Prospectus dated November 26, 2021

DAIMLER TRUCK

Prospectus

for the admission to trading on the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)

of

50,000 existing ordinary registered shares with no-par value
—each representing a notional share of EUR 1.00 in the share capital per no-par value share and carrying full dividend rights as of March 25, 2021—
International Securities Identification Number (ISIN): DE000DTR0013
German Securities Code (*Wertpapierkennnummer*, WKN): DTR001

and of

822,901,882 newly issued ordinary registered shares with no-par value from capital increases against contribution in kind resolved upon by an extraordinary general meeting on November 5, 2021
—each representing a notional share of EUR 1.00 in the share capital per no-par value share and carrying full dividend rights as of January 1, 2022—
International Securities Identification Number (ISIN): DE000DTR0CK8
German Securities Code (*Wertpapierkennnummer*, WKN): DTR0CK
Ticker Symbol: DTG

of

Daimler Truck Holding AG

Stuttgart, Germany

Financial Advisors and Listing Agents

BNP PARIBAS **Citigroup** **Goldman Sachs Bank Europe SE**

Financial Advisors

Deutsche Bank **J.P. Morgan**

Co-Advisors

Berenberg **BofA Securities** **Landesbank Baden-Württemberg**

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SUMMARY OF THE PROSPECTUS

A. Introduction containing warnings

This prospectus (the "**Prospectus**") relates to the admission to trading on the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (the "**Frankfurt Stock Exchange**") with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (the "**Admission to Trading**") of 50,000 existing ordinary registered shares with no-par value (*auf den Namen lautende Stückaktien*) (the "**Existing Shares**") and 822,901,882 newly issued ordinary registered shares with no-par value (*auf den Namen lautende Stückaktien*) from capital increases against contribution in kind resolved upon by an extraordinary general meeting of Daimler Truck Holding AG (the "**Company**") on November 5, 2021 (the "**New Shares**", together with the Existing Shares, the "**Shares**"). Each Existing Share represents a notional share of EUR 1.00 in the Company's share capital per no-par value share and carries full dividend rights as of March 25, 2021 (with International Securities Identification Number ("**ISIN**"): DE000DTR0013). Each New Share represents a notional share of EUR 1.00 in the Company's share capital per no-par value share and carries full dividend rights as of January 1, 2022 (with ISIN: DE000DTR0CK8). The Company's Legal Entity Identifier ("**LEI**") is 529900PW78JIYOUBSR24 and its business address is at Fasanenweg 10, 70771 Leinfelden-Echterdingen, Federal Republic of Germany ("**Germany**") (telephone +49 711 8485 0; website: www.daimlertruck.com).

The New Shares will be issued in three capital increases, each against contribution in kind under the German Stock Corporation Act (*Aktiengesetz*):

(i) in connection with a spin-off by absorption (*Abspaltung zur Aufnahme*) under the German Transformation Act (*Umwandlungsgesetz*) ("**Spin-off**") resulting in the issuance of 534,918,723 newly issued ordinary registered shares with no-par value (the "**New Spin-off Shares**"),

(ii) in connection with a hive-down by absorption (*Ausgliederung zur Aufnahme*) under the German Transformation Act (*Umwandlungsgesetz*) ("**Hive-down**") resulting in the issuance of 233,936,002 newly issued ordinary registered shares with no-par value (the "**New Hive-down Shares**"), and

(iii) by way of an additional ordinary capital increase against contribution in kind ("**Capital Increase Against Contribution in Kind III**") resulting in the issuance of 54,047,157 newly issued ordinary registered shares with no-par value (the "**New Capital Increase Shares**").

The 534,918,723 New Spin-off Shares, the 233,936,002 New Hive-down Shares and the 54,047,157 New Capital Increase Shares will result in the 822,901,882 New Shares.

The Spin-off, Hive-down and Capital Increase Against Contribution in Kind III (together the "**Demerger Transactions**") will together form the key steps of a sequence of transaction steps, where each will become effective upon registration with the relevant commercial register, which is expected in case of the Spin-off, the Hive-down and the Capital Increase Against Contribution in Kind III on or about December 9, 2021 (the "**Demerger Transactions Effective Date**").

The Company and Citigroup Global Markets Europe AG ("**Citigroup**"), a German stock corporation (*Aktiengesellschaft*) with its registered seat (*Sitz*) in Frankfurt am Main, Germany, incorporated in and operating under the laws of Germany, with business address at Reuterweg 16, 60323 Frankfurt am Main, Germany (LEI: 6TJCK1B7E7UTXP528Y04), will ask for admission of the Shares to trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard).

This Prospectus is dated November 26, 2021 and has been approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*—the "**BaFin**") on November 26, 2021, in accordance with Art. 20 para. 2 of Regulation (EU) 2017/1129 ("**Prospectus Regulation**"). The BaFin can be contacted at Marie-Curie-Straße 24-28, 60439 Frankfurt am Main, Germany, by telephone +49 228 4108-0, or via its website: www.bafin.de.

This summary should be read as an introduction to this Prospectus. Any decision to invest in the Shares of the Company should be based on a consideration of this Prospectus as a whole by an investor. Investors in the Shares of the Company could lose all or part of their invested capital. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled this summary, including any translation thereof, but only where this summary is misleading, inaccurate or inconsistent, when read together with the other parts of this Prospectus, or where it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the Shares of the Company.

B. Key information on the issuer

Who is the issuer of the securities?

Issuer information

Daimler Truck Holding AG is incorporated as a German stock corporation (*Aktiengesellschaft*) and governed by German law. The Company's registered seat (*Sitz*) is in Stuttgart, Germany, and it is registered with the commercial register of the local court of Stuttgart under HRB 778600. The Company can be contacted at its business address: Fasanenweg 10, 70771 Leinfelden-Echterdingen, Germany, by telephone: +49 711 8485 0, or via its website: www.daimlertruck.com. The Company's LEI is 529900PW78JIYOUBSR24.

Principal activities of the issuer

Upon the effectiveness of the Spin-off, the Company will become the holding company of the Group (as defined below).

Prior to the Spin-off, the Daimler trucks and buses business ("**Daimler Trucks & Buses**") and the related financial services business ("**Daimler Truck Financial Services**") did not exist as a separate group, but formed part of a larger group of companies controlled by Daimler AG. The separation and formation of an independent group has been and will be executed in two phases: The first phase includes reorganization measures and transfers of certain legal entities and operations of Daimler Trucks & Buses and Daimler Truck Financial Services to Daimler Truck AG and to subsidiaries of Daimler Truck AG which have already occurred prior to the date of this Prospectus or will have been completed by December 1, 2021 (the "**Phase 1 Transactions**").

The Spin-off, Hive-down and Capital Increase Against Contribution in Kind III will become effective upon registration with the relevant commercial register, which is expected in case of the Spin-off, the Hive-down and the Capital Increase Against Contribution in Kind III on or about December 9, 2021, *i.e.*, the Demerger Transactions Effective Date. Upon the Demerger Transactions Effective Date (*i.e.*, after completion of the Phase 1 Transactions), Daimler Truck AG (including the entities transferred to Daimler Truck AG and to subsidiaries of Daimler Truck AG as part of the Phase 1 Transactions) will become a subsidiary of the Company by way of the Spin-off.

The second phase includes reorganization measures and transfers of certain remaining legal entities and operations of Daimler Trucks & Buses and Daimler Truck Financial Services to the Group that will be implemented in 2022 (*i.e.*, after the Demerger Transactions Effective Date) (the "**Phase 2 Transactions**").

The Combined Financial Statements (as defined below) include only the legal entities and operations of Daimler Trucks & Buses and Daimler Truck Financial Services which are subject to the Phase 1 Transactions, and such legal entities and operations are referred to collectively as the "**Daimler Truck Business**".

In this Prospectus, "**Daimler Truck Group**" or "**Daimler Truck**" or "**Group**" means:

(i) in case of statements or information relating to the time prior to the Demerger Transactions Effective Date (including for the purpose of the historical financial information presented in this Prospectus), the Daimler Truck Business; and

(ii) in case of statements or information relating to the time upon and after the Demerger Transactions Effective Date, the Company and its consolidated subsidiaries.

The Group is one of the world's largest manufacturers of medium-duty and heavy-duty trucks based on unit sales (source: IHS Markit, "Medium Heavy Commercial Vehicle Industry Forecast," November 2021). The Group operates a global network in which it produces trucks and buses under the brands Mercedes-Benz, Freightliner, Western Star, FUSO, BharatBenz, Setra and Thomas Built Buses. Alongside the sale of vehicles and related components and services, the Group also provides tailored financial services under the brand name Daimler Truck Financial Services to support the purchase and use of its trucks and buses.

As of September 30, 2021, the Group had a total of 101,550 employees (headcount) and more than 40 production facilities located in North America, the member states of the European Union along with the United Kingdom, Switzerland, and Norway (collectively, the "**EU30**"), Asia and Latin America. The Group has a presence in most countries around the world and leading market positions in key regions including North America, the EU30, Japan and Brazil. The Group's headquarters are in Leinfelden-Echterdingen, Germany, and it has significant production operations in Brazil, France, Germany, India, Japan, Mexico, Turkey and the United States. In China, the Group owns a 50% stake in Beijing Foton Daimler Automotive Co., Ltd. ("**BFDA**"), a joint venture with Chinese partner Beiqi Foton Motor Co., Ltd. ("**Foton**"), which produces trucks under the Auman brand.

The Group's truck product range includes light-, medium- and heavy-duty trucks for long-distance, distribution and construction-site haulage, special vehicles that are used mainly in municipal applications, as well as industrial engines. Trucks account for the large majority of the Group's total unit sales and revenue. The Group's bus product range comprises city and inter-city buses, touring coaches and bus chassis.

Alongside the sale of new and used commercial vehicles, the Group also offers a range of aftersales services that constitute a significant source of revenue. For both trucks and buses, the Group has a global network of service points which perform maintenance and repair services and sell spare parts. As the Group's latest trucks and buses are wirelessly connected to mobile networks, the Group is able to offer a growing number of connectivity solutions under brand names including Detroit Connect, Fuso Connect, Mercedes-Benz Uptime, Fleetboard and others.

In addition to its vehicles with conventional internal combustion engine-driven powertrains, the Group offers an increasing number of battery-electric vehicles in series production, which began with the Fuso eCanter in 2017, and is developing fuel-cell electric vehicles, along with related charging and intelligent infrastructure. The Group aims to only offer new vehicles in Europe, North America and Japan that are CO_2 neutral in driving operation (tank-to-wheel) by 2039. The Group already has a range of battery-electric commercial vehicles on the road. The Group has also entered into joint ventures and strategic partnerships centered on fuel cell systems and battery-electric and hydrogen supply and charging. The Group also offers e-mobility consulting services to assist its customers with the transition to zero-emissions vehicles.

The Group's activities are divided into five reporting segments: Mercedes-Benz ("**MB**"), Trucks North America ("**TN**"), Trucks Asia ("**TA**"), Daimler Buses ("**DB**") and Financial Services ("**Financial Services**", or the "**Financial Services Business**"). MB, TN, TA and DB are collectively referred to as the "**Automotive Segments**." The Automotive Segments engage in the production and sale of trucks, buses, engines and related services and have divisions which produce and market brand-specific products. In addition, other business activities and investments, in particular in the area of autonomous driving, as well as functions and services provided by the Group's headquarters and other Group companies not allocated to the segments and projects managed by headquarters are recorded under reconciliation ("**Reconciliation**" and, together with the Automotive Segments, the "**Industrial Business**"). In 2021, Volvo and Daimler Truck AG entered into a 50-50 joint venture called cellcentric GmbH & Co. KG for the development, manufacture and marketing of hydrogen fuel cells and systems, which is also included in Reconciliation. The Financial Services Business supports the sales of the Group's truck and bus brands with tailored financial services that include leasing and financing packages as well as insurance and rental solutions purchased by the Group's customers, and plans to offer fleet management and integrated service offerings to the Group's customers.

Major shareholders

As at the date of this Prospectus, Daimler AG is the sole shareholder of the Company (the "**Existing Shareholder**" or "**Daimler AG**"), so that the Company is controlled by the Existing Shareholder.

Following the Demerger Transactions Effective Date, the Existing Shareholder will hold a total of 35.0% of the Shares, of which 28.43% will be held directly and 6.57% indirectly through Daimler Verwaltungsgesellschaft für Grundbesitz mbH, Schönefeld ("**Daimler Grund**"). The New Spin-off Shares, which will then represent 65.0% of the Shares, will be held by the shareholders of the Existing Shareholder. The number of New Spin-off Shares attributable to each shareholder of the Existing Shareholder depends on the percentage of share in the Existing Shareholder held by such shareholder immediately prior to the effective date of the Spin-off.

Subsequent to the Demerger Transactions Effective Date, the Existing Shareholder intends to transfer 5.0% of the Shares indirectly to Daimler Pension Trust e.V.

Control

As at the date of this Prospectus, the Existing Shareholder controls the Company due to its ownership of 100% of the share capital and voting rights in the Company.

In order to exclude that the Existing Shareholder can control the Company after the Demerger Transactions Effective Date due to a possible attendance majority at the general meeting of the Company, the Existing Shareholder, Daimler Grund and the Company entered into a deconsolidation agreement in notarized form (the **"Deconsolidation Agreement**"). The Deconsolidation Agreement stipulates an obligation of the Existing Shareholder and Daimler Grund towards the Company not to exercise their voting rights in the election of two of the ten members of the Company's Supervisory Board to be elected by the shareholders in accordance with section 101 para. 1 sentence 1 of the German Stock Corporation Act (*Aktiengesetz*) in conjunction with section 7 para. 1 sentence 1 no. 3 of the German Co-Determination Act (*Mitbestimmungsgesetz*).

