

Daimler-Benz
Business Year
1987

Highlights

	1987	1986	Change in %
Daimler-Benz Group			
Sales (in millions of D-marks)	67,475	65,498	+ 3.0
Domestic	28,064	27,838	+ 0.8
Foreign	39,411	37,660	+ 4.6
Passenger Car Production	598,079	594,080	+ 0.7
Commercial Vehicle Production	234,141	226,344	+ 3.4
Employees (at year-end)	326,288	319,965	+ 2.0
Domestic	262,658	257,538	+ 2.0
Foreign	63,630	62,427	+ 1.9
- Figures in millions of D-marks -			
Personnel Expenses	20,670	19,367	+ 6.7
Depreciation Allowances	3,207	3,395	- 5.5
Cash Flow	7,272	6,956	+ 4.5
Investments	5,251	5,580	- 5.9
Net Income	1,782	1,767	+ 0.8
Daimler-Benz AG			
Capital Stock	2,118	2,118	
Net Income	1,403	1,404	
Total Dividend Amount	502	507	
Dividend per DM-50-Share (in D-marks)	12.00	12.00	

Daimler-Benz
Aktiengesellschaft
Stuttgart

Annual Report
1987

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for the 92nd Stockholders' Meeting being held on Friday, July 1, 1988 at 10:00 a.m. in the Hanns-Martin-Schleyer-Halle in Stuttgart-Bad Cannstatt, Mercedes-Strasse.

1. Presentation of the audited financial statements, the consolidated financial statements, the combined business review and the consolidated annual report for 1987, together with the report of the Supervisory Board.
2. **Resolution for the disposition of the unappropriated profit. Board of Management and Supervisory Board propose to distribute the unappropriated profit of** **DM 701,618,200**

as follows:	
3 1/3 %	dividend on the eligible preferred shares of DM 2,196,000
	DM 73,200
DM 12	dividend for each eligible common share of DM 50 par value
	DM 501,605,688
Total dividend amount	
	DM 501,678,888
Allocated to retained earnings	
	DM 199,939,312
Unappropriated profit	
	DM 701,618,200

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|--|--|
| <ol style="list-style-type: none"> 3. Ratification of the Board of Management's Actions.

Proposal to ratify Board of Management's and Supervisory Board's past actions. 4. Ratification of the Supervisory Board's Actions.

Proposal to ratify Board of Management's and Supervisory Board's past actions. | <ol style="list-style-type: none"> 5. Election of Auditors for the Business Year 1988.

The Supervisory Board proposes to elect Deutsche Treuhand-Gesellschaft AG, Frankfurt am Main, as independent auditors for the business year 1988. |
|--|--|

6. Ratification of the Agreement to Conclude a Management and Profit Transfer Agreement between Daimler-Benz AG, Stuttgart-Untertuerkheim, and AEG Aktiengesellschaft, Frankfurt am Main and Berlin.

Board of Management and Supervisory Board propose approval for the conclusion of the management agreement which is given verbatim hereafter.

Between

Daimler-Benz
Aktiengesellschaft
Stuttgart-Untertuerkheim
represented by its
Board of Management
- hereafter "Daimler-Benz" -

and

AEG Aktiengesellschaft
Berlin and Frankfurt am Main
represented by its
Board of Management
- hereafter AEG -

the following

Management and Profit Transfer Agreement

is agreed:

Section 1 Management

1. AEG subordinates the management of its company to Daimler-Benz.
2. The Daimler-Benz Board of Management is authorized to give to the AEG Board of Management directions with respect to the management of the company.
3. The directions are to be given in writing or by telex or, in the event they are given verbally, are to be immediately confirmed in writing or by telex.
4. The AEG Board of Management continues to be responsible for the management and representation of AEG. Daimler-Benz cannot give instructions to the AEG Board of Management to change, continue or end this agreement.

Section 2 Profit Transfer

1. AEG obligates itself to transfer its unappropriated profit to Daimler-Benz. The amount to be transferred - save for the creation or dissolution of retained earnings pursuant to Subsection 2 - is the net profit, which does not include the amount of the unappropriated profit, reduced by a possible loss-carry-forward amount from the previous year and by the amount which has to be allocated to statutory retained earnings.

2. AEG may, with the approval of Daimler-Benz, allocate amounts from net profit to other retained earnings accounts, provided this is permissible by law and is founded on reasonable business judgment. Other retained earnings accounts created during the term of the agreement, if desired by Daimler-Benz, are to be used to offset losses, or are to be remitted as profit. The remittance of amounts resulting from the dissolution of other retained earnings accounts which were established before the effective date of the profit transfer agreement, is not permissible.
3. The above-mentioned rules will first be applied for the 1992 business year.

Section 3 Loss Transfer

During the term of the agreement, Daimler-Benz is obliged to make good any annual loss in excess of losses which can be offset by a charge to retained earnings which were created during the term of the agreement.

Section 4 Compensatory Offset

1. Up to the time the profit transfer payment pursuant to Section 2, Subsection 1 of this agreement comes into effect, Daimler-Benz, for reasons of a fair and reasonable compensatory offset, guarantees to the outside stockholders of AEG, for each year and for each AEG DM 50 par value share, a profit participation of 20 % (one-fifth) of the amount which is paid for a Daimler-Benz share of like value. After the profit transfer payment becomes effective, Daimler-Benz is obliged to make annual compensatory offset payments to the outside shareholders of AEG in the same amount.
2. In the event of a capital stock increase at AEG through stock dividends, the offset payment for each AEG share is reduced proportionally so that the total offset payment remains unchanged.
3. In the event of a capital stock increase of AEG through cash contributions and the granting of subscription rights to outside shareholders, the offset payment will also be made to outside shareholders for shares thus acquired.
4. In the event of a capital stock increase at Daimler-Benz through stock dividends, the offset for each share of AEG is increased by the percentage by which the Daimler-Benz share capital is increased.

5. In the event of a capital stock increase at Daimler-Benz through cash contributions, the offset payment is adjusted in such a way that the requirement of Section 304 of the Company's Act can be met.
6. The offset amount to be paid to the outside shareholders of AEG is payable at the same time that the dividend to Daimler-Benz shareholders is due.
7. In the event that the agreement is terminated during AEG's business year, or that during the duration of the agreement AEG uses less than a full calendar year, the offset payment is reduced proportionately.

Section 5 Settlement

1. Pursuant to Section 305 of the Company's Act, Daimler-Benz obligates itself, upon request of each outside AEG shareholder, to acquire his or her shares against issuance of one Daimler-Benz share for five AEG shares held.
2. The obligation of Daimler-Benz for the acquisition of AEG shares in exchange for Daimler-Benz shares subject to 1 above is limited in duration. The deadline begins with date of the entry in the Commercial Register of the court in which AEG's records are kept. It ends two months after the date of the entry in the Commercial Register which, pursuant to Section 10 of the Commercial Code, evidences the existence and publication of this agreement. Section 305, Subsection 4, Paragraph 3 of the Company's Act remains unaffected.
3. The exchange, which is free of charge to AEG shareholders, takes place by including the dividends coupons which have not as yet become due.

Section 6 Voluntary Offer to Purchase

In place of a settlement as per Section 5 Subsection 1, Daimler-Benz also offers to the outside shareholders of AEG to acquire their AEG shares at a price of DM 200 for each DM 50 par value share. Section 5 Subsection 1 to 3 apply correspondingly.

Section 7 Term of Agreement

1. This agreement is subject to the approval by the shareholders at the annual meetings of Daimler-Benz and AEG. It will become effective with the entry in the Commercial Register.
2. This Agreement - notwithstanding of a notice of termination for cause - is entered into for the period ending December 31, 1998, and is thereafter extended automatically every five years provided it is not terminated thereafter by either party, not later than one year before expiration.
3. Each party is entitled to withdraw by giving written notice if the entry in the Commercial Register has not been made by September 30, 1988.

Section 8 Partial Invalidity

The partial invalidity of one or more of the stipulations of this agreement does not affect the validity of the others.

Stuttgart, April 28, 1988	Frankfurt, April 28, 1988
Daimler-Benz Aktiengesellschaft	AEG Aktiengesellschaft
Board of Management	Board of Management

7. Elections to the Supervisory Board.

Pursuant to Section 102 of the Company Act and Section 7 of the Bylaws, the tenure of the present members of the Supervisory Board ends with the completion of the Stockholders' Meeting on July 1, 1988. In accordance with Section 96, Subsections 1 and 101, Clause 1 of the Company Act, together with Section 7, Subsection 1 Clause 1 No 3 of the Co-determination Act, the Supervisory Board shall consist of ten members elected by the stockholders and ten members elected by the employees.

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

The Supervisory Board proposes the election of the following gentlemen as members of the Supervisory Board representing the stockholders:

1. Prof. Dr.-Ing. E. h.
Werner Breitschwerdt,
Stuttgart
2. Dr. rer. pol. Horst J. Burgard,
Koenigstein/Taunus,
Member of the Board of
Management of
Deutsche Bank AG
3. Dr. rer. pol.
Alfred Herrhausen,
Frankfurt am Main,
Member of the Board of
Management of
Deutsche Bank AG
4. Dipl.-Ing. Hans-Georg Pohl,
Den Haag
President, Shell Europe
5. Dr. rer. pol.
Wolfgang Röller,
Frankfurt am Main
Speaker of the Board of
Management of
Dresdner Bank AG
6. Dr. jur. Roland Schelling
Stuttgart,
Attorney at Law
7. Dr. jur. Walter Seipp,
Frankfurt am Main,
Chairman of the Board of
Management of
Commerzbank AG
8. Dr. jur. Johannes Semler,
Kronberg/Taunus
Member of the Board of
Management of Mercedes-
Automobil-Holding AG
9. Hermann-Josef Strenger,
Leverkusen,
Chairman of the Board of
Management of Bayer AG
10. Prof. Dr. jur.
Gerhard Tremer,
Graefelfing near Munich,
Deputy Chairman of the Super-
visory Board of Mercedes-
Automobil-Holding AG,
Member of the Board of
Management of Bayerische
Landesbank Girozentrale

The Supervisory Board members representing employees will be elected by the employees' electoral assembly at the meeting on May 3, 1988. In accordance with Section 19 of the Co-determination Act, the results of this election will be published in the "Bundesanzeiger".

The tenure of all Supervisory Board members continues to the end of the stockholders' meeting which decides on the ratification of the Board's actions for the business year 1992.

Supervisory Board (Aufsichtsrat)

8

Honorary Chairman,

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

Chairman

DR. RER. POL. ALFRED HERRHAUSEN Member of the Board of Management, Deutsche Bank AG
Frankfurt am Main

Deputy Chairman

HERBERT LUCY* Chairman of the Labor Council, Daimler-Benz AG
Mannheim

WILLI BÖHM* Member of the Labor Council, Woerth Plant
Kandel

HELMUT FUNK* Chairman of the Labor Council, Untertuerkheim Plant and Main Office
Stuttgart

RICHARD HELKEN* Chairman of the Labor Council, Bremen Plant
Achim-Bierden

RUDOLF KUDA* Departmental Manager within the Board of Management, Metalworkers' Union
Frankfurt am Main

HUGO LOTZE* Chairman of the Labor Council, Kassel Plant
Reinhardshagen

DR. RER. POL. KLAUS MERTIN Member of the Board of Management, Deutsche Bank AG
Frankfurt am Main

DIPL.-ING. HANS-GEORG POHL President, Shell Europe
Den Haag

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

ALFRED SCHAIBLE* Chairman of the Labor Council, Sindelfingen Plant
Renningen

DR. JUR. ROLAND SCHELLING Attorney at Law
Stuttgart

DR. JUR. WALTER SEIPP Chairman of the Board of Management, Commerzbank AG
Frankfurt am Main

DR. JUR. JOHANNES SEMLER Member of the Board of Management, Mercedes-Automobil-Holding AG
Kronberg/Taunus

FRANZ STEINKÜHLER* First Chairman, Metalworkers' Union
Frankfurt am Main

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

PROF. DR. JUR. GERHARD TREMER Deputy Chairman of the Supervisory Board,
Mercedes-Automobil-Holding AG
Member of the Board of Management, Bayerische Landesbank Girozentrale
Graefelfing near Munich

DIPL.-ING. MARIA-CHRISTINE Director
FÜRSTIN VON URACH* Stuttgart

DIPLOM-KAUFMANN
GÜNTER VOGELSANG Duesseldorf

BERNHARD WURL* Departmental Manager within the Board of Management, Metalworkers' Union
Mainz

*) Elected by the employees.

Chairman

EDZARD REUTER (since September 1,1987)
Stuttgart

Deputy Chairman

PROF. DR.-ING. E. h. DR. h. c.
WERNER NIEFER (since September 1,1987)
Passenger Car Division
Stuttgart

DR.-ING. DR.-ING. E. h.
HANS DINGER MTU Division
Friedrichshafen

HEINZ DÜRR AEG Division
Frankfurt am Main

DR.JUR. MANFRED GENTZ Employment
Stuttgart

HANS-JÜRGEN HINRICHS Sales
Stuttgart

DR.-ING. RUDOLF HÖRNIG Research and Technology
Stuttgart

DR. RER. POL. GERHARD LIENER Finance and Materials Management
Stuttgart

DR.-ING. E. h. JOHANN SCHÄFFLER Dornier Division
Friedrichshafen

HELMUT WERNER Commercial Vehicle Division
(since November 1,1987)
Stuttgart

JÜRGEN HUBBERT Passenger Car Division
(deputy member since September 1,1987)
Stuttgart

JÜRGEN E. SCHREMPF Commercial Vehicle Division
(deputy member since September 1,1987)
Stuttgart

Retired from the Board of Management on August 31, 1987

PROF. DR.-ING. E. h.
WERNER BREITSCHWERDT Chairman
Stuttgart

DR.-ING. PETER SANNER (deputy member)
Stuttgart



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Business Review

Continuing Economic Upturn in the Industrialized Countries

In the industrialized countries of the West, the economic uptrend continued in 1987. After a weaker phase at the beginning of the year, the growth stimuli then reasserted themselves as the year went on. The generally positive economic situation made a major contribution to the fact that the October crash in the international financial and foreign exchange markets had not yet really affected the economic process by the end of the year. While it be-

came clear what dangers were involved in the enormous imbalances in international commerce, future developments are no longer being seen with the same optimism.

In the Federal Republic of Germany, it was once again primarily domestic demand, especially from private consumers, that stimulated growth. Exports, on the other hand, were affected by the fall in the dollar exchange rate, and consequently slowed down. Imports, which were favored by the revaluation of the D-mark and by high domestic demand, increased considerably.

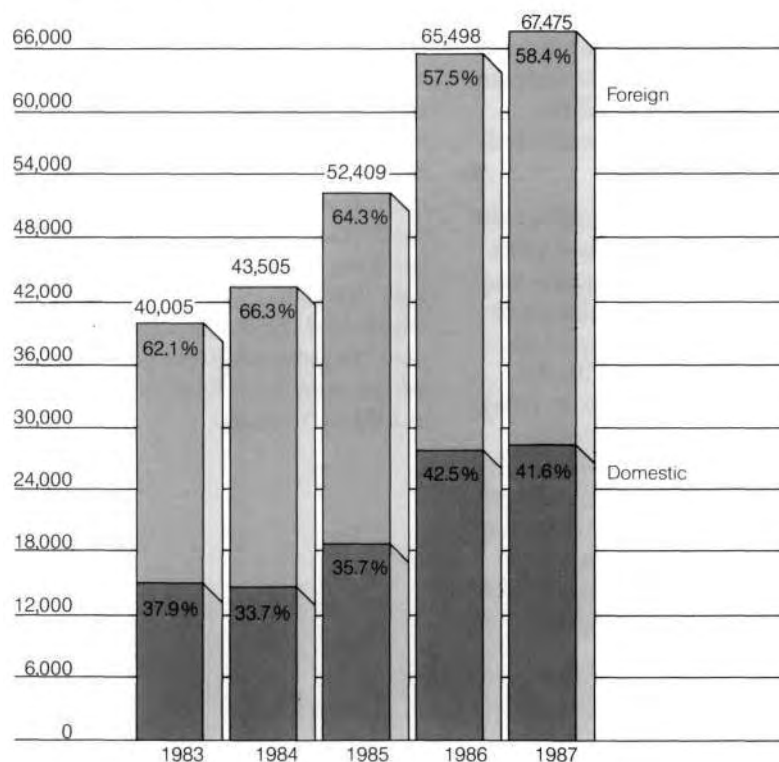
While the surplus in the balance of trade reached a new record at DM 118 billion, the net difference between real exports and imports of goods and services has already lessened to a marked extent.

Daimler-Benz: Worldwide Sales Top DM 67 billion

In the 1987 business year, Daimler-Benz was again able to increase employment and output. Consolidated sales rose by 3.0 % to DM 67.5 billion. Sales in Germany, at DM 28.1 billion, were only slightly above

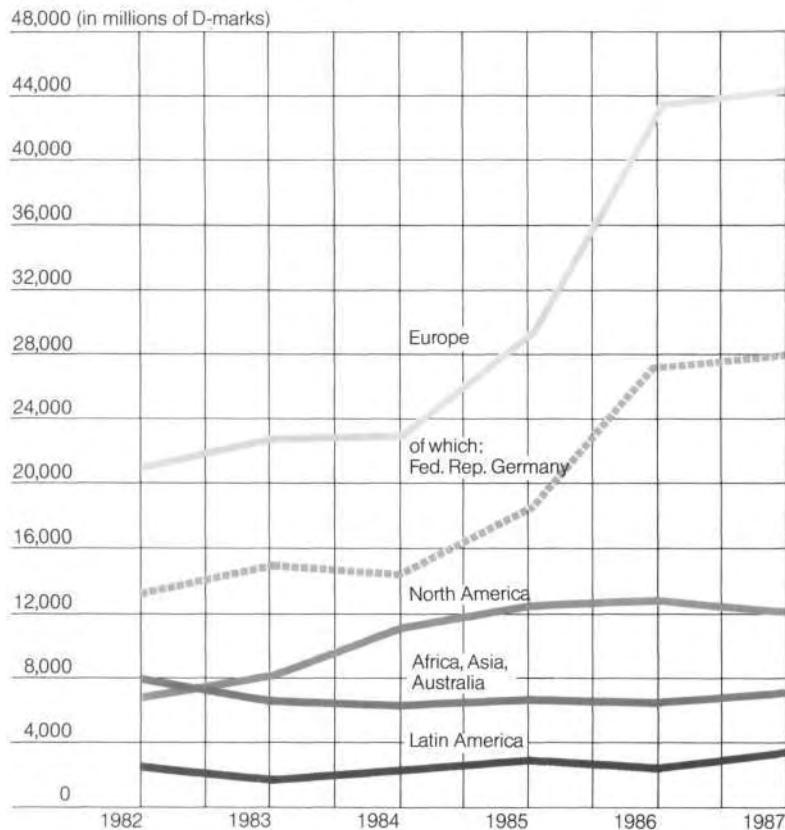
Consolidated Sales

72,000 (in millions of D-marks)



Note: The business review is combined for Daimler-Benz AG and the Group as a whole.

Consolidated Sales by Regions



last year's figure of DM 27.8 billion, while sales abroad went up from DM 37.7 billion to DM 39.4 billion. Once again, two-thirds of the group's total sales were accounted for by Western Europe.

The nominal increase as well as the division into sales regions do not satisfactorily reflect the market success of our foreign subsidiaries in the dollar area. For example, the share of our business in North America fell to 18 % (20 % in 1986), despite a rise in sales in dollar terms. With the same dollar exchange rate as for 1986 (average), the income of our North American production and sales companies would have been more than DM 2 billion higher if converted to D-marks.

At DM 50.9 billion, more than three-quarters of consolidated sales were accounted for by the automotive side. By contrast with the last few years, the growth of DM 1.8 billion came entirely from the commercial vehicle sector, in which the trend had previously not been very positive; here, sales rose by 9.6 % to DM 19.4 billion. Passenger car sales, which had shown strong growth over the preceding few years, reached the same high level as in 1986, at DM 31.5 billion.

After eliminating intercompany sales of goods and services, the contribution of the AEG Division to consolidated sales rose to DM 11.5 billion (DM 11.1 billion in 1986), and that of MTU rose slightly, to DM 2.8 billion. Dornier's share of consolidated sales fell to DM 1.6 billion (DM 2.1 billion in 1986), as had been anticipated.

Sales of Daimler-Benz AG rose by 18 % to DM 41.3 billion. While domestic business only slightly exceeded that of 1986, export sales went up 3.3 % to DM 21.7 billion. With two-figure growth rates, the countries of the European Community again proved particularly receptive; they accounted for 36.2 % (1986: 32.9 %) of export sales.

Increased Passenger Car Output

On a worldwide scale, 1987 was a good year for passenger cars. Sales continued to rise in all important markets except the U.S.A., setting a number of new records.

New registrations of Mercedes cars in Germany totaled 282,000 units, 4.4 % below the record volume of 1986. This corresponded to a market share of 10.1 % (1986: 10.9 %). The drop in new registrations mainly affected our diesel models, an area in which Mercedes cars have traditionally always been well represented. The general market decline in this segment, however, was even more marked. Amongst gasoline-engined cars, by contrast, we achieved a rise in sales - by 13 % in the case of the compact models alone. A contributory factor here was the fact that Daimler-Benz has been offering the closed-loop catalytic converter as standard equipment for the whole range since as early as September 1986.

Unlike the rest of the industry in Germany, we were able to raise car exports by 3.2 % to 305,800 units. Our deliveries to Western European countries registered above-average growth. We achieved encouraging sales increases above all in Italy, France, the United Kingdom and Spain. In the U.S.A., following the high sales volume of 1986, which was favored by a number of exceptional tax-related factors, our car sales decreased as expected. Even so, with 90,000 cars bought, Mercedes remained the most popular German imported make. Good growth rates were achieved in the high-potential markets of the Far East; in Japan, there were 18,700 new registrations of Mercedes cars, 36 % more than in 1986.

After the large increases in the two preceding years totaling approximately 25 %, output of cars was once again raised in 1987, by 4,000 to 598,079 Mercedes cars.

Further Rise in Commercial Vehicle Output

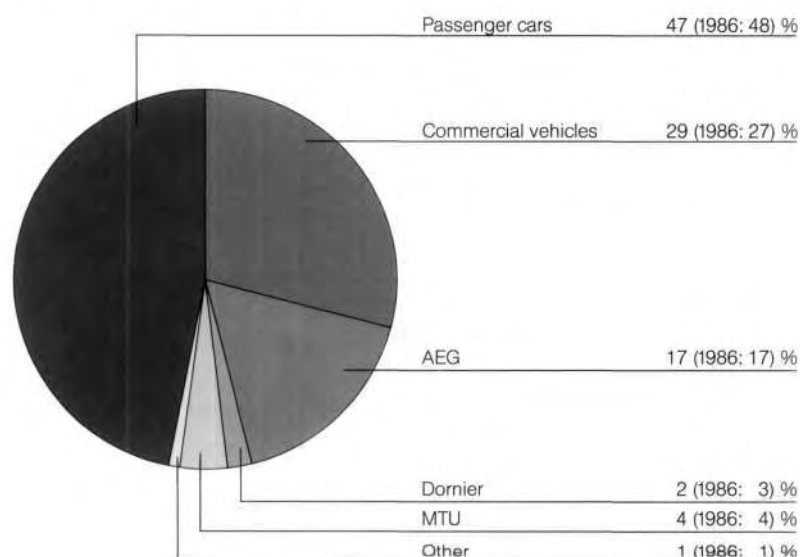
Daimler-Benz was able to benefit from the recovery of the international commercial vehicle markets in virtually all countries. In some cases, it was also able to further improve its position as the world's biggest manufacturer of trucks over 6 tonnes GVW. In the domestic market, new registrations of Mercedes commercial vehicles totaled 60,300 units, 4.0 % more than in 1986. In the truck sector over 6 tonnes GVW, we were able to sell 6.8 % more, at 29,700 units, and retain our market share of nearly 60 %. The growth rates among heavy-duty trucks, which have a major effect on both sales and employment figures, and among the larger vans, with GVWs of between 4 and 7.5 tonnes, were particularly high (+8.7 % and +13.0 %, respectively).

Our exports went up by 5.5 % to 83,300 commercial vehicles. About a quarter of these were heavy-duty

trucks. The high-volume markets of Western Europe - especially France, the United Kingdom, Italy and Spain - proved once more receptive. In the year under review, however, the higher export sales within Europe still failed to offset the slump in demand from the Middle East. Our domestic plants produced 144,600 commercial vehicles, equaling the 1986 output. The number of vehicle kits for manufacture abroad rose by 14 % to over 10,000 units.

Our foreign commercial vehicle companies increased their output by a total of 8,900 to 89,500 units. High growth rates were registered by Freightliner in North America (+31 %), Mercedes-Benz Argentina (+11 %) and Mercedes-Benz Espana (+21 %). The largest production company, Mercedes-Benz do Brasil, manufactured 43,500 trucks and buses. This means that output for the group as a whole increased by 3.4 % to 234,100 vans, trucks and buses.

Consolidated Sales by Divisions



Varying Development of our Industrial Subsidiaries

In the 1987 business year, AEG achieved growth in the domestic market and suffered a currency-related decline in exports. Incoming orders were on the same level as in 1986. While domestic demand for AEG products and services fell slightly, the foreign companies received considerably more orders. Business in most of the AEG divisions developed encouragingly. The results for Olympia and AEG KANIS were unsatisfactory.

In the newly founded company AEG Olympia AG, the activities of AEG in the fields of office and communication technology have

been concentrated in one division, with production plants in Berlin, Ulm, Constance, Wilhelmshaven and Mexico City. This reorganization is expected to make the company more competitive in an area which is currently experiencing dynamic development. As part of comprehensive moves to reorganize activities in the field of energy technology, AEG KANIS is being given a new production structure.

Following the strong growth of the preceding few years, sales of the Dornier group were, as expected, lower in 1987. Business activities were affected both by the higher value of the D-mark as against the U.S. dollar and by increasing competition in the medical systems sec-

tor. Incoming orders again showed a rising tendency.

The constant growth within the MTU group over the last few years continued. Capacity utilization was at a high level throughout. The meeting of orders still outstanding at the end of the year will secure employment until well into 1989.

326,300 Employees in the Group

At year-end, the companies of the Daimler-Benz group had 326,288 people in their employ, 6,323 more than last year.

The workforce of Daimler-Benz AG increased - mainly in the Passenger Car Division - by 2,711 to 169,234. The number of trainees and apprentices went up again, by 200; at the end of 1987, a total of 9,647 young people were in training. Our production, sales and service companies in the automotive sector increased the number of their employees, mainly abroad, by 800 to 49,588.

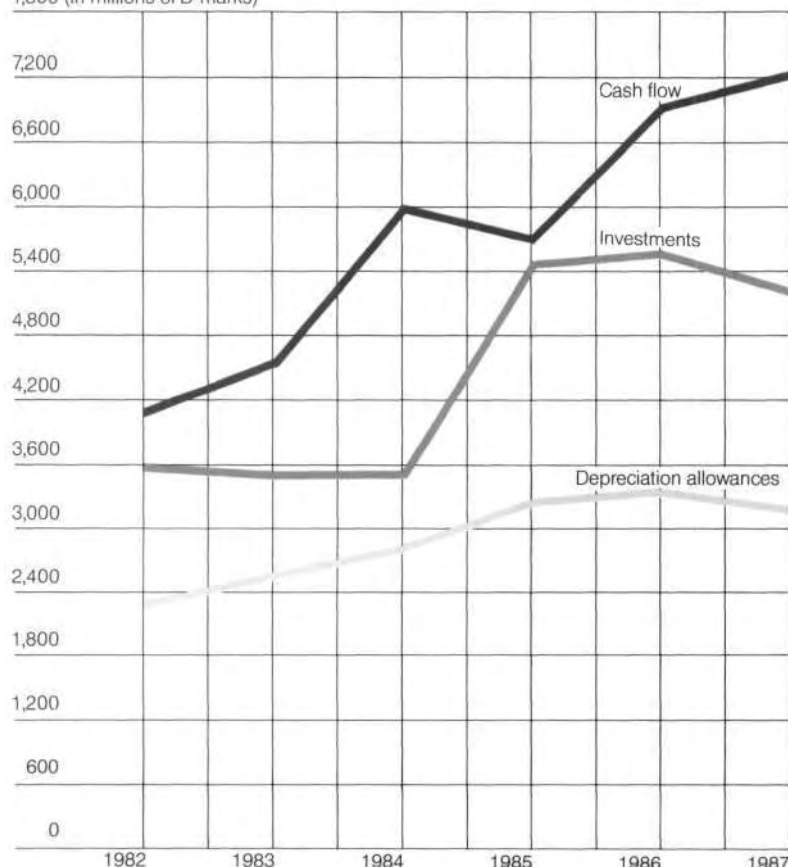
At year-end, AEG had 80,499 (1986: 78,199), Dornier 9,683 (1986: 9,557) and MTU 17,284 (1986: 16,912) employees.

High Capital Spending

To secure the future existence of the companies in the Daimler-Benz Group, considerable sums were invested during the year under review. Additions to fixed and intangible assets in the Group amounted to DM 5.3 billion.

Financing of Investments Within the Group

7,800 (in millions of D-marks)



When comparing these figures with those for 1986, it should be remembered that the 1986 total of DM 5.4 billion included an amount of DM 1.3 billion, which was due to the first-time inclusion of AEG's noncurrent assets in the consolidated financial statements. Daimler-Benz AG increased capital spending by DM .6 billion to DM 2.4 billion, most of this being for the car sector. Investments by our subsidiaries engaged in the automotive business came to DM 2 billion. Of this, DM 1.4 billion was for vehicle leasing in Germany and abroad. A number of major projects, some of them to run over a period of several years, were initiated by our companies in Brazil, North America and Spain. Investments by the AEG, Dornier and MTU divisions totaled DM 1 billion.

Both in the group as a whole and in Daimler-Benz AG, it was possible to finance additions to non-current assets entirely from internally-generated funds. The cash flow for the Group as a whole amounted to DM 7.3 billion, and DM 4.5 billion for DBAG. To support the leasing and sales financing business, which is expected to expand greatly in the future, the Mercedes-Benz Credit Corp., U.S.A., has raised a loan on the Euromarket totaling 100 million U.S. dollars.

Higher Investment in Research and Development

In 1987, we invested more than DM 4 billion in research and development throughout the group. Worldwide, 22,000 people are employed in these areas. Closer cooperation among the different divisions in research and development has considerably enlarged the group's technological potential. This is aided above all by the direct cross-connections between the various research sectors, which began to be forged at a very early stage. A whole series of promising joint projects has been initiated.

For the further development and improvement of the vehicle ranges, Daimler-Benz AG invested DM 2.2 billion (1986: DM 1.9 billion). In this sector alone, 12,100 people are employed. On both the car and commercial vehicle sides, new and improved products were introduced in the year under review. In March 1987, we presented the new mid-series Mercedes coupes, the 230 CE and 300 CE. The engineering in the eight-cylinder S-Class sedans and coupes was further refined. New, powerful turbodiesel engines were introduced in the compact series (190 D 2.5 TURBO) and the mid-series (300 D TURBO). After long and extremely thorough development and testing, we became the first manufacturer to offer the air-bag for the front-seat passenger as

well as the driver. This provides further proof of Daimler-Benz's leading position in the fields of active and passive safety. On the commercial vehicle side, the Spanish-made MB 100 D van went into production. This complements our broad commercial vehicle range in the lower weight categories. Through increased use of electronics and a series of newly developed components, we have further strengthened the competitive position of our commercial vehicles.

In the year under review, AEG spent DM 929 million on research and development. Main areas of focus again included communication technology, micro- and optoelectronics, and automation systems. Dornier invested DM 140 million (1986: DM 103 million) in projects of its own; including commissioned development work, total expenditure on research amounted to 24 % of sales. MTU spent DM 424 million (1986: DM 302 million) on research and development, approximately half for projects of its own and half on commissioned orders.

Overall, Gratifying Group Earnings

Altogether, the results for Daimler-Benz were gratifying in 1987. This was largely due to the automotive sector, with continuing market success in the case of cars and a large increase in sales of commercial vehicles both in Germany and abroad. The considerable strains resulting from the gain in value of the D-mark over the dollar, which could only partially be absorbed by price rises, hit our American sales company particularly hard. The corresponding decrease in earnings,

Capital Spending at Daimler-Benz AG by Sectors

	1987		1986	
	in millions of DM	in %	in millions of DM	in %
Passenger cars	1,511	64	1,120	62
Commercial vehicles	472	20	489	27
Research and technology	95	4	43	2
Sales/retail branches	142	6	81	5
Headquarters	142	6	70	4
	2,362	100	1,803	100

however, contrasted with the considerably improved results of the production companies in North and South America. Dornier and MTU, which again made positive contributions to the group earnings, were negatively affected by currency factors. AEG's earnings were once again used to strengthen the company from within.

In the non-operating area, the group had net interest income of DM 777 million (1986: DM 935 million), Daimler-Benz alone accounting for DM 669 million (1986: DM 627 million). For subsidiaries in high-inflation countries, a valuation adjustment was made in the consolidated financial statements, as in previous years, the extent of which thus eliminates inflationary profits. Affiliates and subsidiaries had a drop in income to DM 18 million. This was due to the non-recurrent dividend payment made the previous year by the "Allgemeine Verwaltungsgesellschaft für Industriebeteiligungen" (General Administration Company for Industrial Subsidiaries and Affiliates), which we disposed of. Consolidated net income amounted to DM 1,782 million and was therefore on approximately the same level as in 1986 (1986: DM 1,767 million).

Continued Favorable Balance Sheet Ratios for the Group

Due to the growth in the volume of business, the balance sheet total rose to DM 46.5 billion (1986: DM 42.0 billion). The assets structure remained virtually unchanged.

Due to the changeover of our group accounting methods to conform with the new accounting standards, shareholders' equity for the group has declined by DM 15 billion, taking into account the allocation of net income to retained earnings. As part of the policy of uniformly applying to the whole group the standards as used by Daimler-Benz AG, retained earnings in particular were reclassified to long-term provisions. Net equity in terms of total capitalization dropped to 21 %, and the coverage of fixed assets by stockholders' equity to 79 %. Including medium and long-term provisions, especially pension provisions (which are now uniformly valued for the whole group at an actuarial interest rate of 3.5 %), the ratio of long and medium-term capital to the balance sheet total reached 70 % (1986: 69 %). This means that noncurrent assets, together with inventories, are covered in full and, beyond that, nearly half of the remaining assets.

Allocation of Earnings

The net income of Daimler-Benz AG remained unchanged as compared with 1986, at DM 1,403 million. In accordance with § 58 of the German Company Act, half of this sum, DM 701 million, was allocated to retained earnings.

