanz, Stuttgart and at the debis Software House.

With the acquisition of a 34 % holding in Sogeti S.A., the parent company of Cap Gemini Sogeti, which is the largest European software and systems company, a major step was taken towards rounding off debis' range of information technology services on an international scale. Through close,

wide-ranging cooperation between the Software House and the Cap Gemini group, it is hoped to strengthen debis' leading role in IT services in Europe and to improve its market position worldwide. With the acquisition of the European Diebold companies, the range of the debis Software House was extended to include information technology consultancy and organizational and management consultancy.

In the Financial Services division, the international presence was further improved with the founding of Mercedes-Benz Finance Japan Ltd. New financing companies for products outside the vehicle sector were founded in Germany and the USA. These companies do not use the name Mercedes-Benz but are called debis Finance or debis Leasing, debis and Mercedes-Benz are jointly preparing contract hire services to support commercial vehicle sales. With this scheme, the customer receives not just a vehicle but the required transport capacity for a specified period of time at a contractually agreed price. The Insurance division has made considerable progress in establishing its services on the market. The Trading division too substantially expanded its position in the fields of import trading and countertrade and opened up important markets. The Marketing Services division has now taken over almost all the domestic media budgets of the companies of the Daimler-Benz group and extended its range of services in all fields of activity. In July 1991, debis, as a majority partner, together with the METRO trading company and the American telecommunications supplier NYNEX founded debitel, which will supply mobile communications services.

### **379,000 Employees in the Daimler-Benz Group**

At the end of 1991, the Daimler-Benz group employed 379,252 people worldwide (1990: 376,785), 305,295 in Germany and 73,957 abroad. Of the total workforce, 17,233 (1990: 17,565) young people were apprentices or trainees.

As far as the individual corporate units are concerned, Mercedes-Benz employed 237,442 people at the end of the year, AEG 76,338, DASA 56,465 and debis 6,203. Daimler-Benz AG, including its holding companies abroad and the central research activities, employed 2,804 people.

The number of employees at Mercedes-Benz AG increased, particularly at the vehicle plants in Germany, as did the number of employees at debis. The workforce of DASA on the other hand declined by 4,800 people, largely due to the hiving off of three plants to Deutsche Airbus GmbH, which is not consolidated. At AEG, the number of employees fell slightly due to the sale of AEG Mobile Communication; the employees, as well as sales and incoming orders, of AEG KABEL and the AEG Power Tools division, which were sold at the end of the year under review, are still contained in the year-end figures. Almost all the production and assembly companies in the vehicle sector are represented in the slight rise in the number of employees abroad.

### **Further Rise in Group Purchasing Volume**

The Daimler-Benz group purchased goods and services to the value of DM 55.4 billion (1990: DM 50.4 billion) in 1991. Mercedes-Benz accounted for almost three quarters of this, AEG for 13.6 %, Deutsche Aerospace for 11.1 % and debis for 1.6 %. Despite the fall in raw materials prices during the year under review, high pay settlements led to a considerable rise in prices. Particularly affected were foundry and processed plastic products as well as capital goods. We countered the rise in prices by coordinating group-wide purchasing policy, by single sourcing and by concluding agreements with several years'

validity. In the steel industry, falls in demand in important export markets, excess capacity and increased pressure from imports led to price reductions.

In order to make better use of worldwide purchasing opportunities for the group, we extended our global sourcing activities. The first ever conference with potential suppliers was held in the United Kingdom and served to prepare the way for new business relationships. The cost reductions already achieved confirm the need to use world market opportunities more extensively. We also expect additional stimuli from the Single European Market in 1993.

By extending the scope of outside sourcing and giving suppliers complete responsibility for complex systems and components, we have intensified our collaboration with the supply industry. In view of the worldwide intensification of competition, the strategies and programs for reducing costs were further refined, in cooperation with our suppliers. We concentrated particularly on the flows of materials and information and the corresponding transport and storage systems. Ever-increasing priority is given in our purchasing decisions to the environmental compatibility of products and production processes and the recyclability of externally sourced parts.

We sharply increased our purchases from the new Federal German states during the year under review. We also expect co-operation agreements and joint ventures by our suppliers with firms in this region and in the countries of Eastern Europe to offer new opportunities.

We would like to thank all supply, transport and service-rendering companies for their trust and co-operation.

### Further Increase in Investment

During the year under review, the companies of the Daimler-Benz group once again invested large sums of money to safeguard future operations. Despite high capacity utilization at almost all production locations, our investment program proceeded smoothly and on schedule.

Additions to fixed assets totaled DM 6.5 billion (1990: DM 5.7 billion) in the year under review. Intangible assets rose by DM 0.6 billion, which represents, above all, the goodwill capitalized upon acquisition of a 40 % holding in Eurocopter Holding S.A. Two thirds of the large rise in additions to financial assets of DM 2.3 billion related to the acquisition of a 34 % holding in Sogeti S.A., the parent company of the French software and consultancy company Cap Gemini Sogeti; the remainder represents the 10 % holding in Metallgesellschaft and capital increases and acquisitions in the corporate units. The investment in fixed assets and intangible assets together was fully covered by the cash flow of DM 7.8 billion (1990: DM 6.7 billion); the acquisitions were financed from abundant liquid resources.

DM 4.1 billion (1990: DM 3.5 billion) of the fixed assets investments of the group was accounted for by Mercedes-Benz. As in previous years, the emphasis of investment activity was on the Passenger Car division. DM 2.6 billion - 28 % more than in 1990 - was invested during the year under review in efficient, innovative and economical production facilities, in new products and in preparations for future tasks. A total of DM 1.1 billion was invested in the Commercial Vehicle division, 51 % of this at our plants and central departments in Germany and 49 % at our foreign production companies. Additions to fixed assets totaled DM 0.9 billion at AEG, DM 1.0 billion at DASA and DM 0.3 billion at debis. Investment in these corporate units was primarily geared to product renewal, modernization of production capacity and achieving increased productivity.

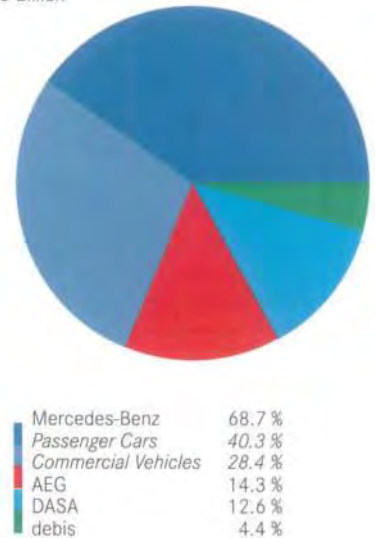
Mercedes-Benz: Full capacity utilization at the passenger car and commercial vehicle plants in Germany.

Re-orientation at AEG.

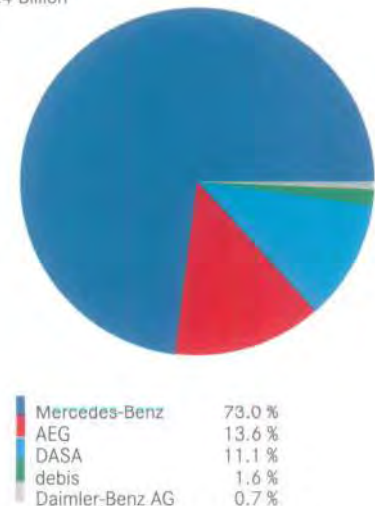
New management structure at Deutsche Aerospace.

Further expansion of all debis divisions.

**Consolidated Sales by Corporate Units**  
DM 95.0 Billion



**Purchasing Volume**  
DM 55.4 Billion



Investment in the vehicle leasing activities of Daimler-Benz increased further from DM 3.6 billion to DM 4.2 billion; this is financed by depreciation and disposal charges and by sequential additions to liabilities. Borrowing to finance the leasing and sales financing companies totaled DM 8.1 billion (1990: DM 6.6 billion).

#### **DM 8.4 billion spent on Research and Development**

DM 8.4 billion (1990: DM 8.2 billion) was spent in the Daimler-Benz group in 1991 on research and development. Self-financed projects accounted for 58 % of this; commissioned research and development work is more or less confined to Deutsche Aerospace. Worldwide, more than 34,000 employees work in the research, development and testing sectors.

"Research" at Daimler-Benz is a task which transcends the individual corporate units and is the responsibility of the executive holding company, which employs some 1,500 people in this division. The "Technology" sector ensures that research findings from within and outside the group are collated, assessed and efficiently translated in development and production into new products and fields of activity. Joint research fields at the group-wide level are concerned with questions of transport technology, materials, information technology, production research, the environment and the inter-relationship between technology and society. Mercedes-Benz spent a total of DM 3.2 billion (1990: DM 3.1 billion) on research and development in the Passenger Car and Commercial Vehicle divisions in 1991.

In March 1991, the Passenger Car division presented the new S-class to the public at the Geneva Motor Show; this completely new vehicle conception sets the standards in the luxury segment of the car market. At the Frankfurt International Motor Show in September, 1991, we presented the 300 CE-24 convertible, an open Mercedes-Benz four-seater in which we have realized the highest standards of occupant protection thanks to innovative technical solutions. The 350 GD Turbo with 3.5 litre 6-cylinder diesel engine was also shown for the first time in Frankfurt. The new S-class coupes (500 SEC and 600 SEC) presented in January 1992 at the Detroit International Auto Show offer the same high standards of comfort, handling, safety and performance as the S-class sedans. Our car range as a whole has been made even more attractive, particularly in the field of safety, with a large range of new and improved equipment.

New products and further product improvements were introduced in the Commercial Vehicle division too. The new LEV (Low Emission Vehicle) engines already comply with the stricter emission limits imposed by Euro 1. With these engines we aim not only to achieve our environmental targets but also to further enhance the economy, durability and performance of our commercial vehicles. The Mercedes-Benz truck range now includes the new 3548 S heavy-duty tractor. The year under review also saw the production start and market launch of the new 0 404 touring coach.

At our foreign subsidiaries too, numerous new models went into production. At the Frankfurt International Motor Show, Mercedes-Benz Espana presented the completely revised MB 100 D van series. Our American subsidiary Freightliner's existing range of Class 8 heavy-duty trucks was joined by medium-heavy distribution trucks in Classes 6 and 7 (permissible gvw 8.8 to 15 tonnes). With the new COE series, Mercedes-Benz do Brasil concluded the complete modernization of its product range.

Research and development expenditure at AEG during the year under review totaled DM 767 million (1990: DM 782 million), or 5.5 % of the consolidated sales of AEG. Research work concentrated on drive systems and automation, systems and software technology, microelectronics, integrated high-performance power breakers, pattern recognition, high-temperature superconductors and electronic connection and mounting technology. In 1991, AEG was again involved in a range of national and international research projects, chiefly in its Microelectronics, Automation and Rail Systems fields of activity.

During the year under review, the companies of the DASA group spent DM 4.3 billion (1990: DM 4.2 billion), or 35 % of their sales, on research and development. As in the previous year, externally commissioned projects accounted for DM 3.5 billion of this while DM 0.8 billion was spent on the company's own projects. In the Aircraft division, focal activities were the Dornier 328 regional aircraft and the EFA European Fighter Aircraft. The principal activities in the Space Systems division were the Columbus, Hermes and Ariane 5 programs, the ERS-2 remote sensing satellite and the Cluster solar research satellites. In the Defense and Civil Systems division, work centered on the Pars 3 anti-tank system, radio reconnaissance and surveillance systems and radio and television transmitters. In Propulsion Systems, work focused on the European Fighter Aircraft engine and the MTR 390 helicopter engine. Development of the new generation of diesel engines proceeded according to schedule.



**Consolidated Net Income  
Increases to DM 1.9 Billion**

The consolidated income statement of the Daimler-Benz group for 1991 shows a net income of DM 1.9 billion. When comparing this with the net income of the previous year it must be borne in mind that the tax bill for the year under review is drastically reduced, since it was for the first time possible to use substantial losses assumed from AEG and Dornier to reduce taxable profit. On the other hand, the 1991 statement contains extraordinary expenditure of DM 0.5 billion arising from structural streamlining at AEG. At DM 4.0 billion, the results from ordinary business activities were 4.6 % below the corresponding figure for the previous year; this fall was due to extensive provisions against future contingencies which are reflected in the increased cash flow.

The vehicle sector continues to underpin the pleasing general trend in the results of the Daimler-Benz group. The very strong domestic demand for cars and commercial vehicles, which ensured full capacity utilization, was a primary contributor to these results. Further stimulus was provided by a more favorable model mix and cost-reduction programs, while damping effects were exerted by the fall in sales in foreign markets, the low value of the US dollar and preparations for the production launch of new models.

The negative contribution of the AEG group was primarily accounted for by provisions made for AEG's withdrawal from office and communication systems. The extraordinary expenditure was partially absorbed by the profit arising from the sale of AEG KABEL. As far as the company's other fields of activity are concerned, substantial improvements in results were achieved, particularly in Automation and Domestic Appliances. However, these positive results did not suffice to compensate for the losses.

Due to gratifying results at Deutsche Airbus GmbH, which although not consolidated is included in the results as an affiliated company in accordance with the equity method, the consolidated statements of DASA showed a positive result; in 1991 however, owing to the use of additional, optional accounting procedures, the results of Deutsche Airbus are not yet reflected in a positive contribution to the net income of Daimler-Benz. Earnings were adversely affected by high expenditure at Dornier Luftfahrt GmbH for the development of the Dornier 328 and restructuring measures at Dornier Medizintechnik.

The increased contribution made by debis is especially attributable to the again favorable development in the Financial Services division.

In the non-operating sector, net interest income fell by DM 0.4 billion to DM 0.6 billion. A small increase in income from interest and securities contrasted with a substantial rise in interest expenses, due to higher liabilities for leasing and sales financing activities. The monetary adjustment made to the financial statements of subsidiaries in high-inflation countries is also included in the consolidated statements of Daimler-Benz and goes some way towards eliminating "apparent" profits.

Investment in fixed assets: DM 6.5 billion

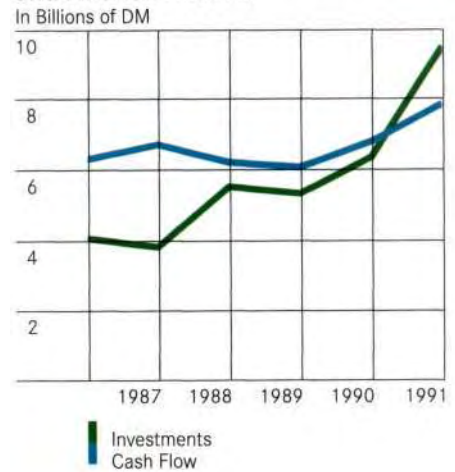
Expenditure on research and development: DM 8.4 billion

Net income: DM 1.9 billion

Cash flow: DM 7.8 billion

Proposed dividend: DM 13.00

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



### Sound Balance Sheet Structures Unchanged

The increase in the volume of business led to a rise of DM 8.4 billion in the balance sheet total to DM 75.7 billion. The sharp expansion in leasing business and the substantial rise in fixed and financial assets meant that the assets side of the balance sheet now contains a higher proportion of long-term assets. Current assets rose by DM 2.4 billion and now account for 59 % (1990: 63 %) of total assets. The equity ratio is unchanged at around 30 %. Due to the very high investment in fixed and financial assets, the coverage of non-current assets by stockholders' equity fell from 102 % to 89 %. The finance service business financed by borrowing was not included in the calculation of these two key figures. Taking into account medium and long-term provisions, particularly pension provisions, the share of long and medium-term capital in the consolidated balance sheet total amounts to 62 %. Both non-current assets and inventories are fully covered by this.

### Allocation of Earnings

The net income of Daimler-Benz AG increased by 6.6 % to DM 1,194 million. Making use of Section 58 of the German Stock Corporation Law, the company again transferred half of its net income to the retained earnings of the holding company. By far the largest contribution was made by Mercedes-Benz AG, which again transferred its entire earnings, amounting to DM 1,100 million. Deutsche Aerospace AG contributed DM 30 million. On the basis of control and profit and loss transfer agreements, losses of DM 451 million were assumed from AEG Aktiengesellschaft and DM 15 million from Daimler-Benz InterServices AG.

At our Annual General Meeting on June 24, 1992, we shall propose that a dividend raised from DM 12 to DM 13 be paid per share of DM 50 par value. The total dividend amount will thus increase from DM 557 million to DM 605 million.

### Outlook

At the beginning of 1992, most of the Western industrialized countries continue to face a difficult economic situation. There is no indication that a significant recovery will take place in the remaining months of the year. In the Federal Republic of Germany too, the conditions for further growth in demand and production are not as favorable as in 1991.

The German car industry expects a decrease in sales in its domestic market in 1992 due to a slowdown in economic activity. In the other West European countries and in the USA, the recovery in demand will be gradual. The Japanese market will probably absorb more vehicles than in the past year. Despite the uncertain overall economic environment, Mercedes-Benz expects to be able to repeat its sales of 1991, thanks to its attractive car range.

As far as commercial vehicles are concerned, the German manufacturers expect a general decline in domestic sales. Even in the event of a recovery in the other European commercial vehicle markets, this would not fully compensate for the drop in demand in Germany. Thus the battle for market share and the mergers already taking place in the European commercial vehicle industry will continue unabated. For the present financial year, Mercedes-Benz is nevertheless preparing for a further increase in worldwide sales of its commercial vehicles. The hoped for economic upturn in the United States and improved market conditions in South Africa and Turkey offer a promising basis for this. Uncertainties remain in Brazil and Argentina. Our Mexican subsidiary on the other hand will be able to continue its expansion.

If we want to fully utilize the opportunities arising in the East European markets, we will have to establish production facilities in these countries too. To this end, we are holding talks with Czech commercial vehicle manufacturers.

At AEG, the sale of the cable business and the Power Tools division and the withdrawal from office and communication systems will mean that sales and incoming orders will fall from the 1991 level. An increase in business is expected particularly in Rail Systems, Power Transmission and Distribution and at TELEFUNKEN electronic. In Germany, we expect a slight rise in sales, while export business will be stimulated by the expected economic recovery in important Western markets. AEG intends to further increase the international competitiveness of its products; this will include appropriate forms of co-operation with other companies, ranging from business alliances to the take-over of further companies.

Within the Daimler-Benz group, AEG and Deutsche Aerospace will be combining their microelectronics activities in a joint venture. The locations of AEG in the new Federal states offer a basis with promising prospects not least as far as business with East European countries is concerned.

For the current financial year, Deutsche Aerospace expects a rise in sales, supported chiefly by higher income from the Propulsion Systems and the Defence and Civil Systems divisions. Intensified co-operation with Pratt & Whitney is leading to increased business, not least in civilian aero-engines; in the defense sector,

the start of deliveries for the Stinger program is contributing to growth. In the Aircraft division, the hiving off of several factories and reduced invoicing for the European Fighter Aircraft and Tornado programs mean that we will not be able to equal last year's level of business. The decision of the German government, promised for the middle of the year, regarding the purchase of the European Fighter Aircraft, will have a substantial impact on the further course of business.

The volume of sales in the Space Systems division will remain unchanged from the 1991 level; one focus will be the invoicing of the retrievable carrier Eureka; in the Ariane program, increased income is expected. Future developments in the field of space remain uncertain, since no final decision has yet been taken regarding the long-term future of the Hermes and Columbus space programs. An important target for 1992 is the further development of the DASA company structure; the next step will be to integrate the MBB and TST companies into Deutsche Aerospace.

In the coming years, Daimler-Benz InterServices will expand its business particularly with customers outside the group. An important task of the debis Software House will be to extend its partnership with Cap Gemini Sogeti. The Financial Services division will continue to support sales of Mercedes-Benz vehicles and at the same time provide similar services for

products of AEG, Deutsche Aerospace and also the debis Software House. In the Insurance division, business with external industrial clients and with private customers will be further expanded. The Trading and Marketing Services divisions will be adding further services to their range.

We plan to make major strides in the coming years with regard to the restructuring of Daimler-Benz into an international high-technology concern. We will be channeling our technological potential and the knowledge and skills of our employees into developing the products and services of the future. The plans to combine the microelectronics activities of AEG and Deutsche Aerospace already provide an example of the promising possibilities which exist for integration. Further scope is to be found in the fields of transport and traffic management systems; for this purpose we have founded a new company, Intertraffic GmbH, into which know-how from every area of the group will flow.

In order to maintain our successful performance in international competition in the years to come, we shall continue to implement the cost reduction programs already underway. Given the high wage and salary levels in the Federal Republic of Germany, reductions in the scope of in-house manufacture are an increasingly important consideration. Leaner personnel structures and reduction in the number of hierarchical levels will assist in this respect; at the same time, such measures will provide an important motivation for our employees to identify more closely with their particular tasks.

At the present point in time, we expect a further increase in sales and operating results for the current year.

From today's point of view, we expect a further rise in sales and results in 1992.

Our cost reduction programs are consistently pursued.



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## Mercedes-Benz

DM Amounts in Millions	1991	1990
Sales	67,104	59,815
Year-end results	1,548	1,545
Investment in Fixed Assets	4,132	3,453
R+D Expenditure	3,207	3,083
Employees (12/31)	237,442	230,974

In 1991, Mercedes-Benz maintained the upward trend of the preceding years. Consolidated sales rose 12 % to DM 67.1 billion; at DM 1,548 million, the year-end results were approximately equal to their high level of the previous year. Sales of the Passenger Car division rose 11 % to DM 39.5 billion, while those of the Commercial Vehicle division increased by 14 % to DM 27.6 billion. Once again, cars contributed 59 % and commercial vehicles 41 % to the total volume of business.

Sales of Mercedes-Benz in the European Community increased by 18 % to DM 43.6 billion, which represented 65 % (1990: 62 %) of total sales. The largest portion of this, DM 30.8 billion, was achieved in the Federal Republic of Germany, an increase of 27 %. Despite the poor demand in some important markets, income from outside the EC amounted to DM 23.5 billion (+ 3.0 %). Sales of Mercedes-Benz AG alone totaled DM 54.9 billion (1990: DM 48.6 billion).

The total workforce of this corporate unit at the end of 1991 had increased to 237,442 (1990: 230,974), including 11,104 apprentices and trainees (1990: 11,288). In Germany, the number of employees increased by 3.4 % to 185,154. Our companies abroad increased their workforce to 52,288 (1990: 51,854).

The wide-ranging investment program was continued. Global fixed asset investment by Mercedes-Benz totaled DM 4.1 billion (1990: DM 3.5 billion), of which Germany accounted for DM 3.3 billion (1990: DM 2.8 billion). As in previous years, the emphasis was on the Passenger Car division; DM 2.6 billion (+ 28 %) was invested during the year under review in efficient, innovative and economical production facilities, in new products and in preparations for future tasks. A total of DM 1.1 billion was invested in the Commercial Vehicle division; 51 % of this was spent at our plants in Germany, where the focus was on the introduction of new technologies and additions to the product range while at the foreign production companies, the emphasis was again on updating vehicle ranges and expansion and modernization measures. Mercedes-Benz spent over DM 300 million on strengthening its worldwide sales organization and preparing it for fiercer competition; some DM 125 million was invested in vehicle preparation centres and parts stores in Germany and Japan alone. Expenditure on research and development increased in 1991 to DM 3.2 billion (1990: DM 3.1 billion).

In the Passenger Car division, we expect to be able to repeat our sales of 1991 in the current year, thanks to the attractiveness of our range. As far as commercial vehicles are concerned, we expect further worldwide growth in sales, despite the slackening of demand in Germany.



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## Passenger Car Division

DM Amounts in Millions	1991	1990
Sales	39,513	35,527
Investment in Fixed Assets	2,589	2,024
R+D Expenditure	2,111	2,100
Production (units)	577,990	574,227
Employees (12/31)	103,632	100,479

### Downturn in Important Markets

The slowdown in the international car market which began in 1990, gathered pace during the year under review. The high sales volume of 1990 was therefore not repeated; world production fell by 4.6 % to 34.7 million vehicles. A crucial factor in the downturn was the poor state of the US economy. The car industry was particularly affected by this. After substantial increases in the previous three years, sales in Japan fell by 4.6 % to 4.9 million cars. In Western Europe, new registrations were only slightly below those for 1990 at 13.5 million cars. This reflects the exceptional boom in Germany; in the rest of Western Europe, car demand fell by some 8 % overall. Production in Western Europe was cut back to 13.2 million cars (- 4.3 %). Their share in world production continues to stand at more than 37 %.

### German Unity the Driving Force in Car Demand

The demand for cars resulting from German reunification and the favorable general trend in the German economy during 1991 were sufficient to help the German vehicle industry make up for the poor export demand. In former West Germany, new car registrations with 3.4 million cars, were 13 % above the record level of the previous year, while in the new German states, 730,000 new registrations were recorded. Foreign manufacturers maintained their 32 % share of the German car market; in the new German states their share was around 52 %. The increase in sales of Japanese makes in Germany was below the average however and their share of the West German market fell from 15.8 to 14.5%.

In 1991, the market again overwhelmingly favored environment-friendly vehicles. In former West Germany, 96.4 % of all newly registered cars fell into the category defined in German law as "pollutant-reduced"; of the petrol-engined cars, 96 % were equipped with a closed-loop three-way catalytic converter. The diesel share of the total car market increased to 13 % (1990: 11%).

Exports of German cars were affected by the generally difficult economic situation in important volume markets. In other Western European countries, the USA and Japan, sales were in some cases well below the level of the previous year. Exports declined by 19 % to 2.2 million cars, although it should be noted that various manufacturers gave priority to serving the high demand from the domestic market and that the total figure is influenced by the sharp drop in exports from the new Federal states. In the former West German states, the previous year's record volume of 4.7 million cars built was repeated despite the decline in exports and the production start of new models. In the new German states however, only 17,200 cars,

almost all of them destined for East European countries, left the assembly lines compared with 152,500 in 1990; assembly of West German makes of car on the other hand rose from 4,100 to 59,300 units.

### Mercedes-Benz: High Number of Registrations in the German Market

Assisted by buoyant demand in the German market, 270,400 Mercedes-Benz cars were newly registered during the past year (+10 %). Sales of diesels alone totalled 89,200 units (+ 25 %). The demand for our compact series was particularly gratifying, with 96,100 new registrations in 1991 (+ 12 %). New registrations of our mid-series also increased, from 138,800 to 145,500 saloons, coupes and T-models. New registrations of the S-class totaled 20,100 (1990: 14,100) during the year under review; this success was largely attributable to the introduction of our new models. Demand remained high for our SL roadsters of which 7,500 (1990: 4,700) were supplied to customers in Germany. 7,700 Mercedes-Benz cars were newly registered in the new German states in 1991.

### Decline in Foreign Sales

Sales of 283,000 Mercedes-Benz cars abroad in 1991 were 8.6 % below the previous year's record level. In the European Community outside Germany, we sold 127,500 cars (- 3.3 %). In Italy, where 43,400 Mercedes-Benz cars (+11%) were sold, we further improved our market position. On the other hand, sales of 26,400 cars in France were 8.0 % below the level of 1990. Due to the sharp decline in the





United Kingdom car market as a whole (- 21 %), Mercedes-Benz sales too fell by some 5,900 to 21,400 units. In Austria, our sales of 10,100 cars (+ 5.6 %) once more surpassed the good results of the previous year; a new record volume of 9,600 cars was sold in Switzerland (+ 4.3 %).