Management board

As at the date of this Prospectus, the Company's Management Board (*Vorstand*) consists of Martin Daum and Jochen Götz. John O'Leary, Karin Rådström, Dr. Andreas Gorbach, Jürgen Hartwig, Stephan Unger and Karl Deppen were appointed as members of the Management Board with the appointment taking effect on or about December 1, 2021. Upon such effectiveness of the appointment of the aforementioned further members of the Management Board, the Management Board will consist of eight members.

Auditor of the financial statements

KPMG AG Wirtschaftsprüfungsgesellschaft, Klingelhöferstraße 18, 10785 Berlin ("**KPMG**") is the independent auditor of the Company. KPMG is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Rauchstraße 26, 10787 Berlin.

What is the key financial information regarding the issuer?

The combined financial statements of the Daimler Truck Business prepared by Daimler AG and Daimler Truck AG in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**") as of and for the fiscal years ended December 31, 2020, 2019 and 2018 (the "**Audited Combined Financial Statements**") were audited in accordance with International Standards on Auditing by KPMG, who issued on August 9, 2021 an independent auditor's report thereon. The unaudited condensed interim combined financial statements of the Daimler Truck Business as of and for the nine months ended September 30, 2021 (the "**Unaudited Condensed Interim Combined Financial Statements**", and, together with the Audited Combined Financial Statements, the "**Combined Financial Statements**") were prepared in accordance with IFRS applicable to interim financial reporting (IAS 34) as adopted by the European Union. The Combined Financial Statements reflect the Daimler Truck Business (which includes the entities and operations being transferred in connection with the Phase 1 Transactions), but do not reflect the entities and operations which are expected to be transferred to the Group in connection with the Phase 2 Transactions.

The audited unconsolidated financial statements of Daimler Truck Holding AG as of and for the stub period from March 25, 2021 to September 30, 2021 (the "**Audited Unconsolidated Financial Statements**") were prepared by Daimler Truck Holding AG in accordance with IFRS as adopted by the European Union.

Where financial information in the tables in this summary is labeled "audited", this means that it has been taken from the Audited Combined Financial Statements or from the Audited Unconsolidated Financial Statements mentioned above. The label "unaudited" is used in the tables in this summary to indicate financial information that has not been taken from the Audited Combined Financial Statements mentioned above, but has been taken either from the Unaudited Condensed Interim Combined Financial Statements or the accounting records or the internal reporting systems of the Group, or is derived from the Audited Combined Financial Statements or from the Audited Unconsolidated Financial Statements, or has been calculated based on figures from the aforementioned sources.

Key financial information from the Combined Statements of Income

	For the year ended December 31			For the nine months ended September 30	
	2020	2019	2018	2021	2020
	EUR millions (audited)			EUR millions (unaudited)	
Revenue	36,013	46,244	43,700	28,418	25,154
Earnings before interest and taxes ("**EBIT**")	491	2,792	2,734	2,940	(53)
Net profit/loss	(131)	1,750	1,839	2,265	(499)

Key financial information from the Combined Statements of Financial Position

	As at December 31			As at September 30
	2020	2019	2018	2021
	EUR millions (audited)			EUR millions (unaudited)
Total assets	49,989	55,367	49,972	50,817
Total equity	8,708	10,345	9,332	11,012

Key financial information from the Combined Statements of Cash Flows

	For the year ended December 31			For the nine months ended September 30	
	2020	2019	2018	2021	2020
	EUR millions (audited)			EUR millions (unaudited)	
Cash provided by operating activities	4,170	1,270	876	1,269	2,536
Cash used for/provided by investing activities	(2,352)	(3,227)	(2,727)	1,942	(1,480)
Cash used for/provided by financing activities	(1,135)	2,493	1,512	(3,405)	(580)

Key Performance Indicators and Alternative Performance Measures

	For the year ended December 31			For the nine months ended September 30	
	2020	2019	2018	2021	2020
	EUR millions, except where indicated (unaudited, except where indicated)				
EBIT(1)	491(6)	2,792(6)	2,734(6)	2,940	(53)
Adj. EBIT(2)	657	2,792	2,734	1,958	21
Adj. RoS for the Industrial Business(3)	1.9%	5.8%	5.9%	6.7%	0.3%
FCF for the Industrial Business(4)	1,781	1,478	930	649	534
Adj. FCF for the Industrial Business(5)	1,781	1,478	930	94	534

Notes:

(1) EBIT comprises the Group's 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.

(2) Adjusted Earnings before Interest and Taxes ("**Adj. EBIT**") for the Group is based on EBIT as adjusted to exclude significant results for legal proceedings and related measures, restructuring measures and M&A transactions that are not expected to occur on a regular recurring basis for the Group.

(3) Adjusted Return on Sales (“**Adj. RoS**”) for the Industrial Business is calculated by dividing Adj. EBIT for the Industrial Business by revenue of the Industrial Business. Adj. RoS for the Industrial Business includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.

(4) Free cash flow (“**FCF**”) for the Industrial Business is defined as the free cash flow for the Group minus the free cash flow for the Financial Services segment. The free cash flow for the Group and the free cash flow for the Financial Services segment, respectively, each consist of the sum of cash provided by operating activities, cash used for investing activities, changes in marketable debt securities and similar investments, right-of-use assets, and other adjustments for the Group or the Financial Services segment, as applicable. The cash flows from sales and purchases of marketable debt securities and similar investments included in cash flows from investing activities are deducted, as those securities are allocated to liquidity. On the other hand, effects in connection with the recognition and measurement of right-of-use assets, which result from the change in lessee accounting and are largely non-cash items, are included. FCF for the Industrial Business includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.

(5) Adjusted FCF (“**Adj. FCF**”) for the Industrial Business is based on FCF for the Industrial Business as adjusted to exclude significant cash payments for legal proceedings and related measures, restructuring measures and M&A transactions that are not expected to occur on a regular recurring basis. Adjusted FCF for the Industrial Business includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.

(6) Audited.

What are the key risks that are specific to the issuer?

- The Covid-19 pandemic continues to pose a significant risk to the global economy and to the Group’s business, in particular if ongoing outbreaks and government containment measures undermine economic recovery in the Group’s key markets and thereby result in subdued demand for the Group’s products and services.
- Demand for the Group’s products depends on economic and political conditions globally and in the Group’s key markets given that weak or uncertain economic growth or political tension can undermine consumer confidence and discourage investment across entire economies, thereby leading to lower demand for the Group’s products and services.
- Cyclical or variable demand patterns may result in a prolonged or unexpected decline in demand for the Group’s products and services.
- The Group’s business could be materially adversely affected by the imposition or relaxation of measures restricting market access, including tariffs and other barriers to trade, which could increase the Group’s cost of production or the price of its products, or jeopardize the competitiveness of the Group’s products.
- The truck and bus manufacturing industry is highly competitive with a high degree of customer focus on the total cost of ownership, as well as, increasingly, on technological leadership as the industry moves towards alternative powertrains, connectivity solutions and autonomous driving (among other innovations) and attracts new entrants and other competitors with which the Group may not be able to compete.
- The Group is dependent on third-party suppliers and in particular faces an ongoing shortage of semiconductors crucial to its products, which has hampered the Group’s ability to keep up with market demand for its products and resulted in a material impact on its results for the financial year 2021, and could continue to do so for some time.
- The Group’s future business success depends on its ability to respond to evolving market trends for innovative, attractive and energy-efficient products, technologies and services. However, as it is not always clear which innovations will be successful, there is the risk that the Group may fail to invest in the technologies which gain wide market acceptance.
- The Group’s future success is dependent on the successful execution of its business strategy to raise its profitability as an independent company and to become a technology leader in the market with its deployment of zero-emissions vehicles and increasingly digitalized truck solutions on a global scale. However, there is a risk that the Group may fail to increase its profitability, or to successfully deploy series-capable battery electric trucks, fuel cell electric trucks or digitalized truck solutions.
- The Group is subject to risks relating to its co-operations with strategic collaboration and joint venture partners, including that these collaborations and joint ventures may not function as intended or yield the expected results, such as achieving synergies, cost savings, expansions in the Group’s product offerings or other benefits.
- The Group’s business depends on the timely availability of high-quality raw materials, parts and components at reasonable prices. However, prices of these materials, components and parts are susceptible to significant, and at times sharp, fluctuations.
- Governmental regulations regarding climate change and vehicle exhaust emissions could result in substantial costs for the Group, and the Group may not be able to develop commercially viable products that comply with such regulations, with non-compliance resulting in regulatory proceedings, substantial fines and limitations on the Group’s ability to market its products.
- The Group is subject to risks arising from legal disputes and government proceedings, including legal risks regarding antitrust regulation and related enforcement actions and damage claims.

- The Group has not previously operated as a stand-alone publicly listed company and may face difficulties operating effectively and fully implementing its business strategy.

C. Key information on the securities

What are the main features of the securities?

Type, class, par value

This summary relates to the Admission to Trading of ordinary registered Shares with no-par value (*auf den Namen lautende Stückaktien*) of the Company comprising the Existing Shares (with ISIN: DE000DTR0013; German Securities Code (*Wertpapierkennnummer, WKN*): DTR001) and the New Shares (with ISIN: DE000DTR0CK8; German Securities Code (*Wertpapierkennnummer*, WKN): DTR0CK; Ticker Symbol: DTG). All Shares of the Company are shares of the same class.

Number of securities

As at the date of this Prospectus, the share capital of the Company amounts to EUR 50,000 and is divided into 50,000 ordinary registered shares with no-par value (*auf den Namen lautende Stückaktien*). Each Share of the Company represents a notional share of EUR 1.00 in the Company's share capital per no-par value share. All Shares of the Company are fully paid up. As of the Demerger Transactions Effective Date, the share capital of the Company will amount to EUR 822,951,882 and will be divided into 822,951,882 no-par value ordinary registered shares, with each Share of the Company representing a notional share of EUR 1.00 in the Company's share capital per no-par value share.

Currency

The Company's Shares are denominated in Euro.

Rights attached

Each share of the Company carries one vote at the Company's general meeting. There are no restrictions on voting rights. The Company's Existing Shares carry full dividend rights as of March 25, 2021. The Company's New Shares carry full dividend rights as of January 1, 2022.

Seniority

The Shares of the Company are subordinated to all other securities and claims in case of an insolvency of the Company.

Free transferability

The Shares of the Company are freely transferable in accordance with the legal requirements for ordinary registered shares (*Namensaktien*). The articles of association of the Company do not require that the Company grants its consent to a transfer of the Shares.

Dividend policy

Subject to the availability of distributable profit (*Bilanzgewinn*), legal restrictions with respect to the distribution of profits and available funds, and subject to prevailing market conditions and the economic situation at the time of the distribution, the Company intends to pay an annual dividend of approximately 40% of the Group's consolidated net profit attributable to the shareholders of the Company according to IFRS, provided that the payment of such annual dividend is covered by the free cash flow resulting from the Industrial Business, for the first time in 2023 for the fiscal year ending in 2022. Any future determination to pay dividends will be made in accordance with applicable laws, and will depend upon, among other factors, the Group's results of operations, financial condition, contractual restrictions and capital requirements. Any proposals of the Management Board of the Company to pay dividends is subject to the approval of the general meeting. The Company depends to a significant extent on the transfer of distributable profits from its operating subsidiaries. The Company can make no predictions as to the size of any future profits available for distribution, and hence the Company cannot guarantee that dividends will be paid in the future.

Where will the securities be traded?

The Company, together with Citigroup, will apply for admission of the Company's Shares to trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof (Prime Standard) with additional post-admission obligations. Public trading in the Shares is expected to commence on December 10, 2021.

What are the key risks that are specific to the securities?

- The Shares of the Company have not been publicly traded. A liquid trading market for the Company's Shares may not develop.

- Substantial sales of the Company's Shares may occur in connection with the Spin-off, which could cause the price of the Shares to decline.

D. Key information on the admission to trading on a regulated market

Under which conditions and timetable can I invest in this security?

The Shares can be bought and sold on the Frankfurt Stock Exchange following the commencement of trading on the Frankfurt Stock Exchange which is expected to occur on December 10, 2021.

Who is the person asking for admission to trading?

Admission to trading

The Company and Citigroup, a German stock corporation (*Aktiengesellschaft*) with its registered seat (*Sitz*) in Frankfurt am Main, Germany, incorporated in and operating under the laws of the Federal Republic of Germany, with business address at Reuterweg 16, 60323 Frankfurt am Main, Germany (LEI: 6TJCK1B7E7UTXP528Y04), will ask for admission of the Shares to trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard).

Why is this Prospectus being produced?

The purpose of this Prospectus is to admit the Shares to trading on the Frankfurt Stock Exchange.

No proceeds; costs of the Admission to Trading

Neither the Company nor the Existing Shareholder will receive proceeds in connection with the Admission to Trading. All costs in connection with the Admission to Trading are assumed by Daimler AG except that the Company will bear costs of up to EUR 1.0 million in connection with the Admission to Trading.