We propose to the Annual General Meeting of Shareholders a dividend payout of DM 12 for each DM 50 par value common share. The total dividend payout therefore amounts to DM 502 million. To strengthen stockholders' equity, we propose that the Annual Stockholders' Meeting pass a resolution allocating an additional sum of DM 200 million from the unallocated income to retained earnings.

Outlook

Following the large sales increases in the last few years, a cyclical decline in car business can be expected all over the world in 1988. With its attractive engineering, quality and design, our car range is well-prepared to defend the strong market position of Mercedes and, despite a general drop in demand for cars, to achieve a sales volume of the same order of magnitude as in 1987.

Despite the strong rise in commercial vehicle sales in Western Europe, considerable overcapacities are affecting the market situation. The necessary process of adaptation by the industry has yet to be completely carried out. A revival of demand from the Middle East is not apparent, in any case not to the exceptionally high level reached at the beginning of the eighties. In 1988, Daimler-Benz plans to exceed last year's output. In the domestic market, we are expecting an increase in unit sales, particularly of heavy-duty trucks. Due to the positive development in the foreign markets, further growth may be expected in the group's commercial vehicle sales.

Among our industrial subsidiaries, AEG will not remain unaffected by the economic environment, which has become more difficult for the electrical and electronics industry. Despite this, a higher volume of business is expected. Due to a favorable order backlog, Dornier is expecting a boost in sales, and MTU is expecting its growth to continue.



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Uncertain Development of World Economy

The prospects for the economy in the Western industrialized countries are more than usually characterized by uncertainty. While the major slump in the financial and foreign exchange markets has, as yet, only had a minor negative effect, its causes - serious imbalances in world trade and in currency values - still exist. Internationally coordinated economic and currency policy is therefore urgently needed if the difficulties facing the world economy are to be overcome. This also includes the pressing problems of the highly-indebted industrializing and developing countries. Protectionism and impediments to trade do not represent lasting solutions here; on the contrary, they conceal additional dangers. The generally healthy basic state of the industrialized countries certainly provides us with opportunities to undertake the necessary structural changes and to achieve moderate economic growth.

Private Consumption Supports Economy in Federal Republic of Germany

At the beginning of 1988, the moderate economic upturn in the Federal Republic of Germany continued. After the sharp fall in the dollar, the subsequent slight recovery has already improved the economic climate. Domestic demand, especially from private consumers, remains the chief support of the economy. It is being encouraged by general price stability, low interest rates and the lower taxes which came into force at the beginning of the year.

By contrast, the expectations of export-oriented industries tend to be modest. While a further considerable expansion of world trade is expected, it is uncertain to what extent German industry can profit from it. Due to the delicate international currency situation and the high external value of the D-mark, German industry's price competitiveness is at risk. Although only one-sixth of exports go to the dollar area and are therefore directly affected by the low dollar exchange rate, German industry is also being subjected to increasing pressure of competition from manufacturers who are favored by the currency situation.

In view of these foreign-trade pressures and risks, German industry more than ever needs confidence-building, stable conditions at home. It is above all here that economic policy must play a part, since the low growth expected will by no means be sufficient to reduce the

oppressively high unemployment and to carry out the restructuring which is necessary. The wage-negotiating parties are also called upon to fulfill their special responsibility and to help not only to keep German-made products popular for their engineering and quality, but also to ensure that they are offered at competitive prices both in Germany and abroad.

Keeping the Federal Republic of Germany Attractive as a Center for Production

The attractiveness of Germany as a center for production is being affected by the changing currency situation, which can scarcely be influenced by industry. In the international rivalry between locations, the Federal Republic of Germany has definitely lost ground. It is therefore all the more necessary for us to concentrate on company cost structures. The high wage and wage-related costs, together with the lowest annual working time in the world, are proving to be more and more of a handicap. Those German companies which are engaged in exports or which are subject to competition from imports are thus being forced to rationalize even more stringently, to lengthen the service life of their increasingly expensive equipment, and finally to move their production centers more and more abroad. A tendency of this nature is not without risks for labor relations and the working climate. Jeopardizing these, however,

would also mean endangering important basic conditions essential for producing top-grade engineering and quality. If unemployment is not to rise further, the only sensible approach must be for all those involved to arrive at a consensus to the effect that productivity increases should primarily be used to improve competitiveness, and not, initially, distributed.

With regard to another cost factor, too - company taxation - the Federal Republic of Germany is also one of the leaders. This has all the more effect on competitiveness since a large number of countries, e.g. the U.S.A., the United Kingdom and the Netherlands, have all considerably reduced fiscal pressures on their companies. In Germany, taxation on company profits can be as much as 70 %; and some taxes even have to be paid when no profit, or even a loss, has been registered. There is an urgent need for action here, especially in the light of the single European market which is planned to be established in the early nineties.

Disadvantages of Production Location for the German Automotive Industry

The currency and cost-related disadvantages of the Federal Republic of Germany as a location for production facilities hit the German automotive industry, whose exports account for well over 50 % of sales, particularly hard. While German-made vehicles owe their market success primarily to modern engineering and high quality, an appropriate price/benefit ratio is also essential. This is now at risk, due to price rises resulting from cost and

exchange-rate-related factors. In the domestic market, too, the competition from foreign manufacturers favored by the currency situation is growing. Of course, the efficiency and nearness of the German supply industry has greatly helped to make many trail-blazing technical developments in automotive engineering possible in the first place. However, with the advancing liberalization between the member states of the European Community and the internationalization of production, this important advantage of location will probably become less significant in the future.

New Structures in the Automobile Markets

The changes in currency parities on the one hand and the creation of modern production capacities in a large number of countries on the other, will make competition in the international markets even fiercer. Japanese manufacturers, for instance, whose export earnings are shrinking due to the high value of the Yen, and who simultaneously wish to avoid the risk of further import restrictions, especially in the U.S.A., have started to set up their own production facilities abroad, and to supply the markets from there. By 1990, they intend to be capable of building more than 2 million cars and small vans per year in the U.S.A. alone. At the same time, production and assembly plants are being built, or are planned, in the EEC countries of the United Kingdom and Spain.

The new cost-optimized facilities of the Japanese in the U.S.A. can only be utilized to full capacity if they also export to Western Europe. The production range is to include more upscale cars, for which North America is the world's biggest market. The market segment for small and compact cars of correspondingly low price will increasingly be covered by manufacturers who can operate at extremely low costs, especially in South Korea. Since these, with the help of American and Japanese partners, are already penetrating the North American market, they will in future also direct their attention to Western Europe. Being basically without a notable domestic market, their production capacities are geared almost entirely to exports. The output target for these young industries for 1990 is approximately 1.3 million automobiles.

Challenges for European Automotive Industry

For the European manufacturers, the structural changes in the world's automobile markets represent a particular challenge, bearing in mind the single European market of the future. After 1992, sales of vehicles made in the EEC can no longer be controlled by national import restrictions. This is an added incentive for manufacturers to establish their own production facilities and embark on joint ventures. The efforts of the European Commission to abolish the import quotas which France and Italy enforce for imported Japanese vehicles are a signal in this direction. These should be replaced by basic agreements with the Japanese automotive industry, laying down import quotas for the whole of the European Community, albeit on a much higher level. In this way, the protectionism practised by some countries would be replaced by an attempt to secure the integrity of the single Eu-

ropean market, in terms of foreign trade, with the aid of voluntary cooperation on the part of the Japanese automotive industry.

In the long run, however, the competitiveness of the Western European automotive industry can neither be maintained by limiting markets or by subsidizing manufacturers. Both impede the sort of competition that encourages efficiency, and prevent timely adjustment to changing structures. This presupposes more or less equal opportunities all over the world, and these, in turn, cannot exist if individual countries insist on free access to other markets while isolating their own.

German Automotive Industry Counts on Technical Progress

In view of the disadvantages of the Federal Republic of Germany as a location for production facilities, the international competitiveness of the German automotive industry will in future be even more dependent on the use of new technologies in the product itself, in production and in service. Maintaining its lead in engineering and improving the cost structure must be objectives of equal priority.

The greatest chances in the future for manufacturers of high-quality, technically sophisticated cars and commercial vehicles lie in the intelligent combination of conventional products and processes with new basic technologies, especially microelectronics, sensor technology and "tailor-made" materials. These technologies provide new opportunities for better harmonizing the interactions between man, the environment and technology. In this way, the continually rising demands made of safety, fuel economy and environmental compatibility can be met step by step. It must be said, however, that much depends on political decisions here, too. The vision of a road traffic system in which the risk of accidents has been greatly reduced, for instance, can only become reality if an appropriate public communications infrastructure is provided.

Daimler-Benz: New Opportunities Due to Expansion of the Group

It is with this view to a far-reaching technological and economic change that the expansion of the Daimler-Benz Group is to be seen. We are endeavoring to secure growth, employment and income on a long-term basis by systematically gaining access to all the necessary high technology. By doing this, we intend to make the technical advances of the future, which will become more and more sophisticated, both possible and economic, which will also help to secure the position of Mercedes automobiles as leaders in technology. The incorporation of new areas of activity will moreover provide additional growth stimuli. With the synergistic advantages to which this will lead, we aim to further promote product differentiation in the various areas of activity, and ensure the continuity of Daimler-Benz as a company distinguished by innovation and technical excellence.

We are doing this because we are totally convinced of the future of the automobile. The factor of mobility will become even more important. To this must be added aspects which are important for production and employment, such as safety and environmental compatibility in transporting passengers and goods. In the future, there will be a better division of labor between individual transport and local and long-distance public conveyance. For us as manufacturers, this entails the transition from a range of products to a range of systems. The European traffic safety program "PROMETHEUS", which we initiated, represents a first step in this direction.

Additional Opportunities within Integrated Group

Within the integrated group, we now have for our automobiles a broader basis for achieving the best development, marketing and income results. In this extended combination, AEG, Dornier and MTU will also acquire skills and options which they would scarcely be able to acquire on their own.

In addition to the new horizons which the expansion of the group has opened up, Daimler-Benz is also retaining its traditional tasks: solving the problems of transport whether by land, sea, air - and in future, also in space. Our products, services and technology are means towards this end, as are the indispensable size of the company, its market share and its earning power; but they are never ends unto themselves.

Growth Potential through Synergy

We are in the process of devising systems with which we can methodically locate up and assess the development potential of technology. This is essential for reasons of efficiency. Costly new materials which are highly heat-resistant and suitable for lightweight construction, for example, can be produced at lower cost in the integrated group than if the individual divisions of the company were working in isolation.

The combination of conventional engineering with modern electronics offers a wide field of possible applications throughout the group; we will be systematically investigating and activating these. One outstanding example of the technical and commercial attractiveness of synergistic growth potential is factory automation. The aim is to move from the existing isolated systems, which are often incompatible with each other, towards a fully integrated data system which links as many different functions as possible. Cost-intensive systems of this sort necessitate a step-by-step build-up of experience. As a group of companies, we can both manufacture and use these systems, to the advantage of our customers.

Future Tasks for the Group's Divisions

In the car sector, we are concentrating more on qualitative growth. Which requires considerable investments. In the future, we will gear our range of products and services more than ever to the justifiably high expectations of our customers. For this reason, we intend the Mercedes car to remain exemplary in engineering, design, safety, comfort and environmental compatibility.

These product-related aims in turn require the most up-to-date production techniques and the strictest material selection. Our vehicles are constantly being improved, irrespective of model changes. The model cycles are planned and executed in such a way that we can introduce a high degree of innovation with new, technically matured products.

In the Commercial Vehicle Division, we aim to continue offering a range that meets all sorts of transport needs. A lasting increase in sales can probably only be achieved to a limited extent in the traditional markets. But here, too, the conditions for qualitative growth are favorable. New technologies, especially microelectronics, are providing us with hitherto unknown ways of further improving economy, safety and utility value. Even though a harmonization of the competition-distorting regulations in international road haulage is still outstanding, our product range is already geared to the requirements of the EEC single European market. We are prepared for the globalization of competition in the commercial vehicle sector, with increasing integration of our production centers all over the world. We also have production facilities in places which, in cost terms, will enable us to be competitive in the Far East. Establishing ourselves in these markets is one of our concrete objectives.

AEG will be concentrating its research and development activities on longer-term technological projects. Main areas of effort here include information, energy, process and materials technology, as well as, to an increasing extent, basic systems engineering.

Dornier plans to restructure its aircraft production facilities in Munich and to expand its plant in Immenstaad on Lake Constance. In the Medical Systems Division, the com-

pany aims to consolidate its worldwide leadership in lithotripsy.

The participation by AEG and Dornier in the European space-glider project HERMES, in the further development of the ARIANE launcher, and in the COLUMBUS space station creates good long-term prospects for the fields of space technology and systems engineering.

MTU is expecting the demand for replacement jet engines and for new jet engines to rise over the next few years. The definite uptrend in civil aviation is helping to achieve good utilization of the production capacities in Munich. In the field of high-performance diesel engines in Friedrichshafen, a high level of employment may be expected.

Stable Development in the Group

Daimler-Benz will continue its broadly based and intensive research and development effort in all areas of activity. With our solid financial foundation, we are in an excellent position to reaffirm, again and again, the reputation which the products and services of all the companies in the Daimler-Benz Group enjoy.

Backed by the high level of skill and commitment of our employees, and by a corporate policy geared in equal measure to both progress and stability, we will continue along our present path and open up new spheres of activity for ourselves.



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Car Business Generally on a High Level

After increasing for five consecutive years, the demand for cars in 1987 again matched the record level of the previous year. Worldwide output reached 33.6 million cars (1986: 33.3 million). In the three major market regions of North America, Japan and Western Europe, however, car business varied.

In the U.S.A., the world's most important market, the demand for cars had already passed its cyclical high-point by the end of 1986. At 10.1 million, the number of new registrations in 1987 was 9.1 % below the figure for 1986, although the latter was higher than it would otherwise have been, since many customers bought early in view of a change in the tax laws. Sales of vehicles produced in the United States declined by 14 %, which was more than the market as a whole. This meant that production output, which had already fallen by 4.3 % the previous year, dropped by a further 9.3 % to 7.1 million cars in 1987. The market share of imported cars rose further to 31.1 % (1986: 28.3 %). The young South Korean car industry was particularly successful, more than doubling its unit sales in the U.S.A. to 347,000 cars. By contrast, imports from Japan - due in part to the exchange rate for the dollar - totaled 2.2 million vehicles, 8 % below the previous year's record level. The fall in the dollar exchange rate also greatly affected imports of up-market cars from the Federal Republic of Germany. In addition, there was noticeable hesitation on

the part of buyers in the upper segment of the market following the stock market crash towards the end of the year. Sales of German cars fell by 22 % to 348,000 units.

In Japan, new registrations rose by 4.2 % to 3.3 million cars. While vehicle imports again increased considerably, by 43 % to 104,000 units, their market share is only 3.0 % (1986: 2.2 %), which is exceptionally low when compared with other countries. About 80 % of the imported cars were German-made, most of them in the upper class category. The decline in exports of Japanese cars to the United States was not fully counterbalanced, even though deliveries to Europe went up once again, by 6.8 % (1986: 20.7 %). This meant that total exports amounted to 4.5 million cars, 14 % below the record exports of 1986. Production output increased by 10 % to 7.9 million units.

In Western Europe, a total of 12.1 million cars were sold in 1987 (+ 6.0 %). Considerable increases were registered above all in the high-volume markets of the Federal Republic of Germany, France, Italy and the United Kingdom. In Spain, too, demand was lively. Net exports from Western Europe - output minus new registrations - amounted to just under 0.6 million cars, only a little more than one-tenth of Japan's car exports. The good climate for car business in most European countries allowed production output to rise again, by 6.1 % to 12.7 million units. This record volume corresponded to an increased share in world output of 38 % (1986: 36 %).

New Car Registrations in the Federal Republic of Germany Up Again

In 1987, the demand for cars in the Federal Republic of Germany - after a decline in the first few months - proved to be unexpectedly stable. At 2.9 million, new car registrations exceeded the previous record, set in 1986, by 3.0 %. This favorable tendency in the domestic market was chiefly the result of higher real incomes and a generally favorable business climate with regard to consumption. For the first time in years, the market share of foreign makes dropped slightly, to 29.2 % (1986: 29.7 %). Roughly half was accounted for by Japanese cars.

Encouragingly, the trend towards environmentally compatible cars continued. At year-end, over 90 % (1986: 77 %) or all newly registered cars were classified as low-pollutant vehicles under German law, with demand swinging from diesel to gasoline-engined models. The highly efficient three-way catalytic converter has met with a high degree of acceptance, particularly in the case of larger cars. This was made possible not only by tax-relief measures, but also by the fact that unleaded gasoline is now available virtually everywhere in Germany and to an increasing extent in the neighboring European countries.

Exports by the German car industry declined further in 1987, by a total of 2.7 %, to 2.45 million units, due in particular to a reduction in the number of cars supplied to the U.S.A. More than 90 % of car exports went to Western Europe and the U.S.A.

Production output in the Federal Republic of Germany rose again in 1987, by 15 % to a new record of 4.4 million cars.

Daimler-Benz: Higher Car Output

After the strong increase during the previous two years, by altogether 70,000 units, new registrations of Mercedes cars in 1987 amounted to 281,941, failing to meet the previous year's high volume of 294,973. Our

market share dropped accordingly, from 10.9 % to 10.1 %. The 4.4 % fall in new registrations affected our diesel models, sales of which declined by 11 %, while the overall market for diesel cars even shrank by 30 %.

Our domestic car sales were borne mainly by the mid-series Mercedes models, the 200 D to 300 E. The T-series again provided a certain stimulus, with new registrations rising by 28 % to 20,500. But the market success of our new mid-series coupes, the 230 CE and 300 CE, which have been available since April 1987, also had a positive effect on our entire car range. The compact series was particularly hard hit by the lower demand for diesels; here, new registrations fell by a total of 6 % to 111,400. While 21 % fewer die-

sel versions were sold, the figure for gasoline-engined compact models went up by 13 %. Among the S-Class sedans and coupes, new registrations dropped from 30,000 to 22,400 units, but we still succeeded in maintaining our strong position in this market segment for particularly high-quality long-distance sedans and sporty coupes.

By contrast to the industry as a whole, Daimler-Benz further increased car exports, by 3.2 % to 305,777 units. Nearly 50 % of these were accounted for by the Western European countries.

Mercedes cars were especially successful in Italy, which registered a growth in registrations of 32 % to 28,900 units last year, thereby becoming our largest European export



The S Class: the optimum combination of safety, comfort, performance and quality.



The T-model: a vehicle for business and pleasure, for all those who require large cargo capacity, yet choose not to do without the comfort and performance of Mercedes sedans.

market for cars. In France, 24,500 new Mercedes cars were registered (+ 5.6 %), and in third place followed the United Kingdom, where we sold 21,400 cars, achieving an 8.8 % growth, which is above the average for the market as a whole. Following Spain's entry into the European Community, we were able to expand our car business there considerably (12,500 cars: + 61 %). While our sales in the Netherlands were roughly in line with the general market trend, falling by 5.2 % to 13,500 vehicles, new registrations in Belgium rose further, namely 19 %, to 12,200 Mercedes cars.

In the U.S. market, we sold 89,900 cars. As expected, we failed to equal the very high volume of the previous year (99,300), which was favored by a number of exceptional tax-related factors. In view of the sharp decline in the market as a whole, however, and the price increases made necessary by the further slide in the dollar exchange rate, the fact that our sales were higher than in 1985 may be regarded as a success.

In Japan, we managed to improve our market position considerably. New registrations of Mercedes cars rose by 36 % to 18,700 units. Japan has now become, after the U.S.A., our most important export market for S-Class sedans and coupes.

Following the pronounced growth rates of the previous two years, there was once again a slight rise in output in 1987, to 598,079 units (1986: 594,080). The increase affected the Bremen plant only. In addition to the T-series, with an increase of 18 % to 33,100, a total of 140,300 compact models (1986: 131,500) were also manufactured here. Altogether, 213,800 190-series cars (+ 13 %) left the production lines in Sindelfingen and Bremen. This meant that the flexibility brought about by coordinating production with Bremen enabled us to boost output of mid-series sedans and coupes (253,700; + 4.3 %). Due to their greater and increasingly complex technical sophistication, these models require longer production times and a larger area. The output

of S-Class sedans and coupes fell by 13 %; however, with a total of 97,400 units, Daimler-Benz remains the world's leading manufacturer, by far, in this category of high priced and technologically sophisticated cars. At Steyr-Daimler-Puch AG in Graz, Austria, 6,368 cross-country vehicles (1986: 5,945) were manufactured for our account in 1987.

Range of Models and Safety Features Enlarged

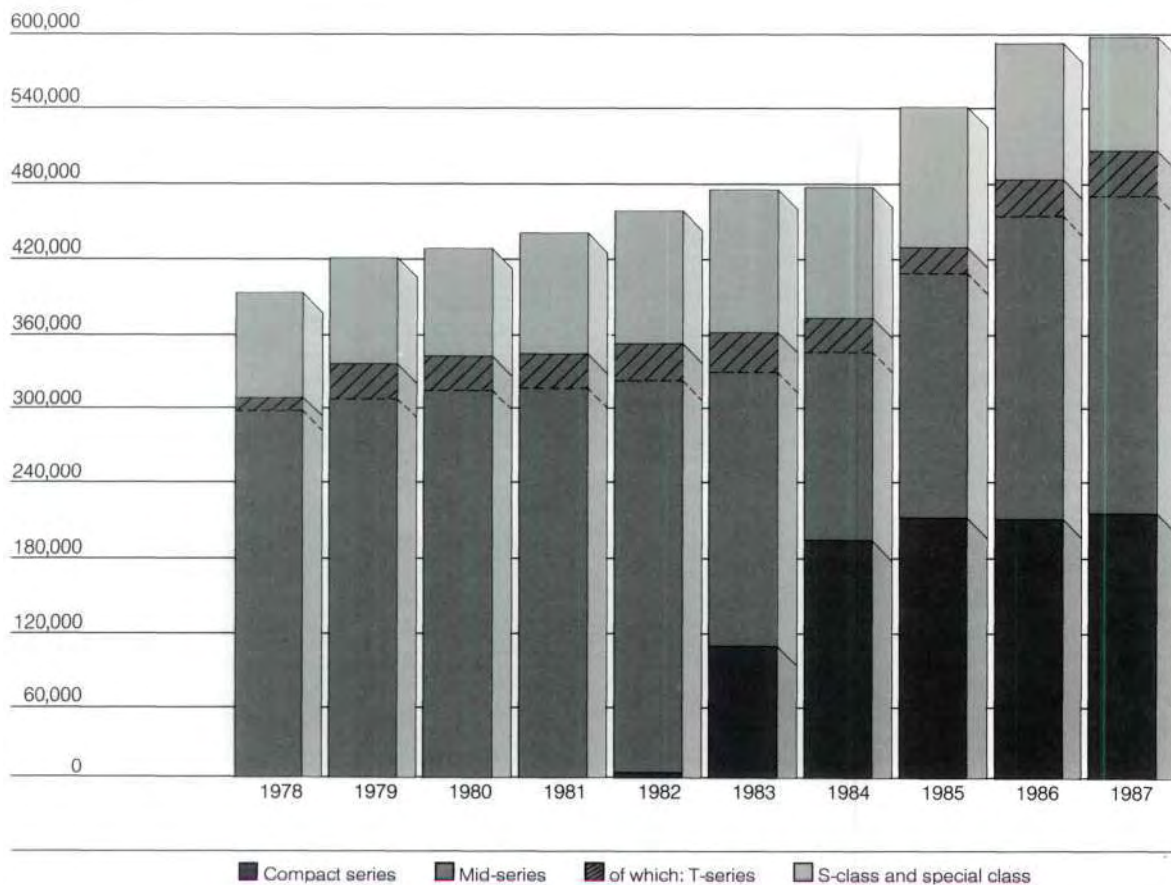
Daimler-Benz introduced a number of improvements to existing models and launched some new models in 1987. The coupes of the Mercedes mid-series received an excellent response from the market. The range of diesels was expanded with the addition of the powerful 190 D

2.5 Turbo, 300 D Turbo and 300 D Turbo 4MATIC models, and now comprises 14 models.

At the 1987 Frankfurt Auto Show, Daimler-Benz presented the power and consumption-optimized 8-cylinder engines of the S-Class. An electronically controlled "intelligent" ignition system more than compensates for losses in power due to the

Passenger Car Production

(Units)	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Total Cars	393,203	422,159	429,078	440,778	458,345	476,183	478,349	541,039	594,080	598,079
of which:										
S-class	83,107	84,957	84,993	95,804	105,093	114,589	104,646	108,896	111,757	97,437
Mid-series	310,096	337,202	344,085	344,974	348,602	251,757	178,357	220,339	271,314	286,875
of which: T-series	10,581	28,405	27,230	26,251	29,620	30,370	28,055	20,612	28,063	33,133
Compact series	-	-	-	-	4,650	109,837	195,346	211,804	211,009	213,767
Plus cross-country vehicles	-	2,508	6,667	6,455	6,566	5,662	5,532	6,303	5,945	6,368



catalytic converter. Within our three car series, we now offer 45 different sedans, coupes and convertibles.

In our cross-country vehicle range, the 240 GD has been succeeded by the 250 GD, with a 5-cylinder diesel engine.

Throughout the whole spectrum of vehicle technology, increased use is being made of the opportunities offered by electronics. Our main points of emphasis here are active and passive safety, environmental compatibility, economy and, not least, further improvements to stress-relieving comfort and convenience for the driver. New systems in automotive technology are not feasible without electronics. Daimler-Benz underscored its leading position in the field of vehicle safety with the introduction of the airbag option for the front-seat passenger. In combination with the seat belt and the belt-tensioners, the airbag forms a comprehensive system which no other manufacturer offers.

Over 400,000 Mercedes cars have now been sold with an airbag system. Half of the cars we made in 1987 were fitted with an Anti-lock Braking System. Since 1978, we have fitted the Anti-lock Braking System in more than one million cars. In order to encourage even more of our customers to opt for this efficient safety braking system, we lowered the price for ABS at the beginning of this year by about a quarter.

Through the introduction of 4MATIC for the mid-series models, Acceleration Skid Control (ASR) for the 8-cylinder models of the S-Class and the Automatic Locking Differential (ASD) for the entire range, a number of new elements designed to raise the activity safety of our cars have gone into series production.

Following the introduction of the closed-loop three-way catalytic converter as standard for gasoline-engined cars in almost all the Euro-

pean markets, we are now concentrating our efforts on improved emission control systems for car diesel engines.

Even today, gaseous pollutant emissions are already very low, approximately on the same level as gasoline engines with catalytic converters. In order to reduce particulate emissions, we have employed a dual approach for some time now. Firstly, the generation of particulate matter is being further reduced by modifications to the engine itself; here we have already achieved considerable success and can recognize a number of further possibilities. Secondly, we are working on the development of particulate traps. Our experience so far, however, has shown that these cannot at present withstand the high thermal stresses which occur when the filter is regenerated by burning off the particulate matter.



With the introduction of the high-performance 190 D 2.5 Turbo, the compact class now comprises eight models. These automobiles combine efficiency and environmental compatibility with a high level of driving comfort.



Individuality and sporty elegance: the new coupes of the Mercedes 300 Class are characterized by distinctive design and innovative technology.

High Level of Capital Spending in the Passenger Car Division

To ensure that our production facilities remain competitive and geared to the future, we invested DM 1.5 billion (1986: 1.1 billion) in our car plants. The use of the most up-to-date technology in all areas of production has improved not only the quality of the products, but also work stations, and, moreover, has made comprehensive environmental protection measures possible.

We have helped to make jobs in the production process more pleasant to employees by giving them more responsible tasks and reducing the number of activities bound by work cycles. In the newly equipped DNC lathe shop in the Berlin plant, jobs previously done

by the work preparation sections have since 1987 been performed by the employees at the machines themselves. At the Sindelfingen plant, independent work groups install the electrical systems in the car bodies away from the production line. At the Bremen plant, fully mechanized assembly of the suspension systems for the compact models means that nobody has to perform any overhead work that is included in the work cycles. At the Untertürkheim plant, linking CAD and CAM technology allows complex forging tools to be designed and then manufactured on five-axis cutting machines. The latest production equipment combined with comprehensive quality assurance and control measures were necessary to start large-scale production of the electronically controlled traction-improving systems ASD, ASR and 4MATIC.

In Sindelfingen, a pressing line consisting of nine heavy-duty presses was set up to produce high-quality body parts. In Bremen, a new, large-panel transfer press for various interior and exterior door panels went into service. Capital spending at the Hamburg plant was concentrated on improving the infrastructure and on erecting a new production building; this enlarges the production area by about one-third. At the plant in Berlin-Marienfelde, efforts were continued, particularly with respect to the relocation from Untertürkheim of the production equipment for the reconditioning of car engines and for the manufacture of exhaust manifolds.

In the interest of environmental protection, large quantities of solvents and oil are recovered when



The SAUBER Mercedes C9 finished the first race of the 1988 season in Jerez, Spain, as the winner. The Group C racing car has an 800-horsepower, five-liter Mercedes V8 engine.

engine timing parts are degreased. In the light-alloy foundry, 90 % of the core sand used can be regenerated and re-used in the production process, while complying with the latest regulations.

Third Car Assembly Plant in Rastatt

Even today, the planned car assembly plant in Rastatt can already serve as an example of how a balance can be achieved between ecology and economy. Right from an early stage, Daimler-Benz had publicly pointed out the importance of environmental considerations and, in a series of intensive discussions with environmental societies and the state government of Baden-Württemberg,

had worked out compromises which are equally acceptable for industry and nature. As things stand, we intend to start phasing in production in 1990/91.

Rastatt is needed as a further car production center simply because of the undeniable trend towards more valuable, technically more sophisticated cars. The more drive technology, safety and comfort gain in importance in automotive design, the more floorspace is required, especially in assembly, for modern, flexible production structures. This qualitative growth is becoming increasingly significant particularly in the case of exclusive automobiles.

Participation in Motor Sport

In future, Daimler-Benz will again be participating more in motor sport. We will be concentrating on providing support for racing and rally teams which have already achieved a certain amount of success in motor sport in the last few years, using Mercedes vehicles or engines. Our intention here is to collect experience and knowledge which will be useful to us both in production car racing and in high-tech motor sport. In the case of Group A vehicles, we are supporting teams which are entering the 190 E 2.3-16 in the German Touring Car Championship and the International German Rally Championship. Working even more closely with Swiss engineer Peter Sauber,

we are further developing the Sauber-Mercedes C 9, a Group C vehicle, for entries in the Supercup and the World Prototypes Championship.

Car Output at a High Level

After the large increases in sales over the last few years, the German car industry must prepare itself for a cyclical decline in nearly all the major markets. The reduced volume of the market is confronted, on the supply side, by newly created production capacity, especially in the dollar area, which is favored by currency developments. The pressure of imports may be expected to grow for all vehicle categories, particularly in the freely accessible German car market; competition will there-

fore become keener. The export business of the German automotive industry is also affected by exchange rates.

Backed by an attractive and highly competitive range of models, Daimler-Benz is expecting the sales

volume for 1988 to be approximately the same as that achieved in the year under review. We will continue to avail ourselves of the growth potential for Mercedes cars, particularly in the markets of the European Community, but also in South-East Asia.

Car Production Plants in Germany

	Area of Activity/Main Products
Sindelfingen	Body and assembly plant, central parts depot
Untertürkheim	Manufacture of engines, axles and transmissions; foundry, forge
Bremen	Body and assembly plant
Berlin-Marienfelde	Manufacture of reconditioned car engines, commercial vehicle engines, parts for car and commercial vehicle engines, small assemblies
Hamburg	Manufacture of chassis parts and small assemblies for cars and commercial vehicles
Bad Homburg	Manufacture of engine timing parts for cars and commercial vehicles



DNC lathe shop in the Berlin plant for manufacturing various production, pre-production and test pieces. Twenty-one CNC lathe machines, a tool setup device and a measuring machine are linked via a computer network system. Tasks formerly reserved for the planning department are now conducted by highly-skilled operators right on the production line,

Germany

Headquarters	
Research and development	
Manufacturing plants	11
Sales and service outlets	1,138
of which:	
Retail branches	97
Main agents	28
Agents	421
Franchised service workshops	592

Abroad

Manufacturing plants	18
Assembly plants	25
Licensees	5
Sales and service outlets	4,756
of which:	
Sales companies	25
Retail branches	430
General distributors	121
Representatives	40
Dealers/agents	3,632
Franchised service workshops	508



- Manufacturing

- Assembly

- Sales

- Freightliner

- Licensees

Revival of Demand in Important Commercial Vehicle Markets

The demand for commercial vehicles revived considerably in virtually all the major markets. By contrast with previous years, this was also true for trucks of over 6 tonnes GVW, especially for heavy-duty trucks. Worldwide, commercial vehicle output exceeded the previous year's figure by 4.0 %, at 12.8 million units. About nine-tenths of all commercial vehicles are vans and pick-ups.

In the U.S.A., new registrations increased by 2.9 % to 4.9 million commercial vehicles. In the truck category proper, over 6 tonnes GVW, sales rose by 9.1 %. With an 8.7 % rise to 3.8 million units, the U.S.A.'s share of total world output reached 30 %, as compared with 28 % in 1986.

In Japan, domestic sales rose by 7.1 % to a new record of 2.7 million commercial vehicles. By contrast, exports declined by a further 12 % to 1.8 million vehicles; this was due especially to a 19 % reduction in the number of vehicles delivered to the U.S.A. As a result, output fell by 2.1 % to 4.4 million commercial vehicles. Despite this, Japan remained the world's largest producer of commercial vehicles, with a total world market share of 34 % (1986: 36 %).

In the countries of Western Europe, sales of commercial vehicles went up by 9.9 % to 1.6 million units. The United Kingdom, France and the Federal Republic of Germany - which together account for over half of the total market volume - were particularly receptive. Output in Western Europe increased by 6 % to 1.6 million vehicles. In the category of trucks over 6 tonnes GVW, output rose by 6.0 %. With 310,000 trucks, the share of world output in this segment achieved by the traditional European manufacturers amounted to about one-third, compared with only 15 % of all commercial vehicles. Despite the encouraging market trend in Europe, the problem of excess production capacity remains unchanged. The pressure of competition regarding prices and conditions, particularly in the European commercial vehicle markets, remains high.

German Commercial Vehicle Industry: Sales Increase Especially Among Heavy-Duty Trucks

New registrations in the Federal Republic of Germany totaled 153,000 commercial vehicles (+ 6.7 %) in the year under review. Demand was lively both for vans and for heavy-duty trucks with GVW's of 16 tonnes and over. Foreign manufacturers have made gains particularly in the lower weight categories; their share of the total market is now just under 26% (1986: 25%).

