Audited Combined Financial Statements of the Daimler Truck Business as of and for the fiscal years ended December 31, 2020, 2019 and 2018 in accordance with International Financial Reporting Standards (IFRS, as adopted by the EU)

Combined Financial Statements
as of and for the fiscal years ended
December 31, 2020, 2019 and 2018
in accordance with
International Financial Reporting Standards
(IFRS, as adopted by the EU)
Daimler Truck Business

Combined Financial Statements of Daimler Truck Business – Contents

Combined Statement of Income of Daimler Truck Business

D.01

	Note	**2020**	2019	2018
In millions of euros				
Revenue	**6**	**36,013**	46,244	43,700
Cost of sales	**7**	**-30,531**	-37,596	-35,445
Gross profit		**5,482**	8,648	8,255
Selling expenses	**7**	**-2,625**	-3,001	-2,745
General administrative expenses	**7**	**-1,472**	-1,686	-1,502
Research and non-capitalized development costs	**7**	**-1,423**	-1,662	-1,509
Other operating income	**8**	**726**	797	660
Other operating expense	**8**	**-200**	-214	-471
Profit/loss on equity-method investments, net	**15**	**47**	-2	41
Other financial income/expense, net	**9**	**-44**	-88	5
Earnings before interest and taxes (EBIT)	**37**	**491**	2,792	2,734
Interest income	**10**	**62**	131	74
Interest expense	**10**	**-219**	-292	-257
Profit before income taxes		**334**	2,631	2,551
Income taxes	**11**	**-465**	-881	-712
Net profit/loss		**-131**	1,750	1,839
thereof profit attributable to non-controlling interests		**12**	19	31
thereof profit/loss attributable to Daimler Group		**-143**	1,731	1,808
Earnings per share (in euros) for profit attributable to shareholders based on the target capital structure Daimler Truck Holding AG	**39**			
Basic and diluted		**-0.17**	2.10	2.20

The accompanying notes are an integral part of these Combined Financial Statements.

Combined Statement of Comprehensive Income/Loss[1] of Daimler Truck Business

D.02

	2020	2019	2018
In millions of euros			
Net profit/loss	**-131**	1,750	1,839
Currency translation adjustments	**-813**	36	113
Derivative financial instruments			
Unrealized gains/losses (pre-tax)	**122**	-136	-139
Reclassifications to profit and loss (pre-tax)	**-12**	41	-51
Taxes on unrealized gains/losses and on reclassifications	**-16**	11	57
Derivative financial instruments (after tax)	**94**	-84	-133
Items that may be reclassified to profit/loss	**-719**	-48	-20
Equity instruments			
Unrealized gains/losses (pre-tax)	**-1**	5	-9
Reclassification to retained earnings	**-2**	-	-
Taxes on unrealized gains/losses and on reclassifications	**-**	-1	4
Equity instruments (after tax)	**-3**	4	-5
Actuarial gains/losses from pensions and similar obligations (pre-tax)	**-459**	-649	-301
Taxes on actuarial gains/losses from pensions and similar obligations	**85**	-507	65
Actuarial gains/losses from pensions and similar obligations (after tax)	**-374**	-1,156	-236
Items that will not be reclassified to profit/loss	**-377**	-1,152	-241
Other comprehensive income/loss, net of taxes	**-1,096**	-1,200	-261
thereof income/loss attributable to non-controlling interests, after taxes	**-10**	7	12
thereof income/loss attributable to Daimler Group, after taxes	**-1,086**	-1,207	-273
Total comprehensive income	**-1,227**	550	1,578
thereof income/loss attributable to non-controlling interests	**2**	26	43
thereof income/loss attributable to Daimler Group	**-1,229**	524	1,535

[1] See Note 22. Equity for other information on the Combined Statement of Comprehensive Income/Loss.

The accompanying notes are an integral part of these Combined Financial Statements.

Combined Statement of Financial Position of Daimler Truck Business

D.03

	Note	At December 31, 2020	2019	2018
In millions of euros				
Assets				
Intangible assets	**12**	**1,682**	1,839	1,772
Property, plant and equipment	**13**	**7,879**	8,619	7,008
Equipment on operating leases	**14**	**3,746**	4,143	4,213
Equity-method investments	**15**	**534**	547	527
Receivables from financial services	**16**	**8,318**	9,334	8,401
Marketable debt securities and similar investments	**17**	**27**	2	2
Other financial assets	**18**	**804**	827	680
Deferred tax assets	**11**	**1,258**	1,109	1,612
Other assets	**19**	**328**	529	410
Total non-current assets		**24,576**	26,949	24,625
Inventories	**20**	**6,278**	7,551	7,725
Trade receivables	**21**	**3,487**	4,061	4,449
Receivables from financial services	**16**	**6,951**	9,345	7,989
Cash and cash equivalents		**1,663**	1,094	548
Marketable debt securities and similar investments	**17**	**5,814**	4,727	2,910
Other financial assets	**18**	**448**	601	410
Other assets	**19**	**772**	1,039	1,316
Total current assets		**25,413**	28,418	25,347
Total assets		**49,989**	55,367	49,972
Equity and liabilities				
Invested equity attributable to Daimler Group		**9,703**	10,617	9,642
Other components of equity		**-1,478**	-766	-715
Equity attributable to Daimler Group		**8,225**	9,851	8,927
Invested equity attributable to non-controlling interests		**483**	494	405
Total equity	**22**	**8,708**	10,345	9,332
Provisions for pensions and similar obligations	**25**	**3,530**	3,178	2,463
Provisions for other risks	**26**	**2,568**	2,485	2,382
Financing liabilities	**27**	**8,744**	11,495	10,046
Other financial liabilities	**28**	**2,030**	2,169	2,159
Deferred tax liabilities	**11**	**99**	95	78
Deferred income	**29**	**1,283**	1,374	1,391
Contract and refund liabilities	**30**	**1,639**	1,790	1,544
Other liabilities	**31**	**31**	11	22
Total non-current liabilities		**19,924**	22,597	20,085
Trade payables		**3,043**	3,058	3,851
Provisions for other risks	**26**	**1,719**	1,781	1,851
Financing liabilities	**27**	**11,805**	11,801	9,341
Other financial liabilities	**28**	**2,274**	3,338	3,042
Deferred income	**29**	**665**	709	736
Contract and refund liabilities	**30**	**1,295**	1,253	1,262
Other liabilities	**31**	**556**	485	472
Total current liabilities		**21,357**	22,425	20,555
Total equity and liabilities		**49,989**	55,367	49,972

The accompanying notes are an integral part of these Combined Financial Statements.

Combined Statement of Cash Flows[1] of Daimler Truck Business

D.04

	2020	2019	2018
In millions of euros			
Profit before income taxes	**334**	2,631	2,551
Depreciation and amortization/impairments	**1,335**	1,320	1,160
Other non-cash expense and income	**-61**	-	-120
Gains (-)/losses (+) on disposals of assets	**-17**	10	-2
Change in operating assets and liabilities			
Inventories	**870**	199	-989
Trade receivables	**350**	435	-296
Trade payables	**-138**	-863	882
Receivables from financial services	**1,438**	-1,849	-1,794
Vehicles on operating leases	**339**	98	-175
Other operating assets and liabilities	**318**	131	318
Dividends received from equity-method investments	**9**	12	18
Income taxes paid	**-607**	-854	-677
Cash provided by operating activities	**4,170**	1,270	876
Additions to property, plant and equipment	**-796**	-1,130	-1,221
Additions to intangible assets	**-139**	-133	-132
Proceeds from disposals of property, plant and equipment and intangible assets	**108**	59	78
Acquisition of businesses	**-64**	-153	-
Investments in shareholdings	**-31**	-41	-26
Proceeds from disposals of shareholdings	**8**	56	2
Acquisition of marketable debt securities and similar investments	**-2,593**	-4,127	-2,511
Proceeds from sales of marketable debt securities and similar investments	**1,152**	2,355	1,353
Other	**3**	-113	-270
Cash used for investing activities	**-2,352**	-3,227	-2,727
Change in short-term financing liabilities	**921**	993	-793
Additions to long-term financing liabilities	**6,986**	9,180	9,292
Repayment of long-term financing liabilities	**-8,424**	-8,165	-6,104
Dividends paid to non-controlling interests	**-**	-18	-75
Dividends paid to Daimler Group	**-14**	-985	-593
Other transactions with Daimler Group	**-604**	1,488	-215
Cash used for/provided by financing activities	**-1,135**	2,493	1,512
Effect of foreign exchange rate changes on cash and cash equivalents	**-114**	10	4
Net increase in cash and cash equivalents	**569**	546	-335
Cash and cash equivalents at beginning of period	**1,094**	548	883
Cash and cash equivalents at end of period	**1,663**	1,094	548

1 See Note 32. Combined Statement of Cash Flows for other information on Combined Statement of Cash Flows.

The accompanying notes are an integral part of these Combined Financial Statements.

Combined Statement of Changes in Equity[1] of Daimler Truck Business

D.05

In millions of euros	Invested equity attributable to Daimler Group	Other reserves: items that may be reclassified in profit/loss – Currency translation	Other reserves: items that may be reclassified in profit/loss – Equity instruments/ debt instruments
Balance at January 1, 2018	**8,804**	**-852**	**23**
Net profit	1,808	-	-
Other comprehensive income/loss before taxes	-301	101	-9
Deferred taxes on other comprehensive income	65	-	4
Total comprehensive income/loss	1,572	101	-5
Dividends to Non-controlling interests	-	-	-
Transactions with Daimler Group	-757	-	-
Other	23	-	-
Balance at December 31, 2018	**9,642**	**-751**	**18**
Balance at January 1, 2019	9,642	-751	18
Net profit	1,731	-	-
Other comprehensive income/loss before taxes	-649	29	5
Deferred taxes on other comprehensive income	-507	-	-1
Total comprehensive income/loss	575	29	4
Dividends to Non-controlling interests	-	-	-
Transactions with Daimler Group	392	-	-
Other	8	-	-
Balance at December 31, 2019	10,617	-722	22
Balance at January 1, 2020	**10,617**	**-722**	**22**
Net profit	**-143**	**-**	**-**
Other comprehensive income/loss before taxes	**-459**	**-803**	**-3**
Deferred taxes on other comprehensive income	**85**	**-**	**-**
Total comprehensive income/loss	**-517**	**-803**	**-3**
Transactions with Daimler Group	**-416**	**-**	**-**
Other	**19**	**-**	**-**
Balance at December 31, 2020	**9,703**	**-1,525**	**19**

1 See Note 22. Equity for other information on changes in equity.

The accompanying notes are an integral part of these Combined Financial Statements.

Derivative financial instruments	**Total invested equity attributa-ble to Daimler Group**	Invested Equity attributable to Non-controlling interests	**Total equity**	
				In millions of euros
151	**8,126**	**490**	**8,616**	**Balance at January 1, 2018**
-	1,808	31	1,839	Net profit
-190	-399	12	-387	Other comprehensive income/loss before taxes
57	126	-	126	Deferred taxes on other comprehensive income
-133	1,535	43	1,578	Total comprehensive income/loss
-	-	-75	-75	Dividends to Non-controlling interests
-	-757	-57	-814	Transactions with Daimler Group
-	23	4	27	Other
18	**8,927**	**405**	**9,332**	**Balance at December 31, 2018**
18	8,927	405	9,332	**Balance at January 1, 2019**
-	1,731	19	1,750	Net profit
-95	-710	7	-703	Other comprehensive income/loss before taxes
11	-497	-	-497	Deferred taxes on other comprehensive income
-84	524	26	550	Total comprehensive income/loss
-	-	-18	-18	Dividends to Non-controlling interests
-	392	64	456	Transactions with Daimler Group
-	8	17	25	Other
-66	9,851	494	10,345	**Balance at December 31, 2019**
-66	**9,851**	**494**	**10,345**	**Balance at January 1, 2020**
-	**-143**	**12**	**-131**	Net profit
110	**-1,155**	**-10**	**-1,165**	Other comprehensive income/loss before taxes
-16	**69**	**-**	**69**	Deferred taxes on other comprehensive income
94	**-1,229**	**2**	**-1,227**	Total comprehensive income/loss
-	**-416**	**-21**	**-437**	Transactions with Daimler Group
-	**19**	**8**	**27**	Other
28	**8,225**	**483**	**8,708**	**Balance at December 31, 2020**

The accompanying notes are an integral part of these Combined Financial Statements.

Notes to the Combined Financial Statements of Daimler Truck Business

1. General information

Background

Daimler Group is a vehicle manufacturer with a world-wide product range of premium cars and commercial vehicles. Its product portfolio is rounded out by a range of financial services and mobility services. Daimler AG is the Group‘s ultimate parent company with its registered office located at Mercedes-Benz Straße 120, 70372 Stuttgart, Germany (hereafter also referred to as DAG). It is a stock corporation organized under the laws of the Federal Republic of Germany and is registered with the commercial register of the District Court of Stuttgart under No. HRB 19360.

On February 3, 2021, the Supervisory Board and the Board of Management of Daimler AG announced the plan for a fundamental change in its structure of Daimler AG and its subsidiaries (the “Daimler Group”). The intention of this change is to establish two independent companies and to unlock the full potential of its businesses in a zero-emissions, software-driven future. At an extraordinary meeting the Supervisory Board granted its approval for the Board of Management’s decision to evaluate a spin-off of Daimler Group’s Trucks & Buses as defined below and to begin preparations for a separate stock-exchange listing of the future Daimler Truck group with Daimler Truck Holding AG (“DTHAG”) as the listed holding company (hereafter referred to as the “Daimler Truck Group”). As result of such spin-off, a substantial majority shareholding in Daimler Truck Group is to be transferred to DAG’s shareholders allowing for a deconsolidation. The Daimler Truck Group shall have a fully independent management and a stand-alone corporate governance. Daimler AG would seek Supervisory Board representation at Daimler Truck Group in line with the intended deconsolidation. On July 30, 2021, the Board Members and Supervisory Board members of DAG, DaimlerTruck AG, Mercedes-Benz AG and Daimler Mobility AG and the Board Members of DTHAG approved the decision to separate the Daimler Truck Group by means of a spin-off. After the planned spin-off Daimler Group will retain an minority interest of 35% in Daimler Truck Holding AG and intends to transfer an interest in Daimler Truck Holding AG in the amount of 5% to Daimler Pension Trust e.V., which will hold the shares in trust for Daimler AG or Mercedes-Benz AG, if necessary via a special fund, as security assets. A spin-off requires the approval of an extraordinary shareholders' meeting of Daimler AG, which is planned to be held on October 1, 2021 for a listing at the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse or the “stock exchange”), Germany, to be completed before year-end 2021.

In this context, it is planned to separate the commercial vehicle business (“Daimler Trucks & Buses”) along with the related financial services activities (“Daimler Trucks Financial Services”) from Daimler Group in a sequence of steps, including

(i) The completion of the legal reorganization of substantial parts of Daimler Trucks & Buses and dedicated parts of Daimler Trucks Financial Services (as such together referred to as the “Daimler Truck Business”) to establish the Daimler Truck Group within the Daimler Group up until the spin-off,

(ii) spin-off of a majority shareholding of 65.00% in Daimler Truck AG and the hive down of a 28.43% minority shareholding in Daimler Truck AG (together the legal demerger),

(iii) the contribution of a 6.57% shareholding in Daimler Truck AG into Daimler Truck Holding AG by Daimler Verwaltungsgesellschaft für Grundbesitz mbH, Schönefeld (consisting of the new Daimler Truck shares received as consideration for the contribution of the so called Gamma OHGs (see Note 2 below) and 1,000 Daimler Truck shares issued in February 2021)

(iv) the public listing of Daimler Truck Holding AG on the stock exchange, and

(v) the transfer of additional parts of Daimler Trucks & Buses and Daimler Trucks Financial Services to the Daimler Truck Group after the listing.

In contemplation of the spin-off and subsequent listing the Daimler Truck Holding AG with registered office in Stuttgart (hereafter also referred to as DTHAG), was founded by a Daimler Group company on March 25, 2021, and sold to Daimler AG in July 2021. Daimler Truck Holding AG is a stock corporation organized under the laws of the Federal Republic of Germany and is registered with the commercial register of the District Court of Stuttgart under No. HRB 778600. Daimler Truck Holding AG will be the issuer of the new shares and the ultimate parent company of the new stand-alone Daimler Truck Group, with Daimler Truck AG, Stuttgart (also referred as to “DTAG”), as a subsidiary and being the lead operating company that bundles the Daimler Truck Business at the time of the spin-off.

Accordingly, the separation and formation of the two independently operating companies after the balance sheet date December 31, 2020 is intended to be executed in two phases.

- The first phase includes reorganization measures and transfers of legal entities and operations of Daimler Trucks & Buses and Daimler Trucks Financial Services to DTAG and to subsidiaries of DTAG that will be executed by the time of the spin-off, that is, the date at which the legal demerger becomes effective i.e. the date at which the demerger will have been entered into the commercial register of Daimler AG at the District Court of Stuttgart, planned to be early December 2021. From the date of the spin-off Daimler Truck Group constitutes a stand-alone group in accordance with IFRS 10. At the same time, Daimler Group will lose control of the Daimler Truck Group.

- The second phase includes reorganization measures and transfers of certain remaining legal entities and operations of Daimler Trucks & Buses and Daimler Trucks Financial Services to DTAG that will be implemented after the planned listing of Daimler Truck Holding AG. Accordingly, only legal entities and operations transferred in the first phase will be part of the Daimler Truck Group at the time of the spin-off and stock exchange listing.

Further details on the legal reorganization under common control of Daimler AG up until the spin-off are provided in Note 2. Basis of preparation and Note 42. Events after the reporting period. The respective transfers are referred to as “Phase 1” transfers, whereas transfers that shall be conducted effectively after the listing, and as such then constitute third party transactions, are referred to as “Phase 2” transfers.

The listing on the stock exchange is contemplated to take place immediately after the legal demerger in early December 2021 and is dependent on the ability to resolve possible actions for avoidance taken by shareholders. The demerger will be conducted by way of a spin-off and a simultaneous hive-down of DAG’s shareholding in DTAG into Daimler Truck Holding AG (Abspaltung und Ausgliederung zur Aufnahme), with the (i) issuance of new shares in Daimler Truck Holding AG to the shareholders of Daimler AG (Abspaltung) and the (ii) issuance of new shares in Daimler Truck Holding AG to DAG (Ausgliederung) in exchange for the transfer of the investment.

Spin-off and hive-down are to be approved by the shareholders’ meetings of Daimler AG on October 1, 2021 and of DTHAG scheduled for early November, 2021. The subject of the demerger will be the shares in Daimler Truck AG held by Daimler AG.

However, immediately after the spin-off and the hive-down, DTHAG will issue additional new shares to Daimler Verwaltungsgesellschaft für Grundbesitz mbH, Schönefeld (“Daimler Grund”), a direct and fully owned subsidiary of Daimler AG, in exchange for a capital contribution in kind by Daimler Grund into DTHAG, that is a contribution of its shareholding in Daimler Truck AG as further discussed in Note 2. Basis of Preparation – Special Considerations.

Accordingly, DTHAG will be the issuer of the new shares. The shares are to be admitted to trading on the regulated market segment (regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), Germany, with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange.

According to the Commission Delegated Regulation (EU) 2019/980 (the "Regulation"), an issuer must present audited historical financial information covering the latest three financial years in a securities prospectus for the contemplated listing on the stock exchange. Given that the Daimler Truck Business was not a group in accordance with IFRS 10 prior to the completion of the legal reorganization and due to the significant restructuring in the context of the legal reorganization, DTHAG has a “Complex Financial History” according to the Regulation as there is no historical financial information for the Daimler Truck Group as of and for the fiscal years ended December 31, 2020, 2019 and 2018 that reflects the entire operations of Daimler Truck Group.

Therefore, Daimler AG’s management has prepared Combined Financial Statements as of and for the fiscal years ended December 31, 2020, 2019 and 2018 (the “Combined Financial Statements”), which in general reflect the Daimler Truck Business, i.e. Daimler Trucks & Buses and Daimler Trucks Financial Services, that will have been transferred to DTAG and its subsidiaries by the time of the spin-off (Phase 1). The legal entities and operations of Daimler Trucks & Buses and Daimler Trucks Financial Services that will be transferred after spin-off and listing (Phase 2) are not reflected in the Combined Financial Statements. Detailed information on the scope of combination is given in Note 2. Basis of preparation, Note 42. Events after the reporting period and in Note 43. Scope of combination.

The Combined Financial Statements comprise the Combined Statement of Financial Position as of December 31, 2020, 2019 and 2018, Combined Statement of Income, Combined Statement of Comprehensive Income, Combined Statement of Changes in Equity, Combined Statement of Cash Flows and the Notes to the Combined Financial Statements for the fiscal years 2020, 2019 and 2018, prepared on a going concern basis.

The Combined Financial Statements are presented in Euros. Amounts are stated in millions of Euros, except where otherwise indicated. Rounding differences may arise when individual amounts or percentages are added together.

The Combined Financial Statements were prepared and authorized for issuance on August 9, 2021 by the Boards of Management of Daimler AG and Daimler Truck AG.

Description of the Daimler Truck Group

Daimler Trucks & Buses develops, manufactures and distributes trucks and buses and provides services to its customers. Trucks are distributed under the brand names Mercedes-Benz, Freightliner, FUSO, Western Star and BharatBenz. Furthermore, buses under the brands SETRA, Mercedes-Benz, Thomas Built Buses and FUSO are included in the product range of Daimler Trucks & Buses which sells its buses either completely built-up as well as the bus chassis only.

Daimler Trucks Financial Services supports the sales of the Daimler Truck Group brands worldwide with tailored financial services. These services range from customized leasing, financing and insurance packages to flexible rental models and other dynamic customer solutions for business customers.

For the reporting periods under consideration, activities of Daimler Trucks & Buses and Daimler Trucks Financial Services have been conducted in a variety of legal entities, many of which also conducted other business activities than Daimler Truck Business operations (the "Mixed Entities") and many of which solely conducted Daimler Truck Business operations (the "Dedicated entities"), but have not been subsidiaries of DTAG.

In the IFRS consolidated financial statements of Daimler AG for the fiscal year ended December 31, 2020 Daimler Trucks & Buses has been generally included in the reportable segment "Daimler Trucks & Buses". For the fiscal years ended December 31, 2019 and 2018, Daimler Trucks & Buses has been mainly included in the reportable segments "Daimler Trucks" and "Daimler Buses". Daimler Trucks Financial Services has been generally included in the reportable segment "Daimler Mobility" for the fiscal years 2019 and 2020 and "Daimler Financial Services" for the fiscal year 2018 in the IFRS consolidated financial statements of Daimler AG. However, for all periods under consideration certain assets and liabilities, that are also attributable to Daimler Truck Business given the approach for the preparation of the Combined Financial Statements as further discussed below, historically have been reported as reconciliation items outside the total of the reportable segments in the IFRS consolidated financial statements of Daimler AG (e.g., certain litigation provisions, certain investments and joint ventures).

As discussed above, in order to complete the formation of Daimler Trucks & Buses and Daimler Trucks Financial Services as a stand-alone group, independent from Daimler Group, Daimler Group is now undergoing and contemplating Phase 1 reorganization measures to establish the Daimler Truck Group for the spin-off on December 1, 2021, as well as Phase 2 reorganization measures subsequent to the spin-off and listing.

Initial Phase 1 steps to bundle Daimler Trucks & Buses into a subgroup led by DTAG were already executed as part of the restructuring of the Daimler Group in 2018 and 2019, and to a smaller extent in 2020 and early 2021 (in the following referred to as "Project Future"), by transferring Dedicated entities as well as separating and transferring Daimler Trucks & Buses operations in Mixed Entities, including commercial vehicle activities in Daimler AG, to DTAG or Dedicated entities. In this context, the hive-down of investments held by Daimler AG and of certain other assets to DTAG in 2019 represented the central step in the restructuring process. As of December 31, 2017, Daimler Truck AG did not yet hold any material investments in subsidiaries or other entities.

2. Basis of preparation

Scope of combination

The scope of combination for the Combined Financial Statements of Daimler Truck Group for the fiscal years 2018 to 2020 was determined based on the legal reorganization concept. That is, the Combined Financial Statements generally reflect all entities, operations, assets and liabilities which, as a result of the legal reorganization under common control of Daimler AG (Project Future and Phase 1 transfers), will be part of the Daimler Truck Group by the date of the demerger. This approach is based on the fact that the economic activities that form the Daimler Truck Group were not commonly managed in the past, but the entities and operations in scope will be legally bound together through a reorganization that will happen simultaneously with a proposed spin-off.

A certain exception to this principle approach with respect to liabilities from Daimler Trucks Financial Services as described in Note 1. General information about the refinancing is discussed further below in section Special Considerations – Daimler Trucks Financial Services entities, along with the respective rationale. The basic concept is described in the following.

Dedicated entities and operations conducted in Mixed Entities, which constitute a business as defined in accordance with IFRS 3 "Business Combinations", that have been transferred during Project Future or will be transferred to the Daimler Truck Group during Phase 1 are included with their respective assets and liabilities (historical carrying amounts extracted from the IFRS consolidated financial statements of Daimler AG) as well as income and expenses in the Combined Financial Statements for all reporting periods presented. This also applies to former Mixed Entities, which at the date of the spin-off represent Dedicated entities due to transfers of non-Daimler Truck Business operations to remaining Daimler Group companies up until the spin-off ("Reversed Carve-out"). Businesses acquired from a third party during the reporting periods of the Combined Financial Statements were included from the date at which the Daimler Group gained control based on fair values in accordance with IFRS 3.

Entities and operations that are not already included and will not be transferred to Daimler Truck Group up until the demerger are not reflected in the Combined Financials Statements. That also applies for all entities and operations that will be transferred in Phase 2 after Daimler Group loses control of the Daimler Truck Group.

Assets and liabilities that were or will be transferred, i.e. acquired or disposed of between Daimler Group companies and Daimler Truck Group companies during the reporting periods and up until the demerger, but do not constitute a business in accordance with IFRS 3, are included or derecognized from the date of the respective transaction. Particularly, this applies to investments attributed to Daimler Truck Group and are accounted for at fair value.

The transfers of operations that constitute a business as defined in IFRS 3 have been or will be executed as either share deals, which mostly is the case for the Dedicated entities, or by way of an asset deal, which mainly applies to the operations in Mixed Entities.

Refer to Note 43. Scope of combination, for an overview of the entities and operations that are in scope of combination for the respective reporting periods presented in the Combined Financial Statements. For further information on the legal reorganization of Phase1 also refer to Note 42. Events after the reporting period.

In general, Dedicated entities have been reflected in the Combined Financial Statements in their entirety. For Mixed Entities, the attribution of long lived assets and liabilities is based on the executed legal transfer or intended legal transfer concept as of the date of the demerger, or in case such assets and liabilities were already derecognized in periods prior to the legal transfer, based on whether such assets or liabilities were directly attributable to Daimler Truck Business. Short-term assets and liabilities were presented in the Combined Financial Statements if they were directly attributable to Daimler Truck Business. Short-term assets and liabilities that were not directly attributable to Daimler Truck Business were excluded, unless such items were expected to be legally transferred to Daimler Truck Business. Income and expenses for Mixed Entities are presented based on the concept of reflecting all costs of doing business by direct attribution or allocation of the costs historically incurred for Daimler Truck Business. For the purpose of cost allocation reasonable keys have been used and applied consistently during the periods under consideration. For periods following the transfer to a Dedicated entity, income and expenses were reported as incurred and at arm's length basis.

For further details on carve-out specific accounting principles refer to section Special Considerations within this Note.

Compliance with IFRS

During the reporting periods presented, Daimler Truck Business has not been a group of entities under the control of a parent company as defined by IFRS 10 "Consolidated Financial Statements" and has historically not prepared consolidated financial statements for internal or external reporting purposes. Management has prepared these Combined Financial Statements for the planned stock exchange listing of Daimler Truck Holding AG. The Combined Financial Statements have been prepared in accordance with International Financial Reporting Standards and the interpretations of the IFRS Interpretations Committee as adopted by the European Union ("IFRS").

Since IFRS do not provide specific guidance for the preparation of Combined Financial Statements, in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors" management uses judgement in developing and applying an accounting policy, which produces information that is relevant to users, reliable and free from bias, and complete in all material respects. In doing so, IAS 8.12 requires consideration of recent pronouncements by other standard-setting bodies, other accounting pronouncements and accepted industry practices.

For the preparation of these Combined Financial Statements the predecessor accounting approach has been applied, i.e. the Combined Financial Statements are considered to be an extract from the consolidated financial statements of the parent company Daimler AG ("Extraction Method") and reflect the activities attributable to Daimler Truck Business as they have been historically included in the IFRS Consolidated Financial Statements of Daimler AG. Hence, Daimler Truck Business is presented using the carrying amounts and historical costs that are also included in the IFRS consolidated financial statements of Daimler AG. In general, the same accounting policies are applied by the entities in the scope of combination as they were used for the preparation of the IFRS consolidated financial statements of Daimler AG. However, adjustments were made to the extent necessary to present Daimler Truck Business as a separate, stand-alone reporting entity, particularly with no intercompany elimination made between Daimler Truck Business and the remaining Daimler Group. This approach is recognized for the preparation of Combined Financial Statements with respect to reporting in a securities prospectus.

By applying this approach, the carrying amounts are extracted from the IFRS consolidated financial statements of Daimler AG for the preparation of the Combined Financial Statements and therefore include historical amounts for acquired intangible assets, step ups from purchase price allocation and goodwill, that are attributable to the Daimler Truck Business.

Furthermore, as discussed above in section Scope of combination, the transfers of Dedicated entities and operations conducted in Mixed Entities constitute transactions under common control of Daimler AG and therefore are reflected retrospectively in the Combined Financial Statements.

The predecessor accounting approach for transactions under common control does not apply for transfers of assets and liabilities that do not constitute a business as defined in IFRS 3 and that will be reflected prospectively from the date of the transaction (see above). Such transactions are accounted for at fair values.

New IFRS accounting standards were applied in the Combined Financial Statements of Daimler Truck Business in fiscal years 2018 through 2020 (see Note 3. Significant accounting policies) in accordance with the same respective dates of first-time adoption of Daimler AG.

Specifically, for IFRS 15 “Revenues from Contracts with Customers” (replacing IAS 18 “Revenues”, IAS 11 “Construction Contracts” and IFRIC 13 “Customer Loyalty Programs”) and IFRS 9 “Financial Instruments” (replacing IAS 39 “Financial Instruments: Recognition and Measurement”), Daimler AG adopted the standards for the first time in fiscal year 2018, leading to the fact that both standards are applied for all fiscal years presented as part of the Combined Financial Statements consistently.

For IFRS 16 “Leases” (replacing IAS 17 “Leases”), Daimler AG adopted the standard for the first time in fiscal year 2019, not adjusting the prior-year figures in compliance with the transition regulations. The accumulated transitional effects have been presented in retained earnings. In consequence, for the Combined Financial Statements leases have been accounted for in accordance with the regulations of IAS 17 for the fiscal year ended December 31, 2018 and in line with the regulations of IFRS 16 for the fiscal years ended December 31, 2019 and 2020, respectively. Please refer to Note 3. Significant Accounting Policies for further details on the first-time adoption of IFRS 16 and the corresponding transitional effects.

All combined entities included in the Combined Financial Statements prepare their separate financial statements as of December 31.

Transactions between Daimler Truck Business and the remaining Daimler Group are accounted for and classified as related party transactions in accordance with IFRS as further descripted in Note 40. Related party disclosures. Based on their character related party receivables and payables are included as a component in the respective line item in the Combined Statement of Financial Position. All intercompany balances, income and expenses, and unrealized gains and losses resulting from transactions within Daimler Truck Business are generally eliminated, except for gains or losses from foreign exchange translation.

The periods for recognizing adjusting events in the Combined Financial Statements are identical to the respective periods of the IFRS consolidated financial statements of Daimler AG.

Special considerations

Gamma Offene Handelsgesellschaften (OHGs)

As discussed further above in Note 1. General information – Background, Daimler Grund is to contribute its shareholdings in Daimler Truck AG into DTHAG. Such 6.57% investment will - except for 1,000 Daimler Truck shares issued in February 2021 and to be contributed into Daimler Grund by Daimler AG in October 2021 - result from a previous contribution in kind in the course of the Phase 1 transfers. Daimler Grund will contribute its participations in four real estate management partnerships (the “Gamma OHGs”) into DTAG in exchange for new shares in DTAG issued to Daimler Grund. Accordingly, the Gamma OHGs have been included in the scope of the Combined Financial Statements, because the underlying real estate is dedicated to Daimler Truck Business. By the date of the contribution estimated to be effective by December 1, 2021, the transferred participation will be a majority share, but a non-controlling share of 10.1% will remain with a remaining Daimler Group company not in scope of the Combined Financial Statements. The non-controlling share results from a capital increase by cash contribution the remaining Daimler Group company is executing subsequent to December 31, 2020. For the periods under consideration, such minority share has not been reflected retrospectively in the Combined Financial Statements as it is the result of an additional contribution and will be accounted for under IAS 32 as a financial instrument at fair value.

Daimler Trucks Financial Services entities

The Combined Financial Statements reflect the Daimler Trucks Financial Services business that will transfer during Phase 1 to the Daimler Trucks Group via share deals in Mexico, Brazil and Japan (following a demerger) and asset deals in USA, Canada, Australia and South Africa. Except for the USA, the lease portfolio as well as the wholesale and retail loan portfolio will be transferred as part of asset deals. Liabilities for the Mixed Entities are included in the Combined Financial Statements in case they were directly attributable, and the liabilities were either settled at the time of spin-off or transferred (e.g. liabilities connected to asset-backed securities). However for Mixed Entities, the Daimler Trucks Financial Services refinancing (towards external or related parties), such as bank financing will not legally be transferred to the Daimler Truck Group. Therefore, this Daimler Trucks Financial Services refinancing was allocated based on the economic link between the assets from financial services/operating leases and the respective entities financing to reflect a meaningful presentation of the financial services operations including its financing in the Combined Financial Statements. The allocation was based on a target equity ratio per jurisdiction that was applied on the actual historical equity of the respective legal entity of each year, as the terms of the financial services refinancing would typically not allow for a transfer to a new entity. The target equity ratio was calculated as of December 31, 2020 and considers the specific economical risks of the respective portfolios as well as regulatory and legal requirements, tax regulations and internal guidelines for the relevant entities as well as the future financing structure of the mixed entities as of “Day One” (December 1, 2021), the operative start of the Daimler Truck Financial Services business. The target equity ratios calculated in 2020 have also been applied for the allocation of equity and refinancing for the periods before 2020 as the risk structure of the respective underlying portfolio did not materially change over time.

In the USA, the asset deal excludes the transfer of the existing lease portfolio, related assets, liabilities, as well as income and expenses aside from a service fee charge to remaining Daimler Group as only the related employees and net assets to service the lease portfolio were transferred. Therefore, the lease portfolio and related net assets are not included in the Combined Financial Statements. However, the employees and related net assets to service the lease portfolio, as well as an income for the servicing are included in the Combined Financial Statements.

With respect to the dedicated financing (e.g. liabilities connected to asset-backed securities) the interest charges and financing fees historically incurred are included in the Combined Statement of Income. In relation to the allocated financing liabilities reasonable interest charges and financing fees have been allocated consistently to the allocation of Daimler Trucks Financial Services refinancing as described above. The allocated interest charge and financing fees may not be indicative of future performance of Daimler Truck Group and do not necessarily reflect what interest charge and financing fees would have been had Daimler Truck Business operated as an independent standalone group during the periods presented.

For Dedicated entities that transfer via share deals, all liabilities that existed in the respective periods will be transferred and therefore were included in the Combined Financial Statements.

Transactions between Daimler Truck Business and Daimler Trucks Financial Services outside the Daimler Truck Group, mainly relating to sales financing (leasing, loans) of truck and bus sales, have been presented as transactions with related parties based on the criteria for assessing leases and revenue from contracts with customers and third parties (e.g., amount of the repurchase price, amount of return rates, repurchase obligations and control, and taking into account inventory risk, etc.).

Presentation of equity

The Combined Statement of Changes in Equity presents the changes in equity attributable to Daimler Group and attributable to non-controlling interests with respect to Daimler Truck Business. In the periods under consideration, Daimler Truck Business did not constitute a group with a parent company in accordance with IFRS 10 "Consolidated Financial Statements". Therefore, "Invested equity attributable to Daimler Group" (including actuarial gains and losses from remeasurement of postemployment benefits) is shown in lieu of share capital, reserves and retained earnings, and "Invested Equity attributable to Non-controlling Interests" is presented accordingly. Exchange differences on currency translation of foreign operations and other comprehensive income/loss from equity and debt instruments, hedge accounting for derivative financial instruments under IFRS 9, and treasury shares, net of tax, are reported separately under "Other reserves" in accordance with IAS 1 "Presentation of Financial Statements".

The effects of the profit or loss transfer agreements with Daimler AG (see further below) as well as any dividend distributions to the remaining Daimler Group are included in the line item "Transactions with Daimler Group" in the Combined Statement of Changes in Equity.

The changes in "Invested equity attributable to Daimler Group" that result from transactions deemed to be immediately settled through equity and as such treated as contribution or withdrawal by shareholders are also included in the line item "Transactions with Daimler Group", net of tax. Those contributions or withdrawals relate to carve-out specific considerations, such as the allocation of corporate costs, tax expenses calculated on separate tax return basis, and the attribution of assets and liabilities (net assets) for Mixed Entities.

For further information on changes in equity refer to Note 22. Equity and Note 40. Related party disclosures.

Financing and Statement of Cash Flows

Besides the product portfolio provided by Daimler Trucks Financial Services that is reflected in the Combined Financial Statements as discussed further above, financing of Daimler Trucks & Buses historically was made available by cash pooling agreements and loans within the Daimler Group and externally with banks and through financing vehicles (e.g. asset-backed security structures). Information on the respective financial receivables and liabilities to the remaining Daimler Group companies are disclosed in Note 40. Related party disclosures. In the Combined Statement of Cash Flows, changes in receivables or liabilities from cash pooling as well as proceeds from and repayments of loans with remaining Daimler Group companies are presented on a gross basis as cash flows from investing or financing activities within "Proceeds from sales of marketable debt securities and similar investments" and "Transactions with Daimler Group", respectively.

Interest income and expense on cash pooling deposits and borrowings and on loans are typically based on country-specific market interest rates that, when taken together, reflect interest rates that management believes are comparable to the rates charged by third-party banks. For more information see Note 40. Related party disclosures.

Furthermore, transactions with remaining Daimler Group that are treated as contributions or withdrawals, hence directly posted through equity and presented as changes in "Invested Equity attributable to Daimler Group" in the line item "Transactions with Daimler Group" in the Combined Statement of Changes in Equity, are presented on a gross basis in the Combined Statement of Cash Flows. Such transactions particularly result from the allocation of expenses or income for the purpose of the Combined Financial Statements (e.g. corporate cost allocation, taxes calculated for the activities in Mixed Entities, charges for usage of shared assets, etc.), for which no payable or receivable has been attributed to the Combined Statement of Financial Position, as such payable or receivable will be settled by companies of the remaining Daimler Group and hence are deemed to be immediately settled by parent. Accordingly, cash flows from financing activities include contributions and withdrawals as "Transactions with Daimler Group", with the respective expenses deemed to be cash used or received in operating activities.

For further information on the Combined Statement of Cash Flows refer to Note 32. Combined Statement of Cash Flows.

Profit or loss transfer agreements

For the periods under consideration of the Combined Financial Statements receivables and liabilities to Daimler AG in connection with profit or loss transfer agreements (Gewinnabführungsvertrag) are presented as other financial assets and other financial liabilities, respectively, in the Combined Statement of Financial Position. The corresponding impact of the profit transfer or loss absorption is directly recognized in equity and is reflected as a withdrawal or contribution in the line item “Transactions with Daimler Group”, respectively, in the Combined Statement of Changes in Equity. The subsequent settlement of such receivables and liabilities is presented in the financing activities in the line item “Transactions with Daimler Group” of the Combined Statement of Cash Flows.

The control and profit or loss transfer agreement between Daimler AG and DTAG will be spun off and transferred from Daimler AG to DTHAG at the date of the demerger. All other historic profit or loss transfer agreements between legal entities in scope of the Combined Financial Statements and remaining Daimler Group companies have been terminated or transferred to DTAG effective for fiscal years 2020, 2019 or 2018.

Goodwill

Historically, goodwill reported in the Daimler AG IFRS consolidated financial statements was consistently allocated to the cash-generating units that are expected to benefit from the synergies of the respective acquisitions. The goodwill included in the Combined Financial Statements is based on the goodwill attributable to the companies or businesses transferred to Daimler Truck Business during the legal reorganization.

During the periods presented, goodwill was tested for impairment based on the cash-generating unit structure used at that time by Daimler Group to monitor goodwill as Daimler Truck Business and the new reporting structure did not exist in the past.

Therefore, in a first step, goodwill historically allocated to the cash-generating units (CGUs) “Daimler Trucks” and “Daimler Buses”, in the IFRS consolidated financial statements of Daimler AG, has been attributed to the CGUs representing the reportable segments based on the new reporting structure “Mercedes-Benz”, “Trucks North America” and “Trucks Asia”, and “Daimler Buses” that was implemented in July 2021, in the Combined Financial Statements. With the exception of “Daimler Mobility” segment, the goodwill of all reportable segments have been generally allocated using the relative fair value approach. In a second step, goodwill that historically was allocated to the CGU which was equal to the Daimler Group reportable segment “Daimler Mobility”, has been partially allocated to the CGU comprising the reportable segment “Financial Services” in the Combined Financial Statements, using the relative fair value approach as well.

Mercedes-Benz brand

In the periods presented in the Combined Financial Statements the Daimler Truck Business was using the Mercedes-Benz brand with the segments Mercedes-Benz and Daimler Buses under a licensing agreement for no consideration. As for these periods no amortization incurred for the Mercedes-Benz brand at any Daimler Group company, no expense to reflect a usage charge had to be allocated for the purpose of the Combined Financial Statements, accordingly. Contemplated in September 2021, Daimler Truck Business will enter into a new license agreement with the remaining Daimler Group for the right to use the Mercedes-Benz brand for an indefinite period in exchange for no consideration. The transaction will be reflected as a contribution at fair value upon the effective date of the agreement in 2021. The recognized intangible asset will be subject to an annual impairment test.

Other trademarks, patents and intellectual property

Certain intellectual property was directly attributable to Daimler Truck Business and will be transferred as part of the legal reorganization. Those properties are recognized with their respective book value (if any). Licenses to intellectual property that did not exist through the track period are only recognized prospectively from the commencement date of the license period.

Shared assets

Shared assets, mainly consisting of fixed assets that historically have been used by Daimler Truck Business and remaining Daimler Group that will not have been legally transferred to the Daimler Truck Group by the spin-off date, are not included in the Combined Statement of Financial Position. However, for such assets an appropriate usage charge has been allocated as an expense in the Combined Statement of Income in the respective reporting periods. Shared assets that will have been transferred to the Daimler Truck Group by the spin-off date, are included in the Combined Statement of Financial Position. The respective usage by the remaining Daimler Group is reflected by an appropriate usage charge allocated as an income to the Combined Statement of Income in the respective reporting periods. Depending on the arrangement, e.g. IT services, Daimler AG charges certain expenses on at arm’s length basis to its subsidiaries while other headquarter expenses are allocated at cost based on certain allocation keys. The usage charges are generally calculated as a proportion of the historical incurred amortization or depreciation of the underlying asset. Allocated amounts are deemed to be settled immediately by the parent and as such accounted for as a contribution or withdrawal. Accordingly, the impact of the expense or income allocated through profit or loss, net of tax, is reflected directly in equity as “Transactions with Daimler Group”.

