

Report of the Supervisory Board

In five meetings during the 2002 financial year, the Supervisory Board dealt in detail with the business situation of DaimlerChrysler, the future strategic development of the Group and its business units, and various other issues, and also discussed these matters with the Board of Management.

The Presidential Committee met three times in 2002, primarily to deal with Board of Management issues, but also with questions of corporate governance, and to prepare the plenary meetings. The Audit Committee convened three times with the external auditors to discuss the financial statements for 2001, the financial statements for the first half of 2002, and, for the first time, the interim report on the third quarter. After receiving the approval of the Annual Shareholders' Meeting, the Audit Committee engaged KPMG Deutsche Treuhand-Gesellschaft AG, Wirtschaftsprüfungsgesellschaft (KPMG), a company of auditors, to conduct the annual audit, and also determined the audit emphasis for 2002. The Mediation Committee, a body formed in accordance with the stipulations of the German Law of Industrial Codetermination, was not required to convene last year.

In its meetings the Supervisory Board was regularly and fully informed by the Board of Management regarding the situation of the company, particularly its business and financial status, the personnel situation, business developments, investment plans and questions of fundamental business policy. In addition, there was regular monthly reporting in which the Board of Management presented the company's key performance figures, and written reports were submitted on special matters. The Chairman of the Supervisory Board was also kept regularly informed of all important developments and decisions through separate discussions with the Board of Management. No conflicts of interest of any of the members of the Supervisory Board occurred during 2002.

The focus of the Supervisory Board's discussions was on the current situation of the company and the development of the individual business units against the backdrop of a difficult global economy. In this context, questions concerning the Group's automotive product portfolio were also dealt with. In connection with the commercial vehicles business, the main issue was the Asian strategy and cooperation with Mitsubishi Motors Corporation (MMC) and Hyundai Motor Company (HMC). Another topic was the further development of corporate governance at DaimlerChrysler, in view of new legislation in the United States and Germany.

In the meeting in February 2002, particular attention was paid to the annual financial statements of DaimlerChrysler AG and the consolidated financial statements. After detailed discussions, the medium-term planning for 2002 through 2004 (including investment, human-resources and earnings targets) and financing requirements for 2002 were approved. The Supervisory Board also received a detailed report on the situation and strategy of the Mercedes Car Group division. Furthermore, the Supervisory Board consented to the sale of the Austrian Eurostar plant to Magna Steyr, with the production of the minivans and the Cherokee remaining in Graz. Preparations for the Annual Shareholders' Meeting were also dealt with in detail.

In April 2002, the Supervisory Board approved the financing of capital expenditure for the construction of a new engine plant in Kölleda, Thuringia. In this plant, which will employ 500 persons, gasoline engines for Mitsubishi and smart vehicles are to be produced as a joint venture between DaimlerChrysler AG and MMC. The Board of Management provided the Supervisory Board with detailed information on the situation at EADS and the general state of the aerospace industry. The Supervisory Board passed resolutions concerning the financing of equipment for the production of the CLK convertible and the Crossfire at the Karmann company. In addition, a capital increase at Freightliner LLC was also approved.

In the July meeting, the Supervisory Board discussed the strategy of the Commercial Vehicles division. In this context it received a detailed report from the Board of Management on the division's strategic goals and their consequences, as well as on the present state of the market for commercial vehicles. The report on the first half of 2002 was presented and information was received on the engagement of KPMG as external auditors for the 2002 financial year and on the main areas of this audit as determined by the Chairman of the Supervisory Board. The Supervisory Board also consented to the closure and sale plans for some of Chrysler Group's component plants. The Supervisory Board also dealt intensively with the situation at MMC, including the progress of restructuring measures, and with general market developments in Asia.