The 10 % decline in commercial vehicle exports to 156,000 units was less due to market conditions than to a statistical change. Since 1987,

one German manufacturer is no longer registering ckd vans for assembly abroad as ckd products, but as vehicle kits. This also explains the 9 % fall in German commercial vehicle output to 260,400 units. The actual market tendency is expressed more accurately by the 2.4 % rise in output of trucks over 6 tonnes GVW, to 107,000 units.

Exports of trucks over 6 tonnes GVW went up by 12 % to 62,100 vehicles, and in the category of 16 tonnes GVW and over, by nearly 17 % to 37,400. Despite this gratifying growth, the unit sales only just amount to half the volume of that achieved in the early eighties. Even with good commercial vehicle business conditions, the traditional West European export markets cannot nearly compensate for the lack of demand from the Middle East.

Daimler-Benz: Commercial Vehicle Sales Up in Germany and Abroad

In 1987, Daimler-Benz delivered a total of 66,000 commercial vehicles to private customers and public authorities (+ .8 %) in Germany. In the truck category over 6 tonnes GVW, new vehicle registrations went up by 6.8 % to 29,700 units. We were, therefore, able to maintain our leading position, with a market share of nearly 60 %. Among heavy-duty trucks of 16 tonnes GVW and over, new registrations rose by 8.7 %, to 13,300 units.

Our commercial vehicle exports from domestic plants increased by 5.5 % to a total of 83,300 vehicles, and in the case of heavy-duty trucks, by as much as nearly 20 %, to 21,900 units. Of all our exports, over 80 % went to European countries.

In most Western European countries, we were able to improve our market position in 1987. In the category of trucks over 6 tonnes GVW, we succeeded in consolidating our leading position in Europe with a market share of 24 %, and above all, in extending our lead in the category of heavy-duty trucks of 16 tonnes GVW and over.

Our trucks were particularly successful in the large Western European export markets. In France, our most important market, new registrations rose by 11 % to 17,900 Mercedes trucks, and in the United Kingdom

the growth rate was 8.1 %, to 15,400 trucks. Third place, unchanged from last year, is taken by the Netherlands with 8,000 trucks, followed by Italy with 5,500, 20 % more than in 1986. Following Spain's entry into the European Community, sales of imported Mercedes commercial vehicles more than doubled to 4,200 units in 1987.

Our sales in the Middle East were at the same very low level as in 1986, with 7,200 commercial vehicles.

Bus Business Still Difficult

The fierce competition in the bus sector continued in 1987. Excess production capacity on the one hand and insufficient demand on the other have made competition among manufacturers even keener, both in the domestic market and in the European export markets.

In the Federal Republic of Germany, demand for touring buses remained low. Including local transit buses, total new registrations rose from an admittedly very low level by 14 % to 4,800 units. With sales of 2,200 Mercedes buses, we were able to maintain our market share at over 45 %. Exports for the industry as a whole fell by 14 % to 5,000 buses, continuing the negative trend of the last few years. Exports of Mercedes buses totaled 2,300, 15 % below the 1986 figure. Output in our domestic plants was reduced by a further 10 % to 4,565 buses and chassis.



*The MB 100 D was presented in 1987 at the International Automobile Exhibition in Frankfurt
The Mercedes van family now comprises three different series
from 2.55 to 7.49 tonnes gross vehicle weight.*



Higher Exports of Unimogs and MB-tracs

Sales of Unimogs and MB-tracs rose by 6 % to 9,565 units in 1987. While domestic sales of Unimogs and MB-tracs declined by 4.8 % to 5,345

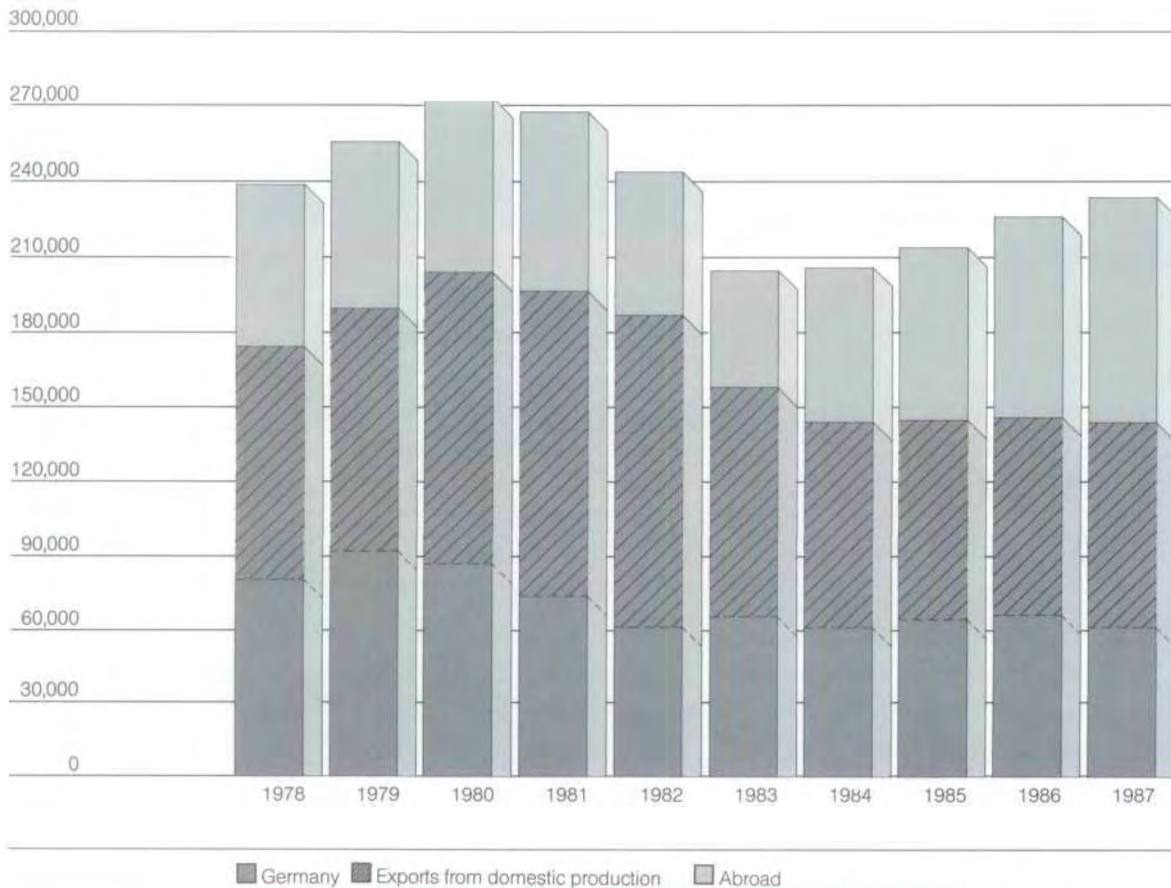
units, due to the further fall in demand for tractors, we were able to boost export sales by nearly one-quarter to 4,220 units, following delivery of a number of major Unimog orders. Output was raised by 3 % to 9,450 Unimogs and MB-tracs.

Decline in Sales of Industrial Engines

Despite a favorable business climate in some areas for which industrial engines are used, market conditions all over the world have deteriorated due to excess production capacity.

Commercial Vehicle Production

(Units)	1978	1979	1980	1981	1982	1983*)	1984	1985	1986	1987
Total Commercial Vehicles	239,702	256,467	272,868	268,925	243,513	204,619	205,397	213,910	226,344	234,141
Germany	173,101	188,772	203,041	196,076	187,044	157,418	143,101	143,387	145,757	144,648
of which:										
Vans	73,814	80,085	83,977	69,357	64,473	63,050	60,717	62,385	69,485	68,526
over 6 to 15.9 tonnes	42,467	41,383	46,260	45,185	37,933	29,677	32,690	34,080	30,864	27,812
from 16 tonnes	39,310	48,625	53,241	61,957	63,513	46,168	35,318	31,327	31,114	34,295
Buses	8,210	8,529	9,643	9,647	7,925	7,723	5,186	5,345	5,084	4,565
Unimog and MB-trac	9,300	10,150	9,920	9,930	13,200	10,800	9,190	10,250	9,210	9,450
plus vehicle kits*)	-	-	-	-	-	27,332	18,122	26,402	8,838	10,085
Abroad	66,601	67,695	69,827	72,849	56,469	47,201	62,296	70,523	80,587	89,493



*) Vehicle kits for production abroad are not included in overall production figures since 1983.

Sales to manufacturers of agricultural equipment especially declined. Sales of axles and transmissions, at 8,000 units, were gratifying (1986: 7,300). Throughout the group - including the companies in Argentina, Brazil and Spain - we manufactured 28,700 (1986: 34,600) industrial engines for installation in agricultural and construction machinery, buses and special-purpose vehicles.

Commercial Vehicle Output in Germany Roughly Equals 1986 Figure

In the four domestic plants, the output of commercial vehicles was roughly the same as in 1986, at 144,648 units. A decline in the numbers of vans and light and medium-heavy trucks was in contrast to a considerable growth in the area of heavy-duty trucks. The output of vehicle kits was raised by 14 % to 10,085 units.

Overall, capacity utilization in 1987 stabilized as compared with the previous year, although trends varied in the individual plants. We succeeded in creating a balance within the Commercial Vehicle Division for our employees. While there were capacity utilization problems in the Mannheim bus manufacturing facility, and the Kassel plant occasionally had to resort to short-time work due to structural changes in the truck range, the assembly plant in Worth had to use special measures to satisfy the demand for heavy trucks.

Higher Output of Commercial Vehicles by Foreign Subsidiaries

Our foreign subsidiaries with their own commercial vehicle production facilities were able to raise their sales once again and manufactured 11 % more vans, trucks and buses than in 1986, with a total of 89,493 units. This means that output for the group as a whole went up by a total of 3.4 % to 234,141 commercial vehicles.

In Brazil, the economic and currency reform measures did not succeed in stimulating the economy. This meant that our biggest foreign company, Mercedes-Benz do Brasil, experienced a 5.0 % drop in domestic sales to 32,500 commercial vehicles. Due to the even sharper decline in overall demand, the market share of

Mercedes went up to 44 % for trucks and over 84 % for buses. Due to the fact that exports rose by nearly two-thirds to 12,000 units, the fall in sales within Brazil was more than offset. Exports went chiefly to assembly companies in the U.S.A. and Indonesia, and to Latin American countries. The production output of Mercedes-Benz do Brasil, at 43,500 units, was slightly higher than in 1986.

In Argentina, the economic situation - especially in the second half of the year - deteriorated drastically. Because of a favorable business climate during the first nine months, Mercedes-Benz Argentina succeeded in raising its sales by 9 % to 5,400 commercial vehicles and in maintaining its market share at 57 %. Production output exceeded that of 1986 by 11 %, with 5,500 units.



The four-axle truck line comprises chassis with capacities of 32 to 48 tonnes gross vehicle weight, with engine performances from 206 to 261 KW (280-334 HP) and wheel bases from 4.10 to 6.50 meters.

In the U.S.A. and in Canada, our subsidiary Freighdiner achieved its best-ever sales result. With the extended range of heavy-duty trucks, which now includes construction site vehicles, sales rose to over 27,000 units (1986: 20,800). With demand for heavy-duty trucks considerably higher, Freighdiner was able to increase its market share from 15.5 % to nearly 18 %. Output in the two U.S. plants and in Canada rose by 32 % to 27,100 trucks. In the category of medium-heavy trucks, which are assembled in Hampton, Virginia, from parts supplied from Brazil and Germany, sales declined to 4,220 units (1986: 4,700). Business was affected by the changes in exchange rates.

With high demand on the Spanish market, Mercedes-Benz Espana raised its sales of Spanish-made vans by 11 % to 11,100 units. Due to the production capacity available, 11,400 vans were made during the year under review, 21 % more than in 1986. In the last few months, the company has boosted output to 90 vehicles per day, corresponding to an annual output of 20,000 units.

In South Africa, the situation on the automobile market improved once again. Mercedes-Benz of South Africa sold a total of 3,034 commercial vehicles (1986: 2,800). Due to a nine-week labor dispute in August and September, output declined to 1,996 commercial vehicles (1986: 2,274).

Affiliated Commercial Vehicle Companies Register Varying Performances

The foreign commercial vehicle companies in which Daimler-Benz has a minority holding, and which appear in the consolidated financial statements as associated companies, registered differing performances. Their production outputs are not included in the group output figure.

In Europe, the Swiss-based NAW-Nutzfahrzeuggesellschaft Arbon & Wetzikon AG, which converts and assembles Mercedes-Benz commercial vehicles according to specific customer requirements, increased its sales by about one-third to the equivalent of DM 112 million.



Introduced at the "Brasil-Transpo" in Sao Paulo, South America's largest automobile exhibition: the new LS 1934 heavy truck from Mercedes-Benz do Brasil S.A.



The light truck from our plant in Woerth, ranging from 6.5 to 13 tonnes, for a wide variety of applications, are a common sight on our roads.

In 1987, as in previous years, the difficult economic situation in Mexico affected the performance of our affiliated company, Fabrica de Autotransportes Mexicana S.A. (FAMSA). With a total of 1,300 commercial vehicles sold (1986: 1,500), the market share remained unchanged at 25 %. Towards the end of the year, the company changed over to Mercedes diesel engines for its medium-heavy trucks, and is expecting this measure to help boost sales and output.

The bus business of Otobus ve Motorlu Araclar Sanayii A.S. (OTOMARSAN) suffered under the difficult market conditions in Turkey in 1987, with sales dropping by 25 % to 900 buses. In the Istanbul plant, the company started production of a modern high-deck bus, which will provide a sound base for it to improve its strong position in

the Turkish bus market. In the new plant in Aksaray, which opened at the end of 1986, 245 heavy-duty trucks have been built since production start-up. After a short preparation phase, assembly of the Unimog 1300L started up in September. The local production content is currently about one-third.

Broader Commercial Vehicle Range for Wide Spectrum of Applications

With new products and product improvements, we further expanded our range of commercial vehicles, which is designed to meet a wide variety of individual requirements.

One newcomer to the range was the MB 100 D van, in the weight category up to 2.6 tonnes GVW, which is made in Spain for Western European markets. At Mercedes-Benz do Brasil, pre-series production of a vehicle corresponding to the Diisseldorf van has started. This is to be the lower end of a new truck generation.

With many innovative solutions to a wide variety of transport problems, our range has become even more comprehensive, with electronics gaining constantly in importance. Having already successfully introduced, for trucks, the Acceleration Skid Control (ASR) to complement the Anti-lock Braking System, and the integrated power train with Electronic Power Shifting (EPS), we have now also made these supplementary safety features standard on the touring buses of the O 303 series and optionally available for regular-service buses. In the fall, Freightliner became the first manufacturer of heavy-duty trucks in the U.S.A. to offer the Anti-lock Braking System; the response has been encouraging.

Among our German-made heavy-duty trucks, the all-wheel-drive vehicles are now being fitted with the high-torque OM 442 A turbo-charged engine; they can also be equipped with the integrated power train.



The OH 1314 from the new city bus line of Mercedes-Benz Argentina S.A. in Buenos Aires.

By developing a trap oxidizer suitable for commercial vehicles, we wish to make an effective contribution to improved environmental compatibility. At present, we are running a large-scale experiment with urban buses and municipal vehicles. We expect that it will be possible to make a decision before the end of the year as to which filter system will be further developed for standard production.

Technological Progress Secures the Quality of Our Commercial Vehicles

The application of innovative technologies in manufacturing is just as important for the market position of our products as the development and testing of new vehicles and components. Not only do they create modern jobs with higher productivity which are in addition more pleasant for the employee, they also make more environmentally compatible manufacture possible. In the year under review, we invested DM 472 million in our domestic plants and a further DM 336 million in our foreign subsidiaries.

In Germany, investment focused mainly on preparing new products, making existing manufacturing processes more efficient, and optimizing the product range. At the Gaggenau plant, we changed over our heavy-duty Unimogs and our MB-tracs to the new 300-series engines. For commercial vehicle gearboxes, a flexible production system for machining the casings was set up in the Rastatt sub-plant. An automated measuring system monitors manufacturing quality. For the V-6 engines made in Mannheim, a specially shaped crankshaft is used to achieve an identical spark gap for all the cylinders. This considerably improves the engines' vibration characteristics. The grey cast-iron foundry has begun producing MTU cylinder heads.

At the Worth plant, welding robots have been installed in the cab body section; these also relieve our employees of physically tiring work. With the use of further underseal spraying robots in the Diisseldorf plant, a large amount of ergonomically unsatisfactory overhead work has been dispensed with. In Kassel, an integrated system for machining steering knuckles and drum hubs has been taken into service.

The investments made by our foreign manufacturing companies were for modernizing vehicle ranges, expanding capacity and improving manufacturing efficiency.

Good Business Climate for Commercial Vehicles in Europe

So far in 1988, the revival of the European commercial vehicle markets has continued. At the same time, however, a new rise in demand from non-European countries cannot be expected at present. On the market side, therefore, any improvement in the difficult situation which the European commercial vehicle industry is faced with is hardly like-



ly. The adaptation of production capacities to the generally lower demand has by no means been effected.

Daimler-Benz will increase domestic output in 1988. We are planning an above-average rise among medium-heavy and heavy-duty trucks. Throughout the group as a whole, too, we aim to step up commercial vehicle output in 1988. Following the vigorous expansion in 1987, Freightliner will probably lower output, due to the general decline in the U.S. market for heavy-duty trucks. However, our subsidiaries in Argentina, Brazil and Spain are expecting further rises in output.

Our commercial vehicle activities in Europe and overseas are geared to

further strengthening our leading position in the market for trucks over 6 tonnes GVW. With the expansion of our worldwide integrated production network, we aim increasingly to take advantage of the specific advantages of different production locations and to exploit

more effectively our sales potential by being closer to the relevant markets. Our plans also include the markets of the Middle and Far East, which we think definitely offer opportunities to exploit new sales potential for Mercedes commercial vehicles.

Commercial Vehicle Production Plants in Germany

	Area of Activity/Main Products
Mannheim	Manufacture of commercial vehicle and industrial engines; body and assembly plant for buses; foundry; fabric manufacturing for cars
Wörth	Truck assembly including cab manufacture; manufacture of plastic parts for cars and commercial vehicles; central parts depot for commercial vehicles
Gaggenau	Body and assembly plant for Unimogs and MB-tracs; manufacture of transmissions and planetary axles
Düsseldorf	Body and assembly plant for vans and small buses; manufacture of steering systems for cars and commercial vehicles
Kassel	Manufacture of axles



The Freightliner Medium Conventional Series contributed significantly to the great market success of our North American subsidiary.

Continued Growth in Sales

The trend in the German electrical industry in 1987 was less vigorous than in the previous year. The domestic demand for capital goods declined while the demand from abroad was handicapped by the strong D-Mark. Sales of domestic appliances profited from high consumer spending.

Sales of the AEG group rose 3.9 % to DM 11.7 billion, the increase

being achieved solely in the German market. Sales here increased 8.0 % to DM 7.0 billion, as against a decline of 15 % to DM 4.7 billion in exports; the foreign sales ratio thus declined from 43 to 40 %.

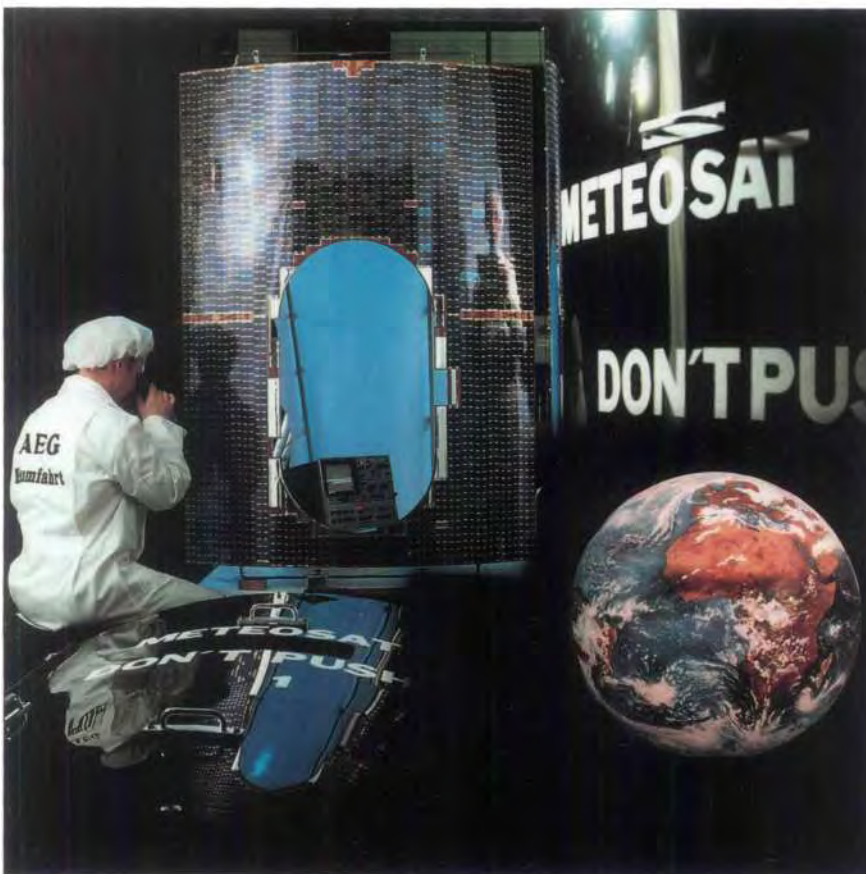
Orders, at DM 12.1 billion, around the same level as for 1986, displayed differing trends. The level of domestic orders, at DM 7.3 billion, was slightly below that of 1986. Despite the decline in export orders due to currency factors, there was an improvement of 1.8 % over 1986

in the overall foreign order volume of DM 4.8 billion due to a sharp rise in demand for the products of AEG companies abroad.

At the end of 1987, employment at AEG stood at 80,499 persons, (78,199 at the end of 1986), 66,092 of these being employed in Germany. The increase of 2,300 was accounted for by the first-time inclusion of new group companies and by additional personnel requirements in most of the domestic divisions.

Major Increase in Capital Spending

AEG invested DM 575 million in 1987 in fixed assets, an increase of one quarter over 1986. The investment concentrated on the radio and radar systems, domestic appliances and AEG KABEL divisions. By stepping up its holding in Magnetbahn GmbH from 33.3 to 76 % and by acquiring an 80 % stake in the capital of Magnetic Transit of America Inc., AEG has created the basis for world-wide marketing of magnetic levitation railways. The increase from 50 to 75 per cent in AEG's share of GEI Gesellschaft für elektronische Informationsverarbeitung mbH, Aachen, will pave the way for further expansion of software and systems activities.



Measurement of a structural panel for the METEOSAT meteorological satellite in Wedel near Hamburg. AEG built the complete solar generator for the satellite. Roughly 33,000 solar cells sized 19.8 x 39.6 mm were installed on the METEOSAT.

Research and development expenditure increased 3.0 % to DM 929 million, which again represented 8.0 % of sales. This ratio, for structural and technological reasons, varies between the different divisions and in the case of highly complex electronic equipment and systems amounts to more than 20 %. More than DM 75 million was spent on basic and operations research at the AEG research institutes in Berlin, Frankfurt am Main and Ulm.

In the important field of digital communication, research is being stepped up in technologies whose importance is rising rapidly with the introduction of "Integrated Services Digital Networks" (ISDN). In this area AEG is working on image-coding processes for a video telephone service which is planned by the German Post Office. Results of research into pattern recognition and image processing in an industrial context offer application possibilities in production automation and quality control. In the field of microelectronics, technological development is moving in the direction of even more sophisticated integrated circuits, making use of new materials which increase the working speed of components while at the same time consuming less power.

The AEG research institutes are working on artificial semiconductors which transcend material limitations and offer new fields of application. In the field of production technology, expert systems are being developed for such applications as automation of assembly jobs, assembly-oriented design, quality control and flexible adaptation of production processes. As part of the European research projects, ESPRIT and BRITE, AEG is participating in the development of new insulation systems and of new technologies for the production of printed circuits.

Energy Technology

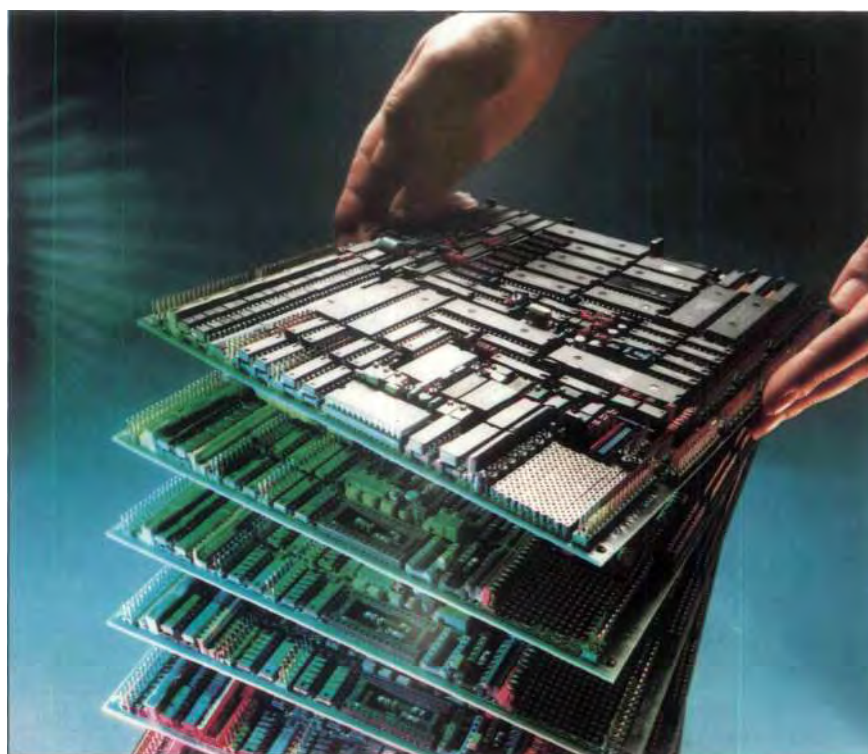
The sectors energy distribution and AEG KANIS have now been combined into one division, called energy technology. Orders for the energy distribution sector in 1987 were around the level of 1986, while sales fell. In Egypt, three large transformer stations went into service. In West Germany, the complete medium-voltage distribution equipment was supplied for desulphurization measures at six coal-fired power stations.

The market situation for the mainly export-oriented turbine systems sector, AEG KANIS, deteriorated further due to the fall in the value of the dollar and the financial weakness of the newly industrializing countries. In order to strengthen the long-term position of AEG KANIS as a competitor in the fiercely contested international mar-

ket for gas and steam turbines, a structural concept was developed which will be implemented over the medium term at a considerable cost in investment.

Industrial, Automation and Railway Systems

Gratifying domestic demand was the dominant feature in the industrial systems and automation systems sectors. Existing activities in the field of production automation were grouped together in a new sector embracing all control systems for use in the production of piece goods, in transport, conveyor and storage technology, and in large buildings. With its new acquisition GEI (Gesellschaft für Elektronische Informationsverarbeitung mbH), AEG now has a company comprising around 800 employees and a software engineering potential for



Printed circuit boards for AEG's Geatest 80 single-board monitored data acquisition system. Realtime processing of analog and digital measurement data for decentralized data acquisition and network of multiple acquisition systems. Geatest 80 is used for production supervision, acquisition of operational data at airports, and for measurement of environmental data.



The AEG Automobile Telephone C is tailored to the special operating requirements in motor vehicles. In many respects, its performance and operational features are superior to those of a stationary telephone.

customer-oriented problem-solving for public authorities and all sectors of industrial and service companies.

AEG's computer systems company in the U.S.A. operating in the field of automation and communication, MODCOMP Inc., which has 1,200 employees around the world, provided tailor-made solutions to problems in the field of real time data processing.

Testing systems to reduce the motor vehicle emissions were among additions to the range of environmental protection systems.

Business in the field of railway systems has stabilized due to line improvements and new construction by the German Federal Railways. Large orders were accepted for parts of a first series of 40 new high-speed trains scheduled to go into service at the beginning of the

1990's. However, the shortage of funds in many West German states is delaying the introduction of new metropolitan mass transit systems.

Office and Communication Technology

On 1st January 1988, office, communication and information technology activities were merged in the newly-founded AEG Olympia AG. The main product areas are word-processing and communication, microcomputers and multifunctional systems for the workplace, identification systems, letter distribution and sorting systems, mobile radio communication, transmitting stations and systems and data networks.

Sales fell in 1987 due to the further drop in prices and of the U.S. dol-

lar. New electronic compact typewriters and new micro-computer models were among newcomers to the range.

A 10 kW transmitter will be supplied to the Berlin RIAS television company and three additional 500 kW shortwave transmitters were commissioned by the German Post Office. In the field of voice and data communication, AEG received orders for the Frankfurt airport, for Lufthansa and Swissair. The company further expanded its strong market position in letter-sorting systems with large orders from Switzerland, the U.S.A. and the Far East.

Aviation, Space and Defense Technology

In the field of radio and radar systems, orders and sales rose substantially. Large orders were placed for airborne radar systems and guidance systems. Sales rose sharply, particularly in Germany, in the marine and special systems sector. AEG is making a large contribution in the area of power supply to the three major space projects COLUMBUS, HERMES and ARIANE. In Saudi Arabia, a plant has been built to produce solar modules.

Standard Products and Components

The growth in sales continued in 1987 in the field of opto- and vacuum electronics, a particular contribution being made by infrared and thermal imaging equipment, now with substantially increased performance. In the field of standard products, the trend was varied. Domestic sales of electric motors for vehicles rose substantially. AEG KABEL sales expanded gratifyingly, particularly in the area of cable harnesses for the automotive industry and high-frequency cables for cable television. Demand in the compo-

nents sector fell due to the economic downturn affecting certain major capital goods, and to export difficulties. Nevertheless, sales for the division as a whole rose. Among new and revised components which joined the range were image carriers for copying equipment and laser printers.

Consumer Goods

Domestic sales of household appliances again rose more sharply in 1987 than for this branch of industry as a whole. A major reason for this success was the consistent development of AEG's image as a supplier of innovative, high-quality, environmentally compatible products. The increase in the sales of the AEG power tools sector was above the average for the industry. Exports, despite difficulties in some markets due to currency factors, continued to account for a high proportion - almost two thirds - of sales.

Successful Performance of AEG's Foreign Companies

Total sales of AEG's foreign companies were higher than in 1986. Major increases were recorded in Spain, Turkey and Austria. A restructuring of the Scandinavian sales organisation took place. The new company AEG Singapore PTE. Ltd. will serve as the supply point for the East Asian area, incorporating all technical business for Singapore and Malaysia. The participation in NGEF Ltd. of Bangalore, India's leading manufacturers of power cables, was increased to 22.6%.

Outlook

Despite the more difficult economic conditions, AEG expects sales and orders to rise once again, with divergent trends in the different fields of activity. Our policy of strengthening and expanding the company as an electrical and electronics company with an international base will be steadily continued. Investment in fields of activity and markets promising high growth

and having profit potential is being stepped up substantially. Examples are the development of the new integrated automation system "Geomatics", transport systems incorporating M-Train technology and office communication systems. The AEG group will be assisted in these projects by a good financial base in the fields of electronics and electrotechnology, long experience and well-balanced, progressive product lines in capital and consumer goods.



Nickel-plating a collector for a high-performance traveling-wave tube from AEG for use in a satellite. Traveling-wave tubes are the key components for the high transmitting power - up to 260 watts - of these satellites.

Cyclical Downturn in Sales

Following the strong growth of the previous years, 1987 saw the expected downturn in sales of the Dornier group. Dornier's range of products and services is geared heavily towards the dollar area and was thus particularly affected by currency factors and by more intense competition in the field of medical technology. The lack of continuity in accounting for large projects, particularly from public-sector customers,

contributed substantially to the drop in sales to DM 1.6 billion (DM 2.1 billion in 1986). Exports accounted for 60 % of this total (68 % in 1986); sales to public clients for around one-third.

In contrast to sales, orders, particularly from abroad, rose sharply again, to DM 2.4 billion (DM 1.8 billion in 1986).

Research and development costs of the group's own projects increased 40 % to DM 140 million; development work carried out for third par-

ties was invoiced at DM 388 million. Investment by the Dornier group rose by more than 50 % to DM 124 million (DM 79 million in 1986). Employment at the end of the year stood at 9,683 (9,557 in 1986).

Aviation

During 1987, 33 DORNIER model 228 aircraft were supplied to customers. Worldwide, 127 such models are being used as utility and commuter aircraft by 50 different customers.

Within the framework of German-Indian collaboration for production in India of up to 150 DORNIER 228's under license, the first five aircraft, whose main assemblies were still being built in Germany, were supplied by the Indian partner. The second phase of the program, in which ten aircraft delivered as assemblies will be built up on the spot, will soon be completed.

In Spring 1987, the definition study began for a twin-engine thirty-seater turbo-prop aircraft, the DORNIER 328.

Dornier is producing various assemblies for the Airbus A 310 and A 320. During 1987, complete assemblies were supplied for twenty-one A 310 models and six A 320's. 516 Alpha Jets and Dornier assemblies for them have been supplied to date. The project was jointly developed and produced by France and Germany.

Work at Dornier proceeded according to schedule on the planning and definition study, begun in 1985, for the European fighter plane of



The SAR (Synthetic Aperture Radar) antenna of the European Earth Reconnaissance Satellite, ERS-1, is made of carbon-fiber reinforced plastic.



In addition to transporting passengers, the DORNIER 228 is used for a wide variety of purposes, including marine area surveillance, freight transport, and scientific measurements.

the 1990's, the JF 90. Some of the technological tasks assigned to the Federal Republic of Germany on certain aspects of overall design, structure, materials, construction methods and avionics were also carried out. Dornier is participating jointly with various foreign companies in the competition for development and supply of the maritime patrol and anti-submarine aircraft, the MPA 90.

In the area of servicing and refurbishing, 1987 was dominated by consolidation measures in view of substantially reduced order expectations. A modernization program for

the maritime patrol and anti-submarine aircraft, the Breguet Atlantic, was completed and substantial portions of the second modification program for the Alpha Jet were successfully carried out. Moreover, the order for outfitting seven Challenger CL601 aircraft for the Federal Defense Ministry was completed during the year.

Defense Technology

Remotely-piloted reconnaissance vehicles were a central aspect of operations in the field of defense technology. This work includes, apart from servicing short-range reconnaissance systems already in operation, also the development preparation for full-scale production of longer-range systems. The contract for full-scale production of the CL 289 reconnaissance drone was concluded, for which Dornier and Canadair were the main develop-

ment contractors. In the field of computer-assisted command and fire control systems, the company continued its development work as general contractor for the command, control and information system of the German Air Force.

Space Technology

The delayed decisions on further development of the European space program meant that orders were below the expected level. A U.S. company placed an important order to develop and supply a preliminary series of satellite carrier structures for the TITAN HI rocket.