Despite the difficult economic situation, the United States of America remained our largest export market, although our car sales there fell during the year under review to 58,900 (- 25 %). In Japan, the slowdown in the vehicle market had an effect on demand for our cars. Nevertheless, although new registrations of Mercedes-Benz cars declined by 12 % to 34,100 vehicles, we were able to maintain our previous year's position as the best-selling imported make; the fall was solely in the grey market, whereas sales via the authorized Mercedes-Benz dealer organization increased further.

In the 1991 financial year, Mercedes-Benz maintained its overall position as the world's largest manufacturer of particularly high-quality passenger cars, with production of 578,000 units (1990: 574,200). As a result of a substantial rise in demand during the year under review, the proportion of diesel cars built rose from 23.6 % to 26.8 %. 7,200 cross-country vehicles (- 6.7 %) were manufactured on a commission basis for Mercedes-Benz by Steyr-Daimler-Puch AG in Graz, Austria, during the past year.

### Additions to the Model Range

In March, we presented the new S-class to the public at the Geneva Motor Show. These vehicles set new standards in the luxury vehicle category. Proven technologies and many innovations offer our customers a high degree of perfection. One of many fundamental innovations is the networking of the electronic control units via a fast data bus. The appointments of the new models meet the highest standards.

We presented further new features at the Frankfurt International Motor Show in September 1991. The 300 CE-24 convertible is the first open Mercedes-Benz four-seater in the range for more than 20 years. The 350 GD TURBO is now the new top model in the cross-country vehicle range. The 400 E, presented in October at the International Motor Show in Tokyo rounds off the upper end of our mid-series.

In January 1992, we presented the new S-class coupes, the 500 SEC and 600 SEC, at the Detroit International Auto Show.

### Innovations in the Field of Safety

The high Mercedes active and passive safety standards have been raised further by means of various new features. Innovations in occupant protection such as the automatic safety system in our new four-seater convertible are further milestones in automotive manufacture.

More than 3 million ABS systems, 8 million belt-tensioners and more than 900,000 airbags that have been fitted in our passenger cars underscore the pioneering role of Mercedes-Benz in the field of active and passive safety.

### High Investment to Safeguard the Future

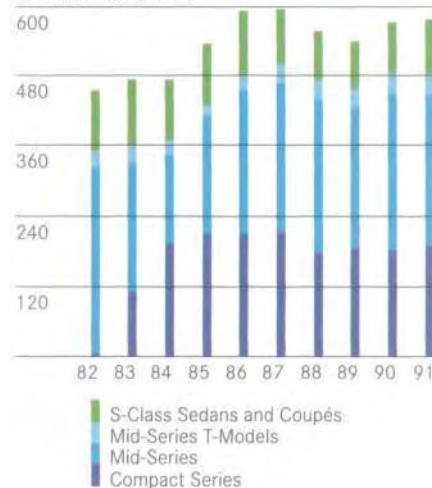
DM 2.6 billion was invested in the Passenger Car division in 1991 to develop new products and production facilities and to prepare for the tasks of the future; this sum was some 28 % more than in the previous year.

By using the latest production technologies, we not only safeguard the quality of our products, we also ensure humane workplaces and effective environmental protection. Our investment focused on the production start of the new S-class, the new four-valve engines and development work on the four-seater mid-series convertibles and the S-class coupes. In spring 1992, the four-seater mid-series convertible went into production. In 1991,

Mercedes-Benz was able to increase passenger car sales by 11% to DM 39.5 billion.

Sales in Germany rose by 25% to DM 18.6 billion, foreign sales by 1.4% to DM 20.9 billion.

**Mercedes-Benz Passenger Car Production**  
In Thousands of Units





preparation at the Sindelfingen factory for production of the S-class coupes proceeded at full speed; the coupes will go into production in summer, 1992. Work on the Rastatt car assembly plant, a central element of our investment for the future, progressed rapidly; the first stage of construction was largely completed during the year under review. Preparations for the next stages are proceeding according to schedule.

### **Further Progress Towards Shorter Development Times**

Mercedes-Benz has set itself the task of shortening development times without prejudicing the maturity of new models going into production. To meet these challenges, the development time frame had to be reduced by restructuring and by an expansion and modernization of facilities.

During the past year, new engine test benches went into operation and the emission testing centre was expanded. To cut down time-consuming trial drives with test engines, we have set up two high-performance test benches with which all the demands made on an engine during operation can be precisely simulated.

For testing under special climatic conditions a new heat tunnel is used. In conjunction with a roller dynamometer, the heat tunnel allows us to test and improve engine cooling and air-conditioning systems quickly, in the vehicle itself.

New development methods also include stereolithography, whereby a three-dimensional plastic model can be created in just a few hours using a CAD data record, without the need for a tool.

### **Intensive Co-operation with the Supply Industry**

Changes in the international economic environment have created new and challenging tasks both for the automotive supply industry and for Mercedes-Benz itself. The most important of these concern technological development and environmental protection, quality standards and cost efficiency.

Our purchasing department is increasingly working with suppliers of complete systems. These suppliers take comprehensive responsibility for supplying complete vehicle sub-systems; this applies to costs as well as to engineering. We also intend to step up the co-operation between our suppliers and the Mercedes-Benz development department. A further priority on the purchasing front has been to expand our relations with competitive foreign suppliers.

### **Motor Sport: Twofold Success in the German Touring Car Championships**

Mercedes-Benz announced that it would be regarding 1991 as an "apprenticeship" year in the World Sports Car Championship, which for the first time specified prototypes with 3.5 litre naturally aspirated engine, since we entered with a vehicle which was completely new, including its engine and transmission. After some severe setbacks in the middle of the season, our drivers concluded the season in style, as in 1988, 1989 and 1990. A victory for Mercedes-Benz junior drivers Michael Schumacher and Karl Wendlinger in Autopolis, Japan, brought to a close the Silver Arrows' three years in the World Sports Car Championship.

1991 was our best year in the German Touring Car Championships since the start of the works-supported activities in 1985. Of four championship placings, two went to Mercedes-Benz: the marque and the team championship. In the German Touring Car drivers' placing and the international touring car racing association (ITR)'s drivers' cup, Klaus Ludwig took second place. Mercedes-Benz was thus

the most successful marque in the 1991 German Touring Car season - eloquent proof of the sporting capabilities of the 190 model.

For strategic reasons, we have decided to make changes in our motor sport activities. We see little future scope for our company in Group C. We do not wish to take part in Formula 1 since we are firmly convinced that it is not of primary importance for a vehicle manufacturer such as Mercedes-Benz to compete in this racing category. The focus of Formula 1 racing is solely on the drivers' championship and not on competition between marques. We shall continue however to take part in the attractive German Touring Car Championships and shall be urging a Europeanization of this series.

### **Outlook**

In the western part of Germany, new car registrations in 1992 are likely to stabilize at a lower level than in the record year of 1991 due to a slowing down in the economy. In the eastern part of Germany too, the 1991 market volume, which resulted from an enormous demand backlog, is unlikely to be repeated.

In view of relaxation in monetary and credit policy, our expectation for the neighboring West European countries and - at least in the second half of the year - for the USA is for a moderate upturn in vehicle demand in 1992. A slight increase in sales in Japan is expected.

In 1992, despite the more difficult market conditions, Mercedes-Benz sees good possibilities of repeating the sales level achieved in the year under review. We expect the new S-class in particular to impart further stimulus to our sales.



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## Commercial Vehicle Division

DM Amounts in Millions	1991	1990
Sales	27,591	24,288
Investment in Fixed Assets	1,124	851
R+D Expenditure	1,096	983
Production (units)	295,794	258,947
Employees (31.12)	96,762	93,920

### Slow Down in Important Commercial Vehicle Markets

International commercial vehicle business was affected in 1991 by the difficult macro-economic conditions in many industrial countries. Of the large markets in Western Europe, only the Federal Republic of Germany achieved sales greater than in 1990 for commercial vehicles. In the world as a whole, commercial vehicle production declined by 5.0 % to 11.9 million units.

In the USA, sales decreased by 10 % to 4.3 million commercial vehicles, as a result of the stagnating economy. The Category 8 heavy-duty trucks alone suffered a slump of 19 % to 98,800 units. American manufacturers as a whole had to reduce their production by 9.4 % to 3.4 million units. In Mexico and Argentina, the consistent stabilization and liberalization policy had a favorable effect on commercial vehicle business. Despite the economic climate in Brazil being marked by uncertainty, the commercial vehicle market was able to recover. New registrations of commercial vehicles in Japan stabilized at the level of 1990, at 2.7 million units, after a two-year downward trend. Exports of domestic producers fell again, following a period of persistent decline, by 3.4 % to 1.3 million commercial vehicles. Production at 3.5 million commercial vehicles was therefore 1.3 % below the level of 1990; however, the share in world production rose to 29% (1990: 28 %).

After the long boom period in the second half of the eighties, the difficult economic climate in most countries of Western Europe led to a decline in demand. In the European Community, new registrations of commercial vehicles dropped by 4.7 % to 1.6 million. Production dropped to 1.6 million commercial vehicles (- 11 %); in the case of trucks over 6 tonnes, it remained at the level of 1990 with 245,000 vehicles.

### Special German Market

Special economic conditions prevailed in Germany due to increased demand resulting from reunification. This was to the benefit of all European manufacturers. Demand for commercial vehicles rose for the seventh year in succession in the Federal Republic of Germany. This was particularly due to the extensive need in the new Federal states for more technically up-to-date vehicles. In the old Federal states, the lively commercial vehicle business of 1990 continued due to the favorable macro-economic conditions. Total new registrations of 332,300 commercial vehicles in Germany exceeded the already high level of 1990 by 48 %. Exports by German commercial vehicle manufacturers declined from 191,900 to 162,400 units. Despite the lower demand abroad, the domestic commercial vehicle industry was producing at full capacity over an extended period. Recording a growth level of 2.3 %, to 357,800 commercial vehicles, it reached its highest manufacture level so far; in the old Federal states alone, production rose by 13 % to 355,500 units.

### Mercedes-Benz: Further Expansion of Market Position in the West European Countries

Our position as the world's largest producer of trucks over 6 tonnes was further extended in important European markets.

In the old Federal states, new registrations increased by 15 % to 97,300 Mercedes-Benz commercial vehicles. For vans from 2 to 6 tonnes, which are mainly used in regional distribution, new registrations increased by 17 % to 47,700 units. New registrations of our trucks over 6 tonnes climbed by 15 % to 45,500 vehicles. In the new Federal states, 24,600 Mercedes-Benz commercial vehicles were newly registered.

As in 1990, the sharp decline in demand on the larger West European markets also had an adverse effect on the commercial vehicle business of Mercedes-Benz. Our exports of products made in Germany therefore fell by 8.0 % to 80,100 units. Vans and medium-heavy trucks were particularly affected. With sales of 23,100 heavy-duty trucks over 16 tonnes, we sold 3.9 % fewer units abroad than in 1990. Our sales figure of 64,900 commercial vehicles in the countries of the European Community excluding Germany were 11 % lower than in 1990. In France, our largest West European market outside Germany, sales of Mercedes-Benz commercial vehicles decreased by 14 % to 17,500 units. An even greater decline was seen in commercial vehicle business in the United Kingdom due to poor economic conditions; here we sold only 10,300 units (- 35 %). Mercedes-Benz also saw a reduction in sales in Italy, to 8,400 commercial vehicles (- 7.0 %). Altogether though, the highly favorable development in Germany compensated for the weak demand in the rest of Western Europe. In the countries of Eastern Europe, we sold 2,800 commercial vehicles (+74 %) in the year under review. The principal market activity was in Yugoslavia and Poland. For Europe as a whole, including Germany, our sales rose by 9.0 % to 204,000 commercial vehicles.



### Rise in our International Bus Production

Mercedes-Benz was not fully able to meet demand for buses, even at full capacity. Despite a rise in new registrations by 2.1 % to over 1,500 vehicles, our market share dropped to 36.3 % (1990: 37.1 %). Mercedes-Benz began preparations in 1991 at our Mannheim plant for the changeover in production from the 0 303 to the 0 404 touring coach. We exported 3,100 Mercedes-Benz busses and bus chassis from our German plants (- 15 %) For the world as a whole, the manufacture of Mercedes-Benz buses and bus chassis rose by 30 % to 28,600 units.

### Lively Domestic Business with the Unimog

Sales of Unimogs were, at 4,100 units, at the same level for the year under review as in 1990. While the weak demand for commercial vehicles led to a clear decline in exports on important markets abroad, sales in Germany increased by 18 % to 2,400 units. The MB-trac, production of which ceased at the end of 1991 as planned, achieved a sales volume of around 2,000 units.

### Shift in Demand to More Powerful Industrial Engines

The poor economic conditions in most European countries also had an effect on the purchasers of industrial engines, which have a high proportion of exports in the harvester and heavy-duty vehicle crane sector. Nevertheless, with sales of over 15,100 industrial engines, it was possible to maintain approximately the level of the previous year. Demand clearly shifted to more powerful and thus more expensive engines. In Brazil, sales of locally produced industrial engines, at some 9,100 units, maintained the level of 1990, despite the particularly difficult economic situation in the construction industry and agriculture.

### Commercial Vehicle Production at the German Plants at a Record Level

In 1991, our German plants achieved the highest production volume since 1981, with a rise of 12 % to 188,600 commercial vehicles. Production was at full capacity throughout the year due to increased production targets. In our plants at Mannheim, Worth, Gaggenau, Düsseldorf and Kassel, no supply difficulties occurred despite the boom in demand. The additional capacity required was covered by overtime. Another important factor was changes in shifts. We are indebted to our employees for making it possible for us to fulfil our ambitious production programmes.

### Production in the New Federal States

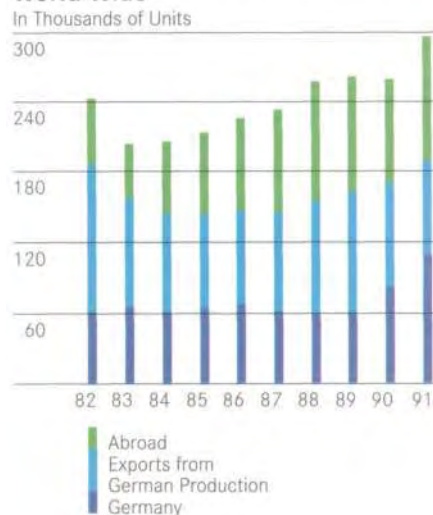
Nutzfahrzeuge Ludwigsfelde GmbH was created at the beginning of January 1991, and as early as the 8th of February 1991 it produced on a commission basis the first Mercedes-Benz truck within the new Federal states. On 1st January 1992 Mercedes-Benz AG acquired a first 25 % stake in the company via a holding company. In the medium term we intend to build a completely new commercial vehicle plant at Ahrensdorf, near Ludwigsfelde, and it will become a fully integrated part of our European production network. In the year under review, over 8,300 Mercedes-Benz trucks and vans were assembled.

### Positive Development of our Foreign Production Companies

Our foreign commercial vehicle production companies increased their manufacture by 19 % to 107,200 vehicles in the year under review. A decisive aspect was the higher production at our companies in Mexico, Brazil, as well as in Spain. By contrast, our companies in South Africa and Turkey had to reduce production due to the serious economic situation on their domestic markets. The group's manufacture for the world as a whole rose by 14 % to 295,800 commercial vehicles and thus achieved the highest volume in its history.

Commercial vehicles sales rose 14% to DM 27.6 billion.  
In Germany, sales revenue increased at an above-average rate to DM 12.1 billion, while foreign sales, at DM 15.5 billion, only slightly exceeded the previous year's level.

#### Mercedes-Benz Commercial Vehicle Production World-Wide





Mercedes-Benz do Brasil succeeded in increasing its sales by an impressive 33 % to 40,700 vehicles, although the high inflation rate in Brazil led to restrictive anti-inflation measures at the beginning of the year, which only began to be removed in the second half of 1991. The market share rose for trucks over 6 tonnes to 44 % (1990: 34 %), and for busses to 79 % (1990: 75 %). Production rose as a whole to 41,500 (1990: 31,200) units. Mercedes-Benz Argentina raised its sales to 3,300 commercial vehicles (+ 23 %), assisted by a considerable revival in domestic demand. Spurred by the strong growth on the Mexican commercial vehicle market, the sales of Mercedes-Benz Mexico increased by 63 % to 9,600 vehicles.

Against the background of the continued economic stagnation in the USA, which has left its mark in the form of a strong decline in Category 8 (over 15 tonnes GVW), our subsidiary Freightliner emerged favorably in this category with sales of 22,600 trucks (1990: 23,000), and further raised its market share to 23 % (1990: 19 %). In the year under review, a total of 25,000 trucks (1990: 24,800) were manufactured in the USA and Canada.

As a result of a continued poor economic climate and customers' reticence to purchase due to political uncertainties, Mercedes-Benz of South Africa sold only 2,300 commercial vehicles, 12 % less than in 1990.

Mercedes-Benz Espafia produced and sold 28,000 vans in the year under review. Our Spanish subsidiary benefited from the higher sales to the new Federal German states as well as in some western- and above all eastern- european markets.

Our Turkish subsidiary Mercedes-Benz Turk A.S. suffered considerably as a result of the Gulf War, with a strongly declining market as a whole. In contrast to a very good previous year, only 2,200 commercial vehicles were sold (-21 %).

### **Developments at the Associated Companies**

The Indonesian affiliates of P.T. German Motor Manufacturing and P.T. Star Engines Indonesia, Wanaherang, and P.T. Star Motors Indonesia, Jakarta increased their sales to 2,800 (1990: 2,300) commercial vehicles, despite the decline in the market caused by lower demand in the vehicle sector.

The manufacture volume of NAW Nutzfahrzeuggesellschaft Arbon & Wetzikon AG, Switzerland, which converts and assembles Mercedes-Benz commercial vehicles, among other activities, declined slightly, to 1,600 vehicles (1990: 1,700).

### **New Products and Product Improvements**

In 1991 Mercedes-Benz complemented its commercial vehicle range with new products, and introduced further improvements. The aim is to continue to supply environmentally compatible, economical and individual transport models. In the Commercial Vehicle division, the major part of investment of DM 1.1 billion for the world as a whole was for this purpose.

With the new LEV engines (Low Emission Vehicle) OM 366 LA, OM 401 LA, OM 402 LA, OM 441 LA and OM 442 LA today we already fulfil the more stringent emission limits (Euro 1) which will come into force in October 1993. This new generation of engines emphasizes the expertise of Mercedes-Benz in environmental technology. We have not only achieved all of our aims in this area, but have also paid particular attention to the criteria of fuel economy, longevity and power development.

The new heavy-duty 3548 S engine completes the Mercedes-Benz range for transport by road of very heavy, large or indivisible loads such as transformers, large containers or bridge girders.

In the bus sector, the year under review was characterized by commencement of production and market introduction of the newly developed

O 404 coach. This series, which was elected "Coach of the Year" at the 11th International Bus Show in Kortrijk, Belgium, replaces the O 303. A further product innovation in the bus sector is the low-floor articulated O 405 GN, which we presented to the public for the first time at the International Commercial Vehicle Show in Geneva in January 1992.

Our foreign subsidiaries also presented many product innovations. From Mercedes-Benz Espana we presented the completely remodeled MB 100 D at the International Motor Show in Frankfurt am Main in the fall of 1991. Mercedes-Benz Turk presented a Mercedes-Benz truck specially tailored to the Turkish market with the 2517 model. Our American subsidiary Freightliner developed with Mercedes-Benz AG its first medium-heavy truck, the Business Class. Mercedes-Benz do Brasil and Mercedes-Benz Mexico expanded their production ranges with conventional heavy-duty vehicles.

### **Environmental Protection as an Important Corporate Objective**

The environmental compatibility of products and production is a foremost development aim alongside greater vehicle economy and safety. Around a third of the entire research and development expenditure of the Commercial Vehicle division is for environmental protection measures.

We have made an equally important contribution to relieving stress on the environment in developing the low-pollutant commercial vehicle engines (LEV). Emission values for town busses and municipal vehicles, which are often in stop-go traffic, can be reduced by more than 80 % using a particulate trap system. On the basis of results available to date, we are confident that we will be able to develop a standardized particulate trap system, suitable for use in different new vehicle models and for retrofitting older vehicles.



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In the year under review, we were able to supply the first Mercedes-Benz commercial vehicles with a CFC-free air conditioning system. All air conditioning systems incorporated in Mercedes-Benz vehicles will gradually be converted to this environmentally compatible technology. In addition, we have fitted all branches with suction and regeneration equipment so that maintenance or scrapping work on old vehicles does not involve the release of any CFC's into the atmosphere.

### **Challenges in Materials Purchase and Procurement Logistics**

We intend to counter the increasing competition in the commercial vehicle sector through still closer cooperation with our suppliers. We consider global sourcing to be an important approach in developing the internationalization of our purchasing activities, and in cushioning the repercussions of exchange rate fluctuations on sales and earnings through measures on the procurement side.

In fixing the scope of supplies for new models and in changing existing parts, our aim in the future is increasingly to purchase complete systems, enter into long-term relationships for development and parts supply, and also to optimize the costs of the entire value creation chain. In accordance with our long-term purchasing strategy, we will implement this aim together with our suppliers, and achieve considerable cost advantages for both parties.

The most important tasks in our procurement logistics in 1991 were meeting our ambitious production targets and improving our international manufacturing network. In addition, our commitment in the new Federal states also had to be covered from the procurement side.

In order to further reduce the logistics costs, just-in-time deliveries have been used to an increased extent. We have also begun to use area haulage for improved average truck capacity utilization.

Environmental protection, recycling, optimized packaging and a reduction in the quantity of transport are tasks which we have been dealing with for years in cooperation with our suppliers, and which we will be taking even more into consideration in the future in our procurement decisions.

### **Cooperation Projects**

Mercedes-Benz signed a cooperation agreement with the South Korean SsangYong Motor Company (SYMC), which provides for the manufacture under license of MB 100 vans and diesel engines. In addition, discussions are being held with SYMC regarding the manufacture of other components. This is an important step in the ongoing expansion of our international production network.

Mercedes-Benz heavy-duty trucks are assembled by our Chinese cooperation partner, the mechanical engineering group China North Industries Corporation (Norinco), and series production is planned for 1992. Over the next few years, 15,000 production parts sets are to be delivered to China. The factory will be designed for an annual production of 6,000 vehicles. Due to the political changes in the former USSR, the project for manufacture under license of the O 303 coach in Golicyno, Russia, was delayed. The agreement became effective at the end of 1991 with the signing of the individual contracts. As early as 1991 the test production run of the first buses was made.

### **Outlook**

Forecasts regarding the demand for commercial vehicles in the neighboring West European countries suggest that it should slowly recover in 1992. We are nevertheless expecting a drop in the German market from the level achieved in 1991 due to special factors. The East European markets, which offer considerable potential in the long term, do not yet have the necessary purchasing power.

In 1992 the development in the commercial vehicle industry will again be characterized by intensive competition and a continuing concentration

process. Commercial vehicle manufacturers in Eastern Europe in particular are increasingly working towards cooperation with Western partners in order to strengthen their international competitiveness both with respect to products and markets and the manufacturing processes used. If we intend to fully use the chances offered in Eastern Europe, we must also establish a production base there. We are holding discussions with Czechoslovakian commercial vehicle manufacturers to this end.

In 1992 we are aiming at continued growth in sales for the world as a whole. We are assuming an economic revival in the United States and recovery on the South American and South African markets. The ambitious related aim is to repeat the record production of 1991. We thereby intend to consolidate our leading position on the world market for trucks over 6 tonnes.

Technological product improvements to reduce stress on the environment and a further increase in the economy of our commercial vehicles are at the center of our development activities. The first International Motor Show for commercial vehicles in Hannover in May 1992 is entitled "The Commercial Vehicle - Performance and Responsibility". It provides Mercedes-Benz with the opportunity of displaying its high standards in vehicle engineering with the company's entire range of commercial vehicles, and of supporting our claim to leadership also from an environmental point of view with the LEV vehicle generation. However, we also wish to face up to our public responsibility as a vehicle manufacturer and together with the other corporate units in the Daimler-Benz group provide solutions which lead to demand-oriented further development of transport systems using the commercial vehicle as an indispensable component.





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DM Amounts in Millions	1991 *)	1990
Sales	14,000	13,149
Year-End Result	(624)	(205)
Incoming Orders	14,588	14,156
Investment in Fixed Assets	872	774
R+D Expenditure	767	782
Employees (12/31)	76,338	76,949

\*) Including AEG KABEL  
and AEG Elektrowerkzeuge

Business in the West German electrical engineering industry was spurred by an increase of 7.3 % in sales of electrotechnical capital goods. This increase came almost entirely from the German market and was primarily attributable to information electronics and capital goods for the power sector. The adverse trend in the German mechanical engineering industry exerted a damping effect on the automation and drive systems sectors and on electrotechnical components, where production in some cases actually fell. The continuing strong demand from the new Federal states for consumer goods led to an increase of 8.9 % in the production of domestic appliances.

More or less balanced growth both in Germany and abroad characterized the trend in business of the AEG group. Despite the difficult environment, we achieved even higher rates of growth in the foreign markets than the industry as a whole.

Sales of the AEG group increased by 6.5 % to DM 14.0 billion. Sales in the German market increased by 7.2 % to DM 7.9 billion, while exports rose by 5.6 %.

The rise in Germany was particularly pronounced in the fields of Rail Systems, Automation, Electrotechnical Systems and Components and Domestic Appliances. The increase in sales outside Germany was accounted for in particular by the Microelectronics, Rail Systems and Automation fields of activity.

The results of the AEG group were influenced by the business trend at AEG Olympia Office and the extraordinary expenses in connection with the restructuring and relinquishing of the

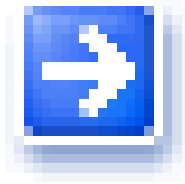
Office and Communication Systems field of activity. In contrast to this, significant progress was made in improving the results of the other fields of activity, in particular Automation and Domestic Appliances, and an extraordinary profit was made on the sale of AEG KABEL. However, these positive factors only partially counteracted the negative influences, so that the results show a net loss of DM 624 million.

Orders totaling DM 14.6 billion were received during the 1991 financial year, an increase of 3.1 % on 1990. Domestic orders had a particular impact on this increase, rising by 3.6 % to DM 8.2 billion. Export orders were 2.3 % up on the previous year.

At the year-end, the AEG group - including for the last time AEG KABEL and AEG Elektrowerkzeuge - employed 76,338 people, 56,338 of them in Germany and 20,000 abroad. The slight decline in the total workforce (- 0.8 %) is attributable to the sale of AEG Mobile Communication.

Expenditure geared to future operations was once again high. AEG invested a total of approximately DM 1.9 billion (1990: DM 1.8 billion) in intangible assets, fixed and financial assets, research and development and training.

Including the non-current assets taken over from newly acquired companies, investment totaled DM 943 million in 1991 (1990: DM 1,040 million). This figure includes DM 872 million (1990: DM 774 million) for additions to fixed assets; DM 43 million (1990: DM 215 million) was invested in related companies. Investment activity centred on the completion of the integrated technology centre and of the medium-voltage switchgear factory in Regensburg as well as on the new plant in Essen. Further activities included construction at the Sickingenstraße site in Berlin and modernization and expansion at the factories of AEG Hausgerate and TELEFUNKEN electronic.