Leases

Lease agreements between Daimler Truck Business and remaining Daimler Group are accounted for in accordance with IAS 17 for the fiscal year ended December 31, 2018 and in line with IFRS 16 for the fiscal years ended December 31, 2019 and 2020, respectively. Lease accounting is discussed in Note 3. Significant accounting policies. Explanations and disclosures on transactions with remaining Daimler Group are provided in 40. Related party disclosures.

Income taxes and deferred taxes

Income taxes include current and deferred taxes and are determined on the assumption that the Dedicated entities and operations comprising Daimler Truck Business are separate taxable entities (separate tax return approach). If Dedicated entities and operations comprising Daimler Truck Business form a tax group, the tax group as a whole is deemed to be the separate taxable entity.

The separate tax return approach is particularly relevant to Daimler Truck Business activities in Mixed Entities for which current and deferred taxes have to be calculated independently from the non-Daimler Truck Business.

Current tax assets or tax liabilities are recognized in an entity that is legally enforced to claim the tax assets from or settle the tax liabilities to the taxation authorities. Otherwise, current tax assets or tax liabilities are reversed against equity.

Current tax income or expense resulting from Daimler Truck Business activities in Mixed Entities is recognized in the Combined Statement of Income while, in a traditional carve-out, the respective current tax asset or liability is reversed against equity. This is because the tax asset or liability is deemed to be settled immediately by the Mixed legal entity and, as such, is accounted for as a contribution or withdrawal and presented on a gross basis in the cash flow statement. Likewise, deferred tax income or expense from tax losses and tax credits is recognized in the Combined Statement of Income while the respective deferred tax asset, in a traditional carve-out, is reversed against equity. Tax loss carryforwards which are expected to expire or forfeit due to the change in ownership caused by the legal reorganization are not included in the tax positions.

For more details on income taxes, please refer to Note 3. Significant accounting policies, Note 4. Accounting estimates and management judgments and Note 11. Income taxes. Management considers that applying the separate tax return approach is reasonable, but not necessarily indicative of the costs that would have been incurred if Daimler Truck Business were a stand-alone group of separately taxable entities including entities in tax groups.

Hedge Accounting

Until December 31, 2018, Daimler AG hedged for Daimler Truck Business commodity, interest and foreign exchange risks. From January 1, 2019, Daimler Truck Business hedged those risks on its own with Daimler AG as its counterparty.

For purposes of the Combined Financial Statements, derivatives were included in the opening balance sheet as of January 1, 2018 and the balance sheet as of December 31, 2018 in case those derivatives were either transferred to Daimler Truck Business on January 1, 2019 or settled by January 1, 2019. For balance sheets as of December 31, 2019 and December 31, 2020 derivatives were included in the Combined Financial Statements in line with how Daimler Truck Business entered into those.

From an income statement perspective, the hedging effects as resulted from the hedging activities of Daimler for Daimler Truck Business until December 31, 2018 or Daimler Truck Business on its own starting from January 1, 2019 were included to present Daimler Truck Business' results with the hedging that was in place in the respective years.

Pensions and similar obligations

The Combined Financial Statements include the pension obligations and plan assets attributable to Daimler Truck Business based on the legal reorganization concept discussed further above.

Provisions for pensions and other post-employment benefits of Dedicated entities have been included in the Combined Financial Statements for active and non-active employees. Hence, for entities that are fully dedicated for the periods under consideration historically reported figures for pension obligations as well as the respective plan assets are also used for the purpose of the Combined Financial Statements.

For the activities in Mixed Entities that have become fully Dedicated entities in fiscal year 2018 through fiscal year 2020, the benefit obligations for the years prior to full dedication to Daimler Truck Group are principally based on employees dedicated to the legal entity (whether active or non-active) and actuarial reports using Daimler Truck Business specific actuarial assumptions (if necessary). The plan assets for years prior to full dedication are allocated on a pro rata basis consistent with the allocation of benefit obligations.

In 2021 a separation of central and mandated functions is planned. This includes a transfer of employees from Daimler Group to Daimler Truck Business before the spin-off date. The pension obligations and plan assets of these employees are allocated to the Daimler Truck Business for the purpose of the Combined Financial Statements. The allocation is valued on a pro rata basis that is based on best estimate of expected employee transfers as of July 2021 and the historical funding ratio of the pension obligation.

Other employee related assets and liabilities

For Dedicated entities, other employee related assets and liabilities have been included for the periods presented as part of the Combined Financial Statements. In case of Mixed Entities, only such other employee related assets and liabilities have been included, that relate to employees that are expected to be assigned to Daimler Truck Group by the spin-off date based on employee target structure and also include fully dedicated employees that have left the Mixed Entities.

Share-based payment

Employees of Daimler Truck Business participated in share-based compensation programs of the Daimler Group. These are classified as cash-settled in line with the specific requirements for share-based payment transactions among group entities. The expenses and obligations arising from share-based compensation were historically recognized and reported in the financial statements of those companies, which incurred the personnel expenses and also settled the obligations for their employees. For more details see Note 24. Share-based payment.

Accordingly, for Dedicated entities expenses and liabilities are included in the Combined Financial Statements as historically reported for the purpose of Daimler AG consolidated financial statements and no changes to the classification of the programs are made.

For Mixed Entities expenses and liabilities are included in the Combined Financial Statements for employees that are expected to be assigned to Daimler Truck Group by the spin-off date. No changes to the classification of the programs are made. In addition, the Combined Financial Statements also include an allocation of share-based compensation expenses at Mixed Entities in order to reflect all costs of doing business.

Treatment of corporate costs

Daimler AG as well as other Daimler Group companies, such as Daimler Mobility AG, Daimler Greater China Ltd. and Daimler North America Corporation, provided various central services such as but not limited to accounting, human resources, information technology, legal, tax, risk management and treasury services to Daimler Truck Business which will either be transferred to Daimler Truck Business as part of the legal reorganization or will be provided as a service under transitional service agreements subsequent to the legal reorganization. The respective costs for such services that historically have been already recharged to the Daimler Truck Business companies, have been included in profit or loss with their historical amounts. Costs for such services that historically have not been recharged to Daimler Truck Business companies are allocated to the Combined Financial Statements using reasonable allocation keys, the most prominent of which is the headcount key. Allocation is based on historical costs incurred and allocated amounts are deemed to be settled immediately by parent and as such accounted for as a contribution. Accordingly, the impact of the expense allocated through profit or loss, net of tax, is reflected directly in equity as "Transactions with Daimler Group". Management considers allocations to be a reasonable reflection of the utilization of services provided, but not necessarily indicative of future costs for such services.

Segments

In accordance with the management approach required by IFRS 8 "Operating Segments", the segment reporting presented in the Combined Financial Statements is based on the internal organizational and reporting structure of Daimler Truck Business that was implemented in July 2021. During the reporting periods under consideration there was no chief operating decision maker (CODM) who regularly reviewed the operating results of Daimler Truck Business in its composition as described in Note 1. General information. As such, the segment reporting in the Combined Financial Statements reflects the internal organization and reporting structure that was established after the fiscal year ended December 31, 2020. For more details see Note 37. Segment reporting.

Management judgment and estimation uncertainties

These Combined Financial Statements have been prepared on a carve-out basis from the IFRS consolidated financial statements of Daimler AG for the fiscal years ended December 31 2020, 2019 and 2018 using historical results of operations, assets and liabilities attributable to Daimler Truck Business based on the legal reorganization up until the spin-off (Phase 1), include allocations of income and expenses from Daimler Group for the periods presented, and excludes activities that will transfer to Daimler Truck Group after the spin-off (Phase 2). The Combined Financial Statements therefore may not be indicative of future performance of Daimler Truck Group and do not necessarily reflect what its net assets, financial position, results of operations, capital structure and cash flows would have been had Daimler Truck Business operated as an independent standalone group during the periods presented.

Moreover, the capital structure of Daimler Truck Group at the time of the spin-off will differ from the capital structure presented in the Combined Financial Statements due to the fact that the Phase 1 transfers, including the consideration paid or agreed on, as well as certain capital measures contemplated after the balance sheet date and up until the spin-off, are not reflected in the Combined Financial Statements. With respect to the transfers and measures completed between the balance sheet date and the issuance of the Combined Financial Statements refer to Note 42. Events after the reporting period.

Also, in addition to the matters discussed in Note 4. Accounting estimates and management judgments in preparing the Combined Financial Statements, additional assumptions and estimates were made, particularly in connection with the attribution of assets and liabilities for operations to be transferred, the allocation of expenses for services provided by remaining Daimler Group companies and the income taxes calculated applying the separate tax return approach. These assumptions and related estimates affect the amounts and the reporting of recognized assets and liabilities, income and expenses and contingent liabilities. The actual amounts may vary from these estimates.

Further significant management assumptions relate to:

- The ability to complete the intended reorganization measures and transfer of legal entities and operations of Daimler Trucks & Buses and Daimler Trucks Financial Services to Daimler Truck AG or to subsidiaries of Daimler Truck AG as well as the execution of the hive-down as described in the Background section of Note 1. General information by the time of the legal demerger of Daimler Truck Holding AG. Please refer to Note 43. Scope of Combination for legal entities and operations that have been included in the scope of combination of the Combined Financial Statements, but whose legal transfer to Daimler Truck AG has not been completed as of the date the Combined Financial Statements were prepared and authorized for issuance.
- The execution of the legal transfer concept at Mixed Entities for assets and liabilities to be transferred to Daimler Truck Business subsequent to the authorization of these Combined Financial Statements is consistent with the attribution and allocation principles applied in the preparation of the Combined Financial Statements.
- The final employee transfer concept at Mixed Entities does not materially differ from the employee target structure that was assumed in determining the attribution of employee related liabilities and expenses.
- The execution of a new license agreement with remaining Daimler Group for the right to use the Mercedes-Benz brand for an indefinite period in exchange for no consideration.

3. Significant accounting policies

Accounting policies

Investments in associated companies, joint ventures or joint operations

An associated company is an entity over which Daimler Truck Business has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee. Associated companies are generally accounted for using the equity method.

For entities over which Daimler Truck Business has joint control together with a partner (joint arrangements), it is necessary to differentiate whether a joint operation or a joint venture exists. In a joint venture, the parties that have joint control of the arrangement have rights to the net assets of the arrangement. For joint ventures, the equity method has to be applied. A joint operation exists when the jointly controlling parties have direct rights to the assets and obligations for the liabilities. In this case, the prorated assets and liabilities and the prorated in-come and expenses are generally to be recognized (proportionate consolidation). Joint operations that have no significant impact on the Combined Financial Statements are generally accounted for using the equity method.

Entities measured at amortized cost

Subsidiaries, associated companies, joint ventures and joint operations whose business is non-active or of low volume and that individually and in sum are not material for Daimler Truck Business and the fair presentation of profitability, liquidity and capital resources and financial position are generally measured at amortized cost in the Combined Financial Statements.

Foreign currency translation

Transactions in foreign currency are translated at the relevant foreign exchange rates prevailing at the transaction date. In subsequent periods, assets and liabilities denominated in foreign currency are translated using period-end exchange rates; gains and losses from this measurement are recognized in profit or loss (except for gains and losses resulting from the translation of equity instruments measured at fair value through other comprehensive income, which are recognized in other comprehensive income/loss).

Assets and liabilities of foreign companies for which the functional currency is not the euro are translated into euros using period-end exchange rates. The translation adjustments are presented in other comprehensive income/loss. The components of equity are translated using historical rates. The Statements of Income and Cash Flows are translated into euros using the yearly average exchange rates during the respective periods.

The exchange rates of the US dollar, the Brazilian real, and the Japanese yen – the most significant foreign currencies for Daimler Truck Business – are as shown in table ↗ **D.06.**

Hyperinflation

To determine whether a country is to be considered as in hyperinflation, Daimler Truck Business refers to the list published by the International Practices Task Force (IPTF), the Center of the Audit Quality and other relevant international publications. If a country is in hyperinflation, IAS 29 Financial Reporting in Hyperinflationary Economies has to be applied from the beginning of the respective reporting period, i.e., from January 1 of the respective reporting year.

As a consequence of the assessment that Argentina is in hyperinflation, Daimler Truck Business applies IAS 29 to its Argentinian business since January 1, 2018. This application does not have a material impact on Daimler Truck Business' profitability, liquidity and capital resources and financial position. The accounting impact is included in retained earnings within the line item "Other" of the Combined Statement of Changes in Equity.

D.06
Exchange rates

			2020			2019			2018
	USD	**BRL**	**JPY**	USD	BRL	JPY	USD	BRL	JPY
	€1 =	€1 =	€1 =	€1 =	€1 =	€1 =	€1 =	€1 =	€1 =
Annual average exchange rate on December 31	**1.1422**	**5.8943**	**121.85**	1.1195	4.4134	122.01	1.181	4.308	130.41
Spot exchange rate on December 31	**1.2271**	**6.3735**	**126.49**	1.1234	4.5157	121.94	1.145	4.444	125.85

Revenue recognition

Revenue from sales of vehicles, service parts and other related products is recognized when control of the goods is transferred to the customer. This generally occurs at the time the customer takes possession of the products.

Generally, payment from sales of vehicles, service parts and other related products is made when the customer obtains control of these products.

Dealers may finance their vehicle inventory by means of dealer inventory financing provided by Financial Services, as described in Note 37. Segment reporting. Furthermore, end-customers may be credit financed by Financial Services. Receivables from sales financing with end-customers and dealers are presented in receivables from financial services. Further information is provided in Note 16. Receivables from financial services.

Revenue recognition from the sale of vehicles for which Daimler Truck Business enters into a repurchase obligation is dependent on the form of the repurchase agreement:

- Sales of vehicles by which Daimler Truck Business is obliged to repurchase the vehicles in the future are accounted for as operating leases. This also applies to a call option that only grants Daimler Truck Business the right to repurchase;

- Sales of vehicles including a put option (an entity's obligation to repurchase the asset at the customer's request) are reported as operating leases if the customer has a significant economic incentive to exercise that right at contract inception. Otherwise, a sale with a right of return is reported. Daimler Truck Business considers several factors when assessing whether the customer has a significant economic incentive to exercise his right. Amongst others, these are the relation between the agreed repurchase price and the expected future market value (at the time of repurchase) of the asset, or historical return rates.

Arrangements such as when Daimler Truck Business provides customers with a guaranteed minimum resale value that they receive on resale (residual-value guarantee) do not constraint the customers in their ability to direct the use of, and obtain substantially all of the benefits from, the asset. At contract inception of a sale with a residual-value guarantee, revenue therefore has to be recognized, reduced by a potential compensation payment to the customer (revenue deferral).

Under a contract manufacturing agreement, Daimler Truck Business sells assets to a third-party manufacturer from which Daimler Truck Business buys back the manufactured products after completion of the commissioned work. If the legal sale of the assets is not accompanied by the transfer of control to the third-party manufacturer, no revenue is recognized under IFRS 15.

Daimler Truck Business offers extended, separately priced warranties for certain products as well as service and maintenance contracts. Revenue from these contracts is deferred insofar as a customer has made an advance payment and is generally recognized over the contract period in proportion to the costs expected to be incurred based on historical information. A loss on these contracts is recognized in the current period if the expected costs for outstanding services under the contract exceed unearned revenue. Usually, those contracts are paid in advance or in equal instalments over the contract term.

For multiple-element arrangements, such as when vehicles are sold with free or reduced-in-price maintenance programs or with free online services, Daimler Truck Business generally allocates revenue to the various elements based on their estimated relative stand-alone selling prices. To determine stand-alone selling prices, Daimler Truck Business primarily uses price lists with consideration of average price reductions granted to its customers.

Vehicles may be initially sold to non-Group dealers. Subsequently a customer decides to enter into a leasing contract with Financial Services regarding such a vehicle. The vehicle is therefore sold by the non-Group dealer to Financial Services and a leasing contract is entered into with the customer. When control of the vehicle is transferred to the non-Group dealer Daimler Truck Business recognizes revenue from the sale of the vehicle.

The incremental cost of obtaining contracts is recognized as an expense when incurred if the amortization period would be no longer than one year.

Daimler Truck Business does not adjust the promised amount of consideration for the effects of a significant financing component if at contract inception it is expected that the period between the transfer of a promised good or service to a customer and payment by the customer will be no longer than one year.

Revenue also includes revenue from the rental and leasing business as well as interest from the financial services business at Financial Services. Revenue generated from operating leases is recognized on a straight-line basis over the periods of the contracts. In addition, sales revenue is generated at the end of lease contracts from the subsequent sale of the vehicles. Revenue from receivables from financial services is recognized using the effective interest method.

Daimler Truck Business uses a variety of sales promotion programs dependent on various market conditions in individual countries as well as the respective product life cycles and product-related factors (such as amounts of discounts offered by competitors, excess industry production capacity, the intensity of market competition and consumer demand for the products). These programs comprise cash offers to dealers and customers as well as lease subsidies or loans at reduced interest rates which are reported as follows:

- Revenue is recognized net of sales reductions such as cash discounts and sales incentives granted.

- When loans are issued below market rates, related receivables are recognized at present value (using market rates) and revenue is reduced for the interest incentive granted.

- If subsidized leasing fees are agreed upon in connection with finance leases, revenue from the sale of a vehicle is reduced by the amount of the interest incentive granted.

Research and non-capitalized development costs
Expenditure for research and development that does not meet the conditions for capitalization according to IAS 38 Intangible Assets is expensed as incurred.

Borrowing costs
Borrowing costs are expensed as incurred unless they are directly attributable to the acquisition, construction or production of a qualifying asset and are therefore part of the cost of that asset. Depreciation of the capitalized borrowing costs is presented within cost of sales.

Government grants
Government grants related to assets are deducted from the carrying amount of the asset and are recognized in earnings over the life of a depreciable asset as a reduced depreciation expense. Government grants which compensate Daimler Truck Business for expenses are recognized as other operating income in the same period as the expenses themselves.

Profit/loss on equity-method investments
This item includes all income and expenses in connection with investments accounted for using the equity method. In addition to the prorated profits and losses from financial investments, it also includes profits and losses resulting from the sale of equity interests or the remeasurement of equity interests following a loss of significant influence or joint control. Daimler Truck Business' share of dilution gains and losses resulting from Daimler Truck Business' non-participation or under-proportionate participation in capital measures of companies in which shares are held and are accounted for using the equity method are also included in profit/loss on equity-method investments. This item also includes impairment losses and/or gains on the reversal of such impairments of equity-method investments.

Other financial income/expense, net
Other financial income/expense, net includes all income and expense from financial transactions which are included neither in interest income nor in interest expense, and which Financial Services are included neither in revenue nor in cost of sales. For example, expense from the compounding of interest on provisions for other risks is recorded in this line item.

Furthermore, income and expenses from equity interests are included in other financial income/expense, net, if such in-come or expenses are not presented under equity-method investments.

Interest income and interest expense
Interest income and interest expense include interest income from investments in securities and from cash and cash equivalents as well as interest expense from liabilities. Furthermore, interest and changes in fair values related to interest rate hedging activities as well as income and expense resulting from the allocation of premiums and discounts are included. The interest components of defined benefit pension obligations and other similar obligations as well as of the plan assets available to cover these obligations and interest on supplementary income tax payments or reimbursements are also presented in this line item.

For the Financial Services segment interest income and expense and gains or losses from derivative financial instruments related to the financial services business are disclosed under revenue and cost of sales respectively.

Income taxes
Income taxes comprise of current income taxes and deferred taxes and are determined on the assumption that the Daimler Truck Business entities and business operations are separate taxable entities (separate tax return approach). This assumption implies that the current and deferred taxes of all companies and business operations within Daimler Truck Business are calculated separately. If entities were historically part of a tax group and will not change their tax status as part of the carve-out, current and deferred taxes are continued to be determined on the basis of a tax group under the separate tax return approach.

Current tax assets or tax liabilities are recognized in an entity that is legally enforced to claim the tax assets from or settle the tax liabilities to the taxation authorities. Otherwise, current tax assets or tax liabilities are reversed against equity.

For fully dedicated truck and bus legal entities, current tax expense or income is recognized and calculated based on the local taxable income of this legal entity. For Mixed Entities carving out a truck and bus business in a traditional carve-out where the business carved-out did not historically constitute a separate income tax payer, current tax expense or deferred tax income for the truck and bus business is recognized as non-cash contribution or withdrawal by Daimler Group in the year in which such taxes arose. For Mixed Entities carving out a cars and vans business in a reverse carve-out, current tax expense or deferred tax income from the business carved-out is reversed against equity.

If it is probable that a taxation authority will not accept an uncertain tax treatment, tax expense or income for uncertain income taxes is recognized. The amount is based on the best estimate of the expected tax payment (expected value or most likely amount).

In all reporting periods, current tax liabilities were presented in income tax liabilities including those that had been presented as provisions for income taxes prior to the IFRIC clarification in 2019.

Deferred tax assets or liabilities are calculated on the basis of temporary differences between the tax basis and the financial reporting of assets and liabilities including differences from consolidation, on unused tax loss carryforwards and unused tax credits. Deferred tax assets on tax loss carryforwards and tax credits are recognized in the Combined Financial Statements to the extent that it is probable that there will be future taxable income of the relevant entities or business activities against which the losses can be offset. Tax loss carryforwards that are expected to expire or forfeit due to the change in ownership caused by the legal reorganization are not included in the tax positions of Daimler Truck Group. Deferred tax assets resulting from tax losses from Mixed Entities carving out the truck and bus business are not recognized but treated as non-cash withdrawals from Daimler Group, because the future tax deductions will remain with Daimler Group. Deferred tax assets resulting from tax losses of the cars and vans business in a Mixed

Entity carving out the cars and vans business are recognized as a non-cash contribution from Daimler Group.

Measurement is based on the tax rates expected to be effective in the period in which an asset is recognized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been substantially enacted at the reporting date.

Changes in deferred tax assets and liabilities are generally recognized through profit or loss in deferred taxes in the Combined Statement of Income, except for changes recognized in other comprehensive income or expense or directly in equity.

Deferred tax assets and liabilities are generally presented as non-current items.

Deferred tax liabilities for taxable temporary differences in connection with investments in subsidiaries, branches, associates and interests in joint arrangements are not recognized if Daimler Truck Business is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

Intangible assets
Intangible assets are measured at acquisition or manufacturing cost less accumulated amortization. If necessary, accumulated impairment losses are recognized.

Intangible assets with indefinite useful lives are reviewed annually to determine whether indefinite-life assessment continues to be appropriate. If not, the change in the useful-life assessment from indefinite to finite is made on a prospective basis.

Development costs for vehicles and components are recognized if the conditions for capitalization according to IAS 38 are met. Subsequent to initial recognition, the asset is carried at cost less accumulated amortization and accumulated impairment losses. Capitalized development costs include all direct costs and allocable overheads and are amortized on a straight-line basis over the expected product life cycle (a maximum of ten years). Amortization of capitalized development costs is an element of manufacturing costs and is allocated to those vehicles and components by which they were generated and is included in cost of sales when the inventory (vehicles) is sold.

Other intangible assets with finite useful lives are generally amortized on a straight-line basis over their useful lives (three to ten years). The amortization period for intangible assets with finite useful lives is reviewed at least at each year-end. Changes in expected useful lives are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recorded in functional costs.

With acquisitions of businesses, goodwill represents the excess of the consideration transferred over the fair values assigned to the identifiable assets proportionally acquired and liabilities assumed. Goodwill is accounted for at the subsidiaries in the functional currency of those subsidiaries.

In connection with obtaining control, non-controlling interest in the acquiree is principally recognized at the proportionate share of the acquiree's identifiable assets, which are measured at fair value.

Property, plant and equipment
Property, plant and equipment are measured at acquisition or manufacturing costs less accumulated depreciation. If necessary, accumulated impairment losses are recognized.

The costs of internally produced equipment and facilities include all direct costs and allocable overheads. Acquisition or manufacturing costs include the estimated costs, if any, of dismantling and removing the item and restoring the site.

Property, plant and equipment are depreciated over the useful lives as shown in table ↗ D.07.

D.07
Useful lives of property, plant and equipment

Buildings and site improvements	10 to 50 years
Technical equipment and machinery	5 to 25 years
Other equipment, factory and office equipment	3 to 30 years

The Daimler Truck Business has been confronted with worldwide competitive pressure and technological changes. Our continuous efforts to increase efficiency include improving the utilization of our production facilities. Within the context of the regular review of useful lives, the useful lives for scheduled depreciation of property, plant and equipment were reassessed and partially extended at the end of 2020. This change in estimates will be applied from January 1, 2021 and is expected to have a positive impact on earnings before interest and taxes (EBIT) of €0.1 billion and €0.1 billion in the years 2021 and 2022.

Leasing
Leases include all contracts that transfer the right to use a specified asset for a stated period of time in exchange for consideration, even if the right to use such asset is not explicitly described in the contract. Daimler Truck Business is a lessee mainly of real estate properties and a lessor of its products.

Daimler Truck Business as lessee
Until December 31, 2018, it was analyzed on the basis of the risks and rewards of a leased asset according to IAS 17 whether the economic ownership of the leased asset is attributed to the lessee (so-called finance lease) or to the lessor (so-called operating lease).

In the case of an operating lease, the lease payments or rental payments were expensed on a straight-line basis in the Combined Statement of Income.

Assets carried as finance leases were measured at the beginning of the (lease) contract at the lower of the present value of the minimum lease payments and the fair value of the leased object, and in the following periods less accumulated depreciation and other accumulated impairment losses. Depreciation was on a straight-line basis; residual values of the assets were given due consideration. Payment obligations resulting from future lease payments were discounted and disclosed under financing liabilities.

Since January 1, 2019, Daimler Truck Business as a lessee recognizes for generally all lease contracts right-of-use assets as well as corresponding leasing liabilities for the outstanding lease payments.

At the date of the initial application of IFRS 16 the following practical expedients were used:

- With leases previously classified as operating leases according to IAS 17, the lease liability was measured at the present value of the outstanding lease payments, discounted by the incremental borrowing rate at January 1, 2019. The weighted average incremental borrowing rate was 2.15%. The respective right-of-use asset was generally recognized at an amount equal to the lease liability.

- An impairment review was not performed. Instead, the right-of use asset was adjusted by the amount of any provision for onerous leases recognized in the Statement of Financial Position at December 31, 2018.

- Regardless of their original lease term, leases for which the lease term ended at the latest on December 31, 2019 were recognized as short-term leases.

- At the date of initial application, the measurement of a right-of-use asset excluded the initial direct costs.

- Current knowledge, as at transition date, was given due consideration when determining the lease term if the contract contains options to extend or terminate the lease.

In the context of the transition to IFRS 16, right-of-use assets of €1,404 million (including finance leases of €204 million) and lease liabilities of €1,399 million were recognized at January 1, 2019. The following reconciliation (see ↗D.08) to the opening balance for lease liabilities as at January 1, 2019 is based on the other financial obligations from rental agreements and operating leases at December 31, 2018.

D.08

Reconciliation to lease liabilities in accordance with IFRS 16

In millions of euros	
Other financial obligations resulting from rental agreements and operating leases in accordance with IAS 17 at December 31, 2018	1,291
Exemptions for short-term leases	-10
Exemptions for leases of low-value assets	-19
Payments related to options to extend or terminate a lease	255
Payments related to non-lease components	6
Others	-131
Obligations from operating lease arrangements (undiscounted)	1,392
Discounting	-194
Obligations from operating lease arrangements (discounted)	1,198
Carrying amount of liabilities from finance leases in accordance with IAS 17 at December 31, 2018	201
Carrying amount of lease liabilities in accordance with IFRS 16 at January 1, 2019	1,399

According to IFRS 16, a lessee may elect, for leases with a lease term of twelve months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. Daimler Truck Business applies both recognition exemptions. The lease payments associated with those leases are generally recognized as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets, which are included under property, plant and equipment, are initially measured at cost. The cost of a right-of-use asset comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received from the lessor, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset.

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments. The lease liabilities include the following lease payments:

- fixed payments including de facto fixed payments, less lease incentives receivables from the lessor;

- variable lease payments linked to an index or interest rate;

- amounts expected to be payable under residual value guarantees;

- the exercise price of purchase options, when exercise is estimated to be reasonably certain and

- contractual penalties for the termination of a lease if the lease term reflects the exercise of a termination option.

Daimler Truck Business generally also applies the option for contracts comprising lease components as well as non-lease components not to split these components.

Lease payments are discounted at the rate implicit in the lease if that rate can readily be determined. Otherwise, discounting is at the incremental borrowing rate. The incremental borrowing rate, which is mainly applied at Daimler Truck Business, is based on risk-adjusted interest rates and determined for the respective lease terms and currencies. As the cash flow pattern of the reference interest rates (bullet bonds) does not correspond to the cash flow pattern of a lease contract (annuity), we use a duration adjustment in order to account for that difference.

A right-of-use asset is subsequently measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

In the subsequent measurement of a lease liability, the carrying amount is increased to reflect interest on the lease liability and reduced (through other comprehensive income) to reflect the lease payments made.

According to IFRS 16, the depreciation of right-of-use assets is recognized within functional costs. The interest due on the lease liability is a component of interest expense.

Extension and termination options are part of a number of leases particularly of real estate. Such contract terms offer Daimler Truck Business the greatest possible flexibility. In determining the lease term, all facts and circumstances offering economic incentives for exercising extension options or not exercising termination options are taken into account. In determining the lease term, those options are only considered if they are reasonably certain.

Sale and leaseback
In a sale and leaseback transaction, the requirements of IFRS 15 are applied to ascertain whether the transfer of an asset has to be accounted for as a sale.

If the transfer of an asset does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset, the transferred asset is still recognized, and a financial liability is recognized equal to the transfer proceeds in accordance with IFRS 9.

If the transfer of an asset is accounted for as a sale, the lessee accounting principles described above apply to those sold assets if Daimler Truck Business leases them back from the buyer. Accordingly, only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor is recognized.

Daimler Truck Business as lessor
Based on the risk and rewards associated with a leased asset, it is assessed whether economic ownership of the leased asset is transferred to the lessee (so-called finance leases) or remains with the lessor (so-called operating leases).

Operating leases, i.e., by which economic ownership of the vehicle remains at Daimler Truck Business, relate to vehicles that Daimler Truck Business produces itself and leases to third parties. Additionally, an operating lease may have to be reported with sales of vehicles for which Daimler Truck Business enters into a repurchase obligation:

- Sales of vehicles by which Daimler Truck Business is obliged to repurchase the vehicles in the future, are accounted for as operating leases.

- Sales of vehicles including a put option (an entity's obligation to repurchase the asset at the customer's request) are reported as operating leases if the customer has a significant economic incentive to exercise that right. Otherwise, a sale with a right of return is reported. Daimler Truck Business considers several factors when assessing whether a customer has a significant economic incentive to exercise his right at contract inception. Amongst others these are the relation between repurchase price and the expected future market value (at the time of repurchase) of the asset or historical return rates.

As part of the residual-value management process, especially for operating lease contracts, certain assumptions are regularly made at local and corporate levels regarding the expected level of prices, based upon which the vehicles to be returned in the leasing business are evaluated. If changing market developments lead to a negative deviation from assumptions, there is a risk of lower residual values of used vehicles. Depending on the region and the current market situation, the measures taken generally include continuous market monitoring as well as, if required, price-setting strategies or sales-promotion measures designed to regulate vehicle inventories. The quality of market forecasts is verified by regular comparisons of internal and external sources, and, if required, the determination of residual values is adjusted and further developed with regard to methods, processes and systems.

In the case of accounting as an operating lease, these vehicles are capitalized at (depreciated) cost of production under leased equipment and are depreciated over the contract term on a straight-line basis with consideration of the expected residual values. Changes in the expected residual values lead either to prospective adjustments of the scheduled depreciation or, if necessary, to an impairment loss. The vehicles are allocated to the segment, which bears substantially all of the residual-value risk.

Operating leases also relate to vehicles, primarily Daimler Truck Business products that Financial Services acquires from non-group dealers or other third parties and leases to end customers. These vehicles are presented at (amortized) cost of acquisition under leased equipment in the Financial Services segment. If these vehicles are Daimler Truck Business products and are subsidized, the subsidies are deducted from the cost of acquisition. After revenue is received from the sale to independent dealers, these Daimler Truck Business products generate revenue from lease payments and subsequent resale on the basis of the separate leasing contracts. The revenue received from the sale of Daimler Truck Business products to the dealers is estimated by Daimler Truck Business as being of the magnitude of the respective addition to leased equipment at Financial Services. In 2020, additions to leased equipment from these vehicles at Financial Services amounted to €101 million (2019: €194 million, 2018: €200 million).

In the case of finance leases, Daimler Truck Business presents the receivables under receivables from financial services in an amount corresponding to the net investment of the lease agreements. The net investment of a lease agreement is the gross investment (future lease payments and non-guaranteed residual value) discounted at the rate upon which the lease agreement is based. The existence of a bargain purchase option leads to the accounting treatment as finance lease within Daimler Truck Business.

Equity-method investments
On the date of acquisition, a positive difference between cost of acquisition and Daimler Truck Business' share of the fair values of the identifiable assets and liabilities of the associated company or joint venture is determined and recognized as investor level goodwill. The goodwill is included in the carrying amount of the equity-method investment. If an equity interest in an existing associated company is increased without change in significant influence, goodwill is determined only for the additionally acquired interest; the previous investment is not remeasured at fair value.

Daimler Truck Business reviews on each reporting date whether there is any objective indication of impairments or impairment reversals of equity-method investments. If such indications exist, Daimler Truck Business determines the impairment loss or reversal to be recognized. If the carrying amount exceeds the recoverable amount of an investment, the carrying amount is written down to the recoverable amount. The recoverable amount is the greater of fair value less costs to sell and value in use. An impairment reversal is carried out if there is objective evidence for an impairment reversal. If such an assessment is made, the recoverable amount is remeasured. An impairment reversal is recognized to the extent that the recoverable amount has increased subsequent to the impairment and is limited to the amount by which an asset has been impaired.

Gains or losses (to be eliminated) from transactions with companies accounted for using the equity method are recognized through profit or loss with corresponding adjustments of the investments' carrying amounts. Gains or losses from the contribution of interests in subsidiaries to investments which are measured using the equity method are also subject to elimination adjustments to the carrying amount of the investment.

Impairment of non-current non-financial assets
There was no reporting on the level of Daimler Truck Business in the past, but Daimler Truck Business formed part of the Daimler Group. These Combined Financial Statements were extracted from the Consolidated Financial Statements of Daimler AG. Therefore, Daimler Truck Business has not performed any impairment test for any period shown in this Combined Financial Statements. Impairment assessment procedures for the Daimler Trucks and Buses Business were performed exclusively by Daimler AG during the periods under consideration.

During the periods presented Daimler Group assessed at each reporting date whether there is an indication that an asset may be impaired or whether there was an indication that a previously recognized impairment loss may be reversed. If such indication existed, Daimler Group estimated the recoverable amount of the asset. The recoverable amount is determined for each individual asset unless the asset generates cash inflows that are not largely independent of those from other assets or groups of assets (cash-generating units). Goodwill and other intangible assets with indefinite useful lives were tested at least annually for impairment; this took place at the level of the cash-generating units. If the carrying amount of an asset or of a cash-generating unit exceeds the recoverable amount, an impairment loss is recognized for the difference.

The recoverable amount is the higher of fair value less cost of disposal and value in use. For cash-generating units, Daimler Truck Business in a first step determines the respective recoverable amount as value in use and compares it with the respective carrying amount (including goodwill).

Goodwill and other intangible assets with indefinite useful lives were tested for impairment based on the cash-generating unit structure used at that time by Daimler Group to monitor goodwill and other intangible assets with indefinite useful lives, given the fact that Daimler Truck Business and the new reporting structure did not exist in the past. The cash-generating units of Daimler Group tested for impairment in the years 2018 to 2020 were Mercedes-Benz Cars, Mercedes-Benz Vans, Daimler Trucks, Daimler Buses and Daimler Mobility.

Value in use is measured by discounting expected future cash flows from the continuing use of the cash-generating units using a risk-adjusted interest rate. Future cash flows are determined on the basis of the long-term planning, which is approved by management and which is valid at the date when the impairment test is conducted. This planning, which covers a five-year period (2019 and 2018: seven-year period and therefore mainly covering the product life cycles of the automotive business), is based on expectations regarding future market shares, the general development of respective markets as well as the products' profitability. Furthermore, in determining value in use, a risk assessment is performed. The planning premises are checked for plausibility with regard to the historical development as well as external sources of information. The rounded risk-adjusted interest rates used to discount cash flows, which are calculated for each cash-generating unit, are the same for all three periods at 8% after taxes for the cash-generating units of the automotive business. For the cash-generating unit Daimler Mobility, a risk-adjusted interest rate of 9% after taxes is applied for all three periods. Whereas the discount rate for the cash-generating unit Daimler Mobility represents the cost of equity, the risk-adjusted interest rate for the cash-generating units of the automotive business is based on the weighted average cost of capital (WACC). This is calculated based on the capital asset pricing model (CAPM), taking into account current market expectations. In calculating the risk-adjusted interest rate for impairment-test purposes, specific peer group information is used for beta factors, capital-structure data and cost of debt. Periods not covered by the forecast are taken into account by recognizing a residual value (terminal value), which does not include any growth rates. In addition, several sensitivity analyses are conducted. These show that even in the case of more unfavorable premises for main influencing factors with respect to the original planning, no need for impairment exists. If value in use is lower than the carrying amount, fair value less costs of disposal is additionally calculated to determine the recoverable amount.

An assessment for assets other than goodwill is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may be reversed. If this is the case, Daimler Truck Business records a partial or entire reversal of the impairment; the carrying amount is thereby increased to the recoverable amount. However, the increased carrying amount may not exceed the carrying amount that would have been determined (net of depreciation) if no impairment loss had been recognized in prior years.

Non-current assets held for sale and disposal groups
Daimler Truck Business classifies non-current assets or disposal groups as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. In this case, the assets or disposal groups are no longer depreciated but measured at the lower of carrying amount and fair value less costs to sell. Immediately before classification as held for sale, the carrying amount of the asset is determined in accordance with the applicable individual requirements. If fair value less costs to sell subsequently increases, any impairment loss previously recognized is reversed. This reversal is restricted to the impairment loss previously recognized for the assets or disposal group concerned. Daimler Truck Business generally discloses these assets or disposal groups separately in the Combined Statement of Financial Position.

Inventories
Inventories are measured at the lower of acquisition or manufacturing cost and net realizable value. The net realizable value is the expected sales price less estimated costs of completion and estimated costs to sell. The acquisition or manufacturing costs of inventories are generally based on the specific identification method and include costs incurred in acquiring the inventories and bringing them to their present location and condition. Acquisition or manufacturing costs for large numbers of inventories that are interchangeable are allocated under the average cost formula. In the case of manufactured inventories and work in progress, manufacturing cost also includes production overheads based on normal capacity.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments in the form of financial assets and financial liabilities are generally presented separately. Financial instruments are recognized as soon as Daimler Truck Business becomes a party to the contractual provisions of the financial instrument. In the case of purchases or sales of financial assets through the regular market, Daimler Truck Business uses the transaction date as the date of initial recognition or derecognition.

Upon initial recognition, financial instruments are generally measured at fair value. For the purpose of subsequent measurement, financial instruments are allocated to one of the categories mentioned in IFRS 9 Financial Instruments (financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss). Transaction costs directly attributable to acquisition or issuance are considered when determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets
Financial assets primarily comprise receivables from financial services, trade receivables, receivables from banks, cash on hand, derivative financial assets, marketable securities and similar investments and financial investments. The classification of financial instruments is based on the business model in which these instruments are held and on their contractual cash flows.

The determination of the business model is carried out at the portfolio level and is based on management's intention and past transaction patterns. Assessments of the contractual cash flows are made on an instrument-by-instrument basis.

Financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss include financial assets with cash flows other than those of principal and interest on the nominal amount outstanding. Furthermore, financial assets that are held in a business model other than "hold to collect" or "hold to collect and sell" are included here.

In addition, derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as financial assets acquired for the purpose of selling in the short term that are classified as held for trading, are included here. Gains or losses on these financial assets are recognized in profit or loss.

Financial assets at amortized cost. Financial assets at amortized cost are non-derivative financial assets with contractual cash flows that consist solely of payments of principal and interest on the nominal amount outstanding and which are held with the aim of collecting the contractual cash flows, such as receivables from financial services, trade receivables or cash and cash equivalents (business model "hold to collect"). Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks, as well as debt instruments and certificates of deposits with a remaining term when acquired of up to three months, which are not subject to any material value fluctuations. Cash and cash equivalents correspond with the classification in the Combined Statement of Cash Flows.

After initial recognition, financial assets at amortized cost are subsequently carried at amortized cost using the effective interest method less any loss allowances. Gains and losses are recognized in the Combined Statement of Income when the financial assets at amortized cost are impaired or derecognized. Interest effects on the application of the effective interest method are also recognized in profit or loss as well as effects from foreign currency translation.

Financial assets at fair value through other comprehensive income. Financial assets at fair value through other comprehensive income are non-derivative financial assets with contractual cash flows that consist solely of payments of principal and interest on the nominal amount outstanding and which are held to collect the contractual cash flows as well as to sell the financial assets, e.g. to achieve a defined liquidity target (business model "hold to collect and sell"). This category also includes equity instruments not held for trading for which the option to present changes in the fair value of the instrument within other comprehensive income has been applied.

After initial measurement, financial assets at fair value through other comprehensive income are measured at fair value, with unrealized gains or losses being recognized in other comprehensive income/loss. Upon disposal of debt instruments, the accumulated gains and losses recognized in other comprehensive income/loss resulting from measurement at fair value are recognized in profit or loss. Interest earned on financial assets at fair value through other comprehensive income is generally reported as interest income using the effective interest method. Changes in the fair value of equity instruments measured at fair value through other comprehensive income are not recycled to profit or loss but reclassified to retained earnings upon disposal. Dividends are recognized in profit or loss when the right to payment has been established.

Impairment of financial assets
At each reporting date, a loss allowance is recognized for financial assets, loan commitments and financial guarantees other than those to be measured at fair value through profit or loss reflecting expected losses for these instruments. Expected credit losses are allocated using three stages:

Stage 1: expected credit losses within the next twelve months

Stage 1 includes all contracts with no significant increase in credit risk since initial recognition and usually includes new acquisitions and contracts with fewer than 31 days past due date. The portion of the lifetime expected credit losses resulting from default events possible within the next 12 months is recognized.

Stage 2: expected credit losses over the lifetime – not credit impaired

If a financial asset has a significant increase in credit risk since initial recognition but is not yet credit impaired, it is moved to stage 2 and measured at lifetime expected credit loss, which is defined as the expected credit loss that results from all possible default events over the expected life of a financial instrument.

Stage 3: expected credit losses over the lifetime – credit impaired

If a financial asset is defined as credit-impaired or in default, it is transferred to stage 3 and measured at lifetime expected credit loss. Objective evidence for a credit-impaired financial asset includes 91 days past due date and other information about significant financial difficulties of the borrower.

The determination of whether a financial asset has experienced a significant increase in credit risk is based on an assessment of the probability of default, which is made at least quarterly, incorporating external credit rating information as well as internal information on the credit quality of the financial asset. For debt instruments that are not receivables from financial services, a significant increase in credit risk is assessed mainly based on past-due information or the probability of default.