Dornier has conducted projects using regenerative energies in 18 countries in the Third World. This picture portrays a solar-powered drinking water pump in Indonesia.

Work on the European Remote Sensing Satellite ERS-1 and the National X-ray Satellite ROSAT, proceeded according to schedule. Other activities in this field concerned components for communication satellites, systems involving the utilization of microgravity, subsystems for the European launcher ARIANE and the relevant scientific experiments.

The agreement achieved at the Conference of Ministers of ESA member countries in November 1987 to carry out the large-scale projects ARIANE V, COLUMBUS and HERMES was of decisive importance for the future development of space technology in Europe.

Thus for Dornier too, the trend in space technology, as in defense, inevitably continues in the direction of international collaboration.

Medical Technology

34 DORNIER HM3 kidney lithotripters for the non-invasive destruction of kidney stones by means of shock waves, were supplied during the course of the year (93 in 1986). The kidney lithotripter was still the most important sales contributor in the field of medical technology. As expected, this method is increasingly being marketed by competitors. A further development of the lithotripter, the tubless DORNIER kidney lithotripter HM 4, went on the market in autumn 1987. Ten units had been supplied to customers by the end of the year.

Research and development is, besides work on further innovative uses for shock wave technology in medicine, concentrating on the DORNIER choli-lithotripter MPL 9000 and the multi-functional kidney lithotripter MFL 5000. Both machines were successfully launched on the market at the end of 1987.

Outlook

For 1988, Dornier expects a generally higher level of employment than in 1987, with a corresponding rise in sales and output.

Following the Federal government's agreement to participate in the ARIANE V, COLUMBUS and HERMES development programs, growth can be particularly expected in the space sector. Competition in the international civilian aircraft market has intensified for German manufacturers as a result of the weak dollar. Nonetheless, Dornier expects production of the DORNIER 228 series to equal the 1987 level. The preliminary work on the new DORNIER 328 will continue according to schedule in 1988. In the field of medical systems, commencement of production and delivery of the choli-lithotripter and of the multifunctional kidney lithotripter is expected to contribute to increased business.

Continued Growth at MTU

The companies of the MTU group and their technically advanced, high-grade products compete in markets characterised by fluctuating demand, changing currency rates, fierce price competition and, in some cases, excess capacity. Nonetheless, MTU was able to maintain and expand its strong position as an international competitor. To this end, substantial sums have been spent in recent years on new products and further development of existing products, and on the structural and technical adaptation of production facilities. This applies particularly to the fields of aero-jet-engines, high-performance diesel engines and turbochargers for automotive engines.

The consolidated sales of MTU rose 2.2 % to DM 3 billion. Despite the fall in the value of the dollar, this growth was chiefly due to sales abroad. The level of employment and capacity utilization was high. Orders worth DM 2.7 billion were received in 1987 and the order backlog at the end of the year totaled DM 4.6 billion (DM 4.9 billion in 1986), all of which will guarantee employment well into 1989. Employment at the end of the year had risen to 17,284 (16,912 in 1986).

There was a substantial increase in research and development expenditure, which totaled DM 424 million (DM 302 million in 1986), of which DM 182 million was for the accounts of third parties. The costs for the company's own projects include, for the first time, payments

for development work carried out by joint venture partners. Capital spending rose to DM 237 million (DM 211 million in 1986) and was well above depreciation charges totaling DM 182 million (DM 162 million in 1986). Besides building activities, the investment centered mainly in the modernization of production and research and development facilities.

MTU München: Aero-Jet-Engines

MTU München develops and produces engine components for commercial and military aircraft in the framework of international co-operation agreements. As far as commercial aircraft are concerned, all sizes of engines are represented in the MTU range.

Besides production for the Tornado engine, an increasing amount of capacity is being devoted to the manufacture of components for commercial aircraft engines. This proportion will soon increase, at least for the time being, to more than half of production capacity. Research and development work largely reflects MTU's commitments resulting from co-operation agreements and includes work on the V 2500 engine for commercial aircraft, development of which is proceeding according to schedule.



Testing the concentricity of the labyrinth seal webs on a turbine rotor.

MTU Friedrichshafen: Diesel Engines

Since taking over sales of Mercedes-Benz industrial engines, the MTU Friedrichshafen product range now includes high-speed diesel engines with outputs from 30 kW (40 hp) to 7,400 kW (10,000 hp) for ships, heavy vehicles, railway vehicles, generators and other equipment.

With its extended range of products and its technological expertise, MTU Friedrichshafen maintained its position well again in 1987 despite a fiercely competitive market.

The overall level of capacity utilization was good. Full scale production began of the 396 series engines destined for the Soviet Union.

Development work continues to concentrate on new engine series, electronic control systems and turbocharging.

MTU Maintenance: Maintenance of Aero-Jet-Engines

MTU Maintenance GmbH maintains and repairs large engines for German and foreign airlines. Output and sales increased despite the fall in the value of the dollar.

Kühnle, Kopp und Kausch (KKK): Turbochargers, Fans/Compressors, Steam Turbines

Selling mainly to markets in Western Europe, Kühnle, Kopp & Kausch is the world's second largest manufacturer of turbochargers for automotive engines. Sales rose once again in 1987, particularly of fans and compressors for desulfurization systems in coal-fired power stations.

L'Orange and Other MTU Companies

Sales of L'Orange GmbH, supplier of injection pumps for large diesel engines, fell slightly short of those for 1987. The main customers are diesel engine manufacturers in West Germany and the neighboring West European countries.

Overall, operations of the other domestic and foreign companies in the MTU group, chiefly involved in selling and servicing MTU products, software design and consultancy, computer service and leasing of data processing equipment, were successful.



Laser beam drilling of cooling air apertures in a heat-resistant turbine blade.

Outlook

The value of the dollar will continue to have a major influence on business at the various MTU companies due to the growing importance of the dollar area markets and production by important competitors and joint venture partners in that area.

In the coming year, demand from airlines for engines and parts and the continuation of military engine activities will ensure good capacity utilization in Munich. In the field of high-performance diesel engines, the growth prospects depend, amongst other things, on the demand for high-technology products from the financially weak developing countries, which are among the main customers for large diesel engines. MTU expects a farther rise in sales for 1988 with a high level of capacity utilization and employment.



This test stand for large jet engines with a thrust of up to 300 k is equipped with the most modern measuring systems.



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Focal Points of Research

The newly-formed central Research and Technology Division has further intensified the exchange of ideas between the individual group member-companies. Our work in basic research, research in the fields of product and production technology, and the performance of central tasks such as design, services, quality assurance, technical planning and information processing all proceeded smoothly.

Due to the broadening of the group's base to cover new fields in high technology, our technical potential was enlarged considerably. Group companies can have direct and early access to research in aviation and space technology, vehicle, traffic and propulsion technology, energy technology, electrical and electronic engineering, data processing and defense technology. The close cooperation between the various research and development sectors within the group therefore allows synergetic potential to be recognized and utilized from an early stage.

In a number of areas, we have achieved tangible results which have in some cases already been put into practise:

ARTHUR, the traffic safety system presented at the 1987 Frankfurt International Motor Show, automatically warns other road users in the event of an accident or mechanical breakdown, and informs the nearest rescue guidance centers. Before this emergency radio system, which forms part of the PROMETHEUS program, can be introduced, however, agreement on common communication standards will have to be reached throughout Europe.

The Mercedes-Benz ASSISTANT information system, which was presented at the same time, provides individually tailored solutions to transport problems, thereby helping to organize freight traffic more effectively. A number of customers are already using prototypes of this system in a pilot project.

In project CASE (Computer Aided Service and Education), which is a joint effort by Daimler-Benz AG, AEG, Dornier and IBM, procedures and components for a future service system are being developed.

Together with Dornier, Badenwerk AG and Lurgi, we are working on project Hot Elly, which is being sponsored by the German Federal Ministry for Research and Technology. The project involves the testing of practical systems for storing the excess energy produced by power stations, in the form of electrolytically produced hydrogen.

Group Research in Ulm

In Ulm, we are setting up new research facilities in the immediate neighborhood of the university and next to the AEG institute which is working on "Radar and Radio Communication Technology". The new focuses of our research include "Information and Knowledge Processing", "Energy and Chemical Conversions" and "Technology Consequences".

In information and knowledge processing, we concern ourselves with further potential in information and communication technology, microelectronics, sensor and actuator technology and "artificial intelligence". Possible applications in two main areas of emphasis, product and company-related systems, are already being investigated.



Ceramic turbine spiral housing: ceramic materials are used for the hot-gas conducting components employed in research on motor vehicle gas turbines. At temperatures of up to 1,300 degrees centigrade, high levels of thermal stress occur. This picture shows temperature distribution, ascertained with the help of computer simulation, in a turbine spiral housing.

The product-related research is concentrating on the PROMETHEUS and TRAFFONIC projects. PROMETHEUS (Program for a European Traffic with Highest Efficiency and Unprecedented Safety) aims at combining communication and traffic technologies throughout Europe so as to form the basis for a future road traffic system which is better in all respects. This program forms the framework for Daimler-Benz's own TRAFFONIC project (Traffic and Electronics), by means of which we wish to improve the interaction between man, technology and the environment through innovations in future products.

Company-related projects involve, among other things, the setting up of a satellite communication network for companies, considerations relating to future service information systems and data banks, as well as general research into man/machine communication at the workplace.

Research into energy utilization must above all take account of dwindling energy resources and the impact on the environment. For this reason, energy technology with the accent on regenerative energies and new secondary energy carriers, such as hydrogen, is an important field of research for the Daimler-Benz group. A testing section for alternative energy systems is also being set up in Ulm.

The scientific assessment of technical developments should not only be considered with a view to avoiding the negative consequences of technology. In industrial research, it is above all important for the early recognition or opportunities and possibilities.

Radar and radio communications technology already occupies a large area in AEG's Ulm research institute.



CRAY XMP/24: super computer with a capacity higher than that of 20,000 personal computers.

The setting up of the new research facilities in Ulm is being carried out at the instigation of Daimler-Benz, together with the state of Baden-Württemberg and Ulm University. Placing industrial research in the immediate vicinity of the university is designed to promote new forms of cooperation. The chief benefit is that the theoretical side will be subjected to even more powerful stimuli from practical research work, while the practical side will profit even more from basic research.

A number of institutes are being established in fields between the traditional areas of competence of the university and industry, with the aim of narrowing the gap between theory and practice. The institute for applied knowledge processing is one example of such a research fa-

cility in the form of a foundation. The participants are of Daimler-Benz, Siemens AG, Hewlett Packard, IBM, Mannesmann-Kienzle, Nixdorf and the state of Baden-Württemberg. The planned activities in Ulm are closely linked with the growth of our company into a high-technology enterprise. They are to complement the traditional research tasks of the individual group member companies.

New, Efficient Super Computer

Since 1980, the amount of technical calculation has been growing by 30 to 50 % every year. This tendency will continue in the next few years. The use of numerical calculation methods is increasing constantly, and new means of representing and

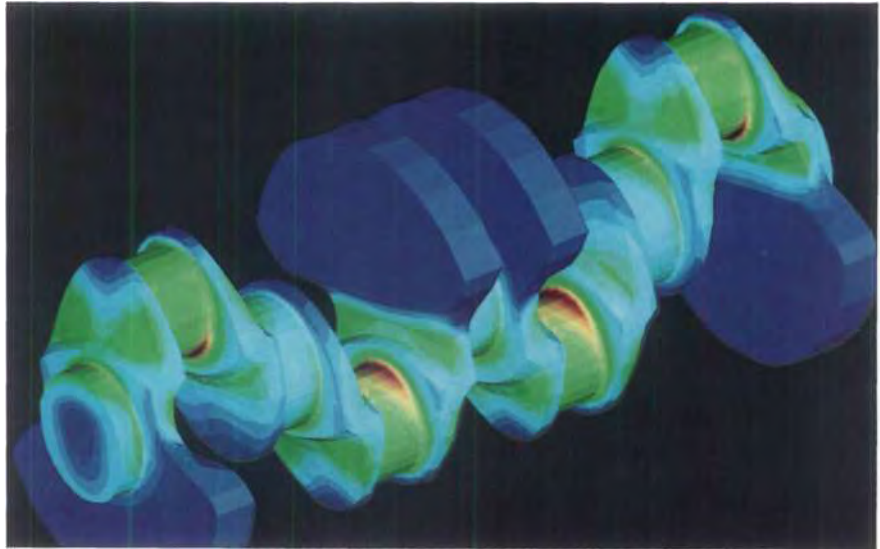
simulating physical processes and complex physical systems are being applied more and more. For this reason, we have raised the capacity of our conventional Scalar computers, and in mid-1987 started using one of the latest vector computers. This system can save costs and time by simulating crash tests, locating sources of noise in engines, ascertaining how brake discs will deform under thermal stress, and working out the airflow characteristics of missiles or the distribution of pressure on high-speed propellers for future generations of aircraft.

Computer-Aided Design and Manufacture

In design and manufacturing, computer-aided information technology can help to accelerate a large number of processes. These departments currently have over 500 graphics work stations. The application of CAD/CAM/CAE technology will increase considerably in the next few years. It is our objective to integrate this technology in such a way that these information systems can be used in an unbroken line all the way from the design to the manufacture of our products (CIM).

Materials and Manufacturing Research

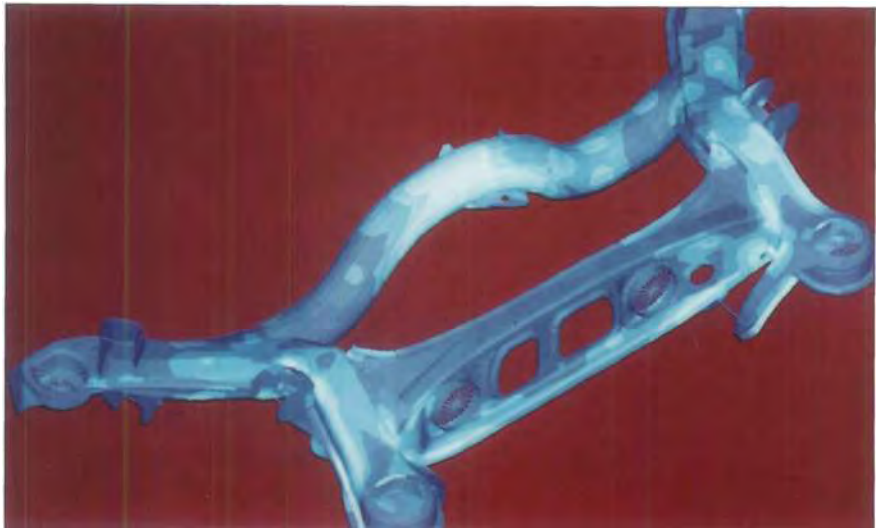
The objective of modern manufacturing research is to meet the constantly rising design standards set for a technical product. It provides the basis on which the potential of today's materials can be fully exploited. The necessary basic knowledge for each specific application has to be acquired both in materials technology and in production technology by means of experimentation. This knowledge can then be used, for example, in the development of expert process systems in design and manufacture. Main areas of emphasis of our manufacturing



Stresses in a crankshaft revealed as a result of a finite element computation made by the CRAY veavor computer.



Kinematic simulation of planetary gear with the "CATIA/CAD/CAM" System.



Stress analysis for a rear axle carrier, conducted by a CRAY computer.



Since the end of 1980, a supplemental restraint system for the driver has been offered: the airbag in the steering wheel. More than 400,000 Mercedes automobiles have been thus equipped. Now, with an airbag for the front passenger too, in combination with the standard seatbelt tensioners, Daimler-Benz offers a comprehensive system to reduce the risk of injury in head-on collisions.

research currently include corrosion protection of aluminium parts, plastics in vehicles, surface technologies and the further reduction of pollution from factories.

Harmonization of Regulations

One approach which could effectively help to reduce the environmental impact would be the international harmonization of emission regulations in Europe.

Following the amendment to the Treaty of Rome, guidelines can now also be laid down by majority decisions taken by the member states of the European Community. However, this deviation from the previously practised principle of unanimity means that, in certain cases, special regulations within individual countries are possible. If various different designs of emission control systems should be necessary for individual countries in future, this would undoubtedly result in uneconomic, small-scale production of vehicles.

Environmental Protection - Only International Measures Can Be Effective

For Daimler-Benz, constant improvement of the environmental compatibility of vehicles has long been a major aim of research. This is documented by the following:

- Since September 1986, all our cars with gasoline engines have been available with the closed-loop, three-way catalytic converter as standard. This means we are complying with the limits laid down in the "Luxemburg Compromise" several years before they take effect.
- Since September 1985, all new or further-developed Daimler-Benz commercial vehicle engines have exhaust emissions at least 20 % below the limits prescribed by ECE regulations.
- Since the beginning of 1988, all our new or further-developed commercial vehicle engines have been 40 % below the legal limits for carbon monoxide (CO) and hydrocarbons (HC).

Planned Test Track

We are currently examining the requirements and alternative locations for a suitable test track. A decision may be expected before the end of this business year. Test driving is absolutely essential for the development, trials and type approval of technically sophisticated, operationally reliable vehicles.

Design - a Task for the Whole Group

In the area of design, inter-disciplinary coordination processes involving all those concerned are required for determining the future shapes of group products. Work on the development of strategies relating to the group's corporate identity is still being carried out.

Further Increase in Purchasing Volume

In 1987, the group's worldwide purchases of goods and services amounted to approximately DM 40 billion. The increase of about DM 2 billion is attributable to the higher output by the Passenger Car, Commercial Vehicle, AEG and MTU divisions, and to more extensive investments both in Germany and abroad. The quantities purchased by our foreign subsidiaries, which in some cases increased considerably, do not accurately reflect the D-mark value of the purchases due to currency fluctuations.

Daimler-Benz AG alone purchased raw materials, factory supplies, capital goods and services to the value of DM 23.8 billion (1986: DM 22.7 billion). Less than 10 % of this was from abroad, although the trend is rising. Altogether, material prices in 1987 remained more or less stable. The supply of our manufacturing plants with materials and parts was assured at all times.

Close Cooperation with Suppliers

In close cooperation with our suppliers, we were able to achieve further improvements in safety and environmental compatibility - both for the vehicles themselves and in production.

In order to take people's growing environmental awareness into account, our suppliers, in consultation with us, have considerably expanded their capacities for producing closed-loop catalytic converters for initial and subsequent installation. For the further improvement of environmental protection in production, we are cooperating with specialist companies in the chemical industry and with paintshop systems manufacturers to develop water-soluble and therefore low-pollutant paints and processes which will meet the high standards we apply to our paintwork finish.



Procurement in the capital goods sector: this ultra-modern gang press for large parts in the Bremen plant was developed in cooperation with a specialist in the plant and equipment industry.

Our commitment to social welfare has also been continued. Our group of suppliers now includes 50 workshops for the handicapped and for the blind, which have the same status. The volume of orders placed with these workshops rose by more than one-third as compared with the previous year.

Since it is only in cooperation with our suppliers that we can meet the challenges of an automotive industry in which competition is becoming keener and keener, we are systematically examining our own manufacturing range to determine whether we can purchase certain goods and services less expensively in international markets. At the same time, we are planning to work more closely with suppliers in the fields of research and development.

Carrying Out Investment Projects

We were able to carry on our comprehensive investment program according to plan. In parts of the capital goods market, the supply situation was more relaxed in 1987. We succeeded, for instance, in putting into service certain special machinery and modern transfer lines for the production of engine parts about one year earlier than originally expected. Even short-term projects could be carried out smoothly under such market conditions.

Barter Business

The share of such business in world trade has been growing steadily over the past few years. As a company strongly geared to exports,

Daimler-Benz must accept this development. We have therefore agreed on a joint venture between our subsidiary "Industriehandel Handels- und Industrieausrüstungsgesellschaft mbH" and "Metallgesellschaft AG", Frankfurt am Main. With this new approach we cannot only better meet the growing demands for barter trading in exports, but also take the initiative ourselves so as to promote our exports.

Material and Information Flow Further Optimized

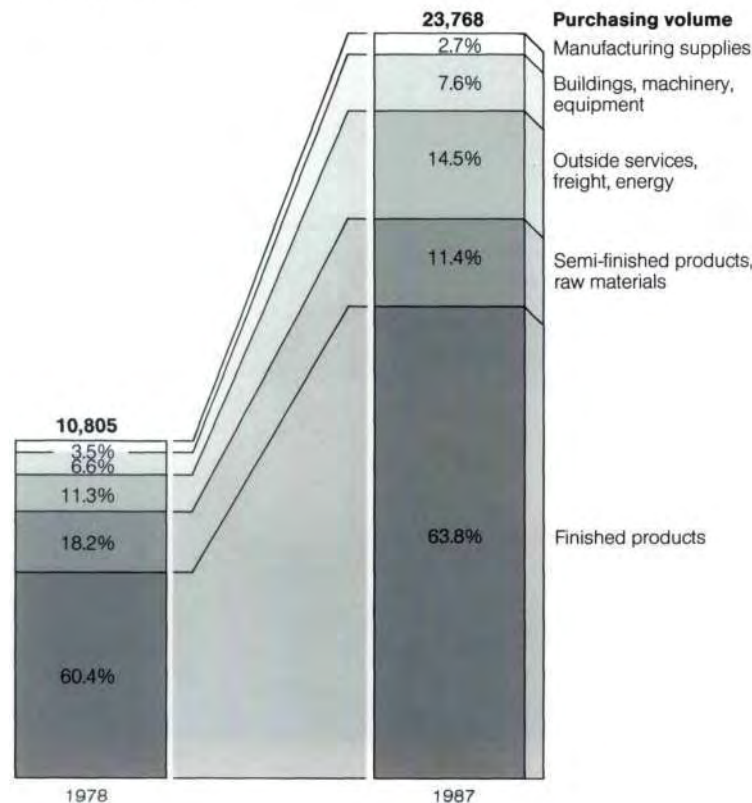
In order to further optimize material flow, we geared the awarding of orders even more to logistical considerations in 1987. The knowledge and experience we have gained over many years with "just-in-time" systems were incorporated into a precision-control system which allows the supply of materials to be planned to the hour. In this manner, we have tapped a further potential for cost reduction.

Within the framework of our information transfer policy, over a hundred of our suppliers are now included in our long-distance data communication system. The electronic exchange of data allows information to be passed on rapidly and efficiently, which helps to save costs for all concerned when handling orders.

We would like to express our thanks and appreciation to all the supply, transport and service companies, whose cooperation and commitment contributed to our joint success.

Purchasing Volume of Daimler-Benz AG

(in millions of DM)



Sales Network Further Extended

Our worldwide sales organization for cars and commercial vehicles comprises 5,900 sales and service outlets in 170 different countries. In 1987, both Daimler-Benz and our various contractual partners invested extensively in this network to raise efficiency even more. Continuing and advanced training measures for the sales and service personnel were intensified, involving the use of considerable staff and financial resources. More than 80 % of the approximately 125,000 employees in the Mercedes-Benz sales organization throughout the world attended training and information courses in 1987. Through these activities, we aim to further improve our quality of customer care and service before, during and after the sale of a Mercedes.

Improving Services

The growing use of mechanical/electronic or fully electronic systems in vehicles means that workshops have to be equipped accordingly, to ensure that the high quality of Mercedes service is maintained. With the aid of the most up-to-date information and communication technology, we are currently developing a system for making the examination and diagnostic process in workshops even more efficient than before.

The emergency repair service, which we have been operating successfully in Europe for some time, was introduced in a number of other export markets in 1987, e.g. in Australia

and Malaysia. There, as elsewhere, the service is available to customers around the clock. In the North American market, nearly all the 432 Mercedes-Benz car dealers are included in the Roadside Assistance Program, to give customers help when they need it. Worldwide, there are now about 3,200 Mercedes service vehicles in operation; in the countries of the Third World, it is above all our cross-country vehicles which have proved themselves here.

Transport Consultancy for Commercial Vehicles

Transport Consultancy, both on the technical and business administration side, is an important part of the range of services for our commer-

cial vehicle customers. At the International Motor Show in Frankfurt am Main, we presented "Mercedes-Benz ASSISTANT". This is a computer-based information, communication and control system for road haulage which takes into account the growing demand for comprehensive, made-to-measure solutions to individual transport problems. In 1987, Transport Consultancy was introduced in Italy and Spain, so we are now able to give our customers more detailed advice on questions of economical vehicle operation, fleet structure, vehicle selection and transport task analysis in all the large European markets. Major fleet customers in the Federal Republic of Germany, Belgium, the United Kingdom, the Netherlands and Spain are also given ex-



Comprehensive customer service - after the sale - is the basis of our sales policy. In the workshop, the increased utilization of qualified employees and improved testing and diagnostics systems have once again shortened the shop time for our vehicles.

pert support, by specially trained employees, in all business, organizational and technical matters.

More Service Training

In 1987, more than 83,000 employees attended a total of 7,300 different service training courses held both centrally and on location all over the world. With the opening of a new training center in Milton Keynes, United Kingdom, we can now enlarge the scope both of practical product training and of continuing and advanced training for managerial staff in the service sector. Freightliner established a new training school near Chicago, thereby giving us a total of four training

centers for the employees in our North American commercial vehicle service network. All over the world, 285 instructors are active in over 60 service training centers.

Supplying Original Mercedes-Benz Parts

Our three-tier system for supplying customers with parts and accessories - central depots, wholesale and retail outlets - which ensures rapid and smooth deliveries of Mercedes-Benz original parts, was further extended in 1987. Work on our central depot for car and commercial vehicle parts in Gernersheim began as planned. Two new central depots are being established in Athens and Istanbul. At the same time, we fur-

ther improved computer-aided communication between the central depots in Sindelfingen and Worth and the wholesale level in Germany and abroad. This provides us with the logistical basis for maintaining the highest standards in supply, service, delivery speed and economy all over the world, even with an increasing variety of parts: currently 300,000 different items, rising to an expected 330,000 or more by 1990.

To enable us to work even faster and more effectively in the service organization, we intend to link all the domestic retail branches and regional depots with a modern, computer-aided communication network.

Broader Range of Financing and Leasing Services

A growing number of customers are taking advantage of financing and vehicle leasing services. In 1987, we made increasing use of these important sales instruments in all our markets (see also pages 73 ff). For the financing and leasing of Mercedes cars and commercial vehicles in Germany, the newly-founded Mercedes-Benz Finanz GmbH enable us to offer complete packages to customers, tailored to their individual requirements.

Domestic Retail Branches Modernized

In the year under review, new branch buildings were opened in Mainz and Duisburg, and a modern used car center in Kassel. With their appealing design and modern equipment, these new buildings allow attractive presentation of our vehicles and even better conditions for service activities. In a large number of workshops, efficient environ-



In 1987, Daimler-Benz participated in 22 international automobile shows and motor shows, as well as 37 international exhibitions and trade fairs. This picture shows our newly-designed automobile stand at the 52nd International Automobile Exhibition in Frankfurt, West Germany.

mental protection equipment was installed, such as technically optimized collection points for waste material, water pretreatment and purification facilities.

Strengthening Our Market Presence Abroad

Abroad, we are directly represented by our own sales companies in 25 different countries. In 1987, these companies made a major contribution to strengthening our international market position, with a sales volume of DM 18.4 billion, compared with DM 17.3 billion in 1986 (for data on sales and results, see page 74).

Despite the continuing slump in demand in the Middle East, we have retained our service network there. As part of our long-term strategy, a large number of projects

designed to extend our range of services in this important sales region were executed. New service/sales centers were established in Egypt and the Sudan.

With the expansion of our sales and service organization in the high-growth markets of the Far East, we are aiming to win over new customers. Apart from Japan, where for the last two years we have had our own sales company, Mercedes-Benz Japan Co. Ltd., promising sales prospects for Mercedes vehicles are also to be found in South Korea. Following the lifting of the import ban on cars with cubic capacities of over 2000 c.c. in mid-1987, Daimler-Benz became the first foreign manufacturer to export cars to Korea - in admittedly small yet steadily increasing numbers. On the commercial vehicle side, the

main emphasis of our activities in this region is on special-purpose vehicles. As part of our effort to establish a sales network in South Korea, we succeeded in winning over the Han Sung Motor Company as Mercedes-Benz General Distributor. At the beginning of 1988, Seoul received a new service center for Mercedes cars and commercial vehicles.

In Taiwan, there were more than 1,500 new registrations of Mercedes cars; since the market was first opened in 1980, the Mercedes car population has risen to 12,000. The population of Mercedes cars in the People's Republic of China has also risen constantly in the last few years. We have, therefore, enlarged our service offering, and have set up a workshop in Beijing in which the employees have been trained by us in all maintenance and repair work.



In May, 1987, the new Daimler-Benz branch office in Duisburg was opened.



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Personnel Policy Subject to Changing Conditions

The technological challenges and the organization of the workplace, which these necessitate, are gaining in importance in our personnel work. We regard the new technologies above all as an opportunity for new growth and for further improvements in working conditions. This presupposes that we succeed in forming technology in such a way that it remains economical and manageable. This means that our personnel departments are taking a more active part when investments are being planned, so that ergonomic and employee-related aspects are incorporated into the design of work systems and work stations right from this early stage.

Constructive Cooperation With Employee Representatives

Cooperation with the general labor council at the corporate level and with individual labor councils at the local level, as well as with the committees representing our company's senior managerial staff, continued to be constructive in 1987. It was distinguished by mutual efforts not only to demand rights but also to accept duties. As in previous years, agreements were reached with the general labor council which reflected an acceptable balance between the interests of the employees and those of the company.

Employment Situation Remains Positive

At the end of 1987, the Daimler-Benz group employed 326,288 people worldwide (1986: 319,965), of which 262,658 (1986: 257,538) were in Germany. In Daimler-Benz AG, the workforce grew - above all in the Passenger Car Division - by 2,711 to 169,234 people.

The employment-securing practice of temporarily reassigning employees from one domestic plant to another again proved successful in 1987. This short-term balancing of employment between plants allowed us to react flexibly to fluctuations in the production programs. The costs that this entails, however, should not be underrated.

Employee Structure of Daimler-Benz AG

Of the 169,234 employees of Daimler-Benz AG at the end of 1987, 115,242 were wage earners, 44,345 were salary earners and 9,647 were trainees and apprentices. The number of foreign employees was 26,511, only slightly below that of the previous year (26,793). About 12 % of the workforce was made up by women. The average age of the employees was 38.5 years, while the average length of service with the company was 12.4 years.

In Daimler-Benz AG, 20,996 employees had been with the company for more than 25 years. In the year under review, 1,911 employees were honored for 25 years of service, 269 for 40 years and one for 50 years.

Employment of the Severely Handicapped

At year-end, Daimler-Benz employed 6,944 severely handicapped people. Although their number rose by 62 as compared with the previous year, we were still not able to achieve the legally prescribed quota of 6 %. This was due primarily to the fact that a large number of severely handicapped people took advantage of the early retirement law, and to the fact that the social agencies have, over the last few years, adopted stricter examination standards in determining severe handi-

caps. As in the last 10 years, however, we still did not have to make a compensatory payment, since we awarded orders to the value of DM 17.5 million to outside workshops for the handicapped.

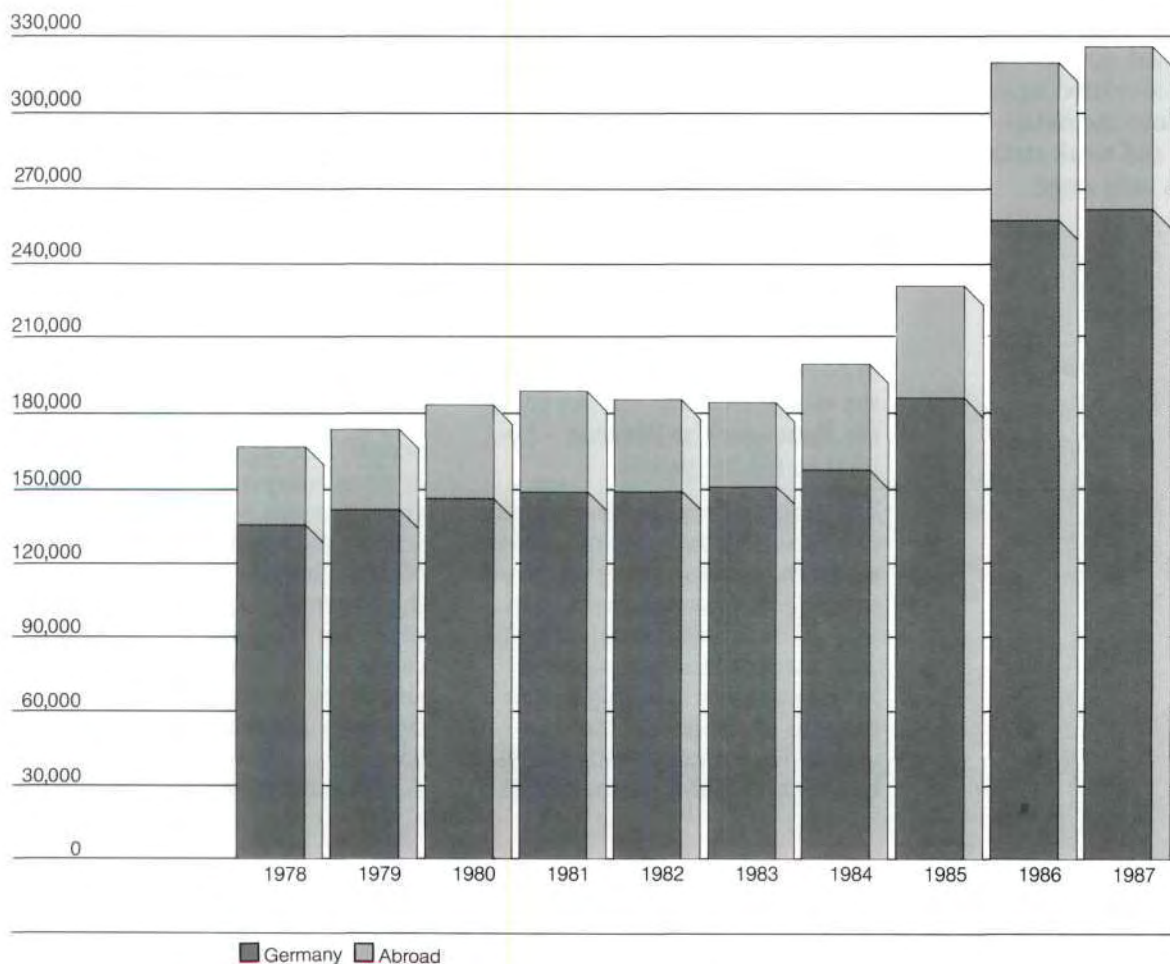
Further Increase in Personnel Expenditures

The first few months of the year under review were marked by difficult labor negotiations. By May,

more or less uniform results could, however, be reached in the essential points in all the regions involved. Wages and salaries were raised by 3.7 % effective April 1, 1987. On April 1, 1988, working

Employees

(at year-end)	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Daimler-Benz Group	167,165	174,431	183,532	188,039	185,687	184,877	199,872	231,077	319,965	326,300
Germany	135,275	142,164	146,323	149,096	149,118	151,273	158,043	186,652	257,538	262,650
Abroad	31,890	32,267	37,209	38,943	36,569	33,604	41,829	44,425	62,427	63,650
Daimler-Benz AG	134,437	141,401	145,532	148,361	148,411	150,601	157,249	161,518	166,523	169,234
of which: Wage earners	94,420	98,708	100,777	102,388	101,819	103,342	108,905	112,125	115,181	115,242
Salary earners	33,190	35,029	36,753	37,713	38,102	38,435	39,210	40,022	41,892	44,345
Trainees	6,827	7,664	8,002	8,260	8,490	8,824	9,134	9,371	9,450	9,647
Main Office	5,762	6,144	6,628	7,191	7,217	7,192	7,415	7,628	7,735	8,075
Research and Development	8,225	8,744	9,419	9,762	9,961	9,953	10,114	10,442	11,040	12,143
Manufacturing plants	104,723	109,840	112,303	114,436	114,700	117,113	123,345	126,846	130,502	131,146
Retail branches	15,727	16,673	17,182	16,972	16,533	16,343	16,375	16,602	17,246	17,870



time was reduced and there was a further pay rise of 2 % at the same time. Another increase in remunerations - by 2.5 % - is planned for April 1,1989. In accordance with the new labor agreements, all wage earners in the plants of Daimler-Benz AG now receive a monthly wage which compensates for fluctuations in working time over the year, effective April 1,1988.