Listing Agreement

The Company, the Existing Shareholder as well as BNP PARIBAS S.A., 16, boulevard des Italiens, 75009 Paris, France ("**BNP PARIBAS**"), Citigroup and Goldman Sachs Bank Europe SE, Taunusanlage 9-10, 60329 Frankfurt am Main, Germany ("**Goldman Sachs Bank Europe SE**", and, together with BNP PARIBAS and Citigroup, the "**Listing Agents**"), acting as financial advisors and Listing Agents and Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Germany ("**Deutsche Bank**"), and J.P. Morgan AG, Taunustor 1, TaunusTurm, 60310 Frankfurt am Main, Germany ("**J.P. Morgan**"), acting as financial advisors (Deutsche Bank and J.P. Morgan together, the "**Financial Advisors**") and Joh. Berenberg, Gossler & Co. KG, Neuer Jungfernstieg 20, 20354 Hamburg, Germany ("**Berenberg**"), BofA Securities Europe SA, 51 rue La Boétie, 75008 Paris, France ("**BofA Securities**") and Landesbank Baden-Württemberg, Am Hauptbahnhof 2, 70173 Stuttgart, Germany ("**Landesbank Baden-Württemberg**"), acting as co-advisors (the "**Co-Advisors**", and, together with the Financial Advisors and the Listing Agents, the "**Banks**") entered into a listing agreement dated November 26, 2021 (the "**Listing Agreement**"), pursuant to which BNP PARIBAS, Citigroup and Goldman Sachs Bank Europe SE act as the Listing Agents, in connection with the Admission to Trading. In the Listing Agreement, the Company and the Existing Shareholder each agreed to indemnify and hold harmless each of the Banks against and from certain liabilities and obligations that may arise in connection with the Admission to Trading. Moreover, the Company and the Existing Shareholder committed themselves to certain customary lock-up undertakings for the period commencing on the date of the Listing Agreement and ending six months after the first day of trading of the Company's Shares on the Frankfurt Stock Exchange. The Listing Agreement provides that the obligation of the Listing Agents to pursue and uphold the application for the Admission to Trading under the Listing Agreement is subject to the satisfaction of certain customary conditions, including, for example, the receipt of customary confirmations and legal opinions satisfactory to the requirements of the Banks.

Material conflicts of interest pertaining to the Admission to Trading

There are no material conflicting interests with respect to the Admission to Trading.

ZUSAMMENFASSUNG DES PROSPEKTS

(GERMAN TRANSLATION OF THE SUMMARY OF THE PROSPECTUS)

A. Einleitung mit Warnhinweisen

Dieser Prospekt (der „**Prospekt**“) bezieht sich auf die Zulassung zum Regulierten Markt an der Frankfurter Wertpapierbörse (die „**Frankfurter Wertpapierbörse**“) mit gleichzeitiger Zulassung zum Teilbereich des Regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) der Frankfurter Wertpapierbörse (die „**Börsenzulassung**“) von 50.000 bestehenden, auf den Namen lautenden Stückaktien (die „**Bestehenden Aktien**“) und 822.901.882 neu ausgegebenen auf den Namen lautenden Stückaktien aus Sachkapitalerhöhungen, die von der außerordentlichen Hauptversammlung der Daimler Truck Holding AG (die „**Gesellschaft**“) am 5. November 2021 beschlossen wurden (die „**Neuen Aktien**“, zusammen mit den Bestehenden Aktien die „**Aktien**“). Jede Bestehende Aktie repräsentiert einen rechnerischen Anteil von EUR 1,00 am Grundkapital der Gesellschaft und ist ab dem 25. März 2021 voll dividendenberechtigt (mit Internationaler Wertpapierkennnummer (*International Securities Identification Number*, „**ISIN**“): DE000DTR0013). Jede Neue Aktie repräsentiert einen rechnerischen Anteil von EUR 1,00 am Grundkapital der Gesellschaft und ist ab dem 1. Januar 2022 voll dividendenberechtigt (mit ISIN: DE000DTR0CK8). Die Nummer der Rechtsträgerkennung (*Legal Entity Identifier* „**LEI**“) der Gesellschaft lautet 529900PW78JIYOUBSR24 und ihre Geschäftsanschrift ist Fasanenweg 10, 70771 Leinfelden-Echterdingen, Bundesrepublik Deutschland („**Deutschland**“) (Telefon: +49 711 8485 0; Website: www.daimlertruck.com).

Die Neuen Aktien werden im Rahmen von drei Sachkapitalerhöhungen nach dem Aktiengesetz ausgegeben:

(i) im Zusammenhang mit einer Abspaltung zur Aufnahme nach dem Umwandlungsgesetz („**Abspaltung**“) mit der Folge der Ausgabe von 534.918.723 neuen auf den Namen lautenden Stückaktien („**Neue Spaltungsaktien**“),

(ii) im Zusammenhang mit einer Ausgliederung zur Aufnahme nach dem Umwandlungsgesetz („**Ausgliederung**“) mit der Folge der Ausgabe von 233.936.002 neuen auf den Namen lautenden Stückaktien („**Neue Ausgliederungsaktien**“) und

(iii) im Wege einer zusätzlichen Sachkapitalerhöhung („**Sachkapitalerhöhung III**“) mit der Folge der Ausgabe von 54.047.157 neuen auf den Namen lautenden Stückaktien („**Neue Kapitalerhöhungsaktien**“).

Die 534.918.723 Neuen Spaltungsaktien, die 233.936.002 Neuen Ausgliederungsaktien und die 54.047.157 Neuen Kapitalerhöhungsaktien ergeben die 822.901.882 Neuen Aktien.

Die Abspaltung, die Ausgliederung und die Sachkapitalerhöhung III (zusammen die „**Spaltungstransaktionen**“) bilden zusammen die wesentlichen Schritte einer Abfolge von Transaktionsschritten, wobei jeder mit Eintragung in das relevante Handelsregister wirksam wird, die für die Abspaltung, die Ausgliederung und die Sachkapitalerhöhung III jeweils am oder um den 9. Dezember 2021 erwartet wird (der „**Spaltungstransaktionsstichtag**“).

Die Gesellschaft und die Citigroup Global Markets Europe AG („**Citigroup**“), eine Aktiengesellschaft nach deutschem Recht mit Sitz in Frankfurt am Main, Deutschland, und Geschäftsanschrift in Reuterweg 16, 60323 Frankfurt am Main, Deutschland (LEI: 6TJCK1B7E7UTXP528Y04), werden die Zulassung der Aktien zum Handel am Regulierten Markt an der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des Regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) beantragen.

Dieser Prospekt ist auf den 26. November 2021 datiert und die Bundesanstalt für Finanzdienstleistungsaufsicht (die „**BaFin**“) hat ihn am 26. November 2021 gemäß Art. 20 Abs. 2 der Verordnung (EU) 2017/1129 („**EU-Prospektverordnung**“) gebilligt. Die BaFin ist unter der Anschrift Marie-Curie-Str. 24-28, 60439 Frankfurt am Main, Deutschland, telefonisch: +49 228 4108-0 oder über ihre Website: www.bafin.de erreichbar.

Diese Zusammenfassung sollte als Einleitung zu diesem Prospekt verstanden werden. Ein Anleger sollte sich bei der Entscheidung, in die Aktien der Gesellschaft zu investieren, auf diesen Prospekt als Ganzes stützen. Anleger, die in die Aktien der Gesellschaft investieren, könnten das gesamte angelegte Kapital oder einen Teil davon verlieren. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der in diesem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger nach nationalem Recht die Kosten für die Übersetzung dieses Prospekts vor Prozessbeginn zu tragen haben. Zivilrechtlich haften nur die Personen, die diese Zusammenfassung samt etwaiger Übersetzungen vorgelegt und übermittelt haben, und dies auch nur für den Fall, dass diese Zusammenfassung, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird, irreführend, unrichtig oder widersprüchlich ist oder dass sie, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird, nicht die Basisinformationen vermittelt, die in Bezug auf Anlagen in die Aktien der Gesellschaft für die Anleger eine Entscheidungshilfe darstellen würden.

B. Basisinformationen über die Emittentin

Wer ist die Emittentin der Wertpapiere?

Informationen über die Emittentin

Die Daimler Truck Holding AG ist eine Aktiengesellschaft und unterliegt deutschem Recht. Die Gesellschaft hat ihren Sitz in Stuttgart, Deutschland, und ist im Handelsregister des Amtsgerichts Stuttgart unter der HRB 778600 eingetragen. Die Gesellschaft ist unter ihrer Geschäftsanschrift: Fasanenweg 10, 70771 Leinfelden-Echterdingen, Deutschland, telefonisch: +49 711 8485 0, oder über ihre Website: www.daimlertruck.com, erreichbar. Der LEI der Gesellschaft ist 529900PW78JIYOUBSR24.

Haupttätigkeiten der Emittentin

Mit dem Wirksamwerden der Abspaltung wird die Gesellschaft die Holdinggesellschaft der Gruppe (wie unten definiert).

Vor der Ausgliederung existierten der Geschäftsbereich Daimler Trucks and Buses („**Daimler Trucks & Buses**") und der damit verbundene Bereich des Finanzdienstleistungsgeschäfts („**Daimler Truck Financial Services**") nicht als eigenständige Gruppe, sondern waren Teil einer größeren Gruppe von Unternehmen, die von der Daimler AG kontrolliert wurden. Die Trennung und Bildung einer unabhängigen Gruppe sind und werden in zwei Phasen durchgeführt: Die erste Phase umfasst Reorganisationsmaßnahmen und Übertragungen von bestimmten rechtlichen Einheiten und Geschäftsbetrieben von Daimler Trucks & Buses und Daimler Truck Financial Services auf die Daimler Truck AG und auf Tochtergesellschaften der Daimler Truck AG, die bereits vor dem Datum dieses Prospekts erfolgt sind oder bis zum 1. Dezember 2021 abgeschlossen sein werden (die „**Phase 1 Transaktionen**").

Die Abspaltung, Ausgliederung und Kapitalerhöhung III werden mit Eintragung in das relevante Handelsregister wirksam, die für die Abspaltung, Ausgliederung und Kapitalerhöhung III am oder um den 9. Dezember 2021 erwartet wird, d.h. der Spaltungstransaktionsstichtag. Nach dem Spaltungstransaktionsstichtag (d.h. nach Abschluss der Phase 1 Transaktionen), wird die Daimler Truck AG (einschließlich der Gesellschaften, die als Teil der Phase 1 Transaktionen auf die Daimler Truck AG und auf Tochtergesellschaften der Daimler Truck AG übertragen werden) eine Tochtergesellschaft der Gesellschaft im Wege der Abspaltung.

Die zweite Phase umfasst Reorganisationsmaßnahmen und Übertragungen bestimmter verbleibender rechtlicher Einheiten und Geschäftsbetriebe von Daimler Trucks & Buses und Daimler Truck Financial Services auf die Gruppe, deren Durchführung in 2022 erfolgen wird (d.h. nach dem Spaltungstransaktionsstichtag) (die „**Phase 2 Transaktionen**").

Die Kombinierten Finanzabschlüsse (wie nachstehend definiert) umfassen nur die rechtlichen Einheiten und Geschäftsbetriebe von Daimler Trucks & Buses und Daimler Truck Financial Services, die Gegenstand der Phase 1 Transaktionen sind, und diese rechtlichen Einheiten und Geschäftsbetriebe werden gemeinsam als „**Daimler Truck-Geschäftsbereich**" bezeichnet.

In diesem Prospekt beziehen sich die Begriffe „**Daimler Truck Gruppe**" oder „**Daimler Truck**" oder „**Gruppe**":

(i) im Falle von Darstellungen oder Informationen, die sich auf die Zeit vor dem Spaltungstransaktionsstichtag beziehen (einschließlich für die Zwecke der in diesem Prospekt dargestellten historischen Finanzinformationen), auf den Daimler Truck-Geschäftsbereich, und

(ii) im Falle von Darstellungen oder Informationen, die sich auf die Zeit nach dem Spaltungstransaktionsstichtag beziehen, auf die Gesellschaft und ihre konsolidierten Tochtergesellschaften.

Die Gruppe ist einer der weltweit größten Hersteller von mittelschweren und schweren Lkws basierend auf verkauften Einheiten (Quelle: IHS Markit, „Medium Heavy Commercial Vehicle Industry Forecast", November 2021). Die Gruppe betreibt ein globales Netzwerk, in dem sie unter den Marken Mercedes-Benz, Freightliner, Western Star, FUSO, BharatBenz, Setra und Thomas Built Buses Lkws und Busse produziert. Neben dem Verkauf von Fahrzeugen und verwandten Komponenten und Dienstleistungen bietet die Gruppe außerdem maßgeschneiderte Finanzdienstleistungen unter der Marke Daimler Truck Financial Services zur Unterstützung des Erwerbs und des Gebrauchs ihrer Lkws und Busse an.

Zum 30. September 2021 hatte die Gruppe insgesamt 101.550 Mitarbeiter (Mitarbeiterzahl) und mehr als 40 Produktionsstätten in Nordamerika, den Mitgliedstaaten der Europäischen Union zusammen mit dem Vereinigten Königreich, der Schweiz und Norwegen (zusammen die „**Region EU30**"), Asien und Lateinamerika. Die Gruppe hat Niederlassungen in den meisten Staaten der Welt und hält eine führende Marktposition in Schlüsselregionen, darunter Nordamerika, die Region EU30, Japan und Brasilien. Die Hauptverwaltung der Gruppe befindet sich in Leinfelden-Echterdingen, Deutschland; zudem verfügt die Gruppe über bedeutende Produktionsbetriebe in Brasilien, Frankreich, Deutschland, Indien, Japan, Mexiko, der Türkei und den Vereinigten Staaten. In China hält die Gruppe eine 50 % ige Beteiligung an der Beijing Foton Daimler Automotive Co., Ltd. („**BFDA**"), einem Joint Venture mit dem chinesischen Partner Beiqi Foton Motor Co., Ltd. („**Foton**"), der Lkws unter der Marke Auman produziert.