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Research and development expenditure for the year under review totaled DM 767 million (1990: DM 782 million), equal to 5.5 % of the sales of the group. Important areas of research work were drive and automation systems, systems and software technology, microelectronics, integrated high-performance power breakers, pattern recognition, high-temperature superconductors and electronic mounting and connecting technology. In the Microelectronics, Automation and Rail Systems fields, AEG was again involved in numerous national and international research projects in 1991.

Business at AEG Olympia Office GmbH, active in the field of office systems and communication, continued to deteriorate during the year under review; worldwide, sales and orders were below the previous year's level.

The continuing fierce competition in the office sector led to a further fall in operating results. The competitive pressures in the international markets are such as to rule out any hope of a change in the loss-making operation of AEG Olympia Office. Our intensive endeavors to find a co-operation partner either for AEG Olympia Office in its entirety or for some substantial part of it were unsuccessful. It was therefore decided at the end of 1991 that AEG should effect a gradual withdrawal from office and communication systems. From January 1, 1992, AEG will no longer classify its operations in this area as a field of activity; AEG Olympia Office will cease its development and production activities in Germany by December 31, 1992.

The sale of the cables business and the Power Tools division and our withdrawal from office and communication systems will mean that incoming orders and sales of the AEG group for 1992 will be below the level of 1991. We expect to expand our volume of business in Rail Systems, Power Transmission and Distribution and at TELEFUNKEN electronic.

### Positive Trend in Automation

	1991	1990
Sales (Millions of DM)	2,999	2,712
Foreign Share in %	44	44
Employees (12/31)	16,491	16,953

The Automation field of activity comprises Industrial Automation - with its three divisions Products and Basic Systems, Systems Technology and Support and Industrial Systems - and Postal Automation. Sales rose substantially once again in 1991.

In Industrial Automation, the Geomatics range of products, systems and solutions was further extended. In Europe, America and the Far East, the scope of local services was increased. Co-operation between the American and European sectors resulted in a substantial expansion of automation business, particularly in the USA. The Products and Basic Systems division strengthened its position in important sales regions. Despite the continuing recession, MODICON Inc. was able to increase its market share in the USA and brought a number of new products onto the market. In the field of servo drives, we brought out a newly developed series of modular servo boosters and, matched to this, two motor series for trapezoid or sinusoid application. In the area of sensor systems, diverse projects for the vehicle sector were undertaken.

In the Geomatics program, services are of increasing importance, for example advice, training and systems and software technology. We have therefore considerably expanded our training program. Customer training was carried out at more than 80 locations around the world. We further strengthened our international competitiveness in the Industrial Systems division, where business expanded at a rate well above the growth in the market. In the basic materials and processing industries, our activities were concentrated on modernization projects. In the process engineering industry, we completed an order for the centralized control and monitoring of a 900 km gas pipeline system running from Emden through Reckrod near Bad Hersfeld to Ludwigshafen am Rhein.

A further focus in the Automation field of activity is environmental technology, where our range includes an automatic pipeline leak location system. In October 1991, a fully automated control and monitoring system built by AEG went into service at a water treatment plant.

In the area of Postal Automation, AEG Electrocom (AEC) again supplied a range of address-reading and letter distribution machinery and systems in 1991, thus expanding worldwide its position as market leader. AEC letter sorting and distribution systems are now in use in all continents of the world. With a view to further globalization of business, AEC concluded license agreements with Martin Marietta Information and Communication Systems and the Westinghouse Electronic Systems Group; these companies will market our products in the USA. The founding of AEG Post-automation GmbH, with its registered office in Berlin-Marzahn, marked a further stage in the strengthening of our activities in the new Federal states.

We expect to see a further growth in sales in the 1992 financial year.

### Electrotechnical Systems and Components: A Pleasing Trend in Business

	1991	1990
Sales (Millions of DM)	4,739	4,546
Foreign Share in %	34	38
Employees (12/31)	24,290	23,705

The Electrotechnical Systems and Components field of activity comprises the divisions Power Transmission and Distribution, Components and - up to December 31, 1991 - AEG KABEL Aktiengesellschaft. Despite the economic slowdown in some important markets, the volume of business increased. A substantial contribution was made by the Power Transmission and Distribution division. Sales, and incoming orders particularly, increased substantially once again. Notable domestic and export orders were received for gas-insulated high-voltage switchgear.

A gratifying trend in business in the first year of co-operation was recorded at our subsidiary AEG Starkstromanlagen Dresden, which is active in the field of conventional switchgear. With a view to the further expansion of business in the new Federal states, we founded AEG Leitungs- und Netzbau GmbH in Potsdam. In the field of high-voltage systems, we expanded our range of 3rd generation SF<sub>6</sub>-insulated high-performance power-breakers. The modernization work of the past four years at our high-voltage switchgear factory in Kassel was concluded. In the field of networks, a new range of numerical network protection systems was successfully launched on the market. In the medium-voltage field, the new product range made a substantial contribution to the increased volume of business. With the acquisition of a minority holding in one of the leading Italian manufacturers of medium-voltage switchgear and circuit-breakers, VEI electric systems S.p.A., Piacenza, Milan, AEG has further consolidated its competitive position. In September, the new integrated technology centre for medium-voltage switchgear and circuit breakers in Regensburg went into service on schedule, at a total cost of approximately DM 100 million.

The Components division, and particularly the fields of low-voltage switchgear and motors, was affected by low activity in Germany and important European export countries. Nevertheless, the volume of business increased once again. Following the foundation in the previous year of AEG EAW Zahler GmbH, in Berlin-Treptow, AEG took over EWS-Stromversorgungsgerate GmbH in Sornewitz near Meißen at the beginning of 1991. In the low-voltage field, we are increasingly offering new electronic solutions. During the year under review, we started to bring onto the market new selective miniature circuit breakers with an extremely high breaking capacity. We expect a positive market response for the new series of low-voltage motors. The asynchronous high-voltage generator series now introduced on the market features considerably reduced noise levels.

At AEG KABEL, the positive business performance continued in most areas. The growth was mainly domestically generated, by local telephone cables in the telecommunications sector and by power cables in the high-voltage sector. For reasons of corporate policy, AEG KABEL was sold to the French group ALCATEL on December 31, 1991. The cable harness business at the Miilheim and Rheindahlen/ Monchengladbach factories was not included in the sale; these activities were hived off as TELEFUNKEN Kabelsatz GmbH and grouped with the vehicle electronics activities in the Microelectronics field of activity.

By means of acquisitions and co-operation agreements, we intend in 1992 to prepare the Electrotechnical Systems and Components field of activity, and in particular its Power Transmission and Distribution division, for the Single European Market.

**Rail Systems:  
Extended Spectrum of Activities**

	1991	1990
Sales (Millions of DM)	1,011	722
Foreign Share in %	40	40
Employees (12/31)	4,078	3,885

The Rail Systems field of activity comprises the companies AEG Westinghouse Transport-Systeme GmbH, Berlin, AEG Westinghouse Transportation Systems, Inc., Pittsburgh/Pennsylvania, and MAN GHH Schienenverkehrstechnik GmbH, Nuremberg. Sales again rose sharply from the level of the previous year. In November 1991, we signed a contract to acquire the track-bound vehicle activities of Lokomotivbau-Elektrotechnische Werke Hennigsdorf GmbH; the company will be taken over as AEG Schienenfahrzeuge GmbH in 1992. This acquisition extends AEG's spectrum of activities to include the building of complete locomotives and drive coaches.

AEG increased its business volume by 6.5% to DM 14.0 billion, with Germany accounting for a 7.2% increase to DM 7.9 billion and foreign countries for a 5.6% increase to DM 6.1 billion.

Orders received amounted to DM 14.6 billion (1990: DM 14.2 billion).

With our development services and products both for the ICE high-speed trains and for the stationary installations on new and modernized tracks, we made an important contribution to this new flagship of the German Federal Railways. AEG will also be a supplier for the envisaged expansion of the high-speed network.

In Bremen and Munich, positive experience has been gained with the new low-floor streetcars of MAN GHH Schienenverkehrstechnik now in operation. Interest in this user-friendly concept has also been expressed by other German and European cities. AEG Westinghouse is supervising an American consortium which will be installing an automated elevated streetcar system in Honolulu, Hawaii. With the order to install a people mover system at Honolulu airport, the leading position of AEG Westinghouse Transportation Systems in the field of automated people mover systems was further consolidated too.

Approval under German passenger transport regulations of the M-Bahn magnetic levitation railway, which has already demonstrated its efficiency on the Berlin trial track, has now paved the way for use of this innovative system in Germany, particularly for local passenger transport. At the new traffic technology centre in Braunschweig we are carrying out further development work on the M-Bahn.

In addition to the take-over of the track-bound vehicle activities of Lokomotivbau-Elektrotechnische Werke Hennigsdorf GmbH, other cooperative ventures in the Rail Systems field of activity are also being prepared, initially in the core markets of Europe and North America. These measures are further steps in our move to become suppliers of complete systems in this field.

**High Demand for Domestic Appliances in the Home Market**

	1991	1990
Sales (Millions of DM)	2,987	2,817
Foreign Share in %	47	48
Employees (12/31)	12,428	12,516

During the year under review, the Domestic Appliances field of activity consisted of the Domestic Appliances and the Power Tools divisions, both managed by AEG Hausgerate AG, which was founded in 1990. Sales of this field of activity increased once again. In the Domestic Appliances division growth was spurred mainly by domestic business. Virtually all product sectors contributed to the increase in sales, which was particularly notable in the segment of high-quality washing machines and built-in appliances. Here, a large part was played by innovations in the new Competence cooker series and further development of the front-loader washing machine series; economic and environmental aspects were given particular attention. The water-softening system developed by AEG is just one of the features meeting with a positive response from the trade and consumers. Exports exceeded the corresponding figure for the previous year; the increase of 5.0 % was above the average for the industry.

For reasons of corporate policy, AEG sold its Power Tools division on December 31, 1991 to the Swedish industrial concern Atlas Copco.

We expect to do successful business in the Domestic Appliances field of activity in 1992. We will be helped in this by the market launch of a new range of floor vacuum cleaners and the presentation of new microwave equipment.

**Microelectronics: Wide Range of Vehicle Equipment on Offer**

	1991	1990
Sales (Millions of DM)	1,278	1,060
Foreign Share in %	59	47
Employees (12/31)	11,467	10,309

The Microelectronics field of activity comprises TELEFUNKEN electronic GmbH and the Opto- and Vacuum Electronics division. TELEFUNKEN electronic accounted for most of the growth in sales, with all product lines making a contribution. In addition, the company Siliconix of Santa Clara/California was for the first time included in the accounts. Above-average increases were recorded in sales of vehicle assemblies and modules. With a share of over 51 % in the total sales of TELEFUNKEN electronic, a gratifying trend was recorded in export business, particularly in the USA and the Far East. Work on development projects for the vehicle sector was stepped up further. In the framework of international projects, development of new technologies and systems in the field of integrated circuits proceeded apace.

In the Opto- and Vacuum Electronics division, business in the year under review was influenced by a substantial change in the structure of the range, the aim of which is to compensate for declining business in the military sector by a shift towards products for civilian applications. The commencement of volume production in the fields of multifunction indicators and of identification systems, a new product area, were important milestones towards this goal. Despite these structural changes however, overall sales were maintained at the previous year's level. In the course of strategic reorganization of AEG and with the aim of increasing the competitiveness of the Daimler-Benz group, we shall be combining the microelectronics activities of AEG with those of Deutsche Aerospace (DASA) in a joint venture. This joint venture will offer products and services ranging from vehicle electronics and electronics for the aerospace sector to industrial and consumer electronics. This will provide the basis for supplying all the companies within the Daimler-Benz group, and above all the external market, with the technologies relevant in this sector.



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## Deutsche Aerospace (DASA)

DM Amounts in Millions	1991	1990
Sales	12,348	12,525
Year-End Result	50	(135)
Incoming Orders	10,443	10,807
Investment in Fixed Assets	986	938
R+D Expenditure	4,290	4,208
Employees (12/31)	56,465	61,276

During the year under review, Deutsche Aerospace introduced its new management structure in almost all sectors of the group. Across the still existing legal boundaries, the various activities within our concern are now combined in market-oriented, independently acting strategic business units which in turn are assigned to the divisions Aircraft, Space Systems, Defense and Civil Systems and Propulsion Systems. In the Aircraft division the Laupheim and Speyer plants of Messerschmitt-Bölkow-Blohm and the Neuabing plant of Dornier Luftfahrt were hived off to Deutsche Airbus GmbH. In the Defense and Civil Systems division, parallel activities and areas of overlap have been eliminated; the structural concept for the Space Systems division is currently being implemented. In future, we shall report on developments at the DASA divisions without reference to the particular companies to which the activities are assigned.

A joint venture to which the microelectronics and vehicle electronics sectors of DASA are being transferred was founded with AEG at the beginning of 1992. With a view to future structural changes in the DASA group, we increased our stake in MBB to 82 % after the state of Bavaria exchanged its shares in MBB for shares in Deutsche Aerospace AG. A control and profit and loss transfer agreement was concluded with Dornier GmbH.

In March 1991, MTU signed an agreement with Pratt & Whitney (P&W) regarding large-scale, wide-ranging co-operation in the aero-engine sector. At the year end we merged the helicopter activities of MBB with those of Aerospatiale in the newly founded Eurocopter Holding S.A.; MBB holds a share of 40 % in this

joint venture. Negotiations with Aerospatiale and Alenia regarding co-operation in the development of a regional aircraft seating 80 - 130 passengers were intensified.

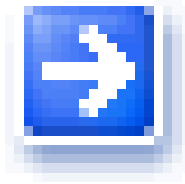
In the space sector, DASA, Aerospatiale, Alenia and Dassault Aviation founded Euro-Hermespace S.A. at the beginning of 1992. In the satellite sector, DASA intends to form an alliance with its partners Aerospatiale, Alcatel and Alenia. In the new Federal states, DASA and Jenoptik Carl Zeiss Jena GmbH founded the space enterprise Jena-Optronik GmbH. On July 1, 1991, MTU took over the aero-engine servicing company LTL-Luftfahrttechnik Ludwigsfelde GmbH.

At DM 12.3 billion (1990: DM 12.5 billion), the consolidated sales of Deutsche Aerospace remained at approximately the same level as in 1990. The year-end result reached DM 50 million (1990: DM -135 million) Deutsche Airbus GmbH, which is included in accordance with the equity method, made an important contribution to this positive development. The volume of incoming orders was similar to that of the previous year, totaling DM 10.4 billion (1990: 10.8 billion).

During the year under review, we invested DM 986 million in fixed assets (1990: 938 million). DM 4.3 billion (1990: DM 4.2 billion), representing 35 % of sales, was spent on research and development work, of which externally commissioned projects again accounted for DM 3.5 billion. At the end of 1991, DASA employed a total of 56,465 people (1990: 61,276). The reduction was primarily due to the hiving off of several plants.

For the current financial year, DASA expects a rise in sales, supported chiefly by higher income from the Propulsion Systems and the Defense and Civil Systems divisions. The decision of the German government regarding the purchase of the European Fighter Aircraft and the long-term plans of the ESA with regard to the Hermes and Columbus space programs will have a substantial impact on the further course of business. In line with the on-going restructuring we intend to integrate the MBB and TST companies into Deutsche Aerospace AG in 1992.





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### Dornier: Successful Maiden Flight of the Dornier 328

	1991	1990
Sales (Millions of DM)	2,374	2,827
Foreign Share in %	46	56
Employees (12/31)	9,527	10,931

The sales volume of the Dornier Group remained below the extraordinarily high level of the previous year which had been marked by the final invoicing of two large-scale projects.

During the year under review the Aircraft division delivered 18 (1990 : 15) Dornier 228 aircraft which raised the total sales of this aircraft to 197. Up until the end of 1991 the Indian licensee Hindustan Aeronautics Ltd., Bangalore, had delivered a total of 30 Dornier 228's, eight thereof in the reporting year.

The successful maiden flight of the Dornier 328 on December 6, 1991 marked an important milestone in the preparation of the production stage of this newly developed 30-seat regional airliner. Delivery of the first planes are scheduled for 1993. At the end of the year under review, a total of 45 orders and 29 options had been placed for the Dornier 328.

Under contract to Deutsche Airbus GmbH, Dornier develops and manufactures various assemblies for the A320/A321 and A330/A340 models. Work on the European Fighter Aircraft (EFA) progressed on schedule.

In the aircraft support sector, the service life extension program for the light transport helicopter Bell UH-1D significantly contributed to capacity utilization. As the prime contractor we serviced the E-3A fleet of early warning aircraft (Awacs) for Nato.

In the Space Systems division work concentrated on the development of the remote sensing satellite ERS-2 and the solar exploration satellites Cluster. In both programs, Dornier is responsible for the construction of major subsystems of the scientific payload and for the spacecraft integration. Other projects concerned the infrared experiment Isophot and a high-resolution stereo camera for the Russian satellite Mars 94.

Within the Polar Platform project, Dornier, as the prime contractor to ESA, is responsible for defining the mission tasks of various European research projects and for the selection and development of the corresponding instruments.

With a number of experiment facilities Dornier makes a significant contribution to Germany's second Spacelab mission. For the Ariane 5 program, Dornier develops and manufactures the tank bulkheads and the payload carrier assembly Speltra.

In the Defense and Civil Systems division, efforts continued to concentrate on the CL289 reconnaissance system. Further mobile, extendible antenna mast groups which are also suitable for civil applications were delivered for the Patriot air defense system. Under the license production of Stinger in Europe, the preparations for mass production are under way.

For the Tornado aircraft work focused on the Olmos On-board Life Monitoring System which records data on the wear and tear of working parts in the engine and of various aircraft components. In the civilian sector Dornier develops the data communication system Dakos for the Federal Administration of Air Navigation Services.

In 1991 Dornier Medizintechnik was granted approval for its lithotripter models MFL 5000 and MPL 9000 as well as the laser lithotripter Impact in the U.S. The MFL 5000 Lithotripter was the principal contributor to sales. In research and development, activities focus on the three-dimensional display of ultrasonic images. Further areas of work within the other activities were automotive electronics as well as information and environment protection technology.

In 1992 Dornier awaits a business recovery. Above all we expect higher sales in the Stinger program, from the Bell UH-1D helicopter program and in the medical systems sector. As opposed to this, sales in the space sector will decline.

### Gratifying Increase in Sales and Incoming Orders for MBB

	1991	1990
Sales (Millions of DM)	4,969	4,610
Foreign Share in %	41	41
Employees (12/31)	20,730	23,229

With a sharp increase in the volume of business, Messerschmitt-Bölkow-Blohm (MBB) was able to nearly offset the decline in sales that occurred the previous year as a result of reorganization.

In the Aircraft division the Tornado program continues to account for the largest sales. This employment-intensive project came to an end with the delivery of the last Tornado aircraft to the Bundeswehr in early 1992.

In 1991 we developed and built an increased scope of assemblies for the Airbus family on behalf of Deutsche Airbus. The first assemblies for the A321 and A330 have already been delivered. In the European Fighter Aircraft program the final assembly of the first prototype is running according to plan. The maiden flight is scheduled for the second half of 1992. Within the framework of the German-American X-31A experimental program we analyse the technological requirements for improved maneuverability of future high-performance aircraft.

In June 1991 the BK 117 helicopter which we sell mainly in the U.S. market, was approved by the British Civil Aviation Authority (CAA). The BO 105 multi-purpose civilian helicopter continued to assert itself in the areas of police and rescue operations. Testing of the second prototype of the successor model BO 108 commenced in June 1991. The maiden flight of the Franco-German Tiger anti-tank and escort helicopter took place as planned on April 27, 1991. In the meantime we transferred our activities in the helicopter sector to the newly founded joint venture Eurocopter.

The Space Systems division including Erno in Bremen had a major share in seven satellites which were put into service during the year under review. The third German DFS Kopernikus communications satellite was

prepared for a mid-1992 launch by a US rocket. Our work on the sub-systems of the European communications satellite system Eutelsat II and the Japanese Superbird were nearly finished. Systems for the DFH-3 Chinese communications satellite, the Eureka space platform and the D2 mission were completed.

For the third stage of the European Ariane 4, we have so far delivered over 60 thrust chambers for the HM7 engine. In the Ariane 5 program MBB is developing and manufacturing the thrust chamber system of the middle-stage Vulcain engine and the L-7 upper stage propulsion system. The integration work for the free-flying retrievable carrier Eureka was concluded.

A major source of sales in the Defense and Civil Systems division were the Pars-3 anti-tank systems and the Roland weapon system. The 1000th Patriot missile produced under license in Europe was delivered. At the end of 1991 MBB concluded a series contract with the German Army for the Kor-moran 2 missile.

Dual-use activities in the area of military microelectronics, which have been expanded in recent years, have led to more than 30 development orders being placed with subsequent series production in the fields of vehicle and industrial electronics. We stepped up our activities in systems for the disposal munitions, explosives and other military material as well as special and toxic substances.

Within the other activities we work in the fields energy and industrial technology, production and automation technology as well as control and data technology.

The 1992 sales of the MBB Group will most likely exceed the previous year's level. The Tornado and EFA will record lower returns whereas we again expect large amounts to be invoiced in the Airbus, Ariane, Columbus and Pars 3 programs.

### Exports Continue High at MTU

	1991	1990
Sales (Millions of DM)	3,565	3,602
Foreign Share in %	66	65
Employees (12/31)	17,053	17,524

MTU Munich develops and manufactures jet engines and turboshaft engines as well as gas turbines for civilian and military applications; MTU Friedrichshafen produces mainly high-speed diesel engines. Sales of the MTU Group were at the level of 1990.

In the Propulsion Systems Aircraft strategic business unit the RBI99 aero-engine program was the mainstay of sales. With regard to the aero-engine programs for commercial and executive aircraft, sales rose especially thanks to greater demand for spare parts, increased deliveries of engines and a more favourable exchange rate of the dollar.

As part of its collaboration with Pratt & Whitney, MTU has a 12.5 % share in the high-power PW4084 engine, which is intended for use in the Boeing 777 commercial airliner. We have been able to increase our share in the production of the PW2000 family of engines from 11.2 to 21.2 %. In addition, the agreements concluded with P&W offer us the possibility of taking over systems management of the engine for the planned regional aircraft.

The PW300 engine which we developed in cooperation with P&W Canada, has received its approval from the Federal Aviation Administration (FAA) in the U.S.A. For the V2500 engine development work for the upgraded version A5, planned also for the Airbus A321, is underway.

By far the largest development project at MTU is the EI200 engine for the European Fighter Aircraft (EFA). In the year under review the flight maturity standard was attained. The MTR390 turboshaft engine for the Tiger anti-tank and escort helicopter is presently being tested in the first prototype.

Sales of Deutsche Aerospace, at DM 12.3 billion, reached the previous year's level.

Orders received amounted to DM 10.4 billion (1990: DM 10.8 billion).

MTU Maintenance GmbH, which maintains, repairs and tests high-power engines for commercial aircraft, records its major source of sales at present with the CF6-50 engine. The repair of the CF6-80, PW2000, V2500 and LM5000 has been newly included in the scope of services. In Ludwigsfelde near Berlin we mainly service small aero-engines and auxiliary gas turbines.

In the Propulsion Systems Land/ Marine Applications strategic business unit the greatest amount of sales were again achieved with the universal series 396 engines. For rail traction drive systems we have sold a total of 500 series 183 and series 396 engines. We received orders from the Korean National Railroad to equip additional push-pull trains and from the Federal German Railway for series 183 engines for "Pendolino" trains and railcars 628. MTU won an order from Japan to deliver engines for diesel locomotives.

In marine propulsion systems we started to execute the long-term orders for propulsion engines and engines for the operation of gensets for minesweepers of the Norwegian Navy and for ten frigates from the Australian and the New Zealand navies. Our engines are also used for emergency power gensets for hospitals and industry as well as for nuclear and similar safety-sensitive facilities.

The engine of the new, environment-friendly 595 series, externally tested on the ocean ferry Deutschland, chalked up 5,000 successful hours of operation in the year under review.

In its production of turbochargers, the company Aktiengesellschaft Kühnle, Kopp und Kausch in Frankenthal fell just below the manufacturing volume of the previous year. For L'Orange GmbH, Stuttgart, which develops and manufactures fuel-injection systems for large diesel engines, the positive business trend continued.

For 1992 overall, MTU expects a slight increase in sales, with there being a further shift from the military to the civilian sector in the field of aero-engines. With regard to diesel engines, a positive impact can be expected from the realization of the Single European Market.

### TST: Increased Exports

	1991	1990
Sales (Millions of DM)	1,682	1,688
Foreign Share in %	26	22
Employees (12/31)	8,846	9,372

Activities at Telefunken Systemtechnik GmbH (TST) and its subsidiaries focus on electronic systems for defense technology. Sales remained at the 1990 level.

In the Radar and Radio Systems strategic business unit the final units of the TRM-S three dimensional radar system and the TRM-L two dimensional radar system were delivered. In the electronic warfare sector (EW), TST was commissioned with the further development of FL 1800, the naval EW system, to be integrated in the SI43A fast patrol boats and the Class F122 and F123 frigates of the Federal German Navy. Delivery in series of the APG-65 airborne radar system began for the retrofitting of the German Armed Forces' Phantom F-4F aircraft. We continued development work on the airborne radar for the European Fighter Aircraft according to plan.

The Situation Awareness System (SAS) which records and displays the situation in the air was developed by TST especially for regional airports. In the succeeding states of the former Soviet Union we are participating on the planned modernization of the entire air traffic control system within the framework of an international cooperation.

Business in the radio systems sector focussed on the HF/VHF Comint EW system for the German Armed Forces. The fast adaptive radio communications system Farcos, for civil aviation purposes, was developed further. In addition, TST handed over six broadcasting transmitters to several Arabian customers; major orders were received from the Middle East.

In the Energy and Systems Technology strategic business unit, one of the world's largest and most modern runway lighting systems is being installed on the major Munich 2 airport. Another major airport project which was concluded in early 1992 was the renewal of the lighting system for runway 1 at the Berlin-Schönefeld airport.

TST chalked up a first by participating in a U.S. project with electrical control drives for tanks. In the trilateral Pov 3 program the first stabilization platform prototype was completed for Osiris, the high-performance sight.

On the North Sea island of Pellworm we have begun to expand our hybrid installation for both solar and wind energy exploitation. In power supply systems for orbital applications, TST has been commissioned to design solar generators for the European remote-sensing satellite ERS-2.

Our subsidiary, Elekluft, is a systems and project company in the fields of communication and electronic data processing. Its activities in the continued education and training sector were considerably expanded in East Germany.

In the Defense and Protection strategic business unit, business concentrated on the delivery of electronic assemblies for the Awacs airborne warning and control system as well as on the development of a distance warning radar for motor vehicles. Our subsidiary, Eltro, concentrated its activities on thermal imagers and laser range finders.

For the year 1992, TST expects a sales figure that is at the same level of magnitude as the previous year.