A financial asset is migrated to stage 2 if the asset's credit risk has increased significantly compared to its credit risk at initial recognition. The credit risk is assessed based on the probability of default. For trade receivables, the simplified approach is applied whereby all trade receivables are allocated to stage 2 initially. Hence, no determination of significant increases in credit risk is necessary.

Daimler applies the low credit risk exception to the stage allocation to quoted debt instruments with investment-grade ratings. These debt instruments are always allocated to stage 1.

In stage 1 and 2, the effective interest revenue is calculated based on gross carrying amounts. If a financial asset becomes credit impaired in stage 3, the effective interest revenue is calculated based on its net carrying amount (gross carrying amount adjusted for any loss allowance).

Measurement of expected credit losses. Expected credit losses are measured in a way that reflects:

a) the unbiased and probability-weighted amount;

b) the time value of money and

c) reasonable and supportable information (if available without undue cost or effort) at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are measured as the probability-weighted present value of all cash shortfalls over the expected life of each financial asset. For receivables from financial services, expected credit losses are mainly calculated with a statistical model using three major risk parameters: probability of default, loss given default and exposure at default.

The estimation of these risk parameters incorporates all available relevant information, not only historical and current loss data, but also reasonable and supportable forward-looking information reflected by the future expectation factors. This information includes macroeconomic factors (e.g., gross domestic product growth, unemployment rate, cost performance index) and forecasts of future economic conditions. For receivables from financial services, these forecasts are performed using a scenario analysis (basic scenario, optimistic scenario and pessimistic scenario). The impairment amount for trade receivables is predominantly determined on a collective basis.

A financial instrument is written off when there is no reasonable expectation of recovery, for example, at the end of insolvency proceedings or after a court decision of uncollectibility.

Significant modification of financial assets (e.g. with a change in the present value of the contractual cash flows of 10%) also leads to derecognition of the financial assets with a simultaneous recognition of new financial assets. This is estimated to be rare and immaterial for receivables from financial services. If the terms of a contract are renegotiated or modified and this does not result in derecognition of the contract, then the gross carrying amount of the contract has to be recalculated and a modification gain or loss has to be recognized in profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is presented in the Combined Statement of Financial Position provided that an enforceable right currently exists to offset the amounts involved, and there is an intention either to carry out the offsetting on a net basis or to settle a liability when the related asset is sold.

Financial liabilities
Financial liabilities primarily include trade payables, liabilities to banks, derivative financial liabilities and other liabilities.

Financial liabilities measured at amortized cost. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities at fair value through profit or loss. Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Derivatives (including embedded derivatives separated from the host contract) which are not used as hedging instruments in hedge accounting are classified as held for trading. Gains or losses on liabilities held for trading are recognized in profit or loss.

Derivative financial instruments and hedge accounting
Daimler Truck Business uses derivative financial instruments exclusively for hedging financial risks that arise from its operating or financing activities or liquidity management. These are mainly currency risks, interest rate risks and commodity price risks.

Embedded derivatives are principally separated from the host contract and recognized separately. However, embedded derivatives are not separated from the host contract if that host contract is a financial asset, if Daimler Truck Business chooses to measure a hybrid contract at fair value through profit or loss, or if the embedded derivative is closely related to the host contract.

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option-pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IFRS 9 are met, Daimler Truck Business designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge or a cash flow hedge. In a fair value hedge, the changes in the fair value of a recognized asset or liability or an unrecognized firm commitment are hedged. In a cash flow hedge, the variability of cash flows to be received or paid from expected transactions related to a recognized asset or liability or a highly probable forecast transaction is hedged. The documentation of the hedging relationship includes the objectives and strategy of risk management, the type of hedging relationship, the nature of the risk being hedged, the identification of the eligible hedging instrument and the eligible hedged item, as well as an assessment of the effectiveness requirements comprising the risk mitigating economic relationship, the absence of deteriorating effects from credit risk and the appropriate hedge ratio. Hedging transactions are regularly assessed to determine whether the effectiveness requirements are met while they are designated.

Changes in fair value of non-designated derivatives are recognized in profit or loss. For fair value hedges, changes in the fair value of the hedged item and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument are recognized after tax in other comprehensive income.

Under IFRS 9, for cash flow hedges in procurement transactions expected with a high degree of probability, designation can be made for separable risk components of these non-financial hedged items.

Under IFRS 9, with cash flow hedges, amounts recognized in other comprehensive income as effective hedging gains or losses from hedging instruments are removed from the reserves for derivative financial instruments and directly included in the initial cost or carrying amount of the hedged item at initial recognition if the hedged item, e.g., forecast transaction, results in the recognition of a non-financial asset or non-financial liability.

For other cash flow hedges, the accumulated hedging gains or losses from hedging instruments are reclassified from the reserves for derivative financial instruments to the Combined Statement of Income when the hedged item affects profit or loss. The ineffective portions of fair value changes are recognized directly in profit or loss. For derivative instruments designated in a hedge relationship, certain components can be excluded from designation and the changes in these components' fair value are then deferred in other comprehensive income under IFRS 9. This may apply for example to the time value of options, the forward element of a forward contract or cross currency basis spreads.

Hedge relationships are to be discontinued prospectively if a particular hedge relationship ceases to meet the qualifying criteria for hedge accounting under IFRS 9. Instances that require discontinuation of hedge accounting are, among others, changes to the designated hedged item, loss of the economic relationship between the hedged item and the hedging instrument, disposal or termination of the hedging instrument, or a revision of the documented risk management objective of a particular hedge relationship. Accumulated hedging gains and losses from cash flow hedges are retained and are reclassified from equity as described at maturity if the hedged future cash flows are still expected to occur. Otherwise, accumulated hedging gains and losses are immediately reclassified to profit or loss.

If derivative financial instruments do not or no longer qualify for hedge accounting because the qualifying criteria for hedge accounting are not or are no longer met, the derivative financial instruments are classified as held for trading and are measured at fair value through profit or loss.

Pensions and similar obligations
The measurement of defined benefit plans for pensions and other post-employment benefit obligations (medical care) in accordance with IAS 19 Employee Benefits is based on the projected unit credit method. Plan assets invested to cover defined benefit pension obligations and other post-employment benefit obligations (medical care) are measured at fair value and offset against the corresponding obligations.

The balance of defined benefit plans for pensions and other post-employment benefit obligations and plan assets (net pension obligation or net pension assets) accrues interest at the discount rate used as a basis for the measurement of the gross pension obligation. The resulting net interest expense or income is recognized in profit or loss under interest expense or interest income in the Combined Statement of Income. The other expenses resulting from pension obligations and other post-employment benefit obligations (medical care), which mainly result from entitlements acquired during the year under review, are taken into consideration in the functional costs in the Combined Statement of Income. Differences between the assumptions made and actual developments as well as changes in actuarial assumptions for the measurement of defined benefit plans and similar obligations result in actuarial gains and losses, which have a direct impact on the Combined Statement of Financial Position and are recognized in Other Comprehensive Income.

The discount factors used to calculate the present values of defined benefit pension obligations are to be determined – with maturities and currencies matching the pension payments – by reference to market yields at the end of the reporting period on high-quality corporate bonds in the respective markets. For very long maturities, there are no high-quality corporate bonds available as a benchmark. The respective discount factors are estimated by extrapolating current market rates along the yield curve.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized in profit or loss when the curtailment or settlement occurs.

Provisions for other risks
A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable, and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the reporting date. Provisions with an original maturity of more than one year are discounted to the present value of the expenditures expected to settle the obligation at the end of the reporting period. If the criteria of the regulations on recognition and measurement of provisions are not fulfilled and the possibility of a cash outflow upon settlement is not unlikely, the item is to be presented as a contingent liability, insofar as it is adequately measurable. The amount disclosed as a contingent liability represents the best estimate of the possible obligation at the reporting date. Provisions and contingent liabilities are regularly reviewed and adjusted as further information becomes available or circumstances change.

A provision for expected warranty costs is recognized when a product is sold or when a new warranty program is initiated. Estimates for accrued warranty costs are primarily based on historical experience.

Restructuring provisions are set up in connection with programs that materially change the scope of business performed by a segment or business unit or the manner in which business is conducted. In most cases, restructuring expenses include termination benefits and compensation payments due to the termination of agreements with suppliers and dealers. Restructuring provisions are recognized when Daimler Truck Business has a detailed formal plan that has either commenced implementation or been announced.

Contract and refund liabilities
Contract liabilities. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

Contract liabilities occur at Daimler Truck Business especially from prepaid service and maintenance contracts and extended warranties.

Refund liabilities. A refund liability occurs if Daimler Truck Business receives consideration from a customer and expects to refund some or all of that consideration to the customer. A refund liability is measured at the amount of consideration received for which Daimler Truck Business does not expect to be entitled and is thus not included in the transaction price.

Refund liabilities occur at Daimler Truck Business especially in the following circumstances:

– Obligations from sales transactions (especially performance bonuses, discounts and other price concessions) in the scope of IFRS 15, and

– Sales with the right of return and residual-value guarantees.

Share-based payment
Share-based payment comprises cash-settled share-based payments.

Cash-settled liabilities awards are measured at fair value at each balance sheet date until settlement and are classified as provisions under consideration of vesting conditions. The profit or loss of the period equals the addition to and/or the reversal of the provision during the reporting period and the dividend equivalent paid during the period and is included in the functional costs.

Presentation in the Combined Statement of Cash Flows
Operating transactions of the Daimler Truck Business with the remaining Daimler Group will be presented on a gross basis. This means that the underlying expense is presented as an operating cash outflow, and simultaneously a deemed contribution by the remaining Daimler Group is presented as a financing cash inflow. Transactions with Daimler Group also include cash inflows and outflows in connection with profit or loss transfer agreements between Daimler Truck Business and remaining Daimler Group companies, dividends paid to remaining Daimler Group, and other financing transactions.

Interest paid as well as interest and dividends received are classified as cash provided by/used for operating activities. The cash flows from short-term marketable debt securities with high turnover rates and significant amounts are offset and presented within cash provided by/used for investing activities.

IFRS issued, EU endorsed and initially adopted in the reporting period
In the second quarter of 2020, the International Accounting Standards Board published an amendment to **IFRS 16 ("Covid-19-Related Rent Concessions")**, in which they provide an accounting policy choice to lessees to apply practical relief for rent concessions arising because of the covid-19 pandemic. Daimler Truck Business does not apply this practical expedient for lessees.

IFRS issued but neither EU endorsed nor yet adopted
In May 2017, the IASB issued **IFRS 17 Insurance Contracts.** IFRS 17 will replace the currently applicable IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after January 1, 2023. Early adoption is permitted. Daimler Truck Business currently does not expect any material impacts on the Daimler Truck Business' profitability, liquidity and capital resources or financial position due to the application of IFRS 17. Early adoption is not currently planned.

In August 2020 the IASB published amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS and IFRS 16). The amendments address issues related to the application of the reform and its effects on financial reporting for lease contracts, hedges and other financial instruments caused by replacing existing interest-rate benchmarks with alternative benchmark rates.

Application is mandatory for reporting periods beginning on or after January 1, 2021. Daimler Truck Business has not opted for early adoption and no significant impact is expected.

In addition, further standards and interpretations have been approved which are not expected to have a material impact on Daimler Truck Business' profitability, liquidity and capital resources and financial position.

Application of IFRIC 23 Uncertainty over Income Tax Treatments. In October 2018, IFRIC 23 Uncertainty over Income Tax Treatments was endorsed by the European Union. IFRIC 23 has to be applied to annual reporting periods beginning on or after January 1, 2019. Early adoption is permitted. Daimler Truck Business has chosen to apply IFRIC 23 at December 31, 2018. The application does not have any material impact on Daimler Truck Business' profitability, liquidity and capital resources and financial position as the former Daimler Truck Business accounting policy was very close to IFRIC 23.

4. Accounting estimates and management judgments

In the Combined Financial Statements, to a certain degree, estimates and management judgments have to be made which can affect the amounts and reporting of assets and liabilities, the reporting of contingent assets and liabilities on the balance sheet date, and the amounts of income and expense reported for the period. The combined financial information presented herein does not necessarily reflect the net assets, financial position, results of operations and capital structure that would have occurred if the Daimler Truck Business had existed as a separate, stand-alone group in the reporting periods under consideration. The fact that the Daimler Truck Business did not historically exist therefore limits the validity of the combined financial information. It also means that the combined financial information cannot be used to forecast the future development of the operations that have been combined to form the Daimler Truck Group.

In preparing the Combined Financial Statements, additional assumptions and estimates were made, particularly in connection with (i) legal entities and operations to be transferred and the execution of the demerger (ii) the execution of the legal transfer concept at Mixed Entities, (iii) final employee transfer concept, (iv) funding of Daimler Truck AG contractual trust arrangements and (v) the execution of a new license agreement relating to the Mercedes-Benz brand as further discussed in the section Management judgment and estimation uncertainties in Note 2. Basis of preparation. Further assumptions relating to the attribution of assets, liabilities and income and expenses in the Combined Financial Statements are disclosed in Note 2. Basis of preparation. These assumptions and estimates affect the amounts and the reporting of recognized assets and liabilities, income and expenses and contingent liabilities. The actual amounts therefore may vary from these estimates.

Accounting estimates and management judgements due to the covid-19 pandemic (only applicable to the fiscal year ended December 31, 2020)
Due to the global consequences of the covid-19 pandemic, especially the accounting estimates and management judgements regarding the reporting of assets and liabilities are subject to increased uncertainty.

With the update of the accounting estimates and management judgements, available information on the expected economic developments and country-specific governmental counter measures has been included.

This information was included in the analysis of the recoverability and collectability of financial assets, especially of receivables from financial services and equity-method investments, as well as in impairment tests for the cash-generating units. With regard to hedge accounting, estimates were updated concerning whether forecast transactions can still be assumed to be highly likely to occur. Furthermore, estimates of future residual values of leased vehicles, the measurement of provisions for residual-value guarantees and the measurement of the net realizable value of inventories have been updated to include the expected consequences of the covid-19 pandemic.

Recoverable amounts of cash-generating units and equity-method investments
In the context of impairment tests for non-financial assets, estimates have to be made to determine the recoverable amounts of cash-generating units. Assumptions have to be made in particular with regard to future cash inflows and outflows for the planning period and the following periods. The estimates include assumptions regarding future market shares and the growth of the respective markets, as well as regarding the products' profitability. On the basis of the impairment tests carried out in 2020, 2019 and 2018, the recoverable amounts are substantially larger than the net assets of the Daimler Group cash-generating units applicable for the Daimler Truck Business. For more details refer to section Impairment of non-current non-financial assets in Note 3 Significant accounting policies.

When objective evidence of impairment or impairment reversal is present, estimates and assessments also have to be made to determine the recoverable amount of an equity-method investment. The determination of the recoverable amount is based on assumptions regarding future business developments for the determination of the expected future cash flows of that financial investment.

Recoverable amount of equipment on operating leases
Daimler Truck Business regularly reviews the factors determining the values of its leased vehicles. In particular, it is necessary to estimate the residual values of vehicles at the end of their leases, which constitute a substantial part of the expected future cash flows from leased assets. In this context, assumptions are made regarding major influencing factors, such as the expected number of returned vehicles, the latest remarketing results and future vehicle model changes. Those assumptions are determined either by qualified estimates or by publications provided by expert third parties; qualified estimates are based, as far as publicly available, on external data with consideration of internally available additional information such as historical experience of price developments and recent sale prices. The residual values thus determined serve as a basis for depreciation; changes in residual values lead either to prospective adjustments of the depreciation or, in the case of a significant decline in expected residual values, to an impairment. If depreciation is prospectively adjusted, changes in estimates of residual values do not have a direct effect but are equally distributed over the remaining periods of the lease contracts.

Collectability of receivables from financial services
Daimler Truck Business regularly estimates the risk of default on receivables from financial services. Many factors are taken into consideration in this context including historical loss experience, the size and composition of certain portfolios, current economic events and conditions and the estimated fair values and adequacy of collaterals. In addition to historical and current information on losses, appropriate and reliable forward-looking information on factors is also included. This information includes macroeconomic factors (e.g. GDP growth, unemployment rate, cost-performance index) and forecasts of future economic conditions. For receivables from financial services, these forecasts are determined using a scenario analysis (baseline scenario, optimistic and pessimistic scenario). Further external information, e.g. in connection with the covid-19 pandemic, which cannot be depicted in the scenarios, is - as far as necessary - included in the assessment through subsequent adjustments. Changes to the estimation and assessment of these factors influence the allowance for credit losses with a resulting impact on the Daimler Truck Business' net profit. See also Note 16. Receivables from financial services and Note 36. Management of financial risks for further information.

Product warranties
The recognition and measurement of provisions for product warranties is generally connected with estimates.

The Daimler Truck Business provides various types of product warranties depending on the type of product and market conditions. Provisions for product warranties are generally recognized when vehicles are sold or when new warranty programs are initiated. Based on historical warranty-claim experience, assumptions have to be made on the type and extent of future warranty claims and customer goodwill, as well as on possible recall campaigns. These assessments are based on experience of the frequency and extent of vehicle faults and defects in the past. In addition, the estimates also include assumptions on the amounts of potential repair costs per vehicle and the effects of possible time or mileage limits. The provisions are regularly adjusted to reflect new information. Further information on provisions for other risks is provided in Note 26. Provision for other risks.

Liability and litigation risks and regulatory proceedings
Various legal proceedings, claims and governmental investigations are pending against legal entities that are included in the scope of combination of the Combined Financial Statements on a wide range of topics. If the outcome of such legal proceedings is detrimental to Daimler Truck Business, Daimler Truck Business may be required to pay substantial compensatory and punitive damages, to undertake service actions or recall campaigns, to pay fines or to carry out other costly actions. Litigation and governmental investigations often involve complex legal issues and are connected with a high degree of uncertainty. Accordingly, the assessment of whether an obligation exists on the balance sheet date as a result of an event in the past, and whether a future cash outflow is likely and the obligation can be reliably estimated, largely depends on estimations by the management. Daimler Truck Business regularly evaluates the current stage of legal proceedings, also with the involvement of external legal counsel. It is therefore possible that the amounts of provisions for pending or potential litigation will have to be adjusted due to future developments. Changes in estimates and premises can have a material effect on the Daimler Truck Business' future profitability. It is also possible that provisions recognized for some legal proceedings may turn out to be insufficient once such proceedings have

ended. Legal entities that are included in the scope of combination of the Combined Financial Statements may also become liable for payments in legal proceedings for which no provisions were established. Although the final resolution of any such proceedings could have a material effect on Daimler Truck Business' operating results and cash flows for a particular reporting period, Daimler Truck Business believes that it should not materially affect Daimler Truck Business' financial position. Further information on liability and litigation risks and regulatory proceedings is provided in Note 33. Legal proceedings.

Pensions and similar obligations
The calculation of provisions for pensions and similar obligations and the related pension cost are based on various actuarial valuations. The calculations are subject to various assumptions on matters such as current actuarially developed probabilities (e.g. discount factors and cost-of-living increases), future fluctuations with regard to age and period of service, and experience with the probability of occurrence of pension payments, annuities or lump sums. As a result of changed market or economic conditions, the probabilities on which the influencing factors are based, may differ from current developments. The financial effects of deviations of the main factors are calculated with the use of sensitivity analyses. See Note 25. Pensions and similar obligations for further information.

Income taxes
The calculation of income taxes is based on the legislation and regulations applicable in the various countries. Due to their complexity, tax items presented in the Combined Financial Statements may be subject to different interpretations by taxpayers on the one hand and local tax authorities on the other. Different interpretations can occur especially in connection with the recognition and measurement of balance sheet items as well as in connection with the judgement of expenses and income. To account for deferred taxes, assumptions have to be made regarding future taxable income and the timing of future tax benefits. In this context, Daimler Truck Business takes into consideration, among other things, the projected earnings from business operations, the effects on earnings of the reversal of taxable temporary differences, and realizable tax strategies. As future business developments are uncertain and sometimes beyond Daimler Truck Business' control, the assumptions made for the accounting of income taxes may include a substantial degree of uncertainty.

On each balance sheet date, Daimler Truck Business carries out impairment tests on deferred tax assets on the basis of the planned taxable income in future financial years. Deferred tax assets are only recognized if it is probable that future tax advantages can be realized.

5. Composition of the Daimler Truck Business

Composition of Daimler Truck Business
A detailed list of the operations and legal entities as well as investments included in the scope of combination of the Combined Financial Statements and of the equity investments of Daimler Truck Business is provided in Note 43. Scope of combination.

The aggregate totals in the Statement of Financial Position of the legal entities, operations, associated companies, joint ventures and joint operations accounted for at amortized cost whose business is non-active or of low volume and which are not material for Daimler Truck Business and the fair presentation of its profitability, liquidity and capital resources, and financial position would amount to approximately 1% of Daimler Truck Business' total assets; the aggregate revenue and the aggregate net profit would amount to approximately 1% of Daimler Truck Business' revenue and net profit.

Structured entities
The structured entities of Daimler Truck Business are rental companies and asset-backed-securities (ABS) companies. The purpose of the rental companies is primarily the acquisition, renting-out and management of assets. The ABS companies are primarily used for Daimler Truck Business' refinancing. The assets transferred to structured entities usually result from Daimler Truck Business' leasing and sales financing business. Those entities refinance the purchase price by issuing securities.

At the reporting date, Daimler Truck Business has business relationships with 2 (2019: 2, 2018: 1) controlled structured entities. In addition, Daimler Truck Business has relationships with 7 (2019: 7, 2018: 6) non-controlled structured entities.

Assets and liabilities held for sale (only applicable to the fiscal year ended December 31, 2020)

Joint venture between Volvo Group and Daimler Truck AG (cellcentric GmbH & Co. KG)
In November 2020, the Volvo Group and Daimler Truck AG signed a binding agreement on the establishment of a joint venture for fuel-cell activities. Therefore, in 2020 the Daimler Group placed the assets and liabilities of fuel-cell-activities in the company Daimler Truck Fuel Cell GmbH & Co. KG, a wholly owned subsidiary of Daimler Truck AG. In the first quarter of 2021, the Volvo Group acquired 50% of the shares in Daimler Truck Fuel Cell GmbH & Co. KG for €639 million. The two parties agreed to rename the company into cellcentric GmbH & Co. KG (cellcentric) with its principal place of business in Nabern, Germany. Upon completion of the transaction on March 1, 2021, a positive income before taxes of €1,215 million, of which €624 million was accounted for in particular by the remeasurement of the interest in cellcentric that is still held by Daimler Truck Business, and a cash inflow of €634 million were recognized at Daimler Truck AG.

At December 1, 2020 both the assets of Daimler Truck Fuel Cell GmbH & Co. KG classified as held for sale and the liabilities classified as held for sale were less than €0.1 billion due to common control guidance described in Note 2. Basis of preparation. Due to its minor importance for the financial position of the Daimler Truck Business, the assets and liabilities held for sale were not presented separately in the Combined Statement of Financial Position.

6. Revenue

Revenue disclosed in the Combined Statement of Income includes revenue from contracts with customers and other revenue not in the scope of IFRS 15.

Revenue from contracts with customers (revenue according to IFRS 15) is disaggregated by the two categories - type of products and services and geographical regions - and presented in table ↗ **D.09**. The category type of products and services corresponds to the reportable segments as further described in the Note 37. Segment reporting.

Other revenue primarily comprises revenue from the rental and leasing business of €1,012 million (2019: €1,105 million; 2018: €1,137 million), interest from the financial services business at Financial Services in an amount of €971 million (2019: €1,149 million; 2018: €948 million and effects from currency hedging. Interest from financial services business includes financial income on the net investment in leases of €133 million (2019: €119 million; 2018: €107 million).

Revenue according to IFRS 15 includes revenue that was included in contract liabilities at December 31, 2019 in an amount of €747 million (2019: €1,098 million; 2018: €1,111) and revenue from performance obligations fully (or partially) satisfied in previous periods in an amount of €69 million (2019: €98 million; 2018: €101 million).

Revenue that is expected to be recognized within three years related to performance obligations that are unsatisfied (or partially unsatisfied) amounted to €2,708 million at December 31, 2020 (2019: €2,766 million; 2018: €2,558 million). This revenue is mainly derived from long-term service and maintenance contracts and extended warranties. It does not include performance obligations from customer contracts that have initial expected durations of one year or less. Long-term performance obligations of minor importance to the overall contract value of a bundled contract are not considered in assessing the initial duration of the bundled contract.

As a result of the covid-19 pandemic the Daimler Truck Business' revenue in the year 2020 was significantly below the level of the prior years.

Revenue by segment ↗ **D.88** and region ↗ **D. 90** is presented in tables in Note 37. Segment reporting.

D.09

Revenue

In millions of euros	Mercedes-Benz	Trucks North America	Trucks Asia	Daimler Buses	Financial Services	Total segments	Recon-ciliation	Daimler Truck Business
2020								
Europe	**8,977**	**71**	**224**	**2,502**	**-**	**11,774**	**-533**	**11,241**
North America	**703**	**13,482**	**91**	**129**	**43**	**14,448**	**-713**	**13,735**
Asia	**1,313**	**40**	**4,870**	**106**	**5**	**6,334**	**-424**	**5,910**
Latin America	**1,452**	**77**	**91**	**322**	**10**	**1,952**	**-114**	**1,838**
Other markets	**748**	**118**	**274**	**151**	**43**	**1,334**	**-46**	**1,288**
Revenue according to IFRS 15	**13,193**	**13,788**	**5,550**	**3,210**	**101**	**35,842**	**-1,830**	**34,012**
Other revenue	**597**	**59**	**29**	**228**	**1,106**	**2,019**	**-18**	**2,001**
Total revenue	**13,790**	**13,847**	**5,579**	**3,438**	**1,207**	**37,861**	**-1,848**	**36,013**

In millions of euros	Mercedes-Benz	Trucks North America	Trucks Asia	Daimler Buses	Financial Services	Total segments	Recon-ciliation	Daimler Truck Business
2019								
Europe	10,383	113	265	2,996	-	13,757	-601	13,156
North America	1,022	18,859	149	224	51	20,305	-1,076	19,229
Asia	1,500	85	5,701	276	5	7,567	-603	6,964
Latin America	2,237	129	140	709	12	3,227	-203	3,024
Other markets	1,082	141	379	138	44	1,784	-100	1,684
Revenue according to IFRS 15	16,224	19,327	6,634	4,343	112	46,640	-2,583	44,057
Other revenue	582	43	4	301	1,279	2,209	-22	2,187
Total revenue	16,806	19,370	6,638	4,644	1,391	48,849	-2,605	46,244

In millions of euros	Mercedes-Benz	Trucks North America	Trucks Asia	Daimler Buses	Financial Services	Total segments	Recon-ciliation	Daimler Truck Business
2018								
Europe	10,858	154	283	2,846	-	14,141	-618	13,523
North America	998	16,418	135	243	53	17,847	-1,013	16,834
Asia	1,409	43	5,716	161	22	7,351	-577	6,774
Latin America	1,792	177	135	644	8	2,756	-181	2,575
Other markets	1,024	230	463	124	58	1,899	-27	1,872
Revenue according to IFRS 15	16,081	17,022	6,732	4,018	141	43,994	-2,416	41,578
Other revenue	643	58	12	365	1,059	2,137	-15	2,122
Total revenue	16,724	17,080	6,744	4,383	1,200	46,131	-2,431	43,700

7. Functional costs

Cost of sales

Items included in cost of sales are shown in table ↗ **D.10**.

D.10

Cost of sales

In millions of euros	**2020**	2019	2018
Expense of goods sold	**-27,759**	-35,046	-33,284
Depreciation of equipment on operating leases	**-859**	-830	-738
Refinancing costs at Financial Services	**-555**	-683	-521
Impairment losses on receiva-bles from financial services	**-194**	-64	-58
Other cost of sales	**-1,164**	-973	-844
	-30,531	-37,596	-35,445

The decrease in cost of sales in 2020 was primarily caused by production and cost adjustments in response to the covid-19 pandemic.

Amortization expense of capitalized development costs in the amount of €225 million (2019: €220 million; 2018: €225 million) is presented in expense of goods sold.

The expense of goods sold includes, among other expenses, cost optimization programs to reduce fixed costs (see table ↗ **D.11**).

Cost of sales in 2020 was affected at the Financial Services segment by increased expenses for credit-risk provisions.

Selling expenses

In 2020, selling expenses amounted to €2,625 million (2019: €3,001 million, 2018: €2,745 million). Selling expenses consist of direct selling costs as well as selling over-head expenses and comprise personnel expenses, material costs and other selling costs.

General administrative expenses
General administrative expenses amounted to €1,472 million in 2020 (2019: €1,686 million, 2018: €1,502 million). They consist of expenses, which are not attributable to production, sales or research and development functions, and comprise personnel expenses, depreciation and amortization of fixed and intangible assets and other administrative costs.

Research and non-capitalized development costs
Research and non-capitalized development costs were €1,423 million in 2020 (2019: €1,662 million, 2018:€1,509 million) and primarily comprise personnel expenses and material costs.

In all functional cost areas, there were expenses from cost-optimization programs in connection with the measures agreed with the General Works Council of Daimler Group in December 2019 to reduce costs and reduce jobs in a socially responsible manner. Table ↗ D.11 provides an overview of the composition of these expenses.

D.11
Expenses associated with cost optimization programs

	2020
In millions of euros	
Cost of sales	85
Selling expenses	31
General administrative expenses	27
Research and non-capitalized development costs	23
	166

Personnel expenses and average number of employees
Personnel expenses included in the Combined Statement of Income amounted to €6,554 million in 2020 (2019: €7,043 million; 2018: €6,856 million). Personnel expenses comprise wages and salaries in the amount of €4,954 million (2019: €5,463 million; 2018: €5,387 million), social-security contributions in the amount of €1,288 million (2019: €1,298 million; 2018: €1,205 million) and expenses from pension obligations in the amount of €312 million (2019: €282 million; 2018: €264 million).

Information on the total remuneration of the members that are regarded as key management personnel of Daimler Truck Business in 2020, 2019 and 2018 is provided in Note 41. Remuneration key management personnel.

8. Other operating income and expense

The composition of other operating income is shown in table
↗ D.12.

D.12
Other operating income

	2020	2019	2018
In millions of euros			
Income from costs recharged	353	505	369
Government grants and subsidies	79	46	36
Gains on sales of property, plant and equipment	44	18	24
Rental income not relating to sales financing	31	32	25
Other miscellaneous income	219	196	206
	726	797	660

Income from costs recharged includes income from licenses and patents, as well as shipping costs and other costs charged, with related expenses primarily within the functional costs. Income from costs recharged has increased in 2019 compared to 2018 mainly due to increased recharged costs of sales as well as recharged administration costs.

Government grants and subsidies mainly comprise reimbursements relating to current early retirement part-time contracts and subsidies for alternative drive systems. In 2020, the use of short-time work in Germany led to claims for the reimbursement of social-security contributions, which are included in other operating income.

The composition of other operating expense is shown in table
↗ D.13.

D.13
Other operating expense

	2020	2019	2018
In millions of euros			
Losses on sales of property, plant and equipment	-27	-32	-26
Other miscellaneous expense	-173	-182	-445
	-200	-214	-471

Decrease in other miscellaneous expense from 2018 to 2019 primarily due to changes in provisions for other risks. Please refer to Note 26. Provisions for other risks for additional information.

9. Other financial income/expense, net

Table ↗ D.14 shows the components of other financial income/expense, net.

D.14
Other financial income/expense, net

	2020	2019	2018
In millions of euros			
Income and expense from compounding and effects from changes in discount rates of provisions for other risks	-51	-73	-13
Miscellaneous other financial income/expense, net	7	-15	18
	-44	-88	5

10. Interest income and interest expense

Table ↗ D.15 shows the components of interest income and interest expense.

D.15
Interest income and interest expense

	2020	2019	2018
In millions of euros			
Interest income			
Interest and similar income	62	131	74
	62	131	74
Interest expense			
Net interest expense on the net obligation from defined benefit pension plans	-77	-88	-58
Interest and similar expense	-142	-204	-199
	-219	-292	-257

11. Income taxes

Profit before income taxes is comprised as shown in table ↗ D.16.

D.16
Profit before income taxes

	2020	2019	2018
In millions of euros			
German companies	-926	-296	-139
Non-German companies	1,260	2,927	2,690
	334	2,631	2,551

Table ↗ D.17 shows the components of income taxes.

D.17
Components of income taxes

	2020	2019	2018
In millions of euros			
Current taxes			
German companies	-133	-27	-64
Non-German companies	-528	-842	-560
Deferred taxes			
German companies	74	-96	93
Non-German companies	122	84	-181
	-465	-881	-712

The current tax expense includes tax expenses recognized for prior periods at German and non-German companies and operations of €5 million (2019: benefit of €13 million, 2018: benefit of €190 million).

The deferred tax income or expense is comprised of the components shown in table ↗ D.18.

D.18
Components of deferred tax income (+) or expense (-)

	2020	2019	2018
In millions of euros			
Deferred taxes due to temporary differences	182	13	-103
Deferred taxes due to tax loss carryforwards and tax credits	14	-25	15
	196	-12	-88

Daimler Truck AG is domiciled in Germany with an applicable income tax rate of 29.8% in 2020, 2019 and 2018, respectively. It consists of a federal corporate income tax rate of 15.0%, a solidarity tax surcharge of 5.5% on each year's federal corporate income taxes, and a trade tax rate of 14.0%. The deferred taxes were measured using the substantively enacted tax rates of the respective tax jurisdictions.

Table ↗ **D.19** shows a reconciliation of expected income tax expense to actual income tax expense determined using the unchanged applicable German combined statutory tax rate of 29.8%.

D.19
Reconciliation of expected income tax expense to actual income tax expense

	2020	2019	2018
In millions of euros			
Expected income tax expense	**-100**	-785	-761
Foreign tax rate differential	**68**	123	109
Trade tax rate differential	**3**	9	9
Tax law changes	**2**	16	1
Change of unrecognized deferred tax assets	**-405**	-202	-90
Tax-free income and non-deductible expenses	**-1**	-57	29
Other	**-32**	15	-9
Actual income tax expense	**-465**	-881	-712

The change of unrecognized deferred tax assets predominantly results from a non-recognition of deferred tax assets in 2020 and write-down of deferred tax assets in 2019, mainly in German companies and operations.

Tax-free income and non-deductible expenses include all effects from non-German and German legal entities and operations relating to tax-free income and non-deductible expenses, e.g. taxes on non-deductible expenses from tax-free dividends.

The other items mainly include effects from withholding taxes and tax credits.

Deferred tax assets and deferred tax liabilities are offset if the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and if there is the right to set off current tax assets against current tax liabilities. In the Combined Statement of Financial Position, deferred tax assets and liabilities are presented as shown in table ↗ **D.20**.

D.20
Deferred tax assets and liabilities

		At December 31,	
	2020	2019	2018
In millions of euros			
Deferred tax assets	**1,258**	1,109	1,612
Deferred tax liabilities	**-99**	-95	-78
Deferred tax assets, net	**1,159**	1,014	1,534

In respect of each type of temporary difference and in respect of each type of unutilized tax loss carryforwards and unutilized tax credits, the deferred tax assets and liabilities before offset are summarized in table ↗ **D.21**.

D.21
Split of deferred tax assets and liabilities before offset

		At December 31,	
	2020	2019	2018
In millions of euros			
Intangible assets	**396**	18	18
Property, plant and equipment	**5**	12	4
Equipment on operating leases	**79**	107	100
Inventories	**154**	198	187
Receivables from financial services	**122**	82	73
Miscellaneous assets, mainly other financial assets	**1,064**	1,052	972
Tax loss carryforwards and unused tax credits	**485**	641	617
Provisions for pensions and similar obligations	**266**	320	291
Other provisions	**727**	721	673
Liabilities	**1,188**	1,338	956
Deferred income	**739**	764	720
Miscellaneous liabilities	**10**	13	4
	5,235	5,266	4,615
Unrecognized deferred tax assets	**-1,902**	-1,727	-771
thereof on temporary differences	***-1,434***	*-1,090*	*-183*
thereof on tax loss carryforwards	***-468***	*-637*	*-588*
Deferred tax assets, gross	**3,333**	**3,539**	**3,844**
Development costs	**-216**	-253	-296
Other intangible assets	**-57**	-62	-39
Property, plant and equipment	**-769**	-818	-438
Equipment on operating leases	**-897**	-993	-978
Inventories	**-28**	-25	-30
Receivables from financial services	**-25**	-47	-71
Miscellaneous assets	**-43**	-66	-46
Provisions for pensions and similar obligations	**-98**	-211	-354
Other provisions	**-9**	-11	-8
Miscellaneous liabilities	**-32**	-39	-50
Deferred tax liabilities, gross	**-2,174**	**-2,525**	**-2,310**
Deferred tax assets, net	**1,159**	**1,014**	**1,534**

The development of deferred tax assets, net, is shown in table ↗ D.22.

D.22
Change of deferred tax assets, net

In millions of euros	2020	2019	2018
Deferred tax assets, net as of January 1	**1,014**	1,534	1,508
Deferred tax benefit/expense in the Combined Statement of Income	**196**	-12	-88
Change of deferred tax assets/ liabilities on equity instruments/ debt instruments included in other comprehensive income/loss	**-**	-1	4
Change of deferred tax assets/ liabilities on derivative financial instruments included in other comprehensive income/loss	**-16**	11	57
Change of deferred tax assets/ liabilities on actuarial gains/ losses from defined benefit pension plans included in other comprehensive income/loss	**85**	-507	65
Other changes[1]	**-120**	-11	-12
Deferred tax assets, net as of December 31	**1,159**	1,014	1,534

1 The other changes primarily relate to effects from currency translation.

Tax expense that was recognized in total comprehensive income is as shown in table ↗ D.23.

D.23
Total comprehensive income

In millions of euros	2020	2019	2018
Income tax expense in the Combined Statement of Income	**-465**	-881	-712
Income tax expense or benefit recorded in other reserves	**69**	-497	126
	-396	-1,378	-586

Compared to the corresponding prior period, unrecognized deferred tax assets increased by €175 million, €956 million and €82 million at December 31, 2020, 2019 and 2018, respectively. On the one hand, unrecognized deferred tax assets increased in the years 2020, 2019 and 2018 through profit and loss by €405 million, €202 million and 90 million, respectively. On the other hand, outside profit and loss, unrecognized deferred tax assets decreased in the year 2020 by €230 million (2019: increase of 754 million, 2018: decrease of €8 million). The changes recognized outside profit and loss mainly result from the recognition or reversal of write-downs in other comprehensive income/loss but also from currency translation and adjustments to tax-loss carryforwards from previous years, mainly due to expiration.

At December 31, 2020, unrecognized deferred tax assets relates, among other things, to corporate income tax loss carryforwards of €430 million (2019: €586 million; 2018: €587 million), thereof €416 million from losses which can be carried forward indefinitely (2019: €571 million, 2018: €570 million). Within the next five years, €1 million of unrecognized deferred tax assets from corporate income tax loss carryforwards will expire (2019: €3 million, 2018: €0 million) and within six to ten years, €12 million of unrecognized deferred tax assets from corporate income tax loss carryforwards will expire (2019: €11 million, 2018: €11 million). After 20 years, €1 million of unrecognized deferred tax assets from corporate income tax losses will expire (2019: €1 million, 2018: €6 million).

Unrecognized deferred tax assets of €35 million (2019: €48 million, 2018: €0 million) relate to tax loss carryforwards regarding capital losses which can be carried forward indefinitely.

The Daimler Truck Business believes that the utilization of those deferred tax assets is not probable or it cannot be reliably documented that sufficient future taxable income will be available against which the deductible temporary differences, tax loss carryforwards and tax credits can be offset. As the probability criterion required by IAS 12 is therefore not fulfilled, no deferred tax assets are recognized, also in countries with tax loss carryforwards that can be carried forward indefinitely.

The Daimler Truck Business incurred tax losses in 2020, 2019 or 2018 in some legal entities and operations. After offsetting the deferred tax assets against deferred tax liabilities, the deferred tax assets recognized from these legal entities and operations amounted to €96 million (2019: €48 million; 2018: €39 million). Daimler Truck Business believes it is probable that there will be sufficient future taxable income to utilize these deferred tax assets. The Daimler Truck Business' current estimate of deferred tax assets which are considered to be realizable may change in the future, necessitating higher or lower deferred tax assets.

From the current perspective, the retained earnings of non-German legal entities and operations are largely intended to be reinvested in those operations. The Daimler Truck Business did not recognize deferred tax liabilities on retained earnings of non-German legal entities and operations of €7,448 million (2019: €6,529 million; 2018: €6,594 million) which are intended to be reinvested. If those earnings were paid out as dividends, an amount of 5% would be taxed under German taxation rules and, if applicable, with non-German withholding tax. Additionally, income tax consequences might arise if the dividends first have to be distributed by a non-German subsidiary to a non-German holding company. Normally, the distribution would lead to an additional income tax expense. It is not practicable to estimate the amount of taxable temporary differences for these undistributed foreign earnings.

The Daimler Truck Business has various unresolved issues concerning open income tax years with the tax authorities in a number of jurisdictions. Daimler Truck Business believes that it has recognized adequate liabilities for any future income taxes that may be owned for all open tax years. Nevertheless, it cannot be ruled out that tax payments might exceed the liabilities recognized in the financial statements. As a result of future adjudications or changes in the opinions of the fiscal authorities, it cannot be ruled out that Daimler Truck Business might receive tax refunds for previous years.

12. Intangible assets

Intangible assets developed as shown in table ↗ D.24.

At December 31, 2020 goodwill of €195 million (2019: €148 million, 2018: €148 million) relates to the Mercedes-Benz segment, goodwill of €198 million (2019: €230 million, 2018: €213 million) relates to the Trucks North America segment, goodwill of €81 million (2019: €82 million, 2018: €81 million) relates to the Trucks Asia segment, goodwill of €6 million (2019: €6 million, 2018: €6 million) relates to the Daimler Buses segment, goodwill of €40 million (2019: €40 million, 2018: €40 million) relates to Financial Services segment and goodwill of €106 million (2019: €116 million, 2018: €0 million) relates to Torc, which is shown in the column Reconciliation in the segment reporting.

Non-amortizable intangible assets primarily relate to goodwill and development costs for projects which have not yet been completed (carrying amount at December 31, 2020: €233 million; 2019: €209 million, 2018: €191 million). In addition, other intangible assets with a carrying amount of €154 million (2019: €159 million, 2018: €155 million) are not amortizable. These non-amortizable intangible assets are distribution rights as well as trademarks with indefinite useful lives. The Daimler Truck Business intends to continue to use these assets unchanged.