Effective April 1,1988, the average weekly working time was reduced to 37.5 hours; for apprentices and trainees, a workweek of 38.5 hours was agreed upon. Beginning on April 1,1989, the average weekly working time will be 37 hours.

Following the conclusion of the labor agreements, negotiations began as to how these were to be implemented within the company. These continued into the current year, and resulted essentially in a continuation along the path laid down by the agreements to date, albeit with new upper and lower limits.

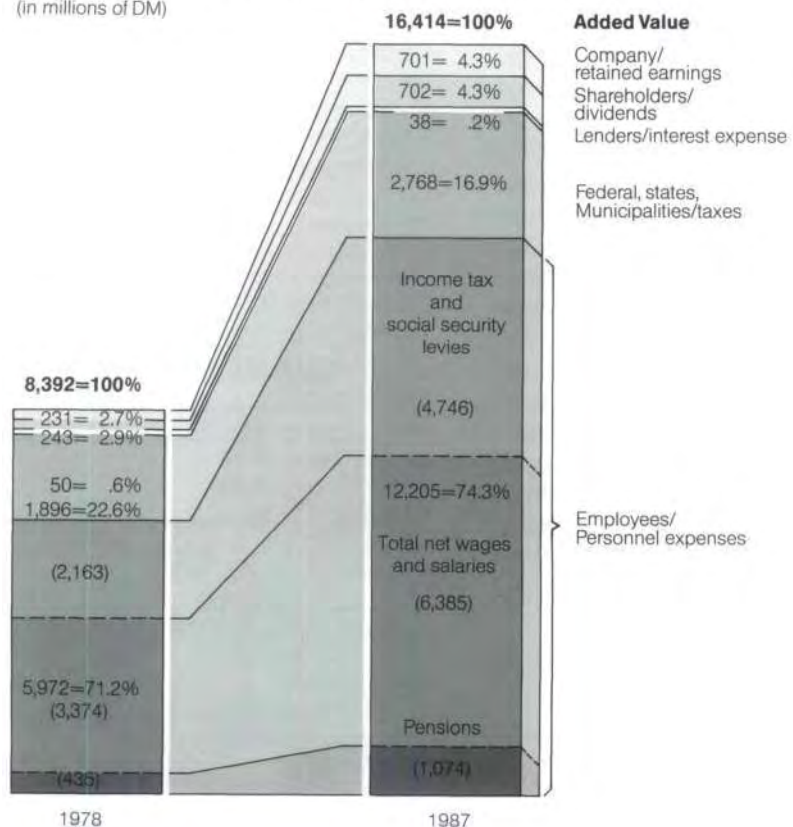
With more or less stable prices, personnel costs once again went up considerably more than the increase in productivity. This was due to the shortening of worktime without reduction in pay plus the additional increase in income provided for in the bargaining agreement. We must, therefore, make all the more effort to improve our cost structures in all areas. The project for optimizing our overheads was, therefore, continued with vigor.



The foundation for life-long learning: future skilled electrical engineers pursuing their studies.

Added Value Statement of Daimler-Benz AG

(in millions of DM)



In the year under review, the Social Security contribution rate reduced from 19.2 % to 18.7 %; at the same time, the unemployment insurance rate went up from 4.0 % to 4.3 %. The national health insurance institutions once again raised their contribution rates, from 12.2 % to 12.8 %. For this reason, the social insurance contributions levied on companies also increased.

Restructuring of the Daimler-Benz AG Pension System

Through the agreement to restructure the company pension system of Daimler-Benz AG concluded in February 1987, we eliminated the dependence on the national pension system and now take the actual requirements of our employees better into account. Each person's length of service with the company now plays a far more important part in determining pension benefits.

Within the framework of the private pension system, which is the most important of the social benefits provided by Daimler-Benz AG, DM 228 million was paid to 40,300 pensioners, widows and children. As provided by the private pension law, we raised the payout for 21,500 pensioners and widows who started receiving pension benefits before 1974 or for the first time in 1975, 1978, 1981 and 1984, by an annual total of DM 2.6 million. We helped approximately 6,400 employees with one-time assistance payments. In order to cover future benefits, we allocated DM 1.1 billion to pension provisions and the Daimler-Benz Provident Fund.

Higher Company Benefits

The Christmas bonus and special remuneration rose to an average of DM 3,622 per eligible employee (excluding trainees). The total amount paid out was DM 595 million.

As stipulated in the labor agreements, each employee received DM 52 per month plus a voluntary payment of DM 156 towards the formation of personal capital. In accordance with the new Capital Formation Law, employees were for the first time offered the opportu-

Structure of Personnel Expenses - Daimler-Benz AG

	1987		1986		Change in %
	in millions of D-marks	in % of wages and salaries (Base expenditure)	in millions of D-marks	in % of wages and salaries (Base expenditure)	
Wages and salaries (base expenditure)	6,041	100.0	5,777	100.0	+ 4.6
Paid vacation and time off	2,392	39.6	2,293	39.7	+ 4.3
Normal paid vacation (union contract)	945		903		
Additional paid vacation	463		440		
Holiday pay	305		308		
Wage and salary continuation pay during illness	456		433		
Other time off and convalescence	223		209		
Social levies	1,513	25.0	1,434	24.8	+ 5.5
Medical and social security contributions	1,418		1,345		
Contributions to employee trade associations	80		82		
Contributions to Pension Insurance Association	15		7		
Special payments	716	11.9	870	15.1	-17.7
Christmas and special remuneration	595		547		
Payments at the occasion of the company's jubilee "100 years of the automobile"	-		250		
Formation of personal capital	121		93		
Pay during training periods*)	354	5.8	319	5.5	+ 11.0
Social services*)	240	4.0	223	3.9	+ 7.6
Less amounts included twice	-243	- 4.0	-230	- 4.0	+ 5.6
Personnel expenditure (without pensions and pre-retirement)	11,013	182.3	10,686	185.0	+ 3.1
Old-age pensions	1,074	17.8	680	11.8	+57.9
Payments for pre-retirement (net)	150	2.5	120	2.0	+25.0
Total personnel expenditure	12,237	202.6	11,486	198.8	+ 6.5
of which: shown under "other expenses" or paid from provisions	32		291		
Personnel expenditure as shown in "Statement of income"	12,205		11,235		+ 8.6

*) Excluding allocated expenses

nity to buy either one or two Daimler-Benz AG or Mercedes-Automobil-Holding AG shares at a preferential rate in 1987. Each employee was also allowed to put DM 312 into company debt certificates with an annual interest rate of 8%. Last year, employees bought a total of 145,365 shares, and 28,817 employees bought company debt certificates.

Loans totaling DM 55 million were extended to employees for the construction or purchase of 2,229 homes and apartments in 1987.

The ratio of personnel expenditure (excluding pensions) to total output was 26.8%; wages, salaries and social benefit levies rose by 5.5% to DM 11.1 billion.

The table on the following page shows the structure of personnel expenditure of Daimler-Benz AG.

More Early Retirement Contracts

By the end of 1987, approximately 5,600 employees of Daimler-Benz had taken advantage of the early retirement agreement which is valid until the end of 1988. Additional early retirement contracts were concluded for 1988. Of the vacancies created by early retirement, we have re-filled 70%. The agreement thereby achieved its main labor market objective, although here, too, the considerable costs involved should not be overlooked.

System for "Administration of Employee Data"

The enormous amount of employee-related data in Daimler-Benz AG necessitates the use of modern information processing in the personnel sector as elsewhere. Without a modern data management system, the implementation of stipulations provided for by law, collective or local bargaining agreements would no longer be possible.

To provide the basis for such an information processing system, an agreement on "Administration of Employee Data" was concluded with the labor council at the end of 1987. The agreement documents the joint efforts made by the company management and the general labor council to eliminate fears that employee data are not sufficiently protected or can be misused. It is also to ensure, in the long term, that the processing of employee data is performed systematically and efficiently.

Preventive Health Care and Social Advisory Service

Medical care at Daimler-Benz was provided by 36 plant doctors and 151 qualified medical technicians. One main area of emphasis for their work was in the planning of work stations, especially for employees who can no longer perform at peak efficiency, and in caring for them at work. Another main area of emphasis was the implementation of the Dangerous Materials Regulations which came into force in 1986.

A total of 610 foremen and group foremen took advantage of the three-week preventive stay at a health spa offered by the company last year, while 620 employees benefited from a similar program for shift workers.

Due to more intensive efforts promoting comprehensive safety at work, the number of industrial accidents in Daimler-Benz AG reached its lowest-ever level throughout



Additions to the range of in-house advanced vocational training in 1987 once again emphasized new technological developments. Our goal is to help employees adapt their knowledge and skills to the changing demands and prepare them for new tasks.

the whole company, falling by 7.4 % to 58.8 accidents per million productive man-hours. Our activities included special safety training for managerial staff and the development of technical and organizational improvements to safety at work, some of these in workshop circles specifically set up for this purpose. At the Gaggenau plant, we carried out a pilot project to improve the work of the safety specialists, designed above all to try out new forms of cooperation with foremen and group foremen.

The average absentee rate due to illness - based on nominal man-hours - was 7.7 %. Among wage earners, the figure was 9.2 % (1986: 9.1 %) and 3.7 % (1986: 3.9 %) among salary earners.

In the plants of Daimler-Benz AG, there are 16 fully qualified social advisors. They are there to help our employees with particular personal problems, such as addiction problems, psychogenic problems, blameless hardship cases, difficulties due to serious illness, or other personal crisis situations.

Every Third Suggestion for Improvement Put Into Practice

In 1987, the employees of Daimler-Benz AG submitted over 21,800 suggestions for improvements. This clearly demonstrates how much the employees identify themselves with the company and its products. The high quality of the suggestions is indicated by the fact that every third suggestion was acted on. A total of DM 6.1 million was paid out in bonuses and awards.



A stress electrocardiogram administered by a factory medical technician is part of preventive medicine. In 1987, more than 4,000 electrocardiograms were carried out company-wide.

Job Design and New Technologies

As part of the planning work for the car assembly plant in Rastatt, proposals are being developed in cooperation with a work group from the general labor council, relating to new work structures and jobs, alternative models for work organization and ergonomic design considerations. Personnel and human engineering aspects, together with new forms of cooperation, are being given much thought here.

In our efforts to develop work stations, machinery and equipment ergonomically, we have taken the precaution of using new instruments of analysis and design, so as to avoid negative influences on work and health. At the end of 1987, for instance, the foundation stone for an ergonomics laboratory was laid in the Kongen sub-plant. Through the use of videosomatography, it is possible to recognize, and therefore avoid positions which are awkward for the human body, already at the planning and design stage of ma-

chinery and equipment. The equipment and know-how of the ergonomics laboratory are available to all the plants, so as to further raise the standard of workplace design at Daimler-Benz AG.

Vocational Training, Continuing Training and Advanced Training for Managerial Personnel

Despite the fall in the number of youngsters completing public schools, and the resultant lower demand for training placements, 2,957 young people started vocational training with us. Of the total of 9,647 trainees and apprentices at the end of 1987 - 5.7 % of the workforce - more than 7,300 young people were preparing themselves in Daimler-Benz AG for their future jobs in one of the 53 technical skills, and over 1,500 were apprenticed in one of the 12 business occupations.

Within Germany, 3,450 young people were in training with AEG, over 800 with MTU and nearly 250 with Dornier.

In our plants and retail branches, we restructured the jobs for metalworkers and electricians starting training in the fall of 1987. About 80 % of our technical courses were affected. With the start of training in 1987, pilot vocational programs for high-school graduates were initiated at the Sindelfingen, Worth and Gaggenau plants.

Within the vocational college system, Daimler-Benz has been involved, since 1987, in providing degree courses for high-school graduates in business administration, specializing in business informatics.

Our extended range of job-related courses for our employees, and advanced training courses for our managerial personnel, were attended by more than 82,000 people in Daimler-Benz AG and 123,000 employees in the group. The main emphasis was given to acquiring new technical skills, especially in data processing and engineering. Concurrent with the installation of computer terminals in many departments, large-scale training programs were conducted in CAD/CAM techniques, in new word processing systems and in "individual data processing"; a large number of further training courses dealing with new technologies were also introduced.

An advanced training program for upper-level managers, encompassing all group companies, was initiated. The first joint seminars took place in the second half of 1987.

Information Work Intensified

In-house communication of information, particularly to managerial staff, was intensified considerably in 1987. This is in keeping with our policy of using information as a management instrument, providing employees with comprehensive information so as to help them both in their work and in their role as "representatives" of the company in public.

Thanks to our Workforce

We would like to express to our employees and their representatives in the various labor councils and committees our thanks for their dedication and hard work. Cooperative effort and mutual understanding helped to make 1987 a successful business year, despite a deterioration in general conditions.



The new food service center of the Mannheim plant was inaugurated at the end of 1987. There is seating for 650 in the dining room and for 200 in the cafeteria. Up to 4,200 meals can be served daily.

Consolidated Financial Statements for the Year 1987 Under The New Accounting Principles

The simultaneous application of the new accounting rules for both the financial statements of Daimler-Benz AG and the group should

provide better insight into its financial condition and profitability.

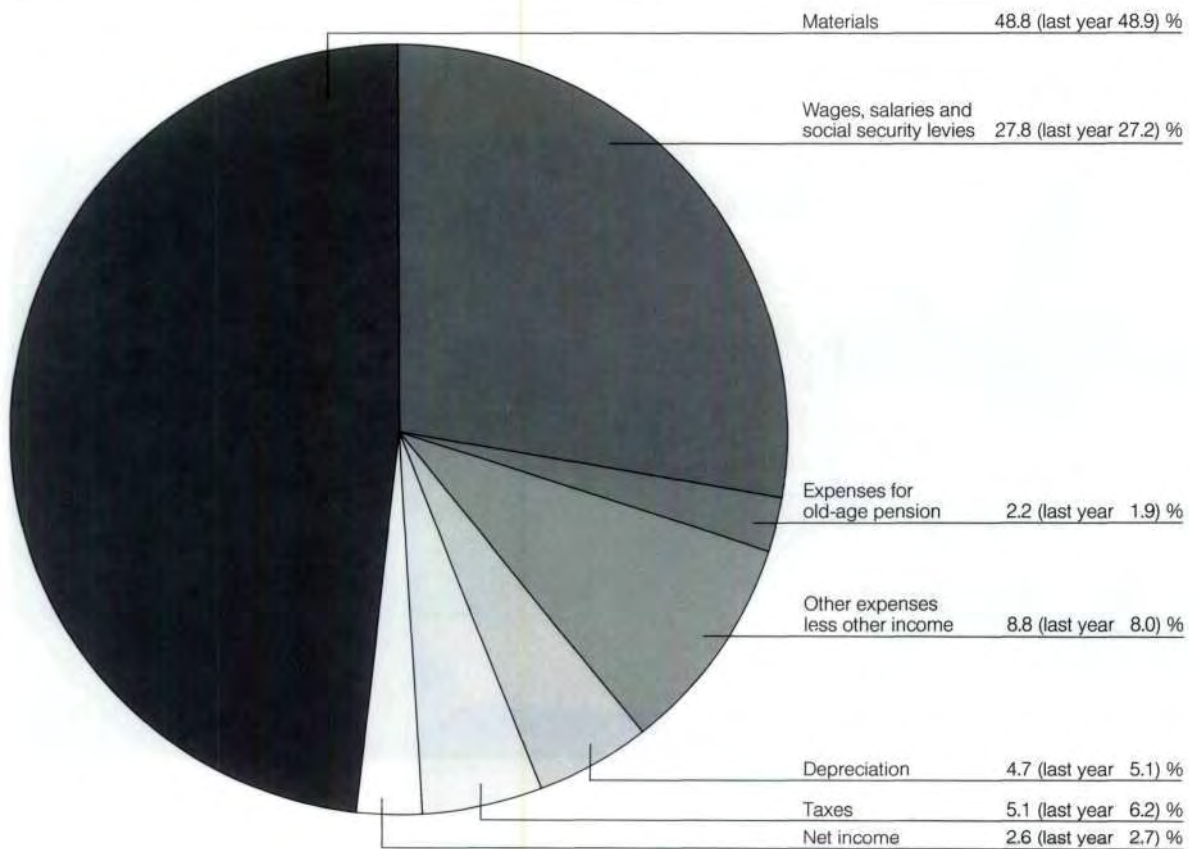
While the change in accounting rules had only little effect on the financial statements of Daimler-Benz AG, there was a significant impact on the consolidated financial statements.

Consolidated Net Income Equal To Previous Year

While sales increased by 3 %, total output grew by 4 % to DM 69.1 billion. The increase in inventories resulted from a growth in finished goods in the car sector, as well as an order-related inventory increase at Dornier. Due to an expansion in

Expense Structure Total Revenue Daimler-Benz AG

69.1 (last 66.4) billions of D-marks



production in nearly all sectors of the group, there was a 3.8 % increase in cost of materials; however, the ratio to total output remained unchanged from the previous year. The increase of personnel expenses, by DM 13 billion to DM 20.7 billion, was due to the hiring of new employees, higher wages from labor agreements, as well as the restructuring of the pension system of Daimler-Benz AG. Depreciation allowances of DM 3.2 billion were 5.5 % below the 1986 level. This was due to lower depreciation allowances on prior years' fixed asset additions and declining extraordinary depreciation allowances of the parent company. With the

growing investments of the next few years, depreciation will again increase.

Even though Daimler-Benz AG's interest income rose DM 42 million, consolidated interest income declined DM 158 million to DM 777 million despite a higher liquidity. It was not only the increase in the value of the D-mark which affected interest income, but also the elimination of the inflationary profit from interest income in the high-inflation countries of Brazil and Argentina. Operating income fell by DM 583 million to DM 5.3 billion. After deducting DM 3.1 billion (down DM 644 million from last year) for

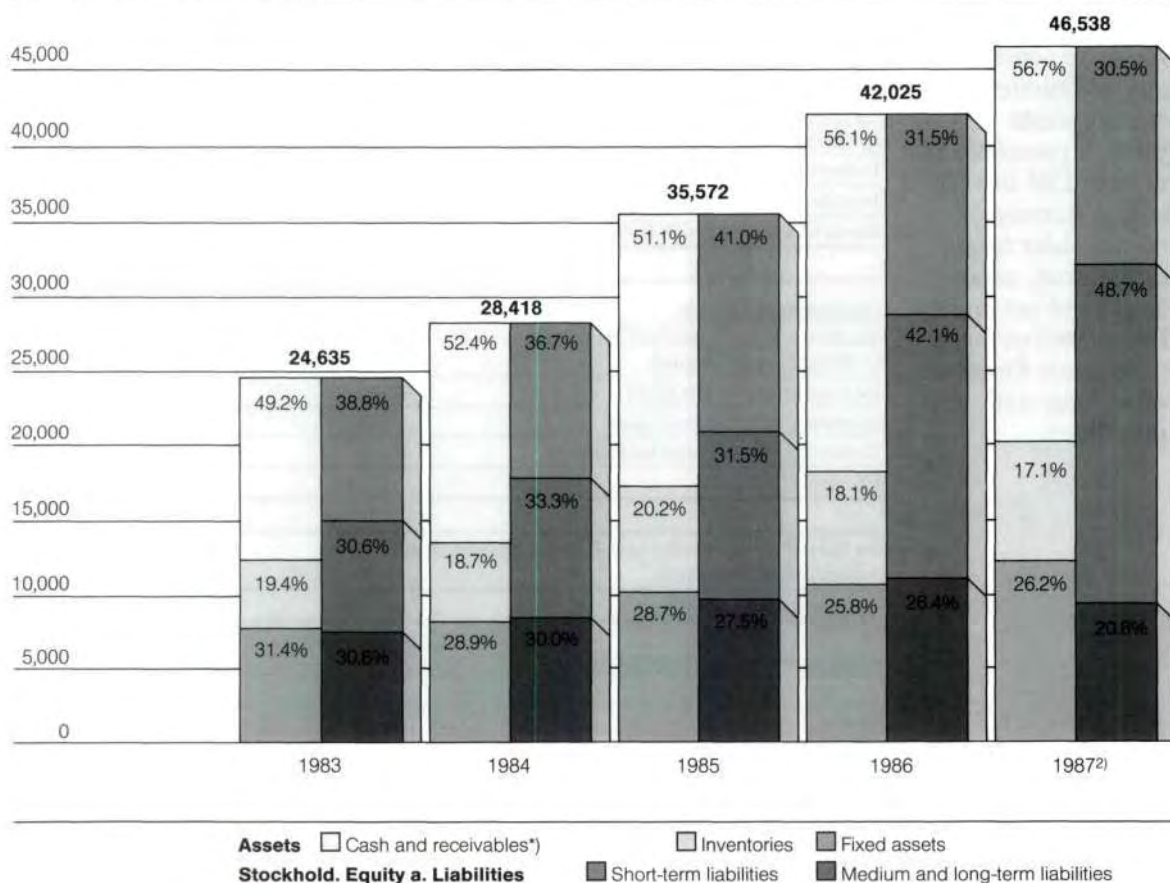
income taxes and DM 379 million for other taxes (up DM 46 million from last year), consolidated net income for the group amounted to DM 1,782 billion vs. DM 1,767 billion for 1986.

Uniform Valuation Affects Balance Sheet Ratios

The consolidated balance sheet total rose by DM 4.3 billion to DM 46.5 billion versus the re-stated previous year's total. The non-current assets increased to DM 13 billion; their share of total assets went up slightly to 26.2 %. Inventories at DM 11.8 billion, approximately

Balance Sheet Structure Daimler-Benz Group

50,000 (in millions of D-marks)



1) The years 1983 to 1985 were reduced by the lump-sum allowance for doubtful accounts.
 2) The figures of 1987 and 1986 correspond to the new accounting rules.

one-third of which were financed through advance payments from customers, were little changed at 17.1 % of total assets vs. 18.1 % in the previous year. Liquid assets of DM 16.1 billion are comprised of securities, cash, accounts receivable and other assets and represent 34.9 % of total assets vs. 34.8 % in 1986.

Equity - excluding unappropriated profit - was clearly reduced as a result of the changeover to the new accounting principles, in particular the uniform valuation method used by all group companies. This means that the equity ratio in terms of the consolidated balance sheet total was significantly reduced, from 26.4 % to 20.8 % in the current year despite an allocation to retained earnings of DM 1.1 billion. The fixed assets coverage reached 79.2 % vs. 102.3 % in the previous year. The reduction of equity is due to the reclassification or group retained earnings to different balance sheet accounts and valuing them on the same conservative basis as those of Daimler-Benz AG. This becomes apparent through the growth of provisions to DM 24.3 billion, from DM 19.4 billion, with a resulting increase to 52.3 % of the balance sheet total, from 46.1%. Furthermore, aside from the fixed assets and net inventory, 34.3 % (32 % in 1986) of the remaining current assets are financed by equity as well as long- and medium-term provisions.

Investments Financed Through Internally Generated Funds

As in the past, large additions to non-current assets of DM 5.3 billion were financed entirely out of earned cash flow of DM 7.3 billion (DM 7.0 billion in prior year). A full DM 14 billion of non-current asset additions pertained to our domestic and international vehicle leasing companies. Mercedes-Benz Credit Corporation, U.S.A., issued a \$100 million bond to support its ex-

panding programs. In the spring of 1988, a further \$100 million bond issue was launched exclusively to serve the matched refinancing of our worldwide leasing programs.

Only three-fourths of the DM 2 billion excess cash flow over investments was needed to finance the net increase in inventories, the increases in the various accounts of current assets and the dividends for the year 1986.

While medium- and long-term liabilities increased by DM 1.3 billion,

Consolidated Statement of Changes in Financial Position 1987

(in millions of DM)

Sources of Funds

From business activities	
Net income	+ 1,782
Depreciation of fixed assets (reduced by revaluations)	+ 3,099
Fixed and intangible assets disposals	+ 417
Increase in pension provisions	+ 1,183
Increase in medium-term and long-term other provisions	+ 791
Cash Flow	+ 7,272
From external financing activities	
Increase in paid-in capital	+ 2
Increase in short-term other provisions	+ 92
Increase in medium- and long-term liabilities	+ 1,304
Financial assets disposals (net)	+ 98
	+ 1,496

Application of Funds

Additions to intangible and fixed assets (reduced by revaluations)	- 5,349
Increase in inventories (net)	- 319
Increase in other current assets	- 627
Reduction in short-term liabilities	- 400
Dividend 1986	- 507
	- 7,202

for the adjustment to the new Accounting Standards without affect on income

	- 248
Change in Net Liquidity	+ 1,318

Analysis of Change in Net Liquidity

	12/31/87	12/31/86	
Cash	4,460	4,180	+ 280
Marketable securities	5,167	4,923	+ 244
Other liquidity	6,479	5,565	+ 914
	16,106	14,668	
Short-term liabilities to financial institutions	- 1,174	- 1,054	- 120
	14,932	13,614	+ 1,318

short-term liabilities were reduced by DM 400 million.

Net liquidity - i. e. liquid funds net of short-term bank obligations - grew once again by DM 13 billion to DM 14.9 billion.

Financing Principles

Liquid assets - DM 16.1 billion (DM 14.7 billion in the prior year) - are invested with the objective of the company being able to meet all its operational requirements on a short-term basis. We, therefore, manage our investments in securities so that maturities dovetail with our medium-term finance plan. The resulting portfolio for our domestic companies consists of DM investments in first-class borrowers with an average portfolio life of two to three years.

It is a matter of policy of the group that strategic fiscal decisions are made centrally, while operational financial measures are made on a decentralized basis. This concept has proven itself of value especially for our foreign operations, since it allows us to take into consideration the many characteristics and opportunities of the various capital markets.

We try to mitigate and limit the currency exposures inherent in the ongoing delivery programs to the foreign operations by a consistent corporate currency stabilization policy. It is our general strategy, depending on anticipated exchange rate developments, to cover approximately one half of the planned delivery volume for the next six to twelve months by foreign currency contracts.

Financing Requirements of Emerging and Developing Countries

Despite a shift in export sales towards countries without balance of payment problems, there continues to be an ongoing financing need for emerging and developing countries. Traditionally we attempt to provide a sufficient hedge against the risks inherent in the export business. We continued to pursue this policy during the past fiscal year.

There was little improvement in the financial situation of many third-world countries, which have a significant need for the transportation of goods. On the contrary, problems have intensified, particularly in various African nations. Growing debt refunding and an increasing number of countries with debt problems are making commercial financing ever more difficult. This trend is intensified due to the decreased backing of governmental export credit insurance coverage. The international financial institutions have constantly tightened their criteria for new ventures.

Sales Finance Companies Extremely Successful

Due to an increasingly competitive environment, sales financing is growing in importance. Direct leasing and financing by the manufacturer offer improved service to our customers both in the most important European markets, as well as in the U.S.A. and Canada, and thus contribute to the strengthening of the competitive position for our products.

Following the dynamic development of the last few years, there are now twelve sales finance companies - primarily company-owned operations or joint ventures with experienced financial partners. Through the utilization of sales finance companies, whose structure allows for much higher debt ratios compared to distribution and manufacturing operations, we are able to keep corporate equity infusion to a minimum. The necessary equity to support the growth of the companies can, to the largest extent be furnished by local operations and holding

Key Figure of Major Subsidiaries of Daimler-Benz AG

	Owner- ship in %	Net Equity ¹⁾ million DM	Net Income ¹⁾		Sales ²⁾		Employees at year-end	
			1987 million DM	1986 million DM	1987 million DM	1986 million DM	1987	1986
Federal Republic of Germany								
AEG, Berlin and Frankfurt am Main ³⁾	56.0	1,930	-	-	11,660	11,220	80,499	78,199
Dornier, Friedrichshafen ³⁾	65.6	207	10.6	-42.4	1,608	2,123	9,683	9,557
MTU, Munich ³⁾	100.0	319	23.3	21.7	3,018	2,953	17,284	16,912
Mercedes-Leasing-GmbH, Stuttgart	100.0	75	5.5	5.0	582 ²⁾	465 ¹⁾	131	109
Europe								
Mercedes-Benz España, Madrid	80.7	136	-43.7	-58.3	1,068	753	3,307	3,028
Mercedes-Benz (United Kingdom), Milton Keynes ³⁾	100.0	192	6.2	4.8	1,918	1,675	1,085	1,092
Mercedes-Benz Nederland, Utrecht	100.0	. ⁴⁾	. ⁴⁾	. ⁵⁾	1,159	1,167	677	1,168
Mercedes-Benz Belgium, Brussels ³⁾	100.0	154	30.0	20.8	880	833	947	958
Mercedes-Benz France, Rocquencourt	99.5	196	22.2	8.1	2,612	2,349	2,222	2,304
Mercedes-Benz Italia, Rome	88.5	174	36.8	32.3	1,672	1,375	678	634
Mercedes-Benz (Schweiz), Zurich	51.0	81	15.2	14.0	872	771	262	249
Daimler-Benz Holding Nederland, Utrecht ³⁾	100.0	122	0.2	2.0	-	-	-	-
Mercedes-Benz Leasing Nederland, Utrecht	100.0	. ⁴⁾	. ⁴⁾	. ⁵⁾	36 ³⁾	-	14	-
Daimler-Benz Holding Belgium, Brussels	100.0	171	16.9	15.3	-	-	-	-
Mercedes-Benz Finance Belgium, Brussels	100.0	14	2.2	1.7	70 ³⁾	59 ³⁾	32	31
Mercedes-Benz Finanziaria, Rome	85.0	31	1.5	4.2	280 ²⁾	203 ³⁾	81	70
Daimler-Benz Holding, Zurich	100.0	355	33.6	27.8	-	-	-	-
Mercedes-Benz Credit, Zurich	70.0	12	0.6	0.5	108 ³⁾	71 ¹⁾	18	9
North America								
Freightliner, Portland ³⁾	100.0	. ⁴⁾	. ⁴⁾	. ⁵⁾	2,947	2,770	6,043	5,788
Mercedes-Benz of North America, Montvale ³⁾	100.0	. ⁴⁾	. ⁴⁾	. ⁵⁾	7,089	8,104	1,769	1,705
Daimler-Benz of North America Holding, New York ³⁾	100.0	2,058	73.7	117.5	-	-	6	6
Mercedes-Benz Credit Corp., Norwalk/USA ³⁾	91.9	286	23.4	21.5	1,570 ³⁾	1,104 ¹⁾	265	222
Latin America								
Mercedes-Benz do Brasil, São Bernardo do Campo ³⁾	100.0	1,077	248.0	136.9	2,919	1,857	19,776	18,081
Sofunge, São Paulo	100.0	39	8.8	- 1.5	116	96	2,484	2,834
Mercedes-Benz Argentina, Buenos Aires ⁶⁾	100.0	152	33.0	51.7	167	330	2,372	2,352
Africa, Asia, Australia								
Mercedes-Benz of South Africa, Pretoria ³⁾	50.1	171	24.1	-41.3	1,082	878	4,798	4,643
Mercedes-Benz Japan, Tokyo	100.0	85	29.3	3.9	1,165	-	90	90
Daimler-Benz (Australia), Mulgrave/Melbourne ³⁾	100.0	102	4.4	- 8.2	534	591	901	883

1) Figures from national financial statements for 1986/87, converted at year-end exchange rates.

2) Converted at average annual rates.

3) Consolidated.

4) See financial statements of Daimler-Benz Holding Nederland and Daimler-Benz of North America Holding Comp., Inc.

5) New business.

6) For 1987, consolidated figures.

companies. For the issuing of third-party debt we are able, aside from financings through our traditional bank partners, to tap the international capital markets.

There was a strong increase in the volume of our sales finance organizations during 1987. New business for lease and retail financing reached approximately 56,000 units with a value of DM 3.3 billion. Of this amount 60 % were automobile contracts and 40 % truck contracts. The cumulative growth of outstanding contracts was 18 %, reaching a total value of DM 5.4 billion or 140,000 units. Revenue from interest and leasing receipts, as well as the subsequent sales of the used vehicles was DM 1.7 billion during the fiscal year.

In the U.S., changes in tax laws led to an increased demand for automobile leases, in which Mercedes-Benz Credit Corporation was able to participate to a gratifying extent. The truck financing business has maintained the high level of the prior year.

Growth rates in Western Europe were especially high. Mercedes-Benz Finanziaria in Italy experienced volume growth of almost one-third. Mercedes-Benz Credit AG, Switzerland, which has been active primarily in the leasing sector since 1985, was able to increase its new business by more than half, while Mercedes-Benz Finance Belgium grew by one-fourth. At the beginning of 1988, a truck leasing program was introduced by our leasing company in the Netherlands. In France, more than one-fourth of new vehicles sold by Mercedes-Benz France were financed by us.

The Spanish sales finance companies, which were organized as joint ventures with Banco Hispano Americano, began operations in important sectors of the country during the second half of 1987. Activities will be expanded to the entire country during 1988.

New Program "Mercedes-Benz Lease-Finance"

Domestically we were able to again expand the new lease business by 25 %, of which approximately three-fourths were automobile contracts. With the formation of Mercedes-Benz Finanz GmbH, we will have established the legal foundation for also offering our domestic customers vehicle financing. After commencing operations during the second half of 1988, this company, along with Mercedes-Benz Leasing GmbH, will be able to offer our customers a complete finance and lease program from the manufacturer for both cars and trucks. With the "Mercedes-Benz Lease-Finanz" program we are also able to bring our sales finance concept to the domestic market.