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## Daimler-Benz InterServices (debis)

DM Amounts in Millions	1991	1990
Sales	5,490	3,689
Total Revenue	5,979	4,020
Year-end Result	123	50
Investment in Fixed Assets	265	333
Increase in Leased Equipment	4,894	4,174
Employees (12/31)	6,203	4,879

In the year under review, Daimler-Benz InterServices further expanded all its divisions as well as its range of services in terms of scope and complexity. At the same time, we took important decisions geared towards increasing the competitiveness of our services in the national and international market and creating new, promising fields of activity.

debis generated a total worldwide output of DM 6.0 billion (1990: DM 4.0 billion). Sales revenue accounted for DM 5.5 billion of this total, interest income from the Financial Services division's sales financing to DM 0.5 billion. The increase in total output is due partly to the acquisitions made in 1991, and partly to the marked internal expansion of our divisions and their growing acceptance in the market-place. Of the total output, 51 % was accounted for by the domestic market, 12 % by other EC countries and 31 % by the US market. A share of 77 % of the total output resulted from business with customers outside the Daimler-Benz group, and this is mainly attributable to the financing companies, which have been operating very successfully in the market for many years. However, in the year under review, the other divisions also succeeded in markedly increasing sales to customers other than the Daimler-Benz group and its corporate units.

The consolidated net income of Daimler-Benz InterServices amounted to DM 123 million (1990: DM 50 million) in the year under review. The significant increase over the previous year reflects the once again gratifying trend in the results of the Financial

Services division, in particular. Investment in fixed assets (mainly data processing equipment) amounted to DM 265 million, and in leased equipment to DM 4,894 million. Additions to financial assets amounted to DM 59 million. At year-end 1991, debis had a workforce of 6,203 (1990: 4,879) worldwide; of this total, 5,377 were employed in Germany and 826 abroad.

In 1992, Daimler-Benz InterServices will above all endeavor to further expand business with customers outside the Daimler-Benz group.

### Software House - Expansion of Information Technology Services

The comprehensive information technology (IT) services rendered by debis Software House are not only important for the other corporate units within the Daimler-Benz group but also represent an independent, market-oriented field of activity of debis. In the year under review, debis Software House continued to expand its activities and increased its total output from DM 657 million to DM 1,182 million.

In 1991, we agreed on a strategic alliance with Cap Gemini Sogeti, an international software group. As a result, debis Software House is not only able to render its services at more than 50 locations in Germany but also has contacts in all the important European countries as well as in North America. Also in 1991, the range of management consultancy, organizational consultancy and technology consultancy services was expanded by the acquisition of a majority holding in the European Diebold companies.

The Computer and Communication Services subdivision, operating as of 1992 under the name "debis Systemhaus CCS Computer-Communication Services GmbH", offers its customers a complete range of services, which in the year under review were also made available in the new Federal States. One of the largest European outsourcing projects in information technology to date was successfully continued: of the 40 or so domestic computer centers of the Daimler-Benz group previously in operation, more than half have already been re-organized into ten large regional computer centers, and networked.



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The Commercial Systems and Projects sub-division successfully extended its activities to the market outside the group. The range of services, including "Finance and Business Management", "Personnel", "Sales" and "Leasing" was extended by the addition of applications for "Point-of-sales Systems (POS)" and modern "Management Information Systems".

The Industrial Systems and Projects subdivision has strengthened its position in the market with tried-and-tested, practical software services, the spectrum of which comprises the complete process of industrial manufacture. This includes production planning and control systems, production engineering and automation systems as well as operating data recording, maintenance and quality assurance.

In the year under review, the Training subdivision provided training on the Software House's own projects as well as on topical subjects of information technology. Basic courses on operating systems and programming languages were as much in demand as seminars on project management, software engineering and CIM (Computer Integrated Manufacturing).

We are confident that the division's new structure introduced in 1992 has created favorable conditions for establishing debis Software House as the leading supplier of complete information technology services in the German market as well as for expanding our position in the European IT service market together with Cap Gemini.

### **Financial Services - Expanded Spectrum of Services**

In 1991, the Financial Services division consolidated and expanded its leading role as a supplier of efficient leasing and financing schemes for Mercedes-Benz vehicles in the important markets of Europe, North America and Japan. Also, the range of services was complemented by additional service elements, providing for integrated business activities. Examples are contract hire for commercial vehicles (Mercedes-Benz CharterWay), which we will offer together with Mercedes-Benz, and fleet management for passenger cars. Today, debis offers financial services through 17 leasing and financing companies in 11 European and North American countries and, since the end of 1991, in Japan as well.

The range of product-related and customer-oriented financial services for the corporate units AEG, DASA as well as debis itself continued to be expanded in the year under review.

The gratifying trend in important sales markets, for instance Germany, the USA and the United Kingdom, allowed newly acquired business to rise to 125,000 units - about 17 % up on the previous year. Some 70 % of new contracts applied to passenger cars. This means that every sixth new Mercedes-Benz vehicle sold in the markets in which we have leasing and financing companies was marketed through the relevant debis companies. The contracts concluded in the year under review had a value of DM 7.7 billion (1990: DM 6.4 billion), representing an increase of some 20 %. The total number of contracts rose to more than 297,000 units, with a value of over DM 13.6 billion. Total output (including interest income from sales financing) rose 38 % to DM 4.5 billion.

In Germany, Mercedes-Benz Lease Finanz significantly increased newly acquired business by 50,000 contracts representing a value of DM 2.7 billion. The value of the total number of contracts thus rose from DM 2.8 billion to DM 3.6 billion. Mercedes-Benz Credit Corp. (MBCC) has a penetration rate of 45 % and is thus the market leader in the financing of Mercedes-Benz passenger cars in the USA. In the year under review, MBCC's newly acquired

business rose to DM 3.2 billion; the value of the total number of contracts rose by over 20 % to DM 6.8 billion. The leasing and financing companies in Germany's Western European neighboring countries also recorded highly gratifying business trends in 1991. After the foundation of Mercedes-Benz Finance Co. Ltd. in Japan at the end of 1991, the Financial Services division is now offering its services in a market which is becoming increasingly important for the Daimler-Benz group.

In close co-operation with the sales organizations of the Daimler-Benz group's industrial corporate units, we are set to consolidate and expand our position as the leading supplier of qualitatively high-ranking financial services. In addition to developing new services, we will establish ourselves in further regions of this world.

### **Insurance - Improved Market Presence**

With a view to the opening-up of the insurance market within the European Community, the Insurance division (debis Assekuranz Vermittlungs GmbH) re-structured its activities in the year under review. In order to comply with the specific wishes of our customers, we have grouped together the industrial business of our services to customers in the corporate units and external clients; in this field, we have expanded our activities in the new Federal States. Our private customers mainly comprise the group's employees. The collaboration which we have already been carrying out for many years in some sectors with Marsh & McLennan, the world's largest insurance broker, and its German subsidiary Gradmann & Holler is to be reinforced by means of a new cooperative agreement.

The range of services of debis Risk Consult, a subdivision of the Insurance division, is gaining particular significance for our customers. The company provides risk analysis and evaluation as well as consultancy in overcoming



and managing risk in matters of the environment, fire protection and product safety. Especially once environmental liability legislation comes into force, these risks will become even more acute for all companies.

With an overall brokered premium volume of some DM 420 million, the division with its 236 employees earned commissions of DM 35 million during the 1991 financial year. We expect to achieve further growth in premium volume in 1992.

### **New Prospects in Countertrading**

The Daimler-Benz group's expertise in the field of countertrading is united in the Trading division. This field of activity has been considerably gaining in significance in international trade, especially following the opening of eastern Europe. The Trading division successfully extended its activities during the year under review. More than DM 200 million was generated to offset foreign exchange obligations resulting from exports; the previous year's figure was exceeded by more than 70 %.

Industriehandel GmbH, which advises all corporate units of the Daimler-Benz group in their countertrading projects, is active above all in the markets of Africa and the Middle East, debis International Trading, established in 1990, commenced operations in March 1991. Its main responsibility lies in opening up the markets of eastern Europe for countertrading - especially the new republics of the Commonwealth of Independent States (CIS). Selected target markets in Asia and Latin America are also being taken care of.

We intend in future to continue to make specific use of the possibilities available from combining countertrading and product trading, in order to further promote the bilateral flow of international trade.

### **Marketing Services - A Major Step Forward**

debis Marketing Services GmbH attained high growth in all fields of activity over the past year. Total output rose in this division's first full financial year to DM 199 million (1990: DM 109 million). Activities were extended not only to all corporate units of the Daimler-Benz group, but to an increasing extent also to external customers.

The Marketing Consulting subdivision expanded its consultancy services for internal and external customers from the capital goods sector. In the course of 1991, the corporate units of the Daimler-Benz group transferred almost all their German advertising placement budgets to the Media subdivision. The latter carries out the orders of customers for placing advertisements in the printed media, television and radio and is also responsible for the coordination of prices and discounts in all media work for the entire Daimler-Benz group.

In the Marketing Communication and Sales Promotion subdivision, we provided services for solving diverse problems in communication consultancy and design. The Trade Fairs and Exhibitions subdivision staged some 200 events throughout the world in the year under review.

The Marketing Services division will continue to expand its activities in all fields. We are expecting considerable further growth for our division in 1992.

### **debitel - Favorable Prospects for Mobile Radio Systems**

On July 1, 1991, debitel Kommunikationstechnik GmbH & Co. KG, a subsidiary of debis, was founded; further interests are held by the METRO trading company and the American telecommunications company NYNEX. With the entry into service of the D1 and D2 networks, we shall be offering all the GSM services available for these networks. We will provide individually tailored answers to communications requirements by giving our customers access to further services such as channel groups, paging, satellite communication and the Personal Communications Network (PCN) as soon as they become available.

debis' total output rose to DM 6.0 billion (1990: DM 4.0 billion), 51% of this total being accounted for by the German market.

Business with customers outside the Daimler-Benz group expanded at an above-average rate.

## Research and Technology

### **Integrated Research and Development Management**

We extended the restructuring of Research and Technology, initiated in the previous year, to the entire Research and Development division in 1991. The objectives of this process were firstly to adapt the topics and activities more appropriately to the individual requirements of the corporate units, and secondly to provide a creative environment in which new ideas for new products and fields of activity evolve from medium and long-term research concepts.

This is achieved by means of a matrix-like structure comprising decentralized research institutes working for the individual corporate units, with joint research fields concentrated on fundamental research topics relevant to several corporate units simultaneously. In order to make more rapid and efficient use of know-how from both within and outside the group and to incorporate it effectively into development and manufacture, we have established a new "Technology" sector, dealing with technology and information management. Added to this, it has its own research objectives and the special function of supporting the group's environmental officer.

Collaboration between research and the various development sectors is managed by joint research committees. Matters of overriding significance are dealt with by a corporate research committee consisting of members of the Board of Management.

### **Research Institutes for AEG and DASA**

For AEG, DASA/Dornier and DASA/MBB, three further research institutes were established in 1991 along the lines of the "Mercedes-Benz Research Institute" established the previous year. The institute directed towards AEG has been part of Daimler-Benz's central Research and Technology division since 1989. The two institutes working for DASA have been integrated from the point of view of their research programs since the year under review.

Our researchers from the joint research fields investigate matters of transport technology, materials, information technology, production technology and the environment and the interaction between technology and society.

### **Technology Management**

The field of technology management observes and assesses worldwide technological developments, devises corporate technological strategies in consultation with the strategies of the various sectors and supports their implementation, especially by means of so-called innovation projects and active technology transfer.

To acquire the information required for these activities, we extended our international information network in 1991 with the addition of significant locations. In Japan, for instance, a branch was established which has already made valuable contributions. The liaison program with the MIT (Massachusetts Institute of Technology, Cambridge, USA) is a further example of our contacts with renowned institutes throughout the world.

### **Transport Technology for the Alleviation of Traffic Congestion**

New approaches to transport technology are acquiring a key role in Daimler-Benz research. Within the framework of the European transport projects PROMETHEUS and DRIVE, we are working together with partners from the automotive and electrical industries on important fundamentals for traffic guidance and information technology in passenger and goods transport.

Current developments in the PROMETHEUS research project were presented in Turin in September 1991. The presentation of a functional, individualized traffic guidance system attracted a great deal of attention on this occasion; it combines the advantages of route selection on board the vehicle and drawing up routes in advance at traffic guidance headquarters.



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A control system for goods transport fleets demonstrated how efficiently a haulage headquarters can be networked with commercial vehicles operating throughout Europe. Earth-based radio data transmission systems and satellite communications technology are integrated into an overall modern mobile communications system.

A series of PROMETHEUS research findings will be incorporated into the STORM traffic management project, in the framework of which an industrial consortium, coordinated by us, is working towards establishing regionally effective traffic guidance and information technologies in the Stuttgart region by 1995.

Further scientific studies and scenarios are directed towards developing transport, the transport environment and transport systems. Under the title of "Optimized Transport", for example, we have defined a program for the investigation of theoretical and technological fundamentals for new transport techniques. Two further projects, "European Transport Infrastructure and Goods Transport Flow" and "Goods Transport 2000", have also been initiated.

### **Electronics on Board the Vehicle**

Mercedes-Benz's introduction of a data bus - the CAN bus - into series manufacture for the first time in the new S-class opened up entirely new opportunities in the application of on-board electronics. In order to make use of this technological potential, concepts have been developed at the "Mercedes-Benz Research Institute" whereby in an open system architecture, the individual functions of electronic components are coordinated.

On-board electrical functions are increasingly switched electronically. With "Smart Power" technology, the actual power switches are combined on a single chip with "intelligent" digital and analog functions.

We are carrying out intensive co-operative work in this field with the US semiconductor manufacturer Siliconix, which forms part of our micro-electronics activities and in which Daimler-Benz has a majority holding.

### **Emission Reduction**

The reduction of both exhaust and noise emissions is a prime objective in the continuing development of drive systems technology. Opportunities for optimizing mixture formation and reducing emissions have been investigated using special laser-optical measuring techniques, which determine the spatial and temporal distribution of fuel in the petrol engine. The distribution of fuel in the form of vapor or droplets at the injection nozzles can be precisely measured by this means.

### **Increased Driving Safety**

Especially at night, the dispersion of light on the windscreen of a vehicle can often present a considerable hazard. We have developed a form of glazing which reduces dazzle, thus enhancing road safety in critical situations.

A method of producing glass that automatically reacts to ambient brightness by means of "intelligent" pigments and glazing technologies has also been developed. This glass darkens under the influence of intense light, thus also preventing the interior from heating up excessively. In moderate daylight conditions or at night, the glazing resumes its normal transparency.

### **Individual Wheel Drive in Rail Systems Technology**

Individually driven wheels not only increase the level of comfort of a vehicle, but also reduce its weight and the wear to which it is subjected thanks to their non-frictional track-holding. Synergy effects between road and rail vehicles could be put to effective use here with the simultaneous development and centralized production of assemblies for sub-systems and components with similar functional requirements. Before costly test vehicles are constructed and tested on track, we carry out computer-simulated test drives.

In the field of small tractive power, research is concentrated on non-conventional systems and is investigating their advantages over classical electromagnetic drive systems. On the basis of the so-called reluctance principle, improved drive systems have been developed for large-series application. The complex functions of control and monitoring have been systematically translated into "smart power" technology.

### **Software Systems**

In the field of systems engineering and software technology, we are involved in both technical and commercial applications with new approaches to the use of software. On the basis of an expert system shell, we have developed a tool for the configuration of modular technical systems. A prototype for a software test has been supplied to several divisions, where it has been successfully tested.

We have provided the Mercedes-Benz Bus Division with an information-based sales personnel advisory system. This new system, to be introduced throughout the Federal Republic of Germany by the end of 1992, is installed on a portable PC to replace voluminous printed information media. In addition to facilitating access to information on all available model variants for sales personnel and customers, it can carry out economy and driving parameter calculations.

### **The Quest for Quality in Software**

Computer programs are having an increasing influence on the efficiency of work in practically all areas of the group. It is therefore all the more important to assess the quality of software according to meaningful criteria.

Together with the debis Software House and Mercedes-Benz, we have developed a computer-supported assessment process with which the user can independently evaluate completed projects. This is based on a standard questionnaire relating to user-relevant quality criteria such as suitability for the specific workplace or error frequency.



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A mechanical method has been developed for the objective quality control of user programs. This is capable of presenting in particular opportunities for software maintenance and extension. A first prototype is already in use at the debis Software House.

### **Communicating by Means of Images and Speech**

In order to synthetically construct realistic image sequences, the scenes to be depicted must be encoded in the computer as effectively as possible. Research is being carried out into appropriate methods of automatically generating symbolic descriptions of natural scenes. These can be used for example in image production for flight and driving simulators, as well as in new types of sales systems and image communication via radio channels.

In order to use speech as a basis of communication between man and machines, research is being carried out into speech operation for those functions which easily distract the driver from his task of controlling the vehicle. This extends to such functions as window operation, air conditioner adjustment and dialling the car telephone.

A further field of application is accessing automatic information services by means of normal speech on the telephone. We are also analyzing the utility value of speech recognition in collaboration with the Ulm University Clinic at the workplace of a doctor, who records his diagnoses, for example in an ultrasonic examination, simply by means of speech. He can thus better concentrate on the examination itself, without having to subsequently rely on his memory when recording the results.

### **Complex Structures in Automation Technology**

The complex process structures of automation technology require meshed control systems which must be mastered in their entirety. In addition to designing high-performance control structures, research thus also entails the design of a decentrally organized overall system and definition of the various hierarchical levels and communication processes connecting the functional units. These research activities are incorporated in the strategies for the continuing development of AEG's Geomatics automation system.

### **Technology Data Base**

The Research and Development division has established a pilot project in the form of a data base on production technologies, which provides the research and development sectors of the group with the potential available in all the production development departments of the corporate units. We have thus created an important basis for technology transfer, while at the same time making a contribution towards the integration of all research and development activities.

### **New Materials**

At Stuttgart-Untertürkheim, Ulm and Ottobrunn, our researchers from the newly established joint research field "Materials" are developing new materials for application in the various sectors of the group.

In the field of structural materials, the main emphasis of research lies in fiber-reinforced plastics for assemblies, running gear and bodies, high-tensile ceramics for engine and assembly components, and new metal alloys. Brake systems made from fiber-reinforced plastics, for instance, weigh only half as much as the conventional steel components.

In the field of "functional materials", the work groups initially distributed between Stuttgart and Ulm are

now almost all located at the Ulm Research Centre. Whilst the "layer structures" research field is temporarily located in laboratories in the first stage of the Research Centre, the auxiliary site in Ulm/Böfingen is occupied by the fields of functional ceramics and polymers. The second stage of the Research Centre at Oberer Eselsberg, Ulm, will be ready for use at the beginning of 1993.

Research work into diamond coatings and ion-conductive ceramics has been commenced in collaboration with the University of Ulm and the Solar Energy and Hydrogen Research Centre. In the field of high-temperature superconductors, thin layers of these materials have been produced for the first time, using a new technology.

### **High-Frequency Components with Superconductors**

The new high-temperature superconductors with zero-loss conductance promise considerable advantages in high-frequency technology. Several of the component structures currently under development, for example coplanar wave-guides in various geometrical forms, microstrip ring resonators and antenna elements, were demonstrated during the year under review. The double-sided and large-surface coating technologies required for the manufacture of these component structures are now a matter of routine.

### **Microelectronics: Fast and Smart**

We have set new performance standards in our microelectronic high-frequency components. Our gallium-arsenide "hetero field effect transistors", for instance, have reached a frequency limit of 230 GHz. With silicon-germanium hetero bipolar transistors, currents can be amplified by a factor of up to 5,000.

These techniques are of interest to us for two reasons: firstly, we are developing monolithically integrated microwave circuits on the basis of gallium-arsenide for use in cost-efficient EHF radar systems or short-range transmission, and secondly, we are investigating customer-specific circuits with extended options for monolithic integration into silicon-based rapid bipolar circuits.

Advances in control technology now call for self-monitoring and self-protecting high-power components capable of being addressed and diagnosed. In order to achieve these characteristics, new systems and integration technologies have been investigated. The technological standards reached are incorporated into prototypes and applications for vehicle electronics and for drive and automation technology.

#### **Environmental Compatibility at Daimler-Benz**

The continuously increasing burden on the environment is making it absolutely necessary for the manufacturers of industrial products to give more attention to the protection of the environment and natural resources. Inter-disciplinary projects have been initiated to cover the internal know-how requirements within the group, while at the same time extending external activities. They are concerned with such matters as the disposal of residual materials, recycling, monitoring emissions from industrial facilities, treating exhaust gas from stationary engines and developing water-free production processes. In some projects, we have already achieved results which surpass the current state of the art and set new standards in environmental protection.

#### **Recycling Composite Materials**

High-quality recycling normally requires the sorting of materials prior to processing. Until now, this has not been possible, since many components consist of composite materials. In Ulm,

we are therefore working on methods of breaking up such materials and sorting them accordingly. The example of the passenger car cockpit has shown that even materials previously regarded as inseparable can be broken up and separated by selective granulation with a combination of processing methods.

This work at the same time provides us with a basis for designing future products in a manner suitable for recycling right from the start.

#### **Natural Materials in Automotive Manufacture**

In northern Brazil, Daimler-Benz has started a project which will develop environmentally friendly products as well as improving the social, ecological and economic conditions of the region and recultivating the tropical rain forest. This "Para Project" is closely linked with the UNICEF project "Poverty and Environment in the Amazon - a Municipal Approach to Sustainable Development". Together with the University of Para, natural products of the region are being investigated for application in automotive production under the heading "Technology is Life".

Special research is to be carried out into the suitability of vegetable oils as lubricants, the production of extra-pure pigments for the manufacture of natural paints, the use of natural fibers, for instance for seat frames or insulating material, and the improved production of caoutchouc for rubber automotive components using state-of-the-art microwave and vacuum techniques. This research is centred on the question as to whether it might be possible to produce bio-degradable lubricants and paints or alternatives to some difficult-to-recycle composite materials containing synthetic fibres.

Associated with these projects is an afforestation program for the tropical rain forest. At the same time, the research projects contribute to the advancement of an economic area in the Amazon region oriented towards the natural environment.

Integrated research and development management for implementing ideas more effectively.

Making technology and knowledge available, stimulating people, creating synergies.

## Employees

### Strategic Guidelines of Personnel Policy

We regard the continuous training of our employees as the prime objective of our personnel policy. Only with well qualified, motivated personnel and competent management can we secure our position in international competition in the long term.

In the 1991 business year, we concentrated on developing strategic guidelines in the personnel departments of the Daimler-Benz group. Areas of overriding significance which will determine the future direction of our work were defined at group level and throughout the individual corporate units. At group level, due attention was also given to projects which foster the integration of the individual corporate units and the internationalization of the workforce.

By means of such a comprehensive personnel policy devised for the long term, we intend to give our support to the various divisions and corporate units throughout the group, taking into account the social responsibility of the company while at the same time opening up new perspectives for our employees.

### Employment Situation and Developments

At the end of 1991, the Daimler-Benz group employed a workforce of 379,252 (1990: 376,785), including 305,295 (1990: 303,404) employees in Germany. This increase over the previous year's figure can be attributed to changes in the number of companies included in the consolidation at AEG and debis, and is also due to new appointments at Mercedes-Benz. In the new Federal German states, some 8,600 persons were employed at the end of 1991 in companies which are in the process of being taken over or have already been incorporated into our group.

The employment situation in Germany was on the whole satisfactory. Short-time work was only necessary in certain sectors. AEG Olympia in Wilhelmshaven and DASA's Eiweiler plant were affected by serious problems of capacity underutilization which have given us cause to discontinue activities at these locations. At year's end, 73,957 (1990: 73,381) persons were employed abroad.

Employees (12/31)	Germany	Abroad	Overall
Daimler-Benz AG and Holding Companies	2,764	40	2,804
Mercedes-Benz	185,154	52,288	237,442
AEG	56,338	20,000	76,338
DASA	55,662	803	56,465
debis	5,377	826	6,203
Daimler-Benz group	305,295	73,957	379,252

The domestic plants of Mercedes-Benz AG operated to full capacity throughout the year under review; their workforce increased by 6,300. At some foreign production and assembly plants of the Mercedes-Benz group, on the other hand, personnel had to be laid off in view of unfavorable economic conditions. Pleasing developments were registered once more at Mercedes-Benz Mexico, where the upturn on the Mexican commercial vehicle market made new appointments possible.

With the exception of AEG Olympia Office, where problems are continuing to be experienced, employment at AEG was generally characterized by good capacity utilization. This particularly applies to the Domestic Appliances and Rail Systems divisions and to AEG Electrocom. On the other hand, the Electrotechnical Systems and Components division, which is closely dependent on the mechanical engineering sector, showed signs





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of a slowdown towards the end of the year. The number of employees in Germany fell slightly, especially as a result of the hiving off of AEG Mobile Communication; abroad, numbers increased somewhat owing to the first-time consolidation of Siliconix, Santa Clara/California. To facilitate comparison, the workforces of AEG KABEL and AEG Elektrowerkzeuge, which were sold at the end of the year under review, are still included in this figure - as are their sales.

At Deutsche Aerospace, employment declined slightly in 1991. Personnel capacity was adjusted through natural wastage. In the Defense and Civil Systems division, however, further personnel measures will be unavoidable. The decrease in DASA's workforce during the year under review was a result of the hiving off of plants to Deutsche Airbus GmbH, which is not included in the consolidation.

The rise in employment at debis is due to acquisitions throughout all divisions. The companies included in the Software House represent the largest division, with a workforce of 4,443. Most of the workforce abroad is employed in the financing and leasing companies.

### Employment Structure

The structure of the workforce in the German companies of the Daimler-Benz group remained almost unaltered as against the previous year. At Mercedes-Benz, AEG and DASA, just under 5 % of the overall workforce consisted of apprentices and trainees. The proportion was considerably lower at debis and Daimler-Benz AG, since Mercedes-Benz has taken over most of the training function at these companies. Due to the nature of activities, Mercedes-Benz and AEG have a 50 % proportion of wage-earners, whilst at DASA (over 65 %) and debis (almost 100 %) salaried employees are in the majority.

17 % of our employees in Germany are women. Foreign employees constitute 13 % of the workforce (20 % of all wage-earners and 3 % of salaried staff). Employees come from some 60 countries, first and foremost Turkey, Yugoslavia, Italy and Greece. Although the foreign proportion of our workforce has steadily declined over the past few years, we will remain dependent on the support of our foreign employees in future.

At the end of 1991, the Daimler-Benz group employed 13,800 severely handicapped people in Germany. The legally prescribed employment quota of 6 % was not attained; as in previous years, however, a considerable number of orders were awarded to outside workshops for the handicapped.

### Collective Agreements for 1991

In the old Federal German states, the collective bargaining round brought an increase of some 6.7 % in standard wages and salaries for the employees of the metal-working and electrical industries effective June 1, 1991; a lump-sum payment was agreed on for the months of April and May. Remuneration in the lower wage categories increased disproportionately. In companies with a large number of employees in the lower wage categories, this led to an overall burden in excess of 6.7 %.

In the new Federal German states, long-term agreements were concluded for the regulation of all significant collective bargaining matters concerning standard wages and salaries. On April 1, 1991, wages and salaries were raised to 60 % of the west German rates on average. By April 1, 1994, wages and salaries are to be increased in stages to 100 % of the level of the old Federal German states. Additional payments such as vacation allowances will be introduced in stages from 1994 onwards. Special remuneration is to be successively raised to 50 % of monthly payment by 1995.

Annual leave will also be extended in stages until 1996. The standard working week, currently 40 hours, will be reduced to 39 hours on April 1, 1994 and to 38 hours on October 1, 1996.

### Personnel Expenditure

The Daimler-Benz group's personnel expenditure rose worldwide by 9 % to DM 29.4 billion. In the domestic plants, this increase was due primarily to rises in standard wages, salaries and social welfare contributions.