Die Lkw-Produktpalette der Gruppe umfasst leichte, mittelschwere und schwere Lkws für den Fern-, Verteiler- und Baustellenverkehr, Spezialfahrzeuge, die hauptsächlich im kommunalen Bereich zum Einsatz kommen, sowie Industriemotoren. Lkws machen den größten Teil des Gesamtabsatzes und des Umsatzes der Gruppe aus. Die Bus-Produktpalette der Gruppe umfasst Stadtbusse und Überlandbusse, Reisebusse sowie Busfahrgestelle.

Neben dem Verkauf von neuen und gebrauchten Nutzfahrzeugen bietet die Gruppe auch eine Reihe an Aftersales-Services an, die eine bedeutende Einnahmequelle darstellen. Sowohl für Lkws als auch für Busse hat die Gruppe ein globales Netzwerk aus Servicestandorten, an denen Wartungs- und Reparaturdienstleistungen erbracht sowie Ersatzteile verkauft werden. Da die neusten Lkws und Busse der Gruppe mit Mobilfunknetzen verbunden sind, ist die Gruppe in der Lage, eine steigende Anzahl an Konnektivitätslösungen anzubieten, insbesondere unter den Marken Detroit Connect, Fuso Connect, Mercedes-Benz Uptime, Fleetboard, sowie unter weiteren Marken.

Neben ihren Fahrzeugen mit konventionellen internen verbrennungsmotorbetriebenen Antriebssystemen bietet die Gruppe, beginnend im Jahr 2017 mit dem Fuso eCanter, eine steigende Anzahl an batteriebetriebenen Elektroautos in Serienfertigung an und entwickelt Brennstoffzellen-Elektroautos nebst zugehöriger Lade- und intelligenter Infrastruktur. Die Gruppe strebt bis zum Jahr 2039 an, in der Region Europa, Nordamerika und Japan nur noch Neufahrzeuge anzubieten, die im Fahrbetrieb (*tank-to-wheel*) CO_2-neutral sind. Einige batteriebetriebene Elektronutzfahrzeuge der Gruppe fahren bereits auf den Straßen. Die Gruppe ist außerdem Joint Ventures und strategische Partnerschaften mit Fokus auf Brennstoffzellensystemen, batterieelektrischer und Wasserstoffversorgung sowie batterieelektrischer Ladung und Ladung mit Wasserstoff eingegangen. Die Gruppe bietet außerdem Beratungsservices zu E-Mobilität zur Unterstützung ihrer Kunden beim Wechsel zu emissionsfreien Fahrzeugen an.

Die Tätigkeiten der Gruppe sind in fünf Berichtssegmente unterteilt: Mercedes-Benz („**MB**"), Trucks North America („**TN**"), Trucks Asia („**TA**"), Daimler Buses („**DB**") und Finanzdienstleistungen („**Financial Services**" oder das „**Financial**

Services-Geschäft“). MB, TN, TA und DB bilden zusammen die „**Automotive Segmente**“. Im Automotive Segment erfolgen die Produktion und der Verkauf von Lkws, Bussen, Motoren sowie damit zusammenhängender Dienstleistungen und in seinen Bereichen werden markenspezifische Produkte produziert und vermarktet. Darüber hinaus werden weitere Geschäftsaktivitäten und Investitionen erfasst, insbesondere im Bereich des autonomen Fahrens, sowie Funktionen und Dienstleistungen der Hauptverwaltung und anderer Konzerngesellschaften, die nicht den Segmenten zugeordnet sind sowie von der Hauptverwaltung geleitete Projekte als Überleitungsposten („**Überleitungsposten**“, zusammen mit den Automotive Segmenten, das „**Industriegeschäft**“). Im Jahr 2021 gründeten die Daimler Truck AG und Volvo ein 50:50 Joint Venture mit dem Namen cellcentric GmbH & Co. KG für die Entwicklung, Herstellung und Vermarktung von Wasserstoff-Brennstoffzellen und -systemen, welches ebenfalls in den Überleitungsposten enthalten ist. Das Financial Services-Geschäft unterstützt den Verkauf der Lkw- und Busmarken der Gruppe durch maßgeschneiderte Finanzdienstleistungen, darunter Leasing- und Finanzierungspakete sowie Versicherungs- und Mietlösungen, die von den Kunden der Gruppe erworben werden, und plant, den Kunden der Gruppe Flottenmanagement- und integrierte Serviceangebote anzubieten.

Hauptanteilseigner

Zum Datum dieses Prospekts ist die Daimler AG die alleinige Aktionärin der Gesellschaft (die „**Bestehende Aktionärin**“ oder „**Daimler AG**“), so dass die Gesellschaft von der Bestehenden Aktionärin beherrscht wird.

Nach dem Spaltungstransaktionsstichtag wird die Bestehende Aktionärin insgesamt 35,0 % der Aktien halten, davon 28,43 % direkt und 6,57 % indirekt über die Daimler Verwaltungsgesellschaft für Grundbesitz mbH, Schönefeld („**Daimler Grund**“). Die Neuen Spaltungsaktien, die dann 65,0 % der Aktien ausmachen werden, werden von den Aktionären der Bestehenden Aktionärin gehalten. Die Anzahl der Neuen Spaltungsaktien, die jedem Aktionär der Bestehenden Aktionärin zuzurechnen sind, hängt von der prozentualen Beteiligung an der Bestehenden Aktionärin ab, die der jeweilige Aktionär unmittelbar vor dem Datum des Inkrafttretens der Abspaltung hält.

Im Anschluss an den Spaltungstransaktionsstichtag beabsichtigt die Bestehende Aktionärin, 5,0 % der Aktien indirekt auf den Daimler Pension Trust e.V. zu übertragen.

Beherrschung

Zum Datum dieses Prospekts beherrscht die Bestehende Aktionärin die Gesellschaft aufgrund ihrer 100 %-Beteiligung am Grundkapital und an den Stimmrechten der Gesellschaft.

Um auszuschließen, dass die Bestehende Aktionärin die Gesellschaft nach dem Spaltungstransaktionsstichtag wegen einer möglichen Präsenzmehrheit in der Hauptversammlung der Gesellschaft kontrollieren kann, haben die Bestehende Aktionärin, Daimler Grund und die Gesellschaft eine Entkonsolidierungsvereinbarung in notarieller Form (die „**Entkonsolidierungsvereinbarung**“) abgeschlossen. Die Entkonsolidierungsvereinbarung sieht eine Verpflichtung der Bestehenden Aktionärin und von Daimler Grund gegenüber der Gesellschaft vor, ihre Stimmrechte bei der Wahl von zwei der zehn von den Aktionären zu wählenden Mitgliedern des Aufsichtsrats der Gesellschaft gemäß § 101 Abs. 1 Satz 1 Aktiengesetz (*AktG*) i.V.m. § 7 Abs. 1 Satz 1 Nr. 3 *Mitbestimmungsgesetz* (*MitbestG*) nicht auszuüben.

Vorstand

Zum Datum dieses Prospekts besteht der Vorstand der Gesellschaft aus den Mitgliedern Martin Daum und Jochen Götz. John O’Leary, Karin Rådström, Dr. Andreas Gorbach, Jürgen Hartwig, Stephan Unger und Karl Deppen wurden zu Mitgliedern des Vorstands bestellt, wobei die Bestellung am oder um den 1. Dezember 2021 wirksam wird. Nach Wirksamwerden der Bestellung der weiteren Vorstandsmitglieder wird der Vorstand aus acht Mitgliedern bestehen.

Abschlussprüfer

Unabhängiger Abschlussprüfer der Gesellschaft ist die KPMG AG Wirtschaftsprüfungsgesellschaft, Klingelhöferstraße 18, 10785 Berlin („**KPMG**“). KPMG ist Mitglied der Wirtschaftsprüferkammer, Rauchstraße 26, 10787 Berlin.

Welches sind die wesentlichen Finanzinformationen über die Emittentin?

Der kombinierte Jahresabschluss des Daimler Truck-Geschäftsbereichs, den die Daimler AG und die Daimler Truck AG nach den *International Financial Reporting Standards*, wie sie in der Europäischen Union anzuwenden sind, („**IFRS**“) jeweils für das Geschäftsjahr zum 31. Dezember 2020, 2019 und 2018 erstellt haben, (der „**Geprüfte Kombinierte Jahresabschluss**“) wurde von der KPMG gemäß den *International Standards on Auditing* geprüft und der Bestätigungsvermerk des unabhängigen Abschlussprüfers wurde am 9. August 2021 erteilt. Der ungeprüfte verkürzte kombinierte Zwischenabschluss des Daimler Truck-Geschäftsbereichs für den Zeitraum von neun Monaten zum 30. September 2021 (der „**Ungeprüfte Verkürzte Kombinierte Zwischenabschluss**“, zusammen mit dem Geprüften Kombinierten Jahresabschluss die „**Kombinierten Finanzabschlüsse**“) wurde nach den IFRS für eine Zwischenberichterstattung (IAS 34), wie sie in der Europäischen Union anzuwenden sind, erstellt. Die Kombinierten Finanzabschlüsse umfassen den Daimler Truck-Geschäftsbereich (hierzu zählen die im Rahmen der Phase 1 Transaktionen übertragenen Einheiten und Geschäftsbetriebe), sie beinhalten jedoch nicht die Einheiten und Geschäftsbetriebe, die im Rahmen der Phase 2 Transaktionen voraussichtlich auf die Gruppe übertragen werden.

Der geprüfte Einzelabschluss der Daimler Truck Holding AG für die Rumpfperiode vom 25. März 2021 bis zum 30. September 2021 (der „**Geprüfte Einzelabschluss**“) wurde von der Daimler Truck Holding AG erstellt gemäß den IFRS, wie sie in der Europäischen Union anzuwenden sind.

Wenn die Finanzdaten in den Tabellen dieser Zusammenfassung als „geprüft“ bezeichnet werden, bedeutet dies, dass sie aus dem vorstehend genannten Geprüften Kombinierten Jahresabschluss oder Geprüften Einzelabschluss übernommen wurden.

Die Bezeichnung „ungeprüft” wird in den Tabellen dieser Zusammenfassung für Finanzdaten verwendet, die nicht aus dem vorstehend genannten Geprüften Kombinierten Jahresabschluss stammen, sondern entweder dem Ungeprüften Verkürzten Kombinierten Zwischenabschluss oder den Buchhaltungsaufzeichnungen oder internen Berichtssystemen der Gruppe entnommen wurden, oder von dem Geprüften Kombinierten Jahresabschluss oder dem Geprüften Einzelabschluss hergeleitet wurden oder auf Berechnungen von Zahlen aus den zuvor genannten Quellen basieren.

Wesentliche Finanzinformationen aus der kombinierten Gewinn- und Verlustrechnung

	Geschäftsjahr zum 31. Dezember			Neun Monate zum 30. September	
	2020	2019	2018	2021	2020
	in Mio. EUR (geprüft)			in Mio. EUR (ungeprüft)	
Umsatzerlöse	36.013	46.244	43.700	28.418	25.154
Ergebnis vor Zinsergebnis und Ertragsteuern (“**EBIT**”)	491	2.792	2.734	2.940	(53)
Nettoergebnis	(131)	1.750	1.839	2.265	(499)

Wesentliche Finanzinformationen aus der kombinierten Bilanz

	Zum 31. Dezember			Zum 30. September
	2020	2019	2018	2021
	in Mio. EUR (geprüft)			in Mio. EUR (ungeprüft)
Summe Aktiva	49.989	55.367	49.972	50.817
Summe Eigenkapital	8.708	10.345	9.332	11.012

Wesentliche Finanzinformationen aus der kombinierten Kapitalflussrechnung

	Geschäftsjahr zum 31. Dezember			Neun Monate zum 30. September	
	2020	2019	2018	2021	2020
	in Mio. EUR (geprüft)			in Mio. EUR (ungeprüft)	
Cashflow aus der Geschäftstätigkeit	4.170	1.270	876	1.269	2.536
Cashflow aus der Investitionstätigkeit	(2.352)	(3.227)	(2.727)	1.942	(1.480)
Cashflow aus der Finanzierungstätigkeit	(1.135)	2.493	1.512	(3.405)	(580)

Leistungskennzahlen und alternative Leistungskennzahlen

	Geschäftsjahr zum 31. Dezember			Neun Monate zum 30. September	
	2020	2019	2018	2021	2020
	In Mio. EUR, sofern nicht anders angegeben (ungeprüft, sofern nicht anders angegeben)				
EBIT(1)	491(6)	2.792(6)	2.734(6)	2.940	(53)
Bereinigtes EBIT(2)	657	2.792	2.734	1.958	21
Angepasster RoS für das Industriegeschäft(3)	1,9%	5,8%	5,9%	6,7%	0,3%
FCF für das Industriegeschäft(4)	1.781	1.478	930	649	534
Angepasster FCF für das Industriegeschäft(5)	1.781	1.478	930	94	534

Anmerkungen:

(1) Das EBIT umfasst das Bruttoergebnis der Gruppe, die Vertriebs- und allgemeinen Verwaltungskosten, die Forschungs- und nicht aktivierten Entwicklungskosten, die sonstigen betrieblichen Erträge/Aufwendungen und das Ergebnis aus nach der Equity-Methode bilanzierten Beteiligungen, netto sowie das sonstige Finanzergebnis, netto.

(2) Das Bereinigte EBIT („**Bereinigtes EBIT**“) für die Gruppe basiert auf dem EBIT, ohne wesentliche Ergebnisse aus Rechtsstreitigkeiten und damit verbundenen Maßnahmen, Restrukturierungsmaßnahmen und M&A-Transaktionen, die voraussichtlich in der Gruppe nicht regelmäßig wiederkehren werden.