D.24
Intangible assets

In millions of euros	Goodwill (acquired)	Development costs (internally generated)	Other intangible assets (acquired)	Total
Acquisition/manufacturing costs				
Balance at January 1, 2018	621	2,709	1,049	4,379
Additions due to business combinations	-	-	-	-
Other additions	1	80	52	133
Reclassifications	-	-	-	-
Disposals	-	-209	-205	-414
Other changes[1]	8	8	44	60
Balance at December 31, 2018	630	2,588	940	4,158
Additions due to business combinations	116	-	65	181
Other additions	-	76	57	133
Reclassifications	-	1	-1	-
Disposals	-	-1	-37	-38
Other changes[1]	21	3	35	59
Balance at December 31, 2019	767	2,667	1,059	4,493
Additions due to business combinations	**45**	**-**	**-**	**45**
Other additions	**-**	**107**	**33**	**140**
Reclassifications	**-**	**-**	**-**	**-**
Disposals	**-**	**-91**	**-22**	**-113**
Other changes[1]	**-52**	**-12**	**-42**	**-106**
Balance at December 31, 2020	**760**	**2,671**	**1,028**	**4,459**
Depreciation/impairment				
Balance at January 1, 2018	137	1,577	765	2,479
Additions	-	226	53	279
Reclassifications	-	-	-	-
Disposals	-	-209	-203	-412
Other changes[1]	5	7	28	40
Balance at December 31, 2018	142	1,601	643	2,386
Additions	-	221	55	276
Reclassifications	-	-	-	-
Disposals	-	-	-37	-37
Other changes[1]	3	3	23	29
Balance at December 31, 2019	145	1,825	684	2,654
Additions	**-**	**225**	**58**	**283**
Reclassifications	**-**	**-**	**-**	**-**
Disposals	**-**	**-89**	**-21**	**-110**
Other changes[1]	**-11**	**-11**	**-28**	**-50**
Balance at December 31, 2020	**134**	**1,950**	**693**	**2,777**
Carrying amount at December 31, 2018	488	987	297	1,772
Carrying amount at December 31, 2019	622	842	375	1,839
Carrying amount at December 31, 2020	**626**	**721**	**335**	**1,682**

1 Primarily changes from currency translation.

Table ↗ **D.25** shows the line items of the Combined Statement of Income, in which total amortization expense for intangible assets is included.

D.25

Amortization expense for intangible assets in the Combined Statement of Income

	2020	2019	2018
In millions of euros			
Cost of sales	**256**	250	248
Selling expenses	**7**	8	16
General administrative expenses	**15**	12	11
Research and non-capitalized development costs	**6**	6	4
Other operating expense	**-**	-	-
	284	276	279

13. Property, plant and equipment

Property, plant and equipment as shown in the Combined Statement of Financial Position with a carrying amount of €7,879 million (2019: €8,619 million) also includes right-of-use assets from lessee accounting.

At December 31, 2018 property, plant and equipment of €7,008 million also included leased buildings, technical equipment and other equipment with a total carrying amount of €204 million, which were assigned to Daimler Truck Business as economic owner due to the design of the underlying leasing contracts (so called finance leases arrangements). Additions to and depreciation of the leased equipment in the year 2018 amounted to €17 million and €24 million, respectively.

Property, plant and equipment, excluding right-of-use assets, developed as shown in table ↗ **D.26**.

In 2020, government grants of €10 million (2019: €25 million, 2018: €32 million) were deducted from property, plant and equipment.

D.26

Property, plant and equipment (excluding right-of-use assets)

In millions of euros	Land, leasehold improvements and buildings including buildings on land owned by others	Technical equipment and machinery	Other equipment, factory and office equipment	Advance payments relating to plant and equipment and construc-tion in progress	Total
Acquisition or manufacturing costs					
Balance at January 1, 2018	4,633	6,437	6,306	670	18,046
Additions due to business acquisitions	-	-	-	-	-
Other additions	72	125	226	784	1,207
Reclassifications	113	165	252	-530	-
Disposals	-62	-129	-171	-12	-374
Other changes[1]	98	-21	92	1	170
Balance at December 31, 2018	4,854	6,577	6,705	913	19,049
Reclassifications due to changes in accounting regulations (IFRS 16)	-310	-	-18	-	-328
Additions due to business acquisitions	3	-	-	-	3
Other additions	64	135	259	673	1,131
Reclassifications	181	213	345	-739	-
Disposals	-30	-119	-279	-21	-449
Other changes[1]	59	45	20	8	132
Balance at December 31, 2019	4,821	6,851	7,032	834	19,538
Additions due to business acquisitions	**15**	**38**	**-**	**4**	**57**
Other additions	**93**	**99**	**152**	**451**	**795**
Reclassifications	**153**	**155**	**240**	**-526**	**22**
Disposals	**-73**	**-135**	**-163**	**-25**	**-396**
Other changes[1]	**-229**	**-260**	**-396**	**-70**	**-955**
Balance at December 31, 2020	**4,780**	**6,748**	**6,865**	**668**	**19,061**
Depreciation/impairment					
Balance at January 1, 2018	2,301	4,341	4,783	-	11,425
Additions	125	341	416	-	882
Reclassifications	-	-	-	-	-
Disposals	-42	-112	-138	-	-292
Other changes[1]	-5	-23	53	-	25
Balance at December 31, 2018	2,379	4,547	5,114	-	12,040
Reclassifications due to changes in accounting regulations (IFRS 16)	-120	-	-4	-	-124
Additions	100	338	412	-	850
Reclassifications	-	-3	3	-	-
Disposals	-16	-108	-245	-	-369
Other changes[1]	20	22	16	-	58
Balance at December 31, 2019	2,363	4,796	5,296	-	12,455
Additions	**110**	**325**	**411**	**9**	**855**
Reclassifications	**-**	**1**	**-1**	**-**	**-**
Disposals	**-32**	**-124**	**-146**	**-**	**-302**
Other changes[1]	**-98**	**-149**	**-267**	**-2**	**-516**
Balance at December 31, 2020	**2,343**	**4,849**	**5,293**	**7**	**12,492**
Carrying amount at December 31, 2018	2,475	2,031	1,589	913	7,008
Carrying amount at December 31, 2019	2,458	2,055	1,735	834	7,082
Carrying amount at December 31, 2020	**2,437**	**1,899**	**1,572**	**661**	**6,569**

1 Primarily changes from currency translation.

Table ↗ D.27 shows the composition of the right-of-use assets (IFRS 16, first time application in 2019).

D.27
Right-of-use assets

In millions of euros	2020	December 31, 2019
Land, leasehold improvements and buildings	1,272	1,493
Technical equipment and machinery	2	1
Other equipment, factory and office equipment	36	43
	1,310	1,537

The tables ↗ D.28, ↗ D.29 and ↗ D.30 show additional disclosures related to lessee accounting (IFRS 16, first time application in 2019).

D.28
Additions and depreciations for right-of-use assets

In millions of euros	2020	2019
Additions to right-of-use assets	156	296
Depreciation for		
Land, leasehold improvements and buildings	180	179
Technical equipment and machinery	1	0
Other equipment, factory and office equipment	16	16
	197	195

D.29
Expenses related to lessee accounting

In millions of euros	2020	2019
Interest expense from lease transactions	31	35
Expenses from short-term leases	19	19
Expenses from leases of low-value assets	6	6
Expenses from variable lease payments	5	6

D.30
Cash outflows related to lessee accounting

In millions of euros	2020	2019
Total cash outflow for lease contracts	277	250
Future cash outflows that are not reflected in the lease liabilities	1,076	1,106

Further information on lessee accounting is provided in Note 1. General information, Note 27. Financing Liabilities and Note 36. Management of financial risks.

14. Equipment on operating leases

The development of equipment on operating leases is shown in table ↗ D.31.

D.31

Equipment on operating leases

In millions of euros	
Acquisition/manufacturing costs	
Balance at January 1, 2018	5,573
Additions	1,676
Disposals	-1,408
Other changes[1]	-2
Balance at December 31, 2018	5,839
Additions	1,469
Disposals	-1,433
Other changes[1]	44
Balance at December 31, 2019	5,919
Additions	**1,131**
Disposals	**-1,322**
Other changes[1]	**-73**
Balance at December 31, 2020	**5,655**
Depreciation/impairment	
Balance at January 1, 2018	1,526
Additions	738
Disposals	-638
Other changes[1]	-
Balance at December 31, 2018	1,626
Additions	830
Disposals	-692
Other changes[1]	12
Balance at December 31, 2019	1,776
Additions	**859**
Disposals	**-706**
Other changes[1]	**-20**
Balance at December 31, 2020	**1,909**
Carrying amount at December 31, 2018	4,213
Carrying amount at December 31, 2019	4,143
Carrying amount at December 31, 2020	**3,746**

1 Primarily changes from currency translation.

Leasing payments

Non-cancelable future lease payments to Daimler Truck Business for equipment on operating leases are due as presented in table ↗ D.32 and ↗ D.33.

D.32

Maturity of undiscounted lease payments for equipment on operating leases (IFRS 16)

	At December 31, 2020	2019
In millions of euros		
Mature		
Within one year	**614**	670
Between one and two years	**512**	602
Between two and three years	**409**	444
Between three and four years	**248**	261
Between four and five years	**63**	63
Later than five years	**49**	49
	1,895	2,089

D.33

Maturity of undiscounted lease payments for equipment on operating leases (IAS 17)

	At December 31, 2018
In millions of euros	
Mature	
Within one year	644
Between one and five years	1,302
Later than five years	61
	2,007

15. Equity-method investments

Table ↗ **D.34** shows the carrying amounts and profits/losses from equity-method investments.

Table ↗ **D.35** presents key figures on interests in joint ventures accounted for using the equity method in Daimler Truck Business' Combined Financial Statements.

D.34

Summarized carrying amounts and profits/losses from equity-method investments

In millions of euros	Associated companies	Joint ventures	Joint operations	Total
At December 31, 2020				
Equity investment[1]	**169**	**352**	**13**	**534**
Equity result[1]	**-7**	**50**	**4**	**47**
At December 31, 2019				
Equity investment[1]	200	329	18	547
Equity result[1]	-9	-	7	-2
At December 31, 2018				
Equity investment[1]	201	308	18	527
Equity result[1]	16	18	7	41

1 Including investor-level adjustments.

D.35

Key figures on interests in joint ventures accounted for using the equity method

In millions of euros	BFDA[2,3]	Others	Total
At December 31, 2020			
Equity interest (in %)	**50.0**		
Stock-market price	**-**		
Equity investment[1]	**281**	**71**	**352**
Equity result[1]	**43**	**7**	**50**
At December 31, 2019			
Equity interest (in %)	50.0		
Stock-market price	-		
Equity investment[1]	245	84	329
Equity result[1]	-15	15	-
At December 31, 2018			
Equity interest (in %)	50.0		
Stock-market price	-		
Equity investment[1]	258	50	308
Equity result[1]	16	2	18

1 Including investor-level adjustments.

2 The proportionate share of earnings of Beijing Foton Daimler Automotive Co., Ltd (BFDA) is included in Daimler's Truck Business' Combined Financial Statements with a one-month time lag for the years 2018 and 2019 and without a time lag for the year 2020.

3 No dividends were paid to the Daimler Truck Business in any of the presented periods

BFDA

Beijing Foton Daimler Automotive Co. Ltd (BFDA) is a joint venture between Daimler Truck Business (50%) and Beiqi Foton Motor Co. Ltd (50%). The entity was founded in December 2011 and started its operations in July 2012. The main activities of BFDA are design, development, assembling and sales of medium and heavy duty trucks, engines and parts. The investment is allocated to the segment Trucks Asia.

Table ↗ **D.36** shows summarized IFRS financial information after purchase price allocation for the significant joint ventures, which were the basis for equity-method accounting in Daimler Truck Business' Combined Financial Statements.

Table ↗ **D.37** shows summarized aggregated financial information for the other minor equity-method investments after purchase price allocation and on a pro rata basis.

Further information on equity-method investments is provided in Note 40. Related party disclosures.

D.36

Summarized IFRS financial information on significant joint ventures accounted for using the equity method

			BFDA[1]
	2020	2019	2018
In millions of euros			
Information on the Statement of Income			
Revenue	**5,153**	3,421	3,898
Depreciation and amortization	**-55**	-66	-41
Interest income	**-**	-	-
Interest expense	**-10**	-15	-7
Income taxes	**-12**	-15	3
Profit/loss from continuing operations after taxes	**98**	-30	32
Profit/loss from discontinued operations after taxes	**-**	-	-
Other comprehensive income/loss	-	-	-
Total comprehensive income/loss	**98**	-30	32
Information on the Statement of Financial Position and reconciliation to equity-method carrying amounts			
Non-current assets	**1,220**	1,175	1,066
Current assets	**1,391**	1,079	1,210
Non-current liabilities	**185**	327	254
Current liabilities	**1,763**	1,336	1,408
Equity (including non-controlling interests)	**663**	590	614
Equity (excluding non-controlling interests) attributable to the Daimler Truck Business	**332**	295	307
Unrealized profit (-)/loss (+) on sales to/purchases from	**-**	-	-
Other reconciling items including equity-method goodwill and impairments on the investment	**-51**	-50	-49
Carrying amount of equity-method investment	**281**	245	258

1 Figures for the Combined Statement of Income for 2020 relate to the period of December 1, 2019 to December 31, 2020 due to the catch-up of the one-month time delay into real time accounting.
Figures for the Combined Statement of Income for 2019 relate to the period of December 1, 2018 to November 30, 2019 and the figures for 2018 relate to the period of December 1, 2017 to November 30, 2018.
Figures for the Combined Statement of Financial Position and the reconciliation to equity-method carrying amounts relate to the balance sheet date of December 31 for the year 2020 and relate to the balance sheet date of November 30 for the years 2019 and 2018.

D.37

Summarized aggregated financial information on minor equity-method investments

		Associated companies			Joint ventures	
	2020	2019	2018	**2020**	2019	2018
In millions of euros						
Summarized aggregated financial information (pro rata)						
Profit/loss from continuing operations after taxes	**-4**	-9	15	**8**	17	3
Profit/loss from discontinued operations after taxes	**-**	-	-	**-**	-	-
Other comprehensive income/loss	**1**	-1	-1	**-**	-	-
Total comprehensive income/loss	**-3**	-10	14	**8**	17	3

16. Receivables from financial services

Table ↗ **D.38** shows the components of receivables from financial services.

Types of receivables
Receivables from sales financing with customers include receivables from credit financing for customers who purchased their vehicle either from a dealer or directly from Daimler Truck Business.

Receivables from sales financing with dealers represent loans for floor financing programs for vehicles sold by Daimler Trucks & Buses to dealers or loans for assets purchased by dealers from third parties, primarily, used vehicles traded in by dealers' customers or dealers' real estate financing.

Receivables from finance lease contracts consist of receivables from leasing contracts for which substantially all risks and rewards incidental to the leasing objects are transferred to the lessee.

All cash flow effects attributable to receivables from financial services are presented within cash provided by/used for operating activities in the Combined Statement of Cash Flows.

Tables ↗ **D.39** and ↗ **D.40** show the maturities of the future contractual lease payments and the development of lease payments to the carrying amounts of receivables from finance lease contracts.

Loss allowances
The development of loss allowances for receivables from financial services due to expected credit losses is shown in table ↗ **D.41**.

At December 31, 2020, €0.1 billion of the loss allowances relates to the increase in the allowance for credit losses recognized at the Financial Services segment through profit and loss as a result of the economic development in connection with the covid-19 pandemic. In addition, the calculation of the allowance for credit losses considers, among other things, that customers' current financial solvency is positively affected by offered national programs and programs of Financial Services.

The carrying amounts of receivables from financial services based on modified contracts that are shown in stages 2 and 3, amounted to €511 million at December 31, 2020 (December 31, 2019: €192 million, 2018: €124 million). In addition, carrying amounts of €87 million (December 31, 2019: €76 million, December 31, 2018: €94 million) in connection with contractual modifications were reclassified from stages 2 and 3 into stage 1.

Credit risks
Information on credit risks included in receivables from financial services is shown in table ↗ **D.42.**

Longer overdue periods regularly lead to higher allowances.

The carrying amounts are backed by the vehicles based on the underlying contracts which generally almost completely cover the net carrying amounts of the receivables. Over the contract terms, the amounts of the collaterals are included in the calculation of the risk provisioning, so the carrying amounts of the credit-impaired contracts are primarily backed by the underlying vehicles.

Further information on financial risks and the nature of risks is provided in Note 36. Management of financial risks.

At December 31, 2020, receivables from financial services with a carrying amount of €1,303 million (December 31, 2019: €1,121 million, December 31, 2018: €632 million) were pledged mostly as collateral for liabilities from ABS transactions (see also Note 27. Financing liabilities).

D.38
Receivables from financial services

	At December 31, 2020			At December 31, 2019			At December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
In millions of euros									
Sales financing with customers	**3,457**	**6,624**	**10,081**	3,989	7,332	11,321	3,617	6,573	10,190
Sales financing with dealers	**2,702**	**550**	**3,252**	4,618	659	5,277	3,730	614	4,344
Finance lease contracts	**904**	**1,403**	**2,307**	858	1,514	2,372	755	1,377	2,132
Gross carrying amount	**7,063**	**8,577**	**15,640**	9,465	9,505	18,970	8,102	8,564	16,666
Loss allowances	**-112**	**-259**	**-371**	-120	-171	-291	-113	-163	-276
Net carrying amount	**6,951**	**8,318**	**15,269**	9,345	9,334	18,679	7,989	8,401	16,390

D.39
Development of the finance lease contracts

	At December 31,	
	2020	2019
In millions of euros		
Contractual future lease payments	**2,553**	2,652
thereof due		
within one year	**995**	954
between one and two years	**614**	653
between two and three years	**448**	478
between three and four years	**316**	348
between four and five years	**157**	189
later than five years	**23**	30
Unguaranteed residual values	**5**	7
Gross investment	**2,558**	2,659
Unearned finance income	**-252**	-288
Gross carrying amount	**2,306**	2,371
Loss allowances	**-54**	-32
Net carrying amount	**2,252**	2,339

D.40
Development of the finance lease contracts

	At December 31,
	2018
In millions of euros	
Contractual future lease payments	2,390
thereof due	
within one year	840
between one and five years	1,533
later than five years	17
Unguaranteed residual values	5
Gross investment	2,395
Unearned finance income	-263
Gross carrying amount	2,132
Loss allowances	-34
Net carrying amount	2,098

D.41

Development of loss allowances for receivables from financial services due to expected credit losses

	12-month expected credit loss	Lifetime expected credit loss		Total
		not credit impaired	credit impaired	
	(Stage 1)	(Stage 2)	(Stage 3)	
In millions of euros				
Balance at January 1, 2018	67	46	162	275
Additions	45	11	56	112
Change in remeasurement	-18	7	61	50
Utilization	-	-4	-28	-32
Reversals	-36	-21	-71	-128
Transfer to stage 1	24	-8	-16	-
Transfer to stage 2	-4	11	-7	-
Transfer to stage 3	-1	-6	7	-
Currency translation and other changes	1	-	-2	-1
Balance at December 31, 2018	78	36	162	276
Additions	50	15	79	144
Change in remeasurement	-6	12	36	42
Utilization	-1	-5	-27	-33
Reversals	-40	-16	-87	-143
Transfer to stage 1	19	-9	-10	-
Transfer to stage 2	-4	20	-16	-
Transfer to stage 3	-1	-6	7	-
Currency translation and other changes	-	2	2	4
Balance at December 31, 2019	95	49	146	290
Additions	**41**	**16**	**90**	**147**
Change in remeasurement	**3**	**21**	**129**	**153**
Utilization	**-1**	**-7**	**-39**	**-47**
Reversals	**-41**	**-12**	**-71**	**-124**
Transfer to stage 1	**16**	**-13**	**-3**	**-**
Transfer to stage 2	**-4**	**6**	**-2**	**-**
Transfer to stage 3	**-3**	**-9**	**12**	**-**
Currency translation and other changes	**-13**	**-4**	**-30**	**-47**
Balance at December 31, 2020	**93**	**47**	**232**	**372**

D.42

Credit risks included in receivables from financial services

	12-month expected credit loss	Lifetime expected credit loss		Total
		not credit impaired	credit impaired	
	(Stage 1)	(Stage 2)	(Stage 3)	
In millions of euros				
At December 31, 2020				
Gross carrying amount	**14,581**	**593**	**467**	**15,641**
thereof				
not past due	**14,354**	**181**	**141**	**14,676**
past due 30 days and less	**227**	**186**	**40**	**453**
past due 31 to 60 days	**-**	**164**	**31**	**195**
past due 61 to 90 days	**-**	**60**	**43**	**103**
past due 91 to 180 days	**-**	**1**	**92**	**93**
past due more than 180 days	**-**	**-**	**120**	**120**
At December 31, 2019				
Gross carrying amount	17,762	794	413	18,969
thereof				
not past due	17,408	252	113	17,773
past due 30 days and less	354	189	52	595
past due 31 to 60 days	-	269	13	282
past due 61 to 90 days	-	81	20	101
past due 91 to 180 days	-	2	129	131
past due more than 180 days	-	-	86	86
At December 31, 2018				
Gross carrying amount	15,539	746	381	16,666
thereof				
not past due	15,342	310	141	15,793
past due 30 days and less	196	201	20	417
past due 31 to 60 days	-	150	59	209
past due 61 to 90 days	-	85	35	120
past due 91 to 180 days	-	-	53	53
past due more than 180 days	-	-	74	74

17. Marketable debt securities and similar investments

The marketable debt securities and similar investments with a carrying amount of €5,841 million (2019: €4,729 million, 2018: €2,912 million) are part of the Daimler Truck Business’ liquidity management and comprise financial instruments recognized at fair value through other comprehensive income, fair value through profit and loss or recognized at amortized cost as well as cash pool receivables from remaining Daimler Group (current) in the amount of €5,734 million (2019: €4,569 million, 2018: €2,797 million).

When a short-term liquidity requirement is covered with quoted securities, those securities are presented as current assets.

Further information on marketable debt securities and similar investments is provided in Note 35. Financial instruments.

18. Other financial assets

The line item other financial assets presented in the Combined Statement of Financial Position is comprised as shown in table ↗ **D.43**.

Other financial assets recognized at fair value through profit or loss relate exclusively to derivative financial instruments which are not used in hedge accounting.

At December 31, 2020, receivables with a carrying amount of €57 million (2019: €63 million, 2018: €31 million) were pledged as collateral for liabilities (see also Note 27. Financing liabilities).

Further information on other financial assets is provided in Note 35. Financial instruments.

D.43

Other financial assets

	At December 31, 2020			At December 31, 2019			At December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
In millions of euros									
Equity instruments and debt instruments	-	191	191	-	181	181	-	204	204
recognized at fair value through other comprehensive income	-	96	96	-	104	104	-	95	95
recognized at fair value through profit or loss	-	95	95	-	77	77	-	109	109
Derivative financial instruments used in hedge accounting	142	55	197	54	22	76	106	44	150
Other financial assets recognized at fair value through profit or loss	19	9	28	1	11	12	2	12	14
Other financial receivables and miscellaneous other financial assets	287	549	836	546	613	1,159	302	420	722
	448	804	1,252	601	827	1,428	410	680	1,090

19. Other assets

Non-financial other assets are comprised as shown in table ↗ D.44.

Other expected reimbursements predominantly relate to recovery claims from our suppliers in connection with issued product warranties. Other remaining non-financial assets relate to assets recognized in connection with sales with a right of return.

D.44

Other assets

	At December 31, 2020			At December 31, 2019			At December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
In millions of euros									
Reimbursements due to income tax refunds	60	79	139	110	87	197	90	87	177
Reimbursements due to other tax refunds	334	50	384	470	223	693	739	128	867
Other expected reimbursements	67	52	119	103	55	158	158	36	194
Prepaid expenses	152	12	164	172	9	181	155	6	161
Others	159	135	294	184	155	339	174	153	327
	772	328	1,100	1,039	529	1,568	1,316	410	1,726

20. Inventories

Inventories are comprised as shown in table ↗ **D.45**.

D.45
Inventories

		At December 31,	
	2020	2019	2018
In millions of euros			
Raw materials and manufacturing supplies	**1,095**	1,380	1,281
Work in progress	**1,530**	1,690	1,874
Finished goods, parts and products held for resale	**3,651**	4,475	4,565
Advance payments to suppliers	**2**	6	5
	6,278	7,551	7,725

The amount of write-down of inventories to net realizable value recognized as an expense in cost of sales was €95 million in 2020 (2019: €133 million, 2018: €99 million). Inventories that are expected to be recovered or settled after more than twelve months amounted to €226 million at December 31, 2020 (December 31, 2019: €314 million, December 31, 2018: €273 million) and are primarily spare parts.

21. Trade receivables

Trade receivables are comprised as shown in table ↗ **D.46**.

D.46
Trade receivables

		At December 31,	
	2020	2019	2018
In millions of euros			
Gross carrying amount	**3,549**	4,136	4,542
Loss allowances	**-62**	-75	-93
Net carrying amount	**3,487**	4,061	4,449

At December 31, 2020, €27 million of the trade receivables mature after more than one year (December 31, 2019: €27 million, December 31, 2018: €24 million).

Trade receivables are receivables from contracts with customers within the scope of IFRS 15.

Loss allowances
The development of loss allowances due to expected credit losses for trade receivables is shown in table ↗ **D.47**.

D.47

Development of loss allowances for trade receivables due to expected credit losses

In millions of euros	Lifetime expected credit loss not credit impaired (Stage 2)	credit impaired (Stage 3)	Total
Balance at January 1, 2018	58	49	107
Additions	28	16	44
Change in remeasurement	-2	-6	-8
Utilization	-7	-	-7
Reversals	-34	-9	-43
Transfer to stage 2	2	-2	-
Transfer to stage 3	-	-	-
Currency translation and other changes	-	-	-
Balance at December 31, 2018	45	48	93
Additions	11	28	39
Change in remeasurement	-1	1	-
Utilization	-6	-27	-33
Reversals	-18	-6	-24
Transfer to stage 2	-8	8	-
Transfer to stage 3	-	-	-
Currency translation and other changes	1	-1	-
Balance at December 31, 2019	24	51	75
Additions	**10**	**8**	**18**
Change in remeasurement	**5**	**-4**	**1**
Utilization	**-2**	**-4**	**-6**
Reversals	**-5**	**-11**	**-16**
Transfer to stage 2	**-**	**-**	**-**
Transfer to stage 3	**-**	**-**	**-**
Currency translation and other changes	**-**	**-10**	**-10**
Balance at December 31, 2020	**32**	**30**	**62**

Credit risks

Information on credit risks included in trade receivables is shown in table ↗ **D.48.**

Further information on financial risk and types of risk is provided in Note 36. Management of financial risks.

D.48

Credit risks included in trade receivables

	Lifetime expected credit loss		Total
	not credit impaired (Stage 2)	credit impaired (Stage 3)	
In millions of euros			
At December 31, 2020			
Gross carrying amount	**3,490**	**59**	**3,549**
thereof			
not past due	**3,005**	**14**	**3,019**
past due 30 days and less	**291**	**7**	**298**
past due 31 to 60 days	**69**	**4**	**73**
past due 61 to 90 days	**29**	**1**	**30**
past due 91 to 180 days	**35**	**1**	**36**
past due more than 180 days	**61**	**32**	**93**
At December 31, 2019			
Gross carrying amount	4,048	88	4,136
thereof			
not past due	3,389	20	3,409
past due 30 days and less	399	11	410
past due 31 to 60 days	56	4	60
past due 61 to 90 days	39	2	41
past due 91 to 180 days	69	2	71
past due more than 180 days	96	49	145
At December 31, 2018			
Gross carrying amount	4,479	63	4,542
thereof			
not past due	3,883	13	3,896
past due 30 days and less	349	4	353
past due 31 to 60 days	86	1	87
past due 61 to 90 days	38	-	38
past due 91 to 180 days	27	3	30
past due more than 180 days	96	42	138

22. Equity

See also the Combined Statement of Changes in Equity
↗ **D.05**

The individual components of equity and their development in the years 2018 through 2020 are presented in the Combined Financial Statement of Changes in Equity of the Daimler Truck Business.

As stated in Note 3. Significant accounting policies, the Daimler Truck Business was not a legal group for consolidated financial statements reporting purposes in accordance with IFRS 10 “Consolidated Financial Statements”, in the periods presented. The invested equity of the Daimler Truck Business consists of the total invested equity attributable to the Daimler Group and invested equity attributable to non-controlling interests.

See Note 39. Earnings per share, for a presentation of earnings per share in accordance with IAS 33, Earnings per share, based on the future capital structure of Daimler Truck Holding AG at the time of the demerger.

Invested equity attributable to the Daimler Group

The invested equity attributable to the Daimler Group was derived by aggregating the net assets of the Daimler Truck Business operating activities that were or are being conducted by direct or indirect subsidiaries of Daimler AG.

Line item “Transactions with Daimler Group” as presented in the Combined Statement of Changes in Equity

During the fiscal year ended December 31, 2020, transactions with remaining Daimler Group in the amount of €-416 million (2019: €392 million, 2018: €-757 million) incurred.

The line item "Transactions with Daimler Group" mainly contain specifics in relation to the combination rules as described in Note 2. Basis of preparation. In addition, impacts from the changes in the scope of combination from mixed legal entities to dedicated legal entities or from mergers, as described in Note 43. Scope of combination, are also reflected in the line item "Transactions with Daimler Group".

Also included in this line item are equity contributions or withdrawals with dedicated legal entities for transactions like dividend distributions, profit or loss transfers and other equity transactions.

Other components of equity
The equity line item "other components of equity" includes changes in the equity of the Daimler Truck Business that were not recognized in the Combined Statement of Income of the period, except those resulting from capital transactions with the remaining Daimler Group. Other components of equity comprise accumulated unrealized gains/losses from currency translation of the financial statements of the foreign legal entities and operations included in the scope of combination and accumulated unrealized gains/losses on financial assets, derivative financial instruments and at equity-method investments.

23. Business combination

On March 28, 2019 after successful negotiation, Daimler Truck Business executed an agreement to acquire a majority stake (75%) in Torc Robotics, Inc., located in Blacksburg, VA, USA ("Torc") to create a technology powerhouse for automated trucks. The closing date of the acquisition was August 30, 2019, after obtaining all necessary approvals.

Total purchase consideration amounted to USD 168.4 million (€150 million) and was comprised entirely of cash consideration. The remaining 25% is held by the founders of Torc. The assets and liabilities recognized as a result of the acquisition are as shown in the table ↗ **D.49**.

D.49
The assets and liabilities recognized as a result of the acquisition

In millions of euros	Fair Value
Trade receivables	6
Office Furniture and Equipment	1
Intangible assets	65
Trade payables	-1
Deferred Income	-1
Deferred tax liabilities	-17
Less: non-controlling interests	-19
Add: goodwill	116
Net assets acquired/Purchase Price	150

Goodwill is mainly attributable to the high growth expectations, expected synergies between Torc and Daimler Truck Business and the specialized workforce of the acquired business. Goodwill is not deductible for tax purposes.

In connection with the acquisition of 75% of Torc, a time and milestone-based remuneration scheme has been implemented to secure the contribution of key personnel to the performance of the company. This remuneration scheme is recognized over time in accordance with IAS 19 Employee Benefits and it is subject to changes based on the probabilities of milestone achievement and fluctuation. As of the transaction date, no amount had been recognized in the Combined Financial Statements.

The Daimler Truck Business also incurred acquisition-related costs of €8 million on legal fees and due diligence costs. These costs have been included in general administrative expenses in the Combined Statement of Income and in operating cash flows in the Combined Statement of Cash Flows.

Acquired receivables

The fair value of acquired trade receivables is €6 million. The gross contractual amount for trade receivables due is €6 million. No loss allowances recognized on acquisition.

Non-controlling interests

The fair value of net assets attributable to non-controlling interests ("NCI") is calculated by multiplying the fair value of net assets acquired with 25%.

Revenue and profit contribution

The acquired business contributed revenues of €5 million and net loss of €5 million to Daimler Truck Business for the period from September 1, to December 31, 2019. If the acquisition had occurred on January 1, 2019, combined pro-forma revenue and loss for the year ended December 31, 2019 would have been €20 million and €3 million respectively. These amounts have been calculated under the assumption that the fair value adjustments, which were recognized as at the acquisition date, remained the same if the acquisition had occurred in January 1, 2019.

The valuation techniques used for measuring the fair value of material assets acquired were as shown in table ↗ **D.50**

D.50
Valuation analysis per acquired intangible assets

Acquired assets	Valuation technique
Technology/Software	Torc's technology was valued by applying the relief from royalty approach. The principle behind the relief-from-royalty method is that the value of intangible asset is equal to the present value of the after-tax royalty savings, attributable to owning the intangible asset.
Customer relationship	Torc's customer relationships in the mining sector were valued by applying multi-period excess earnings method ("MEEM"). The principle behind the multi-period excess earnings method is that the value of intangible asset is equal to the present value of the after-tax cash flows, attributable to the intangible asset only.
Trademark	Torc's trademark was valued by applying the relief from royalty approach. The principle behind the relief-from-royalty method is that the value of intangible asset is equal to the present value of the after-tax royalty savings, attributable to owning the intangible asset.

24. Share-based payment

At December 31, 2020, the Daimler Truck Business has the 2017-2020 Performance Phantom Share Plans (PPSP) outstanding. The PPSP are cash-settled share-based payment instruments and are measured at their respective fair values at the balance sheet date. The PPSP are paid out at the end of the stipulated holding period; earlier, pro-rated payout is possible in the case of beneficiaries leaving the Daimler Truck Business only if certain defined conditions are met. PPSP 2016 was paid out as planned in the first quarter of 2020.

Moreover, 50% of the annual bonus of the Board of Management of Daimler AG, which is classified as key management personnel of the Daimler Truck Business, is paid out after a waiting period of one year. The actual payout is determined by the development of Daimler shares compared to an automobile-related index (Auto-STOXX). The fair value of this medium-term annual bonus, which depends on that development, is measured by using the intrinsic value at the reporting date.

The pre-tax effects of share-based payment arrangements on the Combined Statement of Income and Combined Statement of Financial Position are shown in table ↗ D.51.

D.51
Effects of share-based payment

		Expense			Provision At December 31,	
	2020	2019	2018	**2020**	2019	2018
In millions of euros						
PPSP	**-30**	-21	-4	**59**	38	35
Medium-term component of annual bonus of the members of DAG Board of Management[1]	-2	-	-1	1	1	1
	-32	-21	-5	**60**	39	36

[1] The expense of the Board of Management of Daimler AG is included based on proportional share that was charged or allocated service to DTAG.

Performance Phantom Share Plans

In 2020, Daimler Truck Business adopted a Performance Phantom Share Plan (PPSP), similar to those used in previous years, under which eligible employees are granted phantom shares entitling them to receive cash payments after four years. During the four-year period between the allocation of the preliminary phantom shares and the payout of the plan at the end of the term, the phantom shares earn a dividend equivalent to the amount of the actual dividend paid on ordinary Daimler AG shares. The amount of cash paid to eligible employees at the end of the holding period is based on the number of vested phantom shares (determined over a three-year performance period) multiplied by the quoted price of Daimler AG ordinary shares (calculated as an average price over a specified period at the end of the four-year plan period). The vesting period is therefore four years. For the existing plans, the quoted price of Daimler AG ordinary shares to be used for the payout is limited to 2.5 times the Daimler AG share price at the date of grant. Furthermore, the payout for the Board of Management of Daimler AG is also limited to 2.5 times the allotment value used to determine the preliminary number of phantom shares. This limitation of the payout includes the dividend equivalent.

The number of phantom shares that vest of the PPSPs granted in 2015 to 2020 is based on the relative share performance, which measures the development of the price of a share-price index based on a competitor group including Daimler AG, and the return on sales (RoS) compared with the average RoS of a competitor group. In addition, beginning with plan PPSP 2018, the average RoS of the competitor group is revenue-weighted.

Special rules apply for the Board of Management of Daimler AG, which is classified as key management personnel of the Daimler Truck Business. RoS must be not equal to but higher than that of the competitors in order to achieve the same target achievement as the other plan participants. For the PPSP granted in 2015 to 2020, an additional limit on target achievement was agreed upon for the reference parameter RoS. In the case of target achievement between 195% and 200%, an additional comparison is made on the basis of the RoS achieved in absolute terms. If the actual RoS for the automotive business is below the strategic target (currently 9%) in the third year of the performance period, target achievement is limited to 195%.

Daimler Truck Business recognizes a provision for awarding the PPSP in the Combined Statement of Financial Position. Since payment per vested phantom share depends on the quoted price of Daimler AG ordinary shares, that quoted price essentially represents the fair value of each phantom share. The proportionate remuneration expenses from the PPSP recognized in the individual years are measured based on the price of Daimler AG ordinary shares and the estimated target achievement.

25. Pensions and similar obligations

Table ↗ D.52 shows the composition of provisions for pension benefit plans and similar obligations.

At the Daimler Truck Business, defined benefit pension obligations exist as well as, to a smaller extent, defined contribution pension obligations, specific to the various countries. In addition, smaller healthcare benefit obligations are recognized mainly in the US.

Defined benefit pension plans

Provisions for pension obligations are made for defined commitments to active and former employees of the Daimler Truck Business and their survivors. The defined benefit pension plans provided by Daimler Truck Business generally vary according to the economic, tax and legal circumstances of the country concerned. Most of the defined benefit pension plans also provide benefits in the case of invalidity and death.

Daimler Truck Business' main pension plans are described below.

German pension plans and pension plan assets
Most employees in Germany have defined benefit pension plans; most of the pension plans for the active workforce are based on individual retirement benefit accounts, to which the Daimler Truck Business makes annual contributions. The amount of the contributions for employees paid according to wage-tariff agreements depends on the tariff classification in the respective year or on their respective income, and for executives it depends on their respective income. For the commitments to retirement benefits made until 2011, the contributions continue to be converted into capital components and credited to the individual pension accounts with the application of fixed factors related to each employee's age. The conversion factors include a fixed value increase. For the commitments to retirement benefits made as of 2011, the Daimler Truck Business guarantees at a minimum the value of the contributions paid into a cash-balance plan. Pension payments are made either as a life annuity, twelve annual installments, or a single lump sum.

In addition, previously concluded defined benefit plans exist which primarily depend on employees' wage-tariff classification upon transition into the benefit phase and which foresee a life annuity.

As well as the employer-financed pension plans granted by German companies, the employees of some companies are also offered various earnings-conversion models.

The pension obligations in Germany relating to defined benefit pension plans are funded by investment funds. Contractual trust arrangements (CTA) exist between Daimler Truck AG as well as the other legal entities in Germany and the Daimler Pension Trust e.V. and will be transferred to the new Daimler Truck Pension Trust e.V. before spin-off.

In Germany, there are normally no statutory or regulatory minimum funding requirements.

Before spin-off of Mercedes-Benz AG and Daimler Truck AG from Daimler AG in 2019, certain defined benefit obligations and plan assets of retired employees were transferred to Daimler Pensionsfonds AG (pension fund), including most retired employees formerly associated with the Daimler Truck Business. Since these retired employees as well as their defined benefit obligation stayed with Daimler AG, the number of retired employees is not material at the Daimler Truck AG.

US pension plans and pension plan assets
There are several defined benefit pension plans in the US that cover retirement and disability benefits and promise a balance at retirement age or monthly benefits. Most plans are contribution-based and the plan benefits depend on the employee's salary, years of credited service, or both. While most employee financed plans are still open for new entrants, most of the employer financed plans are closed for new entrants or frozen with regard to further accrual. The contributions are deducted from the employee's payroll and partially matched by the employer. The promised benefits have an implicit return on plan assets. Most of the US pension plans are funded by contributions paid into a trust.

In 2019 programs were implemented at legal entities and operations at Daimler Truck Business in the United States to selected terminated vested employees as well as selected retired employees to reduce investment and longevity risks (lump sum payouts and annuity purchase), leading to negative past service cost in 2019.

Other countries' pension plans and pension plan assets
Other significant plans exist primarily in Japan, where the majority of the plans are frozen and no significant new entitlements can be earned under these plans. The plans are relating to final salaries as well as salary-based components. Most of the obligations outside Germany from defined benefit pension plans are funded by investment funds.

Risks from defined benefit pension plans and pension plan assets
The general requirements with regard to retirement benefit models are included in guidelines valid for the entire Daimler Truck Business. Accordingly, the committed benefits are intended to contribute to additional financial security during retirement, and in the case of death or invalidity to be capable of being planned and fulfilled by the respective legal entity or operations of Daimler Truck Business and to have a low-risk structure. In addition, a committee exists that approves new pension plans and amendments to existing pension plans as well as guidelines relating to company retirement benefits.

The obligations from defined benefit pension plans and the pension plan assets can be subject to fluctuations over time. This can cause the funded status to be negatively or positively impacted. Fluctuations in the defined benefit pension obligations result at the Daimler Truck Business in particular from changes in financial assumptions such as discount rates and increases in the cost of living, but also from changes in demographic assumptions such as adjusted life expectancies. With most of the plans, expected long-term wage and salary increases do not have an impact on the amount of the obligation.

The fair value of plan assets is predominantly determined by the situation on the capital markets. Unfavorable developments, especially of equity prices and fixed-interest securities, could reduce that fair value. The diversification of investment funds, the engagement of asset managers using quantitative and qualitative analyses, and the continual monitoring of performance and risk help to reduce the associated investment risk.

As a general principle, it is Daimler Truck Business' objective to design new pension plans as defined benefit plans based on capital components or on annual contributions, or as defined contribution plans.

D.52

Composition of provisions for pensions and similar obligations

			At December 31,
	2020	2019	2018
In millions of euros			
Provision for pension benefits	**2,915**	2,505	1,877
Provision for other post-employment benefits	**615**	673	586
	3,530	3,178	2,463

Reconciliation of the net obligation from defined benefit pension plans

The development of the relevant factors is shown in table ↗ **D.53.**

Composition of plan assets

Plan assets are used solely to provide pension benefits and to cover the administration costs of the plan assets. The composition of Daimler Truck Business' pension plan assets is shown in table ↗ **D.54**.

Market prices are usually available for equities and bonds due to their listing in active markets. Most of the bonds have investment grade ratings.

The investment strategy is reviewed regularly and adjusted if deemed necessary. The investment strategy is determined by Investment Committees, which are generally composed of representatives of the Finance and Human Resources departments of Daimler AG. The pension plan assets are generally oriented towards the structure of the pension obligations.