### Company Pensions

Company pensions continue to constitute the nucleus of social benefits throughout 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.

As part of their company pension scheme, Daimler-Benz AG and Mercedes-Benz AG paid a total of DM 296 million to approximately 47,800 pensioners, widows and children. In order to cover future payments, DM 643 million calculated on the basis of a notional interest rate of 3.5 % was allocated to pension provisions at Daimler-Benz AG and Mercedes-Benz AG. A sum of DM 204 million was also allocated to Daimler-Benz-Unterstützungskasse GmbH.

AEG disbursed some DM 136 million to some 42,500 pensioners, widows and children during the year under review. Corresponding payments made by the companies of Deutsche Aerospace amounted to DM 89 million for some 17,100 recipients.

The Daimler-Benz group allocated DM 15 billion overall to company pension schemes during the year under review.

### Assistance in the Formation of Private Capital 1991

In accordance with the 5th Capital Formation Law, our employees at the domestic plants were once more given the opportunity in 1991 of purchasing Daimler-Benz AG shares for a preferential price and at a reduced tax rate.

The employees of Daimler-Benz, Mercedes-Benz and debis were also given the option of purchasing shares in Mercedes Aktiengesellschaft Holding. In all, 140,247 employees made use of this offer. The employees of Daimler-Benz and Mercedes-Benz were also allowed to put DM 312 into company debt certificates at an annual interest rate of 10%. A total of 28,434 employees took up this offer.

**Residential Property Subsidies**

Most 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 97 million were granted for 3,726 houses and apartments.

**Managerial Development and Planning**

The implementation of corporate strategies are influenced to a large extent by the development, training and specific utilization of current and future management potential. With the instruments introduced to all corporate units, we are effectively supporting the long-term process of managerial development and planning.

In the year under review, the planning round was concluded with the assessment of demand and evolution at senior level. The analysis and evaluation of this situation in significant fields further improved conditions for the optimal utilization of available managerial potential throughout the group and broadened the opportunities for employee development.

We are supporting the group's strongly growing global activities, joint ventures and alliances through reinforced internationalization of managerial development, for instance by means of an international junior management group.

**Vocational Training**

At the end of 1991, 15,243 young people were undergoing vocational training within the Daimler-Benz group. 20 % of these were women; in the business professions, women constituted almost two-thirds of the trainees.

In the year under review, 4,160 young men and women began training courses, including 3,225 in the technical trades and 935 in business professions. Of the 4,397 who completed their courses, 85 % commenced work within the group. The corporate units in Germany offer training in a total of over 50 technical trades and 10 business professions. This training is supplemented by 15 special programs for school leavers, above all at the professional academy; these programs are continuing to prove very popular.

As part of our training scheme for young specialist personnel, we have assisted a large number of students and further extended our program for their care and counseling by means of training placements, opportunities for writing theses and seminars to supplement their courses of study.

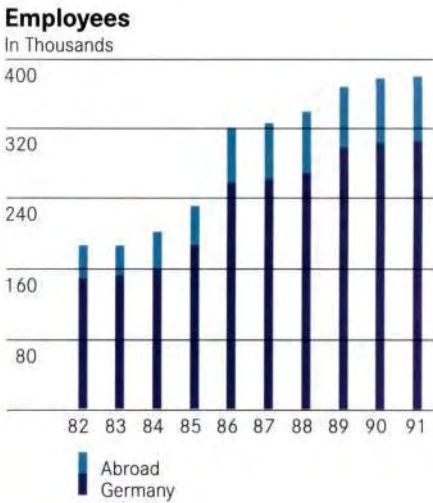
**Advanced Training**

Advanced training is provided at all levels throughout the Daimler-Benz group. The corporate units offer a comprehensive program to suit the requirements of the individual fields of activity. The senior managerial staff training scheme was further extended in 1991; it provides an effective contribution towards a common understanding for the development of the group and its strategy and towards personal dialog amongst managerial staff.

Some 177,500 employees participated in advanced training programs during working hours. Our courses in new technologies and information processing and our special sector development programs again attracted a large number of participants. We have intensified advanced training activities for our workers, especially with regard to new production methods such as group work. The costs due to advanced training amounted to DM 326 million during the year under review.

At the end of 1991, the group employed 379,000 men and women throughout the world.

Important goals of our personnel policy: providing the individual with greater responsibility, promoting the qualifications and international orientation of our staff.



### **New Forms of Work Structure**

In view of intensified worldwide competition, with higher requirements on versatility and quality, we have carried out a thorough investigation into new and modified approaches to production. Under the heading "lean management", endeavors have been under way for some time in all corporate units to realize modern, integral forms of work structure. A significant factor here is the transfer of planning, executive and monitoring activities to one and the same person or working group.

At almost all Mercedes-Benz plants, various forms of group work are being tested in pilot projects. The prime consideration is how group work must be designed in order to contribute towards increased economy in production and improved working conditions.

AEG reorganized its production sector with the construction of its new Medium-Voltage Systems factory in Regensburg. Each and every employee in production, in addition to his or her principal activity, assumes responsibility in quality assurance, control, the provision of equipment and materials and the transport of material. The employees in the assembly sector regularly exchange activities, in order to extend their knowledge and working opportunities.

### **Preventive Health Care**

The medical services of the various corporate units employed a staff of more than 250, including some 50 company doctors. Particularly at small locations, this staff was supported by a large number of part-time company doctors. The main emphasis of preventive health care was concerned with 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.

### **Safety at Work**

Throughout the group in Germany, 200 full-time safety experts are employed to make work safer for all employees. Their main responsibilities extend to advising managerial staff, holding lectures and training courses and implementing technical and organizational measures for the prevention of industrial accidents.

The success of this work is reflected in the further reduction in the number of industrial accidents. Compared with the previous year, both the frequency of accidents and the resultant number of days absent have been further reduced.

The main objectives in the year under review were to improve the training of managerial staff and safety experts and to develop data processing systems for the registration of information on hazardous substances. In the course of work systems design, modern findings on safety at work and ergonomics have been incorporated into the planning stage.

### **The Involvement of Employees in Problem-Solving**

With a total of 38,600 (1990: 34,000) suggestions for improvement submitted, the employees of the various corporate units continued to show great interest in their work. We rewarded our employees' suggestions with premiums amounting to DM 14.1 million (1990: DM 11 million). These encouraging figures reflect the creativity of our employees and their commitment to the objectives of our company.

### **Thanks to Our Workforce**

We would like to express our gratitude to all our employees for their commitment and hard work in a year in which the market once more presented us with major challenges, while at the same time the adaptation of cost structures had to be carried out energetically. Our thanks are also due to the representatives on the various labor councils and committees at all levels of our group for their trust and cooperation.



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## Finance

### Net Income Higher Despite Extraordinary Expenses

The 1991 financial statements clearly demonstrate the continued financial strength of the Daimler-Benz Group and, at the same time, constitute a solid foundation for us to successfully accomplish the tasks still ahead of us. The given figures are not only indicative of the still further increasing business volume, but also of a number of special factors which are explained in the following.

The figures in the statement of income comprise the income and expense items of AEG companies who left the circle of consolidated companies only at the end of the year but who are no longer included in the consolidated balance sheet. In contrast thereto, Eurocopter Holding S.A., which was founded on December 31, 1991, is included pro rata in the consolidated balance sheet with 40 %, while the helicopter activities of MBB are still reflected in the income accounts.

Total sales revenue of the Daimler-Benz group rose 11 % to DM 95 billion as a result of lively demand for vehicles in Germany. The stronger advance in total output, by 12 % to DM 98.6 billion, was largely due to strong growth in the leasing business and to increases in inventories, particularly at the Mercedes-Benz corporate division. The caption 'cost of materials' trended parallel to total output; its ratio in terms of total output amounts to 50.2 % (1990: 50.3 %). Within personnel expenses, whose ratio in terms of total output remained practically unchanged at 29.8 %, both salaries and wages but also expenses for old-age pensions rose; in order to increase the capital base of the group provident funds, we remitted DM 0.2 billion. The disproportional 15 % increase to DM 6.1 billion in depreciation allowances was once again due to higher investments in fixed assets and leased equipment. Other operating income of DM 3.5 billion was about the same as last year. The noticeable increase in operating expenses, from DM 12.0 billion to DM 13.8 billion, is largely in connection with additions to provisions for risks inherent in business activities.

In the non-operational area, net interest income for the group is shown at DM 0.6 billion. The strong decline versus last year has contrary reasons: On the one hand, interest income and earnings from securities rose slightly despite lower liquidity; on the other hand, a substantial rise in interest expenses is shown which was due to business related higher borrowing needs for our leasing and sales finance companies. The interest expenses from the financing of the leasing activities are offset income amounts which are reflected in the leasing rates and in sales revenue, respectively. Excluding the interest expenses for the refinancing of the financial service business, interest income for the group amounts to DM 1.1 billion (1990: DM 1.3 billion).

In millions of DM	1991	1990
Net Interest Income per Statement of Income	623	989
Net Interest Expense from Leasing and Sales Financing	446	344
Net Interest Income excluding Leasing and Sales Financing Business	1,069	1,333

As in previous years, we have again reduced the interest income earned in high-inflation countries by the relevant inflationary profits.

The results from ordinary business activities declined from DM 4.2 billion to DM 4.0 billion; higher contributions from the operational area have nearly offset the declining net interest income results. The non-operational result, which adversely affected income by DM 0.5 billion, is due to two extraordinary events, namely the expenses for AEG Olympia and the profit from the sale of AEG KABEL. If net income for the year, nevertheless, rose by 8 % to DM 1.9 billion, much is due to the fact that the substantial losses of AEG Aktiengesellschaft and of Dornier GmbH could be used for the first time in consolidation to reduce the corporate income tax expense, on account of profit and loss transfer agreements made in 1991.

### Balance Sheet Ratios of the Group Influenced by the Financial Services Sector

The balance sheet of the group is more strongly influenced by the vigorously expanding leasing and financing business than by the consolidated statement of income. Our leasing contracts are generally structured in such a way that the underlying assets are kept on the books of the lessor; leased vehicles are valued at acquisition or manufacturing costs less scheduled depreciation allowances. They are separately shown on the balance sheet under long-term assets. The deferred taxes resulting from the elimination of intra-group profits are shown on the asset side of the balance sheet under prepaid expenses and deferred taxes.

The sales financing business is strictly a credit business which adds to the balance sheet total because it simultaneously increases both receivables from customers and liabilities from the refinancing of such activities. Moreover, deferred leasing rates and exceptional rental payments are shown under deferred income.

If the financial services business would be carried out outside the Daimler-Benz group, the above-mentioned items would not appear on the consolidated balance sheet and the total would be correspondingly lower. Moreover, net equity of the group would have to be corrected by the amounts of inter-company profit eliminations and deferred taxes, as well as the profits earned by the financial services companies. On the other hand, the funds made available internally to the financial services companies could be used for the repayment of liabilities.

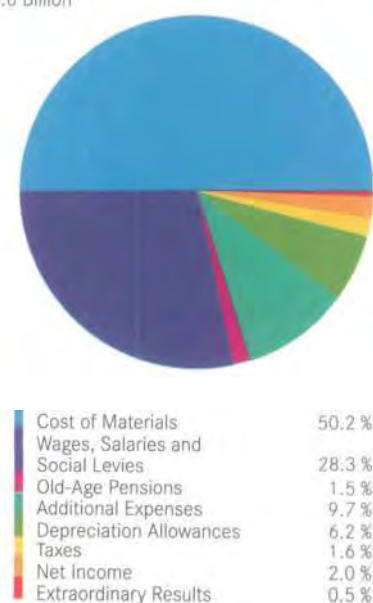
Higher net income despite negative extraordinary results.

Lower tax liability due to the inclusion of substantial losses within the expanded group.

### The Influence of the Financial Services Business on the Consolidated Balance Sheet

In millions of DM	1991	1990
<b>Group Balance Sheet Total</b>	<b>75,714</b>	<b>67,339</b>
<b>Assets</b>		
Leased equipment	( 8,092)	( 6,518)
Receivables from sales financing	( 4,255)	( 3,170)
Deferred taxes on inter-company profits	( 686)	( 519)
<b>Group Balance Sheet Total excluding Financial Services Business</b>	<b>62,681</b>	<b>57,132</b>
<b>Stockholders' Equity and Liabilities</b>		
Change in net equity due to financial services business carried out by third parties	( 100)	( 81)
Liabilities for leasing and sales financing	( 8,113)	( 6,648)
Additional repayments of liabilities	( 4,577)	( 3,312)
Deferred credits for leasing repayments and special lease payments	( 243)	( 166)
<b>Group Balance Sheet Total excluding Financial Services Business</b>	<b>62,681</b>	<b>57,132</b>

Expense Structure in Terms of Total Output, Daimler-Benz Group  
DM 98.6 Billion



### Unchanged, Solid Balance Sheet Ratios

The group's balance sheet total again increased, by 12 % to DM 75.7 billion, as a result of the greater sales volume. Long-term assets including leased equipment rose DM 5.8 billion to DM 29.2 billion. Within intangible assets, goodwill rose DM 0.5 billion, largely due to the inclusion of the helicopter business of Messerschmitt-Bölkow-Blohm into the Eurocopter group, and to the pro rata inclusion of the new joint venture company. Fixed asset additions of DM 6.5 billion were offset by depreciation of DM 4.1 billion and disposals of DM 0.9 billion, respectively. The DM 2.2 billion increase in financial assets largely reflects the acquisition of a 34 % stake in Sogeti S.A. and of a 10 % stake in Metallgesellschaft AG. Analogous to last year, the balance sheet amount for leased equipment increased disproportionately, by DM 1.6 billion to DM 8.1 billion; it thus represents 11 % of total assets. Excluding leased equipment, the ratio of fixed assets to total assets increased from 25.1 % to 27.9 % on account of substantial investments. Of other assets, which increased by DM 0.8 billion to DM 9.8 billion, DM 4.3 billion (1990: DM 3.2 billion) pertain to the sales financing business. Inventories, which rose DM 1.9 billion over the previous year, were financed through advance payments from customers to the tune of nearly 30 %; the ratio of net inventories to total assets of 19.7 % was nearly unchanged from the previous year's 19.5 %. In order to finance the acquisitions of companies, which were made for strategic reasons, we used our liquid funds; liquidity thus fell by DM 3.1 billion to DM 10.6 billion, and now amounts to 13.9 % (1990: 20.3 %) of total assets.

On the liability side of the balance sheet, shareholders' equity - excluding the amount set aside for dividend payments (unappropriated profit) - rose by DM 1.6 billion to DM 18.8 billion. Since we allocated DM 1.3 billion from net income to retained earnings,

### Consolidated Statement of Changes in Financial Position 1991 (In millions of DM)

#### Sources of Funds from Business Activities

Net income	1,942
Extraordinary results net of corporate income taxes	220
Depreciation allowances and disposal of intangible and of fixed assets	4,681
Write-downs of financial assets	115
Increase in pension provisions	710
Increase in long- and medium-term other provisions	122
<b>Cash flow</b>	<b>7,790</b>

#### Sources of Funds from Financing Activities

Increase in net equity other than retained earnings	236
Increase in short-term other provisions	612
Increase in medium- and long-term liabilities	2,466
Increase in short-term liabilities and deferred income	2,532
Disposal of fixed assets	456
	<b>6,302</b>

#### Application of Funds

Additions to intangible assets	( 606)
Additions to fixed assets	( 6,518)
Net additions to financial assets	( 2,304)
Additions to leased equipment less depreciation and disposals	( 1,574)
Increase in inventories (net)	( 1,777)
Increase in other current assets and in prepaid expenses	( 3,987)
Decrease in long- and medium term provisions due to the sale of corporate entities	( 782)
Dividends for 1990	( 557)
Extraordinary results net of corporate income taxes	( 220)
	<b>(18,325)</b>

#### Change in Net Liquidity

**( 4,233)**

#### Analysis of Change in Net Liquidity

	12/31/1990	12/31/1991	
Cash	3,786	2,010	( 1,776)
Other securities	5,093	5,709	616
Remaining liquidity	4,814	2,835	( 1,979)
	13,693	10,554	( 3,139)
Short-term liabilities to banks	( 2,315)	( 3,409)	( 1,094)
	<b>11,378</b>	<b>7,145</b>	<b>( 4,233)</b>



the ratio of net equity to total asset fell slightly from 25.6 % to 24.9 %. Excluding the financial services companies the ratio of net equity to total assets amounts to 29.9 % (1990: 30.1 %). The coverage of long-term assets (excluding leased equipment) by equity capital fell, however, to 89 % (1990: 102%).

The liabilities of our financial services companies rose to DM 8.1 billion (1990: 6.6 billion). This change represented 25 % of the increase of total liabilities which amounts to DM 27.7 billion (1990: DM 21.8 billion). The increase also includes DM 0.7 billion in liabilities to related companies which have been set up at AEG Aktiengesellschaft for AEG Olympia, a company no longer included in consolidation. Even though provisions rose by DM 0.7 billion to DM 28.0 billion, their share in terms of total assets, however, fell to 37,0 % (1990: 40.6 %) because of the strong rise in liabilities. Both long-term assets (excluding leased vehicles) and net inventories are fully covered by equity capital and long- and medium-term provisions.

### Strong Increase in Cash Flow

In 1991, cash flow continued to rise, namely from DM 6.7 billion to DM 7.8 billion. Because of the exceptionally large additions to financial assets, the funds generated from ordinary business activities were not sufficient, however, to finance all long-term investments. Although more than twice the resources than the previous year were available from other financing activities, such as short-, medium- and long-term borrowings, we have at the same time made use of our own liquidity in order to meet the enormously increased funding needs for both long-term assets and current assets.

Also for the following years we are taking it for granted that the use of funds within the Daimler-Benz group will remain at a high level. Particularly the continued expansion of the leasing and financing activities will make additional borrowings necessary. Moreover, the authority given for the issuance of stock offers the opportunity to raise equity capital when stock market conditions are favorable.

### Activities of the Group Treasury

With the growth in business volume, demands on the group treasury increased, and with it calls on the capacity of banking partners and capital markets. The central finance department of Daimler-Benz AG makes all strategic financial decisions; at the same time and with the support of regional holding and finance companies, it exercises its function with respect to operational liquidity-, finance- and risk management, and assures that a common banking policy is followed by the group. We let ourselves be guided by liquidity, safety and profitability criteria as well as balanced maturity structures and sound financial ratios.

In the process of the ongoing transformation and development of the central management department, we updated our domestic cash-concentration program to state-of-the-art electronic banking and took over, step by step, the foreign exchange dealings of our domestic companies. In order to improve our financial flexibility, we have made use of the rapidly growing commercial paper market in Germany, increasing our commercial paper program by DM 1.5 billion to DM 2.0 billion.

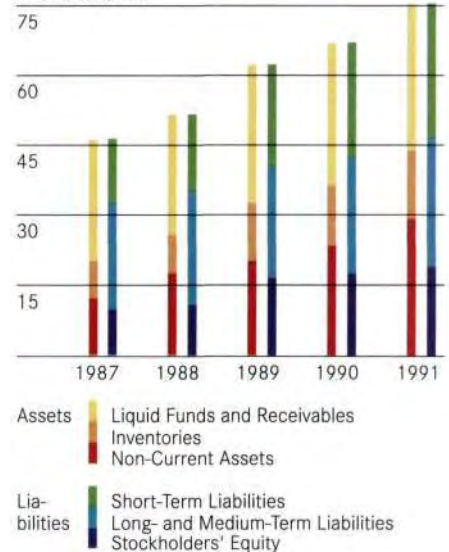
It is the responsibility of Central Asset Management to invest all the liquidity, which amounted to DM 10.6 billion at year end, in such a way that all financial requirements derived from the business activities of the group can be met on a short-term basis, always keeping profitability in mind. Through active portfolio management we invest longer-term funds in securities. This portfolio is largely

The balance sheet reflects the substantial expansion in the leasing and sales financing business.

The horizontal and vertical balance sheet structures continue to be balanced.

### Balance Sheet Structure Daimler-Benz Group

In Billions of DM



## Key Figures of Major Subsidiaries of Daimler-Benz AG

	Owner-ship <sup>1)</sup> in %	Net Equity <sup>2)</sup> in Millions of DM	Net Income <sup>2)</sup>		Sales <sup>3)</sup>		Employment at Year-End	
			1991 in Millions of DM	1990 in Millions of DM	1991 in Millions of DM	1990 in Millions of DM	1991	1990
<b>Corporate Unit Mercedes-Benz</b>								
Mercedes-Benz AG, Stuttgart	100.0	4,935	1,100.0	980.0	54,941	48,567	184,061	178,064
Mercedes-Benz España S.A., Madrid	87.9	349	61.7	63.3	1,937	1,626	3,475	3,295
Mercedes-Benz (United Kingdom), Milton Keynes <sup>4)</sup>	100.0	.5)	.5)	8.3	2,048	2,538	1,121	1,203
Mercedes-Benz Nederland, Utrecht <sup>4)</sup>	100.0	.5)	.5)	.5)	1,188	1,069	660	671
Mercedes-Benz Belgium S.A./N.V., Brussels	100.0	156	41.5	42.9	1,147	1,143	958	957
Mercedes-Benz France, Rocquencourt <sup>4)</sup>	100.0	.5)	.5)	.5)	3,086	3,175	2,084	2,200
Mercedes-Benz Italia, Rome <sup>4)</sup>	88.5	400	57.8	66.2	3,073	2,783	784	776
Mercedes-Benz (Schweiz) AG, Zurich	51.0	117	11.2	13.0	1,115	1,126	308	297
Freightliner, Portland <sup>4)</sup>	100.0	.5)	.5)	.5)	2,851	2,768	5,295	5,344
Mercedes-Benz of North America, Montvale <sup>4)</sup>	100.0	.5)	.5)	.5)	5,238	6,035	1,610	1,614
Mercedes-Benz Mexico, Mexico D.F. <sup>4)</sup>	80.0	204	49.2	22.0	575	316	1,460	1,401
Mercedes-Benz do Brasil, São Bernardo do Campo <sup>4)</sup>	100.0	981	10.3	-9.5 <sup>6)</sup>	3,094	2,439	20,798	20,509
Sofunge S. A., São Paulo	100.0	34	1.3	3.8	92	109	2,246	2,317
Mercedes-Benz Argentina, Buenos Aires <sup>4)</sup>	100.0	204	-4.0	-11.3	317	194	2,393	1,986
Mercedes-Benz of South Africa, Pretoria <sup>4)</sup>	50.1	182	8.7	16.3	1,501	1,288	4,588	4,521
Mercedes-Benz Türk A.S., Istanbul	50.3	70	1.2	31.2	395	642	2,497	2,873
Mercedes-Benz Japan Co. Ltd., Tokyo	100.0	201	34.4	34.9	2,562	2,110	406	287
Mercedes-Benz (Australia), Mulgrave/Melbourne <sup>4)</sup>	100.0	81	-22.9	10.5	365	536	792	950
<b>Corporate Unit AEG</b>								
AEG Aktiengesellschaft, Berlin und Frankfurt am Main	80.2	2,160	-441.0	-204.6	4,025	4,604	20,797	21,492
AEG Electrocom GmbH, Konstanz	100.0	40	9.1	4.8	250	235	1,356	1,350
AEG Hausgeräte AG, Nuremberg	100.0	298	27.5	0.2	2,235	1,304 <sup>7)</sup>	9,042	9,056
AEG Westinghouse Transport-Systeme GmbH, Berlin	100.0	90	9.4	34.7	583	398	2,008	2,003
TELEFUNKEN electronic GmbH, Heilbronn	100.0	166	-45.8	-26.6	794	707	3,594	3,604
MODICON, Inc., Andover/USA	100.0	.5)	.5)	.5)	269	234	1,021	996
<b>Corporate Unit Deutsche Aerospace</b>								
Deutsche Aerospace Aktiengesellschaft, Munich	83.0	5,621	36.0	57.6	-	-	309	220
Dornier, Friedrichshafen <sup>4)</sup>	57.6	328	-183.8	-37.0	2,374	2,827	9,527	10,931
Messerschmitt-Bölkow-Blohm GmbH, Ottobrunn	82.4	1,925	-36.6	60.0	3,853	4,066	14,629	20,911
MTU Motoren- und Turbinen-Union München, Munich <sup>4)</sup>	100.0	387	23.8	60.7	3,565	3,602	17,053	17,524
Telefunken-Systemtechnik, Ulm <sup>4)</sup>	100.0	314	-6.0	70.6	1,682	1,688	8,846	9,372
<b>Corporate Unit Daimler-Benz InterServices (debis)</b>								
Daimler-Benz InterServices (debis) AG, Berlin	100.0	550	-15.1	1.6	-	-	232	163
debis Systemhaus GmbH, Stuttgart	100.0	150	-13.3	-10.2	881	584	2,269	1,826
Mercedes-Benz Lease Finanz, Stuttgart <sup>4)</sup>	100.0	332	20.8	16.1	1,482	1,072	382	294
Mercedes-Benz Finanziaria S.p.A., Rome	85.0	59	3.3	1.9	335	235	132	117
Mercedes-Benz Credit, Norwalk/USA <sup>4)</sup>	100.0	.5)	.5)	.5)	1,784	1,337	371	351
<b>Holding Companies</b>								
Daimler-Benz Holding AG, Zurich	100.0	358 <sup>8)</sup>	52.8 <sup>8)</sup>	97.3	-	-	-	-
Daimler-Benz UK, London <sup>4)</sup>	100.0	322	19.1	.8)	-	-	6	5
Daimler-Benz Holding France, Rocquencourt <sup>4)</sup>	99.9	336	21.2	45.3	-	-	-	-
Daimler-Benz Holding Nederland, Utrecht <sup>4)</sup>	100.0	198	23.4	14.6	-	-	-	-
Daimler-Benz Holding Belgium S.A./N.V., Brussels	100.0	350	53.5	40.2	-	-	-	-
Daimler-Benz North America Corporation, New York <sup>4)</sup>	100.0	3,132	82.8	82.3	-	-	17	12

i) Relating to the respective Parent company.

2) 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.

3) Converted at applicable average exchange rates.

4) Preconsolidated financial statements.

5) Included in the consolidated financial statements of the holding company of the respective country.

6) For reasons of comparability the previous years figure was adjusted by the new inflation index.

7) Turn over included in AEG Aktiengesellschaft up to May, 31,1990.

8) Short business year.



composed of fixed-interest instruments, denominated in D-Marks, of first-class issuers, and to a lesser degree of stocks. Through various rearrangements, we were able to raise the average return of the portfolio to the prevailing higher capital market rates available at the end of the year.

We have further increased our refinancing activities, particularly in view of the strong growth of our leasing and sales financing business. The downward interest trend on international money and capital markets, which in the U.S.A. led to a historically low level, has caused us to restructure parts of the existing short-term liabilities and thus assure a more cost effective, longer-term availability of funds for the group. This is the reason why we expanded our emission volume of public Euro-bonds, and through capital markets, placed financial instruments denominated in ECU, CAD, ITL, GBP, CHF and USD with a total volume of approximately DM 2.8 billion. In addition to Daimler-Benz International Finance B.V., we established two more companies, Daimler-Benz North America Corp. and Daimler-Benz U.K. plc, as locations for such emissions.

In 1991, it was again the central foreign exchange management's goal to restrict and cushion the currency risks, particularly with regard to the USD, JPY, GBP, CHF and ESP, through foreign exchange hedging measures within the confines of the delivery volume. The currency hedging strategies are based on continuously updated market expectations with respect to individual currencies and business segments.