(3) Der Angepasste Return on Sales („**Angepasster RoS**“) für das Industriegeschäft wird berechnet als das Angepasste EBIT für das Industriegeschäft geteilt durch den Umsatzerlös des Industriegeschäfts. Der Angepasste RoS für das Industriegeschäft beinhaltet die Auswirkungen der Überleitungsposten für die Gruppe ohne, dass Überleitungsbeträge dem Financial Services-Geschäft zugeordnet werden

(4) Der Free Cashflow („**FCF**“) für das Industriegeschäft ist definiert als der Free Cashflow der Gruppe abzüglich des Free Cashflows des Financial Services-Geschäfts. Der Free Cashflow der Gruppe und der Free Cashflow für das Financial Services-Geschäft ist jeweils das Ergebnis der Summe aus Mittelzufluss aus Geschäftstätigkeit, Mittelabfluss aus Investitionstätigkeit, Veränderungen in marktgängigen Schuldverschreibungen und ähnlichen Kapitalanlagen, Nutzungsrechten und sonstige Anpassungen für die Gruppe oder das Financial Services-Geschäft, soweit anwendbar. Die im Cashflow aus Investitionstätigkeit enthaltenen Cashflows aus Verkäufen und Käufen von marktgängigen Schuldverschreibungen und ähnlichen Kapitalanlagen werden abgezogen, da diese Wertpapiere der Liquidität zugeordnet werden. Andererseits werden Effekte im Zusammenhang mit dem Ansatz und der Bewertung von Nutzungsrechten, die aus der Änderung der Bilanzierung von Leasingverhältnissen resultieren und weitgehend

nicht zahlungswirksam sind, einbezogen. Der FCF für das Industriegeschäft enthält die Auswirkungen der Überleitungsposten für die Gruppe, ohne die Überleitungsbeträge dem Financial Services-Geschäft zuzuordnen.

(5) Der Angepasste Free Cashflow („**Angepasster FCF**“) für das Industriegeschäft basiert auf dem FCF für das Industriegeschäft, ohne wesentliche Zahlungen für Rechtsstreitigkeiten und damit zusammenhängende Maßnahmen, Restrukturierungsmaßnahmen und M&A-Transaktionen, die voraussichtlich in der Gruppe nicht regelmäßig wiederkehren werden. Der Angepasste FCF für das Industriegeschäft beinhaltet die Auswirkungen der Überleitungsposten für die Gruppe ohne, dass die Überleitungsbeträge dem Financial Services-Geschäft zugeordnet werden.

(6) Geprüft.

Welches sind die zentralen Risiken, die für die Emittentin spezifisch sind?

- Die Covid-19-Pandemie stellt weiterhin ein erhebliches Risiko für die Weltwirtschaft sowie für das Geschäft der Gruppe dar, insbesondere wenn anhaltende Ausbrüche und staatliche Eindämmungsmaßnahmen die wirtschaftliche Erholung in den Schlüsselmärkten der Gruppe untergraben und dadurch zu einer gedämpften Nachfrage nach den Produkten und Dienstleistungen der Gruppe führen.
- Die Nachfrage nach den Produkten der Gruppe hängt von den wirtschaftlichen und politischen Bedingungen sowohl weltweit wie auch auf den Schlüsselmärkten der Gruppe ab. In Anbetracht der Tatsache, dass ein schwaches oder unsicheres Wirtschaftswachstum oder politische Spannungen das Verbrauchervertrauen untergraben und Investitionen in ganze Volkswirtschaften hemmen können, können diese zu einer geringeren Nachfrage nach den Produkten und Dienstleistungen der Gruppe führen.
- Konjunkturabhängige oder schwankende Nachfragemuster können zu einem länger andauernden oder unerwarteten Nachfragerückgang in Bezug auf die Produkte und Dienstleistungen der Gruppe führen.
- Durch die Einführung oder Lockerung von Maßnahmen zur Beschränkung des Marktzugangs, beispielsweise von Zöllen oder anderen Handelshemmnissen, die die Produktionskosten der Gruppe oder die Preise ihrer Produkte erhöhen oder die Wettbewerbsfähigkeit der Produkte der Gruppe gefährden könnten, könnte das Geschäft der Gruppe wesentlich nachteilig beeinträchtigt werden.
- Die Bus- und Lkw-Branche ist äußerst wettbewerbsintensiv und in hohem Maße auf die Gesamthaltungskosten für die Kunden sowie in zunehmendem Maße auch auf die technologische Führerschaft fokussiert, da sich die Branche insbesondere in Richtung alternative Antriebe, Verbindungslösungen und autonomes Fahren (neben anderen Innovationen) entwickelt und neue Marktteilnehmer sowie andere Wettbewerber anzieht, mit denen die Gruppe möglicherweise nicht konkurrieren kann.
- Die Gruppe ist von Zulieferern abhängig und ist besonders von der anhaltenden Knappheit der für ihre Produkte essenziellen Halbleiter betroffen. Dies hat die Fähigkeit der Gruppe beeinträchtigt, mit der Marktnachfrage nach ihren Produkten Schritt zu halten, und hat sich erheblich auf die Ergebnisse des Geschäftsjahres 2021 ausgewirkt und könnte sich auch weiterhin erheblich auf die Ergebnisse auswirken.
- Der künftige Geschäftserfolg der Gruppe hängt von ihrer Fähigkeit ab, auf neue Markttrends für innovative, attraktive und energieeffiziente Produkte, Technologien und Dienstleistungen zu reagieren. Allerdings, da nicht immer vorhersehbar ist, welche Innovationen erfolgreich sein werden, besteht das Risiko, dass die Gruppe es versäumt, in die Technologien zu investieren, die sich auf dem Markt durchsetzen.
- Der künftige Erfolg der Gruppe ist abhängig von der erfolgreichen Umsetzung ihrer Geschäftsstrategie, ihre Rentabilität als unabhängiges Unternehmen zu steigern und mit dem Einsatz von emissionsfreien Fahrzeugen und zunehmend digitalisierten Truck-Lösungen auf globaler Ebene zu einem Technologieführer im Markt zu werden. Allerdings besteht das Risiko, dass es der Gruppe nicht gelingen könnte, ihre Rentabilität zu erhöhen oder erfolgreich serienreife batteriebetriebene Elektrofahrzeuge oder Brennstoffzellen-Elektrofahrzeuge oder digitalisierte Fahrzeuglösungen einzusetzen.
- Die Gruppe unterliegt Risiken aufgrund ihrer Zusammenarbeit mit strategischen Partnern und Gemeinschaftsunternehmen, wozu auch gehört, dass diese Zusammenarbeit mit strategischen Partnern und Gemeinschaftsunternehmen möglicherweise nicht wie beabsichtigt funktionieren oder nicht die erwarteten Ergebnisse bringen könnte, wie z.B. Synergien, Kosteneinsparungen, Erweiterungen des Produktangebots der Gruppe oder andere Vorteile.
- Die Geschäftstätigkeit der Gruppe hängt von der rechtzeitigen Verfügbarkeit von hochwertigen Rohstoffen, Teilen und Komponenten zu angemessenen Preisen ab. Allerdings sind die Preise für diese Materialien, Komponenten und Teile erheblichen und bisweilen starken Schwankungen unterworfen.
- Staatliche Regulierungsvorschriften in Zusammenhang mit dem Klimawandel und Fahrzeugabgasen können mit erheblichen Kosten für die Gruppe verbunden sein und der Gruppe gelingt möglicherweise nicht die Entwicklung wirtschaftlich rentabler Produkte, die diesen Regulierungsvorschriften entsprechen; eine Nichteinhaltung kann Regulierungsverfahren, erhebliche Bußgelder und Beschränkungen der Möglichkeiten der Gruppe zur Vermarktung ihrer Produkte nach sich ziehen.
- Die Gruppe unterliegt Risiken aus Rechtsstreitigkeiten und behördlichen Verfahren, einschließlich rechtlicher Risiken aus kartellrechtlicher Regulierung und damit verbundener Durchsetzungsmaßnahmen und Schadensersatzansprüchen.

- Die Gruppe war bisher nicht als eigenständige börsennotierte Gesellschaft operativ tätig und könnte Schwierigkeiten beim effektiven Geschäftsbetrieb und bei der vollumfänglichen Umsetzung ihrer Geschäftsstrategie haben.

C. Basisinformationen über die Wertpapiere

Welches sind die wichtigsten Merkmale der Wertpapiere?

Art, Gattung, Nennwert

Diese Zusammenfassung bezieht sich auf die Börsenzulassung von auf den Namen lautenden Stückaktien der Gesellschaft, bestehend aus den Bestehenden Aktien (mit ISIN: DE000DTR0013; Wertpapierkennnummer (WKN): DTR001) und den Neuen Aktien (mit ISIN: DE000DTR0CK8; Wertpapierkennnummer (WKN): DTR0CK; Tickersymbol: DTG). Alle Aktien der Gesellschaft sind Aktien der gleichen Gattung.

Anzahl der Wertpapiere

Das Grundkapital der Gesellschaft beträgt zum Datum dieses Prospekts EUR 50.000 und ist eingeteilt in 50.000 auf den Namen lautende Stückaktien. Auf jede Aktie der Gesellschaft entfällt ein rechnerischer Anteil von EUR 1,00 je Namensaktie ohne Nennbetrag am Grundkapital der Gesellschaft. Alle Aktien der Gesellschaft sind voll eingezahlt. Ab dem Spaltungstransaktionsstichtag wird das Grundkapital der Gesellschaft EUR 822.951.882 betragen und in 822.951.882 auf den Namen lautende Stückaktien eingeteilt sein, wobei auf jede Aktie der Gesellschaft ein rechnerischer Anteil von EUR 1,00 je Namensaktie ohne Nennbetrag am Grundkapital der Gesellschaft entfällt.

Währung

Die Aktien der Gesellschaft sind in Euro denominiert.

Verbundene Rechte

Jede Aktie der Gesellschaft berechtigt zu einer Stimme in der Hauptversammlung der Gesellschaft. Es bestehen keine Stimmrechtsbeschränkungen. Die Bestehenden Aktien der Gesellschaft sind seit dem 25. März 2021 voll dividendenberechtigt. Die Neuen Aktien der Gesellschaft sind ab dem 1. Januar 2022 voll dividendenberechtigt.

Rang

Die Aktien der Gesellschaft sind im Fall einer Insolvenz der Gesellschaft gegenüber allen anderen Wertpapieren und Forderungen nachrangig.

Freie Handelbarkeit

Die Aktien der Gesellschaft sind nach den gesetzlichen Bestimmungen für Namensaktien frei übertragbar. Die Satzung der Gesellschaft verlangt keine Zustimmung der Gesellschaft zur Übertragung der Aktien.

Dividendenpolitik

Vorbehaltlich der Verfügbarkeit eines ausschüttungsfähigen Bilanzgewinns, rechtlicher Beschränkungen in Bezug auf die Gewinnausschüttung und verfügbarer Mittel sowie vorbehaltlich der zum Zeitpunkt der Ausschüttung vorherrschenden Marktbedingungen und der wirtschaftlichen Lage, beabsichtigt die Gesellschaft, zum ersten Mal im Jahr 2023 für das im Jahr 2022 endende Geschäftsjahr eine Jahresdividende in Höhe von circa 40 % des konsolidierten, den Aktionären der Gesellschaft zurechenbaren Ergebnisses der Gruppe gemäß IFRS zu zahlen, vorausgesetzt, die Zahlung einer solchen Jahresdividende ist durch den freien Cashflow aus dem Industriegeschäft gedeckt. Die zukünftige Festlegung der Dividendenzahlung erfolgt nach den geltenden Gesetzen und hängt unter anderem von der Ertragslage, Finanzlage, den vertraglichen Beschränkungen und den Eigenkapitalanforderungen der Gruppe ab. Alle Vorschläge des Vorstands der Gesellschaft zur Dividendenausschüttung unterliegen der Zustimmung durch die Hauptversammlung. Die Gesellschaft ist in erheblichem Maße von der Abführung ausschüttungsfähiger Bilanzgewinne durch ihre operativen Tochtergesellschaften abhängig. Die Gesellschaft kann keine Vorhersagen über die Höhe der künftig zur Ausschüttung verfügbaren Gewinne treffen und kann daher nicht garantieren, dass in Zukunft Dividenden gezahlt werden.

Wo werden die Wertpapiere gehandelt?

Die Gesellschaft wird, gemeinsam mit der Citigroup, die Zulassung der Aktien der Gesellschaft zum Handel am Regulierten Markt an der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des Regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) an der Frankfurter Wertpapierbörse beantragen. Der öffentliche Handel mit den Aktien wird voraussichtlich am 10. Dezember 2021 aufgenommen.

Welches sind die zentralen Risiken, die für die Wertpapiere spezifisch sind?

- Die Aktien der Gesellschaft wurden bisher nicht öffentlich gehandelt. Ein liquider Markt für den Handel mit den Aktien der Gesellschaft könnte sich möglicherweise nicht entwickeln.
- In Zusammenhang mit der Abspaltung kann es in erheblichem Umfang zu Verkäufen der Aktien der Gesellschaft kommen, was zu einem Kurseinbruch der Aktien führen könnte.

D. Basisinformationen über die Zulassung zum Handel an einem geregelten Markt

Zu welchen Konditionen und nach welchem Zeitplan kann ich in dieses Wertpapier investieren?

Die Aktien können nach dem Beginn des Handels an der Frankfurter Wertpapierbörse, der voraussichtlich am 10. Dezember 2021 erfolgen wird, an der Frankfurter Wertpapierbörse gekauft und verkauft werden.

Wer ist die die Zulassung zum Handel beantragende Person?

Zulassung zum Handel

Die Gesellschaft und Citigroup, eine Aktiengesellschaft nach dem Recht der Bundesrepublik Deutschland mit Sitz in Frankfurt am Main, Deutschland und Geschäftsanschrift in Reuterweg 16, 60323 Frankfurt am Main, Deutschland (LEI: 6TJCK1B7E7UTXP528Y04), werden die Zulassung der Aktien zum Handel am Regulierten Markt an der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des Regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) beantragen.