D.53

Present value of defined benefit pension obligations and fair value of plan assets

	2020				2019				2018			
	Total	German Plans	US Plans	Other	Total	German Plans	US Plans	Other	Total	German Plans	US Plans	Other
In millions of euros												
Present value of the defined benefit obligation at January 1	7,793	5,275	1,956	562	6,629	4,396	1,710	523	6,496	4,152	1,814	530
Current service cost	214	155	47	12	195	135	49	11	179	128	40	11
Interest cost	137	55	73	9	172	79	80	13	147	75	65	7
Contributions by plan participants	9	8	-	1	12	11	-	1	13	12	-	1
Actuarial gains (-)/losses from changes in demographic assumptions	-52	2	-51	-3	1	-	-	1	18	17	-	1
Actuarial gains (-)/losses from changes in financial assumptions	811	619	189	3	961	670	262	29	-195	5	-194	-6
Actuarial gains (-)/losses from experience adjustments	16	10	-1	7	40	22	15	3	61	60	-3	4
Actuarial gains (-)/losses	775	631	137	7	1,002	692	277	33	-116	82	-197	-1
Past service cost, curtailments and settlements	1	-	-	1	-114	-	-115	1	-1	-	-	-1
Pension benefits paid	-166	-62	-74	-30	-164	-53	-77	-34	-165	-53	-75	-37
Currency exchange-rate changes and other changes	-208	2	-178	-32	61	15	32	14	76	-	63	13
Present value of the defined benefit obligation at December 31	8,555	6,064	1,961	530	7,793	5,275	1,956	562	6,629	4,396	1,710	523
Fair value of plan assets at January 1	5,293	3,579	1,456	258	4,757	3,226	1,318	213	5,001	3,423	1,372	206
Interest income from plan assets	88	37	48	3	119	58	56	5	113	62	49	2
Actuarial gains/losses (-)	328	115	208	5	420	201	200	19	-462	-340	-116	-6
Actual result on plan assets	416	152	256	8	539	259	256	24	-349	-278	-67	-4
Contributions by the employer	226	143	46	37	186	120	30	36	174	122	18	34
Contributions by plan participants	9	8	-	1	12	11	-	1	13	12	-	1
Settlements	-	-	-	-	-104	-	-104	-	-	-	-	-
Pension benefits paid	-151	-62	-65	-24	-148	-53	-68	-27	-152	-52	-67	-33
Currency exchange-rate changes and other changes	-149	2	-139	-12	51	16	24	11	70	-1	62	9
Fair value of plan assets at December 31	5,644	3,822	1,554	268	5,293	3,579	1,456	258	4,757	3,226	1,318	213
Funded status at December 31	-2,911	-2,242	-407	-262	-2,500	-1,696	-500	-304	-1,872	-1,170	-392	-310
Net defined benefit liability	-2,911	-2,242	-407	-262	-2,500	-1,696	-500	-304	-1,872	-1,170	-392	-310
thereof recognized in other assets	4	-	-	4	5	-	-	5	5	-	-	5
thereof recognized in provisions for pensions and similar obligations	-2,915	-2,242	-407	-266	-2,505	-1,696	-500	-309	-1,877	-1,170	-392	-315

D.54

Composition of plan assets

	At December 31, 2020				At December 31, 2019				At December 31, 2018			
	Total	German Plans	US Plans	Other	Total	German Plans	US Plans	Other	Total	German Plans	US Plans	Other
In millions of euros												
Equities	1,905	1,267	552	86	1,723	1,132	508	83	1,551	1,079	403	69
Government bonds	576	416	103	57	752	382	304	66	752	309	389	54
Corporate bonds	2,302	1,541	679	82	2,099	1,607	423	69	1,687	1,318	315	54
Securitized bonds	14	12	-	2	12	8	-	4	14	6	5	3
Bonds	2,892	1,969	782	141	2,863	1,997	727	139	2,453	1,633	709	111
Other exchange-traded instruments	2	1	-	1	-	-	-	-	4	4	-	-
Exchange-traded instruments	4,799	3,237	1,334	228	4,586	3,129	1,235	222	4,008	2,716	1,112	180
Alternative investments	161	24	136	1	155	21	134	-	147	26	120	1
Real estate	61	14	41	6	66	14	44	8	63	13	44	6
Other non-exchange-traded instruments	187	165	-	22	142	122	-	20	86	67	-	19
Cash and cash equivalents	436	382	43	11	344	293	43	8	453	404	42	7
Non-exchange-traded instruments	845	585	220	40	707	450	221	36	749	510	206	33
Fair value of plan assets	5,644	3,822	1,554	268	5,293	3,579	1,456	258	4,757	3,226	1,318	213

Pension cost

The components of pension cost included in the Combined Statement of Income are shown in table ↗ **D.55**.

The past service cost gain of €11 million in 2019 results from the derisking of pension plans in the United States.

D.55

Pension cost

	2020				2019				2018			
	Total	German Plans	US Plans	Other	Total	German Plans	US Plans	Other	Total	German Plans	US Plans	Other
In millions of euros												
Current service cost	-214	-155	-47	-12	-195	-135	-49	-11	-179	-128	-40	-11
Past service cost, curtailments and settlements	-1	-	-	-1	10	-	11	-1	1	-	-	1
Net interest expense	-49	-18	-25	-6	-53	-21	-24	-8	-34	-13	-16	-5
	-264	-173	-72	-19	-238	-156	-62	-20	-212	-141	-56	-15

Measurement assumptions
The measurement date for Daimler Truck Business' defined benefit pension obligations and plan assets is generally December 31. The measurement date for Daimler Truck Business' net periodic pension cost is generally January 1. The assumptions used to calculate the defined benefit obligations vary according to the economic conditions of the countries in which the pension plans are situated. Starting with December 31, 2018, calculation of the defined benefit obligations uses life expectancy for the German plans based on the 2018 G Heubeck-mortality tables. The tables reflect the latest statistics of the statutory pension insurance system and of the Federal Statistical Office. The effect resulting from the change of the mortality tables amounts to €17 million at December 31, 2018 and is disclosed in the valuation losses from changes in demographic assumptions. Comparable country-specific calculation methods are used for non-German plans.

Table ↗ **D.56** shows the significant weighted average measurement factors used to calculate pension benefit obligations.

Sensitivity analysis
An increase or decrease in the main actuarial assumptions would affect the present value of the defined benefit pension obligations as shown in table ↗ **D.57.**

The calculations carried out by actuaries were done in isolation for the evaluation parameters regarded as important. This means that if there is a simultaneous change in several parameters, the individual results cannot be summed due to correlation effects. With a change in the parameters, the sensitivities shown cannot be used to derive a linear development of the defined benefit obligation.

For the calculation of the sensitivity of life expectancy, by means of fixed (non-age-dependent) factors for a reference person, a one-year higher or lower life expectancy was assumed.

Effect on future cash flows
Daimler Truck Business currently plans to make contributions of €0.6 billion to its pension plans for the year 2021; the final amount is usually set in the fourth quarter of a financial year. In addition, the Daimler Truck Business expects to make pension benefit payments of €0.2 billion in 2021.

The weighted average duration of the defined benefit obligations is shown in table ↗ **D.58**.

Defined contribution pension plans
Under defined contribution pension plans, Daimler Truck Business makes defined contributions to external insurance policies or investment funds. There are fundamentally no further contractual obligations or risks for Daimler Truck Business in excess of the defined contributions. Daimler Truck Business also pays contributions to governmental pension schemes. In 2020, the total cost from defined contribution plans amounted to €0.5 billion (2019: €0.5 billion, 2018: €0.5 billion). Of those payments, €0.4 billion (2019: €0.4 billion, 2018: €0.4 billion) was related to governmental pension plans.

Other post-employment benefits
Certain foreign legal entities and operations included in the scope of combination of the Daimler Truck Business, mainly in the United States, provide their employees with post-employment health care benefits with defined entitlements, which have to be accounted for as defined benefit plans. Since the plans are unfunded the balance sheet liability equals the present value of the defined benefit obligations of €615 million (2019: €673 million, 2018: €586 million). The net periodic cost is €36 million (2019: €42 million, 2018: €31 million).

Risks in connection with commitments for other post-employment benefits (medical care) relate to rising healthcare costs and lower contributions to those costs from the public sector. In addition, these plans are subject to the usual risks for defined benefit plans, in particular the risk of changes in discount rates.

D.56

Significant factors for the calculation of pension benefit obligations

	At December 31,								
	2020 German Plans	2019 German Plans	2018 German Plans	**2020** US Plans	2019 US Plans	2018 US Plans	**2020** Other	2019 Other	2018 Other
In percent									
Discount rates	**0.5**	1.1	1.9	**2.7**	3.3	4.3	**2.1**	1.9	2.3
Expected increase in cost of living[1]	**1.8**	1.7	1.8	**-**	-	-	**-**	-	-

1 For German plans, expected increases in cost of living may affect – depending on the design of the pension plan – the obligation to Daimler Truck Business' active employees as well as to retirees and their survivors. For most non-German plans, expected increases in cost of living do not have a material impact on the amount of the obligation.

D.57

Sensitivity analysis for the present value of defined benefit pension obligations

		At December 31, 2020				At December 31, 2019				At December 31, 2018			
		Total	German Plans	US Plans	Other	Total	German Plans	US Plans	Other	Total	German Plans	US Plans	Other
In millions of euros													
Sensitivity for discount rates	0.25 %	**-361**	**-275**	**-72**	**-14**	-324	-232	-79	-13	-248	-181	-58	-9
Sensitivity for discount rates	- 0.25 %	**387**	**295**	**77**	**15**	333	249	69	15	280	206	61	13
Sensitivity for expected increases in cost of living	0.10 %	**10**	**10**	**-**	**-**	8	8	-	-	12	12	-	-
Sensitivity for expected increases in cost of living	- 0.10 %	**-10**	**-10**	**-**	**-**	-8	-8	-	-	-	-	-	-
Sensitivity for life expectancy	+ 1 year	**99**	**28**	**67**	**4**	72	21	47	4	68	20	44	4
Sensitivity for life expectancy	- 1 year	**-97**	**-25**	**-68**	**-4**	-87	-18	-65	-4	-54	-7	-46	-1

D.58

Weighted average duration of the defined benefit obligations

	2020	2019	2018
In years			
German plans	**19**	19	18
US plans	**16**	16	15
Other plans	**12**	12	11

26. Provisions for other risks

The development of provisions for other risks is summarized
in table ↗ D.59.

Product warranties

Daimler Truck Business grants various types of product warranties, under which it generally guarantees the performance of products delivered and services rendered for a certain period. The provision for these product warranties covers expected costs for legal and contractual warranty claims as well as expected costs for goodwill concessions and recall campaigns. The utilization date of product warranties depends on the incidence of the warranty claims and can span the entire term of the product warranties. The cash outflow for non-current product warranties are primarily expected within a period until 2024.

Personnel and social costs

Provisions for personnel and social costs primarily comprise expected expenses of the Daimler Truck Business for employee anniversary bonuses, profit sharing arrangements and management bonuses as well as early-retirement and partial-retirement plans. The additions recorded to the provisions for profit sharing and management bonuses in the reporting year usually result in cash outflows in the following year. The cash outflows for non-current provisions for personnel and social costs are primarily expected within a period until 2032.

Liability and litigation risks and regulatory proceedings

Provisions for liability and litigation risks and regulatory proceedings comprise costs for various legal proceedings, claims and governmental investigations, which can lead in particular to payments of compensation, punitive damages or other costly actions. The cash outflows in relation to non-current provisions are primarily expected within a period until 2024.

Further information on liability and litigation risks and regulatory proceedings is provided in Note 33. Legal proceedings.

Other

Provisions for other risks primarily comprise expected costs for provisions for environmental protection, other taxes and charges related to income taxes. They also include provisions for anticipated losses on contracts and various other risks which cannot be allocated to any other class of provision.

D.59

Provisions for other risks

	Product warranties	Personnel and social costs	Litigation risks and regulatory proceed-ings	Other	Total
In millions of euros					
Balance at January 1, 2018	1,691	1,153	839	630	4,313
Additions	893	554	348	192	1,987
Utilizations	-849	-538	-128	-313	-1,828
Reversals	-107	-37	-42	-45	-231
Compounding and effects from changes in discount rates	7	-2	8	-	13
Currency translation and other changes	19	-16	-12	-12	-21
Balance at December 31, 2018	1,654	1,114	1,013	452	4,233
thereof current	810	538	171	332	1,851
thereof non-current	844	576	842	120	2,382
Additions	944	515	153	236	1,848
Utilizations	-922	-491	-74	-137	-1,624
Reversals	-82	-55	-30	-72	-239
Compounding and effects from changes in discount rates	20	38	9	6	73
Currency translation and other changes	13	-5	-5	-28	-25
Balance at December 31, 2019	1,627	1,116	1,066	457	4,266
thereof current	775	466	200	340	1,781
thereof non-current	852	650	866	117	2,485
Additions	**1,145**	**513**	**150**	**191**	**1,999**
Utilizations	**-879**	**-410**	**-113**	**-135**	**-1,537**
Reversals	**-131**	**-76**	**-37**	**-44**	**-288**
Compounding and effects from changes in discount rates	**14**	**30**	**6**	**1**	**51**
Currency translation and other changes	**-83**	**-30**	**-53**	**-38**	**-204**
Balance at December 31, 2020	**1,693**	**1,143**	**1,019**	**432**	**4,287**
thereof current	**816**	**436**	**145**	**322**	**1,719**
thereof non-current	**877**	**707**	**874**	**110**	**2,568**

27. Financing liabilities

The composition of financing liabilities is shown in table ↗ **D.60**.

Information on the maturities of lease liabilities is provided in Note 36. Management of financial risks.

Loans, other financing liabilities comprise cash pooling payables amounted to €1,831 million (2019: €349 million, 2018: €343 million)

Part of the liabilities were allocated based on a target equity ratio (see Note 1. General information). Those liabilities will not result in a direct cash out flow but will be replaced by new loans upon the spin-off date (see Note 42. Events after the reporting period for more details).

Further details to the liabilities allocated based on a target equity ratio is provided in Table ↗ **D.61.**

D.60

Financing liabilities

	At December 31, 2020			At December 31, 2019			At December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
In millions of euros									
Notes/bonds	**574**	**685**	**1,259**	334	665	999	539	599	1,138
Commercial paper	**82**	**-**	**82**	105	-	105	11	-	11
Liabilities to financial institutions[1]	**2,334**	**1,324**	**3,658**	2,612	2,984	5,596	3,000	2,824	5,824
Deposits in the direct banking business	**28**	**236**	**264**	15	180	195	33	139	172
Liabilities from ABS transactions	**501**	**370**	**871**	636	355	991	329	242	571
Lease liabilities[1]	**177**	**1,163**	**1,340**	193	1,355	1,548	18	183	201
Loans/liabilities from cash pooling[1]	**8,109**	**4,966**	**13,075**	7,906	5,956	13,862	5,411	6,059	11,470
	11,805	**8,744**	**20,549**	11,801	11,495	23,296	9,341	10,046	19,387

1 For further details on remaining Daimler Group amounts see Note 40. Related party disclosures.

D.61

Financing liabilities allocated based on a target equity ratio

	2020	2019	2018
Non-current			
Liabilities to external financial institutions	**699**	753	620
Liabilities to remaining Daimler Group	**4,523**	5,328	5,316
Current			
Liabilities to external financial institutions	**575**	539	597
Liabilities to remaining Daimler Group	**4,918**	6,009	4,783

28. Other financial liabilities

The composition of other financial liabilities is shown in table
↗ **D.62**.

Financial liabilities measured at fair value through profit or loss relate exclusively to derivative financial instruments which are not used in hedge accounting.

The miscellaneous other financial liabilities include several financial obligations, such as dividend payments to third parties or from investment transactions

Further information on other financial liabilities is provided in Note 35. Financial instruments.

D.62
Other financial liabilities

	At December 31, 2020			At December 31, 2019			At December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
In millions of euros									
Derivative financial instruments used in hedge accounting	**31**	**26**	**57**	70	35	105	27	26	53
Financial liabilities recognized at fair value through profit or loss	**2**	**-**	**2**	5	1	6	7	1	8
Liabilities from residual value guarantees	**900**	**1,791**	**2,691**	1,000	1,964	2,964	1,031	2,064	3,095
Liabilities from wages and salaries	**518**	**32**	**550**	475	25	500	532	23	555
Accrued interest expenses	**163**	**-**	**163**	251	-	251	229	-	229
Deposits received	**205**	**30**	**235**	228	32	260	194	16	210
Other	**455**	**151**	**606**	1,309	112	1,421	1,022	29	1,051
Miscellaneous other financial liabilities	**2,241**	**2,004**	**4,245**	3,263	2,133	5,396	3,008	2,132	5,140
	2,274	**2,030**	**4,304**	3,338	2,169	5,507	3,042	2,159	5,201

29. Deferred income

The composition of deferred income is shown in table ↗ **D.63**.

D.63
Deferred income

	At December 31, 2020			At December 31, 2019			At December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
In millions of euros									
Deferral of sales revenue received from sales with residual-value guarantees	**617**	**1,238**	**1,855**	683	1,332	2,015	706	1,348	2,054
Deferral of advance rental payments received from operating lease arrangements	**2**	**11**	**13**	2	12	14	2	12	14
Other deferred income	**46**	**34**	**80**	24	30	54	28	31	59
	665	**1,283**	**1,948**	709	1,374	2,083	736	1,391	2,127

30. Contract and refund liabilities

Table ↗ **D.64** shows the composition of contract and refund liabilities.

D.64

Contract and refund liabilities

		At December 31,	
	2020	2019	2018
In millions of euros			
Service and maintenance contracts and extended warranties	**2,181**	2,310	2,036
Other contract liabilities	**243**	207	284
Contract liabilities	**2,424**	2,517	2,320
Obligations from sales transactions	**363**	366	350
Other refund liabilities	**146**	159	135
Refund liabilities	**509**	525	485
Contract and refund liabilities	**2,933**	3,042	2,805
thereof non-current	**1,639**	1,790	1,544
thereof current	**1,295**	1,253	1,262

31. Other liabilities

Table ↗ **D.65** shows the composition of other liabilities.

D.65
Other liabilities

	At December 31, 2020			At December 31, 2019			At December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
In millions of euros									
Income tax liabilities	**104**	**12**	**116**	135	11	146	120	21	141
Other tax liabilities	**416**	**-**	**416**	303	-	303	311	-	311
Miscellaneous other liabilities	**36**	**19**	**55**	47	-	47	41	1	42
	556	**31**	**587**	485	11	496	472	22	494

32. Combined Statement of Cash Flows

Calculation of funds
At December 31, 2020, cash and cash equivalents included restricted funds of €70 million (2019: €0 million, 2018: €0 million). The restricted funds primarily relate to subsidiaries where exchange controls apply so that Daimler Truck Business has restricted access to the funds. Cash pooling receivables are not presented as cash or cash equivalents.

Cash provided by operating activities
Changes in other operating assets and liabilities are shown in table ↗ **D.66.**

Table ↗ **D.67** shows cash flows included in cash provided by operating activities.

Cash used for investing activities
In addition to the acquisition of the assets and liabilities shown in table ↗ **D.69** €2 million (2019: €0 million) of cash and cash equivalents were acquired in connection with investments in subsidiaries.

Cash used for/provided by financing activities
Cash used for/provided by financing activities includes cash flows from hedging the currency risks of financial liabilities. In 2020, cash used for financing activities included payments for the reduction of outstanding leasing liabilities of €200 million (2019: €183 million, 2018: €27 million). The increase in 2020 and 2019 compared to 2018 relates to the implementation of IFRS 16 in 2019, thus leading to an overall increase in leasing liabilities as shown in table ↗ **D.60.** The above mentioned payments for the reduction of outstanding leasing liabilities presented in the cash flows from financing activities are excluding interests. The interest portion is presented under cash flow from operating activities – as total lease expenses were before 2019.

Table ↗ **D.68** includes changes in liabilities arising from financing activities, divided into cash and non-cash components.

D.66
Changes in other operating assets and liabilities

	2020	2019	2018
In millions of euros			
Provisions	**219**	52	-109
Financial instruments	**-14**	23	3
Miscellaneous other assets and liabilities	**113**	56	424
	318	131	318

D.67
Cash flows included in cash provided by operating activities

	2020	2019	2018
In millions of euros			
Interest paid	**-159**	-187	-182
Interest received	**62**	131	69
Dividends received from at equity-method investments	**9**	12	18
Dividends received from other shareholdings	**9**	8	9

D.68
Changes in liabilities arising from financing activities

	2020	2019	2018
In millions of euros			
Cash flows	**-517**	2,008	2,395
Changes in foreign exchange rates	**-2,137**	423	99
Fair value changes	**-211**	-27	-122
Other changes	**63**	1,530	3

D.69

Assets and liabilities acquired

	2020	2019
In millions of euros		
Intangible assets	**45**	181
Property, plant and equipment	**57**	1
Other assets	**39**	5
Trade liabilities	**7**	1
Provisions	**6**	-
Deferred tax liabilities	**12**	17
Other liabilities	**17**	-

33. Legal proceedings

Legal entities and operations in scope of combination of the Daimler Truck Business are or may potentially be confronted with various legal proceedings, claims as well as governmental investigations and orders (legal proceedings) on a large number of topics, including vehicle safety, emissions, fuel economy, financial services, dealer, supplier and other contractual relationships, intellectual property rights (including but not limited to patent infringement actions), warranty claims, environmental matters, antitrust matters (including actions for damages) as well as investor litigation. Product-related litigation involves claims alleging faults in vehicles. Some of these claims are asserted by way of class actions. If the outcome of such legal proceedings is detrimental to Daimler Truck Business or such legal proceedings are settled, Daimler Truck Business may be required to pay substantial compensatory and punitive damages or to undertake service actions, recall campaigns, monetary penalties or other costly actions. Legal proceedings and related settlements may have an impact on Daimler Truck Business' reputation.

Antitrust law proceedings (including actions for damages)

Daimler AG, the current parent entity of the Daimler Truck Business, was subject to an antitrust proceeding initiated by the European Commission. In July 2016, the European Commission issued a settlement decision against Daimler AG and four other European truck manufacturers for their participation in anticompetitive behavior in violation of European antitrust rules as regards pricing and passing on the costs of compliance with stricter emission rules for trucks. The European Commission found that Daimler AG participated in the relevant arrangements from January 17, 1997 to January 18, 2011. The individual fine imposed on Daimler AG by the European Commission's settlement decision amounted to €1.09 billion and has been paid in full.

Following the settlement decision by the European Commission, legal actions, class actions and other forms of legal redress for damages by direct and indirect truck customers have been filed or initiated against Daimler AG as the then controlling parent of the Daimler Truck Business and against the Daimler Truck Business in several jurisdictions. In addition, a number of further claims may be made against Daimler AG and/or the Daimler Truck Business in the future. Damage claims could result in substantial liabilities for the Daimler Truck Business as well as significant costs expended for defense measures, which may have a material adverse effect on its operations and, financial condition. Due to the joint and several liability with other truck manufacturers, such liability could extend beyond trucks sold by the Daimler Truck Business and the Daimler Truck Business may, as a result of this, have a claim for contribution against the other jointly liable parties.

In relation to the cartel infringement described above, most substantial claims (including certain types of class actions or aggregator claims) are pending or have been initiated in Germany, the United Kingdom, the Netherlands, and Spain. Claims are also pending in certain other European countries and in Israel (in total in approx. 20 countries).

Daimler Truck Business is taking appropriate legal remedies to defend itself.

In accordance with IAS 37.92, no further information is disclosed with respect to whether, or to what extent, provisions have been recognized and/or contingent liabilities have been disclosed, so as not to prejudice Daimler Truck Business' position.

Accounting estimates and management judgments relating to all legal proceedings

The Daimler Truck Business recognizes provisions in connection with pending or threatened proceedings to the extent a loss is probable and can be reasonably estimated. Such provisions are recognized in Daimler Truck Business' Combined Financial Statements and are based on estimates. If quantifiable, contingent liabilities in connection with legal proceedings are disclosed in Daimler Truck Business' Combined Financial Statements. Risks resulting from legal proceedings sometimes cannot be assessed reliably or only to a limited extent. Consequently, provisions recognized for some legal proceedings may turn out to be insufficient once such proceedings have ended. The Daimler Truck Business may also become liable for payments in legal proceedings for which no provisions were recognized and/or contingent liabilities were disclosed. Uncertainty exists with regard to the amounts or due dates of possible cash outflows. Although the final result of any such proceedings could materially affect Daimler Truck Business' operating results and cash flows for a particular reporting period, Daimler Truck Business believes that it should not exert a sustained influence on Daimler Truck Business' financial position.

34. Contingent liabilities and other financial obligations

Contingent liabilities

At December 31, 2020, the best estimate for obligations from **contingent liabilities** was €589 million (2019: €574 million, 2018: €538 million). The contingent liabilities mainly includes legal proceedings.

Other financial obligations

At December 31, 2018, Daimler Truck Business reported other financial obligations from non-cancelable rental agreements and operating leases of €1,291 million according to IAS 17.

Furthermore, other financial obligations exist from the acquisition of intangible assets, property, plant and equipment and lease property of €165 million (2019: €291 million, 2018: €316 million). These commitments do not include commitments linked to the Initial Public Offering of Daimler Truck Holding AG and related transactions to separate the Daimler Truck Business from the Daimler Group.

In 2019, Daimler AG spun off parts of its business operations into Daimler Truck AG and Mercedes-Benz AG. Pursuant to §133 UmwG, all three legal entities are jointly and severally liable for all liabilities of Daimler AG that existed as of the registration date of the spin-off in the commercial register.

DTAG will be liable for these liabilities that existed as of the date of the announcement of the registration for a period of five years. For pension obligations based on the German Company Pensions Act (Betriebsrentengesetz), the aforementioned period is ten years.

Currently, DTAG considers this obligation resulting from the spin-off not as a contingent liability and expects any related cash outflows to be remote.

The potential obligations resulting from §133 UmwG amount to €37,725 million as of December 31, 2020 (due in 2021: €9,765 million).

In addition, Daimler Truck Business had issued irrevocable loan commitments at December 31, 2020. These loan commitments had not been utilized as of that date. Further information with respect to these commitments is provided in Note 36. Management of financial risks.

35. Financial instruments

Carrying amounts and fair values of financial instruments

Table ↗ D.70 shows the carrying amounts and fair values of the respective classes of the Daimler Truck Business' financial instruments.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Given the varying influencing factors, the reported fair values can only be viewed as indicators of the prices that may actually be achieved on the market.

The fair values of financial instruments were calculated on the basis of market information available on the balance sheet date. The following methods and premises were used:

D.70

Carrying amounts and fair values of financial instruments

	At December 31, 2020		At December 31, 2019		At December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
In millions of euros						
Financial assets						
Receivables from financial services	15,269	15,466	18,679	18,878	16,390	16,369
Trade receivables	3,487	3,487	4,061	4,061	4,449	4,449
Cash and cash equivalents	1,663	1,663	1,094	1,094	548	548
Marketable debt securities and similar investments	5,841	5,841	4,729	4,729	2,912	2,912
Recognized at fair value through other comprehensive income	108	108	146	146	115	115
Recognized at fair value through profit or loss	-	-	-	-	-	-
Measured at cost	5,733	5,733	4,583	4,583	2,797	2,797
Other financial assets						
Equity instruments and debt instruments	191	191	181	181	204	204
Recognized at fair value through other comprehensive income	96	96	104	104	95	95
Recognized at fair value through profit or loss	95	95	77	77	109	109
Other financial assets recognized at fair value through profit or loss	28	28	12	12	14	14
Derivative financial instruments used in hedge accounting	197	197	76	76	150	150
Other receivables and miscellaneous other financial assets	787	787	1,116	1,116	685	685
	27,463	27,660	29,948	30,147	25,352	25,331
Financial liabilities						
Financing liabilities	19,209	19,246	21,748	21,765	19,387	19,181
Trade payables	3,043	3,043	3,058	3,058	3,851	3,851
Other financial liabilities						
Financial liabilities recognized at fair value through profit or loss	2	2	6	6	8	8
Derivative financial instruments used in hedge accounting	57	57	105	105	53	53
Miscellaneous other financial liabilities	4,245	4,245	5,396	5,396	5,140	5,140
Contract and refund liabilities						
Obligations from sales transactions	363	363	366	366	350	350
	26,919	26,956	30,679	30,696	28,789	28,583

Receivables from financial services
The fair values of receivables from financial services with variable interest rates are estimated to be equal to the respective carrying amounts, because the agreed upon interest rates and those available in the market do not significantly differ. The fair values of receivables from financial services with fixed interest rates are determined on the basis of discounted expected future cash flows. Discounting is based on the current interest rates at which similar loans with identical terms could have been obtained at December 31, 2020, December 31, 2019 and December 31, 2018.

Trade receivables and cash and cash equivalents
Due to the short terms of these financial instruments and the fundamentally lower credit risk, it is assumed that their fair values are equal to the carrying amounts.

Marketable debt securities and similar investments, other financial assets
Marketable debt securities are recognized at fair value through other comprehensive income or at fair value through profit or loss. *Similar investments* (including cash pool receivables from remaining Daimler Group) are measured at amortized cost and are not included in the measurement hierarchy, as their carrying amounts are a reasonable approximation of fair value due to the short terms of these financial instruments and the fundamentally lower credit risk.

Equity Instruments are recognized at fair value through other comprehensive income or at fair value through profit or loss.
Equity instruments recognized through other comprehensive income are included in table ↗ **D.70** and comprise several investments not material on an individual basis. Daimler Truck Business does not generally intend to sell its equity instruments which are presented at December 31, 2020.

Marketable debt securities and equity instruments recognized at fair value were measured using quoted market prices at the end of the reporting period. If quoted market prices are not available for these debt and equity instruments, fair value measurement is based on inputs that are either directly or indirectly observable in active markets. Fair values are calculated using recognized financial valuation models such as discounted cash flow models or multiples.

Other financial assets recognized at fair value through profit or loss include derivative financial instruments not used in hedge accounting. These financial instruments as well as *derivative financial instruments used in hedge accounting* comprise:

– Derivative currency hedging contracts; the fair values of cross currency interest rate swaps are determined on the basis of the discounted estimated future cash flows (taking account of credit premiums and default risks) using market interest rates appropriate to the remaining terms of the financial instruments. The valuation of currency forwards is based on market quotes of forward curves; currency options are measured with option-pricing models using market data.

– Derivative interest rate hedging contracts; the fair values of interest rate hedging instruments (e.g. interest rate swaps) are calculated on the basis of the discounted estimated future cash flows (taking account of credit premiums and default risks) using market interest rates appropriate to the remaining terms of the financial instruments.

– Derivative commodity hedging contracts; the fair values of commodity hedging contracts (e.g. commodity forwards) are determined on the basis of current reference prices with consideration of forward premiums and discounts and default risks.

Other financial receivables and other financial assets are carried at amortized cost. Because of the predominantly short maturities and the fundamentally lower credit risk of these financial instruments, it is assumed that the fair values approximate the carrying amounts.

Financing liabilities
The fair values of loans, commercial paper, and liabilities from ABS transactions are calculated as present values of the estimated future cash flows (taking account of credit premiums and credit risks). Market interest rates for the appropriate terms are used for discounting.

Trade payables
Due to the short maturities of these financial instruments, it is assumed that their fair values are equal to the carrying amounts.

Contract and refund liabilities
Contract and refund liabilities include obligations from sales transactions that qualify as financial instruments. Obligations from sales transactions should generally be regarded as short term. Due to the short maturities of these financial instruments, it is assumed that their fair values are equal to their carrying amounts.

Other financial liabilities
Financial liabilities recognized at fair value through profit or loss comprise derivative financial instruments not used in hedge accounting. For information regarding these financial instruments as well as *derivative financial instruments used in hedge accounting*, see the notes above under marketable debt securities and similar investments, other financial assets.

Miscellaneous other financial liabilities are carried at amortized cost. Because of the predominantly short maturities of these financial instruments, it is assumed that the fair values approximate the carrying amounts.

Measurement hierarchy
Table ↗ **D.71** provides an overview of the classification into measurement hierarchies of financial assets and liabilities recognized at fair value (according to IFRS 13).

At the end of each reporting period, Daimler Truck Business reviews the necessity of reclassification between the measurement hierarchies.

For the determination of the credit risk from derivative financial instruments which are allocated to Level 2 measurement hierarchy, portfolios managed on basis of net exposure are applied. Table ↗ **D.72** shows into which measurement hierarchies (according to IFRS 13) the fair values of the financial assets and liabilities are classified which are not recognized at fair value in the Combined Statement of Financial Position.

D.71

Measurement hierarchy of financial assets and liabilities recognized at fair value

	At December 31, 2020				At December 31, 2019				At December 31, 2018			
	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]
In millions of euros												
Financial assets recognized at fair value												
Marketable debt securities	**108**	**26**	**82**	**-**	146	-	146	-	115	-	115	-
Recognized at fair value through other comprehensive income	**108**	**26**	**82**	**-**	146	-	146	-	115	-	115	-
Recognized at fair value through profit or loss	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-	-
Equity instruments and debt instruments	**191**	**108**	**77**	**6**	181	109	66	6	204	89	109	6
Recognized at fair value through other comprehensive income	**96**	**90**	**-**	**6**	104	98	-	6	95	89	-	6
Recognized at fair value through profit or loss	**95**	**18**	**77**	**-**	77	11	66	-	109	-	109	-
Other financial assets recognized at fair value through profit or loss	**28**	**-**	**28**	**-**	12	-	12	-	14	-	14	-
Derivative financial instruments used in hedge accounting	**197**	**-**	**197**	**-**	76	-	76	-	150	-	150	-
	524	**134**	**384**	**6**	415	109	300	6	483	89	388	6
Financial liabilities recognized at fair value												
Financial liabilities recognized at fair value through profit or loss	**2**	**-**	**2**	**-**	6	-	6	-	8	-	8	-
Derivative financial instruments used in hedge accounting	**57**	**-**	**57**	**-**	105	-	105	-	53	-	53	-
	59	**-**	**59**	**-**	111	-	111	-	61	-	61	-

1 Fair value measurement is based on quoted prices (unadjusted) in active markets for these or identical assets or liabilities.
2 Fair value measurement is based on inputs that are observable on active markets either directly (i.e., as prices) or indirectly (i.e., derived from prices).
3 Fair value measurement is based on inputs for which no observable market data is available.

D.72

Measurement hierarchy of financial assets and liabilities not recognized at fair value

	At December 31, 2020				At December 31, 2019				At December 31, 2018			
	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]
In millions of euros												
Fair values of financial assets measured at cost												
Receivables from financial services	**15,466**	**-**	**15,466**	**-**	18,878	-	18,878	-	16,369	-	16,369	-
Fair values of financial liabilities measured at cost												
Financing liabilities	**19,246**	**-**	**19,246**	**-**	21,765	-	21,765	-	19,181	-	19,181	-
thereof bonds	**1,275**	**-**	**1,275**	**-**	1,002	-	1,002	-	1,135	-	1,135	-
thereof liabilities from ABS transactions	**883**	**-**	**883**	**-**	999	-	999	-	569	-	569	-
thereof other financing liabilities	**17,088**	**-**	**17,088**	**-**	19,764	-	19,764	-	17,477	-	17,477	-
Miscellaneous other financial liabilities	**4,245**	**-**	**4,164**	**81**	5,396	-	5,307	89	5,140	-	5,140	-

1 Fair value measurement is based on quoted prices (unadjusted) in active markets for these or identical assets or liabilities.
2 Fair value measurement is based on inputs that are observable on active markets either directly (i.e., as prices) or indirectly (i.e., derived from prices).
3 Fair value measurement is based on inputs for which no observable market data is available.

Measurement categories

The carrying amounts of financial instruments according to measurement categories are shown in table ↗ D.73.

D.73

Carrying amounts of financial instruments according to measurement categories

		At December 31,	
	2020	2019	2018
In millions of euros			
Assets			
Financial assets measured at (amortized) cost	**24,687**	27,194	22,771
Receivables from financial services[1]	**13,017**	16,340	14,292
Trade receivables	**3,487**	4,061	4,449
Cash and cash equivalents	**1,663**	1,094	548
Marketable debt securities and similar investments	**5,733**	4,583	2,797
Other receivables and miscellaneous other financial assets	**787**	1,116	685
Financial assets recognized at fair value through other comprehensive income	**204**	250	210
Marketable debt securities and similar investments	**108**	146	115
Equity and debt instruments	**96**	104	95
Financial assets recognized at fair value through profit or loss	**123**	89	123
Marketable debt securities and similar investments	**-**	-	-
Equity and debt instruments	**95**	77	109
Other financial assets recognized at fair value through profit or loss[2]	**28**	12	14
Liabilities			
Financial liabilities measured at (amortized) cost	**26,812**	30,537	28,487
Trade payables	**3,043**	3,058	3,851
Financing liabilities[3]	**19,209**	21,748	19,186
Miscellaneous other financial liabilities[4]	**4,197**	5,365	5,100
Obligations from sales transactions	**363**	366	350
Financial liabilities recognized at fair value through profit or loss[2]	**2**	6	8

1 This does not include lease receivables of €2,252 million (2019: €2,339 million, 2018: €2,098 million) as these are not assigned to a measurement category.
2 Financial instruments classified as held for trading purposes. These figures comprise financial instruments that are not used in hedge accounting.
3 This does not include liabilities from lease transactions of €1,340 million (2019: €1,548 million, 2018: €201 million) as these are not assigned to a measurement category.
4 This does not include liabilities from financial guarantees of €48 million (2019: €31 million, 2018: €40 million) as these are not assigned to a measurement category.

The table ↗ D.73 does not include the carrying amounts of derivative financial instruments used in hedge accounting as these financial instruments are not assigned to a measurement category.

Net gains or losses

Table ↗ D.74 shows the net gains/losses on financial instruments included in the Combined Statement of Income (excluding derivative financial instruments used in hedge accounting).

Net gains/losses on equity and debt instruments recognized at fair value through profit or loss primarily comprise gains and losses attributable to changes in the fair values of these instruments.

Net gains/losses on other financial assets and liabilities recognized at fair value through profit or loss comprise gains and losses attributable to changes in their fair values.

Net gains/losses on equity instruments recognized at fair value through other comprehensive income primarily comprise dividend payments.

Net gains/losses on other financial assets recognized at fair value through other comprehensive income are primarily attributable to the effects of currency translation.

Net gains/losses on financial assets measured at (amortized) cost (excluding the interest income/expense shown below) primarily comprise impairment losses (including reversals of impairment losses) of €211 million (2019: €85 million, 2018: €62 million) that are charged to cost of sales, selling expenses and other financial income/expense, net. Foreign currency gains and losses are also included.

Net gains/losses on financial liabilities measured at (amortized) cost (excluding the interest income/expense shown below) primarily comprise the effects of currency translation.

D.74

Net gains/losses

	2020	2019	2018
In millions of euros			
Equity and debt instruments recognized at fair value through profit or loss	**12**	-	2
Other financial assets and financial liabilities recognized at fair value through profit or loss[1]	**40**	-9	-23
Equity instruments recognized at fair value through other comprehensive income	**-**	3	1
Other financial assets recognized at fair value through other comprehensive income	**-1**	-	-1
Financial assets measured at (amortized) cost	**-306**	-101	-79
Financial liabilities measured at (amortized) cost	**41**	-28	123

1 Financial instruments classified as held for trading; these amounts relate to financial instruments that are not used in hedge accounting.

Total interest income and total interest expense

Total interest income and total interest expense for financial assets or financial liabilities that are not recognized at fair value through profit or loss are shown in table ↗ D.75.

See Note 3. Significant accounting policies for qualitative descriptions of accounting for and presentation of financial instruments (including derivative financial instruments).

D.75
Total interest income and total interest expense

	2020	2019	2018
In millions of euros			
Total interest income	1,027	1,260	999
thereof from financial assets and liabilities measured at (amortized) costs	1,023	1,254	992
thereof from financial assets recognized at fair value through other comprehensive income	4	6	7
Total interest expense	-637	-810	-687
thereof from financial assets and liabilities measured at (amortized) costs	-637	-810	-687
thereof from financial assets recognized at fair value through other comprehensive income	-	-	-

Information on derivative financial instruments

Use of derivatives
The Daimler Truck Business uses derivative financial instruments exclusively for hedging financial risks that arise from its operating or financing activities or from its liquidity management. These are mainly interest rate risks, currency risks and commodity price risks, which have been defined as risk categories. For these hedging purposes, Daimler AG on behalf of Daimler Truck Business mainly uses currency forward transactions, cross currency interest rate swaps, interest rate swaps, options and commodity forwards.

Table ↗ D.76 shows the amounts for the transactions designated as hedging instruments.

D.76

Amounts for the transactions designated as hedging instruments

	Foreign currency risk	Interest rate risk		Commodity risk
	Cash flow hedges[1]	Cash flow hedges[2]	Fair value hedges[2]	Cash flow hedges[1]
In millions of euros				
December 31, 2020				
Carrying amount of the hedging instruments				
Other financial assets current	**52**	**8**	**79**	**4**
Other financial assets non-current	**31**	**4**	**19**	**1**
Other financial liabilities current	**20**	**3**	**7**	**-**
Other financial liabilities non-current	**2**	**24**	**-**	**-**
Fair value changes[3]	**107**	**3**	**190**	**-3**
December 31, 2019				
Carrying amount of the hedging instruments				
Other financial assets current	3	-	49	2
Other financial assets non-current	10	-	9	3
Other financial liabilities current	68	1	-	1
Other financial liabilities non-current	13	19	3	-
Fair value changes[3]	-154	-19	42	17
December 31, 2018				
Carrying amount of the hedging instruments				
Other financial assets current	41	2	54	8
Other financial assets non-current	9	3	31	-
Other financial liabilities current	19	-	-	8
Other financial liabilities non-current	11	6	3	6
Fair value changes[3]	-114	-6	92	-12

1 Includes the following instrument types: currency forwards, currency options, currency swaps, commodity forwards.
2 Includes the following instrument types: interest rate swaps, cross currency interest rate swaps.
3 Gains and losses from hedging instruments used for recognizing hedge ineffectiveness.

Fair value hedges

The Daimler Truck Business uses fair value hedges primarily for hedging interest rate risks.

The amounts of the items hedged with fair value hedges are included in table ↗ **D.77**.

The amounts relating to hedge ineffectiveness for items designated as fair value hedges are shown in table ↗ **D.78**.

D.77

Fair value hedges

	Interest rate risk		
	2020	2019	2018
In millions of euros			
Carrying amounts of the hedged items			
Financing liabilities current	**312**	467	268
Financing liabilities non-current	**176**	391	460
thereof hedge adjustments			
Financing liabilities current	**-71**	54	54
Financing liabilities non-current	**-12**	10	28
Fair value changes of the hedged items[1]	**-190**	-41	-92
Accumulated amount of hedge adjustments from inactive hedges remaining in the Statement of Financial Position	**-**	-	-

1 Fair value changes of the hedged items used for recognizing hedge ineffectiveness.

D.78
Ineffectiveness of fair value hedges

	Interest rate risk		
	2020	2019	2018
In millions of euros			
Cost of sales	**-**	-	-
Interest expense	**-**	1	-

Cash flow hedges

The Daimler Truck Business uses cash flow hedges for hedging currency risks, interest rate risks and commodity price risks.

The amounts related to items designated as cash flow hedges are shown in table ↗ **D.79.**

The gains and losses on items designated as cash flow hedges as well as the amounts relating to hedge ineffectiveness are included in table ↗ **D.80**.

D.79
Cash flow hedges

			2020			2019			2018
	Foreign currency risk	Interest rate risk	Commodity risk	Foreign currency risk	Interest rate risk	Commodity risk	Foreign currency risk	Interest rate risk	Commodity risk
In millions of euros									
Fair value changes of the hedged items[1]	**-100**	**-3**	**2**	147	19	-18	113	6	11
Balance of the reserves for derivative financial instruments (before taxes)									
Continuing hedges	**58**	**-26**	**6**	-63	-18	7	20	-1	-1
Thereof hedges of currency risks in the automotive business[2]	**1**	**-**	**-**	-2	-	-1	-	-	-
Discontinued/terminated hedges	**-**	**-**	**-**	-	-	-	-	-	-

1 Fair value changes of the hedged items used for recognizing hedge ineffectiveness.
2 De-designation and re-designation of hedging instruments at January 1, 2019. Further information is provided in the section related to exchange rate risk in Note 36. Management of financial risks.