In order to make the financial risks of the company manageable, we make use of specifically targeted derivative capital market instruments. In asset management, they improve the risk/return ratio; in liability management, they lower respectively limit borrowing costs and interest-change risks.

### Sales and Project Financing

The worldwide sale of our products increasingly requires complex financing solutions, specifically tailored to the individual buyer. In addition to the needs of developing and underdeveloped countries, a considerable volume from industrial countries has been added in 1991, particularly as regards all means of transportation offered by the group. With the continuing stabilization in eastern Europe, demand for sales and project financing will increase.

Overall, the higher financing needs of our customers is met, however, by a lessening willingness of third parties to assume risks. Governments can no longer keep pace with the rising demands for the insurance of export risks and the financing of infrastructures. International banks also see difficulties in providing needed funds. The financing through international organizations is a stabilizing element, but only for certain products deemed economically promotable.

In view of this development, it is clear that the structuring of individual financing must become our central focal point to assure the sale of our products. Also in the future, we wish to avoid financing risks in connection with the sale of our products and, at the same time, to keep all the financing options open.

In 1991, our business policy at home and abroad again conformed with the "OECD-Guidelines for Multinational Companies". Our intercompany pricing policy is based on the "dealing-at-arms-length" principle.

The expanding business volume places growing demands on the group's Treasury.

Further development of central finance management through "electronic banking".

New methods of individualized sales and project financing.

## The Daimler-Benz Share

### Statistics per Common Share

		1991	1990
Net income*)	DM	40.20	36.20
Dividend	DM	13.00	12.00
Dividend incl. tax credit	DM	20.31	18.75
Cash flow*)	DM	165.85	141.80
Stockholders' Equity	DM	404.80	371.00

\*) excl. minority interests

\*) excl. minority interests

During the course of the year, the Daimler-Benz share moved parallel to the overall market except that, beginning in June, the price of our stock trended more favorably than the DAX-index. Towards the end of the year, the price of the Daimler-Benz share rose more strongly than the DAX-index and, with a market price of DM 743.70 at year end, was 35 % higher than the previous year. In contrast, the DAX-index only rose 13 % during the same period of time. This disparity has again declined during the first quarter of 1992.

Again in 1991, our stock belonged to the most frequently traded instruments on the German stock exchanges. Altogether, Daimler-Benz shares, with a market value of DM 125 billion, changed hands. This accounted for 10 % of the turnover of all domestic shares. On the German option exchange, Daimler-Benz options belonged to the most actively traded issues.

### Market Price of the Daimler-Benz Share

		1991	1990
High	DM	793.50	955.50
Low	DM	506.50	545.00
Year-end close	DM	743.70	550.00

### Dividend Increase to DM 13

For the business year 1991, an increased dividend over last year, from DM 12 to DM 13 for each eligible share of DM 50 par value, will be proposed to the annual general meeting

taking place on June 24, 1992; for shareholders subject to income taxes in Germany the gross dividend thus amounts to DM 20.31. The total dividend payout is increased from DM 557 million to DM 605 million over last year.

With an increase in the dividend to DM 13, we pay due regard to the earnings trend of the Daimler-Benz group. We thus underscore once again the policy pursued for years, whereby we gear the dividend payout to the longer-term profit trend of the corporation.

### Daimler-Benz Shares are a Good Long-Term Investment

The volatility of the international equity markets in the last few years has clearly shown that an investment in stocks offers both opportunity and risk. Through the combination of dividends and market appreciation, stocks offer long-term returns that cannot be achieved with fixed-income securities. However, stocks may, through temporary market setbacks, show negative returns. A three-year investment in Daimler-Benz stock shows an average return of 3.2 % per annum. In contrast, the return over a six-year period becomes negative, due to the high market price in 1986. A longer-term investment, as is typical for Daimler-Benz shareholders, of 12 years for example, shows a positive return of 16.0 % per year. In this calculation we have assumed that the proceeds from rights issues and cash dividends were re-invested in Daimler-Benz stocks, and that no additional payments were made by shareholders.

### Stable Shareholder Structure

With three large shareholders, which together hold more than two-thirds of our capital stock, Daimler-Benz AG has a manageable and reliable shareholder structure. One third of our share capital is relatively broadly held. Deutsche Bank, which holds 28 % of our share capital, has been a large shareholder of Daimler-Benz since the late twenties. The Mercedes Aktiengesellschaft Holding (MAH), Frankfurt am Main, has held a 25.23 % stake since it was founded in 1975. The special ownership structure

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

Investment date	1/2/1980	1/2/1986	1/2/1989
Investment duration (years)	12¼	6¼	3¼
Portfolio value at 3/31/1992 (in DM)	61.430	8.490	11.090
Average annual return in % from an investment in DEM	16,0	-2,6	3,2
from an investment in USD	16,5	3,8	5,6
from an investment in JPY	11,0	-2,7	7,8
from an investment in GBP	18,8	0,9	6,9

at MAH assures that no shareholder can obtain a dominant influence. Stern Automobil-Beteiligungsgesellschaft and 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.

The third largest shareholder since the mid-seventies is the government of Kuwait, whose equity stake amounts to about 14 %. The remaining 33 % of our share capital is widely held by about 400,000 investors both at home and abroad. Moreover, if the scattered ownership of MAH is taken into account as well, nearly half of our share capital is then, directly or indirectly, broadly distributed.

**Listing on Foreign Stock Exchanges**

Aside from the German stock exchanges, the Daimler-Benz stock has been listed since 1976 on the Swiss stock exchanges in Basel, Geneva and Zurich. With the listing of our stock in Tokyo and London in 1990, and in Vienna and Paris last year, we have paid due regard to the increasingly international orientation of our company. Concomitant thereto, we are thus better able to utilize the increasingly global markets also in raising capital. In Tokyo, with over one million shares traded in 1991, Daimler-Benz shares attained a notable volume. On the international stock exchange in London, trading in Daimler-Benz shares was extremely active, with more than 16 million shares changing hands.

In the medium term, we are endeavoring to have our shares listed on the world's most important stock exchange; that is, the New York stock exchange. However, the demands of the American Securities and Exchange Commission (SEC) are up to now contrary to our wish; either to publish financial statements in compliance with U. S. generally accepted accounting principles, or to carry out a reconciliation with our financial statements that are prepared in accordance with German law. Such practice would result in dissimilar balance sheets and profit and loss statements, since we would have to publish such financial statements in addition to our own. In view of this, we see no practicable solution and we shall, however, stay in touch with the SEC regarding a listing of our stock in New York, without having to deviate from the financial statements drawn up according to German accounting.

**Investor Relations Activities**

The increasing presence of our company on important foreign stock exchanges has led to increased interest from local and international investors in the integrated technology conglomerate Daimler-Benz. In order to fulfill the increasing demand for information connected herewith we further expanded our investor relations activities during the year. We address all our investors through the annual general meeting, the annual reports and regular interim reports. In addition we organize corporate presentations in the world's major financial centers for institutional investors and financial analysts. Last year, we presented the company in Zurich, Tokyo, New York, Boston, London and Edinburgh, as well as on the occasion of the stock exchange listings in Vienna and Paris.

**Dividend per Share\*) and Total Dividend Amount**

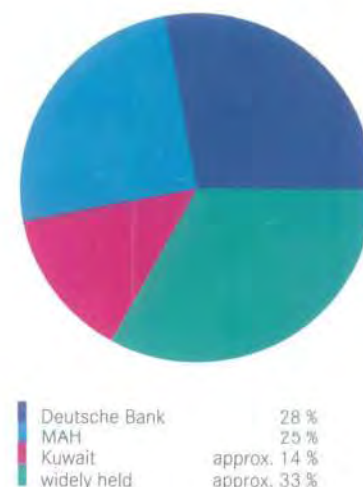


\*) Allowing for Capital Stock Increases

**Price Development of Common Stock**



**Shareholders' Structure Daimler-Benz AG**





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## Financial Statements

## Consolidated Balance Sheet

ASSETS	Notes	December 31,1991 In Millions of DM	December 31,1990 In Millions of DM
<b>Non-Current Assets</b>			
Intangible Assets	( 1)	774	304
Fixed Assets	( 2)	16,574	15,057
Financial Assets	( 3)	3,758	1,569
Leased Equipment	( 4)	8,092	6,518
		29,198	23,448
<b>Current Assets</b>			
Inventories	( 5)	20,732	18,855
Advance Payments Received	( 6)	( 5,827)	( 5,727)
		14,905	13,128
Receivables	( 7)	12,370	11,321
Other Assets	( 8)	9,783	9,019
Securities	( 9)	5,725	5,154
Cash	(10)	2,010	3,786
		44,793	42,408
<b>Prepaid Expenses and Deferred Taxes</b>	(11)	1,723	1,483
		75,714	67,339
<b>STOCKHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Stockholders' Equity</b>			
Capital Stock	(12)		
	(13)	2,330	2,330
Paid-In Capital	(13)	2,117	2,117
Retained Earnings	(14)	13,182	11,934
Minority Interests	(15)	1,214	881
Unappropriated Profit of Daimler-Benz AG		605	565
		19,448	17,827
<b>Provisions</b>			
Provisions for Old-Age Pensions and Similar Obligations	(16)	10,790	10,831
Other Provisions	(17)	17,239	16,536
		28,029	27,367
<b>Liabilities</b>			
Accounts Payable Trade	(18)	7,015	6,469
Other Liabilities	(19)	20,713	15,312
		27,728	21,781
<b>Deferred Income</b>		509	364
		75,714	67,339



## Consolidated Statement of Income

	Notes	1991 In Millions of DM	1990 In Millions of DM
<b>Sales</b>	(20)	<b>95,010</b>	<b>85,500</b>
Increase in Inventories and Other Capitalized In-House Output	(21)	3,556	2,840
<b>Total Output</b>		<b>98,566</b>	<b>88,340</b>
Other Operating Income	(22)	3,545	3,598
Cost of Materials	(23)	(49,456)	(44,477)
Personnel Expenses of which for Old-Age Pensions DM 1,511 million (1990: DM 1,347 million)	(24)	(29,372)	(26,890)
Amortization of Intangible Assets, Depreciation of Fixed Assets and of Leased Equipment	(25)	( 5,977)	( 5,169)
Other Operating Expenses	(26)	(13,824)	(12,016)
Income from Affiliated, Associated and Related Companies	(27)	56	4
Net Interest Income	(28)	623	989
Write-Downs of Financial Assets and of Securities	(29)	( 134)	( 158)
<b>Results from Ordinary Business Activities</b>		<b>4,027</b>	<b>4,221</b>
Extraordinary Result	(30)	( 544)	-
Income Taxes	(31)	( 1,039)	( 1,814)
Other Taxes	(31)	( 502)	( 612)
<b>Net Income</b>	(32)	<b>1,942</b>	<b>1,795</b>
Profit Carried Forward from Previous Year		8	5
Transfer to Retained Earnings		( 1,275)	( 1,124)
Income Applicable to Minority Shareholders		( 99)	( 145)
Loss Applicable to Minority Shareholders		29	34
<b>Unappropriated Profit of Daimler-Benz AG</b>		<b>605</b>	<b>565</b>

## Consolidated Statement of Non-Current Assets

In Millions of DM	Acquisition-/Manufacturing Costs				12/31/1991
	1/1/1991 *)	Additions *)	Reclassi- fications	Deductions	
<b>Intangible Assets</b>					
Franchises, Industrial Property Rights and Similar Rights, as well as Licences to Such Rights	452	98	12	98	464
Goodwill	151	508	-	-	659
	<b>603</b>	<b>606</b>	<b>12</b>	<b>98</b>	<b>1,123</b>
<b>Fixed Assets</b>					
Land, Land Titles and Buildings Including Buildings on Land Owned by Others	15,197	1,094	493	698	16,086
Technical Equipment and Machinery	19,962	1,600	674	1,582	20,654
Other Equipment, Factory and Office Equipment	14,884	1,746	389	1,433	15,586
Advance Payments Relating to Plant and Equipment and Construction in Progress	1,940	2,078	(1,568)	106	2,344
	<b>51,983</b>	<b>6,518</b>	<b>( 12)</b>	<b>3,819</b>	<b>54,670</b>
<b>Financial Assets</b>					
Investments in Affiliated Companies	878	68	( 4)	73	869
Loans to Affiliated Companies	8	5	-	2	11
Investments in Associated Companies	264	76	-	29	311
Investments in Related Companies	573	1,556	( 3)	17	2,109
Loans to Related Companies	32	104	-	3	133
Investments in Long-Term Securities	246	341	-	36	551
Other Long-Term Receivables	623	333	7	91	872
	<b>2,624</b>	<b>2,483</b>	<b>-</b>	<b>251</b>	<b>4,856</b>
	<b>55,210</b>	<b>9,607</b>	<b>-</b>	<b>4,168</b>	<b>60,649</b>
<b>Leased Equipment</b>	<b>9,444</b>	<b>4,191</b>	<b>-</b>	<b>1,782</b>	<b>11,853</b>

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

1/1/1991 *)	Amortization/Depreciation/Write-Downs			Net Book Value		
	Current Year	Reclassifications	Deductions	12/31/1991	12/31/1991	12/31/1990
272	98	1	88	283	181	180
27	39	-	-	66	593	124
<b>299</b>	<b>137</b>	<b>1</b>	<b>88</b>	<b>349</b>	<b>774</b>	<b>304</b>
7,405	746	( 7)	325	7,819	8,267	7,792
17,017	1,649	12	1,349	17,329	3,325	2,945
12,472	1,672	( 1)	1,225	12,918	2,668	2,412
32	9	( 5)	6	30	2,314	1,908
<b>36,926</b>	<b>4,076</b>	<b>( 1)</b>	<b>2,905</b>	<b>38,096</b>	<b>16,574</b>	<b>15,057</b>
538	41	( 5)	15	559	310	340
2	-	-	-	2	9	6
40	18	-	13	45	266	224
275	29	-	5	299	1,810	298
3	1	-	-	4	129	29
38	1	-	17	22	529	208
159	25	5	22	167	705	464
<b>1,055</b>	<b>115</b>	<b>-</b>	<b>72</b>	<b>1,098</b>	<b>3,758</b>	<b>1,569</b>
<b>38,280</b>	<b>4,328</b>	<b>-</b>	<b>3,065</b>	<b>39,543</b>	<b>21,106</b>	<b>16,930</b>
<b>2,926</b>	<b>1,764</b>	<b>-</b>	<b>929</b>	<b>3,761</b>	<b>8,092</b>	<b>6,518</b>
					<b>29,198</b>	<b>23,448</b>

## Notes to the Consolidated Financial Statements

### Principles and Methods

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

#### Accounting Principles and Valuation Methods

During the year under review, we have continued to apply the same accounting principles and valuation methods. Provisions for pensions have been calculated at the tax-allowable interest rate of 6 %; in this respect there exists a variance against the accounts of the parent company, which bases its provisions 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 1991, as in previous years, provisions for approved conversion, reconstruction and maintenance projects have been set up, or have been systematically continued.

*Intangible assets* are valued at acquisition costs and written off over the respective useful lives. Goodwill resulting from the capital consolidation, if derived from the extension of the group, is in principle amortized over five years; goodwill relating to the restructuring of the group is charged to retained earnings. Goodwill which, for the first time in the year under review, arose from the creation of strategic alliances, is split. The portion relating to the group's expansion is written off over the relevant useful life, the one relating to the restructuring is charged to retained earnings.

*Fixed assets* are valued at acquisition or manufacturing costs. The self-constructed facilities comprise direct costs and applicable material and manufacturing overheads, including depreciation allowances.

The acquisition costs/manufacturing 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 50 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 multi-shift operations are depreciated using correspondingly lower useful lives. Buildings are depreciated using straight-line depreciation rates - and where allowable under the Tax Codes - declining rates. Movable property with a useful life of four years or more is depreciated using the declining-balance-method. For movable property, 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 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. Low-value items 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 receivables are shown at their present value. Major *investments in associated companies* are valued according to the book value method at equity.

*Leased equipment* is valued at acquisition or manufacturing costs, and 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 the remaining useful life leads to higher depreciation amounts. The option to exercise tax-deductible depreciation, as per Section 14 of the Berlin Development Law, was used.

*Raw materials and supplies* as well as *goods purchased for resale* are valued at the lower of cost or market. *Finished goods* are valued at manufacturing costs which comprise, apart from direct material 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 are calculated based on a free-of-loss-valuation.

*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 risk inherent in receivables.

*Treasury stock* is valued at the expected selling price to employees of the Daimler-Benz group. *Securities* are 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 been taken into account in calculating the provision amount.

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

## Companies Included in Consolidation

The companies included in consolidation encompass, apart from Daimler-Benz AG, 255 (1990: 269) domestic and foreign subsidiaries and 7 joint venture companies.

During the reporting year, 33 companies have, for the first time, been added to consolidation. Moreover, 7 joint venture companies were included pro rata, for the first time, pursuant to Section 310 of the Commercial Code. A total of 47 subsidiaries were deleted from consolidation.

The profit and loss accounts of 8 domestic and 19 foreign companies, which were deleted from the circle of consolidated companies at the end of the year, were still included in the consolidated statement of income.

The deletions from consolidation, resulting from the sale of AEG Kabel Aktiengesellschaft, of AEG Elektrowerkzeuge GmbH and their subsidiaries, as well as the withdrawal from the office and communication field, do have consequences in the consolidated balance sheet. The material consequences are explained under the relevant balance sheet captions. In contrast, there are nearly no consequences in the consolidated statement of income because the expenses and income items of the above companies are still included.

Not included are 199 subsidiaries, whose effect on the consolidated financial statements is not material (their total sales volume is less than 1 % of consolidated sales) and 11 companies administering pension funds whose assets 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-Bölkow-Blohm GmbH, in its relationship with this company, is restricted in exercising its rights, on account of agreements with the Federal Republic of Germany and of rules in the bylaws with regard to resolutions.

At the end of 1991, the helicopter activities of MBB and of the French Aerospatiale were merged into the newly-founded Eurocopter group in order to form a strategic alliance. MBB holds 40 % of the share capital in the new joint venture company Eurocopter Holding S.A., Paris. Because of the relatively short group affiliation, only the consolidated balance sheets, but not the statements of income of Eurocopter Holding S.A., and its subsidiaries, are included pro rata. The income and expenses for 1991 derived from the German helicopter activities are still included in the income statement of MBB. Comparability of the consolidated accounts against the previous year has not been impaired.

## 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. This applies analogously to the joint venture companies that are included pro rata. The differences resulting from the capital consolidation (debit balance) are, as far as possible, allocated to the relevant balance sheet items and are written off to income over their useful lives. For the treatment of the remaining differences (goodwill), see our explanations under "accounting principles and valuation methods". The DM 275 million goodwill resulting from the addition of the *joint venture companies* of the Eurocopter group is shown under "intangible assets". Beginning in 1992, the portion applicable to the group's expansion will, analogously to the acquired goodwill in the individual financials, be written off to income over a useful life of 10 years. The remaining portion will be charged to retained earnings in 1992, without affecting income.

A difference (credit balance) resulting from the capital consolidation is shown under the balance sheet caption "other provisions" earmarked as "difference from capital consolidation with reserve characteristics".

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 the same. In connection hereto, we have charged the income-affecting consolidation adjustments and the profits earned by our subsidiaries to consolidated retained earnings.

The consolidated financial statements include 116 *associated companies*.

At year-end, twelve associated companies as well as our subsidiary Deutsche Airbus GmbH, Hamburg, have been included in our consolidated financial statements according to the *book value method* at equity. Goodwill of DM 107 million, resulting from the purchase of additional shares of MBB, is charged to retained earnings, because it is connected with the restructuring of the group.

In December 1991 we acquired a 34 % stake in Sogeti S.A., Grenoble. On account of the short affiliation, we have included this investment at acquisition cost under the caption "investments in related companies". Beginning in 1992, Sogeti will be accounted for under the equity method of accounting.

The remaining associated companies are shown under investments in affiliated companies at acquisition cost and in some instances less write-downs, as they are not material to the consolidated balance sheet, financial position 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 the intercompany sales of goods and services have been eliminated, except items of minor importance. This also applies to 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* (debit balance) 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 companies 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, liabilities and unappropriated profit. Stockholders' equity in D-marks is the remaining difference between translated assets less translated liabilities 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 depreciation, 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 difference resulting from the translation of annual net income, between annual average rates and the exchange rates at the balance sheet date, is 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 the Consolidated Balance Sheet

### 1 Intangible Assets

Intangible assets, amounting to DM 774 million (1990: DM 304 million) comprise goodwill arising from the capital consolidation and from individual company financial statements, acquired EDP software, patents

and, to a lesser extent, advance payments made. The increase against the previous year is largely due to the first-time pro rata inclusion of the Eurocopter group and relates to goodwill.

### 2 Fixed Assets

The increase in property, plant and equipment by DM 1,517 million to DM 16,574 million is derived from investments of DM 6,518 millions reduced by reclassifications of DM 11 million, disposals of DM 914 million, and depreciation of DM 4,076 million. The change in the circle of consolidated

companies altogether reduced fixed assets by approx. DM 160 million. Special tax-deductible depreciation allowances amount to DM 77 million (1990: DM 95 million); depreciation in excess of scheduled depreciation amounts to DM 39 million (1990: DM 2 million).

### 3 Financial Assets

The increase in financial assets by DM 2,189 million to DM 3,758 million is largely due to the purchase of shares in Sogeti S.A., Grenoble, and Metallgesellschaft AG, Frankfurt am Main.

A complete listing of our stock ownership will be filed with the commercial registry office at the county court house in Stuttgart under the number HRB 173.

Investments in long-term securities totaling DM 529 million (1990: DM 208 million) are mostly accounted for by Daimler-Benz AG. Unscheduled write-downs, largely of investments in

affiliated companies, of investments in associated companies, of investments in related companies and of other long-term receivables, totaling DM 115 million (1990: DM 110 million), had to be made.

Because of increased market values, investments in non-current assets should have been written up by DM 6 million in accordance with the value appreciation doctrine (Section 280 of the Commercial Code). However, such a write-up was omitted for tax reasons.

### 4 Leased Equipment

The increase in leased equipment - almost exclusively vehicles - by DM 1,574 million to DM 8,092 million, pertains largely to Mercedes-Benz Credit Corporation, Norwalk, U.S.A., and to Mercedes-Benz Leasing GmbH,

Stuttgart. About 86 % of the balance sheet total pertains to these two companies. Special tax-deductible depreciation allowances amount to DM 10 million (1990: DM 9 million).

**5 Inventories**

In millions of DM	12/31/1991	12/31/1990
Raw materials and supplies	3,041	3,468
Work in progress	8,160	7,553
Finished goods, parts and goods purchased for resale	8,557	7,083
Advance payments to suppliers	974	751
	20,732	18,855

AEG and Deutsche Aerospace account for nearly 50 % of the consolidated inventories. The increase over last year is with DM 1,500 million derived from the Mercedes-Benz corporate division, particularly at Mercedes-Benz AG and its foreign sales companies, and with DM 800

million from the DASA corporate division, here almost exclusively through the first-time pro rata inclusion of the balance sheets of the Eurocopter group. The change in the circle of consolidated companies has reduced inventories by about DM 500 million.

**6 Advance Payments Received**

Advance payments received amounting to DM 5,827 million (1990: DM 5,727 million) were almost exclu-

sively 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	12/31/1991	12/31/1990
Receivables from sales of goods and services	10,625	9,077
of which maturing after more than one year	225	338
Receivables from affiliated companies	335	359
of which maturing after more than one year	11	113
Receivables from related companies	1,410	1,885
of which maturing after more than one year	596	659
Total receivables	12,370	11,321
of which maturing after more than one year	832	1,110
Other assets	9,783	9,019
of which maturing after more than one year	4,076	4,249

Approx. DM 0.3 billion (1990: DM 0.9 billion) of the receivables from related companies pertain mainly to fixed-interest debt instruments and securities.

Other assets include investments of liquid funds in debt instruments not

traded on stock exchanges. They amount to DM 2,563 million (1990: DM 3,866 million).

Also shown here are receivables derived from the business activities of finance and leasing companies totaling DM 4.3 billion (1990: DM 3.2 billion).



**9 Securities**

In millions of DM	12/31/1991	12/31/1990
Treasury stock	16	61
Other securities	5,709	5,093
	5,725	5,154

During the year under review, we purchased 116,457 common shares (par value DM 5.8 million = 0.25 % of total outstanding share capital) at an average price of DM 665 a share.

In October of 1991, we sold 184,754 shares to our employees (par value DM 9.2 million = 0.4 % of total outstanding share capital) at a preferential price of DM 371 for each share (in the event that one share was purchased) or DM 412.50 for each share (in the event that two shares were purchased). On the balance sheet date, we

held 42,766 ordinary shares (par value DM 2.1 million = 0.09 % of total outstanding capital stock). They were all purchased during the year under review.

Other securities pertain mainly to fixed-interest-bearing debt instruments.

Within *current assets*, DM 26 million should have been written up according to the value appreciation doctrine, but such write-up was omitted for tax reasons.

**10 Cash**

Cash amounting to DM 2,010 million (1990: DM 3,786 million) consists of deposits in financial institutions, cash on hand, deposits at the Bundesbank (German Federal Bank), in post

office accounts, and checks on hand.

Liquid funds, shown among various balance sheet captions, total DM 10.6 billion (1990: DM 13.7 billion).

**11 Prepaid Expenses and Deferred Taxes**

Deferred taxes on income-affecting elimination entries amount to DM 1,596 million (1990: 1,363 million). Deferred taxes - a debit balance

overall - as shown in the consolidated individual balance sheets - are not included.

**12 Stockholders' Equity**

The changes in stockholders' equity are as follows:

	In millions of DM
Balance at 12/31/1990	17,827
Dividends paid by Daimler-Benz AG for 1990	( 557)
Amount transferred from 1991 net income to retained earnings	1,275
Write-off of goodwill	( 107)
Unappropriated profit of Daimler-Benz AG 1991	605
Change in stock ownership of minority shareholders	333
Difference from currency translation	30
Other changes	42
Balance at 12/31/1991	19,448

**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 30 million, and other retained earnings of DM 8,469 million of Daimler-Benz AG. Also reflected here are the company's share in the retained earnings and results of operations of con-

solidated subsidiaries, insofar as they have been earned by them since belonging to the group. Additionally, this caption takes into account the cumulative results from the elimination of intercompany earnings and from debt consolidation, as well as the difference arising from currency translations.

**15 Minority Interests**

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

MTU. The increase against the previous year is largely due to the first time pro rata inclusion of the Eurocopter group.

**16 Provisions for Old-Age Pensions and Similar Obligations****16 Provisions for Old-Age Pensions and Similar Obligations**

The pension provisions are unchanged from last year and amount to DM 10.8 billion. The change in the circle of consolidated companies has reduced pension provisions by DM 690

million. 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	12/31/1991	12/31/1990
Provisions for taxes	1,248	1,649
Difference from capital consolidation with reserve characteristics	44	-
Other provisions	15,947	14,887
	17,239	16,536

The provisions for taxes include DM 645 million (1990: 1,139 million) which pertain, to a large extent, to Daimler-Benz AG for open years awaiting final assessment.

The difference amount with reserve characteristics resulting from the capital consolidation originates from the first-time consolidation of one subsidiary; this amount will be available to offset potential additional expenses during the start-up years.

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, and risks arising from contractual liabilities and pending litigation.