Weshalb wird dieser Prospekt erstellt?

Der Zweck dieses Prospekts ist es, die Aktien zum Handel an der Frankfurter Wertpapierbörse zuzulassen.

Keine Erlöse, Kostenübernahme der Börsenzulassung

Weder die Gesellschaft noch die Bestehende Aktionärin werden im Zusammenhang mit der Börsenzulassung Erlöse erzielen. Alle Kosten im Zusammenhang mit der Börsenzulassung werden von der Daimler AG übernommen mit der Ausnahme, dass die Gesellschaft Kosten im Zusammenhang mit der Börsenzulassung von bis zu EUR 1,0 Mio. tragen wird.

Börsenzulassungsvertrag (Listing Agreement)

Die Gesellschaft, die Bestehende Aktionärin sowie BNP PARIBAS S.A., 16, boulevard des Italiens, 75009 Paris, Frankreich („**BNP PARIBAS**“), Citigroup und Goldman Sachs Bank Europe SE, Taunusanlage 9-10, 60329 Frankfurt am Main, Deutschland („**Goldman Sachs Bank Europe SE**“, zusammen mit BNP PARIBAS und Citigroup, die „**Listing Agents**“), als Financial Advisors und Listing Agents sowie Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Deutschland („**Deutsche Bank**“), und J.P. Morgan AG, Taunustor 1, TaunusTurm, 60310 Frankfurt am Main, Deutschland („**J.P. Morgan**“), als Financial Advisors (Deutsche Bank und J.P. Morgan zusammen, die „**Financial Advisors**“) und Joh. Berenberg, Gossler & Co. KG, Neuer Jungfernstieg 20, 20354 Hamburg, Deutschland (“**Berenberg**”), BofA Securities Europe SA, 51 rue La Boétie, 75008 Paris, Frankreich (“**BofA Securities**”) und Landesbank Baden-Württemberg, Am Hauptbahnhof 2, 70173 Stuttgart, Deutschland (“**Landesbank Baden-Württemberg**”), als Co-Advisors (die “**Co-Advisors**“, zusammen mit den Financial Advisors und den Listing Agents, die „**Banken**“) haben am 26. November 2021 im Zusammenhang mit der Börsenzulassung einen Börsenzulassungsvertrag (der „**Börsenzulassungsvertrag“**) abgeschlossen, gemäß dem BNP PARIBAS, Citigroup und Goldman Sachs Bank Europe SE als Listing Agents handeln. In dem Börsenzulassungsvertrag haben sich die Gesellschaft und die Bestehende Aktionärin verpflichtet, jede der Banken von und gegen bestimmten Haftungsverpflichtungen freizustellen und schadlos zu halten, die im Zusammenhang mit der Börsenzulassung entstehen können. Darüber hinaus haben sich die Gesellschaft und die Bestehende Aktionärin für den Zeitraum beginnend ab dem Datum des Börsenzulassungsvertrags und endend sechs Monate nach dem ersten Handelstag der Aktien der Gesellschaft an der Frankfurter Wertpapierbörse zu bestimmten üblichen Lock-Up-Verpflichtungen verpflichtet. Der Börsenzulassungsvertrag sieht vor, dass die Verpflichtung der Listing Agents, den Antrag auf Börsenzulassung im Rahmen des Börsenzulassungsvertrags zu verfolgen und zu unterstützen, von der Erfüllung bestimmter üblicher Bedingungen abhängig ist, wie z. B. dem Erhalt üblicher Bestätigungen und Rechtsgutachten, die den Anforderungen der Banken entsprechen.

Wesentliche Interessenkonflikte in Bezug auf die Börsenzulassung

In Bezug auf die Börsenzulassung bestehen keine wesentlichen Interessenkonflikte.

1 RISK FACTORS

*In this prospectus (the "**Prospectus**"), the "**Company**" means Daimler Truck Holding AG. Prior to the Spin-off (as defined below), the Daimler trucks and buses business ("**Daimler Trucks & Buses**") and the related financial services business ("**Daimler Truck Financial Services**") did not exist as a separate group, but formed part of a larger group of companies controlled by Daimler AG. The separation and formation of an independent group has been and will be executed in two phases: The first phase includes reorganization measures and transfers of certain legal entities and operations of Daimler Trucks & Buses and Daimler Truck Financial Services to Daimler Truck AG and to subsidiaries of Daimler Truck AG which have already occurred prior to the date of this Prospectus or will have been completed by December 1, 2021 (the "**Phase 1 Transactions**"). Following the Phase 1 Transactions, the following key steps of transactions steps will occur which are together referred to as the "**Demerger Transactions**": (i) a spin-off by absorption (Abspaltung zur Aufnahme) under the German Transformation Act (Umwandlungsgesetz) ("**Spin-off**"), (ii) a hive-down by absorption (Ausgliederung zur Aufnahme) under the German Transformation Act (Umwandlungsgesetz) ("**Hive-down**"), and an additional ordinary capital increase against contribution in kind ("**Capital Increase Against Contribution in Kind III**"). Each of the Demerger Transactions will become effective upon registration with the relevant commercial register, which is expected in case of the Spin-off, the Hive-down and the Capital Increase Against Contribution in Kind III on or about December 9, 2021 (the "**Demerger Transactions Effective Date**"). The second phase includes reorganization measures and transfers of certain remaining legal entities and operations of Daimler Trucks & Buses and Daimler Truck Financial Services to the Group that will be implemented in 2022 (i.e., after the Demerger Transactions Effective Date) (the "**Phase 2 Transactions**"). The legal entities and operations of Daimler Trucks & Buses and Daimler Truck Financial Services which are subject to the Phase 1 Transactions are referred to collectively as the "**Daimler Truck Business**". In this Prospectus, "**Daimler Truck Group**" or "**Daimler Truck**" or "**Group**" means: (i) in case of statements or information relating to the time prior to the Demerger Transactions Effective Date (including for the purpose of the historical financial information presented in this Prospectus), the Daimler Truck Business; and (ii) in case of statements or information relating to the time upon and after the Demerger Transactions Effective Date, the Company and its consolidated subsidiaries.*

*According to article 16 of Regulation (EU) No 2017/1129 (the "**Prospectus Regulation**") (as supplemented by Commission delegated Regulation (EU) 2019/980 and Commission delegated Regulation (EU) 2019/979), the risk factors featured in a prospectus must be limited to risks which are specific to the issuer and/or to the securities and which are material for investors in making an informed investment decision. Therefore, the following risks are only the risks which are specific to the Company and/or to the Company's Shares and which are material. The following risk factors are organized into categories. In each category the most material risk factors, in the assessment undertaken by the Company, taking into account the expected magnitude of their negative impact on the Group and the probability of their occurrence, are set out first, with the two most material risk factors mentioned at the beginning of each category. The risks mentioned may materialize individually or cumulatively.*

1.1 Risks Relating to the Group's Business and Industry

1.1.1 The Covid-19 pandemic continues to pose a significant risk to the global economy and to the Group's business, assets, results of operations, financial condition and prospects

The Group operates globally and as such is both directly and indirectly exposed to various risks related to public health events, including epidemics, pandemics, and other outbreaks, in particular the global outbreak of the SARS-CoV-2 coronavirus ("**Covid-19**") pandemic. The global impact of the Covid-19 pandemic has led many countries, including the United States, Canada and Mexico (collectively, "**North America**"), the member states of the European Union along with the United Kingdom, Switzerland and Norway (collectively, the "**EU30**"), China, India, Indonesia, and Japan, among others, to adopt measures to contain and combat the spread of Covid-19, including travel bans, quarantines, "stay-at-home" orders, restrictions on business activities and similar requirements for individuals to restrict daily activities. The scale and duration of the Covid-19 pandemic and the measures undertaken to contain it have severely impacted regional and global economies, causing the deepest global recession since the end of World War II, including in several of the Group's key markets within North America, the EU30, Asia and Latin America.

Many economies throughout the Group's markets are experiencing economic recoveries as containment measures have been lifted or relaxed in certain markets and expectations have grown at times about an end to the Covid-19 pandemic, including in the United States, Europe and Asia. Such a recovery may however not be sustained in any of these regions. In particular, outbreaks in many countries, driven by highly contagious variants of the disease as well as low vaccination rates (especially in emerging economies), have led to a surge in new cases and in some cases the re-imposition of containment measures, for instance in certain countries in Europe. If the further course of the Covid-19 pandemic necessitates the re-imposition of drastic and comprehensive containment measures, this would have a major adverse impact on the global economic recovery and international trade relations, placing a significant burden on households, companies and governments. This in turn could significantly reduce consumer confidence and business sentiment, along with consumption and industrial activity, which belong to the most important pillars of the recovery for economies in certain of the Group's key markets such as North America and the EU30. A sharp correction on the stock markets, which have already priced in a recovery in the real economy, could also depress consumer sentiment and the investment climate, as well as have a negative impact on the global economy. The Group believes the following factors represent particular risks:

- subdued demand across various sectors of the economy, including consumer goods, construction, manufacturing, public infrastructure and travel, which has led and may continue to lead to lower volumes of the Group's products being sold. For instance, for the fiscal year ended December 31, 2020, during which the Covid-19 pandemic caused a severe global economic retraction, the Group experienced a decline in unit sales of 27.5% in comparison with the prior fiscal year ended December 31, 2019. Although demand for the Group's trucks has increased in 2021 as certain major economies have rebounded, demand for the Group's buses, in particular coach models, continues to be low in comparison with pre-Covid-19 levels, partly due to continuing government restrictions on travel and general apprehension among potential travelers related to the Covid-19 pandemic. If the further course of the Covid-19 pandemic necessitates the re-imposition of drastic and comprehensive containment measures, this could have a major adverse effect on demand for the Group's products;
- declines in demand for the Group's products and financial services as customers and potential customers of the Group are forced to defer investments in order to remain in business or protect their balance sheets;
- bottlenecks in the Group's distribution channels due to lockdowns or other measures intended to prevent the spread of Covid-19, which could materially affect the ability of the Group to sell its products as well as its financial and aftersales services;
- reduced operation or temporary suspension of production activity at the Group's facilities aimed at stopping the spread of Covid-19 among manufacturing employees;
- supply chain disruptions, including shipping delays, and heightened freight costs due to Covid-19, involving essential parts, components and commodities, which could affect the Group's ability to meet demand for its products, timely deliver the products underlying its order backlog or obtain parts and components at commercially reasonable terms. The current shortage of semiconductors, which has materially affected truck manufacturers worldwide, including the Group, stems in part from the uncertainty suppliers are facing in the course of the Covid-19 pandemic. See also "*1.1.6 The Group is dependent on third-party suppliers and in particular faces an ongoing shortage of semiconductors crucial to its products*";
- inflationary pressures including substantial increases in costs for labor, raw materials, parts, components and other inputs such as energy which have resulted in part from the Covid-19 pandemic. For instance, in 2021 the Group has been able to only partly offset increased prices for raw materials with increased net pricing for its products. See also "*1.1.10 The Group's business, which depends on the timely availability of high-quality raw materials, parts, components and other inputs at reasonable prices, is currently facing, and may continue to face, delays, shortages and price volatility as a result of global supply chain disruptions and other factors*";
- heightened credit risk exposure from customers of the Group's financial services products experiencing financial difficulties due to the Covid-19 pandemic, which could lead to an increase in defaults of existing customers, the need to modify payment terms for existing customers and the Group entering into fewer financing or leasing agreements for the Group's products. Increased defaults and uncertainty in global markets due to Covid-19 could also lead to reduced residual values for used vehicles financed or leased by the Group;
- difficulty accessing debt and equity capital on financially attractive terms, or at all, due to disruption and instability in global financial markets. In the event of rising interest rates, conditions could worsen. These factors could affect the Group's ability to fund its business operations, meet its financial obligations, or maintain sufficient liquidity, and could affect the valuation of the Group's financial assets and liabilities;

- disruptions to the Group's internal business processes, key personnel and strategic goals, in particular due to further Covid-19 outbreaks and human resources shortages that impair the Group's ability to collaborate and execute its essential functions; and
- the increase in public debt resulting from the pandemic and containment measures could result in new sovereign debt crises and uncertainty among consumers and investors. Governments and central banks worldwide, including major markets for the Group such as North America and the EU30, have provided significant fiscal and monetary support (including borrowing large amounts of money) as well as adopting other legislative and regulatory measures to support and foster economic growth. This has in many cases resulted in high debt levels, which could limit the scope for supportive government action. Conversely, the premature withdrawal of government support measures or fiscal austerity programs following the pandemic, along with potentially rising interest rates, could slow down economic recovery. Either development could result in lower consumption and lower domestic and foreign investment activity and correspondingly weaker demand for the Group's products, as could high levels of private debt, which may have been further exacerbated by the Covid-19 pandemic.

While demand for the Group's vehicles recovered to a certain extent in the nine months ended September 30, 2021, the further development of the pandemic and consequently the outlook for the Group's key markets and business remain uncertain. The extent of the impact of the Covid-19 pandemic on the Group's business, assets, results of operations, financial condition and prospects will depend on future developments, including the duration and scope of the Covid-19 pandemic globally (including with respect to Covid-19 variants and the success of vaccination campaigns, both in the Group's markets and on an international scale), together with the resulting impact on the Group's customers and suppliers and general economic conditions. The Group cannot predict with any certainty if or when any further disruptions will occur due to the rapidly changing environment as the Covid-19 pandemic continues to evolve. Even after the Covid-19 pandemic itself has subsided, the Group may continue to experience material adverse impacts from any of the events described above to its business, assets, results of operations, financial condition and prospects.