Our business policies at home and abroad were again in 1987 in conformity with the "OECD guidelines for international enterprises".


Subsidiaries

Mercedes-Benz España S.A. Madrid/Spain Plus 17,514,911,000 (DM 256.6 million) 80.7% owned	Daimler-Benz of North America Holding Comp., Inc. New York/U.S.A. US \$ 35,932,628 (DM 56.8 million) 100% owned	Daimler-Benz Holding AG Zurich/Switzerland sfr 147,000,000 (DM 181.8 million) 100% owned	AEG Aktiengesellschaft Berlin und Frankfurt am Main DM 931,171,700 56% owned
Daimler-Benz (Australia) Pty. Ltd. Mulgrave, Melbourne/Australia SA 50,000,010 (DM 57.0 million) 100% owned	Mercedes-Benz of North America, Inc. Montvale, N.J./U.S.A. US \$ 60,000,000 (DM 94.9 million) 100% owned	Daimler-Benz Finanz AG Zurich/Switzerland sfr 30,000,000 (DM 37.1 million) 100% owned	AEG Olympia Aktiengesellschaft Wilhelmshaven DM 170,000,000 99.2% owned
Mercedes-Benz (Australia) Pty. Ltd. Mulgrave, Melbourne/Australia SA 70,000,000 (DM 79.8 million) 100% owned	Mercedes-Benz Canada, Inc. Toronto/Canada Cdn. \$ 5,000,000 (DM 6.1 million) 100% owned	Daimler-Benz Finanz-Holding S.A. Luxemburg sfr 8,000,000 (DM 9.9 million) 100% owned	AEG KABEL Aktiengesellschaft Mönchengladbach DM 57,800,000 98.3% owned
Mercedes-Benz Hellas S.A. Athens/Greece Dr 800,000,000 (DM 10.0 million) 100% owned	Freightliner Corp. Portland, Oregon/U.S.A. US \$ 180,000,000 (DM 284.7 million) 100% owned	Mercedes-Benz Finanziaria S.p.A. Rome/Italy Lit 16,000,000,000 (DM 21.6 million) 85% owned	AEG KANIS GmbH Nürnberg DM 55,000,000 100% owned
Mercedes-Benz China Ltd. Hongkong HK \$ 6,000,000 (DM 1.2 million) 100% owned	Mercedes-Benz Credit Corp. Norwalk, Connecticut/U.S.A. US \$ 166,783,000 (DM 263.8 million) 100% owned	Mercedes-Benz (Schweiz) AG Zurich/Switzerland sfr 6,000,000 (DM 7.4 million) 5% owned	AEG Elektrowerzeuge GmbH Winnenden DM 80,000,000 99.75% owned
Mercedes-Benz of South Africa (Pty.) Ltd. Pretoria/South Africa R 22,500,000 (DM 18.4 Mio.) 50.1% owned	SOFIDEL S.A. Roquencourt/France FF 90,000,000 (DM 26.5 million) 99.5% owned	Mercedes-Benz Credit AG Zurich/Switzerland sfr 9,000,000 (DM 11.1 million) 70% owned	Modular Computer Systems Inc. Fort Lauderdale/U.S.A. US \$ 55,716,000 (DM 88.1 million) 100% owned
Star Auto S.A. Abidjan/Ivory Coast FCFA 1,400,000,000 (DM 8.3 Mio.) 94.3% owned	Mercedes-Benz France S.A. Roquencourt/France FF 230,000,000 (DM 57.8 million) 100% owned	Mercedes-Benz do Brasil S.A. São Bernardo do Campo/Brazil Cz \$ 28,700,000,000 (DM 640.9 million) 100% owned	AEG International AG Zurich/Switzerland sfr 203,000,000 (DM 250.9 million) 100% owned
Holzindustrie Bruchsal GmbH Bruchsal DM 10,000,000 100% owned	Daimler-Benz Holding Belgium S.A./N.V. Brussels/Belgium sfrs 2,420,000,000 (DM 115.6 million) 100% owned	Sociedade Técnica de Fundações Gerais S.A. (SOFUNGE) São Paulo/Brazil Cz \$ 965,000,000 (DM 21.5 million) 100% owned	AEG do Brasil S.A. São Paulo/Brazil Cz \$ 591,727,000 (DM 13.1 million) 100% owned
Maschinenfabrik Esslingen AG Esslingen a.N. DM 42,515,000 97.3% owned	Mercedes-Benz Belgium S.A./N.V. Brussels/Belgium sfrs 1,800,050,000 (DM 86.0 million) 100% owned	Mercedes-Benz Argentina S.A. Buenos Aires/Argentina A 135,000,000 (DM 44.2 million) 100% owned	AEG Ibérica de Electricidad S.A. Madrid/Spain Plus 2,800,000,000 (DM 38.1 million) 100% owned
Mercedes-Benz-Finanz GmbH Stuttgart DM 50,000,000 100% owned	Mercedes-Benz Finance Belgium S.A./N.V. Brussels/Belgium sfrs 181,000,000 (DM 8.6 million) 100% owned	Daimler-Benz Holding Nederland B.V. Utrecht/Netherlands hfl 135,200,000 (DM 120.2 million) 100% owned	AEG Fábrica de Motores S.A. Terrassa/Spain Plus 2,012,700,000 (DM 29.5 million) 100% owned
Mercedes-Benz-Leasing GmbH Stuttgart DM 60,000,000 100% owned	P.T. Star Engines Indonesia Jakarta/Indonesia Rp 3,784,408,250 (DM 3.7 million) 60% owned	Mercedes-Benz Nederland B.V. Utrecht/Netherlands hfl 57,000,000 (DM 50.7 million) 100% owned	AEG Italiana S.p.A. Mailand/Italy Lit 19,000,000,000 (DM 25.7 million) 100% owned
Daimler-Benz-Wohnungsbau GmbH Stuttgart DM 26,000,000 100% owned	Mercedes-Benz Japan Co. Ltd. Tokyo/Japan Y 4,000,000,000 (DM 52.1 million) 100% owned	Mercedes-Benz Leasing Nederland B.V. Utrecht/Netherlands hfl 16,000,000 (DM 14.2 million) 100% owned	AEG France S.A. Clamart/France FF 65,000,000 (DM 22.0 million) 100% owned
	Mercedes-Benz (United Kingdom) Ltd. Milton Keynes/Great Britain £ 30,000,000 (DM 88.8 million) 100% owned	Daimler-Benz International Finance B.V. Utrecht/Netherlands hfl 1,000,000 (DM 0.9 million) 100% owned	AEG Austria Gesellschaft mbH Wien/Austria S 300,000,000 (DM 21.1 million) 57% owned
		Mercedes-Benz Italia S.p.A. Roma/Italy Lit 65,000,000,000 (DM 87.9 million) 98.9% owned	AEG ETI Elektrik Endüstri A.S. Istanbul/Turkey TL 30,000,000,000 (DM 46.9 million) 50.6% owned

Other Affiliated Companies

Dornier GmbH
FriedrichshafenDM 100,000,000
65.6% ownedDornier System GmbH
FriedrichshafenDM 7,000,000
99.5% ownedDornier Reparaturwerk
GmbH
OberpfaffenhofenDM 4,000,000
93.8% ownedDornier Medizintechnik
GmbH
GermeringDM 600,000
100% ownedMTU Motoren- und
Turbinen-Union
München GmbH
MünchenDM 156,600,000
100% ownedMTU Motoren- und
Turbinen-Union
Friedrichshafen GmbH
FriedrichshafenDM 50,000,000
50% ownedMTU Maintenance GmbH
LangenhagenDM 30,000,000
100% ownedMTU Informationssysteme
GmbH, MünchenDM 4,000,000
100% ownedAG Kühnie, Kopp & Kausch
FrankenthalDM 14,000,000
61.6% owned (2)L'Orange GmbH
StuttgartDM 5,000,000
100% ownedIndustriehandel
Handels- und Industrieaus-
rüstungsgesellschaft mbH
StuttgartDM 10,000,000
50% ownedDeutsche Automobil-
gesellschaft mbH
HannoverDM 5,000,000
50% ownedHWT Gesellschaft für
Hybrid- und Wasserstoff-
technik mbH
Mülheim/RuhrDM 3,000,000
50% ownedSindelfinger
Wohnstätten GmbH
SindelfingenDM 49,000,000
50% ownedWohnbau Wörth a. Rh. GmbH
Wörth a. Rh.DM 7,000,000
50% ownedWohnbau Gaggenau GmbH
GaggenauDM 5,000,000
50% ownedEsslinger Wohnungsbau
GmbH
Esslingen a.N.DM 9,000,000
26.4% ownedAnambra Motor Manufac-
turing Co. Ltd. (ANAMMCO)
Enugu/Nigeria₦ 24,000,000
(DM 9.4 million)
40% ownedNational Automobile
Industry Company Ltd. (NAI)
Jeddah/Saudi ArabiaSR 70,000,000
(DM 29.3 million)
26% ownedOtobüs ve Motorlu
Araçlar Sanayii Anonim
Şirketi (OTOMARSAN)
İstanbul/TurkeyTL 32,000,000,000
(DM 50.0 million) 42% ownedP.T. German Motor
Manufacturing
Jakarta/IndonesiaRp 5,103,000,000
(DM 4.9 million)
33.3% ownedP.T. Star Motors
Indonesia
Jakarta/IndonesiaRp 846,720,000
(DM 8 million)
49% ownedIranian Diesel Engine
Manufacturing Comp. (IDEM)
Tabriz/IranRt 2,000,000,000
(DM 47.4 million)
30% ownedTata Engineering and Loco-
motive Comp. Ltd. (TELCO)
Bombay/Indian₹ 638,013,300
(DM 77.9 million)
13.1% ownedBajaj Tempo Ltd.
Poona/India₹ 66,013,388
(DM 8.1 million)
25.2% ownedDaimler-Benz Österreich
Vertriebsgesellschaft mbH
Salzburg/AustriaöS 1,000,000
(DM 1 million)
50% ownedNAW
Nutzfahrzeuggesellschaft
Arbon & Wetzikon AG
Arbon/Switzerlandsfr 15,000,000
(DM 18.5 million) 40% ownedFábrica de Autotransportes
Mexicana S.A. de C.V.
(FAMSA)Mex \$ 66,449,591,200
(DM 48.1 million) 49% owned
 Manufacturing or
assembly companies

 Distribution and
service companies

 Real estate, finance
and holding companies

 Other companies

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

 1) Equity
(Capital stock U.S. \$ 1,000)
(DM 7,000,000)



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Es wurde in der PDF-Datei weggelassen, um eine nutzerfreundliche Dateigröße zu erreichen.

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Consolidated Balance Sheet

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Assets	Notes	December 31, 1987	December 31, 1986
in millions of D-marks			
Non-Current Assets			
Intangible Assets	(1)	49	27
Fixed Assets	(2)	11,415	9,939
Financial Assets	(3)	738	891
		<u>12,202</u>	<u>10,857</u>
Current Assets			
Inventories	(4)	11,802	10,955
Advance Payments Received	(5)	./.. 3,860	./.. 3,324
		7,942	7,631
Accounts Receivable	(6)	8,530	8,634
Other Assets	(7)	7,299	5,693
Securities	(8)	5,207	4,959
Cash	(9)	4,460	4,180
		<u>33,438</u>	<u>31,097</u>
Prepaid Expenses and Deferred Income Taxes	(10)	898	71
		<u>46,538</u>	<u>42,025</u>
Stockholders' Equity and Liabilities			
Stockholders' Equity	(11)		
Capital Stock	(12)	2,118	2,118
Paid-in Capital	(12)	370	368
Retained Earnings	(13)	6,209	7,240
Minority Interests in Subsidiaries	(14)	767	1,251
Unappropriated Profit of Daimler-Benz AG		702	702
		<u>10,166</u>	<u>11,679</u>
Provisions			
Provision for Old-Age Pensions and Similar Obligations	(15)	12,741	9,283
Other Provisions	(16)	11,590	10,107
		<u>24,331</u>	<u>19,390</u>
Liabilities			
Accounts Payable Trade	(17)	4,181	3,868
Other Liabilities		7,771	7,006
		<u>11,952</u>	<u>10,874</u>
Deferred Credits		89	82
		<u>46,538</u>	<u>42,025</u>

Consolidated Statement of Income

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	Notes	1987	1986
		in millions of D-marks	
Sales Revenue	(18)	67,475	65,498
Increase in Work in Process and Finished Goods and Other Capitalized In-House Output	(19)	1,586	920
Total Output		69,061	66,418
Other Operating Income	(20)	2,412	1,931
Cost of Materials	(21)	33,701	32,467
Personnel Expenses of which Old-Age Pension	(22)	20,670 (1,484)	19,367 (1,281)
Depreciation	(23)	3,207	3,395
Other Operating Expenses	(24)	9,393	8,292
Net Income from Investments in Affiliates	(25)	+ 18	+ 117
Net Interest Income	(26)	+ 777	+ 935
Results from Ordinary Business Activities		5,297	5,880
Income Taxes	(27)	3,136	3,780
Other Taxes	(27)	379	333
Net Income	(28)	1,782	1,767
Transfer to Retained Earnings		1,085	1,103
Minority Interests in Net Income of Subsidiaries		33	33
Minority Interests in Net Losses of Subsidiaries		38	71
Unappropriated Profit of Daimler-Benz AG		702	702

Balance Sheet of Daimler-Benz AG

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Assets	Notes	December 31, 1987	December 31, 1986
in millions of D-marks			
Non-Current Assets			
Intangible Assets	(29)	13	13
Fixed Assets	(30)	4,857	4,090
Financial Assets	(31)	4,156	3,961
		<u>9,026</u>	<u>8,064</u>
Current Assets			
Inventories	(32)	3,688	3,350
Accounts Receivable	(33)	5,190	4,317
Other Assets	(34)	4,653	4,141
Securities	(35)	3,966	3,151
Cash	(36)	869	1,051
		<u>18,366</u>	<u>16,010</u>
Prepaid Expenses		6	9
		<u>27,398</u>	<u>24,083</u>
 Stockholders' Equity and Liabilities			
Stockholders' Equity			
Capital Stock	(37)	2,118	2,118
Paid-in Capital	(38)	370	368
Retained Earnings	(39)	5,865	4,955
Unappropriated Profit		702	702
		<u>9,055</u>	<u>8,143</u>
Special Equity Reserve	(40)	2	265
Provisions			
Provision for Old-Age Pensions and Similar Obligations	(41)	7,503	6,296
Other Provisions	(42)	6,581	5,579
		<u>14,084</u>	<u>11,875</u>
Liabilities			
Accounts Payable Trade	(43)	2,362	2,002
Other Liabilities	(44)	1,867	1,759
		<u>4,229</u>	<u>3,761</u>
Deferred Credits		28	39
		<u>27,398</u>	<u>24,083</u>

Statement of Income of Daimler-Benz AG

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	Notes	1987	1986
		in millions of D-marks	
Sales Revenue	(45)	41,332	40,590
Increase in Work in Process and Finished Goods and Other Capitalized In-House Output	(46)	112	208
Total Output	(47)	41,444	40,798
Other Operating Income	(48)	838	774
Cost of Materials	(49)	20,679	19,803
Personnel Expenses of which Old-Age Pension	(50)	12,205 (1,074)	11,235 (680)
Depreciation	(51)	1,693	2,350
Other Operating Expenses	(52)	4,263	4,183
Net Income from Investments in Affiliates	(53)	+ 60	+ 184
Net Interest Income	(54)	+ 669	+ 627
Results from Ordinary Business Activities		4,171	4,812
Income Taxes	(55)	2,535	3,215
Other Taxes	(55)	233	193
Net Income	(56)	1,403	1,404
Transfer to Retained Earnings		701	702
Unappropriated Profit		702	702

Consolidated Non-Current Assets

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	Aquisition/Self-Construction Costs				Depreciation		Net Book Value	
	1/1/87	Additions	Transfers	Deductions	Accumulated	Current Year	12/31/87	12/31/86
in millions of D-marks								
Intangible Assets	90	52	.	9	84	28	49	27
Fixed Assets								
Land, Land Equipment Titles and Buildings, Including Buildings on Land owned by Others	9,705	433	+ 203	159	5,323	412	4,859	4,714
Technical Equipment and Machinery	13,651	950	+ 312	370	13,060	1,061	1,483	1,549
Other Equipment, Factory and Office Equipment	11,757	2,645	+ 186	1,180	9,936	1,496	3,472	2,617
Advance Payments Relating to Plant and Equipment, and Construction in Progress	1,091	1,270	./. 701	9	50	49	1,601	1,059
	36,204	5,298	.	1,718	28,369	3,018	11,415	9,939
Financial Assets								
Investments in Nonconsolidated Subsidiaries, at Cost	71	9	-	17	12	-	51	54
Long-term Receivables from Nonconsolidated Subsidiaries	1	1	-	-	-	-	2	1
Investments in Associated Companies, at Equity	190	53	-	24	96	-	123	91
Investment in Affiliated Companies, at Cost	401	34	-	112	166	10	157	245
Long-Term Receivables from Affiliated Companies	13	-	-	1	1	-	11	12
Investments in Debt Instruments	269	27	-	31	63	25	202	223
Other Long-Term Receivables	343	66	-	119	98	20	192	265
	1,288	190	-	304	436	55	738	891
Total Non-Current Assets	37,582	5,540	-	2,031	28,889	3,101	12,202	10,857

Non-Current Assets of Daimler-Benz AG

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in millions of D-marks	Acquisition/Self-Construction Costs				Depreciation		Net Book Value	
	1/1/87	Additions	Transfers	Deductions	Accumulated	Current Year	12/31/87	12/31/86
Intangible Assets	34	14	.	7	28	14	13	13
Fixed Assets								
Land, Land Equipment Titles and Buildings, Including Buildings on Land owned by Others	5,457	272	+ 88	67	3,413	233	2,337	2,241
Technical Equipment and Machinery	9,322	678	+ 234	239	9,105	795	890	780
Other Equipment, Factory and Office Equipment	5,860	560	+ 133	283	5,734	471	536	340
Advance Payments Relating to Plant and Equipment, and Construction in Progress	756	838	./ 455	-	45	45	1,094	729
	21,395	2,348	.	589	18,297	1,544	4,857	4,090
Financial Assets								
Investments in Nonconsolidated Subsidiaries, at Cost	4,574	147	-	-	994	-	3,727	3,580
Long-Term Receivables from Nonconsolidated Subsidiaries	260	41	-	6	140	12	155	132
Investment in Affiliated Companies, at Cost	289	44	-	1	241	1	91	49
Long-Term Receivables from Affiliated Companies	11	-	-	1	.	-	10	11
Investments in Debt Instruments	219	16	-	10	57	23	168	186
Other Long-Term Receivables	12	2	-	.	9	.	5	3
	5,365	250	-	18	1,441	36	4,156	3,961
Total Non-Current Assets	26,794	2,612	-	614	19,766	1,594	9,026	8,064

Principles and Methods

Application of the Accounting Standards Act

The financial statements of Daimler-Benz AG and the consolidated financial statements for the year 1987 were prepared, for the first time, in accordance with the regulations set forth in the Accounting Standards Act.

The conversion to the new law resulted in only minor changes in financial statement presentation and valuation methods. These changes did not affect income when applying the transitional regulations; the effects on equity capital were negligible.

The assets and liabilities presented in the consolidated balance sheet were uniformly valued in accordance with the Daimler-Benz guidelines. The adjustments resulting from the uniform valuation method, the changes resulting from the capital consolidation, the deferred taxes and the valuation of affiliated companies - in accordance with the transitional rules - were charged to consolidated retained earnings. Details can be found in the notes showing changes in shareholders' equity.

The company's consolidation practices did not change when applying the new Accounting Standards.

In order to enhance the understanding of the financial statement presentation, we have combined several items in the balance sheet and in the statement of income. These items are separately shown in the appendix. The comparative figures for the previous year were adjusted accordingly.

The financial statements of Daimler-Benz AG and the consolidated financial statements are presented in millions of DM. They include the proposals for the allocation of net income.

Balance Sheet and Valuation

Intangible assets are valued at acquisition costs, fixed assets at acquisition costs or self-construction costs. The self-constructed facilities include direct labor, direct materials and applicable manufacturing overhead.

The acquisition costs or self-construction costs, respectively, are reduced by investment tax credits earned and then depreciated. 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 Regulation (environmental protection, and research and development investments), Section 14 of the Berlin Development Law, Section 3 of the Zonal Border Area Development Law, Section 6b of the Income Tax Act and Paragraph 35 of the Income Tax Guidelines.

Scheduled depreciation allowances at Daimler-Benz AG were calculated generally using the following useful lives: 17 to 25 years for buildings, 10 to 17 years for site improvements, 3 to 10 years for technical equipment and machinery, 2 to 10 years for other factory and office equipment. Facilities used for multishift operations were depreciated using correspondingly lower useful lives. Depreciation allowances at subsidiaries were sometimes based on longer useful lives.

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

Investments in nonconsolidated subsidiaries, at cost and investments in affiliated companies, at cost are valued according to the lower-of-cost-or-market principle; interest-free or low interest long-term receivables are shown at their present value.

The major investments in affiliated companies, at equity, as shown in the consolidated balance sheet, are increased or decreased by the company's proportionate share of earnings, losses and dividends (equity method).

Raw materials, manufacturing supplies and goods purchased for resale are valued at the lower of cost or market. Manufactured goods at Daimler-Benz are valued at manufacturing costs which include direct materials, direct labor and applicable manufacturing overhead. At subsidiaries, manufactured goods from large-scale production are also valued at manufacturing costs; the remaining manufactured goods are valued at manufacturing costs as prescribed by tax law. Reasonable deductions are made for inherent inventory risks, e. g. for reduced usability after prolonged storage or after design changes.

Receivables - 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 of 1% to 10% is deducted from the receivables in recognition of the general credit risk inherent in receivables.

Treasury stock is valued at the prospective issue price to employees. Securities are valued at the lower of cost or market.

Provisions for old-age pensions and similar obligations in Daimler-Benz AG and consolidated financial statements, respectively, are actuarially determined on the basis of an interest rate assumption of 3.5% using the Entry Age Actuarial Cost Method. We have included in our calculations of current pension expenses all eligible employees, taking into account company-specific fluctuation probabilities (actuarial gains/losses). Pension accrual starts with entry age and ends with expected age of retirement.

Provisions for taxes and other provisions are determined on the basis of fair and reasonable business judgment. 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, or proportionately as benefits are vested.

Liabilities are shown at their repayment amount.

Companies Included in Consolidation

The consolidated financial statements basically include - apart from Daimler-Benz AG - all domestic and foreign subsidiaries.

Not included are 12 domestic and 62 foreign subsidiaries, whose effect on the consolidated financial statements is not material, and 11 companies administering pension (provident) funds whose assets are solely used for pension purposes.

The companies included in consolidation encompass - apart from Daimler-Benz AG - 84 domestic and 189 foreign subsidiaries.

A complete listing of our ownership will be deposited with the commercial registry office at the county court in Stuttgart (Dept. B No 173).

During the year, 28 companies have been added to and 6 companies deleted from consolidation.

The changes in the consolidated group have not impaired the comparability with last year's consolidated financial statements.

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. The difference resulting from this elimination (goodwill) is charged to retained earnings.

Pursuant to the transitional regulations, we have charged the "Cost of Investments in Consolidated Subsidiaries in Excess of or Below Book Value at Acquisition", as shown in the 1986 consolidated financial statements, to retained earnings.

Profits earned by subsidiaries after date of acquisition are added to consolidated retained earnings. The unappropriated profit as shown in the financial statements of Daimler-Benz AG and in consolidated financial statements is thus the same.

In the consolidated financial statements we have included 66 associated companies. These will be registered with the commercial registry office at the county court in Stuttgart.

Of these, 44 companies are shown under investments in affiliated companies, at cost less write-downs as they are not material to the consolidated balance sheet, financial position and results of operations.

For the remaining 22 associated companies, we have, in accordance with the transitional rules, credited to consolidated retained earnings the difference between their proportional net equity value and their book value at January 1, 1987.

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

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

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

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

Currency Translation

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

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

The adjustments made in the income statements by our subsidiaries in high-inflation countries for monetary devaluations have been taken into the consolidated income statements without change, effectively preventing reflection of inflationary profits.

Expense and income items are translated at average exchange rates, items from inflation-adjusted earning statements at year-end exchange rates. If they relate to fixed assets (depreciation, profit or loss from disposal of fixed assets), they are translated at historical costs. Net income, additions to retained earnings, and unappropriated profit are translated at year-end rates. The resulting difference has been reflected in other operating expenses.

Notes to Consolidated Financial Statements

(1) Intangible Assets

Intangible assets, amounting to DM 49 million, mostly comprise purchased EDP software, as well as patents and similar rights.

(2) Fixed Assets

Details of fixed assets are set forth on page 84.

Tax depreciation amounted to DM 149 million; depreciation over and above scheduled depreciation amounted to DM 44 million.

(3) Financial Assets

Details of financial assets are set forth on page 84.

The additions at associated companies comprise capital increases and proportionate net income, the deductions proportionate net losses. Also reflected here are translation-related changes in the proportionate DM equity of foreign companies and income-effecting intercompany profits. The cost of investments in excess of book value at acquisition amounted to DM 22 million as at December 31, 1986.

Investments in affiliated companies declined by DM 88 million, mostly due to the sale of stock in TELENORMA Beteiligungsgesellschaft mbH & Co.

Financial assets are primarily held by Daimler-Benz AG. Comprised therein are convertible bonds of Tata Engineering and Locomotive Company Ltd., Bombay, India, amounting to DM 5 million.

Unscheduled write-down of investments in debt instruments, long-term receivables and investments in affiliated companies amounted to DM 55 million.

(4) Inventories

About one-half of group inventories pertain to AEG, Dornier and MTU.

The increase in inventories by DM 847 million to DM 11,802 million is mainly due to higher inventories at Daimler-Benz AG and its foreign sales subsidiaries, and to the increase in uncompleted contracts at Dornier.

(5) Advance Payments Received

Advance payments received totaling DM 3,860 million (last year DM 3,324 million) - particularly for projects and longer-term contracts at AEG, Dornier and MTU - have been deducted from inventories.

(6) Receivables

(7) Other Assets	1987	of which	1986
	in millions of DM	maturing after one year in millions of DM	in millions of DM
Receivables from sale of goods and services	7,548	(1,002)	7,266
Receivables from related companies	7	(-)	5
Receivables from associated and affiliated companies	975	(256)	1,302
	8,530		8,634
Other assets	7,299	(3,439)	5,695

Other assets include investments of liquid funds in debt instruments not traded on stock exchange. They amount to DM 5,738 million (last year DM 4,402 million).

(8) Securities

	1987	1986
	in millions of DM	in millions of DM
Treasury stock	40	36
Other securities	5,167	4,923
	5,207	4,959

Treasury stock is being held by Daimler-Benz AG (138,508 common shares with a par value of DM 7 million = .3% of total outstanding common share capital). Other securities largely pertain to interest-bearing debt instruments.

(9) Cash

Cash consists of deposits in banking institutions, cash on hand, deposits in the Deutsche Bundesbank (German Federal Reserve Bank) and in post office accounts, and checks on hand.

(10) Prepaid Expenses and Deferred Income Taxes

Deferred income taxes on income-effecting elimination entries amount to DM 839 million. Deferred income taxes - a net benefit overall - as shown in the individual balance sheets of consolidated companies are not included.

(11) Stockholders' Equity

With the first-time application of the Accounting Standards Act, stockholders' equity changes as follows:

	in millions of DM	in millions of DM
Balance 12/31/86 under old law		12,165
Unappropriated profit of Daimler-Benz AG 1986	702	
Transfer of equity portion contained in special equity reserves	129	
Cost of investments in consolidated subsidiaries in excess of book value at acquisition from the previous consolidation	/. 1,317	/. 486
Balance 12/31/86 Comparative amount under new law		11,679
Changes as result of applying the new law:		
Conforming to uniform valuation methods and correction of proportionate equity in associated companies	/. 3,347	
Deferred taxes on income-effecting elimination adjustments	839	/. 2,508
Dividends paid by Daimler-Benz AG for 1986 inclusive of the additional tax expense pursuant to shareholders' resolution		/. 568
Transfer to retained earnings from 1987 net income		1,085
Unappropriated profit of Daimler-Benz AG		702
Other changes		/. 224
Balance 12/31/87		10,166

The uniform valuation method adopted company-wide pursuant to guidelines of Daimler-Benz AG has been implemented in one step and pertains largely to valuation adjustments at AEG, Dornier and MTU. Adjustments were made primarily in pension obligations, fixed assets and inventories. Despite this one-time valuation adjustment, consolidated equity changed by only DM 15 billion.

(12) Capital Stock

The amounts shown pertain to Daimler-Benz AG.

(13) Retained Earnings

Retained earnings comprise retained earnings allocated under statute of DM 160 million, retained earnings allocated for treasury stock of DM 40 million, and retained earnings allocated from net income. The adaptation measures pursuant to Article 24 and EGHGB, and the amount of DM 43 million resulting from the capital consolidation for the year 1987 have been reflected in retained earnings.

DM 1,085 million (last year DM 1,103 million) was allocated to retained earnings from net income.

(14) Minority Interests

This balance sheet caption comprises outside third-party ownership in the net equity and unappropriated income/loss of companies included in consolidation, particularly AEG, Dornier, MTU and Mercedes-Benz of South Africa S.A. The adoption of the provisions of the Accounting Standards Act resulted in a reduction of the balance sheet amount, mostly due to the uniformly-applied valuation method.

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

The provisions for old-age pensions together with the assets of the Provident Funds fully cover the actuarially computed pension obligations. The calculation is based on the method used by Daimler-Benz AG.

(16) Other Provisions

	1987 in millions of DM	1986 in millions of DM
Provision for taxes	1,440	1,463
Other provisions	10,150	8,644
	11,590	10,107

The provision for taxes includes DM 885 million (last year DM 537 million) relating to Daimler-Benz AG.

The other provisions take into account the worldwide warranty obligations, liability and litigation risks, obligations in the personnel and social area, and risks for losses inherent in pending business transactions. Moreover, we have provided for possible additional costs in connection with completed contracts, for maintenance planned for the reporting year but which had to be deferred until the following year, and expenses based on approved projects for change-over, alteration and maintenance.

(17) Liabilities	1987	of which maturing		1986
	in mill. of DM	in less than 1 year in mill. of DM	in more than 5 years in mill. of DM	in mill. of DM
Trade payables	4,181	(4,070)	(.)	3,868
Financial liabilities				
Debentures, bonds, term loans	979	(3)	(316)	896
Liabilities to banking institutions	2,276	(1,174)	(229)	1,809
Other liabilities				
Advance payments received	413	(260)	(.)	557
Notes payable	609	(591)	(8)	382
Liabilities to related companies	106	(62)	(42)	129
Liabilities to affiliated and associated companies	218	(44)	(65)	59
Further liabilities	3,170	(2,372)	(88)	3,174
of which for taxes	(616)			(831)
of which for social benefits	(503)			(444)
Remaining liabilities	7,771			7,006
	11,952			10,874

Other liabilities mostly comprise accruals for wages and salaries.

Liabilities to banking institutions and other liabilities are secured by mortgage and assignment of receivables to the extent of DM 774 million.

*

Contingent Liabilities

1987
in millions
of DM

Guarantees for indebtedness of others	575
Discounted notes payable	152
Contractual warranties	22
Pledges for indebtedness of others	33
Other pledges	54

A minimum dividend guarantee given to co-owners of a subsidiary, and contractual performance guarantees could not reasonably be estimated.

One foreign subsidiary has given customary payment guarantees within the scope of its sales financing activities.

Remaining Financial Obligations

The remaining financial obligations totaling DM 7,221 million pertain to commitment obligations, rental, land lease and lease agreements.

The obligations arising from stock subscriptions and from capital subscriptions in "Closed Corporations" (Section 24 of the GmbHG Act) amounted to DM 25 million.

We are jointly and severally liable for certain non-incorporated companies, which have profit and loss pooling agreements with controlling entities, and for certain joint ventures, by reason of ownership interests therein.

For companies not included in consolidation, we are liable for guarantees and other financial obligations in the amount of DM 69 million and DM 482 million, respectively.

Notes to Consolidated Statement of Income

(18) Sales Revenue	1987 in millions of DM	1986 in millions of DM
Sales revenue by divisions:		
Cars	31,472	31,405
Commercial Vehicles	19,454	17,755
AEG	11,480	11,070
Dornier	1,589	2,112
MTU	2,832	2,770
Others	648	386
	67,475	65,498
Sales revenue by regions:		
Domestic	28,064	27,838
Foreign	39,411	37,660
of which		
EEC countries	(12,483)	(11,878)
Remaining Europe	(4,072)	(3,338)
North America	(12,135)	(13,030)
Latin America	(3,610)	(2,621)
Others	(7,111)	(6,793)
	67,475	65,498

(19) Increase in Inventories and Other Capitalized In-house Output	1987 in millions of DM	1986 in millions of DM
Increase in inventories of finished goods and of work in process, including parts	1,021	417
Other capitalized in-house output	565	503
	1,586	920

(20) Other Operating Income

Included herein are dissolutions of reserves of DM 558 million (last year DM 570 million) resulting from deletion of individual litigation and tax assessment risks, and at foreign companies also from the higher value of the D-mark. Further income was derived from tax refunds, from costs charged to third parties, from revenues for the sale of materials and scrap, from security sales, and from rental income. The lump-sum allowance for doubtful accounts was reduced by DM 54 million. Profits from the sale of fixed assets amounted to DM 142 million. In addition, this caption includes the foreign ex-

change profits from business and payment transactions, mostly earned abroad.

DM 1,083 million of other operating income is attributable to prior years.

(21) Cost of Materials	1987 in millions of DM	1986 in millions of DM
Cost of raw materials and manufacturing supplies, and of goods purchased for resale	31,772	30,876
Cost of services purchased	1,929	1,591
	33,701	32,467

When measured against total output of DM 69,061 million (last year DM 66,418 million), the cost of materials was unchanged at 49%.

(22) Personnel Expenses/ Employment	1987 in millions of DM	1986 in millions of DM
Wages and salaries	16,421	15,539
Social levies and expenses for old-age pensions and assistance payments	4,249	3,828
	20,670	19,367
Employment (average for the year)	number	number
Wage earners	197,539	194,412
Salaried employees	113,531	107,517
Trainees/apprentices	14,695	13,634
	325,765	315,563

The increase in wages, salaries and social levies is due to higher employment and to collective bargaining wage and salary increases.