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. In addition, provisions have been recorded for future obligations in connection with restructuring activities.

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

In millions of DM	12/31/1991	12/31/1990
Accounts payable trade	7,015	6,469
of which due within one year	6,890	6,357
Financial liabilities		
Bonds	5,003	2,077
of which due within one year	634	-
in more than five years	1,534	842
Debentures	1,874	2,283
of which due within one year	1,874	2,283
Liabilities to financial institutions	5,380	4,123
of which due within one year	3,087	2,109
in more than five years	316	343
Notes payable	541	272
of which due within one year	521	83
in more than five years	7	7
Other liabilities		
Liabilities to affiliated companies	1,613	677
of which due within one year	1,580	677
Liabilities to related companies	1,419	1,401
of which due within one year	1,095	1,005
in more than five years	86	54
Miscellaneous liabilities	4,883	4,479
of which due within one year	4,182	3,868
in more than five years	288	298
of which for taxes	891	907
of which for social benefits	823	758
Other liabilities	20,713	15,312
Total liabilities	27,728	21,781
of which due within one year	19,863	16,382
in more than five years	2,231	1,544

Of the liabilities to related companies, DM 430 million (1990: DM 270 million) pertain to liabilities to financial institutions. In addition, they pertain mainly to obligations due to project companies, incurred by MBB.

Debentures pertain to commercial paper issued in D-marks and U.S. dollars; they are shown at the issue price plus accrued interest up to December 31, 1991. In the previous year, U.S. dollar-denominated commercial paper of DM 2,283 million was shown under notes payable. The amount was reclassified for the purpose of comparability.

The increase in liabilities to affiliated companies is largely due to the take-over of the 1991 loss of AEG Olympia Office GmbH by AEG Aktiengesellschaft.

Miscellaneous liabilities largely comprise December 1991 accruals for wages and salaries as well as tax liabilities.

Total other liabilities include approx. DM 8.1 billion in connection with the refinancing of the strongly expanding leasing and sales financing activities for cars and commercial vehicles.

Liabilities to financial institutions, notes payable, liabilities to affiliated and related companies, miscellaneous liabilities, and advance payments received from customers (directly deducted from inventories) are materially secured, in the amount of DM 1,308 million (1990: DM 1,223 million) by mortgage conveyance or by assignment of receivables.

**Contingent Liabilities**

In millions of DM	12/31/1991	12/31/1990
Collateral	1,557	1,675
Discounted notes	218	156
Contractual guarantees	261	300
Pledges for indebtedness of others	7	12

In addition, we are liable for non-estimable compensatory payments, guaranteed by Deutsche Aerospace for 1992 and future years. For outside shareholders of AEG and of Deutsche

Aerospace, there exist claims for non-estimable compensatory payments.

Moreover, there exist contractual performance guarantees that could not reasonably be estimated.

**Other Financial Obligations**

Other financial obligations arising from rental, property lease and leasing contracts average approx. DM 502 million annually; the average contract duration is 10 years. For companies not included in consolidation, we have other financial obligations amounting to DM 36 million; the average contract duration is 15 years. The remaining financial obligations, particularly purchase order commitments for capital investments, are within the scope of normal business activities. The obliga-

tion arising from stock subscriptions and from capital subscriptions in close corporations pursuant to Section 24 of the GmbH Act, amount to DM 11 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 the Consolidated Statement of Income

### 20 Sales

In millions of DM	1991	1990
Sales by corporate divisions:		
Mercedes-Benz	65,317	57,872
AEG	13,573	12,721
DASA	11,974	12,168
debis	4,146	2,739
	95,010	85,500
Sales by regions:		
Domestic	44,443	36,674
Foreign	50,567	48,826
Breakdown of foreign sales:		
EC countries	18,907	18,876
Other European countries	4,896	5,288
North America	12,969	12,820
Latin America	3,993	3,160
Other countries	9,802	8,682

### 21 Increase in Inventories and Other Capitalized In-House Output

In millions of DM	1991	1990
Increase in inventories of finished goods and of work in progress, including parts	2,111	1,514
Other capitalized in-house output	1,445	1,326
	3,556	2,840

### 22 Other Operating Income

The income amount included in this caption for the reversal of provisions totals DM 893 million. (1990: DM 792 million). Additional income is derived from exchange profits in connection with ongoing purchase and payment transactions, mostly earned abroad; exchange losses against such

income are shown under other operating expenses. In addition, income is derived from costs charged to third parties, from security sales, and from rentals and leases.

DM 1,571 million of other operating income is attributable to prior years.

### 23 Cost of Materials

In millions of DM	1991	1990
Cost of raw materials and supplies as well as of goods purchased for resale	44,340	39,601
Cost of services purchased	5,116	4,876
	49,456	44,477

In relation to a total output of DM 98,566 million (1990: DM 88,340 million), the ratio to the cost of goods and services is unchanged at 50 %

**24 Personnel Expenses/Employment**

In millions of DM	1991	1990
Wages and salaries	23,813	21,881
Social levies and expenses for old-age pensions	5,559	5,009
	29,372	26,890
Employment (weighted annual average)	Number	Number
Wage earners	221,216	216,515
Salaried employees	144,101	141,631
Trainees/apprentices	16,194	16,071
	381,511	374,217

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

The average number of employees shown above does not yet include the employees of the Eurocopter Holding group, except for the employees of the German subsidiary.

**25 Amortization of Intangible Assets, Depreciation of Fixed Assets and of Leased Equipment**

In millions of DM	1991	1990
Amortization of intangible assets	137	112
Depreciation of fixed assets	4,076	3,558
Depreciation of leased equipment	1,764	1,499
	5,977	5,169

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 finance companies.

**26 Other Operating Expenses**

This caption comprises additions to provisions, maintenance expenses, administrative and selling expenses including sales commissions, rental and lease expenses, foreign exchange losses incurred in the normal course

of business, freight-out, packaging, and expenses in connection with the currency revaluation at our Brazilian subsidiary companies. Overall, DM 85 million is applicable to prior years.

**27 Income from Affiliated, Associated and Related Companies**

In millions of DM	1991	1990
Income received from affiliated, associated and related companies	34	34
of which from affiliated companies	13	8
Income from profit and loss transfer agreements	15	20
Profit (loss) from companies included at equity	22	(31)
Loss from profit and loss transfer agreements	(15)	(19)
	56	4

**28 Net Interest Income**

In millions of DM	1991	1990
Income from other securities, and from long-term financial assets	125	54
Other interest and similar income	2,222	2,165
of which from affiliated companies	19	3
Interest and similar expenses	(1,724)	(1,230)
of which to affiliated companies	( 18)	( 5)
	623	989

**29 Write-Downs of Financial Assets and of Securities**

In millions of DM	1991	1990
Write-downs of financial assets	115	110
Write-downs of securities	19	48
	134	158

**30 Extraordinary Results**

In millions of DM	1991	1990
Extraordinary income	490	-
Extraordinary expenses	(1,034)	-
	( 544)	-

The extraordinary income results from the sale of AEG KABEL Aktiengesellschaft and its subsidiaries.

Extraordinary expenses are in connection with the withdrawal from the office and communications technology business of AEG.

**31 Taxes**

In millions of DM	1991	1990
Income taxes	1,039	1,814
Other taxes	502	612
	1,541	2,426

The decline in tax expenses is largely due to the expansion of the circle of companies integrated for tax purposes, AEG Aktiengesellschaft and the Dornier companies belonging to DASA AG.

**32 Net Income**

Consolidated net income of DM 1,942 million has predominantly been earned by the Mercedes-Benz corporate division. 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 presumption that the proposed dividend is ratified by the shareholders at the Annual General Meeting on June 24, 1992, the remuneration paid by the Group companies to the members of the Board of Management and the Supervisory Board of Daimler-Benz AG amounts to DM 15,030,509 and DM 2,012,742, respectively. Disbursements to former members of the Board of the Management of Daimler-Benz AG and their survivors amount to DM 10,452,288. An amount of DM 87,815,046 has been provided for on the books of

Daimler-Benz AG and of Mercedes-Benz AG for pension obligations to former members of the Board of Management and their survivors. As of December 31, 1991, advances and loans to members of the Board of Management of Daimler-Benz AG amount to DM 179,418. Home loans included herein are not subject to interest; other loans and advances bear interest averaging 5.5 %. During the year, DM 129,784 was repaid. The stipulated maturities are ten years for home loans, and are not to exceed 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 position and results of operations of the Daimler-Benz Group. The business review report, which summarizes the state of affairs of Daimler-Benz Aktiengesellschaft and that of the Group, is consistent with the financial statements of Daimler-Benz Aktiengesellschaft and the consolidated financial statements.

Frankfurt am Main, April 14, 1992

KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Zielke  
Wirtschaftsprüfer  
(Certified Public Accountant)

Dr. Koschinsky  
Wirtschaftsprüfer  
(Certified Public Accountant)

## Balance Sheet of Daimler-Benz AG

<b>ASSETS</b>	Notes	December 31, 1991 In Millions of DM	December 31, 1990 In Millions of DM
<b>Non-Current Assets</b>			
Intangible Assets	( 1)	7	7
Fixed Assets	( 2)	825	811
Financial Assets	( 3)	18,640	16,079
		19,472	16,897
<b>Current Assets</b>			
Receivables from Affiliated Companies	( 4)	3,229	3,153
Other Receivables and Other Assets	( 5)	2,411	4,115
Securities	( 6)	4,531	3,526
Cash	( 7)	660	1,714
		10,831	12,508
<b>Prepaid Expenses</b>		-	-
		30,303	29,405
<b>STOCKHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Stockholders' Equity</b>			
Capital Stock	( 8)	2,330	2,330
Paid-In Capital	( 9)	2,117	2,117
Retained Earnings	(10)	8,659	8,062
Unappropriated Profit		605	565
		13,711	13,074
<b>Provisions</b>			
Provisions for Old-Age Pensions and Similar Obligations	(11)	6,856	6,469
Other Provisions	(12)	1,180	1,590
		8,036	8,059
<b>Liabilities</b>			
Liabilities Payable to Affiliated Companies	(13)	7,528	7,891
Other Liabilities	(14)	1,028	381
		8,556	8,272
		30,303	29,405

## Statement of Income of Daimler-Benz AG

	Notes	1991 In Millions of DM	1990 In Millions of DM
<b>Income from Affiliated, Associated and Related Companies</b>	(15)	<b>3,288</b>	<b>3,486</b>
Net Interest Income	(16)	105	111
Other Operating Income	(17)	590	844
Personnel Expenses of which for Old-Age Pensions DM 33 Million (1990: DM 28 Million)	(18)	( 336)	( 306)
Amortization of Intangible Assets and Depreciation of Fixed Assets	(19)	( 162)	( 142)
Write-Downs of Financial Assets and of Securities	(20)	( 38)	( 30)
Other Operating Expenses	(21)	(1,213)	( 906)
<b>Results from Ordinary Business Activities</b>		<b>2,234</b>	<b>3,057</b>
Income Taxes	(22)	( 869)	(1,761)
Other Taxes	(22)	( 171)	( 176)
<b>Net Income</b>	(23)	<b>1,194</b>	<b>1,120</b>
Profit Carried Forward from Previous Year		8	5
Transfer to Retained Earnings		( 597)	( 560)
<b>Unappropriated Profit</b>		<b>605</b>	<b>565</b>

## Statement of Non-Current Assets of Daimler-Benz AG

In Millions of DM	Acquisition-/Manufacturing Costs				12/31/1991
	1/1/1991	Additions	Reclassi- fications	Deductions	
<b>Intangible Assets</b>	<b>13</b>	<b>4</b>	<b>.</b>	<b>1</b>	<b>16</b>
<b>Fixed Assets</b>					
Land, Land Titles and Buildings Including Buildings on Land Owned by Others	738	99	2	23	816
Technical Equipment and Machinery	61	7	.	2	66
Other Equipment, Factory and Office Equipment	375	66	2	18	425
Advance Payments Relating to Plant and Equipment and Construction in Progress	49	28	(4)	-	73
	<b>1,223</b>	<b>200</b>	<b>.</b>	<b>43</b>	<b>1,380</b>
<b>Financial Assets</b>					
Investments in Affiliated Companies	16,593	1,087	-	590	17,090
Loans to Affiliated Companies	277	263	-	16	524
Investments in Related Companies	279	1,520	-	-	1,799
Loans to Related Companies	3	-	-	2	1
Investments in Long-Term Securities	229	339	-	34	534
Other Long-Term Securities	10	-	-	1	9
	<b>17,391</b>	<b>3,209</b>	<b>-</b>	<b>643</b>	<b>19,957</b>
<b>Total Non-Current Assets</b>	<b>18,627</b>	<b>3,413</b>	<b>-</b>	<b>687</b>	<b>21,353</b>

1/1/1991	Amortization/Depreciation/Write-Downs			12/31/1991	Net Book Value	
	Current Year	Reclassifications	Deductions		12/31/1991	12/31/1990
<b>6</b>	<b>3</b>	.	.	<b>9</b>	<b>7</b>	<b>7</b>
105	88	-	1	192	624	633
37	8	-	1	44	22	24
270	63	.	14	319	106	105
-	-	-	-	-	73	49
<b>412</b>	<b>159</b>	.	<b>16</b>	<b>555</b>	<b>825</b>	<b>811</b>
1,060	-	-	-	1,060	16,030	15,533
5	3	-	-	8	516	272
208	19	-	-	227	1,572	71
-	-	-	-	-	1	3
36	1	-	17	20	514	193
3	.	-	1	2	7	7
<b>1,312</b>	<b>23</b>	-	<b>18</b>	<b>1,317</b>	<b>18,640</b>	<b>16,079</b>
<b>1,730</b>	<b>185</b>	-	<b>34</b>	<b>1,881</b>	<b>19,472</b>	<b>16,897</b>

## Notes to the Financial Statements of Daimler-Benz AG

### Principles and Methods

The financial statements of Daimler-Benz AG have been prepared in accordance with regulations set forth in the Commercial Code. The items, which are summarized in the balance sheet and the statement of income, are separately shown in the notes. The figures are shown in millions of D-marks, and are prepared taking into account the appropriation of net income.

#### Accounting Principles and Valuation Methods

During the year under review, Daimler-Benz AG continued to apply the same accounting principles and valuation methods.

*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 are fully utilized.

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 when the equal distribution of the remaining net book value over the remaining useful life leads to higher depreciation amounts.

Depreciation allowances on fixed asset additions during the first and second half of the year are calculated using the full year or half-year rates, respectively. Low-value items 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; 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-specific basis is deducted from the receivables in recognition of the general credit risks inherent in receivables.

*Treasury stocks* are valued at the estimated selling price to employees of Daimler-Benz AG or corporate divisions, respectively. *Other securities* are valued at the lower of cost or market value at the balance sheet date.

*Provisions for old-age pensions and similar obligations* have, in accordance with the drop-down and capital contribution agreements between Daimler-Benz AG and Mercedes-Benz AG, been made for pension claims of eligible employees and for pensioners retiring on or after July 1, 1989, of both companies. The obligations for old-age pension benefits are actuarially determined using the Entry Age Actuarial Cost Method on the basis of an interest rate assumption of 3,5 %. In computing the provision for old-age pension 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 are unchanged at DM 7 million, and comprise mostly acquired EDP software.

### 2 Fixed Assets

Fixed assets totaling DM 825 million (1990: DM 811 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 130 million and DM 29 million, respectively (pursuant to Section 6 b of the Income Tax Act).

### 3 Financial Assets

The investments in affiliated and related companies amount to DM 17,602 million. Additions of DM 2,607 million pertain most of all to the purchase of shares in Sogeti S.A., Grenoble, and Metallgesellschaft AG, Frankfurt am Main, as well as to the capital stock increase at Daimler-Benz Coordination Center, Brussels. The equity investments in Bayerisch-Hamburgische Beteiligungsgesellschaft mbH, Hamburg, and in Messerschmidt-Bolkow-Blohm GmbH, Ottobrunn, are offset by an equity disposal of like amount in Deutsche Aerospace AG, Munchen. In effect it concerns an exchange of a share in MBB against a share in DASA.

The listing of the shareholdings of Daimler-Benz AG will be filed with the registry office at the county court house in Stuttgart under the number HRB 173.

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 omitted for tax reasons.

Unscheduled write-downs of financial assets, amounting to DM 23 million, pertain largely to write-downs of investments in affiliated companies.

**4 Receivables from Affiliated Companies****5 Other Receivables and Other Assets**

In millions of DM	12/31/1991	12/31/1990
Receivables from affiliated companies	3,229	3,153
of which maturing after more than one year	200	695
Receivables from related companies	115	730
of which maturing after more than one year	50	100
Receivables from sale of goods and services	7	4
Other assets	2,289	3,381
of which maturing after more than one year	513	1,839
Other receivables and other assets	2,411	4,115
of which maturing after more than one year	563	1,939

Receivables from affiliated companies mostly pertain to loans extended to domestic subsidiaries in the ordinary course of business.

Receivables from related companies pertain nearly exclusively to 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 1,749 million. Also shown here are interest receivables and tax refund claims.

**6 Securities**

In millions of DM	12/31/1991	12/31/1990
Treasury stock	30	61
Other securities	4,501	3,465
	4,531	3,526

For eventual sale to employees of Daimler-Benz AG and its corporate divisions, we purchased 116,457 common shares (par value DM 5.8 million = 0.25 % of total outstanding share capital) at an average purchase price of DM 665 a share during the year under review, that is to say 36,500 shares in January, 3,500 shares in April, 11,505 in May, 36,000 in July, 3,000 shares in August, 6,000 shares in September, and 19,952 shares in October.

In October 1991, Daimler-Benz and its corporate divisions sold 184,754 shares to employees (par value DM 9.2 million = 0.4 % of total outstanding share capital) at a prefer-

ential price of DM 371 for each share (in the event that one share was purchased) or DM 412.50 for each share (in the event that two shares were purchased). On the balance sheet date, we held 42,766 common shares (par value DM 2.1 million = 0.09 % of total outstanding capital stock), all of which were purchased during the year under review.

Other securities largely pertain to fixed-interest-bearing debt instruments. Because of increased market values they should have been written up by DM 2 million in accordance with the value appreciation doctrine, but were omitted for tax reasons.

**7 Cash**

Cash amounting to DM 660 million (1990: DM 1,714 million) consists almost exclusively of deposits in financial institutions; in addition, we held small amounts of cash on hand, deposits at the Bundesbank (German Federal Bank) and in post office accounts.

Together with the liquidity investments that are shown in "other receivables and other assets" (under item 5), in "other securities" (under item 6), and in cash, Daimler-Benz AG's liquidity totals DM 7,024 million (1990: DM 8,967 million).



**8 Capital Stock**

In millions of DM		12/31/1991
Common stock	46,548,840 votes	2,328
Preferred stock	43,920 votes	2
in the special cases regarding section 17, of the bylaws	1,317,600 votes	
		2,330

The capital stock is unchanged from last year.

The Annual General Meeting of the 26th June 1991 decided on an authorized capital of DM 600 million, which can be made use of until June 30, 1996. It replaces the residual amount of DM 112 million left over from the previously authorized capital of DM 500 million.

According to the information received by us under Section 20, Sub-Section 1 of the Company Act "Deutsche Bank Aktiengesellschaft", Frankfurt am Main, and "Mercedes 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.

**10 Retained Earnings**

In millions of DM		
Allocated under statute, Balance at 12/31/1991 (unchanged from balance at 12/31/1990)		160
Allocated for treasury stock, Balance at 12/31/1990	61	
Transfer to other retained earnings	( 31)	
Balance at 12/31/1991		30
Other retained earnings, Balance at 12/31/1990	7,841	
Transfer from net income 1991	597	
Reclassification from reserves for treasury stock	31	
Balance at 12/31/1991		8,469
		8,659

**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 an interest rate of 3.5 %. The pension provisions of both companies rose to DM 9.6 billion (1990: DM 9.3 billion). The assets of the Daimler-Benz Unterstütuungs-

kasse GmbH (Provident Fund) increased to DM 3.4 billion (1990: DM 3.1 billion). The combined total of DM 13.0 billion (1990: DM 12.4 billion) fully cover the pension obligations of Daimler-Benz AG and Mercedes-Benz AG.

**12 Other Provisions**

In millions of DM	12/31/1991	12/31/1990
Provisions for taxes	645	1,139
Other provisions	535	451
	1,180	1,590

The provisions for taxes pertain largely to open years pending final assessment. The other provisions take into account, above all, risks arising from equity investments (including compensatory payments to outside shareholders), from contractual liabilities and pending litigation, from obligations in the personnel and social benefit area, as well as from anti-

pated losses arising from ongoing business transactions. In addition, provisions were made for maintenance expenditure planned for the year under review, but which cannot be carried out until the following year, as well as for expenditure for approved change-over, alteration and maintenance projects.

**13 Liabilities to Affiliated Companies****14 Other Liabilities**

In millions of DM	12/31/1991	12/31/1990
Liabilities to affiliated companies	7,528	7,891
of which due within one year	7,062	7,891
Debentures	265	-
of which due within one year	265	-
Liabilities to financial institutions	226	21
of which due within one year	213	4
after more than 5 years	.	1
Advance payments received from customers	11	12
of which due within one year	11	12
Liabilities from purchases of goods and services	132	177
of which due within one year	132	177
Liabilities to related companies	184	5
of which due within one year	184	5
Miscellaneous liabilities	210	166
of which due within one year	164	114
after more than 5 years	11	6
of which for taxes	10	19
of which for social benefits	7	7
Other liabilities	1,028	381
Total liabilities	8,556	8,272
of which due within one year	8,031	8,203
after more than 5 years	11	7

The liabilities to affiliated companies pertain to our domestic subsidiaries. They are largely due to liquidity transfers and intercompany financial transactions within the framework of centralized finance and liquidity management.

D-mark commercial paper, issued for the first time, is shown under debentures at the issue price plus accrued interest up to the balance sheet date.

Liabilities to financial institutions and to related companies increased only due to invoicing. Long-term borrowings declined to DM 16 million through scheduled repayments. In 1992, repayments will amount to DM 4 million.

Miscellaneous liabilities pertain - apart from obligations arising from amounts withheld from employees for income taxes and social security - mostly to loans extended by employees to the company in connection with the capital-formation program, and to interest accruals.

### Contingent Liabilities

In millions of DM	12/31/1991	12/31/1990
Payment guarantees in favor of bondholders of Daimler-Benz International Finance B.V., Utrecht/the Netherlands:	1,783	1,168
Payment guarantees in favor of bondholders of Daimler-Benz North America Corporation, New York/U.S.A.:	1,597	-
Payment guarantees in favor of bondholders of AEG Westinghouse Transportation Systems, Inc., Pittsburgh/U.S.A.:	380	-
Payment guarantees in favor of bondholders of Daimler-Benz UK plc, London/England:	285	-
Liabilities from contractual guarantees, largely from joint liabilities for pension obligations of Mercedes-Benz AG:	2,751	2,785
Pledges for domestic and foreign related companies:	769	363

We are liable for non-estimable compensatory payments, guaranteed by Deutsche Aerospace AG in favor of co-owners of Dornier GmbH for 1992 and future years. Non-estimable com-

pensatory dividends are also due in favor of outside shareholders of AEG Aktiengesellschaft and of Deutsche Aerospace AG.

### Other Financial Obligations

These obligations total DM 1,262 million; those to affiliated companies DM 652 million.

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

We are jointly and severally liable for two non-incorporated companies which have profit and loss transfer agreements with controlling entities, and for one partnership.

## Notes to the Statement of Income of Daimler-Benz AG

**15 Income from Affiliated, Associated and Related Companies**

In millions of DM	1991	1990
Income from profit and loss transfer agreements	1,136	1,040
of which: Mercedes-Benz AG	1,100	980
Deutsche Aerospace AG	30	52
debis AG	-	2
Income from tax allocations	2,328	2,308
of which: Mercedes-Benz AG	2,277	2,256
Deutsche Aerospace AG	20	20
Dividends received	291	348
of which: Mercedes-Benz do Brasil S.A., São Bernardo do Campo	48	104
Daimler-Benz Holding AG, Zürich	56	93
Daimler-Benz Holding France S.A., Rocquencourt	46	-
Daimler-Benz UK plc, London	43	43
Income from related companies	3	5
Expenditure arising from profit and loss transfer agreements	( 470)	( 215)
of which: AEG Aktiengesellschaft	( 451)	( 214)
debis AG	( 15)	( -)
	3,288	3,486

The expenditures for taking over the loss of DM 451 of AEG Aktiengesellschaft is inclusive of a DM 10 million provision for outside AEG shareholders who have been granted annual compensatory payments by

Daimler-Benz AG. The income remittance of DASA AG amounts to DM 36 million; the provision for compensatory payments of DM 6 million to DASA shareholders has been deducted from this.

**16 Net Interest Income**

In millions of DM	1991	1990
Income from other securities and from long-term financial assets	51	43
of which from affiliated companies	33	23
Other interest and similar income	1,113	870
of which from affiliated companies	325	170
Interest and similar expenses	(1,059)	( 802)
of which to affiliated companies	( 907)	( 774)
	105	111

Within nearly unchanged net interest results, interest income rose, particularly from loans to affiliated companies.

Interest expenses comprise credits to domestic subsidiaries in the amount of DM 840 million (1990: DM

730 million), particularly for their liquidity transfers to Daimler-Benz AG within the framework of the centralized finance and liquidity management.

**17 Other Operating Income**

This summary caption comprises, above all, income from charges for intercompany services and contract billings for completed research and development work. Also included

herein is income from the reversal of provisions (DM 27 million) and profits from the sale of securities.

Altogether, DM 117 million is attributable to prior years.

**18 Personnel Expenses/Employment**

In millions of DM	1991	1990
Wages and salaries	272	248
Social levies	31	30
Expenses for old-age pensions	437	824
of which charged to Mercedes-Benz AG	(404)	33 (796)
	336	306
Employment (weighted annual average):	Number	Number
Wage earners	396	376
Salaried employees	2,373	2,443
Trainees	25	25
	2,794	2,844

The 1991 personnel expenses reflect, on the one hand, the continuing transfer of employees to other group companies, and on the other hand, the 6,7 % union-negotiated wage and salary increase. The decline in expenses for old-age pensions (before charges to Mercedes-Benz AG) is due to both, the non-repetition of special events in the previous years (consequences of the 1992 Pension Reform Act), and the re-

duction of previously established pension provisions which are connected with the 1991 increase of the fund assets of the Daimler-Benz Unterstüttzungskasse GmbH (Daimler-Benz Provident Fund). The 1991 old-age pension expenses total DM 851 million, including DM 818 million shown at Mercedes-Benz AG under this caption.

**19 Amortization of Intangible Assets and Depreciation of Fixed Assets****19 Amortization of Intangible Assets and Depreciation of Fixed Assets**

Depreciation allowances of DM 162 million (1990: DM 142 million) pertain with DM 22 million to fixed asset additions during the year under review.

**20 Write-Downs of Financial Assets and of Securities**

The write-downs of DM 38 million (1990: DM 30 million) are attributable with one half to the write-downs of equity investments, and with the other half to falling securities prices.

**21 Other Operating Expenses**

This summary caption comprises, above all, administrative and maintenance expenses, supplies, light and power, as well as expenses from intercompany billings. 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 25 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 transfer agreements. These are mainly Mercedes-Benz AG, Deutsche Aerospace AG, Daimler-Benz InterServices (debis) AG, and AEG Aktiengesellschaft, which for the first time during the year under review, was included in

the interlocking relationship with respect to corporate income taxes.