1.1.2 Demand for the Group's products depends on economic and political conditions globally and in the Group's key markets, including North America, Europe and Asia

The Group's results of operations depend significantly on economic conditions globally and in its core markets, including, in particular, North America, Europe and Asia, where it derived 38.1%, 31.2% and 16.4%, respectively, of its total revenue in the fiscal year ended December 31, 2020. Given the high proportion of revenue attributable to North America, the Group considers itself to have a particularly significant exposure to this region.

Demand for the Group's commercial vehicles and services is principally driven by the needs of its customers, which include corporate customers engaged in logistics, long-haul freight, short-haul and intra-city delivery, distribution and construction businesses, among others, all of whom depend on robust economic conditions to maintain and grow their businesses. The Group also depends on demand from public transportation providers and other public sector customers that purchase and operate bus and other commercial vehicle fleets, and whose budgets are affected, directly or indirectly, by the macroeconomic environment and public sentiment. As a consequence, adverse economic developments, either globally or in the markets in which the Group operates, may result in substantially diminished demand for the Group's products.

Economic conditions can be impacted by a number of factors, including volatility in global financial markets, macroeconomic policy, trade policy and conflicts, business and consumer sentiment, monetary policy (*i.e.* interest rates), inflation, geopolitical events and public and private debt levels. A weak or uncertain economic environment may result in lower business volume, which, particularly when combined with rising costs of capital and low business and consumer confidence, may discourage businesses from upgrading or expanding their commercial vehicle fleets. Fluctuating commodity prices and volatile exchange rates can also lead to market uncertainty and thus to falling demand for vehicles. Demand for the Group's vehicles, in particular its buses, may in addition be adversely affected by the state of public finances and fiscal austerity programs in cities and regions where the Group has a significant customer base. Furthermore, geopolitical events, domestic political tension, terrorism, natural catastrophes, pandemics or other unforeseen events may prompt unexpected responses from the markets and declines in demand for the Group's products.

The Covid-19 pandemic has had an unprecedented effect on all of the Group's markets. Government measures to contain the pandemic have resulted in a dramatic decline in business activity around the world, causing the deepest global recession since the end of World War II and steep drops in economic activity in several of the

Group’s principal markets, including Europe and North America. As a result, the Group experienced significantly weaker demand for its products and services, resulting in a 22.1% decline in total revenue in the year ended December 31, 2020 compared to the previous year. While demand for the Group’s vehicles recovered to a certain extent in the nine months ended September 30, 2021, the further development of the pandemic and consequently the outlook for the Group’s key markets and business remain uncertain. See also “*1.1.1 The Covid-19 pandemic continues to pose a significant risk to the global economy and to the Group’s business, assets, results of operations, financial condition and prospects.*”

Further, uncertainty regarding the stability of the global trade and tariff framework may also have a negative impact on consumer spending and capital investments and result in heightened market volatility. See also “*1.1.4 The Group’s business could be materially adversely affected by the imposition or, in certain cases, the elimination of, measures restricting market access, including tariffs and other barriers to trade*.”

Any economic downturn, lower than expected growth or an otherwise uncertain economic outlook either globally or in the markets in which the Group operates, or any perception thereof by the Group’s customers, could have a material adverse effect on the Group’s business, assets, results of operations, financial condition and prospects.

1.1.3 Cyclical or variable demand patterns may result in a prolonged or unexpected decline in demand for the Group’s products and services

The commercial vehicle industry is highly cyclical, which means that periods of investment in commercial vehicles are generally followed by slower periods in which demand levels decline. The length, timing and intensity of specific demand cycles, which may affect individual market segments, customer groups and regions in which the Group operates, are subject to uncertainty.

The heavy-duty truck industry is sensitive to business cycles in the manufacturing and industrial sectors, which generate a significant portion of freight tonnage hauled and are in turn dependent on the overall business environment. See also “*1.1.2 Demand for the Group’s products depends on economic and political conditions globally and in the Group’s key markets, including North America, Europe and Asia*.” Demand cycles for commercial vehicles may further be affected by regulatory developments, such as increases in road tolls, which may result in lower demand for certain vehicles, or changes in emissions standards, which can lead to increasing demand prior to the effective date of such new developments and decreasing demand thereafter. Demand for commercial vehicles is driven by economic, total cost of ownership (“**TCO**”) decisions, and is also influenced by actual or expected changes to interest rate levels, fuel costs and the introduction of more fuel-efficient engines, repair and maintenance costs which increase most notably with the age of vehicles, miles driven, and fleet replacement strategies, among other external factors. Due to all of those factors, demand forecasts are always subject to significant uncertainty. In 2020, demand for the Group’s commercial vehicles was adversely affected by an unexpected wind-down of a business cycle (separate from the Covid-19 pandemic).

The market for buses can be unpredictable at times and may not always follow traditional business cycles. New bus orders vary from year to year and are influenced, among other factors, by major replacement programs, the introduction of new regulatory standards, shifts in tourism trends and the expansion of transit systems and other networks by transit authorities, which in turn depend on public and private funding for such purposes. Such projects can be curtailed or withdrawn as a result of changes in the political, economic, fiscal or other conditions beyond the Group’s control. Conversely, municipalities may also follow anti-cyclical investment cycles to promote economic development during economic downturns.

Cyclical or variable demand patterns resulting in a prolonged or unexpected substantial decline in demand for the Group’s products and services would have a material adverse effect on the Group’s business, assets, results of operations, financial condition and prospects.

1.1.4 The Group’s business could be materially adversely affected by the imposition or relaxation of measures restricting market access, including tariffs and other barriers to trade

The global trade environment has for some time been subject to increased nationalism and resulting protectionist measures, and it is unclear if or when this trend will subside. As a result, globally operating businesses are subject to significant uncertainty. To the extent that this trend leads to the introduction of trade barriers in a number of markets, including tariffs such as those imposed by the U.S. on a broad range of imports from China in recent years or a possible increase in customs duties in Argentina, the withdrawal of countries from or the renegotiation of bi- and multilateral trade agreements with more restrictive trading conditions, or countermeasures by regional or global trading partners, these circumstances could have a negative impact on the global economic environment and thereby result in lower demand for the Group's products. For example, a renewed escalation or expansion of the trade conflict between the United States and China could have a significant negative impact on global economic growth, which could in turn have a material adverse effect on the Group's results of operations.

Protectionist measures could also directly adversely affect the Group's sales if tariffs and other non-tariff market access barriers such as increased certification requirements for imports in markets to which the Group exports vehicles have a dampening effect on demand for the Group's products or erode margins. In addition, if the scope of the free-trade agreements from which the Group currently benefits is significantly narrowed or the conditions of future free-trade agreements are more restrictive, this could significantly impair the position of the Group in the relevant markets to the extent it is no longer, or only partially, able to take advantage of those agreements. Furthermore, the position of the Group in key foreign markets could be affected by the conclusion of new free-trade agreements or changes in existing free-trade agreements if these free-trade agreements are concluded without the participation of countries in which the Group has production facilities, resulting in a competitive disadvantage for the Group.

Further, barriers to trade could increase the Group's manufacturing costs by increasing the cost of vehicle parts and components, affecting both its cost of sales and demand for its products. The composition of the Group's vehicle production and assembly operations could also be adversely affected, including as a result of localization or "local value add" requirements, which are becoming increasingly common. Localization is a complex and time-intensive process that could result in the need to expand production facilities or increase local purchasing, which could result in an increase in the Group's expenses.

In addition, any changes in financial legislation applicable in certain markets regarding capital requirements for financial services entities could increase such entities' costs and thereby increase entry barriers into the relevant markets.

The disruption of technological and economic links between major markets including through governmental measures may also adversely affect earnings if research and development have to be conducted locally, value chains are required to be adjusted to avoid supply chain disruptions or because the use of certain technologies or components in the final products is not permitted.

In Europe, trade relations have also been affected, and may continue to be adversely affected, by Brexit. Although the trade and cooperation agreement concluded by the EU and the United Kingdom in December 2020 generally provides for tariff-free trade, it also imposes product-specific rules of origin for automotive products, non-compliance with which could trigger customs payments and result in margin pressure as a result of lower sales due to the need to increase vehicle prices, or in a lower margin should vehicle prices be kept stable. In addition, time-consuming customs procedures at the UK-EU border expose the Group to the risk of supply chain disruptions, including delayed deliveries to customers and delivery bottlenecks with respect to component parts used in the Group's manufacturing processes as well as the delivery of spare parts. See also "*1.1.10 The Group's business, which depends on the timely availability of high-quality raw materials, parts, components and other inputs at reasonable prices*."

However, in certain markets where the Group sells domestically manufactured products (such as the United States, Japan, India, Brazil, Russia, and to some extent China), certain market access barriers exist. If such trade barriers were to be reduced or lifted, this could negatively affect the Group's business by increasing the volume of imports and thereby further increasing competition in these markets.

Any barriers to trade or other protectionist measures that increase the Group's cost of production or the price of its products, or the relaxation of such barriers or other measures that increase the level of competition in the relevant markets, could jeopardize the competitiveness of the Group's products, and have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.5 The truck and bus manufacturing industry is highly competitive

The commercial vehicle industry is highly competitive and competition may intensify in the future.

The commercial vehicle sector is a mature industry with a limited number of established market participants. The Group's competitors include global truck and bus manufacturers such as Aktiebolaget Volvo (publ) ("**Volvo**"), PACCAR, TRATON, Hino and Isuzu and a number of multi-regional, local and other truck and bus manufacturers.

Key factors affecting competition in the commercial vehicle industry include initial purchase price, fuel efficiency, product quality and performance, average downtime, the availability and terms of after-sale and other services as well as financing terms and the residual value of the vehicle, all of which affect TCO, a principal factor in the purchase decision of customers. Additional factors affecting competition include safety, reliability of delivery, recall history, customer service, design and driver comfort, as well as the ability to respond to specific customer needs with tailored products and services. Competition is moreover increasingly driven by technological leadership and the ability to respond to the evolving trends transforming the commercial vehicle industry, including alternative powertrains and fuels, connectivity and autonomous driving.

The Group and its competitors face competitive pricing and margin pressure that could adversely affect the Group's ability to increase or maintain vehicle prices. Some of the Group's competitors may have greater financial, marketing and operating resources than the Group, or lower overall cost structures. The Group's current competitors or new entrants to the market in which the Group operates could adapt more quickly to the transformational changes and regulatory requirements facing the industry than the Group does, differentiate themselves more effectively, or improve the functionality or performance of their vehicle products and services more quickly or in a more cost-effective manner. Competitive pressure is also intensifying as a result of the continued globalization of the commercial vehicle sector and far-reaching cooperative arrangements between existing manufacturers.

The Group may face further competition from the market entry of new truck and bus manufacturers, particularly in emerging markets, and the entry of existing participants into new markets. For example, the Group is increasingly facing competition from Chinese manufacturers in the area of electric trucks and buses both in China and other markets. In addition, the Group competes with new market participants seeking to disrupt the industry's historical business model through the introduction of new technologies, vehicles, vehicle components or services, new business models and new modes of transportation. Furthermore, Tesla, Inc. has announced its plans to expand its existing battery-electric vehicle ("**BEV**") offerings to include trucks, and Nikola Motor Company has announced that they are developing a fuel-cell electric vehicle ("**FCEV**") application for commercial vehicles.

Competitive pressure will therefore encompass a wider range of competitors, products and services, including those that may be outside the Group's historical areas of focus, such as electric, alternative fuel, hybrid, connected and autonomous vehicles, as well as telematics and other digital services. Increased competition could result in pricing pressure, lost sales and lower margins and any failure by the Group to compete effectively would have a material adverse effect on its business, assets, results of operations, financial condition and prospects.

1.1.6 The Group is dependent on third-party suppliers and in particular faces an ongoing shortage of semiconductors crucial to its products

The Group is dependent on third-party suppliers for the timely delivery of high-quality materials and components for the manufacture of its vehicles. The Group sources materials, automotive parts and components from several suppliers; however, for the majority of parts the Group relies on one specific supplier (also termed "single sourcing") for each individual part. In these cases, the Group faces the risk of production downtime and inventory backlogs if one or more suppliers are unable or unwilling to fulfill delivery obligations, for example due to supply shortages, labor strikes, capacity allocation to other customers, or financial distress of the supplier. There is also considerable dependence on imported parts in some markets, such as Brazil.

The Group has been and may continue to be acutely affected by an ongoing global shortage of semiconductors, which the Group needs to complete its products. Significant supplier delays in the delivery of semiconductors to the Group have hampered the Group's ability to keep up with market demand for its products in 2021, resulting in a material impact on its results for the current fiscal year. The Group has experienced this shortfall in semiconductors in particular in its heavy-duty truck market segment in North America and Europe, where significant numbers of the Group's trucks are awaiting completion. Along with supply chain uncertainty caused by the Covid-19 pandemic and sudden factory shutdowns due to natural disasters at major semiconductor production sites worldwide, longer-term trends such as a general rise in demand in the automotive sector competing with other rapidly growing industries for semiconductor manufacturing capacity and structural issues within the semiconductor supplier landscape have complicated the Group's ability to secure sufficient supply. Moreover, the Group anticipates it will need an increasing number of semiconductors in the near- to mid-term as it further digitizes its trucks with new connectivity and autonomous driving technology, and releases next-generation BEV and FCEV truck and bus models featuring highly digitized powertrains. Supply issues related to semiconductors may not be alleviated in the near future. It could take several years for the global shortage to be resolved. Until such time as semiconductor suppliers are able to meet global demand, including the demand of the Group, the Group's business, assets, results of operations, financial condition and prospects may be materially adversely affected.