D.80

Gains and losses on cash flow hedges

	Foreign currency risk			Interest rate risk		Commodity risk
In millions of euros						
Line item in the Statement of Income in which the ineffectiveness and the reclassifications are included	Revenues	Cost of sales	Other financial income/ expense, net	Cost of sales	Interest expense	Cost of sales
2020						
Gains and losses recognized in other comprehensive income	**55**	**44**	**-**	**-2**	**5**	**-2**
Hedge ineffectiveness recognized in the Statement of Income	**5**	**3**	**-**	**-**	**-**	**-1**
Reclassification of hedge effectiveness from other comprehensive income to the Statement of Income						
For hedges for which the hedged future cash flows are no longer expected to occur	**3**	**2**	**-**	**-**	**-**	**-**
For hedges that have been transferred because the hedged item has affected profit or loss	**1**	**-**	**-**	**-**	**-14**	**-**
2019						
Gains and losses recognized in other comprehensive income	-103	-45	-	-1	-18	18
Hedge ineffectiveness recognized in the Statement of Income	-3	-3	-	-	-	-
Reclassification of hedge effectiveness from other comprehensive income to the Statement of Income						
For hedges for which the hedged future cash flows are no longer expected to occur	8	-	-	-	-	-
For hedges that have been transferred because the hedged item has affected profit or loss	31	-	-	-	2	-
2018						
Gains and losses recognized in other comprehensive income	-108	-4	-	-	-6	-11
Hedge ineffectiveness recognized in the Statement of Income	-2	-	-	-	-	-1
Reclassification of hedge effectiveness from other comprehensive income to the Statement of Income						
For hedges for which the hedged future cash flows are no longer expected to occur	-1	-	-	-	-	-
For hedges that have been transferred because the hedged item has affected profit or loss	-50	-	-	-	-	-

In 2020, cash flow hedges with a nominal volume of €566 million were de-designated because the cash flows secured with these instruments could no longer be classified as highly probable. The de-designation of these derivatives, which is largely attributable to the covid-19 pandemic, mainly relates to cash flows in US dollars and British pounds and led to reclassification from the reserves for derivative financial instruments to revenue of €1 million (losses) and to cost of sales of €4 million (losses).

Table ↗ D.81 shows the reconciliation of the reserves for derivative instruments.

D.81

Reconciliation of reserves for derivative financial instruments

In millions of euros	
Balance at January 1, 2018	151
Changes in fair values (before taxes)	-127
Foreign currency risk	-110
Interest rate risk	-6
Commodity price risk - inventory purchases	-11
Reclassification to profit and loss (before taxes)	-51
Foreign currency risk	-51
Interest rate risk	-
Reclassification to cost of acquisition of non-financial assets (before taxes)	-12
Foreign currency risk - procurement	-5
Commodity price risk - inventory purchases	-7
Other	-
Taxes on changes in fair values and reclassifications	57
Balance at December 31, 2018	18
Changes in fair values (before taxes)	-152
Foreign currency risk	-151
Interest rate risk	-19
Commodity price risk - inventory purchases	18
Reclassification to profit and loss (before taxes)	41
Foreign currency risk	39
Interest rate risk	2
Reclassification to cost of acquisition of non-financial assets (before taxes)	16
Foreign currency risk - procurement	26
Commodity price risk - inventory purchases	-10
Other	-
Taxes on changes in fair values and reclassifications	11
Balance at December 31, 2019	-66
Changes in fair values (before taxes)	**104**
Foreign currency risk	**101**
Interest rate risk	**3**
Commodity price risk - inventory purchases	**-1**
Reclassification to profit and loss (before taxes)	**-12**
Foreign currency risk	**2**
Interest rate risk	**-14**
Reclassification to cost of acquisition of non-financial assets (before taxes)	**18**
Foreign currency risk - procurement	**17**
Commodity price risk - inventory purchases	**1**
Other	**-**
Taxes on changes in fair values and reclassifications	**-16**
Balance at December 31, 2020	**28**

The reserves for derivative instruments include reserves for hedge costs of an insignificant amount.

The maturities of the derivative financial instruments generally correspond with those of the underlying transactions. The realization of the underlying transactions of the cash flow hedges is expected to correspond with the maturities of the hedging transactions shown in table ↗ D.82.

At December 31, 2020, Daimler Truck Business utilized derivative instruments with a maximum maturity of 38 months (2019: 38 months, 2018: 34 months) as hedges for currency risks arising from future transactions.

Nominal values of derivative financial instruments

Table ↗ D.82 shows the nominal values of derivative financial instruments entered into for the purpose of hedging currency risks, interest rate risks and commodity price risks that arise from Daimler Truck Business's operating and/or financing activities.

The average prices for derivative financial instruments classified by risk categories for the main risks are included in table ↗ D.83.

Most of the transactions for which the effects from the measurement of the hedging instrument and the underlying transaction to a large extent offset each other in the Combined Statement of Income do not classify for hedge accounting.

Even if derivative financial instruments do not or no longer qualify for hedge accounting, these instruments still serve to hedge financial risks from business operations. A hedging instrument is terminated when the hedged transaction no longer exists or is no longer expected to occur.

Explanations of the hedging of exchange rate risks, interest rate risks and commodity price risks can be found in Note 36. Management of financial risks in the sub-item finance market risk.

D.82

Nominal amounts of derivative financial instruments

	At December 31, 2020				At December 31, 2019				At December 31, 2018			
	Maturity of nominal amounts				Maturity of nominal amounts				Maturity of nominal amounts			
	<1 year	1 year up to 5 years	>5 years	Total	<1 year	1 year up to 5 years	>5 years	Total	<1 year	1 year up to 5 years	>5 years	Total
In millions of euros												
Foreign currency risk	**1,433**	**658**	**-**	**2,091**	2,378	1,207	-	3,585	2,276	746	-	3,022
Interest rate risk	**841**	**780**	**-**	**1,621**	1,237	991	-	2,228	-	1,366	294	1,660
Fair value hedges	**312**	**177**	**-**	**489**	909	383	-	1,292	-	652	76	728
thereof major derivative financial instruments affected by the reform of the interest rate benchmark												
in the currency USD	**383**	**122**	**-**	**505**	472	312	-	784	-	-	-	-
Cash Flow Hedges	**529**	**603**	**-**	**1,132**	328	608	-	936	-	714	218	932
thereof major derivative financial instruments affected by the reform of the interest rate benchmark [1]												
in the currency USD	**41**	**244**	**-**	**285**	-	267	-	267	-	-	218	218
Commodity risk	**24**	**9**	**-**	**33**	35	32	-	67	66	42	-	108

1 The volumes of risk exposure in cash flow hedges directly affected by the reform of the interest rate benchmark are generally in line with the reported volumes of the hedging instruments because of the basic hedging ratio of 1. Further information on the reform of the interest rate benchmark is provided in Note 36. Management of financial risks.

D.83

Average prices of hedging instruments for the major risks

		At December 31,	
	2020	2019	2018
Foreign currency risk			
USD per €	**1,15**	1,16	1,19
GBP per €	**0,89**	0,89	0,88
Interest rate risk			
Fair value hedges			
Average interest rate - BRL	**0.24%**	-1,32%	-2,91%
Average interest rate - MXN	**0.94%**	0,00%	0,00%
Average interest rate - USD	**-**	0,84%	-
Cash flow hedges			
Average interest rate - MXN	**-2.53%**	-0.02%	0,74%
Average interest rate - USD	**-0.30%**	-1.23%	-0,34%
Average interest rate - BRL	**-3.14%**	-0.99%	-
Commodity risk			
Platinum (in € per troy ounce)	**898**	920	637
Palladium (in € per troy ounce)	**-**	-	828
Aluminum (in € per troy ounce)	**-**	-	1,610

36. Management of financial risks

Introduction

Daimler Truck Business was previously not independent as a legal subgroup. The risk management and treasury processes were previously performed centrally by group risk management and group treasury of Daimler Group on behalf of the Daimler Truck Business. Daimler Truck Business did not have its own treasury functions for this purpose during the periods presented. The guidelines and processes were therefore compiled and processed by Daimler AG on behalf of Daimler Truck Business.

As Daimler Group has been applying a centralized Treasury function within Daimler AG, its divisions (including the Daimler Truck Business) have been highly dependent on such Treasury functions within Daimler Group or funding, liquidity and market-price risk management.

As a result, the majority of financial transactions of Daimler Truck Business relates to the counterparty Daimler AG or the Daimler Group's financing companies worldwide.

From a stand-alone perspective of the Daimler Truck Business, this reflects a concentration risk for the entire treasury function.

Whenever the term "Daimler Group (including Daimler Truck Business)" is used in this note to the combined financial statements, please be aware that the risk management and/or treasury function is primarily represented and serviced by Daimler AG itself, its regional treasury centers or its few group companies with treasury functions, all acting on behalf of Daimler Truck AG, Daimler Truck Business or the spin-off Group. Furthermore, and due to the nature of the spin-off, all forward looking statements beyond the spin-off date just reflect circumstances applicable for the remaining businesses of Daimler Group excluding the spin-off Group.

General information on financial risks

As a result of its businesses and the global nature of its operations, Daimler Truck Business is exposed in particular to market risks from changes in foreign currency exchange rates and interest rates, while commodity price risks arise from procurement. An equity price risk results from investments in listed companies. In addition, Daimler Truck Business is exposed to credit risks from its leasing and financing activities and from its business operations (trade receivables). Furthermore, the Daimler Truck Business is exposed to liquidity and country risks relating to its credit and market risks or a deterioration of its business operations or financial market disturbances. If these financial risks materialize, they could adversely affect Daimler Truck Business' profitability, liquidity and capital resources and financial position.

Daimler Group has established internal guidelines for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to financial activities, settlement, accounting and the related controlling that were also applied for the Daimler Truck Business. The guidelines upon, which Daimler Group's (including Daimler Truck Business') risk management processes for financial risks are based on, are designed to identify and analyze these risks throughout Daimler Group (including Daimler Truck Business), to set appropriate risk limits and controls and to monitor the risks by means of reliable and up-to-date administrative and information systems. The guidelines and systems are regularly reviewed and adjusted to changes in markets and products. These guidelines are also applicable for Daimler Truck Business. The processes and tasks were carried out by the parent company (Daimler AG for Daimler Truck Business).

The Daimler Group manages and monitors these risks primarily through its operating and financing activities and, if required, through the use of derivative financial instruments for the Daimler Truck Business. Daimler Truck Business uses derivative financial instruments exclusively for hedging financial risks that arise from its business operations or refinancing activities or liquidity management. Without these derivative financial instruments, Daimler Truck Business would be exposed to higher financial risks. Additional information on financial instruments and especially on the volumes of the derivative financial instruments used is included in Note 35. Financial instruments. Daimler Truck Business regularly evaluates its financial risks with due consideration of changes in key economic indicators and up-to-date market information for Daimler Truck Business.

The market sensitive instruments, including equity and debt securities, that the plan assets hold to finance pension and other post-employment healthcare benefits, are not included in the following quantitative and qualitative analysis. See Note 25. Pensions and similar obligations for additional information on Daimler Truck Business' pension and other post-employment benefits.

Credit risk

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt in accordance with the contractual terms. Credit risk encompasses both the direct risk of default and the risk of a deterioration of creditworthiness as well as concentration risks.

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts at the balance sheet date (without consideration of collateral, if available). There is also a risk of default from irrevocable loan commitments which had not been utilized as of that date, as well as from financial guarantees. The maximum risk position in these cases is equal to the expected future cash outflows. Table ↗ **D.84** shows the maximum risk positions at the balance sheet date.

Liquid assets

Liquid assets consist of cash and cash equivalents and marketable debt securities and similar investments. With the investment of liquid assets, banks and issuers of securities are selected very carefully and diversified in accordance with a limit system. In connection with investment decisions, priority is placed on the borrower's very high creditworthiness and on balanced risk diversification. The limits and their utilizations are reassessed continuously. In this assessment, Daimler Group also considers the credit risk assessment of its counterparties by the capital markets for the Daimler Truck Business. In line with Daimler Group's (including Daimler Truck Business') risk policy, most liquid assets are held in investments with an external rating of "A" or better. Liquid assets are thus not subject to a material credit risk and are allocated to stage 1 of the impairment model, which is based on expected credit risk.

Receivables from financial services

Daimler Truck Business' financing and leasing activities are primarily focused on supporting the sales of the Daimler Truck Business' automotive products. As a consequence of these activities, the Daimler Truck Business is exposed to credit risk, which is monitored and managed based on defined standards, guidelines and procedures. On behalf of Daimler Truck Business, Daimler Group manages its credit risk irrespective of whether it is related to a financing contract or to an operating lease or a finance lease contract. For this reason, statements concerning the credit risk of Financial Services refer to the entire financing and leasing business, unless otherwise specified.

Exposure to credit risk from financing and lease activities is monitored based on the portfolio subject to credit risk. The portfolio subject to credit risk consists of wholesale and retail receivables from financial services and the portion of the operating lease portfolio that is subject to credit risk. Receivables from financial services comprise claims arising from finance lease contracts and repayment claims from financing loans. The operating lease portfolio is reported under equipment on operating leases in the Daimler Truck Business' Combined Financial Statements. Overdue lease payments from operating lease contracts are recognized in receivables from financial services.

Daimler Group has guidelines setting the framework for effective risk management at a global as well as a local level for the Financial Services segment. In particular, these rules deal with minimum requirements for all risk-relevant credit processes, the definition of financing products offered, the evaluation of customer quality, requests for collateral and the treatment of unsecured loans and non-performing claims. The limitation of concentration risks is implemented primarily by means of global limits, which refer to single customer exposures. As of December 31, 2020, exposure to the biggest 15 customers did not exceed 18.09% of the total portfolio (2019: 16.97%, 2018: 17.5%).

With respect to its financing and lease activities, the Daimler Truck Business holds collateral for customer transactions limiting actual credit risk through its fair value. The value of collateral generally depends on the amount of the financed assets. The financed vehicles usually serve as collateral. Furthermore, Financial Services limits credit risk from financing and lease activities, for example through advance payments from customers.

For the assessment of the default risk of retail and small business customers, scoring systems are applied to evaluate their creditworthiness. Corporate customers are evaluated using internal rating instruments. Both evaluation processes use external credit bureau data if available. The scoring and rating results as well as the availability of security and other risk mitigation instruments, such as advance payments, guarantees and, to a lower extent, residual debt insurances, are essential elements for credit decisions.

D.84

Maximum risk positions of financial assets, irrevocable loan commitments and financial guarantees

	Note	Maximum risk position 2020	Maximum risk position 2019	Maximum risk position 2018
In millions of euros				
Liquid assets		**7,504**	5,823	3,460
Receivables from financial services	16	**15,269**	18,679	16,390
Trade receivables	21	**3,487**	4,061	4,449
Derivative financial instruments used in hedge accounting (assets only)	18	**197**	76	150
Derivative financial instruments not used in hedge accounting (assets only)	18	**28**	12	14
Other receivables and financial assets	18	**787**	1,116	685
Irrevocable loan commitments		**148**	105	94
Financial guarantees		**287**	333	276

If, in connection with contracts, a deterioration of payment behavior or other causes of a credit risk are recognized, collection procedures are initiated by claims management to obtain the overdue payments of the customer, to take possession of the asset financed or leased or, alternatively, to renegotiate the impaired contract. Restructuring policies and practices are based on the indicators or criteria which, in the judgment of local management, indicate that repayment will probably continue and that the total proceeds expected to be derived from the renegotiated contract exceed the expected proceeds to be derived from repossession and remarketing. In 2020, because of the covid-19 pandemic, there were modifications in some markets of financial assets for financial receivables in particular in the context of relief programs offered by governments and by Financial Services. The design of these programs, however, led to the modification being assessed as not significant.

At the beginning of the covid-19 pandemic, a crisis guideline was issued very promptly, specifying how customers can be supported as flexible as possible, but still risk management oriented, with extensions of payment terms. Credit risk development was discussed at all meetings of the crisis task force at Financial Services since the beginning of the crisis. For the Daimler Truck Business these risk management processes were performed by Daimler AG. Furthermore, a collection task force of Daimler AG managed the best possible preparation of debt collection activities.

The allowance ratio increased significantly compared to the level of the previous year due to increased provisions for credit risks against the backdrop of the worsened economic outlook in connection with the covid-19 pandemic and national programs and programs of Financial Services offered to support the customers.

For information on credit risks included in receivables from financial services, see Note 16. Receivables from financial services. Information on the measurement of expected credit losses is provided in Note 3. Significant accounting policies.

Trade receivables

Trade receivables are mostly receivables from worldwide sales of vehicles and spare parts. The credit risk from trade receivables encompasses the default risk of customers, e.g., dealers and general distribution companies, as well as other corporate and private customers. In order to identify credit risks, Daimler Group on behalf of the Daimler Truck Business assesses the creditworthiness of customers. Daimler Group for the Daimler Truck Business manages its credit risk from trade receivables using appropriate IT applications and databases on the basis of internal guidelines which have to be followed globally.

A significant proportion of the trade receivables from each country's domestic business is secured by various country-specific types of collateral. This collateral includes conditional sales, guarantees and sureties, as well as mortgages and advance payments from customers.

For trade receivables from the export business, Daimler Group on behalf of the Daimler Truck Business also evaluates its customers' creditworthiness by means of an internal rating process with consideration of the respective country risk. In this context, the year-end financial statements and other relevant information on the general distribution companies, such as payment history, are used and assessed.

Depending on the creditworthiness of the customers, Daimler (Daimler AG for Daimler Truck Business) usually establishes credit limits and limits credit risks with the following types of collateral:

- Credit insurances,
- First-class bank guarantees and
- Letters of credit.

These procedures are defined in the export credit guidelines, which have Daimler Truck Business-wide validity.

For impairments of trade receivables, the simplified approach is applied, whereby these receivables are allocated to stage 2. Credit losses until maturity for these trade receivables are recognized upon initial recognition.

Further information on trade receivables and the status of impairments recognized is provided in Note 21. Trade receivables.

Derivative financial instruments

The Daimler Truck Business uses derivative financial instruments exclusively for hedging financial risks that arise from its operational business, financing activities or liquidity management. Daimler Group on behalf of Daimler Truck Business manages its credit risk exposure in connection with derivative financial instruments through a limit system, which is based on the review of each counterparty's financial strength. This system limits and diversifies the credit risk. As a result, Daimler Truck Business is exposed to credit risk only to a small extent with respect to its derivative financial instruments. In accordance with Daimler Group's (including Daimler Truck Business') risk policy, most derivatives are contracted with counterparties which have an external rating of "A" or better.

Other receivables and financial assets

With respect to other receivables and financial assets included in other financial assets in 2020, 2019 and 2018, Daimler Truck Business is exposed to credit risk only to a small extent.

Irrevocable loan commitments

The Financial Services segment in particular is exposed to credit risk from irrevocable loan commitments to end customers and retailers. At December 31, 2020, irrevocable loan commitments amounted to €148 million (2019: €105 million, 2018: €94 million). These loan commitments had a maturity of less than one year and are not subject to a material credit risk.

Financial guarantees

The maximum potential obligations resulting from financial guarantees amount to €287 million at December 31, 2020 (2019: €333 million, 2018: €276 million) and include liabilities recognized at December 31, 2020 in the amount of €48 million (2019: €31 million, 2018: €40 million). Financial guarantees principally represent contractual arrangements. These guarantees generally provide that in the event of default or non-payment by the primary debtor, Daimler Truck Business will be required to settle such financial obligations generally up to a contractually agreed amount.

Liquidity risk

Liquidity risk comprises the risk that a company cannot meet its financial obligations in full. Daimler Group (including Daimler Truck Business) manages its liquidity by holding adequate volumes of liquid assets and by maintaining syndicated credit facilities in addition to the cash inflows generated by its business operations. Additionally, the possibility to securitize receivables of the financial services business (ABS transactions) also reduces Daimler Truck Business' liquidity risk. Liquid assets comprise cash and cash equivalents and marketable debt securities and similar investments. Daimler Group can dispose of these liquid assets at short notice – also on behalf of Daimler Truck Business.

The funds raised are used to finance working capital and capital expenditure as well as the cash needs of the lease and financing business and unexpected liquidity needs. In accordance with internal guidelines, the refunding of the lease and financing business is generally carried out with matching maturities so that financing liabilities have the same maturity profile as the leased assets and the receivables from financial services.

At December 31, 2020, cash and cash equivalents as well as cash pool receivables amounted to €7,397 million (2019: €5,663 million, 2018: €3,345 million). In 2020, significant cash inflows resulted from the operations of the industrial business. Cash outflows resulted in particular from investments in intangible assets and property, plant and equipment and income taxes paid. At Financial Services, net cash inflows of the leasing and sales-financing activities mainly resulted from the portfolio reduction in the context of the corona crisis. There were also effects from cash inflows and outflows in connection with the cash flow from financing activities.

From an operating point of view, the management of Daimler's (Daimler AG for Daimler Truck Business) liquidity exposures is centralized by a daily cash pooling process. This process enables Daimler Truck Business to manage its liquidity surplus and liquidity requirements according to the actual needs of the Daimler Truck Business. The Daimler Truck Business' short-term and mid-term liquidity management takes into account the maturities of financial assets and financial liabilities and estimates of cash flows from business operations.

In general, Daimler Truck Business makes use of a broad spectrum of financial instruments to cover its funding requirements. Depending on funding requirements and market conditions, Daimler Truck Business issues commercial paper, debt obligations and financial instruments secured by receivables in various currencies. Potential downgrades of Daimler Group's (including Daimler Truck Business) credit ratings could have a negative impact on Daimler Truck Business' financing. At the beginning of April 2020, a credit line in the amount of €12 billion was agreed by Daimler AG upon with an international consortium of banks. After capital-market transactions were carried out which led to a reduction of this credit line, the available amount for Daimler AG as of December 31, 2020 is €8.8 billion. As of December 31, 2020, both credit lines for Daimler AG had not been utilized.

Table ↗ D.85 provides an overview of how the future liquidity situation of the Daimler Truck Business can be affected by the cash flows from liabilities, financial guarantees and irrevocable loan commitments as of December 31, 2020.

Information on the Daimler Truck Business' financing liabilities is also provided in Note 27. Financing liabilities.

D.85

Liquidity runoff for liabilities and financial guarantees[1]

	Total	2021	2022	2023	2024	2025	≥ 2026
In millions of euros							
Financing liabilities[2]	20,680	11,827	4,815	2,724	349	233	732
thereof lease liabilities	1,474	199	176	152	134	130	683
Derivative financial instruments[3]	66	36	12	18	-	-	-
thereof with gross settlement	34	31	3	-	-	-	-
Cash outflows	1,046	906	137	3	-	-	-
Cash inflows	-1,012	-875	-134	-3	-	-	-
thereof with net settlement	32	5	9	18	-	-	-
Cash outflows	32	5	9	18	-	-	-
Trade payables[4]	3,043	3,042	1	-	-	-	-
Miscellaneous other financial liabilities excluding accrued interest and liabilities from financial guarantees	4,072	2,069	865	505	378	78	177
Obligations from sales	-	-	-	-	-	-	-
Irrevocable loan commitments[5]	148	148	-	-	-	-	-
Financial guarantees[6]	287	287	-	-	-	-	-
	28,296	17,409	5,693	3,247	727	311	909

1 The amounts were calculated as follows:
(a) If the counterparty can request payment at different dates, the liability is included on the basis of the earliest date on which Daimler Truck Business can be required to pay.
(b) The cash flows of floating-interest financial instruments are estimated on the basis of forward rates.
2 The stated cash flows of financing liabilities consist of their undiscounted principal and interest payments.
3 The undiscounted sum of the cash flows of the derivative financial liabilities is shown for the respective year.
4 The cash outflows of trade payables are undiscounted.
5 The maximum available amounts are stated.
6 The maximum potential obligations under the issued guarantees are stated. It is assumed that the amounts are due within the first year.

Country risk

Country risk is the risk of economic loss arising from changes of political, economic, legal or social conditions in the respective country, e.g., resulting from sovereign measures such as expropriation or interdiction of foreign currency transfers.

Daimler Truck Business is exposed to country risk mainly resulting from investments in subsidiaries, associated companies, joint ventures and joint operations as well as from cross-border trade receivables. Country risks also arise from cross-border cash deposits at financial institutions.

Daimler Group (including Daimler Truck Business) manages these risks via country exposure limits (e.g., for hard currency portfolios of financial services entities). An internal rating system serves as a basis for risk-oriented country exposure management; it assigns all countries to risk classes, with consideration of capital market indications of country risks.

Financial market risks

The global nature of its businesses exposes Daimler Truck Business to significant market risks resulting from fluctuations in foreign currency exchange rates, interest rates and commodity prices. The Daimler Truck Business is also exposed to equity price risk in connection with its investments in listed companies.

Daimler Group on behalf of Daimler Truck Business manages market risks to minimize the impact of fluctuations in foreign exchange rates, interest rates and commodity prices on the earnings of Daimler Truck Business and its segments. The Daimler Truck Business calculates its overall net-exposure to these market risks to provide the basis for hedging decisions, which include the selection of hedging instruments and the determination of hedging volumes and the corresponding periods. The hedging strategy is specified at Daimler Truck Business level and uniformly implemented in the segments. Decisions regarding the management of market risks from foreign exchange rates and commodities, as well as asset-/liability management (interest rates), are regularly made by the relevant Daimler Group risk management committees which also include representatives of the Daimler Truck Business. Net-exposures are the basis for the hedging strategies and are updated regularly.

Certain existing benchmark interest rates including those of the London Interbank Offer Rate (for USD, GBP, CHF and JPY) will be comprehensively and internationally reformed by the end of 2021. As a result, those interest rates will be gradually abolished and replaced with alternative risk-free reference rates. Alternative interest rates are being developed on a national level in the context of the respective legal systems and currencies; they can therefore vary with regard to their structure, methodology and period of publication.

Despite market uncertainty, the existing benchmark interest rates are still applied as reference rates in financial markets and have an impact on the valuation of financial transactions. This also applies for financial instruments in hedging relationships with a maturity beyond the end of 2021. With EURIBOR reform already implemented, the material share of interest rate risk hedging relationships affected by the benchmark reform is based on the currency USD.

Daimler Truck Business expects the conversion of reference rates of hedging instruments and their underlying transactions to be identical and without material delay in time. Daimler Truck Business continues to consider the economic relationship and thus the continuation of hedge accounting to be still existing as of December 31, 2020.

The nominal values of the affected derivative financial instruments can be found in table ↗ **D.82**.

The effect of the application of the new interest rates on the Combined Financial Statements is currently being reviewed. In order to conduct financial transactions based on the new indices, Daimler Truck Business is preparing its IT-systems accordingly. Uncertainty still exists about future market standards with interest conventions for individual financial products (cash products and also interest derivatives) that reference the new risk-free rates.

As part of its risk management system, Daimler Truck Business employs value-at-risk analyses. In performing these analyses, Daimler quantifies its market risk due to changes in foreign currency exchange rates and interest rates and certain commodity prices on a regular basis by predicting the potential loss over a target time horizon (holding period) and confidence level. For interest rates risks a sensitivity analysis is applied.

The value-at-risk calculations employed:

- Express potential losses in fair values, and
- Assume a 99% confidence level and a holding period of five days.

At Daimler Truck Business level, Daimler Truck Business calculates the value at risk for exchange rate according to the variance-covariance approach. The value-at-risk calculation method for commodity hedging instruments is based on a Monte Carlo simulation.

When calculating value at risk using the variance-covariance approach, Daimler Truck Business first computes the current market value of Daimler Truck Business' financial instruments portfolio. Then the sensitivity of the portfolio value to changes in the relevant market risk factors, such as particular foreign currency exchange rates of specific maturities, is quantified. Based on volatilities and correlations of these market risk factors, which are obtained from the RiskMetrics™ dataset, a statistical distribution of potential changes in the portfolio value at the end of the holding period is computed. The loss which is reached or exceeded with a probability of only 1% can be derived from this calculation and represents the value at risk.

The Monte Carlo simulation uses random numbers to generate possible changes in market risk factors consistent with current market volatilities. The changes in market risk factors allow the calculation of a possible change in the portfolio value over the holding period. Running multiple iterations of this simulation leads to a distribution of portfolio value changes. The value at risk can be determined based on this distribution as the portfolio value loss which is reached or exceeded with a probability of 1%.

Exchange rate risk

Transaction risk and currency risk management. The global nature of Daimler Truck Business' businesses exposes cash flows to risks arising from fluctuations in exchange rates. These risks primarily relate to fluctuations between the Euro, the US dollar and the British pound and other currencies such as currencies of growth markets. In the Daimler Truck Business, the Daimler Truck Business' exchange rate risk primarily arises when revenue is generated in a currency that is different from the currency in which the costs of revenue are incurred, it may be inadequate to cover the costs if the value of the currency in which the revenue is generated declined in the interim relative to the value of the currency in which the costs were incurred.

This risk exposure primarily affects Daimler Truck Business is also exposed to transaction risks, but only to a minor degree because of its global production network and the overall lower foreign currency volume. In addition, the Daimler Truck Business is indirectly exposed to transaction risk from its equity-method investments.

Daimler Group's (including Daimler Truck Business') overall currency exposure is reduced by natural hedging, which consists of the currency exposures of the business operations of different entities and segments partially offsetting each other at Daimler Group level. These natural hedges eliminate the need for hedging to the extent of the matched exposures. To provide an additional natural hedge against any remaining transaction risk exposure, Daimler Truck Business generally strives to increase cash outflows in the same currencies in which Daimler Truck Business has a net excess inflow.

In order to mitigate the impact of currency exchange rate fluctuations for the business operations (future transactions), the Daimler Truck Business continually assesses its exposure to exchange rate risks and hedges a portion of those risks by using derivative financial instruments. A Daimler AG's committee manages Daimler Truck Business' exchange rate risk and its hedging transactions through currency derivatives. The committee consists of representatives of the relevant segments and central functions. The Corporate Treasury department aggregates foreign currency exposures from Daimler Truck Business and implements the committee's decisions concerning foreign currency hedging through transactions with international financial institutions. For reporting purposes and accounting for hedge relationships, those hedges are allocated to Daimler Truck Business. Suitable measures are generally taken without delay to eliminate any over-hedging at Daimler Truck Business level regarding hedging transactions caused by changes in exposure. In the case of over hedges at the level of Daimler Truck Business, designated hedging relations are reviewed with respect to any requirements to discontinue hedge accounting.

The Daimler Truck AG targeted hedge ratios for forecasted operating cash flows in foreign currency are indicated by a reference model. On the one hand, the hedging horizon is naturally limited by uncertainty related to cash flows that lie far in the future; on the other hand, it may also be limited by the fact that appropriate currency contracts are not available. This reference model aims to limit risks for Daimler Group (incl. Daimler Truck Business) from unfavorable movements in exchange rates while preserving some flexibility to participate in favorable developments. Based on this reference model and depending on the market outlook, the committee determines the hedging horizon, which usually varies from one to five years, as well as the average hedge ratios. Reflecting the character of the underlying risks, the hedge ratios decrease with increasing maturities. At year-end 2020, foreign exchange management showed an unhedged position in the automotive business in calendar year 2021 for the underlying forecasted cash flows in US dollars of 39% and for the underlying forecasted cash flows in British pounds of 48%.

To cover foreign currency exposure risks of the vehicle business operations forward foreign exchange contracts and currency options are primarily used. Daimler Group's (including Daimler Truck Business') guidelines call for a mixture of these instruments depending on the assessment of market conditions. Value at risk is used to measure the exchange rate risk inherent in these derivative financial instruments.

Table ↗ **D.86** shows the value at risk at period-end of the exchange rate risk for the 2020, 2019 and 2018 portfolios of derivative financial instruments, which were entered into primarily in connection with the vehicle business operations. Average exposure has been computed on an end-of-quarter basis. The offsetting transactions underlying the derivative financial instruments are not included in the following value-at-risk presentation, since they primarily comprise forecasted cash flows. See also table ↗ **D.80.**

Hedge accounting. When designating derivative financial instruments, a hedge ratio of 1 is applied. In addition, the respective volume, interest curves and currency of the hedge and the underlying transaction as well as maturity dates are matched. The Daimler AG on behalf of Daimler Truck Business ensures an economic relationship between the underlying transaction and the hedging transaction by ensuring consistency of currency, volume and maturity. Option premiums and – since mid-2020 for newly designated hedge relationship – also forward components are not designated into the hedge relationship, but the hedging costs are deferred in other comprehensive income and recognized in profit or loss at the due date of the underlying transaction or recognized as adjustment of acquisition cost of non-financial assets. The effectiveness of the hedge is assessed at the beginning and during the economic relationship. Possible sources of ineffectiveness of the hedge relationship are:

– Effects of the credit risk on the fair value of the used derivative instrument which are not reflected in the change of the hedged currency risk.

– Changes in the timing of the hedged transactions.

In the context of focusing on the divisional perspective, the designation of hedge relationships for foreign currency risk existing from the Daimler Truck Business perspective from expected future cash flows from business operations, primarily from vehicle sales, have been assigned to Daimler Truck Business starting with 2019. Accordingly, the documentation required under IFRS with regard to this further differentiation of expected cash flows (i.e. the risk management objectives) has been revised for a large proportion of the already designated hedge relationships for foreign currency risk, although there has been no change in the overall Daimler Group (including Daimler Truck Business) risk management strategy for foreign currency risk. Pursuant to the described methods applied in preparation of the financial statements, this results in the formal discontinuation and immediate redesignation of existing hedge relationships according to the revised differentiation. Further information can be found in table ↗ **D.86.** There were no material effects on earnings in 2020 and 2019. Nominal amounts of the sensitivity analysis for interest rates can be found in table ↗**D.87**.

D.86

Value at risk for exchange rate risk, and commodity price risk

In millions of euros	**2020** Period-end	2019 Period-end	2018 Period-end
Exchange rate risk (from derivative financial instruments)	**28**	38	28
Commodity price risk (from derivative financial instruments)	**2**	3	3

In 2020, the development of the value at risk from foreign currency hedging was mainly driven by a sharp increase in foreign currency rate volatilities in the first quarter and subsequently by a gradual decrease.

Daimler AG on behalf of Daimler Truck Business' investments in liquid assets or refinancing activities are generally selected so that possible currency risks are minimized. Transaction risks arising from liquid assets or payables in foreign currencies that result from the Daimler Truck Business' investment or refinancing on money and capital markets are generally hedged against currency risks at the time of investing or refinancing in accordance with Daimler Group's (including Daimler Truck Business') internal guidelines. The Daimler Truck Business uses appropriate derivative financial instruments (e.g. cross-currency interest rate swaps) to hedge against currency risk.

Since currency risks arising from Daimler Truck Business' investment or refinancing in foreign currencies and the respective hedging transactions generally offset each other, these financial instruments are not included in the value-at-risk calculation presented.

Effects of currency translation risk. For purposes of Daimler Truck Business' Combined Financial Statements, the income and expenses and the assets and liabilities of subsidiaries located outside the euro zone are converted into euros. Therefore, period-to-period changes in average exchange rates may cause translation effects that have a significant impact on, for example, revenue, segment results (EBIT) and assets and liabilities of Daimler Truck Business. Unlike exchange rate transaction risk, exchange rate translation risk does not necessarily affect future cash flows. The Daimler Truck Business' equity position reflects changes in book values caused by exchange rates. In general, Daimler Truck Business does not hedge against exchange rate translation risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Daimler Group (including Daimler Truck Business) uses a variety of interest rate sensitive financial instruments to manage the liquidity needs of Daimler Truck Business. A substantial volume of interest rate sensitive assets and liabilities results from the leasing and sales financing business operated by the Financial Services segment. The Financial Services companies enter into transactions with customers that primarily result in fixed-rate receivables. Daimler AG general policy is to match funding in terms of maturities and interest rates wherever economically feasible. However, for a limited portion of the receivables portfolio in selected and developed markets, Financial Services does not match funding in terms of maturities in order to take advantage of market opportunities. As a result, the Daimler AG on behalf of Daimler Truck Business is exposed to risks due to changes in interest rates.

The measurement of the interest rate risk of the Daimler Truck Business has been carried out through a sensitivity analysis that shows the effects on the income statement and net equity which would be encountered during the year 2020 in the case of a hypothetical change in market interest rates.

The following table ↗ **D.87** shows the nominal amounts of the fixed-rate-instruments and the variable-rate-instruments exposed to interest rate risk and considered for the sensitivity analysis. A possible change of +100 basis points/-50 basis points in interest rates at the reporting date would have increased/decreased equity and profit or loss by the amounts shown in table ↗ **D.88**. This analysis assumes that all other variables, in particular foreign currency exchange rates remain constant.

D.87

Nominal Amounts

	2020	2019	2018
Fixed-rate instruments			
Financial assets	**14,509**	16,236	21,080
Financial liabilities	**-14,720**	-16,880	-14,088
	-211	-644	6,991
Effects of interest rate swaps	**-794**	-357	-390
	-1,004	-1,001	6,602
Variable-rate instruments			
Financial assets	**3,205**	4,622	4,973
Financial liabilities	**-4,486**	-4,869	-5,316
	-1,282	-246	-343
Effects of interest rate swaps	**794**	357	390
	-488	111	47

D.88

Sensitivity analysis for interest rate risk

	Profit or loss		Equity net of tax	
	100 bp increase	50 bp decrease	100 bp increase	50 bp decrease
In millions of euros				
December 31, 2020	-	-	-	-
Variable-rate instruments	1	-	-	-
Interest rate swaps	-6	3	15	-7
Cash flow sensitivity (net)	-5	3	15	-7
December 31, 2019	-	-	-	-
Variable-rate instruments	9	-5	-	-
Interest rate swaps	-8	4	20	-10
Cash flow sensitivity (net)	1	-1	20	-10
December 31, 2018	-	-	-	-
Variable-rate instruments	8	-4	-	-
Interest rate swaps	-8	4	21	-11
Cash flow sensitivity (net)	-	-	21	-11

An asset/liability committee at Daimler Group level, consisting of members of the Financial Services Controlling, Group Accounting, Group Controlling and Group Treasury, manages the interest rate risk by setting targets for the interest rate risk position. Since the separation of the Industrial Businesses' financial statements for Passenger Cars & Vans and Daimler Trucks & Buses at year-end 2019, Group Accounting and Group Controlling have been replaced by representatives of the two industrial divisions' controlling departments, one of them Con-trolling Daimler Truck AG. The Treasury Risk Management department and the local Daimler companies are jointly responsible for achieving these targets. As separate functions, the Group's Treasury Controlling and the Financial Services Controlling & Reporting department monitor target achievement on a monthly basis. In order to achieve the targeted interest rate risk positions in terms of maturities and interest rate fixing periods, Daimler Group (including Daimler Truck Business) also uses derivative financial instruments such as interest rate swaps. Daimler Group (including Daimler Truck Business) assesses its interest rate risk position by comparing assets and liabilities for corresponding maturities, including the impact of the relevant derivative financial instruments.

Derivative financial instruments are also used in conjunction with the refinancing related to the automotive segments and liquidity management. Daimler Group steers the funding activities of the automotive and financial services businesses at Group level, including those of the Daimler Truck Business.

Table ↗ **D.88** shows interest rate sensitivities for the 2020, 2019 and 2018 portfolios of interest rate sensitive financial instruments and derivative financial instruments of Daimler Truck Business, including the financial instruments of the leasing and sales financing business. Lease liabilities are not included in the sensitivity analysis. These leasing liabilities have a fixed interest rate and changes in interest rates therefore have no effect on Daimler Truck Business' net profit.

Hedge accounting. When designating derivative financial instruments, a hedge ratio of 1 is generally applied. The respective volumes, interest curves and currencies of the hedged item and the hedging instrument as well as maturity dates are matched. In the case of combined derivative financial instruments for interest currency hedges, the cross-currency basis spread is not designated into the hedge relationship, but deferred as a hedging cost in other comprehensive income and recognized in profit or loss over the hedge term. Daimler Group (including Daimler Truck Business) ensures an economic relationship between the underlying transaction and the hedging instrument by ensuring consistency of interest rates, maturity terms and nominal amounts. The effectiveness of the hedge is assessed at the beginning and during the economic relationship using the hypothetical derivative method. Possible sources of ineffectiveness of the hedge relationship are:

– Effects of the credit risk on the fair value of the derivative instrument in use which are not reflected in the change in the hedged interest rate risk.

– Changes in the parameters of the underlying hedged transactions.

Commodity price risk
Daimler Truck Business is exposed to the risk of changes in commodity prices in connection with procuring raw materials and manufacturing supplies used in production. A small portion of the raw material price risk, primarily relating to forecasted procurement of certain metals, is hedged with the use of derivative financial instruments.

At year-end 2020, central commodity management shows an unhedged position of 62% of the forecasted platinum purchases for calendar year 2021. The corresponding figure at year-end 2019 was 42% for calendar year 2020.

Table ↗ **D.86** shows value-at-risk at period-end for the 2020, 2019 and 2018 portfolio of derivative financial instruments used to hedge raw material price risk. The transactions underlying the derivative financial instruments are not included in the value-at-risk presentation. See also table ↗ **D.80**.

In 2020, the development of the value at risk from commodity hedging was driven in the first quarter by an increase in volatilities and hedging volume. Subsequently, volatilities as well as the hedging volume decreased gradually and so did the value at risk.

Hedge accounting. When designating currency derivative financial instruments, Daimler Truck Business generally applies a hedge ratio of 1. The respective volumes and parameters relevant for the valuation of the hedged item and the hedging instrument as well as maturity dates are matched. The Daimler AG on behalf of Daimler Truck Business ensures an economic relationship between the hedged item and the hedging instrument by ensuring consistency of volumes, parameters relevant for valuation and maturity terms. Effectiveness is assessed at initial designation and during the hedge term. Possible sources of ineffectiveness of the hedge relationship are:

– Effects of the credit risk on the fair value of the derivative instrument in use which are not reflected in the change in the hedged commodity price risk.

– Changes in the timing of the hedged transactions.

Equity price risk
Daimler Truck Business predominantly holds investments in shares of companies which are classified as long-term investments, some of which are accounted for using the equity method. These investments are not included in a market risk assessment by the Daimler Truck Business.

37. Segment reporting

Reportable segments
The planned new Board of Management of Daimler Truck Holding AG represented by the current composition of the Board of Management of Daimler Truck AG, as the chief operating decision maker, allocates resources to the operating segments of the Daimler Truck Business and assesses their performance on a regular basis. In the past, there was no reporting to the chief operating decision maker of Daimler Truck Business on the scope of combination underlying these Combined Financial Statements. The reporting based on operating segments therefore reflects retrospectively the internal reporting and management structure of the Daimler Truck Business (management approach) as implemented in July 2021 for the first time. The segments are largely organized and managed separately, according to geographical areas, nature of products and services provided, brands, distribution channels and profile of customers. The Daimler Truck Business' activities are divided into the segments Mercedes-Benz, Trucks North America, Trucks Asia, Daimler Buses and Financial Services.

The Mercedes-Benz segment develops, manufactures and sells trucks under the brands Mercedes-Benz and Fuso as well as Off-highway-applications in Europe and Latin America.

The Trucks North America segment develops, manufactures and sells trucks under the Freightliner and Western Star brands in North America. The segment's product range also includes buses of Thomas Built Buses as well as bus chassis.

The Trucks Asia segment develops, manufactures and sells trucks and buses under the FUSO, Mercedes-Benz and BharatBenz brands.

The Daimler Buses segment develops, manufactures, and sells buses under the Mercedes-Benz and Setra brands. The segment's product range also includes bus chassis under the Mercedes-Benz brand.

The vehicle segments also sell powertrains, parts and accessories to external customers as well as between the segments. Mercedes-Benz is the main segment which sells spare parts to other segments.

The Financial Services segment supports the sales of the Daimler Trucks & Buses worldwide. Its product portfolio primarily comprises tailored financing and leasing packages for end-customers and dealers, brokering of commercial vehicles insurance and banking services.

Internal management and reporting structure
The internal management and reporting structure at the Daimler Truck Business is principally based on the accounting policies that are described in Note 3. Significant accounting policies according to IFRS.

The measure of the Daimler Truck Business' profit or loss used by Daimler Truck Business' management and reporting structure is referred to as "EBIT". EBIT comprises gross profit, selling and general administrative expenses, research and non-capitalized development costs, other operating income/expense, and the profit/loss on equity-method investments, net, as well as other financial income/expense, net.