(23) Depreciation	1987 in millions of DM	1986 in millions of DM
Depreciation of intangible long-term assets and fixed assets	3,046	3,240
Write-down of financial assets, and of securities included in current assets	161	155
	3,207	3,395

At Daimler-Benz AG, depreciation allowances for plant and equipment fell by DM 316 million in comparison to the previous year. In contrast, depreciation allowances for plant and equipment at AEG, Dornier and MTU increased on account of higher capital investments.

Write-downs of financial assets and of marketable securities largely comprise the devaluation to the estimated issue price to employees of treasury stock held for employees' stock purchase plan.

(24) Other Operating Expenses

This caption comprises additions to provisions, maintenance expenses, administrative and selling expenses including sales commissions, rental and lease expenses, freight out, packaging, and charges resulting from currency translations of income statements of foreign subsidiaries. Losses from valuation adjustments and losses from disposal of fixed and current assets amounted to DM 374 million.

(25) Net Income from Investments in Affiliates	1987 in millions of DM	1986 in millions of DM
Dividends received	18	129
including a one-time dividend payment in 1986 of DM 106 million from Allgemeine Verwaltungsgesellschaft Industriebeteiligungen mbH, Munich of which from related companies	(-)	(106)
	(1)	(3)
Income from pooling agreements	2	3
Income from associated companies	10	-
Losses from associated companies	./. 11	-
Losses from pooling agreements	./. 1	./. 15
	18	117

(26) Net Interest Income	1987 in millions of DM	1986 in millions of DM
Income from other securities, and from long-term financial assets	29	47
Other interest and similar income	1,237	1,328
Interest and similar expenses	./. 489	./. 440
of which from related companies	(./. 1)	(./. 7)
	777	935

The interest income, translated in D-marks, of foreign companies was negatively impacted by the lower exchange rates in comparison to the previous year despite the fact that liquidity in the group increased. At one sales finance company, the previous year still showed interest income of DM 140 million.

(27) Taxes	1987 in millions of DM	1986 in millions of DM
Income Taxes	3,136	3,780
Other taxes	379	333
	3,515	4,113

The decline in taxes pertains mostly to Daimler-Benz AG

(28) Net Income

The consolidated net income of DM 1,782 million (last year DM 1,767 million) has only been minimally affected by tax depreciation of fixed and current assets. Prospective charges to net income will likewise be minimal.

Other Information

Under the assumption that the proposed dividend is ratified by the shareholders at the annual meeting on July 1, 1988, the remunerations paid by the group companies to the members of the Board of Management and the Supervisory Board of Daimler-Benz AG amounted to DM 14,925,839 and DM 1,333,308, respectively. Disbursements to former members of the Board of Management of Daimler-Benz AG or their survivors totaled DM 10,811,892. Pension obligations to former members of the Management Board of Daimler-Benz AG or their survivors, amounting to DM 69,235,274 have been provided for. As at December 31, 1987, advances and loans to members of the Board of Management of Daimler-Benz AG amounted to DM 310,790; during the year DM 312,833 was repaid. Interest averaging 4% was charged on such advances and loans; the stipulated maturities did not exceed one year.

Notes to Balance Sheet of Daimler-Benz AG

(29) Intangible Assets

Intangible assets totaling DM 13 million mostly comprise purchased EDP-software.

(30) Fixed Assets

Fixed assets rose by DM 767 million to DM 4,857 (see detail of non-current assets, page 85).

Scheduled depreciation charges amounted to DM 1,422 million. Tax depreciation, in addition thereto, amounted to DM 115 million. Equipment in the vehicle testing department, no longer in use, had to be written off by DM 7 million.

Daimler-Benz has recorded leasehold rights in favor of third parties who have built factory and office buildings for our manufacturing plants and retail branches on land owned by the company. As of December 31, 1987 there were 16 leasing agreements for buildings and improvements; payments for such leases amounted to DM 26 million.

(31) Financial Assets

The balance sheet amount of intercorporate investments has increased to DM 3,818 (see detail of non-current assets, page 85). The additions amounted to DM 191 million, and pertained mostly to the newly-founded Mercedes-Benz Finanz GmbH, Stuttgart, and to the capital stock increase at Daimler-Benz (Australia) Pty. Ltd.

A tabulation of Daimler-Benz AG's stockholders has been recorded in the commercial register at the Stuttgart Courthouse.

Investments in debt instruments, totaling DM 5 million, pertain to convertible bonds of Tata Engineering and Locomotive Company Ltd., Bombay.

Other long-term receivables pertain primarily to loans extended to employees for housing, and to long-term loans in connection with sales financing.

Non-scheduled write-offs on securities, loans and intercorporate investments amounted to DM 36 million.

(32) Inventories

	1987 in millions of DM	1986 in millions of DM
Raw materials and manufacturing supplies	894	790
Work in process	926	874
Finished goods, and goods purchased for resale	1,868	1,680
	<u>3,688</u>	<u>3,350</u>

The increase in finished goods, and goods purchased for resale pertains primarily to the passenger car sector.

(33) Accounts Receivable**(34) Other Assets**

	1987 in millions of DM	of which maturing in less than one year in millions of DM	1986 in millions of DM
Receivables from sale of goods and services	1,703	(60)	1,701
Receivables from affiliated companies	2,960	(99)	1,781
Receivables from companies in which we have stock ownership	527	(197)	835
	<u>5,190</u>		<u>4,317</u>
Other assets	4,653	(3,275)	4,141

The increase in receivables resulted from short-term credits given to affiliated companies.

Other assets pertain to liquidity investments in non-exchange-traded debt instruments in the amount of DM 3,986 (last year DM 3,783 million). Tax refund claims, which in some instance become legal claims only after the balance sheet date, and interest receivable are also shown here.

(35) Securities	1987 in millions of DM	1986 in millions of DM
Treasury stock	40	36
Other securities	3,926	3,115
	3,966	3,151

For the purpose of issuing shares under the employee stock purchase plan, a total of 226,279 common shares (with a par value of DM 11 million = .5 % of total common stock) was purchased during the year, at an average price of DM 961 a share, i. e. 14,400 shares in February 35,652 in March, 20,350 in April, 17,100 in May, 2,000 in June, 122,500 in October, and 14,277 in November.

In June of 1987, 141,069 shares (with a par value of DM 7 million = .3 % of total common stock) were sold to our employees at a preferential purchase price of DM 460 respectively DM 430 a share. As of December 31, 1987, we held 138,508 shares (with a par value of DM 2.7 million = .3 % of total common stock) which had been purchased in 1987.

(36) Cash

Cash consists of deposits in banking institutions, cash on hand, checks on hand and deposits in the German Federal Reserve Bank and in post office accounts.

(37) Outstanding Share Capital		1987 in millions of DM
Common stocks	42,313,132 votes	2,116
Preferred stocks	43,920 votes	2
in special cases of Section 17 of the bylaws	1,317,600 votes	
		2,118

Outstanding share capital did not change vs. 1986.

On July 2, 1986, the shareholders approved an authorized share capital of DM 500 million. Of this amount, a partial amount of DM 176 million was used toward the end of 1986, still leaving an amount of DM 324 million which is available until June 30, 1991.

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

(38) Retained Earnings

Retained earnings include the "agio" derived from stock increases for cash (net proceeds in excess of par value), less rights issues not taken up by shareholders.

(39) Retained Earnings	in millions of DM	in millions of DM
Statutory retained earnings, balance 12/31/87		160
Allocated for treasury stock, balance 12/31/86	36	
Transfer from unallocated retained earnings	4	
Balance 12/31/87		40
Unallocated retained earnings, balance 12/31/86	4,759	
Transfer from 1986 unallocated profit as approved by stockholders	134	
Transfer pursuant to Section 24 Subsection 3 of a bill for the amendment of the Company Act	75	
Transfer from net profit 1987	701	
Reclassification to retained earnings allocated for treasury stock	.4	4
Balance 12/31/87		5,665
		5,865

(40) Special Equity Reserve

The special equity reserve, previously allowed under Section 3, Subsection 1, of the Foreign Investment Act, Section 1, Subsection 1, of the Income Tax Act for Developing Countries and Section 74 of the Income Tax Regulations, may no longer be so shown pursuant to Section 273 of the Commercial Code. We have, therefore, reclassified the equity portion to retained earnings and the income tax portion to tax provisions. The remaining special equity reserve is allowed and based on Section 6 b of the Income Tax Act and Subsection 35 of Income Tax Guidelines.

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

The direct and indirect pension obligations of Daimler-Benz AG are - actuarially determined pursuant to the balance sheet valuation methods of Daimler-Benz AG - fully funded by the pension provisions and the assets of the Daimler-Benz Provident Fund. The computation of the total pension obligation is based on the pension promises which were in effect on January 1, 1987.

(42) Other Provisions	1987 in millions of DM	1986 in millions of DM
Tax provisions	885	537
Other provisions	5,696	5,042
	6,581	5,579

Tax provisions pertain to income tax liabilities for which final tax determination letters have not been received, and to the income tax portion of the special equity.

The other provisions take into account mostly our worldwide warranty obligations as well as legal and litigation risks. They also include obligations arising in the personnel and social benefit area, and possible losses inherent in pending business transactions. Moreover, provisions were made for maintenance work scheduled in 1987 but not carried out until 1988, and for expenditures in connection with approved changeover, alteration and maintenance programs.

(43) Accounts Payable Trade

(44) Other Liabilities	1987	of which maturing		1986
	in mill. of DM	in less than 1 year of DM	in more than 5 years of DM	in mill. of DM
Trade payables	2,362	(2,362)	(-)	2,002
Liabilities to banking institutions	159	(25)	(38)	138
Advance payments received	144	(144)	(-)	146
Liabilities to related companies	110	(110)	(-)	141
Liabilities to companies in which we have a stock ownership	17	(17)	(-)	11
Remaining other liabilities	1,437	(1,341)	(76)	1,323
of which for taxes	(168)			(148)
of which for social benefits	(303)			(275)
Other liabilities	1,867			1,739

The liabilities to banking institutions increased by DM 45 million through the receipt of a low-interest loan. Repayment of principal amounted to DM 24 million. Scheduled principal repayments will amount to DM 25 million in 1988.

Remaining other liabilities pertain primarily to December 1987 wage and salary accruals.

The liabilities to banking institutions are secured by mortgages in the amount of DM 159 million.

*

Contingent liabilities

	1987 in millions of DM	1986 in millions of DM
Payment guarantees in favor of creditors in connection with the 1986 DM-bond issue of Daimler-Benz International Finance B. V., Utrecht, Netherlands	500	500
Other payment guarantees	30	26
Pledges for domestic and foreign subsidiaries and affiliates	311	310
Discounted notes	10	18

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

Other financial obligations

The other financial obligations total DM 7,272 million (of which DM 2,756 million pertain to affiliated companies). The largest portion hereof pertain to contractual obligations for capital investments and for obligations in connection with rental, lease and leasing agreements. The obligation arising from stock subscriptions and from capital subscriptions in "Close corporations" pursuant to Section 24 of the GmbHG, amounted to DM 28 million.

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

Notes to Statement of Income of Daimler-Benz AG

(45) Sales Revenue	1987 in millions of DM	1986 in millions of DM
Sales revenue by divisions:		
Cars	29,327	28,956
Commercial vehicles	12,005	11,634
	41,332	40,590
Sales revenue by regions:		
Domestic	19,665	19,625
Foreign	21,667	20,965
of which		
EEC countries	(7,853)	(6,909)
Remaining Europe	(2,489)	(2,509)
North America	(7,303)	(7,614)
Asia	(2,523)	(2,173)
Africa	(951)	(1,018)
Australia	(286)	(390)
Latin America	(262)	(352)
	41,332	40,590

(46) Increase in Inventories and Other Capitalized In-house Output	1987 in millions of DM	1986 in millions of DM
Increase in inventories of finished goods and of work in process, including parts	12	114
Other capitalized in-house output	100	94
	112	208

(47) Total Output

Total output rose DM 646 million; the increase in sales revenue was contrasted by a decline in other capitalized in-house output of DM % million.

(48) Other Operating Income

Included herein are dissolutions of provisions amounting to DM 265 million (last year DM 314 million); they were due to the deletion of individual litigation and tax assessment risks. Further income was derived from tax refunds, from the reduction of the lump-sum allowance for doubtful accounts, from costs charged to third parties, from sale of securities, from sale of fixed assets, from lease and rental income, and - with DM 3 million - from the dissolution of equity reserves.

A total of DM 657 million pertain to prior years.

(49) Cost of Materials	1987 in millions of DM	1986 in millions of DM
Cost of raw materials and manufacturing supplies, and of goods purchased for resale	19,610	18,949
Cost of services purchased	1,069	854
	20,679	19,803

The disproportionate increase of cost of materials in terms of total output was due largely to the shift of production to more material-intensive vehicles, but also to greater expenditures for warranty and tools.

(50) Personnel Costs/ Employment	1987 in millions of DM	1986 in millions of DM
Wages and salaries	9,618	9,121
Social levies	1,513	1,434
Old-age pension	1,074	680
	12,205	11,235

Employees (yearly average)	Number	Number
Wage earners	117,999	116,135
Salaried employees	43,678	41,332
Apprentices/trainees	8,838	8,677
	170,515	166,144

The increase in wages, salaries and social levies was due to a rise in employment, a collectively bargained for wage and salary increase of 3.7 % and the higher contribution brackets for social security. The increased expenses for old-age pension are to be seen in connection with the new pension rules introduced January 1, 1987, in which employees were promised an adjustment of the benefit tables totaling 15 % for the period to 1997.

(51) Depreciation	1987 in millions of DM	1986 in millions of DM
Write-down of intangible assets and depreciation of fixed assets	1,558	1,871
Write down of long-term financial assets and of marketable securities	135	476
	1,693	2,347

The decline in depreciation of fixed assets was due particularly to the fact that the depreciation charges applicable to fixed asset additions of prior years were lower, and that extraordinary depreciation allowances were markedly lower.

Write-downs of long-term financial assets and of marketable securities pertain mostly to the write-down of treasury stock to the estimated value at which they will be issued to employees. In contrast to last year, write-downs of investments in affiliated companies in 1987 were negligible.

(52) Other operating expenses

This caption comprises, apart from the additions to accrual provisions which, by law, must be classified here, administrative and selling expenses including sales commissions, rental and lease expenses, freight out, packaging, losses from the decline in asset values, losses from the sale of fixed and current assets, and - with DM 1 million - additions to equity reserves.

(53) Net Income from Investments in Affiliates	1987 in millions of DM	1986 in millions of DM
Income from non-consolidated subsidiaries	51	66
of which:		
Mercedes-Benz do Brasil S.A., São Bernardo do Campo	(26)	(24)
Dornier GmbH, Friedrichshafen	(14)	(11)
Maschinenfabrik Esslingen AG, Esslingen a. N.	(9)	(8)
Income from affiliated companies	4	113
of which one-time dividend payment: Allgemeine Verwaltungsgesellschaft für Industriebeteiligungen mbH, Muenchen	(-)	(106)
Income from profit sharing agreements	4	5
Income from associated companies	2	-
Losses from loss-sharing agreements	./. 1	- 2
	60	184

(54) Net Interest Income	1987 in millions of DM	1986 in millions of DM
Income from other securities and long-term receivables	28	58
of which from affiliated companies	(7)	(21)
Other interest and similar income	679	642
of which from affiliated companies	(19)	(22)
Interest and similar expenses	./. 38	./. 55
of which from affiliated companies	(8)	(21)
	669	627

Interest income - concurrent with a higher liquidity - rose through increased investments in securities.

(55) Taxes	1987 in millions of DM	1986 in millions of DM
Income taxes	2,545	3,228
of which charged to other companies	10	13
	2,535	3,215
Other taxes	233	193
	2,768	3,408

The lower taxes are in connection with declining profits from production and sales activities.

(56) Net Income

Contrary trends in important income and expense items resulted in net income of DM 1,403 million (last year DM 1,404 million). Changes in the computation of provisions for old-age pension and other social obligations - independent of the changeover to the new accounting standards - resulted in additional expenses which reduced net income. The result of operations was only negligibly affected by tax depreciation of fixed assets and by charges to income for additions to the equity reserves.

Other Informations/Boards

Under the assumption that the proposed dividend is ratified by the shareholders at the Annual Meeting on July 1, 1988, the remunerations paid to the members of the Board of Management and the Supervisory Board of Daimler-Benz AG amounted to DM 11,920,115 and DM 1,333,308, respectively. Disbursements to former members of the Board of Management of Daimler-Benz AG or their survivors totaled DM 9,725,854. Pension obligations to former members of the Management Board of Daimler-Benz AG or their survivors, amounting to DM 69,235,275 have been provided for. As at December 31, 1987, advances and loans to members of the Board of Management of Daimler-Benz AG amounted to DM 310,790; during the year DM 312,833 was repaid. Interest averaging 4 % was charged on such advances and loans; the stipulated maturities did not exceed one year.

The names of the members of the Supervisory Board and the Board of Management are listed on pages 8 and 9.

Based on an audit performed in accordance with our professional duties, the accounting records and the consolidated financial statements comply with the legal regulations. The consolidated financial statements present, in compliance with required accounting principles, a true and fair view of the net worth, financial position and results of the group. The group management report is in agreement with the consolidated financial statements.

Frankfurt am Main, April 14,1988.

Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Schnicke
Wirtschaftsprüfer
(Certified Public Accountant)

Dr. Koschinsky
Wirtschaftsprüfer
(Certified Public Accountant)

Based on an audit performed in accordance with our professional duties, the accounting records and the financial statements comply with the legal regulations. The financial statements present, in compliance with required accounting principles, a true and fair view of the net worth, financial position and results of Daimler-Benz AG. The management report is in agreement with the financial statements.

Frankfurt am Main, April 14,1988.

Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Müller
Wirtschaftsprüfer
(Certified Public Accountant)

Dr. Koschinsky
Wirtschaftsprüfer
(Certified Public Accountant)

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

We have examined the financial statements and business review, both of which were combined for Daimler-Benz AG and the group, the annual report, and the recommendations for the payment of dividends. The financial statements of Daimler-Benz AG and of the group as of December 31, 1987 including the business review and the accounting principles used were verified by the Deutsche Treuhand-Gesellschaft AG, Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, and have been found to be in accordance with the books and with the pertinent legal requirements. The Supervisory Board has noted the result of the audit with approval.

The result of the examinations made by the Supervisory Board and the auditors has shown no cause for questions. In our meeting of April 27, 1988, we approved the financial statements of Daimler-Benz AG as submitted by the Board of Management. They are hereby ratified.

We concur with the recommendations of the Board of Management regarding the application of the unappropriated profit. Furthermore, we support the Board of Management's proposal to the Annual Shareholders' Meeting concerning the conclusion of a management agreement between Daimler-Benz AG and AEG Aktiengesellschaft.

The chairman of the Board of Management of Daimler-Benz AG, Professor Dr. Werner Breitschwerdt, has asked the Supervisory Board for early retirement effective August 31, 1987. The Supervisory Board has, with due respect, taken notice and accepted his request.

Professor Breitschwerdt had been in the employ of Daimler-Benz AG for 34 years, of which as a member of the Board of Management since 1977 and as its chairman since 1983. He has given to automotive engineering substantive impulses and has helped the Mercedes-Benz marque achieve a high degree of prestige and has thus also lastingly influenced the international market scene. The Supervisory Board wishes to express to Professor Breitschwerdt its lasting gratitude for his meritorious services to the company. This has caused us to propose him for election to the Supervisory Board.

Effective August 31, 1987, Dr. Peter Sanner has, for health reasons, resigned his position as deputy member of the Board of Management. During the short tenure as Board of

Management member of Daimler-Benz AG, he earned great esteem in increasing the efficiency of the materials supply sector. We wish to express our thanks to Dr. Sanner.

The Supervisory Board of Daimler-Benz AG has, effective September 1, 1987, appointed Mr. Edzard Reuter chairman of the Board of Management. Concurrently, Professor Werner Niefer has been appointed deputy chairman.

Effective November 1, 1987, the Supervisory Board appointed Mr. Helmut Werner full member of the Board of Management of the company. Mr. Werner shall be responsible for the commercial vehicle division. Effective November 1, 1987, Dr. Gerhard Liener, hitherto responsible for this division, has taken over the finance sector which was combined with materials supply.

Furthermore, effective September 1, 1987, the Supervisory Board has appointed Mr. Jiirgen Hubbert deputy member of the Board Management responsible for the passenger car division, and Mr. Jiirgen E. Schrempf deputy member of the Board of Management responsible for the commercial vehicle division.

Stuttgart-Untertürkheim,
April 1988

The Supervisory Board



Chairman

Daimler-Benz Highlights

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	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Number of employees (at year-end)										
Daimler-Benz Group	167,165	174,431	183,532	188,039	185,687	184,877	199,872	231,082	319,965	326,288
of which: domestic	135,275	142,164	146,323	149,096	149,118	151,273	158,043	186,652	257,538	262,658
foreign	31,890	32,267	37,209	38,943	36,569	33,604	41,829	44,430	62,427	63,630
Automotive Division	167,165	174,431	183,532	188,039	185,687	184,877	199,872	206,335	215,297	218,822
AEG Division	-	-	-	-	-	-	-	-	78,199	80,499
Dornier Division	-	-	-	-	-	-	-	8,760	9,557	9,683
MTU Division	-	-	-	-	-	-	-	15,987	16,912	17,284
Daimler-Benz AG	134,437	141,401	145,532	148,361	148,411	150,601	157,249	161,518	166,523	169,234
Main office	5,762	6,144	6,628	7,191	7,217	7,192	7,415	7,628	7,735	8,075
Research and development	8,225	8,744	9,419	9,762	9,961	9,953	10,114	10,442	11,040	12,143
of which: Untertuerkheim	6,442	6,860	7,463	7,735	7,848	7,842	7,959	8,238	8,742	9,633
Sindelfingen	1,423	1,513	1,573	1,632	1,723	1,724	1,766	1,816	1,911	2,127
Gaggenau	360	371	383	395	390	387	389	388	387	383
Plants	104,723	109,840	112,303	114,436	114,700	117,113	123,345	126,846	130,502	131,146
of which: Sindelfingen	33,135	35,038	35,621	36,721	36,971	37,488	39,534	41,806	43,339	43,566
Untertuerkheim	19,940	20,230	20,284	20,134	20,274	20,901	21,772	22,804	23,402	23,622
Bremen	5,994	6,571	6,515	6,309	6,567	7,884	10,254	10,716	12,315	13,006
Berlin	3,054	3,191	3,252	3,473	3,435	3,442	3,302	3,294	3,397	3,531
Hamburg	2,385	2,475	2,535	2,613	2,557	2,513	2,479	2,625	2,629	2,633
Bad Homburg	767	814	855	881	882	864	893	953	967	997
Mannheim	13,584	14,053	14,619	14,521	14,243	14,152	14,494	14,043	13,878	13,537
Woerth	8,774	9,622	10,192	11,055	10,891	10,767	10,743	10,633	10,564	10,628
Gaggenau	8,500	8,806	8,971	9,312	9,432	9,352	9,293	9,011	8,823	8,665
Duesseldorf	4,621	4,954	5,118	5,058	5,151	5,488	6,404	6,718	7,022	6,919
Kassel	3,969	4,086	4,341	4,359	4,297	4,262	4,177	4,243	4,166	4,042
Retail branches	15,727	16,673	17,182	16,972	16,533	16,343	16,375	16,602	17,246	17,870
Production (units)										
Cars	393,203	422,159	429,078	440,778	458,345	476,183	478,349	541,039	594,080	598,079
of which: diesels	175,915	201,854	207,781	200,480	206,188	146,300	167,671	181,357	209,999	200,522
share of total production in %	44.7	47.8	48.4	45.5	45.0	30.7	35.1	33.5	35.3	33.5
plus cross-country vehicles	-	2,508	6,667	6,455	6,566	5,662	5,532	6,303	5,945	6,368
Commercial vehicles	239,702	256,467	272,868	268,925	243,513	204,619	205,397	213,910	226,344	234,141
of which: domestic ¹⁾	173,101	188,772	203,041	196,076	187,044	157,418	143,101	143,387	145,757	144,648
plus kits	-	-	-	-	-	27,332	18,122	26,402	8,838	10,085
foreign	66,601	67,695	69,827	72,849	56,469	47,201	62,296	70,523	80,587	89,493
Sales (in millions of DM)										
Daimler-Benz Group	24,236	27,367	31,054	36,661	38,905	40,005	43,505	52,409	65,498	67,475
of which: domestic	11,539	12,938	13,855	13,577	13,316	15,177	14,682	18,706	27,838	28,064
foreign	12,697	14,429	17,199	23,084	25,589	24,828	28,823	33,703	37,660	39,411
foreign share in %	52.4	52.7	55.4	63.0	65.8	62.1	66.3	64.3	57.5	58.4
of which: cars	11,082	12,285	14,088	16,572	18,722	21,012	23,245	28,509 ³⁾	31,405	31,472
commercial vehicles	12,109	13,984	15,818	18,862	18,859	17,653	18,367	20,239 ³⁾	17,755	19,454
AEG	-	-	-	-	-	-	-	-	11,070	11,480
Dornier	-	-	-	-	-	-	-	1,223 ²⁾	2,112	1,589
MTU	-	-	-	-	-	-	-	1,982 ²⁾	2,770	2,832
Daimler-Benz AG	20,584	23,454	26,472	29,084	31,124	32,179	31,972	37,079	40,590	41,332
of which: domestic	11,522	12,987	13,845	13,579	13,300	15,311	14,591	17,220	19,625	19,665
export	9,062	10,467	12,627	15,505	17,824	16,868	17,381	19,859	20,965	21,667
export share in %	44.0	44.6	47.7	53.3	57.3	52.4	54.4	53.6	51.7	52.4
of which: cars	10,622	11,775	13,136	14,396	16,121	18,133	19,298	24,818 ³⁾	28,956	29,327
commercial vehicles	9,208	10,818	12,393	13,737	13,983	13,067	11,636	12,261 ³⁾	11,634	12,005

Note: "Daimler-Benz Group" comprises Daimler-Benz AG plus domestic and foreign companies in which Daimler-Benz AG, directly or indirectly, has majority voting rights.
¹⁾ Kits destined for assembly abroad, from 1983 no longer included in total production.
²⁾ Dornier included in consolidation effective July 1, 1985, MTU effective April 1, 1985.
³⁾ Newly defined since 1985.

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987 ¹⁾
(in millions of DM)										
Major Balance Sheet and Income Figures Daimler-Benz Group										
Fixed assets and financial assets	3,298	3,846	4,480	5,791	6,958	7,743	8,228	10,209	10,857	12,202
Current assets	9,563	10,271	12,999	14,637	15,996	17,084	20,398	25,571	31,168	34,336
Basic share capital	1,359	1,359	1,359	1,529	1,529	1,699	1,699	1,699	2,118	2,118
Retained earnings ²⁾	2,829	3,216	3,837	4,546	5,173	5,848	6,831	8,070	7,742	6,779
of which: Capital in excess of par value	-	-	-	-	-	-	-	-	368	370
Retained earnings ²⁾	-	-	-	-	-	-	-	-	7,374	6,409
Minority shareholders	10	10	44	50	59	76	143	330	1,251	767
Stockholders' Equity³⁾	4,188	4,575	5,196	6,075	6,703	7,547	8,530	9,769	11,111	9,664
in % of fixed assets	127.0	119.0	116.0	104.9	96.3	97.5	103.7	95.7	102.3	79.2
Long and medium-term liabilities ⁴⁾	3,244	3,614	4,933	5,710	6,768	7,534	9,452	11,201	17,696	22,693
Stockholders' Equity Plus Long and Medium-Term Liabilities	7,432	8,189	10,129	11,785	13,471	15,081	17,982	20,970	28,807	32,357
in % of fixed assets	225.3	212.9	226.1	203.5	193.6	194.8	218.5	205.4	265.3	265.2
Balance Sheet Total	12,861	14,117	17,479	20,428	22,954	24,827	28,626	35,780	42,025	46,538
Total Investments⁵⁾	1,483	1,949	2,110	3,076	3,598	3,519	3,523	5,492	5,580	5,251
of which: in property, plant and equipment	1,446	1,905	2,057	3,033	3,427	3,464	3,374	4,014	5,385	5,349
domestic	1,239	1,718	1,663	2,233	3,004	3,047	2,166	2,753	3,891	3,660
foreign	207	187	394	800	423	417	1,208	1,261	1,494	1,689
in financial assets (net)	37	44	53	43	171	55	149	1,478	195	-98
Total Depreciation Expense	1,013	1,342	1,447	1,688	2,273	2,574	2,828	3,275	3,361	3,101
of which: of property, plant and equipment	1,001	1,313	1,434	1,633	2,265	2,567	2,825	3,242	3,239	3,046
domestic	850	1,162	1,272	1,379	1,975	2,292	2,342	2,514	2,575	2,386
foreign	151	151	162	254	290	275	483	728	664	660
financial assets write-down	12	29	13	55	8	7	3	33	122	55
Total Output	24,550	28,148	32,127	37,553	39,730	40,527	44,078	53,775	66,418	69,061
Total average annual output per employee (in DM)	147,844	163,609	176,116	197,949	211,526	219,808	225,572	235,648	207,759	211,996
Cost of raw materials etc.	12,212	14,177	16,556	19,497	20,047	20,299	22,707	27,245	32,467	33,701
Personnel Expenses	6,722	7,574	9,816	9,993	10,712	10,941	11,598	13,657	19,367	20,670
Average annual expense per employee (in DM)	40,479	44,025	53,809	52,677	57,030	59,344	59,355	59,846	60,581	63,451
Operating profit	-	-	-	-	-	-	-	-	5,880	5,297
in % total output	-	-	-	-	-	-	-	-	8.9	7.7
Taxes	2,101	2,378	1,693	3,091	3,310	3,263	3,027	4,341	4,113	3,515
Net income	593	638	1,102	826	921	988	1,104	1,682	1,767	1,782
in % of total output	2.4	2.3	3.4	2.2	2.3	2.4	2.5	3.1	2.7	2.6

1) Figures in accordance with the Accounting Standards Act; prior year adjusted accordingly.

2) Including allocations authorized by the shareholders at the Annual Meeting.

3) Excluding dividend including equity portion contained in equity reserve.

4) Long and medium-term provisions and long-term liabilities.

5) Intangible assets, fixed assets, financial assets (net) and cost of investments in excess of book value at acquisition (to 1986).

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987 ¹⁾
(in millions of DM)										
Major Balance Sheet and Income Figures Daimler-Benz AG										
Fixed assets and financial assets	2,757	3,216	3,623	4,341	5,379	5,957	5,827	7,250	8,064	9,026
Current assets	7,344	7,933	9,415	10,708	11,110	12,133	13,662	14,792	16,019	18,372
Basic share capital	1,359	1,359	1,359	1,529	1,529	1,699	1,699	1,699	2,118	2,118
Retained earnings ²⁾	1,595	1,874	2,361	2,843	3,193	3,555	3,919	4,558	5,457	6,435
of which: Capital in excess of par value	-	-	-	-	-	-	-	-	368	370
Retained earnings ²⁾	-	-	-	-	-	-	-	-	5,089	6,065
Stockholders' Equity³⁾	2,954	3,233	3,720	4,372	4,722	5,254	5,618	6,257	7,651	8,554
in % of fixed assets	107.2	100.5	102.7	100.7	87.8	88.2	96.4	86.3	94.9	94.8
Long and medium-term liabilities ⁴⁾	2,771	3,131	4,210	4,819	5,429	6,292	7,658	8,179	9,735	11,554
Stockholders' Equity Plus Long and Medium-Term Liabilities	5,725	6,364	7,930	9,191	10,151	11,546	13,279	14,440	17,386	20,108
in % of fixed assets	207.7	197.9	218.9	211.7	188.7	193.8	225.3	199.2	215.6	222.5
Balance Sheet Total	10,101	11,149	13,038	15,049	16,489	18,090	19,489	22,042	24,083	27,398
Investments in Property, Plant and Equipment	1,133	1,560	1,520	1,954	2,701	2,517	1,871	1,778	1,803	2,362
Intercompany investments (net) ⁵⁾	48	47	100	120	271	305	172	1,925	1,200	191
Depreciation Expense	804	1,094	1,189	1,259	1,823	2,093	2,081	2,121	1,874	1,558
Total output	20,645	23,736	26,714	29,461	31,410	32,139	32,092	37,450	40,798	41,444
total average output per employee (in DM)	161,659	172,430	185,231	200,958	212,916	216,895	209,624	232,808	245,558	243,052
Cost of materials	10,055	11,748	13,462	15,216	15,957	16,000	15,922	18,709	19,803	20,679
Personnel Expenses	5,972	6,701	7,297⁶⁾	8,260	8,850	9,238	9,539	10,351	11,235	12,205
Average annual expense per employee (in DM)	46,765	48,679	50,596	56,343	59,991	62,344	62,308	64,347	67,622	71,577
Personnel expenses inclusive of:										
Christmas bonus and special remuneration	232	280	328	364	396	420	447	494	547	595
Contributions for employee capital formation	77	79	102	105	108	120	106	112	93	121
Old-age pension expense	435	439	1,680 ⁷⁾	688	742	770	990	677	680	1,074
Payments to employees for special social purposes	744	798	2,110 ⁷⁾	1,157	1,246	1,310	1,543	1,283	1,320	1,790
Operating profit	-	-	-	-	-	-	-	-	4,812	4,171
in % of total output	-	-	-	-	-	-	-	-	11.8	10.1
Taxes	1,840	2,130	1,345⁷⁾	2,476	2,648	2,501	2,123	2,957	3,408	2,768
Net income	474	540	570⁸⁾	608	687	710	711	1,252	1,404	1,403
in % of total output	2.3	2.3	2.1	2.1	2.2	2.2	2.2	3.3	3.4	3.4
Total dividends	243	270	297	304	350	355	356	491	507	502
in % of total output	1.2	1.1	1.1	1.0	1.1	1.1	1.1	1.3	1.2	1.2
Dividend for each DM 50 par value share (in DM)	9.--	10.--	10.-- + 1.-- ⁹⁾	10.-	10.50 + 1.-- ⁹⁾	10.50	10.50	12.-- + 2.50 ⁹⁾	12.--	12.--
Tax credit for each DM 50 par value share (in DM) ¹⁰⁾	5.06	5.62	6.19	5.62	6.47	5.91	5.91	8.16	6.75	6.75
Dividend for each adjusted DM 50 par value share (in DM) ¹¹⁾	5.99	6.66	7.32	7.35	8.45	8.51	8.51	11.75	12.--	12.--
Tax credit for each adjusted DM 50 par value share (DM) ¹¹⁾	3.37	3.74	4.12	4.13	4.76	4.79	4.79	6.61	6.75	6.75

1) Figures in accordance with Accounting Standards Act; prior year adjusted accordingly.