The focus of September's meeting was on decisions concerning the Commercial Vehicles division. The Supervisory Board agreed to the acquisition of a 43% equity interest in the spun-off commercial-vehicles business of MMC. It also consented to the acquisition of a 50% stake in Hyundai Motor Company's commercial-vehicles business, also to be spun off. Within this context the Supervisory Board also dealt with the issue of financing at MMC. Important decisions were also taken on personnel matters. Klaus-Dieter Vöhringer, responsible for research and technology, retired from the Board of Management on December 31, 2002. As his successor, the Supervisory Board appointed Thomas Weber as deputy member of the Board of Management for a period of three years with effect from January 1, 2003. In view of their good work, Wolfgang Bernhard and Rüdiger Grube, both hitherto deputy members of the Board of Management, were made full members. The Board of Management informed the Supervisory Board in detail on Chrysler Group's situation and current strategic considerations, including the future product portfolio. In the context of restructuring Formula One racing activities, the gradual acquisition of a 75% ownership interest in Ilmor UK was approved.

In the last meeting of the year 2002 on December 12, following detailed discussions, the Supervisory Board approved the medium-term corporate planning for 2003 through 2005 (including investment, human-resources and earnings targets), as well as the scope of financing limits for the year 2003. Decisions were taken on the further financing of Toll Collect GmbH and debis AirFinance. In addition, the Supervisory Board received reports on regulations connected with the German Corporate Governance Code and the Sarbanes-Oxley Act, and discussed their implementation at the company. After detailed consultations, a Declaration of Compliance in accordance with Section 161 of the German Stock Corporation Law (AktG) and new Rules of Procedure for the Supervisory Board and its committees were approved.

At the end of January 2003 and following a recommendation by the Presidential Committee, the Supervisory Board took several decisions regarding the reduction of the size of the Board of Management and its rejuvenation. The appointments of Manfred Bischoff, Klaus Mangold and Gary C. Valade will expire on December 16, 2003. In addition to his own responsibilities, Rüdiger Grube will then assume the duties of Mr. Bischoff relating to the Group's investment in Mitsubishi Motors Corporation. After Mr. Mangold's departure, responsibility for the Services division will be transferred to Bodo Uebber, who was appointed deputy member of the Board of Management for a period of three years with effect from December 16, 2003. Thomas W. Sidlik, who was re-appointed for a further five years from December 16, 2003, will on that date also take over responsibility for global procurement and supply from Mr. Valade. Mr. Sidlik's present responsibility of procurement and supply for Chrysler Group will no longer be a Board of Management position. It is planned that Messrs. Bischoff, Mangold and Valade will continue to be available to the company on an advisory basis.

In order to ensure continuity in the Board of Management, also with effect from December 16, 2003, the Supervisory Board extended the appointment of Manfred Gentz for another year and the appointments of Eckhard Cordes and Dieter Zetsche for a further five years. The areas of responsibility of these three members will remain unchanged.

The DaimlerChrysler AG financial statements for 2002 and the management report were audited by KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt/Main, and certified without qualification. The same applies to the consolidated financial statements according to US GAAP. These are prepared in euros and supplemented by a management report and additional notes pursuant to Section 292a of the German Commercial Code (HGB). In accordance with Section 292a of the HGB, the US GAAP consolidated financial statements presented in this report grant exemption from the obligation to produce consolidated financial statements according to German Law.

All financial statements and the appropriation of earnings proposed by the Board of Management, as well as the auditors' reports, were submitted to the Supervisory Board. They were inspected by the Audit Committee and the Supervisory Board and discussed in the presence of the auditors. The Supervisory Board has declared itself in agreement with the results of the statutory audit and has established that there are no objections to be made.

In its meeting on February 19, 2003, the Supervisory Board approved the consolidated financial statements for 2002, approved, and thereby adopted, the financial statements of DaimlerChrysler AG for 2002, and consented to the appropriation of earnings proposed by the Board of Management.

Effective May 31, 2002, Stephen P. Yokich retired from his position as a member of the Supervisory Board representing the employees. Mr. Nate Gooden was appointed as his successor with effect from June 26, 2002.

The Supervisory Board expresses its gratitude to the management and employees of DaimlerChrysler AG for their outstanding individual efforts and achievements in 2002.

Stuttgart-Möhringen, February 2003

The Supervisory Board



Hilmar Kopper
Chairman