Transactions between entities within the same segment are generally eliminated in the related segment. Transactions between the segments are generally eliminated in the reconciliation. The elimination of effects connected with intra-Group transfers of equity investments takes place in the segments involved. The effects on earnings at the Daimler Truck Business are recognized upon completion of the external transaction in the corresponding segment. Some simplifications have been made in the segment reporting with regard to accounting for leases in connection with intra-combined group transactions. In the Daimler Truck intra-combined group leases have been accounted for as operating leases.

Segment assets principally comprise all assets related to the operational business. The Daimler Trucks & Buses assets exclude income tax assets, assets from defined-benefit pension plans and other post-employment benefit plans, and certain financial assets (including liquidity). Segment liabilities principally comprise all liabilities related to the operational business. The Daimler Trucks & Buses segments' liabilities exclude income tax liabilities, liabilities from defined benefit pension plans and other post-employment benefit plans, and certain financial liabilities (including financing liabilities).

The residual value risks associated with the Daimler Truck Business' operating leases and finance lease receivables are generally borne by the vehicle segments that manufactured the leased equipment. Risk sharing is based on agreements between Daimler Trucks & Buses and Financial Services; the terms vary by vehicle segment and geographic region.

Non-current assets consist mainly of intangible assets, property, plant and equipment and equipment on operating leases.

Capital expenditures for intangible assets and property, plant and equipment reflect the cash-effective additions to these intangible assets and property, plant and equipment as far as they do not relate to capitalized borrowing costs or goodwill.

Depreciation and amortization may also include impairments insofar as they do not relate to goodwill impairment according to IAS 36.

Amortization of capitalized borrowing costs is not included in the amortization of intangible assets or depreciation of property, plant and equipment.

Reconciliation
The reconciliation includes other business activities and investments, in particular in the area of autonomous driving. Moreover, functions and services provided by the Daimler Truck Business' headquarters as well as by other companies of the Daimler Truck Business not allocated to the segments are included. In addition, the reconciliation includes projects managed by headquarters.

Table ↗ **D.89** presents segment information at and for the years ended December 31, 2020, 2019 and 2018.

D.89

Segment information[1]

In millions of euros	Mercedes-Benz	Trucks North America	Trucks Asia	Daimler Buses	Financial Services	Total Segments	Reconcilia-tion	Daimler Truck Business
2020								
External revenue	12,422	13,749	5,302	3,319	1,201	35,993	20	36,013
Intersegment revenue	1,368	98	277	119	6	1,868	-1,868	-
Total revenue	13,790	13,847	5,579	3,438	1,207	37,861	-1,848	36,013
Segment profit/loss (EBIT)	-372	1,015	32	67	-11	731	-240	491
thereof profit/loss on equity-method investments	8	5	39	-1	-	51	-4	47
thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks	-25	-20	-	-4	-2	-51	-	-51
Segment assets	11,083	5,109	5,419	3,163	16,462	41,236	1,155	42,391
thereof carrying amounts of equity-method investments	121	14	384	8	-	527	7	534
Segment liabilities	7,899	4,252	1,657	2,013	15,124	30,945	803	31,748
Additions to non-current assets	1,301	247	287	261	111	2,207	16	2,223
thereof investments in intangible assets	80	2	38	18	-	138	1	139
thereof investments in property, plant and equipment	448	157	115	55	9	784	12	796
Depreciation and amortization of non-current assets	1,275	289	311	214	91	2,180	13	2,193
thereof amortization of intangible assets	182	22	52	24	-	280	3	283
thereof depreciation of property, plant and equipment	473	244	233	81	9	1,040	12	1,052

In millions of euros	Mercedes-Benz	Trucks North America	Trucks Asia	Daimler Buses	Financial Services	Total Segments	Reconciliation	Daimler Truck Business
2019								
External revenue	14,833	19,177	6,283	4,545	1,372	46,210	34	46,244
Intersegment revenue	1,973	193	355	99	19	2,639	-2,639	-
Total revenue	16,806	19,370	6,638	4,644	1,391	48,849	-2,605	46,244
Segment profit/loss (EBIT)	72	2,237	154	284	192	2,939	-147	2,792
thereof profit/loss on equity-method investments	10	6	-15	3	-	4	-6	-2
thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks	-38	-27	-	-6	-3	-74	1	-73
Segment assets	12,670	5,968	6,105	3,470	20,126	48,339	1,130	49,469
thereof carrying amounts of equity-method investments	146	20	362	9	-	537	10	547
						-		
Segment liabilities	7,953	4,420	2,095	2,246	18,489	35,203	839	36,042
						-		
Additions to non-current assets	1,886	280	320	310	250	3,046	7	3,053
thereof investments in intangible assets	87	2	35	18	-	142	-9	133
thereof investments in property, plant and equipment	587	224	168	117	25	1,121	9	1,130
Depreciation and amortization of non-current assets	1,268	284	287	216	88	2,143	7	2,150
thereof amortization of intangible assets	186	16	51	23	-	276	-	276
thereof depreciation of property, plant and equipment	494	240	217	76	9	1,036	9	1,045

In millions of euros	Mercedes-Benz	Trucks North America	Trucks Asia	Daimler Buses	Financial Services	Total Segments	Reconcilia-tion	Daimler Truck Business
2018								
External revenue	14,859	16,895	6,431	4,318	1,191	43,694	6	43,700
Intersegment revenue	1,865	185	313	65	9	2,437	-2,437	-
Total revenue	16,724	17,080	6,744	4,383	1,200	46,131	-2,431	43,700
Segment profit/loss (EBIT)	524	1,821	328	295	210	3,178	-444	2,734
thereof profit/loss on equity-method investments	6	8	28	1	-	43	-2	41
thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks	-1	-8	-	-2	-2	-13	-	-13
Segment assets	12,976	5,890	5,124	3,416	17,534	44,940	1,465	46,405
thereof carrying amounts of equity-method investments	109	20	382	6	-	517	10	527
Segment liabilities	8,390	4,561	2,008	2,261	16,066	33,286	754	34,040
Additions to non-current assets	1,824	321	306	359	206	3,016	-	3,016
thereof investments in intangible assets	63	4	22	47	-	136	-4	132
thereof investments in property, plant and equipment	641	254	200	115	5	1,215	6	1,221
Depreciation and amortization of non-current assets	1,183	243	191	206	69	1,892	6	1,898
thereof amortization of intangible assets	196	21	44	18	-	279	-	279
thereof depreciation of property, plant and equipment	475	196	133	69	3	876	6	882

1 The segment reporting as presented above is based on the July 2021 management reporting that was reported for the first time in the new segment structure.

Reconciliation

Reconciliation of the segments amounts to relevant amounts for the Daimler Truck Business is shown in table ↗ D.90.

D.90

Reconciliation to Daimler Truck Business figures

	2020	2019	2018
In millions of euros			
Total of segments' profit (EBIT)	731	2,939	3,178
profit/loss on equity-method investments	-4	-6	-2
Other business activities and corporate items	-274	-155	-409
Eliminations	38	14	-33
Daimler Truck Business EBIT	491	2,792	2,734
Total of segments' assets	41,236	48,339	44,940
Carrying amount of equity-method investments	7	10	10
Income tax assets[1]	1,260	1,167	1,661
Other business activities and corporate items	348	351	138
Eliminations	-460	-398	-344
Segment assets Daimler Truck Business	42,391	49,469	46,405
Unallocated financial assets (including liquidity) and assets from pensions and similar obligations[1]	7,598	5,898	3,567
Total assets Daimler Truck Business	49,989	55,367	49,972
Total of segments' liabilities	30,945	35,203	33,286
Income tax liabilities[1]	141	139	106
Other business activities and corporate items	958	902	803
Eliminations	-296	-202	-155
Segment liabilities Daimler Truck Business	31,748	36,042	34,040
Unallocated financial liabilities and liabilities from pensions and similar obligations[1]	9,533	8,980	6,600
Total equity Daimler Truck Business	8,708	10,345	9,332
Total equity and liabilities Daimler Truck Business	49,989	55,367	49,972

1 Unless allocated to Financial Services.

In 2020, the line item Other business activities and corporate items is comprised primarily of operational expenses of €100 million related to Daimler Truck Group's autonomous driving business activities and €70 million related to Daimler Truck Group's fuel cell activities. In the prior year, amongst others, expenses in connection with "Project Future" were included.

Revenue and non-current assets by region

With respect to information on geographical regions, revenue is allocated to countries based on the location of the customer; non-current assets are presented according to the physical location of these assets.

Revenue from external customers and non-current assets by region are shown in table ↗ D.91.

D.91

Revenue and non-current assets by region

			Revenue			Non-current assets
	2020	2019	2018	**2020**	2019	2018
In millions of euros						
Europe	**11,940**	14,030	14,529	**7,285**	7,846	7,727
thereof Germany	**5,151**	5,614	5,764	**5,610**	6,026	5,956
North America	**14,678**	20,108	17,568	**2,599**	2,941	2,517
thereof United States	**12,558**	16,961	14,588	**2,016**	2,253	1,923
Asia	**6,017**	7,094	6,842	**2,619**	2,856	1,900
thereof Japan	**3,812**	3,960	3,814	**2,352**	2,538	1,583
Latin America	**2,025**	3,236	2,762	**535**	773	697
Other markets	**1,353**	1,776	1,999	**269**	185	152
	36,013	46,244	43,700	**13,307**	14,601	12,993

Starting with the implementation of the new segment structure, the goodwill is tested for impairment annually and whenever there is an indication of impairment, at the level of cash-generating units, representing the lowest level at which the goodwill is monitored for internal management purposes reflecting the new segment structure.

38. Capital management

Capital management for the Daimler Truck Business was performed by Daimler AG during the periods under consideration.

39. Earnings per share

Daimler Truck Business has not existed as a separate legal group since it did not have a parent company during the periods presented in this CFS.

For purposes of the spin-off, the Company has determined the planned number of ordinary shares that the shareholders of Daimler Truck Holding AG will receive after the spin-off. This number of shares is used for the calculation of basic and diluted earnings per share.

Basic earnings per share (EPS) is calculated by dividing the combined profit or loss for the year attributable to ordinary shareholders by the planned number of ordinary shares to be distributed to shareholders of Daimler Truck Holding AG.

Diluted EPS is calculated by dividing the combined profit or loss attributable to ordinary shareholders by the planned number of ordinary shares to be distributed to shareholders of Daimler Truck Holding AG adjusted for the weighted average number of planned ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. There are currently no instruments outstanding or planned with a potential dilutive effect on the earnings per share.

The calculation of the EPS was based on the planned number of shares totaling 822,951,882.

Table ↗ **D.92** shows the numerator and the denominator for the calculation of the earnings per share.

D.92

Earnings per share

	2020	2019	2018
In millions of euros			
Combined profit/loss attributable to Daimler Group - basic and diluted	**-143**	1,731	1,808
In millions of shares			
Weighted average number of shares outstanding - basic and diluted	**823**	823	823
	-	-	-
Earnings per share – basic and diluted	**-0.17**	2.10	2.20

40. Related party disclosures

Related parties (companies or persons) are deemed to be associated companies, joint ventures and uncombined subsidiaries of Daimler AG, as well as persons who exercise a significant influence on the financial and business policy of the Daimler Truck Business.

The latter category includes all persons in key positions and their close family members. For the Daimler Truck Business, those persons are the members of the Board of Management and of the Supervisory Board of Daimler Truck AG as well as Daimler AG as the ultimate controlling parent of the Daimler Truck Business. For the periods before the establishment of Board of Management of DTAG (i.e. before October 1, 2019), the members of Truck Board, DAG Board of Management and DAG Supervisory Board were considered key management personnel. The Truck Board was a committee consisting of Daimler executives that were responsible for the steering and monitoring of the trucks and bus business before the creation of the Daimler Truck AG.

Related companies

Related companies include, in particular, companies of the Daimler Group (Daimler AG and its direct and indirect subsidiaries – without Daimler Truck Business operations), since the Daimler Truck Business was controlled by Daimler AG for the periods under consideration. Related companies also include non-consolidated Daimler Truck Business legal entities, operations and joint ventures.

The principal transactions with the remaining Daimler Truck Business are described in detail herein. In addition, most of the goods and services supplied between Daimler Truck Business and related companies comprise transactions with joint ventures and are shown in table ↗ D.93.

Transactions with the remaining Daimler Group

Daimler Truck Business realized sales with companies of the remaining Daimler Group (excl. Daimler Truck Business). Those sales relate predominantly to trucks, parts, spare parts and services. Further, the Daimler Truck Business purchased goods and services from companies of the remaining Daimler Group. The purchase of goods and services primarily relate to parts, spare parts and services provided by central functions of Daimler AG and Daimler Mobility AG.

In addition to the transactions from the operative business, further financing related transactions with the remaining Daimler Group occurred. Such transactions primarily relate to the Daimler Group financing and the foreign currency derivatives management.

Services provided by the remaining Daimler Group

The Daimler Group provided services to the Daimler Truck Business mainly throughout Daimler AG, Daimler Mobility AG, Daimler Greater China Ltd. and Daimler North America Corporation. These companies provided the Daimler Truck Business with central corporate services such as, but not limited to tax, legal, accounting, IT, personnel-related services and treasury.

In 2020, the cost of such services provided by the remaining Daimler Group amounted to €263 million (2019: €315 million, 2018: €131 million).

Financing by the remaining Daimler Group

For the periods under consideration, Daimler Truck Business was integrated into the cash pooling and cash management systems of the remaining Daimler Group. See Note 17. Marketable debt securities and similar investments for information on the cash pooling receivables from remaining Daimler Group. Financial receivables and liabilities from/due to the remaining Daimler Group resulting thereof are presented without netting in the Combined Financial Statements.

Financing receivables including cash pooling receivables and loan receivables due from the remaining Daimler Group amounted to €6,074 million (2019: €4,965 million, 2018: €3,072 million). Financing payables including cash pooling payables and loan payables due to the remaining Daimler Group amounted to €12,763 million (2019: €13,305 million, 2018: €11,824 million).

Profit or loss transfer agreements with the remaining Daimler Group

For the periods under consideration profit or loss transfer agreements were in place with the remaining Daimler Group. For the purposes of the Combined Financial Statements, receivables and liabilities from/due to remaining Daimler Group in connection with control and profit or loss transfer agreements were presented as other financial assets and other financial liabilities, respectively. The impacts of the profit or loss transfer agreements are shown as contributions or withdrawals from reserves by the shareholders and are presented as "Transactions with the parent" in the Combined Statement of Changes in Equity and the Combined Statement of Cash Flows. Profit or loss transfer agreements resulted in receivables and payables from/to the remaining Daimler Group in the amount of €0 million (2019: €237 million, 2018: €0 million) and €0 million (2019: €-214 million, 2018: €-114 million), retrospectively.

Lease contracts with the remaining Daimler Group

For the sale of vehicles to Daimler Group companies, by which Daimler Truck Business is obliged to repurchase the vehicles, that are accounted for as a lease, the corresponding balances of residual value guarantees amounted to €1,828 million (2019: €2,005 million, 2018: €2,063 million) and deferred income amounted to €1,154 million (2019: €1,294 million, 2018: €1,276 million).

In addition, Daimler Truck Business grants Daimler Trucks Financial Services part of remaining Daimler Group credit risk guarantees which require the issuer to make specified payments to reimburse the holder for a loss it incurs because its customers fail to make payments when due. Financial liabilities due to remaining Daimler Group companies in financial year 2020 amounted to €40 million (2019: €22 million, 2018: €32 million). The corresponding off-balance amounts for the financial liabilities resulting from credit risk guarantees issued to the remaining Daimler Group amounted to €52 million (2019: €96 million, 2018: €96 million).

Financial liabilities recognized from sale and lease back transactions with companies of the Daimler Group where the sale does not satisfy the requirements of IFRS 15 amounted to €88 million in 2020 (2019: €98 million, 2018: €91 million).

For lease transactions where the Daimler Truck Business is a lessee the carrying amount of right of use assets amounted to €129 million in 2020 (2019: €145 million) and lease liabilities amounted to €125 million in 2020 (2019: €144 million). The lease included real estate, IT equipment and other. For the period 2018 lease expenses are included in other expenses.

Hedging
Until December 31, 2018, Daimler AG hedged for Daimler Truck Business commodity, interest and foreign exchange risks. From January 1, 2019, Daimler Truck Business hedged those risks on its own with Daimler AG as its counterparty. The volume, nature and strategy of those hedging procedures are described in detail in section 35 and 36.

Associated companies
In business relationships with associated companies, significant sales of goods and services took place with Kamaz PAO and Mitsubishi Fuso Truck and Bus associated companies.

Joint ventures
In business relationships with joint ventures, significant sales of goods and services took place with Daimler Kamaz Trucks Holding GmbH and National Automobile Industry Company Ltd.

Contingent liabilities and other financial obligations
Further information on contingent liabilities and other financial obligations with related parties are provided in Note 34 Contingent liabilities and other financial obligations.

Contingent claims

In 2019, Daimler AG spun off parts of its business operations into Daimler Truck AG and Mercedes-Benz AG. Pursuant to §133 UmwG, all three legal entities are jointly and severally liable for all liabilities of Daimler AG that existed as of the registration date of the spin-off in the commercial register.

Daimler AG and Mercedes-Benz AG will therefore also be liable for the Daimler Truck AG liabilities that existed as of the date of the announcement of the registration for a period of five years. For pension obligations based on the German Company Pensions Act (Betriebsrentengesetz), the aforementioned period is ten years.

The potential claim due to Daimler AG and Mercedes-Benz AG resulting from §133 UmwG amount to €2,582 million as of December 31, 2020 (due in 2021: €967 million), respectively.

Guarantees
Remaining Daimler Group has issued letters of credit and guarantees in favor of the Daimler Truck Business and customers of the Daimler Truck Business.

The guarantees issued by remaining Daimler Group amounted to €6,361 million as of December 31, 2020 (2019: €6,401 million and 2018: €4,585 million). These include guarantees issued to Financing liabilities allocated based on a target equity ratio to external financial institutions.

The guarantees issued by Daimler Truck Business in favor of the remaining Daimler Group amounted to €55 million as of December 31, 2020 (2019: €45 million and 2018: €33 million).

Use or transfer of brands, trademarks, patents, IP4 address ranges, software
In the periods presented in the Combined Financial Statements the Daimler Truck Business was using the Mercedes-Benz brand with the segments Mercedes-Benz and Daimler Buses under a licensing agreement for no consideration. As for these periods no amortization incurred for the Mercedes-Benz brand at any Daimler Group company, no expense to reflect a usage charge had to be allocated for the purpose of the Combined Financial Statements, accordingly. Contemplated in September 2021, Daimler Truck Business will enter into a new license agreement with the remaining Daimler Group for the right to use the Mercedes-Benz brand for an indefinite period in exchange for no consideration. The transaction will be reflected as a contribution at fair value upon the effective date of the agreement in 2021. The recognized intangible asset will be subject to an annual impairment test of the respective CGUs.

Certain intellectual property was directly attributable to Daimler Truck Business and will transfer as part of the legal reorganization. Those properties are recognized with their respective book value (if any). Licenses to intellectual property that did not exist through the track period, are only recognized prospectively from the date of the license period.

Stock-based compensation
Please refer to Note 24. Share-based Payment for further explanation.

Related persons
During the periods presented, Daimler Truck Business did not exist as a separate legal group. Therefore, the members of the Truck Board, Board of Management and Supervisory Board of Daimler AG and Daimler Truck AG have been identified as key management personnel as these have been responsible for planning, directing and controlling the activities of the Daimler Truck Business.

Compensation of the key management personnel

See Note 41. Remuneration key management personnel for information on the remuneration of the key management personnel.

D.93

	Sales of goods and services and other income			Purchase of goods and services and other expense			Receivables at December 31,[1]			Payables at December 31,[2]		
	2020	2019	2018	**2020**	2019	2018	**2020**	2019	2018	**2020**	2019	2018
In millions of euros												
Associated companies	**362**	344	432	**41**	34	50	**55**	67	87	**8**	15	17
thereof KAMAZ PAO	**139**	110	204	**26**	15	35	**28**	20	41	**-**	-	-
thereof MFTBC investees	**179**	204	203	**15**	19	15	**18**	36	28	**8**	15	17
Joint ventures	**351**	371	512	**28**	36	21	**107**	109	144	**8**	1	4
thereof Daimler Kamaz Trucks Holding GmbH	**174**	206	392	**16**	2	3	**61**	53	97	**-**	-	-
thereof National Automobile Industry Company Ltd.	**93**	109	56	**1**	-	-	**22**	24	29	**-**	-	-
Daimler Group	**3,524**	4,424	4,360	**1,888**	1,946	1,602	**6,467**	5,567	3,488	**15,112**	16,343	14,332

1 After total loss allowances of €21 million (2019: €23 million, 2018: €19 million).
2 Including liabilities from default risks from guarantees for related parties.

41. Remuneration key management personnel

In accordance with IAS 24 the key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Daimler Truck Business directly or indirectly.

Due to various reorganizational steps, the persons that are classified as key management personnel of Daimler Truck Business changed during the periods presented. The table ↗ **D.94** gives an overview.

D.94

	before	after
	01 Oct 2019/12 Dec 2019[1]	
Boards of Management	**(i) Truck Board (ii) Board of Management of DAG**	(i) Board of Managament of DTAG (ii) Board of Management of DAG
Supervisory Boards	**(i) Supervisory Board of DAG**	(i) Supervisory Board of DTAG (ii) Supervisory Board of DAG

[1] The Board of Management of DTAG was established on 01 Oct 2019; the Supervisory Board of DTAG was established on 12 Dec 2019.

The remuneration to the key management personal is shown in table ↗ **D.95.**

Since the Board of Management of DAG and the Supervisory Board of DAG also provided service to non-DTAG businesses, their compensation is only included with the proportional share that was charged or allocated service to DTAG. The proportional share was determined based on the internal compensation charge relating to Daimler Truck Business.

The members of the Supervisory Boards are solely granted short-term fixed remuneration for their board and committee activities, the amounts of which depend on their functions in the Supervisory Boards. With the exception of remuneration paid to the members representing the employees in accordance with their contracts of employment, no remuneration was paid for services provided personally beyond board and committee activities, in particular for advisory or agency services.

D.95

Remuneration of the members of the Board of Management and the Supervisory Board

	2020	2019	2018
In millions of euros			
Remuneration of the Boards of Management			
Fixed remuneration (base salary)	**5.1**	5.9	5.9
Short-term variable remuneration (annual bonus)	**4.7**	3.1	3.6
Mid-term variable remuneration (“deferral”)	**1.8**	0.3	0.6
Variable remuneration with a long-term incentive effect (PPSP)	**4.0**	5.3	0.9
Post-employment benefits (service cost)	**1.5**	1.4	1.5
Termination benefits	**2.2**	-	2.0
	19.3	15.9	14.5
Remuneration of the Supervisory Board	**2.8**	1.7	1.4
	22.1	17.7	15.8

42. Events after the reporting period

Joint venture between Volvo Group and Daimler Truck AG

In November 2020, the Volvo Group and Daimler Truck AG signed a binding agreement on the establishment of a joint venture for fuel-cell activities. On March 1, 2021, they completed the transaction. Daimler Truck Fuel Cell GmbH & Co. KG is a wholly owned subsidiary of Daimler Truck AG, which concentrates the assets and liabilities of the fuel-cell activities. The Volvo Group acquired 50 percent of the shares in Daimler Truck Fuel Cell GmbH & Co. KG for €639 million. The two parties agreed to rename the company cellcentric GmbH & Co. KG (cellcentric) with its principal place of business in Nabern, Germany. In March 2021, the EBIT impact of €1,215 million, of which €624 million is accounted for in particular by the remeasurement of the interest in cellcentric that is still held by Daimler Truck Business, and a cash inflow of €634 million were recognized at the Daimler Truck Business in 2021. After completion of the transaction, the equity-method investment and the equity-method result are not allocated to the reportable segments and are disclosed in the reconciliation in the segment reporting.

Legal restructuring of the Daimler Truck Group

In relation to phase 1 reorganization measures, certain legal entities and operations of Daimler Trucks & Buses and Daimler Trucks Financial Services were transferred to DTAG or one of its subsidiaries between January 1, 2021 and the date of authorization of these Combined Financial Statements. Please refer to Note 43. Scope of combination that identifies such legal entities and operations.

On August 6, 2021, Daimler AG and Daimler Truck Holding AG, agreed via the execution of the Group separation agreement (Konzerntrennungsvertrag) on guiding principles for local separation transactions where the parties committed to work towards the execution and consummation of the remaining phase 1 reorganization measures prior to the spin-off, that is the date the legal demerger becomes effective. Please refer to Note 43. Scope of combination that identifies such legal entities and operations.

The estimated purchase price for the Daimler Trucks & Buses legal entities and operations that will transfer to Daimler Truck AG prior to the spin-off amounts to €1.5 billion. The purchase prices for the Daimler Trucks Financial Services legal entities and operations that will transfer to Daimler Truck AG prior to the spin-off are based on external valuations at the time of the transfer and will therefore finally be determined at a later point in time. Such purchase prices to be paid by Daimler Trucks Financial Services are to be financed by remaining Daimler Group and secured by guarantees from Daimler Truck AG. Alternatively, in addition to the Bridge Facility, it is also planned to finance part of the purchase price through bilateral loans from banks, which are to be disbursed before the spin-off takes effect. The redemption of the liabilities relating to the financed purchase prices vis-à-vis the remaining Daimler Group will be affected from funds that the Daimler Truck Group will receive through the drawdown of the Bridge Facility or by the issuance of bonds shortly after the spin-off takes effect. Any purchase price payments, net of any Daimler Trucks Financial Services refinancing towards external or related parties that are allocated, made on phase 1 acquisitions during fiscal year 2021 could positively or negatively impact invested equity.

Prior to the spin-off, it is planned to transfer the 15% investment in KAMAZ PAO from Daimler Truck AG to Daimler AG. This transfer will be reflected prospectively in the Combined Financial Statements at the time such transaction occurs.

Certain business relationships (such as, real estate, international procurement, IPS, M&A, external affairs, communications, IT, captive shared service organization, taxes, treasury, legal, compliance and human resources) that existed between the remaining Daimler Group and the Daimler Truck Business during the periods reported in the Combined Financial Statements will be maintained for a transitional period through transitional service agreements at customary market conditions, unless existing service contracts are continued, or services are obtained from other external third party suppliers. Such transitional service agreements are accounted for in the Combined Financial Statements prospectively upon effectiveness of such agreements.

With the spin-off of the Daimler Truck Business, it will be necessary to setup and expand various areas and units of the Daimler Truck Group. In addition to the planned transfer of employees, this will also require new hires. In addition to the central functions this primarily affects the Sales & After Sales area.

For the periods reported in the Combined Financial Statements, the activities of the Daimler Truck Business were included in the global corporate insurance coverage of the remaining Daimler Group. As part of the spin-off, the insurance coverage of both groups will be separated, and the Daimler Truck Group will obtain independent insurance coverage.

Prior to the spin-off it is planned that the remaining Daimler Group will obtain a 10.1% non-controlling interest in the Gamma OHGs and in the EvoBus GmbH & Co. OHG from a capital in-crease by cash in the amount of €202 million on the basis of preliminary external valuations. Such non-controlling interest will be accounted for prospectively under IAS 32 as a financial instrument at fair value. A compensatory payments between remaining Daimler Group and Daimler Truck AG will be based on the final external valuation.

Furthermore, the parties committed to work towards the execution and consummation of phase 2 reorganization measures, to be executed via share deals or asset deals (some of them following demergers or intra-group asset deals), as soon as possible after the demerger but in no case prior to January 1, 2022 where the Daimler Truck Group will acquire the following legal entities and operations of Daimler Trucks & Buses and Daimler Trucks Financial Services from the Daimler Group. The execution of these reorganization measures will be based on fair value amounts derived from external valuations at the date of each transfer.

D.96

Phase 2 – Reorganization Measures

Company Name	Country	Transaction Type
Mercedes-Benz Servicios S.A.U (incl. Mercedes-Benz Compañía Financiera Argentina S.A.)	Argentina	Share Deal
Mercedes-Benz Broker Argentina S.A.	Argentina	Share Deal
Mercedes-Benz Retail S.A.	Spain	Share Deal
Sandown Motor Holdings (Pty) Ltd	South Africa	Share Deal
Mercedes-Benz Finansman Türk A.S	Turkey	Asset Sale & Share Deal
Mercedes-Benz Financial Services Nederland B.V	Netherlands	Demerger & Share Deal
Mercedes-Benz Financial Services Italia S.p.A.	Italy	Demerger & Share Deal
Mercedes-Benz Financial Services UK Ltd	United Kingdom	Asset Deal
Mercedes-Benz Financial Services España, E.F.C., S.A.U.	Spain	Demerger & Share Deal
Mercedes-Benz Renting, S.A.U.	Spain	Asset Deal
Mercedes-Benz Financial Services BeLux SA/NV	Belgium	Demerger & Share Deal
Mercedes-Benz Roma S.p.A.	Italy	Demerger & Share Deal
Mercedes-Benz Slovakia s.r.o.	Slovakia	Asset Deal
Mercedes-Benz Retail, Unipessoal Lda.	Portugal	Asset Deal
Mercedes-Benz Sosnowiec Sp. z o.o.	Poland	Asset Deal
Mercedes-Benz Warszawa Sp. z o.o.	Poland	Asset Deal
Mercedes-Benz Taiwan Ltd.	Taiwan	Asset Deal

Additionally, the parties committed that the Daimler Truck Group would carve-out the truck and vans sales and aftersales business contained at Mercedes-Benz Trucks Center Saint-Pieters-Leeuw NV/SA, Belgium an entity that is included in the scope of combination of the Combined Financial Statements, and dispose these activities to an external party during FY 2022 for an estimated selling price of €2.8 million. Furthermore, the parties committed that the Daimler Truck Group would carve-out the vans related business contained at Daimler Truck Korea Ltd., an entity that is included in the scope of the Combined Financial Statements, and transfer these activities to the Mercedes-Benz Korea Limited, a subsidiary of the Mercedes-Benz AG for an estimated selling price of €5.2 million.

Refer to Note 43. Scope of combination, table ↗ **D.98**, that identifies other material investments that will transfer to during FY 2021 to Daimler Truck AG. Such investments will only be included prospectively in the scope of combination of the Combined Financials beginning at the time of the legal transfer to Daimler Truck AG.

Refer to Note 43. Scope of combination, table ↗ **D.100**, that identifies Daimler Truck Business legal entities newly founded during FY 2021 and will be included in the scope of combination prospectively at the time such entities are founded.

Capital Withdrawal

In the second quarter of 2021, Daimler Verwaltungsgesellschaft für Grundbesitz mbH, Schönefeld/Germany, a Daimler Group entity, withdrew capital in the amounts of €214 million and €62.9 million from Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 1 OHG and Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 2 OHG, respectively.

Foundation of Daimler Truck Pension Trust e.V.

At June 30, 2021, Daimler Pension Trust e.V. acted as trustee for the contractual trust arrangements of DTAG and EvoBus in Germany that irrevocably and exclusively satisfy claims for benefits under company pension schemes and provide insolvency protection of the transferred assets. The pension assets of the trust arrangements are classified as plan assets.

With DTAG and EvoBus leaving Daimler Group, Daimler Pension Trust e.V. can no longer act as trustee for DTAG and EvoBus. Therefore, Daimler Truck Pension Trust e.V. was founded and all of the assets covered by the contractual trust arrangements of DTAG and EvoBus will be transferred to the new trustee prior to the separation date. The statutes of the Daimler Truck Pension Trust e.V. as well as the contractual trust arrangements will guarantee that the transferred assets are meant to satisfy claims irrevocably and exclusively for benefits under company pension schemes and provide insolvency protection. Hence, the assets under the new trustee will be classified as plan assets. Daimler Truck Pension Trust e.V. will be a related company of the Daimler Truck Group.

Capital and liquidity funding measures commitments per the spin-off agreement

On August 6, 2021, the Board of Management of the Daimler AG and Daimler Truck Holding AG executed the spin-off agreement. As part of this agreement, Daimler AG committed to make the following payments to Daimler Truck AG prior to the completion of the demerger:

- €1,987 million to enable Daimler Truck AG (or its subsidiaries) to build up and to partially fund phase 1 and phase 2 acquisitions of legal entities and operations of Daimler Trucks & Buses and Daimler Trucks Financial Services (including the rights of use for trademarks and patents) from the Daimler Group;

- €250 million equity increase for the additional funding of Daimler Trucks defined benefit pension obligations in Germany;

- €3,143 million to ensure the provisioning of adequate capital resources and liquidity to Daimler Truck AG. This payment includes €1,500 million funding for an innovation fund.

In order to secure The Daimler Trucks Business financial flexibility as well as to stabilize its capital market rating, it is contemplated that prior to the spin-off a syndicated loan agreement in the amount of €18 billion is to be concluded with an international banking consortium by the Daimler Truck Holding AG, Daimler Truck AG and various Daimler Truck financing companies, which includes a firm commitment of a revolving credit line in the amount of €5 billion (the "Revolving Credit Facility") and a firm commitment for a credit line for bridge financing in the amount of €13 billion (the "Bridge Facility").

The syndicated loan agreement was signed with the banking consortium on August 6, 2021, with obligations of Daimler Truck Holding AG under the loan agreement only arising upon the consummation of the demerger agreement. The Revolving Credit Facility will have a term of at least five years with two extension options of one year each and will be agreed at standard market conditions. The Daimler Truck Business does not intend to draw on the Revolving Credit Facility. The Bridge Facility will have a term of twelve months with two six-month extension options.

The Bridge Facility serves to cover the general financing needs of the Daimler Truck Business, in particular in connection with the purchase of the Daimler Truck Financial Services legal entities and operations. The Bridge Facility is expected to be repaid primarily through the issuance of bonds by the Daimler Truck Business on the capital market, which will lead to a mandatory prepayment of the Bridge Facility in this respect. The credit line will be agreed at standard market conditions. One or several capital market transactions are contemplated by the Daimler Truck Business even before the spin-off takes effect.

Segment Reporting

Daimler Truck Business did not have a chief operating decision maker in the periods 2018 to 2020 that received a regular management reporting since it has not existed as a separate legal group. Rather, the chief operating decision maker was the Board of Management of Daimler AG. DTAG implemented a new segment structure and a corresponding regular management reporting reflecting this new segment structure. This regular reporting to the Board of Management of DTAG was implemented for the first time in July 2021. For further information on the segment reporting refer to Note 37. Segment reporting.

License agreement

It is contemplated that in September 2021, Daimler Truck AG will enter into a new license agreement with the remaining Daimler Group for the right to use the Mercedes-Benz brand for an indefinite period in exchange for no consideration. The transaction will be reflected as a contribution at fair value upon the effective date of the agreement in 2021. The recognized intangible asset will be subject to an annual impairment test.

Cash pooling

During the periods presented in the Combined Financial Statements, the financing of the Daimler Truck Business was made available by cash pooling agreements and loans within the Daimler Group and externally with banks and through financing vehicles (e.g. asset-backed security structures). Prior to the spin-off, it is contemplated that the cash pooling arrangements as well as other financial liabilities and receivables between the Daimler Truck Business and Daimler Group will be terminated and settled. Cash pooling receivables and cash pooling payables from/due to remaining Daimler Group companies in financial year 2020 amounted to €5,734 million (2019: €4,569 million, 2018: €2,797 million) and €1,831 million (2019: €349 million, 2018: €343 million), respectively.

Control and profit or loss transfer agreement

The control and profit or loss transfer agreement between Daimler AG and Daimler Truck AG will be spun off and transferred from Daimler AG to Daimler Truck Holding AG at the date of the demerger.

Guarantees

The remaining Daimler Group has historically issued suretyships, guarantees, letters of comfort and other declarations of indemnity (hereinafter collectively referred to as "Guarantees") for financial transactions ("financial guarantees") and in relation to the operating business ("operating guarantees") of the Daimler Group Business. Financial guarantees are generally issued by Daimler AG. Operational guarantees are issued either by Daimler AG and other Daimler Group companies (group guarantees) or by banks, financial institutions, insurance companies or other third parties on behalf of Daimler AG and other Daimler Group companies (bank guarantees).

Depending on the underlying financial transaction, there are two types of financial guarantees: individual financial guarantees of Daimler AG for capital and money market transactions and the global financial guarantees (Daimler global guarantees) of Daimler AG to financial institutions for bank loans, bank facilities and bank suretyships and guarantees.

Daimler AG will continue to issue financial guarantees to secure financial obligations of the companies of Daimler Truck Business until the spin-off takes effect. Operational bank guarantees for Daimler Truck AG will be commissioned from banks as before under the guarantee framework of Daimler AG until the spin-off takes effect. With regard to the issuing of operational Group guarantees to secure obligations of the companies of the Daimler Truck Business, the aim is to switch to Daimler Truck AG and the Daimler Truck Business companies as guarantors until the spin-off takes effect.

As part of the preparations for the spin-off, the aforementioned Guarantees are to be replaced by new and essentially equivalent Guarantees issued by the companies of the Daimler Truck Business.

With respect to the financial guarantees, the Daimler global guarantees and the individual financial guarantees of Daimler AG will be replaced by corresponding Daimler Truck global guarantees or individual guarantees of Daimler Truck AG and Daimler Truck Holding AG, who will be jointly and severally liable thereunder. In the context of the described replacement, the banks, financial institutions and insurance companies covered by the Daimler global guarantees will be informed accordingly at an early stage so that the existing liability declarations of Daimler AG can be replaced by the Daimler Truck global guarantees as new security elements with effect as of the first trading day of the shares of Daimler Truck Holding AG at the Frankfurt Stock Exchange.

Operational group guarantees will be replaced, to the extent possible and reasonable from an administration perspective, by new group guarantees issued by Daimler Truck AG or other companies of the Daimler Truck Business. With respect to the bank guarantees, the companies of the Daimler Truck Business will successively establish their own guarantee frameworks with banks, financial institutions and insurance companies. Existing guarantees issued on behalf of the companies of the remaining Daimler Group for the companies of the Daimler Truck Business will be transferred to the new guarantee frameworks. If group guarantees have not been replaced or bank guarantees have not been transferred, Daimler Truck Holding AG will ensure vis-à-vis Daimler AG that the respective principal debtor of the Daimler Truck Business will indemnify the company of the remaining Daimler Group against all expenses and costs in connection with the guarantees and will pay the respective agreed fees due. As of the spin-off taking effect, no new financial guarantees and operational guarantees will be issued by Daimler AG or the companies of the remaining Daimler Group to secure obligations of the companies of the Daimler Truck Business. To the extent that guarantees have been issued by companies of the Daimler Truck Business for obligations of companies of the remaining Daimler Group, the aforementioned obligations of Daimler Truck Holding AG apply accordingly to Daimler AG.

Changes in Supervisory Board of Daimler AG

On March 31, Bernd Pischetsrieder succeeded Manfred Bischoff, as the Chairman of the Supervisory Board of Daimler AG. Furthermore, Elizabeth Centoni, Chief Strategy Officer and General Manager of Applications at Cisco Systems, Inc., Ben van Beurden, CEO Royal Dutch Shell plc, and Martin Brudermüller, Chairman of the Board of Executive Directors of BASF SE, were elected to the Supervisory Board. They succeed Petraea Heynicke and Jürgen Hambrecht, who are also stepping down from the Supervisory Board along with Manfred Bischoff.

Nomination of Members of the Board of Management and Supervisory Board of Daimler Truck Holding AG

Board of Management

With effect from July 12, 2021, the following members of the Board of Management of Daimler Truck AG were appointed as members of the Board of Management of Daimler Truck Holding AG:

- Martin Daum (appointed until the end of February 2025),
- Jochen Götz (appointed until the end of June 2026),

In the course of the formation of Daimler Truck Holding AG, Fabian Römer and Lars Wettlaufer were initially appointed in March 2021 as members of the Board of Management. The aforementioned persons are executives of Daimler AG who were appointed for the purpose of preparing the spin-off and hive-down. Both have therefore resigned from office with effect from the expiry of July 11, 2021.

For reasons of Board efficiency, the corporate bodies of Daimler Truck Holding AG and Daimler Truck AG are to be composed of the same persons. For this reason, the members of the Board of Management of Daimler Truck Holding AG and Daimler Truck AG are intended in future to be identical persons. Therefore, in addition to Martin Daum and Jochen Götz, the other current members of the Board of Management of Daimler Truck AG are also to be appointed as members of the Board of Management of Daimler Truck Holding AG.

The Board of Management of Daimler Truck Holding AG is therefore to be comprised of the following members after the spin-off has taken effect:

- Martin Daum (appointment planned until the end of February 2025),
- Jochen Götz (appointment planned until the end of June 2026),
- John O'Leary, (appointment planned until the end of March 2024),
- Karin Rådström (appointment planned until the end of January 2024),
- Hartmut Schick (appointment planned until the end of November 2024),
- Dr. Andreas Gorbach (appointment planned until the end of June 2024),
- Jürgen Hartwig (appointment planned until the end of November 2026),
- Stephan Unger (appointment planned until the end of June 2024).

It is intended in this regard to appoint the members of the Board of Management prior to the spin-off taking effect and thus prior to the increase of the number of members of the Supervisory Board of Daimler Truck Holding AG by the three-member founding Supervisory Board of Daimler Truck Holding AG

Supervisory Board

It is intended to enlarge the Supervisory Board of Daimler Truck Holding AG to 20 members immediately after the spin-off takes effect. The 20 members all are to be elected prior to the spin-off by the General Meeting of Daimler Truck Holding AG and thus formally as shareholder representatives. Ten of these members are to be elected in coordination with the employees' side.

With the goal of efficient work of the Board, it is intended that the Supervisory Board of Daimler Truck Holding AG and the Supervisory Board of Daimler Truck AG are to be composed of the same persons.

It is therefore intended that the following persons will be elected to the Supervisory Board of Daimler Truck Holding AG as shareholder representatives:

- Jacques Esculier, former Chief Executive Officer of WABCO Holdings Inc.;
- Renata Jungo Brüngger, Member of the Board of Management of Daimler AG, Integrity and Law;
- Joe Kaeser, Chairman of the Supervisory Board of Siemens Energy AG;
- Martin Richenhagen, former Chief Executive Officer of AGCO Corporation;
- Marie Wieck, former General Manager of IBM Blockchain;
- Harald Wilhelm, Member of the Board of Management of Daimler AG, Finance & Controlling and Daimler Mobility;
- Akihiro Eto, former President and Global Chief Operating Officer of Bridgestone Corporation;
- John Krafcik, former Chief Executive Officer of Waymo LLC;
- Michael Brosnan, former Chief Financial Officer of Fresenius Medical Care Management AG;
- Laura Ipsen, President and Chief Executive Officer of Ellucian Company L.P.

Renata Jungo Brüngger and Harald Wilhelm are representatives of Daimler AG. The other shareholder representatives on the Supervisory Board of Daimler Truck Holding AG are independent of Daimler AG. To the extent that some of the aforementioned persons are not currently members of the Supervisory Board of Daimler Truck AG, they are also be elected to the Supervisory Board of Daimler Truck AG prior to the spin-off taking effect.