2) Including allocations authorized by the shareholders at the Annual Meeting.

3) Excluding dividend; including equity portion contained in equity reserve.

4) Long and medium-term provisions and long-term liabilities.

5) Investments in affiliated and subsidiary companies.

6) Excluding extraordinary expense of DM 1,408 million for old-age pension.

7) Restructuring of old-age pension with tax-deductible, extraordinary addition to pension provisions.

8) Excluding overprovisions credited back to income on account of Provident Fund underfunding in the amount of DM 391 million.

9) Dividend plus bonus.

10) For our stockholders who are liable for income taxes in the Federal Republic of Germany.

11) Allowing for capital stock increase (dividend retroactively adjusted).

Sales and Production

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	in thousands of units										Change in %
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	87:86
Cars											
New Car Registrations											
Federal Republic of Germany	2,664	2,623	2,426	2,330	2,156	2,427	2,394	2,379	2,829	2,916	+ 3.0
of which: Domestic products	2,079	2,016	1,787	1,740	1,636	1,835	1,755	1,731	1,989	2,064	+ 3.8
Daimler-Benz AG	214	234	241	239	225	237	225	266	295	282	- 4.4
Foreign products	585	607	639	590	520	592	639	648	840	852	+ 1.4
Share in %	21.9	23.2	26.3	25.3	24.1	24.4	26.7	27.2	29.7	29.2	
Exports											
Federal Republic of Germany	1,904	1,997	1,873	1,949	2,194	2,189	2,233	2,568	2,520	2,451	- 2.7
Daimler-Benz AG	177	183	188	200	226	238	251	278	296	306	+ 3.2
Production											
Federal Republic of Germany	3,890	3,933	3,521	3,578	3,761	3,878	3,790	4,167	4,311	4,374	+ 1.5
Daimler-Benz AG	393	422	429	441	458	476	478	541	594	598	+ 0.7
Export Share of Production in %											
Federal Republic of Germany	49.0	50.8	53.2	54.5	58.3	56.4	58.9	61.6	58.5	56.0	
Daimler-Benz AG	44.9	43.4	43.8	45.4	49.3	50.0	52.5	51.4	49.9	51.1	
Commercial Vehicles ¹⁾											
New Commercial Vehicle Registrations											
Federal Republic of Germany	156	170	176	149	124	144	130	134	143	153	+ 6.7
Daimler-Benz AG	80	88	86	69	58	66	58	60	58	60	+ 4.0
Exports ²⁾											
Federal Republic of Germany	169	178	211	204	204	166	156	178	173	156	- 10.0
Daimler-Benz AG	93	97	116	122	126	92	82	80	79	83	+ 5.5
Production ²⁾											
Federal Republic of Germany	296	317	358	319	301	277	255	279	286	260	- 9.0
Daimler-Benz AG	173	189	203	196	187	157	143	143	146	145	- 0.8
Daimler-Benz group	240	256	273	269	244	205	205	214	226	234	+ 3.4
Export Share of Production in % ²⁾											
Federal Republic of Germany	57.1	56.2	58.9	63.9	67.6	59.9	61.0	63.7	60.6	59.9	
Daimler-Benz AG	53.8	51.4	57.3	62.0	67.1	58.7	57.5	55.8	54.2	57.6	

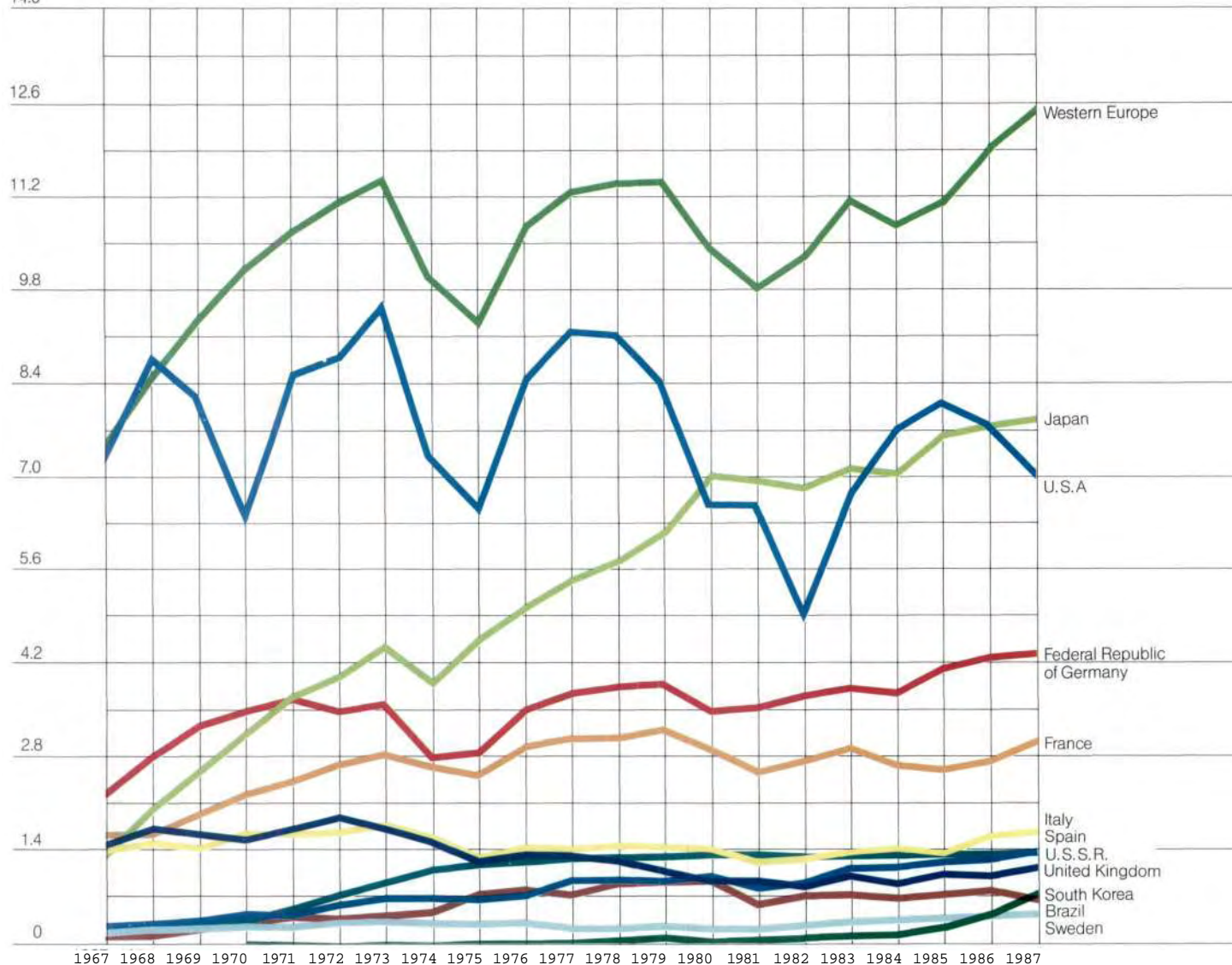
¹⁾ Figures of Daimler-Benz are inclusive of Unimog vehicles and MB-trac.

²⁾ Kits destined for assembly abroad, from 1983 on, no longer included in total production.

Car Production of Leading Countries

108

(in millions of units)
14.0



Share of world production in %

Export share of production in %

1965	1970	1975	1980	1983	1984	1985	1986	1987	1965	1970	1975	1980	1983	1984	1985	1986	1987	
14.2	15.6	11.5	12.0	12.8	12.2	12.7	12.9	13.0	51.9	55.2	50.8	53.2	56.4	58.9	61.6	58.5	56.0	Fed. Rep. of Germany
7.1	9.9	10.1	10.0	9.8	8.8	8.0	8.3	9.1	37.0	52.6	53.5	52.1	54.5	56.4	58.5	55.9	55.1	France
8.9	7.0	5.0	3.3	3.5	2.9	3.2	3.1	3.4	36.4	43.3	40.7	37.5	26.2	24.1	22.9	19.8	20.9	United Kingdom
5.7	7.5	5.4	4.9	4.6	4.6	4.2	5.0	5.1	28.2	37.0	49.0	35.4	35.2	33.4	32.4	36.5	37.4	Italy
0.8	2.0	2.8	3.6	3.8	3.8	3.8	3.8	4.2	.	8.2	22.1	47.8	56.1	60.1	64.0	55.9	50.1	Spain
0.9	1.2	1.2	0.8	1.1	1.2	1.2	1.3	1.3	48.5	65.5	68.7	80.2	79.5	80.7	76.6	81.7	80.2	Sweden
1.1	1.5	4.8	4.5	4.4	4.3	4.1	4.0	4.1	.	.	.	.	.	.	.	.	.	U.S.S.R.
3.6	14.0	18.1	24.0	23.7	22.8	23.4	23.4	23.5	14.5	22.8	40.0	56.1	53.2	56.2	57.9	58.6	57.1	Japan
.	.	.	.	0.0	1.0	0.8	1.4	2.4	.	.	.	.	.	.	45.1	65.4	67.5	South Korea
48.6	28.9	26.6	21.8	22.4	25.1	25.0	23.5	21.1	2.2	5.5	9.5	8.8	7.9	7.6	8.1	8.3	8.4	U.S.A.
0.5	1.5	3.1	3.4	2.6	2.3	2.4	2.5	2.1	.	.	6.8	11.8	17.2	21.5	20.7	16.6	40.2	Brazil

Car Industry of Leading Countries

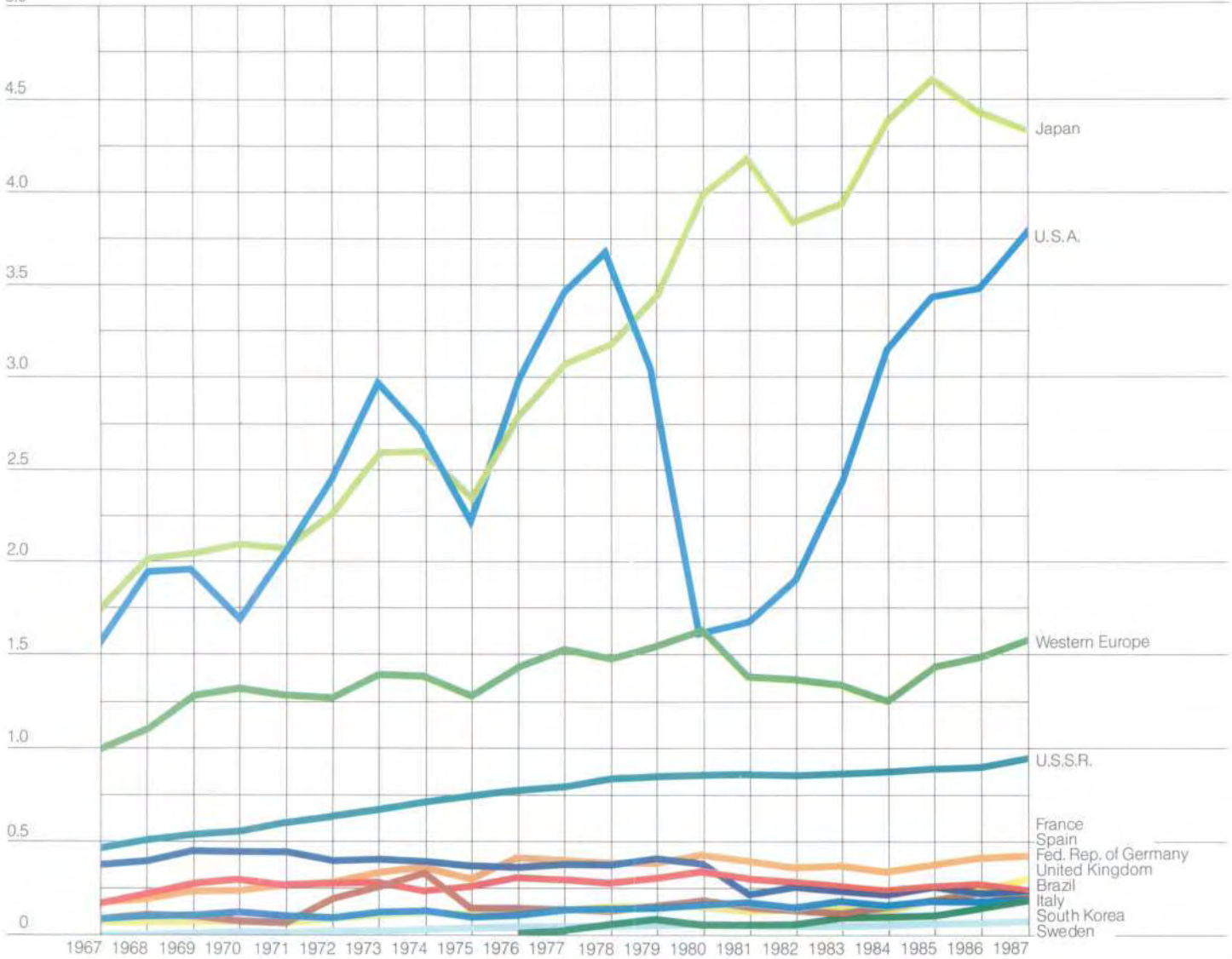
109

	In thousands of units						Percentage changes as compared to prior year					
	1978	1983	1984	1985	1986	1987 ¹⁾	1978	1983	1984	1985	1986	1987 ¹⁾
Worldwide Production	31,715	30,236	30,971	32,738	33,327	33,580	+ 3	+11	+ 2	+ 6	+ 2	+ 1
Federal Republic of Germany												
New car registrations	2,664	2,427	2,394	2,379	2,829	2,916	+ 4	+13	- 1	- 1	+ 19	+ 3
Imports	1,054	1,056	1,091	1,066	1,288	1,344	+11	+28	+ 3	- 2	+ 21	+ 4
Exports	1,904	2,189	2,233	2,568	2,520	2,451	- 2	- 0	+ 2	+15	- 2	- 3
of which: to Europe	1,289	1,748	1,696	1,934	1,953	1,891	- 1	- 2	- 3	+14	+ 1	- 3
to U.S.A.	412	278	366	439	446	376	-12	+ 8	+32	+20	+ 2	- 16
Production	3,890	3,878	3,790	4,167	4,311	4,374	+ 3	+ 3	- 2	+10	+ 3	+ 1
France												
New car registrations	1,945	2,018	1,758	1,766	1,912	2,105	+ 2	- 2	-13	+ 0	+ 8	+ 10
Imports	572	975	898	978	989	1,105	- 2	- 2	- 8	+ 9	+ 1	+ 12
Exports	1,579	1,614	1,530	1,539	1,551	1,681	- 3	+10	- 5	+ 1	+ 1	+ 8
of which: to Europe	1,290	1,100	1,066	1,159	1,323	1,476	- 3	+ 1	- 3	+ 9	+14	+ 12
Production	3,111	2,961	2,713	2,632	2,773	3,052	+ 1	+ 7	- 8	- 3	+ 5	+ 10
United Kingdom												
New car registrations	1,594	1,794	1,751	1,834	1,885	2,016	+20	+15	- 2	+ 5	+ 3	+ 7
Imports	802	1,076	1,020	1,072	1,072	1,030	+15	+15	- 5	+ 5	- 0	- 4
Exports	466	274	219	240	201	239	- 2	-13	- 9	+10	- 16	+ 19
of which: to Europe	155	111	99	138	143	157	-18	-20	-11	+40	+ 3	+ 10
Production	1,257	1,045	909	1,048	1,019	1,143	- 5	+18	-13	+15	- 3	+ 12
Italy												
New car registrations	1,194	1,452	1,592	1,746	1,796	1,950	- 2	-22	+10	+ 7	+ 3	+ 9
Imports	516	639	758	846	805	942	+11	-25	+19	+12	- 5	+ 17
Exports	640	492	481	450	603	641	- 1	+12	- 2	- 6	+ 34	+ 6
of which: to Europe	483	449	433	408	540	540	- 6	-17	- 4	- 6	+ 33	+ 9
Production	1,509	1,396	1,439	1,389	1,652	1,713	+ 5	+ 8	+ 3	- 4	+ 19	+ 4
Sweden												
New car registrations	200	217	231	263	270	316	+17	- 1	+ 6	+14	+ 3	+ 17
Imports	132	163	178	190	183	223	-24	- 3	+ 9	+ 7	- 4	+ 22
Exports	207	274	301	307	344	346	+14	+18	+10	+ 2	+ 12	+ 1
of which: to Europe	110	116	126	123	142	139	+ 5	+13	+ 8	- 2	+ 15	- 2
Production	254	345	373	401	421	432	+ 8	+17	+ 8	+ 8	+ 5	+ 2
Spain												
Exports	373	613	708	762	717	702	+19	+24	+15	+ 8	- 6	- 2
Production	986	1,142	1,177	1,230	1,282	1,403	- 0	+23	+ 3	+ 5	+ 4	+ 9
U.S.S.R.												
Production	1,312	1,315	1,327	1,332	1,335	1,390	+ 3	+ 1	+ 1	+ 0	+ 0	+ 4
Japan												
New car registrations	2,857	3,136	3,095	3,104	3,146	3,275	+14	+ 3	- 1	+ 0	+ 1	+ 4
Imports	55	37	44	52	73	104	+32	+ 6	+18	+18	+ 41	+ 42
Exports	2,819	3,806	3,981	4,427	4,573	4,508	+ 3	+ 1	+ 5	+11	+ 3	- 1
of which: to Europe	648	1,037	1,037	1,086	1,320	1,409	- 2	+16	- 0	+ 5	+ 21	+ 7
to U.S.A.	1,440	1,772	1,939	2,216	2,348	2,205	+ 5	+ 2	+ 9	+14	+ 6	- 6
Production	5,748	7,152	7,073	7,647	7,810	7,891	+10	+ 4	- 1	+ 8	+ 2	+ 1
South Korea												
Exports	.	.	.	119	299	535	.	.	.	.	+151	+ 97
Production	.	122	159	264	457	793	.	+29	+30	+67	+ 73	+ 73
U.S.A.												
New car registrations	10,946	8,924	10,118	10,889	11,140	10,122	+ 1	+15	+13	+ 8	+ 2	- 9
Imports	1,954	2,387	2,439	2,838	3,328	3,197	- 1	+ 7	+ 2	+16	+ 17	- 4
Exports	672	554	616	704	648	599	- 2	+53	+11	+14	- 3	- 8
Production	9,177	6,781	7,773	8,185	7,829	7,099	- 0	+34	+15	+ 5	- 4	- 9
Brazil												
New car registrations	800	610	533	603	673	412	+18	+10	-13	+13	+ 12	- 39
Exports	79	133	152	161	138	281	+42	+10	+14	+ 6	- 14	+104
Production	875	774	707	777	832	697	+20	+ 7	- 9	+10	+ 7	- 16

¹⁾ Partially estimated.

Commercial Vehicle Industry of Leading Countries

(in millions of units)
5.0



Share of world production in %

Export share of production in %

1965	1970	1975	1980	1983	1984	1985	1986	1987	1965	1970	1975	1980	1983	1984	1985	1986	1987
4.9	4.9	3.6	3.8	2.8	2.3	2.3	2.3	2.0	44.5	50.1	63.8	58.9	59.9	61.0	63.8	60.5	59.9
3.8	4.0	4.0	4.6	3.8	3.1	3.2	3.4	3.4	22.7	37.6	43.4	40.5	38.1	42.1	41.9	42.7	38.7
9.2	7.1	4.9	4.1	2.5	2.0	2.2	1.9	1.9	36.5	37.7	47.2	31.3	37.5	34.0	19.5	19.2	28.4
1.4	2.1	1.4	1.7	1.8	1.4	1.5	1.4	1.5	26.8	28.9	44.7	48.7	60.9	63.6	63.0	64.3	62.7
1.5	1.4	1.5	1.6	1.5	1.2	1.5	2.0	2.4	.	11.3	14.5	29.8	25.0	31.5	36.7	38.6	32.8
0.5	0.5	0.6	0.7	0.5	0.5	0.5	0.5	0.5	55.9	72.3	79.2	84.1	88.0	93.6	78.3	75.9	78.5
8.4	8.9	9.8	9.2	8.9	7.9	7.4	7.3	7.4	.	.	.	.	.	.	.	.	.
23.8	32.7	30.4	42.0	40.3	39.0	38.1	35.9	33.9	7.9	17.1	35.8	50.4	47.1	48.5	49.8	45.7	41.2
.	.	.	.	1.0	1.0	0.9	1.2	1.5	.	.	.	.	.	.	3.5	4.9	5.9
36.4	26.8	29.1	17.2	24.8	28.1	28.5	28.2	29.6	7.5	7.3	11.9	12.4	6.3	6.0	6.7	7.5	8.2
1.7	1.3	1.9	1.9	1.2	1.4	1.6	1.8	1.7	.	.	13.3	22.8	29.3	28.2	25.9	20.1	31.0

- Fed. Rep. of Germany
- France
- United Kingdom
- Italy
- Spain
- Sweden
- U.S.S.R.
- Japan
- South Korea
- U.S.A.
- Brazil

Commercial Vehicle Industry of Leading Countries

111

	In thousands of units						Percentage changes as compared to prior year					
	1978	1983	1984	1985	1986	1987 ¹⁾	1978	1983	1984	1985	1986	1987 ¹⁾
Worldwide Production	10,734	9,838	11,267	12,136	12,398	12,840	+ 5	+ 7	+15	+ 8	+ 2	+ 4
Federal Republic of Germany²⁾												
New vehicle registrations	156	144	130	134	143	153	+13	+17	-10	+ 3	+ 7	+ 7
Imports	35	49	48	54	63	67	+21	+33	- 2	+13	+17	+ 6
Exports	169	166	156	178	173	156	-10	-19	- 6	+14	- 3	-10
of which: to Europe	99	119	121	150	156	140	-10	+ 5	+ 2	+25	+ 4	-10
Production	296	277	255	279	286	260	- 6	- 8	- 8	+ 9	+ 3	- 9
France												
New vehicle registrations	300	346	316	342	391	418	+ 0	- 5	- 9	+ 8	+14	+ 7
Imports	87	132	122	170	172	193	-11	+ 4	- 8	+39	+ 2	+12
Exports	153	143	147	161	180	171	+ 3	+ 2	+ 3	+10	+12	- 5
of which: to Europe	80	79	83	106	135	134	+13	+13	+ 5	+27	+27	- 1
Production	397	375	349	384	422	441	- 5	+ 1	- 7	+10	+10	+ 5
United Kingdom												
New vehicle registrations	262	268	269	287	291	313	+14	+16	+ 0	+ 7	+ 2	+ 7
Imports	47	97	103	109	102	105	+26	+37	+ 6	+ 6	- 6	+ 3
Exports	142	92	77	52	44	70	-26	+ 1	-17	-33	-15	+59
of which: to Europe	75	32	28	30	37	46	-19	-20	-13	+ 7	+23	+24
Production	385	245	225	266	229	247	- 0	- 9	- 8	+18	-14	+ 8
Italy												
New vehicle registrations	93	112	122	114	137	161	-17	-26	+ 9	- 7	+21	+17
Imports	58	49	61	66	47	59	- 2	-20	+24	+ 8	-29	+26
Exports	75	109	103	116	115	125	+ 7	+21	- 6	+13	- 1	+ 8
of which: to Europe	60	96	90	101	107	117	+20	+21	- 5	+12	+ 6	+ 9
Production	148	180	162	184	179	199	+ 3	+16	-10	+14	- 3	+11
Sweden												
New vehicle registrations	17	18	20	23	25	30	-15	- 4	+12	+13	+ 7	+24
Imports	18	16	17	19	21	27	-15	+ 1	+ 6	+12	+13	+29
Exports	42	46	55	47	50	55	+ 4	-12	+21	-15	+ 6	+10
of which: to Europe	28	30	34	35	42	45	+ 3	+ 0	+13	+ 5	+20	+ 7
Production	51	52	59	60	66	70	- 0	- 4	+14	+ 2	+10	+ 6
Spain												
Exports	45	26	33	69	97	99	+12	-37	+27	+106	+41	+ 2
Production	158	147	132	188	251	302	+55	+ 4	-10	+42	+34	+20
U.S.S.R.												
Production	839	874	887	900	910	955	+ 5	+ 1	+ 1	+ 1	+ 1	+ 5
Japan												
New vehicle registrations	1,825	2,247	2,341	2,453	2,562	2,744	+ 8	+ 2	+ 4	+ 5	+ 4	+ 7
Imports	1	1	1	1	1	2	+ 4	-53	+ 6	- 0	-14	+100
Exports	1,451	1,863	2,129	2,304	2,032	1,797	+12	+ 2	+14	+ 8	-12	-12
of which: to Europe	95	224	220	266	241	235	- 0	+ 5	- 2	+21	- 9	- 4
to U.S.A.	.	537	728	917	1,085	880	.	+30	+36	+26	+18	-19
Production	3,186	3,960	4,392	4,624	4,450	4,358	+ 7	+ 3	+11	+ 5	- 4	- 2
South Korea												
Exports	.	.	.	4	7	11	.	.	.	.	+92	+48
Production	.	99	107	114	144	187	.	+43	+ 8	+ 7	+26	+29
U.S.A.												
New vehicle registrations	3,963	2,977	4,049	4,675	4,801	4,939	+13	+22	+36	+16	+ 3	+ 3
Imports	377	785	1,025	1,275	1,310	1,226	+67	+12	+31	+24	+ 3	- 7
Exports	291	154	191	231	263	312	+11	+21	+24	+21	+14	+19
Production	3,723	2,441	3,161	3,463	3,502	3,806	+ 7	+28	+30	+10	+ 1	+ 9
Brazil												
New vehicle registrations	170	119	143	160	193	168	- 1	-12	+21	+12	+21	-13
Exports	18	36	44	49	45	69	+31	-32	+24	+12	- 9	+54
Production	187	122	158	190	224	223	+ 0	-12	+29	+20	+18	- 0

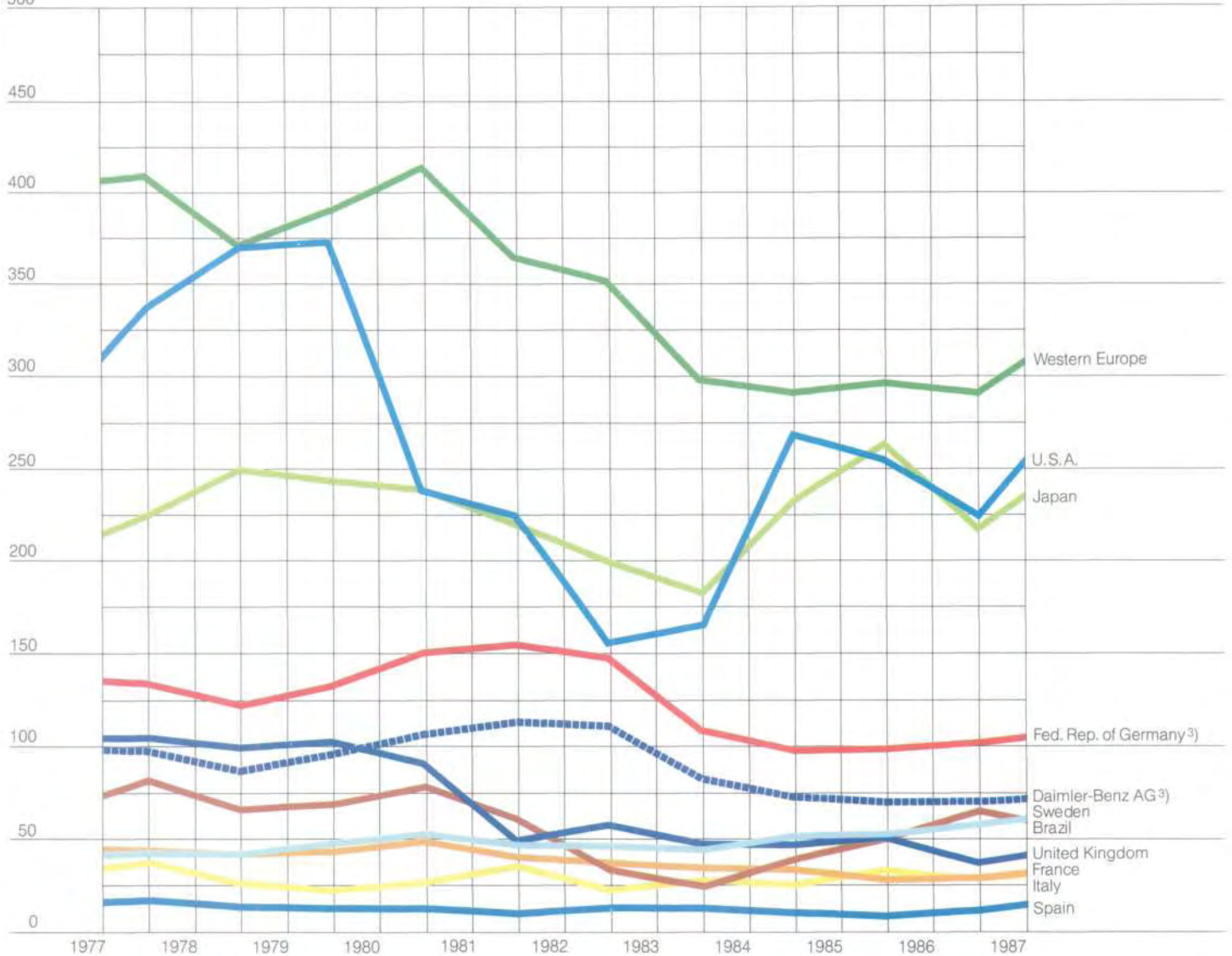
Note: Because of oftentimes substantial deviations in the definition of the term „commercial vehicle“, and of the varying product offerings, comparability is restricted.

¹⁾ Partially estimated.

²⁾ Kits destined for assembly abroad, from 1983 on, no longer included in total production.

Commercial Vehicle Production of Leading Countries

(in millions of units)
500



Share of production of countries shown 1) in %					Export share of production in %				
1983	1984	1985	1986	1987	1983	1984	1985	1986	1987
40.6	32.1	34.1	36.0	35.6	.	.	.	.	.
15.0	11.0	11.5	12.8	12.3	59.6	59.8	55.7	53.0	58.1
11.4	8.3	8.2	8.8	8.5	64.6	60.9	55.1	52.4	57.5
4.8	3.8	3.3	3.7	3.7	48.2	53.0	50.4	44.2	44.2
6.6	5.3	6.0	4.7	4.8	41.6	33.5	31.4	27.1	14.3
4.0	3.1	3.9	3.7	3.6	66.0	60.6	60.5	71.7	62.0
1.9	1.3	1.1	1.6	1.8	35.5	29.2	14.1	9.2	16.2
6.3	5.9	6.2	7.3	7.2	89.1	94.7	92.2	93.0	92.6
24.9	25.6	30.3	27.0	27.2	38.2	35.5	46.5	42.0	19.4
22.6	29.8	29.3	28.0	29.4	2.5	1.2	1.0	1.3	1.3
3.5	3.9	5.8	8.3	7.1	.	.	.	.	.
1.8	2.1	2.4	3.4	3.1	14.6	31.5	18.8	21.8	29.7

Note: Trucks over 6 tonnes GVW

1) Countries included: Western Europe, U.S.A., Japan, Argentina, Brazil.

2) Mercedes-Benz do Brasil.

3) Kits destined for assembly abroad, from 1983 on, no longer included in total production.

Truck Industry of Leading Countries

113

	In thousands of units						Percentage changes as compared to prior year					
	1978	1983	1984	1985	1986	1987 ¹⁾	1978	1983	1984	1985	1986	1987 ¹⁾
Western Europe	375	301	293	300	293	310	- 9	-15	- 3	+ 2	- 2	+ 6
Production												
Federal Republic of Germany²⁾												
New vehicle registrations	60	47	43	45	47	50	+24	+26	- 7	+ 3	+ 5	+ 7
Exports	71	66	60	56	55	62	-13	-27	- 9	- 6	- 2	+ 12
Production	126	111	101	101	105	107	- 5	-16	-10	+ 1	+ 3	+ 2
of which: Daimler-Benz AG	90	85	76	73	72	74	- 6	-12	-11	- 4	- 1	+ 3
France												
New vehicle registrations	38	39	40	34	39	45	- 8	+ 1	+ 3	-15	+15	+ 16
Exports	22	17	18	15	13	14	- 2	-10	+ 7	-20	- 8	+ 7
Production	43	35	34	29	30	32	- 5	- 9	- 3	-16	+ 5	+ 7
United Kingdom												
New vehicles registrations	63	45	49	51	49	54	+15	+12	+ 7	+ 5	- 4	+ 9
Exports	47	21	16	16	10	6	-24	-34	- 22	+ 2	-37	- 42
Production ³⁾	103	49	48	52	38	42	- 5	-18	- 3	+ 9	-27	+ 9
Italy												
New vehicle registrations	18	17	17	18	22	24	-31	-11	+ 1	+10	+18	+ 10
Exports	23	19	19	21	22	20	-17	+27	- 3	+11	+ 5	- 9
Production	28	30	28	34	29	32	-30	+23	- 6	+22	-15	+ 10
Sweden												
New vehicle registrations	6	5	5	6	5	7	-16	+ 5	+ 1	+17	- 5	+ 20
Exports	38	42	51	50	55	58	+ 4	-11	+ 22	- 2	+11	+ 5
Production	44	47	54	54	59	63	- 2	- 4	+ 15	+ 1	+10	+ 6
Spain												
Exports	.	5	3	1	1	3	.	- 0	- 34	-57	-14	+120
Production	16	14	12	10	13	16	-18	- 6	- 16	-16	+32	+ 25
Japan												
Exports	79	71	83	124	92	46	+24	-12	+ 18	+49	-25	- 50
Production	216	185	234	266	220	237	- 5	- 9	+ 27	+14	-17	+ 8
U.S.A.												
New vehicle registrations	345	177	255	284	258	279	+ 7	+ 2	+ 44	+11	- 9	+ 8
Exports ⁴⁾	42	4	3	3	3	3	- 2	-63	- 22	-21	+ 6	+ 16
Production	374	168	272	258	228	256	+10	+ 6	+ 62	- 5	-12	+ 12
Brazil												
New vehicle registrations	80	34	42	55	70	55	-12	-16	+ 23	+30	+28	- 21
Exports	.	3	6	7	12	21	.	-39	+129	+ 5	+66	+ 86
Production	68	26	36	51	68	62	-18	-24	+ 37	+44	+32	- 9
of which: Mercedes-Benz do Brasil	37	14	19	21	27	27	+11	-28	+ 36	+13	+29	- 2

Note: Trucks over 6 tonnes GVW

¹⁾ Partially estimated.

²⁾ Kits destined for assembly abroad, from 1983 on, no longer included in total production.

³⁾ 7 tonnes and above.

⁴⁾ 6.35 tonnes and above (factory sales) including Canada.

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