The decline in income tax expenses to DM 1,040 million (1990: DM 1,937 million) is largely due to the expansion of the circle of companies integrated for tax purposes by AEG Aktiengesellschaft, and by Dornier companies belonging to DASA AG.

**23 Net Income**

Net income for 1991 of DM 1,194 million is distributed one half to retained earnings and the other half to unappropriated profit. We shall propose, at the Annual General Meeting, to pay out, from the DM 605.4 million unappropriated profit (including DM 8.4 million profit brought forward) an

amount of DM 604.6 million to shareholders and to carry-forward DM 0.8 million to 1992.

Tax-allowable depreciation of fixed assets does not materially affect net income. Moreover, future negative effects on net income will not be material.

**Other Information/Boards**

Under the presumption that the proposed dividend is ratified by the shareholders at the Annual General Meeting on June 24, 1992, the remuneration paid to the Board of Management and the Supervisory Board amounts to DM 7,634,964 and DM 1,655,538, respectively. Disbursements to former members of the Board of Management and their survivors total DM 10,452,288. For pension oblig-

ations to former members of the Board of Management and their survivors an amount of DM 87,815,046 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 DaimlerBenz AG as of December 31, 1991, show an unappropriated profit of DM 605,449,144. It will be proposed to the Annual General Meeting that this amount be applied as follows:

		DM
3 1/3 %	dividend on the eligible preferred share capital of DM 2,196,000	73,200
DM 13	dividend for each eligible common share of DM 50 par value	604,583,148
Dividend amount		604,656,348
Profit carried-forward		792,796
Unappropriated profit		605,449,144

Stuttgart-Möhringen, March 24, 1992

**The Board of Management**

*Heute* *nie*

*für* *Hilfs* *Wen* *Am*

*Pich* *L.* *Wende*

## Independent Auditors' Report

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 results of operations 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 financial statements.

Frankfurt am Main, April 14, 1992

KPMG Deutsche Treuhand Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Dr. Muller  
Wirtschaftsprüfer  
(Certified Public Accountant)

Dr. Koschinsky  
Wirtschaftsprüfer  
(Certified Public Accountant)



## Report of the Supervisory Board



In the four Supervisory Board meetings held last year and by means of written and verbal reports, we were informed in detail about the state of the corporation and principal matters of corporate policy, and discussed these issues with the Board of Management. In particular, discussions centered on questions in connection with the development of the company into an integrated technology group, as well as on trends in employment and results. Furthermore, we discussed important individual business transactions and made business decisions which, by law or company bylaws, had to be submitted to us for approval.

We examined the financial statements and the business review report compiled for both Daimler-Benz AG and the group, as well as the proposal for the application of unappropriated profit. The financial statements of Daimler-Benz AG and of the group as at December 31, 1991, including the business review report and the accounting principles used, were verified by KPMG Deutsche Treuhand-Gesellschaft AG, Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, and 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 29, 1992, noted the result of the audit with approval.

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

With the conclusion of the Annual General Meeting on June 26, 1991, Dr. Walter Seipp retired from the Supervisory Board of Daimler-Benz AG, of which he had been a member since July 1981. During this time, important decisions were made concerning the re-structuring of the company from a motor manufacturer into an integrated technology group. His experience and perspicacious advice have been very valuable to us. We would like to take this opportunity to express our gratitude to Dr. Seipp. At the Annual General Meeting on June 26, 1991, Mr. Martin Kohlhaussen, Frankfurt am Main, was elected a member of the Supervisory Board to replace Dr. Seipp.

At its meeting on November 6, 1991, the Supervisory Board of Daimler-Benz AG appointed Dr. Hans-Wolfgang Hirschbrunn, Mr. Ernst G. Stöckl and Prof. Dr. Hartmut Weule, previously deputy members of the Board of Management, as members of the Board of Management with effect from January 1, 1992.

Dr.-Ing. E.h. Wilhelm Langheck died on March 20, 1992. He was a member of the Board of Management of Daimler-Benz AG from 1952 to 1976. With exemplary commitment, entrepreneurial acumen and determination, the deceased decisively contributed to the rapid re-construction of the plants after the war as well as to the further development of the company. The high standards he set himself have always served as an example to us. We are deeply indebted to him.

Stuttgart-Möhringen  
April 1992

The Supervisory Board

Chairman

## Daimler-Benz in Figures

	1982	1983	1984	1985	1986	1987 <sup>1)</sup>	1988	1989	1990	1991
Number of Employees (at Year-End)										
<b>Daimler-Benz Group</b>	<b>185,687</b>	<b>184,877</b>	<b>199,872</b>	<b>231,077</b>	<b>319,965</b>	<b>326,288</b>	<b>338,749</b>	<b>368,226</b>	<b>376,785</b>	<b>379,252</b>
of which: Federal Republic of Germany	149,118	151,273	158,043	186,652	257,538	262,658	268,277	298,199	303,404	305,295
Foreign	36,569	33,604	41,829	44,425	62,427	63,630	70,472	70,027	73,381	73,957
Mercedes-Benz	-	-	-	-	-	-	-	223,219 <sup>2)</sup>	230,974	237,442
AEG	-	-	-	-	78,199	80,499	89,585	77,722 <sup>2)</sup>	76,949	76,338
Deutsche Aerospace	-	-	-	-	-	-	-	62,959 <sup>2)</sup>	61,276	56,465
debis	-	-	-	-	-	-	-	-	4,879	6,203

## Major Balance Sheet and Income Figures

- in Millions of DM -

## Daimler-Benz Group

Non-Current Assets	6,958	7,743	8,228	10,209	10,857	12,202	17,342	20,084	23,448	29,198
Current Assets	15,996	17,084	20,398	25,571	31,168	34,336	34,589	42,653	43,891	46,516
Capital Stock	1,529	1,699	1,699	1,699	2,118	2,118	2,118	2,330	2,330	2,330
Reserves <sup>3)</sup>	5,173	5,848	6,831	8,070	7,742	6,778	8,075	13,314	14,059	15,299
of which: Paid-In Capital	-	-	-	-	368	370	370	2,114	2,117	2,117
Retained Earnings <sup>3)</sup>	-	-	-	-	7,374	6,408	7,705	11,200	11,942	13,182
Minority Interests in Subsidiaries	59	76	143	330	1,251	768	626	767	881	1,214
<b>Stockholders' Equity<sup>4)</sup></b>	<b>6,703</b>	<b>7,547</b>	<b>8,530</b>	<b>9,769</b>	<b>11,111</b>	<b>9,663</b>	<b>10,819</b>	<b>16,411</b>	<b>17,270</b>	<b>18,843</b>
in % of Total Assets	29.2	30.4	29.8	27.3	26.4	20.8	20.8	26.2	25.6	24.9
in % of Non-Current Assets <sup>5)</sup>	96.3	97.5	103.7	95.7	102.3	97.7	79.2	109.1	102.0	89.3
Long- and Medium-Term Liabilities <sup>6)</sup>	6,768	7,534	9,452	11,201	17,696	22,744	24,485	24,331	25,529	28,045
<b>Stockholders' Equity Plus Long- and Medium-Term Liabilities</b>	<b>13,471</b>	<b>15,081</b>	<b>17,982</b>	<b>20,970</b>	<b>28,807</b>	<b>32,407</b>	<b>35,304</b>	<b>40,742</b>	<b>42,799</b>	<b>46,888</b>
in % of Non-Current Assets <sup>5)</sup>	193.6	194.8	218.5	205.4	265.3	327.6	258.4	270.9	252.8	222.2
<b>Balance Sheet Total</b>	<b>22,954</b>	<b>24,827</b>	<b>28,626</b>	<b>35,780</b>	<b>42,025</b>	<b>46,538</b>	<b>51,931</b>	<b>62,737</b>	<b>67,339</b>	<b>75,714</b>
<b>Total Investments<sup>7)</sup></b>	<b>3,598</b>	<b>3,519</b>	<b>3,523</b>	<b>5,492</b>	<b>5,580</b>	<b>3,736</b>	<b>7,007</b>	<b>7,620</b>	<b>6,857</b>	<b>9,535</b>
in % of Sales	9.2	8.8	8.1	10.5	8.5	5.5	9.5	10.0	8.0	10.0
of which: in Fixed Assets and Intangible Assets	3,427	3,464	3,374	4,014	5,385	3,834	6,628	7,242	6,539	7,231
Federal Republic of Germany	3,004	3,047	2,166	2,753	3,891	3,392	6,038	6,459	5,680	6,115
Foreign	423	417	1,208	1,261	1,494	442	590	783	859	1,116
in Financial Assets (Net)	171	55	149	1,478	195	(98)	379	378	318	2,304
<b>Total Depreciation and Write-Downs<sup>8)</sup></b>	<b>2,273</b>	<b>2,574</b>	<b>2,828</b>	<b>3,275</b>	<b>3,361</b>	<b>2,560</b>	<b>3,086</b>	<b>3,218</b>	<b>3,780</b>	<b>4,328</b>
of which: in Fixed Assets and Intangible Assets	2,265	2,567	2,825	3,242	3,239	2,505	3,074	3,138	3,670	4,213
Federal Republic of Germany	1,975	2,292	2,342	2,514	2,575	2,192	2,708	2,620	3,071	3,639
Foreign	290	275	483	728	664	313	366	518	599	574
of Financial Assets	8	7	3	33	122	55	12	80	110	115
<b>Cash flow</b>	<b>4,090</b>	<b>4,554</b>	<b>5,562</b>	<b>5,012</b>	<b>6,214</b>	<b>6,626</b>	<b>6,130</b>	<b>5,991</b>	<b>6,711</b>	<b>7,790</b>
in % of Sales	10.5	11.4	12.8	9.6	9.5	9.8	8.3	7.8	7.8	8.2

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 as 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).

	1982	1983	1984	1985	1986	1987 <sup>1)</sup>	1988	1989	1990	1991
- in Millions of DM -										
<b>Sales</b>	<b>38,905</b>	<b>40,005</b>	<b>43,505</b>	<b>52,409</b>	<b>65,498</b>	<b>67,475</b>	<b>73,495</b>	<b>76,392</b>	<b>85,500</b>	<b>95,010</b>
of which: Federal Republic of Germany	13,316	15,177	14,682	18,706	27,838	28,064	29,094	29,562	36,674	44,443
Foreign	25,589	24,828	28,823	33,703	37,660	39,411	44,401	46,830	48,826	50,567
Foreign share in %	65.8	62.1	66.3	64.3	57.5	58.4	60.4	61.3	57.1	53.2
Mercedes-Benz	-	-	-	-	-	-	-	54,969	57,872	65,317
of which: Passenger Cars	18,722	21,012	23,245	28,549 <sup>8)</sup>	31,405	31,472	31,833	31,865	34,142	38,331
Commercial Vehicles	18,859	17,653	18,367	20,204 <sup>8)</sup>	17,755	19,454	23,063	23,104	23,730	26,986
AEG	-	-	-	-	11,070	11,480	13,152	11,852 <sup>2)</sup>	12,721	13,573
Deutsche Aerospace	-	-	-	3,194 <sup>9)</sup>	4,882 <sup>9)</sup>	4,421 <sup>9)</sup>	4,976 <sup>9)</sup>	7,489 <sup>2)</sup>	12,168	11,974
debis	-	-	-	-	-	-	-	-	2,739	4,146
<b>Total Output</b>	<b>39,730</b>	<b>40,527</b>	<b>44,078</b>	<b>53,775</b>	<b>66,418</b>	<b>69,061</b>	<b>75,637</b>	<b>80,552</b>	<b>88,340</b>	<b>98,566</b>
Total Average Annual Output Per Employee (in DM)	211,526	219,808	225,572	235,648	207,759	211,996	224,459	237,005	236,066	258,357
<b>Purchases of Goods and Services</b>	<b>20,047</b>	<b>20,299</b>	<b>22,707</b>	<b>27,245</b>	<b>32,467</b>	<b>33,701</b>	<b>37,646</b>	<b>39,552</b>	<b>44,477</b>	<b>49,456</b>
<b>Personnel Expenses</b>	<b>10,712</b>	<b>10,941</b>	<b>11,598</b>	<b>13,657</b>	<b>19,367</b>	<b>20,670</b>	<b>22,371</b>	<b>23,199</b>	<b>26,890</b>	<b>29,372</b>
Average Annual Personnel Expenses Per Employee (in DM)	57,030	59,344	59,355	59,846	60,581	63,451	66,388	68,257	71,857	76,989
<b>Results from Ordinary Business</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,880</b>	<b>5,297</b>	<b>5,197</b>	<b>10,096<sup>10)</sup></b>	<b>4,221</b>	<b>4,027</b>
in % of Total Output	-	-	-	-	8.9	7.7	6.9	12.5	4.8	4.1
Taxes	3,310	3,263	3,027	4,341	4,113	3,515	3,495	3,287	2,426	1,541
<b>Net Income</b>	<b>921</b>	<b>988</b>	<b>1,104</b>	<b>1,682</b>	<b>1,767</b>	<b>1,782</b>	<b>1,702</b>	<b>6,809<sup>10)</sup></b>	<b>1,795</b>	<b>1,942</b>
in % of Total Output	2.3	2.4	2.5	3.1	2.7	2.6	2.3	8.5	2.0	2.0
<b>Daimler-Benz AG</b>										
<b>Net Income</b>	<b>687</b>	<b>710</b>	<b>711</b>	<b>1,252</b>	<b>1,404</b>	<b>1,403</b>	<b>1,382</b>	<b>1,120</b>	<b>1,120</b>	<b>1,194</b>
<b>Total Dividend Amount (Paid Respectively Proposed)</b>	<b>350</b>	<b>355</b>	<b>356</b>	<b>491</b>	<b>507</b>	<b>503</b>	<b>504</b>	<b>555</b>	<b>557</b>	<b>605</b>
Dividend for Each DM 50 par Value Share (in DM)	10.50 + 1.- <sup>11)</sup>	10.50	10.50	12.- + 2.50 <sup>11)</sup>	12.-	12.-	12.-	12.-	12.-	13.-
Tax Credit for Each DM 50 par Value Share (in DM) <sup>12)</sup>	6.47	5.91	5.91	8.16	6.75	6.75	6.75	6.75	6.75	7.31
Dividend for Each DM 50 par Value Share Adjusted (in DM) <sup>13)</sup>	8.21	8.26	8.26	11.41	11.65	11.65	11.65	12.-	12.-	13.-
Tax Credit for Each DM 50 par Value Share Adjusted (in DM) <sup>13)</sup>	4.62	4.65	4.65	6.42	6.56	6.56	6.56	6.75	6.75	7.31

## Principal Subsidiaries of Daimler-Benz AG

## Subsidiaries

<b>Mercedes-Benz España S.A.</b> Madrid/Spain ESP 17,514,911,000 (DEM 274.8 million) owned 87.9%	<b>Daimler-Benz North America Corporation</b> New York, N.Y./USA USD 556,931,544 (DEM 844.3 million) owned 100%	<b>Daimler-Benz Holding AG</b> Zurich/Switzerland CHF 147,000,000 (DEM 164.6 million) owned 100%	<b>Mercedes-Benz AG</b> Stuttgart DEM 1,800,000,000 owned 100%
<b>Sociedad de Financiación para Vehículos Mercedes-Benz en España S.A.</b> Madrid/Spain ESP 3,800,000,000 (DEM 59.6 million) owned 100%	<b>Mercedes-Benz of North America, Inc.</b> Montvale, New Jersey/USA USD 130,000,000 (DEM 197.1 million) owned 100%	<b>Daimler-Benz Finanz AG</b> Zurich/Switzerland CHF 30,000,000 (DEM 33.6 million) owned 100%	<b>Maschinenfabrik Esslingen AG</b> Esslingen a.N. DEM 42,515,000 owned 98.5%
<b>Daimler-Benz (Australia) Pty. Ltd.</b> Mulgrave, Melbourne/Australia AUD 70,000,010 (DEM 80.9 million) owned 100%	<b>Mercedes-Benz Canada, Inc.</b> Toronto/Canada CAD 5,000,000 (DEM 6.6 million) owned 100%	<b>Daimler-Benz Finanz-Holding S.A.</b> Luxembourg CHF 8,000,000 (DEM 9.0 million) owned 100%	<b>Anlagenverwaltung Daimler-Benz AG &amp; Co.</b> OHG Berlin Berlin DEM 5,000,000 owned 100%
<b>Mercedes-Benz (Australia) Pty. Ltd.</b> Mulgrave, Melbourne/Australia AUD 70,000,000 (DEM 80.9 million) owned 100%	<b>Freightliner Corp.</b> Portland, Oregon/USA USD 180,000,000 (DEM 272.9 million) owned 100%	<b>Mercedes-Benz Finanziaria S.p.A.</b> Rome/Italy ITL 31,000,000,000 (DEM 40.9 million) owned 85%	<b>Holzindustrie Bruchsal GmbH</b> Bruchsal DEM 22,000,000 owned 100%
<b>Mercedes-Benz Hellas S.A.</b> Athens/Greece GRD 2,190,000,000 (DEM 19.0 million) owned 100%	<b>Mercedes-Benz Credit Corp.</b> Norwalk, Connecticut/USA USD 274,970,000 (DEM 416.9 million) owned 100%	<b>Mercedes-Benz (Schweiz) AG</b> Zurich/Switzerland CHF 6,000,000 (DEM 6.7 million) owned 51%	
<b>Mercedes-Benz of South Africa (Pty.) Ltd.</b> Pretoria/Republic of South Africa ZAR 22,500,000 (DEM 12.4 million) owned 50.1%	<b>AEG Capital Corporation</b> New York, N.Y./USA USD 150,774,000 (DEM 228.6 million) owned 100%	<b>Mercedes-Benz Credit AG</b> Zurich/Switzerland CHF 19,000,000 (DEM 21.3 million) owned 70%	
<b>Daimler-Benz Portugal S.G.P.S., Lda.</b> Lisbon/Portugal PTE 1,520,000,000 (DEM 17.2 million) owned 100%	<b>Siliconix Incorporated</b> Santa Clara, California/USA USD 58,690,000 (DEM 89.0 million) owned 80.1%	<b>Mercedes-Benz do Brasil S.A.</b> São Bernardo do Campo/Brazil BRN 438,970,000,000 (DEM 623.8 million) owned 100%	
<b>Mercedes-Benz Portugal Comércio de Automóveis, Lda.</b> Lisbon/Portugal PTE 150,000,000 (DEM 1.7 million) owned 100%	<b>MODICON, Inc.</b> Andover, Massachusetts/USA USD 137,432,000 (DEM 208.3 million) owned 100%	<b>Sociedade Técnica de Fundições Gerais S.A. (SOFUNGE)</b> São Paulo/Brazil BRN 15,425,000,000 (DEM 21.9 million) owned 100%	
<b>Mercedes-Benz Japan Co. Ltd.</b> Tokyo/Japan JPY 8,000,000,000 (DEM 97.3 million) owned 100%	<b>Mercedes-Benz Italia S.p.A.</b> Rome/Italy ITL 65,000,000,000 (DEM 85.8 million) owned 88.5%	<b>Mercedes-Benz Argentina S.A.</b> Buenos Aires/Argentina ARA 300,000,000,000 (DEM 45.6 million) owned 100%	
<b>Daimler-Benz UK plc</b> London/United Kingdom GBP 60,000,000 (DEM 170.6 million) owned 100%	<b>Daimler-Benz Holding France S.A.</b> Rocquencourt/France FRF 120,000,000 (DEM 35.1 million) owned 99.9%	<b>Daimler-Benz Holding Nederland B.V.</b> Utrecht/The Netherlands NLG 150,000,000 (DEM 133.1 million) owned 100%	
<b>Mercedes-Benz (United Kingdom) Ltd.</b> Milton Keynes/United Kingdom GBP 40,000,000 (DEM 113.7 million) owned 100%	<b>Mercedes-Benz France S.A.</b> Rocquencourt/France FRF 230,000,000 (DEM 67.3 million) owned 100%	<b>Mercedes-Benz Nederland B.V.</b> Utrecht/The Netherlands NLG 57,000,000 (DEM 50.6 million) owned 100%	
<b>Mercedes-Benz Finance Ltd.</b> Milton Keynes/United Kingdom GBP 15,000,000 (DEM 42.6 million) owned 100%	<b>Daimler-Benz Holding Belgium S.A./N.V.</b> Brussels/Belgium BEF 2,420,000,000 (DEM 117.5 million) owned 100%	<b>Mercedes-Benz Leasing Nederland B.V.</b> Utrecht/The Netherlands NLG 35,000,000 (DEM 31.1 million) owned 100%	
<b>Mercedes-Benz Mexico S.A. de C.V.</b> Mexico D.F./Mexico MXP 66,449,591,200 (DEM 32.6 million) owned 80%	<b>Mercedes-Benz Belgium S.A./N.V.</b> Brussels/Belgium BEF 1,800,050,000 (DEM 87.4 million) owned 100%	<b>Daimler-Benz International Finance B.V.</b> Utrecht/The Netherlands NLG 1,000,000 (DEM 0.9 million) owned 100%	
<b>Mercedes-Benz Türk A.S.</b> Istanbul/Turkey TRY 64,000,000,000 (DEM 19.2 million) owned 50.3%	<b>Mercedes-Benz Finance Belgium S.A./N.V.</b> Brussels/Belgium BEF 250,000,000 (DEM 12.1 million) owned 100%	<b>Mercedes-Benz Danmark AS</b> Hillerød/Denmark DKK 70,000,000 (DEM 18.0 million) owned 100%	

## Corporate Divisions

- Mercedes-Benz
- AEG
- Deutsche Aerospace
- Daimler-Benz InterServices (debis)
- Holding, finance and other companies
- Manufacturing or assembly companies
- Sales Companies
- Service companies
- Holding, finance and other companies
- ( ) Capital converted into DEM at year-end exchange rates
- 1) Voting Stock 87.54%
- 2) Of eligible Voting Stock (DEM 7,000,000)
- 3) Voting Stock 87.5%
- 4) Consolidated pro rata

**Other  
Affiliated  
Companies**

**AEG Aktiengesellschaft  
Berlin und  
Frankfurt am Main**

DEM 931,171,700  
owned 80.2%

**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 Schienenfahrzeuge  
GmbH  
Hennigsdorf**

DEM 15,000,000  
owned 100%

**AEG Starkstromanlagen  
Dresden GmbH  
Dresden**

DEM 19,200,000  
owned 100%

**AEG Hausgeräte AG  
Nuremberg**

DEM 120,000,000  
owned 100%

**TELEFUNKEN electronic GmbH  
Heilbronn**

DEM 118,750,000  
owned 100%

**AEG (UK) Limited  
Slough/United Kingdom**

GBP 11,100,000  
(DEM 31.6 million)  
owned 100%

**AEG Ibérica de  
Electricidad S. A.  
Madrid/Spain**

ESP 3,800,090,500  
(DEM 59.6 million)  
owned 100%

**AEG Fábrica de Motores S.A.  
Terrassa, Barcelona/Spain**

ESP 3,000,000,000  
(DEM 47.1 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 24.0 million)  
owned 100%

**AEG Italiana S.p.A.  
Milan/Italy**

ITL 27,000,000,000  
(DEM 35.6 million)  
owned 100%

**AEG ETI Elektrik  
Endüstrisi A. Ş.  
Gebze, Istanbul/Turkey**

TRL 108,000,000,000  
(DEM 32.3 million)  
owned 59.9%

**Deutsche Aerospace  
Aktiengesellschaft  
Munich**

DEM 1,720,300,000  
owned 83%

**Messerschmitt-Bölkow-  
Blohm GmbH  
Ottobrunn**

DEM 858,000,000  
owned 82.4% 1)

**Deutsche Airbus GmbH  
Hamburg**

DEM 930,000,000  
owned 80%

**Eurocopter Holding S. A.  
Paris/France**

FRF 3,720,587,500  
(DEM 1,089 million)  
owned 40% 4)

**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 750,000,000  
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 DisCom-Distributed  
Computing GmbH  
Aachen**

DEM 3,000,000  
owned 100%

**debis Systemhaus MGI GmbH  
Frankfurt am Main**

DEM 50,000  
owned 74.8%

**Systemhaus Industrie GmbH  
Stuttgart**

DEM 3,000,000  
owned 100%

**Mercedes-EDV-Beratung GmbH  
Weinheim**

DEM 1,000,000  
owned 100%

**Systemhaus GEI-Gesellschaft  
für Elektronische Informations-  
verarbeitung mbH  
Aachen**

DEM 20,000,000  
owned 100%

**Diebold Deutschland GmbH  
Eschborn**

DEM 1,098,000  
owned 84%

**Mercedes-Benz Finanz GmbH  
Stuttgart**

DEM 220,000,000  
owned 100%

**Mercedes-Benz Leasing GmbH  
Stuttgart**

DEM 66,000,000  
owned 100%

**Mercedes-Benz Finance  
Co., Ltd.  
Tokyo/Japan**

JPY 4,000,000,000  
(DEM 48.7 million)  
owned 90%

**debis Assekuranz  
Vermittlungs GmbH  
Stuttgart**

DEM 3,500,000  
owned 100%

**debis Marketing Services  
GmbH  
Frankfurt am Main**

DEM 1,300,000  
owned 100%

**debis International Trading  
GmbH  
Berlin**

DEM 10,000,000  
owned 75%

**Sogeti S. A.  
Grenoble/France**

FRF 769,132,600  
(DEM 225.1 million)  
owned 34%

**Solvam-Société de Locations de  
Véhicules Automobiles Mercedes  
S. A. Le Chesnay/France**

FRF 263,500,000  
(DEM 77.1 million)  
owned 50%

**Industriehandel Handels-  
und Industrieausüstungs-  
gesellschaft mbH  
Stuttgart**

DEM 10,000,000  
owned 50%

**Deutsche Automobil-  
gesellschaft mbH  
Hannover**

DEM 5,000,000  
owned 50%

**HWT Gesellschaft für Hybrid-  
und Wasserstofftechnik mbH  
Mülheim/Ruhr**

DEM 3,000,000  
owned 50%

**Anambra Motor Manufacturing  
Co. Ltd. (ANAMMCO)  
Enugu/Nigeria**

NGN 37,500,000  
(DEM 5.9 million)  
owned 40%

**National Automobile  
Industry Company Ltd. (NAI)  
Jeddah/Saudi Arabia**

SAR 70,000,000  
(DEM 28.3 million)  
owned 26%

**P. T. German Motor  
Manufacturing  
Jakarta/Indonesia**

IDR 5,103,000,000  
(DEM 3.9 million)  
owned 33.3%

**P. T. Star Motors  
Indonesia  
Jakarta/Indonesia**

IDR 846,720,000  
(DEM 0.6 million)  
owned 49%

**Iranian Diesel Engine  
Manufacturing Comp. (IDEM)  
Täbris/Iran**

IRR 5,000,000,000  
(DEM 118.5 million)  
owned 30%

**Tata Engineering and  
Locomotive Comp. Ltd. (TELCO)  
Bombay/India**

INR 1,036,739,600  
(DEM 61.0 million)  
owned 10.4%

**Bajaj Tempo Ltd.  
Poona/India**

INR 66,013,338  
(DEM 3.9 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 16.8 million)  
owned 40%

Annual General Meeting:

June 24, 1992  
10.00 o'clock  
International Congress Center (ICC)  
Berlin

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