It is intended that the following eight persons will be elected to the Supervisory Board of Daimler Truck Holding AG upon proposal from the employees' side:

- Michael Brecht, Deputy Chairman of the Supervisory Board of Daimler AG; Chairman of the Group Works Council of Daimler AG; Chairman of the General Works Council of Daimler AG; Chairman of the Works Council of the Mercedes-Benz plant in Gaggenau;
- Bruno Buschbacher, Chairman of the Works Council of the Mercedes-Benz plant in Mannheim;
- Harald Dorn, Chairman of the Spokespersons' Committee Wörth/Germersheim and member of the Group Spokespersons' Committee;
- Florence Göckeritz, TP/GSG-2 employee, Works Council member at Daimler headquarters;
- Jörg Lorz, Chairman of the Works Council of the Mercedes-Benz plant in Kassel;
- Claudia Peter, First Authorized Representative of IG Metall Gaggenau;
- Roman Zitzelsberger, District Manager of IG Metall Baden-Württemberg;
- Thomas Zwick, Chairman of the Works Council of the Mercedes-Benz plant in Wörth.

The proposal of the employees' side for two further persons to be elected to the Supervisory Board of Daimler Truck Holding AG is currently still pending.

With the appointment of the new Supervisory Board members, the current members of the Supervisory Board of Daimler Truck Holding AG, which are Tim Zech (Vice President Head of Tax Daimler Group, and Chairman of the Supervisory Board), Robert Köthner (Vice President Accounting & Financial Reporting, Chief Accounting Officer, and Deputy Chairman of the Supervisory Board), and Dr. Annette Matzat (Head of HR & Labor Policy HRP), will resign from office.

Group Separation Agreement (Konzerntrennungsvertrag)

Daimler AG and Daimler Truck Holding AG agreed to enter into a Group Separation Agreement (Konzerntrennungsvertrag), which contains certain provisions regarding the separation, of which the major provisions are outlined below. This agreement will become effective on the spin-off date and will have a non-cancellable period until December 31, 2041.

The Group Separation Agreement contains the following major provisions:

- Both parties agree to terminate financial guarantees that a Daimler Group entity granted to a Daimler Truck Group entity and vice versa;
- Separation principles related to the separation of Phase 2 entities (Financial Services Carve-out Guiding Principles), provisions related to the Legal entities separation, license agreements related to the usage of brands, domains and patents;
- Principles for the provision of the Transitional Services;
- Listing of the shares of Daimler Truck Holding AG immediately after the spin-off;
- Indemnification provisions in case of repayment of government grants;
- Indemnification provisions related to lawsuits filed after the separation;
- Agreement that any claims of Daimler AG against any management bodies of Daimler AG or its members remain with Daimler AG;
- Agreement that all existing and future transactions between Daimler Group and Daimler Truck Group are at market terms;
- Daimler AG agreed to a lock-up period of 36 months after the first day of trading of shares of Daimler Truck Holding AG during which any sale of shares requires the prior approval of Daimler Truck Holding AG;

Deconsolidation Agreement (Entkonsolidierungsvereinbarung)

Daimler AG, Daimler Grund and Daimler Truck Holding AG agreed to enter into a Deconsolidation Agreement (Entkonsolidierungsvertrag). This agreement stipulates that Daimler AG and Daimler Grund will not exercise their voting rights for the election of two out of ten members of the Supervisory Board of Daimler Truck Holding AG at the shareholders' meeting in order to ensure deconsolidation of Daimler Truck Holding AG from Daimler Group under IFRS. This agreement is non-cancellable for a period of five ordinary shareholder meetings after the initial ordinary shareholders meeting of Daimler Truck Holding AG to be held in 2022.

Relocation of Headquarters

The Board of Management of Daimler Truck Group has decided to relocate their headquarters. In the future, the headquarters of Daimler Truck Group will be located at the Daimler Truck Campus and the Mercedes-Benz Trucks Campus. Both are located close to each other in Leinfelden-Echterdingen, Stuttgart. Relocation to Daimler Truck Campus is planned starting September 2021, whereas relocation to the Mercedes-Benz Truck Campus will start in early 2022.

High-performance public charging network

On July 5, 2021, Daimler Group announced that the three leading commercial vehicle manufacturers Daimler Truck, the TRATON GROUP and Volvo Group have signed a non-binding agreement to install and operate a high-performance public charging network for battery electric heavy-duty long-haul trucks and coaches across Europe. The joint aim is to initiate and accelerate the build-up of charging infrastructure to enhance customer confidence and to support EU's transformation to climate-neutral transportation.

Continuing liability due to protection of creditors and holders of special rights

Pursuant to § 133 paras. 1 and 3 UmwG, Daimler AG is jointly and severally liable with Daimler Truck Holding AG for the fulfillment of the liabilities transferred to Daimler Truck Holding AG, if they fall due within five years from the publication of the entry of the hive-down or the spin-off in the commercial register of Daimler AG and claims against Daimler AG are established from such liabilities by a court or in another manner described in § 133 UmwG, or if a judicial or official enforcement action is taken or applied for. However, it must be taken into account in this respect that no liabilities are directly hived down or spun off. Pursuant to § 133 paras. 1 and 3 UmwG, Daimler Truck Holding AG is reversely jointly and severally liable with Daimler AG for the fulfillment of liabilities remaining with Daimler AG which arise prior to the hive-down or spin-off taking effect, if they fall due within five years from the publication of the entry of the hive-down or the spin-off in the commercial register of Daimler AG and claims against Daimler Truck Holding AG are established from such liabilities by a court or in another manner described in § 133 UmwG, or if a judicial or official enforcement action is taken or applied for. For pension obligations under the German Company Pensions Act (Betriebsrentengesetz), in deviation from the two preceding paragraphs, an extended liability of ten years from the date of the publication of the entry of the hive-down or spin-off in the commercial register of Daimler AG applies. The potential obligations or claims are depending on the liabilities that will exist as of the date of the announcement of the registration.

Daimler Truck AG and Cummins Inc. collaboration

On August 5, 2021, Daimler Truck AG and Cummins Inc. have signed global framework agreement for cooperation in medium-duty commercial vehicle engines. Cummins Inc. will set up an engine production facility on the site of the Mercedes-Benz plant in Mannheim for production of medium-duty engines that meet Euro VII emissions for Daimler Trucks & Buses starting in the second half of the decade. Production is expected to start in the second half of the decade. Additionally, Cummins Inc. will supply medium-duty engines for Daimler Trucks & Buses vehicles worldwide in the future.

43. Scope of combination

The tables below contain a list of all legal entities fully included in the scope of combination ↗ **D.97**, joint operations, joint ventures, associates and other significant investments recognized using equity and cost method ↗ **D.98**, unconsolidated legal entities in fiscal years 2018, 2019 and 2020 ↗ **D.99**. ↗ **D.100** contains a list of all entities that are founded after fiscal year 2020 but before spin-off date.

D.97

Entities and operations included in the scope of combination			Equity interests in %			Daimler Truck Business dedication of legal entities included in the scope of combination		
Company Name	City, Country	Legal transfer date	Dec 31, 2018	Dec 31, 2019	**Dec 31, 2020**	Dec 31, 2018	Dec 31, 2019	**Dec 31, 2020**
Atlantis Foundries (Pty.) Ltd.	Atlantis Industria, South Africa	2020	-	-	100	-	-	Dedicated
Banco Mercedes-Benz do Brasil S.A.[1]	São Paulo, Brazil	Q4 2021/Before spin-off	-	-	-	Dedicated	Dedicated	Dedicated
Campo Largo Comercio de Veículos e Peças Ltda.[2]	Campinas, Brazil	2019	-	100	100	Dedicated	Dedicated	Dedicated
cellcentric GmbH & Co. KG (former: Daimler Truck Fuel Cell GmbH & Co. KG)	Kirchheim unter Teck, Germany	2020	-	-	100	-	-	Dedicated
Daimler AG[3]	Stuttgart, Germany	-	-	-	-	Mixed	Mixed	Mixed
Daimler Automotive de Venezuela C.A.[2,4]	Valencia, Venezuela	2019	-	100	100	Dedicated	-	-
Daimler Buses North America, Inc.[2]	Oriskany, USA	2019	-	100	100	Dedicated	Dedicated	Dedicated
Daimler Colombia S. A.[2,5]	Bogota D.C., Colombia	2019	-	100	100	Mixed	Mixed	Mixed
Daimler Commercial Vehicles South East Asia Pte. Ltd.[2,5]	Singapore, Singapore	2020	-	-	100	Mixed	Mixed	Mixed
Daimler FleetBoard GmbH[2]	Stuttgart, Germany	2019	-	100	-	Dedicated	Dedicated	-
Daimler Greater China Ltd.[6]	Beijing, China	-	-	-	-	Mixed	-	-
Daimler India Commercial Vehicles Private Limited[7]	Chennai, India	Q1 2021	-	-	-	Dedicated	Dedicated	Dedicated
Daimler Insurance Agency LLC[8]	Wilmington, USA	-	-	-	-	Mixed	Mixed	Mixed
Daimler Manufactura, S. de R.L. de C.V.[2]	Mexico City, Mexico	2019	-	100	100	Dedicated	Dedicated	Dedicated
Daimler Mexico, S.A. de C.V.[1]	Mexico City, Mexico	Q3 2021	-	-	-	Dedicated	Dedicated	Dedicated
Daimler Mobility AG[9]	Stuttgart, Germany	-	-	-	-	Mixed	Mixed	Mixed
Daimler Mobility Brasil Holding S.A.[1]	São Bernardo do Campo, Brazil	Q4 2021/Before spin-off	-	-	-	Dedicated	Dedicated	Dedicated
Daimler Northeast Asia Parts Trading and Services Co., Ltd.[10]	Beijing, China	-	-	-	-	Mixed	Mixed	Mixed
Daimler Servicios Corporativos Mexico S. de R.L. de C.V.[1]	Mexico City, Mexico	Q4 2021/Before spin-off	-	-	-	Dedicated	Dedicated	Dedicated
Daimler South East Asia Pte. Ltd.[10]	Singapore, Singapore	-	-	-	-	Mixed	Mixed	Mixed
Daimler Truck AG	Stuttgart, Germany	-	100	100	100	Dedicated	Dedicated	Dedicated
Daimler Truck and Bus Australia Pacific Pty. Ltd.[2]	Mulgrave, Australia	2019	-	100	100	Dedicated	Dedicated	Dedicated
DAIMLER TRUCK AND BUS HOLDING AUSTRALIA PACIFIC PTY LTD[11]	Melbourne, Australia	2018	100	100	100	-	Dedicated	Dedicated
Daimler Truck China Limited[12]	Beijing, China	2019	-	100	100	-	Dedicated	Dedicated
Daimler Truck Financial Mexico S. de R.L. de C.V[1]	Mexico City, Mexico	Q4 2021/Before spin-off	-	-	-	Dedicated	Dedicated	Dedicated
Daimler Truck Financial Mexico S.A. de C.V. S.O.F.O.M., E.N.R.[1]	Mexico City, Mexico	Q4 2021/Before spin-off	-	-	-	Dedicated	Dedicated	Dedicated
Daimler Truck Vermögens- und Beteiligungsgesellschaft mbH (former: LEONIE TB DVB GmbH)[2]	Stuttgart, Germany	2019	-	100	100	Dedicated	Dedicated	Dedicated
Daimler Trucks & Buses US Holding LLC[2]	Wilmington, USA	2019	-	100	100	-	Dedicated	Dedicated
Daimler Trucks and Buses (China) Ltd.[2]	Beijing, China	2019	-	100	100	Dedicated	Dedicated	Dedicated

Entities and operations included in the scope of combination			Equity interests in %			Daimler Truck Business dedication of legal entities included in the scope of combination		
Company Name	City, Country	Legal transfer date	Dec 31, 2018	Dec 31, 2019	**Dec 31, 2020**	Dec 31, 2018	Dec 31, 2019	**Dec 31, 2020**
Daimler Trucks and Buses Southern Africa (Pty) Ltd[7,12]	Zwartkop, South Africa	Q1 2021	-	-	-	-	Dedicated	Dedicated
Daimler Trucks Canada Ltd.[2]	Mis-sissauga, Canada	2019	-	100	100	Dedicated	Dedicated	Dedicated
Daimler Trucks Finance Canada Inc. (former: Daimler Canada Investments Company)[1]	Halifax, Canada	Q3 2021	-	-	-	Dedicated	Dedicated	Dedicated
Daimler Trucks Korea Ltd.[2]	Seoul, South Korea	2020	-	-	100	Dedicated	Dedicated	Dedicated
Daimler Trucks North America LLC[2]	Wilming-ton, USA	2019	-	100	100	Dedicated	Dedicated	Dedicated
Daimler Trucks Remarketing Corporati-on[2]	Portland, USA	2019	-	100	100	Dedicated	Dedicated	Dedicated
Daimler Trucks Retail Trust 2018-1[13,14]	Wilming-ton, USA	-	-	-	-	Dedicated	Dedicated	-
Daimler Trucks Retail Trust 2019-1[13]	Wilming-ton, USA	-	-	-	-	-	Dedicated	Dedicated
Daimler Trucks Retail Trust 2020-1[13]	Wilming-ton, USA	-	-	-	-	-	-	Dedicated
Daimler Vehículos Comerciales Mexico, S. de R.L. de C.V.[2]	Mexico City, Mexico	2019	-	100	100	Dedicated	Dedicated	Dedicated
Daiprodco Mexico S. de R.L. de C.V.[15]	Mexico City, Mexico	-	-	-	-	Dedicated	-	-
Detroit Diesel Corporation[2]	Detroit, USA	2019	-	100	100	Dedicated	Dedicated	Dedicated
Detroit Diesel Remanufacturing LLC[2]	Detroit, USA	2019	-	100	100	Dedicated	Dedicated	Dedicated
Detroit Diesel Remanufacturing Mexi-cana, S. de R.L. de C.V.[2,16]	Toluca, Mexico	2019	-	-	-	Dedicated	-	-
Detroit Diesel-Allison de Mexico, S. de R.L. de C.V.[2,17]	San Juan Ixtacala, Mexico	2019	-	-	-	Dedicated	-	-
DTFC Holding GmbH	Stuttgart, Germany	2020	-	-	100	-	-	Dedicated
EvoBus (Schweiz) AG[2]	Kloten, Switzer-land	2019	-	100	100	Dedicated	Dedicated	Dedicated
EvoBus (U.K.) Ltd.[2]	Coventry, United Kingdom	2019	-	100	100	Dedicated	Dedicated	Dedicated
EvoBus Austria GmbH[2]	Wiener Neudorf, Austria	2019	-	100	100	Dedicated	Dedicated	Dedicated
EvoBus Belgium N.V.[2]	Kobbegem-Asse, Belgium	2019	-	100	100	Dedicated	Dedicated	Dedicated
EvoBus Ceská republika s.r.o.[2]	Prague, Czech Republic	2019	-	100	100	Dedicated	Dedicated	Dedicated
EvoBus Danmark A/S[2]	Koege, Denmark	2019	-	100	100	Dedicated	Dedicated	Dedicated
EvoBus France S.A.S.U.[2]	Sarcelles, France	2019	-	100	100	Dedicated	Dedicated	Dedicated
EvoBus GmbH[2]	Stuttgart, Germany	2019	-	100	100	Dedicated	Dedicated	Dedicated
EvoBus Ibérica, S.A.U.[2]	Sámano, Spain	2019	-	100	100	Dedicated	Dedicated	Dedicated
EvoBus Italia S.p.A.[2]	Bomporto, Italy	2019	-	100	100	Dedicated	Dedicated	Dedicated
EvoBus Nederland B.V.[2]	Nijkerk, Nether-lands	2019	-	100	100	Dedicated	Dedicated	Dedicated
EvoBus Polska Sp. z o.o.[2]	Wolica, Poland	2019	-	100	100	Dedicated	Dedicated	Dedicated
Evobus Portugal, S.A.[2]	Mem Martins, Portugal	2019	-	100	100	Dedicated	Dedicated	Dedicated

Entities and operations included in the scope of combination			Equity interests in %			Daimler Truck Business dedication of legal entities included in the scope of combination		
Company Name	City, Country	Legal transfer date	Dec 31, 2018	Dec 31, 2019	Dec 31, 2020	Dec 31, 2018	Dec 31, 2019	Dec 31, 2020
EvoBus Sverige AB[2]	Vetlanda, Sweden	2019	-	100	100	Dedicated	Dedicated	Dedicated
Freightliner Custom Chassis Corporation [2]	Gaffney, USA	2019	-	100	100	Dedicated	Dedicated	Dedicated
Grundstücksverw.ges. Evobus GmbH & Co. OHG[2]	Schönefeld, Germany	2019	-	100	100	Dedicated	Dedicated	Dedicated
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 4 OHG[10]	Schönefeld, Germany	-	-	-	-	Mixed	Mixed	Mixed
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 1 OHG[18]	Schönefeld, Germany	Q4 2021/Before spin-off	-	-	-	Dedicated	Dedicated	Dedicated
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 2 OHG[18]	Schönefeld, Germany	Q4 2021/Before spin-off	-	-	-	Dedicated	Dedicated	Dedicated
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 3 OHG[18]	Schönefeld, Germany	Q4 2021/Before spin-off	-	-	-	Dedicated	Dedicated	Dedicated
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 4 OHG[18]	Schönefeld, Germany	Q4 2021/Before spin-off	-	-	-	Dedicated	Dedicated	Dedicated
Invema Assessoria Empresarial Eireli[15]	São Bernardo do Campo, Brazil	-	-	-	-	Dedicated	Dedicated	-
Koppieview Property (Pty) Ltd[10]	Zwartkop, South Africa	-	-	-	-	Mixed	Mixed	Mixed
Mascot Truck Parts Canada Ltd (2017)[2]	Mississauga, Canada	2019	-	100	100	Dedicated	Dedicated	Dedicated
Mascot Truck Parts USA LLC[2]	Wilmington, USA	2019	-	100	100	Dedicated	Dedicated	Dedicated
Mercedes-Benz AG[10]	Stuttgart, Germany	-	-	-	-	Mixed	Mixed	Mixed
Mercedes-Benz Argentina S.A.U.[6]	Buenos Aires, Argentina	-	-	-	-	Mixed	Mixed	-
Mercedes-Benz Belgium Luxembourg S.A.[6]	Brussels, Belgium	-	-	-	-	Mixed	-	-
Mercedes-Benz Camiones y Buses Argentina SAU.[12]	Buenos Aires, Argentina	2020	-	-	100	-	-	Dedicated
Mercedes-Benz CharterWay SAS[7]	Montigny-le-Bretonneux, France	Q2 2021	-	-	-	Dedicated	Dedicated	Dedicated
Mercedes-Benz Corretora de Seguros Ltda[1]	São Paulo, Brazil	Q4 2021/Before spin-off	-	-	-	Dedicated	Dedicated	Dedicated
Mercedes-Benz do Brasil Assessoria Comercial Ltda.[1]	São Paulo, Brazil	Q4 2021/Before spin-off	-	-	-	Dedicated	Dedicated	Dedicated
Mercedes-Benz do Brasil Ltda.[2,19]	São Bernardo do Campo, Brazil	2020	-	-	100	Mixed	Mixed	Dedicated
Mercedes-Benz Finance Co., Ltd.[8]	Tokyo, Japan	-	-	-	-	Mixed	Mixed	Mixed
Mercedes-Benz Financial Services Australia Pty. Ltd.[8]	Melbourne, Australia	-	-	-	-	Mixed	Mixed	Mixed
Mercedes-Benz Financial Services Canada Corporation[8]	Mississauga, Canada	-	-	-	-	Mixed	Mixed	Mixed
Mercedes-Benz Financial Services South Africa (Pty) Ltd[8]	Centurion, South Africa	-	-	-	-	Mixed	Mixed	Mixed
Mercedes-Benz Financial Services USA LLC[8]	Wilmington, USA	-	-	-	-	Mixed	Mixed	Mixed
Mercedes-Benz France S.A.S.[6]	Montigny-le-Bretonneux, France	-	-	-	-	Mixed	-	-

Entities and operations included in the scope of combination			Equity interests in %			Daimler Truck Business dedication of legal entities included in the scope of combination		
Company Name	City, Country	Legal transfer date	Dec 31, 2018	Dec 31, 2019	**Dec 31, 2020**	Dec 31, 2018	Dec 31, 2019	**Dec 31, 2020**
Mercedes-Benz Italia S.p.A.[6]	Rome, Italy	-	-	-	-	Mixed	-	-
Mercedes-Benz Leasing do Brasil Arrendamento Mercantil S.A.[1]	Barueri, Brazil	Q4 2021/Before spin-off	-	-	-	Dedicated	Dedicated	Dedicated
Mercedes-Benz Minibus GmbH[2]	Dortmund, Germany	2019	-	100	100	Dedicated	Dedicated	Dedicated
Mercedes-Benz Österreich GmbH[6]	Eugendorf, Austria	-	-	-	-	Mixed	Mixed	-
Mercedes-Benz Polska Sp. z.o.o[6]	Warsaw, Poland	-	-	-	-	Mixed	-	-
Mercedes-Benz Portugal, S.A.[6]	Mem Martins, Portugal	-	-	-	-	Mixed	Mixed	-
Mercedes-Benz PRAHA s.r.o.[21]	Prague, Czech Republic	-	-	-	-	Mixed	Mixed	Mixed
Mercedes-Benz Romania S.R.L.[6]	Bucharest, Romania	-	-	-	-	Mixed	Mixed	-
Mercedes-Benz Schweiz AG[6]	Schlieren, Switzerland	-	-	-	-	Mixed	-	-
Mercedes-Benz South Africa Ltd[6]	Pretoria, South Africa	-	-	-	-	Mixed	-	-
Mercedes-Benz Trucks & Buses Romania S.R.L.[12]	Bucharest, Romania	2020	-	-	100	-	-	Dedicated
Mercedes-Benz Trucks Belgium Luxembourg NV/SA[12]	Brussels, Belgium	2019	-	100	100	-	Dedicated	Dedicated
Mercedes-Benz Trucks Center Sint-Pieters-Leeuw NV/SA[12]	Sint-Peters-Leeuw, Belgium	2019	-	100	100	-	Dedicated	Dedicated
Mercedes-Benz Trucks Ceská republika s.r.o.[2]	Prague, Czech Republic	2019	-	100	100	Dedicated	Dedicated	Dedicated
Mercedes-Benz Trucks España S.L.U.[2]	Alcobendas, Spain	2019	-	100	100	Dedicated	Dedicated	Dedicated
Mercedes-Benz Trucks France S.A.S.U[7,12]	Montigny-le-Bretonneux, France	Q2 2021	-	-	-	-	Dedicated	Dedicated
Mercedes-Benz Trucks Italia S.r.l.[12]	Rome, Italy	2019	-	100	100	-	Dedicated	Dedicated
Mercedes-Benz Trucks Molsheim[2]	Molsheim, France	2019	-	100	100	Dedicated	Dedicated	Dedicated
Mercedes-Benz Trucks Nederland B.V.[2]	Utrecht, Netherlands	2019	-	100	100	Dedicated	Dedicated	Dedicated
Mercedes-Benz Trucks Österreich GmbH[12]	Eugendorf, Austria	2020	-	-	100	-	-	Dedicated
MERCEDES-BENZ TRUCKS POLSKA SPÓ?KA Z OGRANICZONA ODPOWIEDZIALNOSCIA[12]	Warsaw, Poland	2019	-	100	100	-	Dedicated	Dedicated
Mercedes-Benz Trucks Portugal S.A.[7,12]	Sintra, Portugal	Q1 2021	-	-	-	-	-	Dedicated
Mercedes-Benz Trucks Schweiz AG[12]	Schlieren, Switzerland	2019	-	100	100	-	Dedicated	Dedicated
Mercedes-Benz Trucks UK Limited[2]	Milton Keynes, United Kingdom	2019	-	100	100	Dedicated	Dedicated	Dedicated
Mercedes-Benz Türk A.S.[2,20]	Istanbul, Turkey	2020	-	-	66,91	Mixed	Mixed	Dedicated
Mercedes-Benz V.I. Lyon SAS[7]	Genas, France	Q2 2021	-	-	-	Dedicated	Dedicated	Dedicated
Mercedes-Benz V.I. Paris Ile de France SAS[7]	Wissous, France	Q2 2021	-	-	-	Dedicated	Dedicated	Dedicated
Mercedes-Benz Vertrieb NFZ GmbH[2,22]	Stuttgart, Germany	2019	-	100	-	Dedicated	Dedicated	-
MFTA Canada, Inc.[2]	Toronto, Canada	2019	-	100	100	Dedicated	Dedicated	Dedicated

Entities and operations included in the scope of combination			Equity interests in %			Daimler Truck Business dedication of legal entities included in the scope of combination		
Company Name	City, Country	Legal transfer date	Dec 31, 2018	Dec 31, 2019	**Dec 31, 2020**	Dec 31, 2018	Dec 31, 2019	**Dec 31, 2020**
Mitsubishi Fuso Bus Manufacturing Co., Ltd.[2]	Toyama, Japan	2019	-	100	100	Dedicated	Dedicated	Dedicated
Mitsubishi Fuso Truck and Bus Corporation[2]	Kawasaki, Japan	2019	-	89,29	89,29	Dedicated	Dedicated	Dedicated
MITSUBISHI FUSO TRUCK EUROPE - Sociedade Europeia de Automóveis, S.A.[2]	Tramagal, Portugal	2019	-	100	100	Dedicated	Dedicated	Dedicated
Mitsubishi Fuso Truck of America, Inc.[2]	Logan Township, USA	2019	-	100	100	Dedicated	Dedicated	Dedicated
P.T. Mercedes-Benz Indonesia[6]	Bogor, Indonesia	-	-	-	-	Mixed	-	-
PABCO Co., Ltd.[2]	Ebina, Japan	2019	-	100	100	Dedicated	Dedicated	Dedicated
PT Daimler Commercial Vehicles Indonesia[2]	Jakarta, Indonesia	2019	-	100	100	Dedicated	Dedicated	Dedicated
PT Daimler Commercial Vehicles Manufacturing Indonesia[12]	Bogor, Indonesia	2019	-	100	100	-	Dedicated	Dedicated
Renting del Pacífico S.A.C.[2]	Lima, Peru	2020	-	-	100	Dedicated	Dedicated	Dedicated
SelecTrucks of America LLC[2]	Portland, USA	2019	-	100	100	Dedicated	Dedicated	Dedicated
SelecTrucks of Toronto, Inc.[2]	Mississauga, Canada	2019	-	100	100	Dedicated	Dedicated	Dedicated
Setra of North America, Inc.[17]	Oriskany, USA	2019	-	-	-	Dedicated	-	-
Sterling Truck Corporation[2]	Portland, USA	2019	-	100	100	Dedicated	Dedicated	Dedicated
Sumperská správa majetku k.s.[2]	Prague, Czech Republic	2019	-	100	100	Dedicated	Dedicated	Dedicated
Thomas Built Buses of Canada Ltd.[2]	Calgary, Canada	2019	-	100	100	Dedicated	Dedicated	Dedicated
Thomas Built Buses, Inc.[2]	High Point, USA	2019	-	100	100	Dedicated	Dedicated	Dedicated
TORC Robotics, Inc.[2]	Blacksburg, USA	2019	-	75,61	75,61	-	Dedicated	Dedicated
Ukuvela Holdings Proprietary Limited	Atlantis Industria, South Africa	2020	-	-	100	-	-	Dedicated
Ukuvela Properties (Pty.) Ltd.	Atlantis Industria, South Africa	2020	-	-	100	-	-	Dedicated
Western Star Trucks Sales, Inc[2]	Portland, USA	2019	-	100	100	Dedicated	Dedicated	Dedicated

1 Shares (100% equity interests) are transferred to the Daimler Truck AG or one of its subsidiaries after Aug 9, 2021 but prior to the spin-off. The respective legal entities are included retrospectively in the Combined Financial Statements.
2 All shares held by the Remaining Daimler Group are transferred to the Daimler Truck AG or one of its subsidiaries in FY 2019 or FY 2020. The respective legal entities are included retrospectively in the Combined Financial Statements.
3 Daimler AG is included as a Mixed Entity conducting headquarter functions for the Daimler Truck Business. The legal transfer of the headquarter functions will occur in 2021 but before spin-off.
4 Entity became an unconsolidated legal entity starting from FY 2019.
5 Represents mixed legal entities that are included in the scope of combination where the Van business is excluded retrospectively as it will transfer to the remaining Daimler Group or external parties prior to the spin-off.
6 Represents mixed legal entities where the Daimler Truck Business is included in the scope of combination up until the transfer of the net assets to a Daimler Truck Business dedicated legal entity as part of Project Future.
7 Shares (100% equity interests) are transferred to the Daimler Truck AG or one of its subsidiaries after FY 2020 but before Aug 9, 2021. The respective legal entities are included retrospectively in the Combined Financial Statements.
8 Represents Mixed Entities where the Daimler Trucks & Buses Financial Service operations will transfer to a Daimler Truck NewCo after Aug 9, 2021 but prior to the spin-off.
9 Daimler Mobility AG is included as a Mixed Entity conducting headquarter functions for the Daimler Truck Financial Services. The legal transfer of the Daimler Truck Financial Services to the newly founded dedicated legal entity will occur in 2021.
10 Mixed Entity transfers selected assets and liabilities dedicated to the Daimler Truck Business after Aug 9, 2021 but prior to the spin-off. The assets and liabilities are included retrospectively in the Combined Financial Statements.
11 Entity is unconsolidated in 2018. Starting from 2019 the entity is included in the scope of combination.
12 Represents a legal entity fully dedicated to the Daimler Truck Business that was founded in context of Project Future and assumed net assets from a predecessor mixed legal entity.
13 Represents structured entities under control of the Daimler Truck business only existing for a specific purpose (Special Purpose Entity). The Daimler Trucks & Buses Financial Service operations will transfer to a Daimler Truck NewCo after Aug 9, 2021 but prior to the spin-off.
14 Liquidation in 2020 as purpose for structured entity no longer given.

15 Represents legal entities that are disposed before the parent entity is legally transferred to the Daimler Truck AG or one of its' subsidiaries. The respective legal entities are included retrospectively in the Combined Financial Statements for fiscal years prior to the date of disposal.
16 Disposal in FY 2019 due to divestiture.
17 Disposal in FY 2019 due to merger.
18 Shares are transferred to the Daimler Truck AG or one of its' subsidiaries after Aug 9, 2021 but prior to the spin-off. After transfer of the shares, the remaining Daimler Group will acquire a non-controlling interest via a capital increase by cash.
19 Represents a mixed legal entity that is included in the scope of combination where the Cars business is excluded retrospectively as it was transferred to the remaining Daimler Group in 2020. In addition, Cars dedicated spare parts are excluded retrospectively as it will be transferred in FY 2021 to remaining Daimler Group.
20 Represents a mixed legal entity that is included in the scope of combination where the Cars and Vans business is excluded retrospectively as it was transferred to the remaining Daimler Group in 2020.
21 Mixed Entity transfers selected assets and liabilities dedicated to the Daimler Truck Business after FY 2020 but before Aug 9, 2021. The assets and liabilities are included retrospectively in the Combined Financial Statements.
22 Disposal in FY 2020 due to merger.

D.98

Joint operations, joint ventures, associated companies and substantial other investments accounted for at (amortized) cost

Company Name	Country	Investment Type	Legal transfer date	Equity interest in % Dec 31, 2018	Dec 31, 2019	Dec 31, 2020
North America Fuel Systems Remanufacturing LLC[1]	Kentwood, USA	Joint operation - at equity	2019	-	50.00	50.00
Beijing Foton Daimler Automotive Co., Ltd[1]	Beijing, China	Joint venture - at equity	2019	-	50.00	50.00
Daimler Kamaz Trucks Holding GmbH	Vienna, Austria	Joint venture - at equity	2018	50.00	50.00	50.00
Polomex, S.A. de C.V.[1]	Garcia, Mexico	Joint venture - at equity	2019	-	26.00	26.00
SelecTrucks of Atlanta LLC[1,2]	McDonough, USA	Joint venture - at equity	2019	-	50.00	-
SelecTrucks of Houston LLC[1]	Houston, USA	Joint venture - at equity	2019	-	50.00	50.00
SelecTrucks of Houston Wholesale LLC[1]	Houston, USA	Joint venture - at equity	2019	-	50.00	50.00
SelecTrucks of Omaha LLC[1]	Council Bluffs, USA	Joint venture - at equity	2019	-	50.00	50.00
COBUS Industries GmbH	Wiesbaden, Germany	Joint venture - at cost	2019	-	40.82	40.82
MercedesService Card GmbH & Co. KG	Kleinostheim, Germany	Joint venture - at cost	2019	-	51.00	51.00
National Automobile Industry Company Ltd.	Jeddah, Saudi Arabia	Joint venture - at cost	2019	-	26.00	26.00
TASIAP GmbH	Stuttgart, Germany	Joint venture - at cost	2019	-	60.00	60.00
FUSO LAND TRANSPORT & Co. Ltd.[1]	Kawasaki, Japan	Associated company - at equity	2019	-	21.67	21.67
KAMAZ PAO[1]	Naberezhnye Chelny, Russian Federation	Associated company - at equity	2019	-	15.00	15.00
Kanagawa Mitsubishi Fuso Truck & Bus Sales Co., Ltd.[1]	Yokohama, Japan	Associated company - at equity	2019	-	43.83	43.83
Okayama Mitsubishi Fuso Truck & Bus Sales Co., Ltd.[1]	Okayamashi, Japan	Associated company - at equity	2019	-	50.00	50.00
P.T. Krama Yudha Tiga Berlian Motors[1]	Jakarta, Indonesia	Associated company - at equity	2019	-	30.00	30.00
P.T. Mitsubishi Krama Yudha Motors and Manufacturing[1]	Jakarta, Indonesia	Associated company - at equity	2019	-	32.28	32.28
Toll4Europe GmbH[3]	Berlin, Germany	Associated company - at equity	Q4 2021/Before spin-off	-	-	-
Circulo Cerrado S.A. de Ahorro para Fines Determinados	Buenos Aires, Argentina	Associated company - at cost	2020	-	-	21.85
Daimler Coaches North America LLC (former: REV Coach LLC)[4]	Wilmington, USA	Associated company - at cost	2019	-	20.00	100.00
H2 Mobility Deutschland GmbH & Co. KG (2,90%)[5]	Berlin, Germany	Associated company - at cost	Q2 2021	-	-	-
MFTB Taiwan Co., Ltd.	Taipei, Taiwan	Associated company - at cost	2019	-	33.40	33.40
Omnibus Hungária Kereskedelmi Kft. (former: EvoBus Hungária Kereskedelmi Kft.)	Budapest, Hungary	Associated company - at cost	2019	-	33.33	33.33
Omuta Unso Co., Ltd.	Ohmuta, Japan	Associated company - at cost	2019	-	33.51	33.51
Rally Bus Corp.	Buffalo, USA	Associated company - at cost	2019	-	15.13	15.13
Toyo Kotsu Co., Ltd.	Sannoseki, Japan	Associated company - at cost	2019	-	28.20	28.20
FlixMobility GmbH (3,03%)[6]	Munich, Germany	Investment - at cost	Q4 2021/Before spin-off	-	-	-
G2VP I, LLC (5,71%)[6]	Menlo Park, USA	Investment - at cost	Q3 2021	-	-	-
IVU Traffic Technologies AG	Berlin, Germany	Investment - at cost	2019	-	5.25	5.25
Proterra Inc.	Burlingame, USA	Investment - at cost	2019	-	6.22	6.22
Zonar Systems, Inc.[7]	Seattle, USA	Investment - at cost	2019	-	-	-

1 Legally transferred to the Daimler Truck Business in FY 2019. The respective joint operation, joint venture or associated company is retrospectively included in the Combined Financial Statements.
2 Disposal in FY 2020 due to divestiture.
3 Legally transferred to the Daimler Truck Business after Aug 9, 2021 but prior to the spin-off. At-equity investments are retrospectively included in Combined Financial Statements.
4 Associated company at cost in 2018 and 2019. Unconsolidated entity in 2020.
5 Legally transferred to the Daimler Truck Business after FY 2020 but before Aug 9, 2021. At-cost investments are only prospectively included in Combined Financial Statements.

6 Legally transferred to the Daimler Truck Business after Aug 9, 2021 but prior to the spin-off. At-cost investments are only prospectively included in Combined Financial Statements.
7 Disposal in FY 2019 due to divestiture.

D.99

Unconsolidated legal entities

Company Name	Country	Legal transfer date	Equity interest in % Dec 31, 2018	Dec 31, 2019	Dec 31, 2020
cellcentric Fuel Cell Canada Inc (former: Daimler Truck Fuel Cell Canada INC.)	Canada	2020	-	-	100
cellcentric Verwaltungsgesellschaft mbH (former: DTFC Verwaltungsgesellschaft mbH)	Germany	2020	-	-	100
Daimler Automotive de Venezuela C.A.[1]	Venezuela	2019	-	100	100
Daimler Coaches North America LLC (former: REV Coach LLC)[2]	USA	2019	-	20.00	100
Daimler Commercial Vehicles (Thailand) Ltd.	Thailand	2019	-	100	100
Daimler Commercial Vehicles Africa Ltd.	Kenya	2019	-	100	100
Daimler Commercial Vehicles MENA FZE	Dubai U.A.E.	2019	-	100	100
DAIMLER TRUCK AND BUS HOLDING AUSTRALIA PACIFIC PTY LTD[3]	Australia	2018	100	100	100
Daimler Trucks Asia Taiwan Ltd.	Taiwan	2019	-	51.00	51.00
DTB Tech & Data Hub, Unipessoal LDA (former: DTB Tech & Data Hub LDA)	Portugal	2018	100	100	100
DTFC Verwaltungsgesellschaft mbH	Germany	2020	-	-	100
EvoBus Reunion S. A.	France	2019	-	96.00	96.00
EvoBus Russland OOO	Russia	2019	-	100	100
Fleetboard Logistics GmbH	Germany	2019	-	100	100
Mercedes-Benz Adm. Consorcios Ltda.[4]	Brazil	2020	-	-	-
Mercedes-Benz Parts Logistics Eastern Europe s.r.o.[5]	Czech Republic	After 2020/Before spin-off	-	-	-
Mercedes-Benz Trucks MENA Holding GmbH	Germany	2019	-	100	100
Mercedes-Benz Vehículos Comerciales Argentina SAU i.L.	Argentina	2020	-	-	100
MercedesService Card Beteiligungsgesellschaft mbH	Germany	2019	-	51.00	51.00
Reva SAS[6]	France	2019	-	-	-
SelecTrucks Comércio de Veículos Ltda[6]	Brazil	2020	-	-	100
T.O.C (Schweiz) AG	Switzerland	2019	-	51.00	51.00

1 Entity is unconsolidated starting from FY 2019.
2 Unconsolidated entity starting from FY 2020.
3 Entity is unconsolidated in 2018. Starting from 2019 the entity is included in the scope of combination.
4 Disposal in FY 2020 due to divestiture.
5 Shares (100% equity interests) are transferred to the Daimler Truck AG or one of its subsidiaries after FY 2020 but before Aug 9, 2021.
6 Disposal in FY 2019 due to merger.

D.100

Foundation of Daimler Truck entity after 2020 but before spin-off

Company Name	Country	Foundation date after 2020
Daimler Truck Financial Services GmbH	Germany	Before Aug 9, 2021
Mercedes-Benz Truck Financial Services Deutschland GmbH	Germany	Before Aug 9, 2021
Daimler Truck Financial Services USA LLC	USA	Before Aug 9, 2021
Daimler Truck Finance North America LLC	USA	Before Aug 9, 2021
Daimler Trucks Financial Services Canada Corporation	Canada	Before Aug 9, 2021
Daimler Trucks Financial Services Australia Pty. Ltd.	Australia	Before Aug 9, 2021
Daimler Trucks Financial Services South Africa (Pty) Ltd	South Africa	Before Aug 9, 2021
Daimler Truck Financial Services Asia Co., Ltd.	Japan	Before Aug 9, 2021
Daimler Truck Insurance Agency LLC	USA	Before Aug 9, 2021
Mercedes-Benz Kamyon Finansman A.S.	Turkey	Before Aug 9, 2021
Mercedes-Benz Trucks Services France S.A.	France	Before Aug 9, 2021
Daimler Truck Leasing GmbH	Germany	Before Aug 9, 2021
Mercedes-Benz Trucks Financial Services UK Ltd.	United Kingdom	Before Aug 9, 2021
Daimler Trucks Retail Trust 2021-1	USA	Before Aug 9, 2021
Cúspide Trucks & Buses GmbH	Germany	Before Aug 9, 2021
Daimler Truck International Assignments USA, LLC	USA	After Aug 9, 2021 but prior to the spin-off
Daimler Trucks Innovation Center India Private Limited	India	Before Aug 9, 2021
Daimler Truck Holding AG	Germany	Before Aug 9, 2021
Daimler Truck Pension Trust e.V.	Germany	Before Aug 9, 2021
LICULAR GmbH	Germany	Before Aug 9, 2021

Stuttgart, August 9, 2021

Ola Källenius	Harald Wilhelm
Chairman of the Board of Management of Daimler AG	Finance and Controlling Member of the Board of Management of Daimler AG
Martin Daum	Jochen Götz
Member of the Board of Management of Daimler AG and Chairman of the Board of Management of Daimler Truck AG	Finance and Controlling Member of the Board of Management of Daimler Truck AG

Independent Auditor's Report

To Daimler AG, Stuttgart

Opinion

We have audited the accompanying combined financial statements for the "Daimler Truck Business" of Daimler AG, Stuttgart ("Daimler Truck Business") as described in Note 2 "Basis of Preparation" of the notes to the combined financial statements, which comprise the combined statements of financial position as of and for the year ended December 31, 2018, as of and for the year ended December 31, 2019 and as of and for the year ended December 31, 2020, the combined statements of income, the combined statement of comprehensive income/loss, the combined statement of changes in equity and the combined statement of cash flows for the years then ended, and notes to the combined financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying combined financial statements give a true and fair view of the combined financial position of the Daimler Truck Business as of and for the year ended December 31, 2018, as of and for the year ended December 31, 2019 and as of and for the year ended December 31, 2020 and of its combined financial performance and its combined cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Combined Financial Statements" section of our report. We are independent of the Daimler Truck Business in accordance with the International Ethics Standards Board for Accountants "Code of Ethics for Professional Accountants (IESBA Code)" together with the ethical requirements that are relevant to our audit of the combined financial statements in Germany, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 2 "Basis of Preparation" of the notes to the combined financial statements, which describes their basis of preparation, including the approach to and the purpose for preparing them, and the fact that the Daimler Truck Business has not operated as a separate group of entities. Consequently, the combined financial statements may not necessarily be indicative of the financial performance that would have been achieved if the Daimler Truck Business had operated as an independent group of entities, nor may they be indicative of the results of operations of the Daimler Truck Business for any future period.

Our opinion is not modified in respect of this matter.

Responsibilities of Management of Daimler AG for the Combined Financial Statements

Management of Daimler AG is responsible for the preparation and fair presentation of the combined financial statements in accordance with IFRS, as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, Management is responsible for assessing the Daimler Truck Business' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Daimler Truck Business or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Daimler Truck Business's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of Daimler AG management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Daimler Truck Business's ability

to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Daimler Truck Business to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Daimler Truck Business to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the audit of combined financial statements. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stuttgart, August 9, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

Bock Wirtschaftsprüfer [German Public Auditor]	Mokler Wirtschaftsprüfer [German Public Auditor]

Appendix

Combined Financial Statements as of and for the fiscal years ended December 31, 2020, 2019 and 2018 in accordance with International Financial Reporting Standards (IFRS, as adopted by the EU) Daimler Truck Business