Suppliers may also exit certain business lines that the Group relies on or may for other reasons be unable or unwilling to fulfill delivery obligations. In such cases, the Group would need to find alternative materials and components, which may be costlier or less appropriate than the original ones, take longer than the notice period provided by the supplier, and/or require costly adjustments and a redesign or re-engineering of the Group's products. In addition to the risk of supply interruptions, which are exacerbated in the case of single-source suppliers, the exclusive supplier of a key component potentially could exert significant bargaining power over price, quality warranty claims or other terms relating to the component.

Economic downturns, geopolitical developments, pandemics such as Covid-19 and other factors may result in financial strain for many of the Group's suppliers, as a result of which the Group could face a heightened risk of supply chain disruptions, including in connection with supplier bankruptcies. In order to counteract such disruption, secure supply and maintain production levels, the Group may have to undertake costly support measures, as a result of which the profitability of vehicles sold could decline. More generally, if suppliers cannot cover their fixed costs, there is also the risk that they may demand compensation payments. In addition, capacity expansion at suppliers' plants could also require cost participation on the part of the Group to secure allocations. While the Group has measures in place to proactively address these risks, such measures may not be effective.

Any of the foregoing risks, if they materialize, could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects. See also "*1.1.10 The Group's business, which depends on the timely availability of high-quality raw materials, parts, components and other inputs at reasonable prices*."

1.1.7 The Group's future business success depends on its ability to respond to evolving market trends with innovative, attractive and energy-efficient products, technology and services on competitive terms

The commercial vehicle sector is facing a number of evolving market trends that are transforming the transportation industry. Growing environmental awareness, increasingly strict energy efficiency and exhaust emissions regulations and growing customer focus on TCO have resulted in a shift towards the development of commercial vehicles with alternative drive systems, and vehicles powered by alternative fuels (including hydrogen) or electricity. TCO, driver shortages (particularly in the U.S. market) and safety considerations have catalyzed the development of autonomous driving technology. In addition, connectivity-based vehicle features and digital solutions that help optimize TCO, such as fleet capacity optimization and predictive maintenance software, are increasingly becoming a purchase criterion for customers. The Group's future success will be dependent on its ability to correctly assess and respond to these developments with innovative, commercially attractive products and services that are able to compete in the market.

The Group is investing significantly in the development of BEV and FCEV trucks. For example, Daimler Truck AG has partnered with Volvo in a 50-50 joint venture called cellcentric GmbH & Co. KG ("**cellcentric**") for the development, manufacture and marketing of hydrogen fuel-cells and systems. This project entails considerable risks beyond the Group's control, including uncertainties regarding future regulation, governmental support for, and broad market or regional acceptance of, alternative drive systems and alternative fuels (including hydrogen), along with energy prices generally. A further risk in this regard is the availability of the necessary charging or refueling infrastructure, government support for such infrastructure and sufficient availability of required components, including batteries for electrified trucks and key raw materials required to produce them, including lithium. As a result, it is not possible for the Group to determine the speed, scale and magnitude of the transition to ZEV adoption. The Group has recently entered into a number of strategic partnerships with battery and charging infrastructure suppliers, including Contemporary Amperex Technology Co. Limited ("**CATL**"), Power Electronics USA, Inc. ("**Power Electronics**"), Siemens AG ("**Siemens**"), Engie S.A. ("**ENGIE**"), EVBox B.V. ("**EVBox**"), Linde Hydrogen FuelTech GmbH ("**Linde**"), Shell New Energies NL B.V. ("**Shell**"), BP Advanced Mobility Limited ("**BP**"), TotalEnergies Marketing Services S.A.S. ("**TotalEnergies**"), TRATON SE ("**TRATON**") and Volvo to further bolster its dual BEV/FCEV strategy, however the Group's efforts may not be successful. Finally, the Group may not be able to develop a commercially attractive product portfolio of BEV and FCEV trucks or have the technological, organizational and financial ability to transform itself from a traditional truck and bus manufacturer into a provider of sustainable transport solutions and may not be able to successfully establish such a new brand image and market position.

In addition, the Group is making significant investments in autonomous driving with the goal of commercializing integrated fully automated, correction-capable ("**SAE Level 4**") driving solutions. The Group is pursuing a dual-track strategy of investing both in its partnership with Waymo LLC ("**Waymo**") to develop a variant of the Group's Freightliner Cascadia truck equipped with Waymo's autonomous driving technology and in its own program with majority-owned subsidiary Torc Robotics, Inc. ("**Torc**") on hub-to-hub trucking between logistics centers. These investments present a number of risks, including uncertainties regarding future regulation of autonomous driving, lack of widespread market acceptance, competition from other market participants, insufficient availability of necessary parts, components and technologies and legal and reputational risks related to product safety.

Finally, the Group is further making significant investments in digitalization and other connectivity-enabled services for the transport and logistics industry, such as fleet management, predictive maintenance, driver services and digital sales solutions, as well as solutions for new business models. However, the Group may not succeed in developing and scaling new capabilities in these rapidly evolving areas as quickly or successfully as some of its competitors, including, in particular, specialist providers. Further, some of these investments, such as predictive maintenance, may not be successfully marketed to customers with smaller fleets, as these customers may prefer to continue handling maintenance in-house and according to their own schedules due to their proximity to the vehicles. Telematics and other connectivity-enabled services also entail significant cross-functional complexity, which may result in cost overruns in their development, delays in the launch of new products, and product malfunctions.

The Group's ability to bring new products to the market may require both significant external funding and reinvestment of profit, including to acquire additional equipment and production capacities. See also "*1.2.6 The Group may not succeed in financing or refinancing its capital requirements in due time and to the extent necessary, or at all, or it may finance or refinance on unfavorable terms and conditions*." Market developments are, however, difficult to predict and the Group may focus its investments in products and technologies that will not gain broad market acceptance, or the benefits from their introduction in the market may be lower than expected. For example, the Group is making a significant strategic investment in BEVs and FCEVs, but the Group's key markets may primarily adopt other alternative powertrains or fuels, including some which may not have been developed yet. While the Group believes that both BEVs (due to their higher energy efficiency and their use of the electrical grid) and FCEVs (due to their advantages at long distance and in terms of refueling speeds, both key aspects of trucking, and their reliance on hydrogen as opposed to electrical charging) will play a role in the future of its markets, the Group's markets could adopt only the one or the other technology, or an alternative technology, as the primary standard for ZEVs. In this case, the Group, as a result of its dual-pronged approach, would have committed significant resources to the research and development of at least one technology that ultimately failed to gain acceptance.

If the Group fails to address prevailing trends or regulatory and customer requirements with a commercially attractive product portfolio in a timely manner, because it misinterprets or does not recognize developments, if the necessary governmental support or regulatory framework fails to emerge, if the necessary charging or refueling infrastructure is not developed, or if the Group's products and services do not gain market acceptance, including as a result of uncompetitive TCO, this could result in unprofitable research and development investments and associated costs, inability to compete effectively, a loss of market share and reputational damage, all of which could materially adversely impact the Group's business, assets, results of operations, financial condition and prospects.

Further, as a result of increasingly strict energy efficiency and emissions regulation, TCO considerations, and consumer concerns regarding environmental sustainability, transport of goods may increasingly shift from trucks to other modes of transport, including rail, and such change in customer preferences or a further shift in governmental regulations disfavoring transportation by truck could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.8 The Group's future success is dependent on the successful execution of its business strategy

The Group's future business prospects are dependent on the successful execution of the Group's strategy to raise its profitability as an independent company and become a technology leader in the market with its deployment of ZEV and increasingly digitalized truck solutions on a global scale. In particular, if the Group fails to lower its breakeven point for profitability in certain regions such as Europe, grow its services and recurring revenues, or successfully deploy series-capable BEV or FCEV trucks, the Group's business, assets, results of operations, financial condition and prospects could be materially adversely affected.

The Group's ability to achieve its strategy is subject to a number of a risks, including:

- insufficient progress in developing technology both in-house and through its partnerships for internal combustion engine ("**ICE**"), BEV and FCEV trucks, autonomous driving and digital connectivity solutions: The Group plans to ramp down its current ICE offerings in favor of a ZEV strategy involving both BEV and FCEV commercial vehicles. It expects this transition to occur over the next 10 to 20 years. For the fiscal year ended December 31, 2020, the Group's ICE-based vehicles accounted for the vast majority of its total unit sales. The transition from such a high percentage of ICE products to new ZEV products will therefore require significant efforts within the Group, as well as being dependent on cooperation with partners outside of the Group. In particular, the Group plans to significantly reduce its R&D spending on ICE technology in the near to mid-term, with the majority of R&D spending to be devoted to ZEV technology by 2025. To manage these R&D costs reductions in ICE and still implement an ICE ramp-down process in a commercially sustainable manner, the Group expects it will need additional strategic partners to help bear the R&D costs necessary for what it expects to be the final or near-final generation of ICE technology, including to comply with forthcoming Euro VII emissions regulations. See also "*1.1.9 The Group is subject to risks relating to its cooperation with strategic collaboration and joint venture partners"*;

- lack of charging and refueling infrastructure capable of supporting the Group's next generation of BEV and FCEV trucks in its major markets: Challenges to the establishment and expansion of such charging and refueling infrastructure include the logistics of securing agreements with third-party providers to roll out, fund/finance and support a network of charging solutions in appropriate areas, inadequate electrical or hydrogen capacity or over-capacity in certain areas, security risks or risk of damage to vehicles associated with charging, development of effective charge management software, the potential for lack of customer acceptance of charging or refueling solutions, the obtaining of any required permits, land use rights and filings, and maintaining government support for charging infrastructure that is compatible with the Group's products;
- withdrawal of government support for the transition to ZEV: for instance, if government subsidies for the purchase of commercial BEV or FCEV, safety regulations and generally favorable and supportive legislation (including tax and toll incentives) are removed or weakened;
- failure to properly gauge customer preferences for new products or financial or aftersales services, including digital service offerings and ZEV: For instance, not all of the Group's major competitors are following a dual-pronged approach in developing both BEV and FCEV products. One or both of these technologies might not be successful on a commercial scale. See also "*1.1.7 The Group's future business success depends on its ability to respond to evolving market trends with innovative, attractive and energy-efficient products, technology and services on competitive terms*";
- inability to effectively lower its fixed and variable costs: In order to raise its global EBIT margin closer to benchmark competitors, the Group aims to reduce its fixed costs by 15% by 2023, to be achieved in part through 15% reductions in capital expenditures and R&D spending, from fiscal year 2019 levels. See also "*1.1.14 The Group may fail to achieve the targeted benefits from operational performance improvements, including cost-saving measures"*;
- failure to re-establish leadership in customer perception at MB in the areas of sales, service and product quality, which has slipped in recent years from previously strong positions;
- insufficient management resources to manage the execution of the Group's business strategy; and
- challenges in preserving the Group's culture, values and performance-based working environment in the face of a fast-paced transformation to alternative drivetrains and digital services.

Any failure by the Group to successfully execute its strategy could have a material adverse effect on its business, assets, results of operations, financial condition and prospects.

1.1.9 The Group is subject to risks relating to its cooperation with strategic collaboration and joint venture partners

The Group has engaged in the past, and may engage in the future, in significant partnerships and joint ventures, the success of which is difficult to predict. In particular, the Group maintains partnerships and joint ventures with several strategic partners and associates as part of its strategy to drive its transformation toward e-mobility and digitalization, offset or share costs on remaining internal combustion engine projects and to support its business in certain geographic markets. There will also be an increased focus on these partnerships going forward, since they are viewed as an essential part of the Group's R&D cost management efforts. These partnerships and joint ventures may not function as intended or yield the expected results, such as achieving synergies, cost savings, expansions in the Group's product offerings or other benefits. For example, in March 2021 the Group established the 50-50 joint venture cellcentric with Volvo to develop, manufacture and market fuel cell systems for heavy-duty commercial vehicle and other applications. The Group also has a 50-50 joint venture with the Chinese commercial vehicle manufacturer Beiqi Foton Motor Co., Ltd. ("**Foton**") for the local manufacturing of heavy-duty trucks for the Chinese market. In addition, the Group recently expanded its partnership with CATL to jointly design battery cells for the trucking industry and to secure supply of truck-focused batteries beyond 2030. The Group has also announced partnerships with Power Electronics, Siemens, Engie/EVBox, Linde, TRATON, Volvo, BP, TotalEnergies and Shell on battery and fuel cell charging infrastructure systems. It also collaborates with Waymo on autonomous driving technology. To address the ongoing costs associated with ICE development, Daimler Truck AG announced the signing of a framework agreement in August 2021 with Cummins Inc. ("**Cummins**") establishing a strategic partnership for a medium-duty engine system and it is seeking further strategic partners in relation to heavy-duty engines and the expected Euro VII emission standards.

The Group's participation in partnerships and joint ventures is subject to a number of risks and challenges, including:

- the Group's business and legal interests may not always be aligned with those of its partners and any of the Group's current or future joint ventures or partnerships may fail to be successful, achieve their planned objectives and meet their targeted timelines;
- joint ventures and partnerships may require an investment of considerable management, financial and operational resources to establish sufficient infrastructure such as risk management, compliance or other processes;
- joint ventures and partnerships may be structurally complicated by the parties involved being required to anticipate and address issues of governance, control, dispute resolution and ownership or use of rights to intellectual property and other assets, among many other matters;
- the Group may not have the level of strategic control over the joint venture or its strategic partner that it requires to fulfill its long-term goals or to prevent quality control issues, inefficiencies or other operational problems;
- a joint venture partner may sell its stake in the joint venture to a buyer who is unattractive to the Group;
- joint ventures may not succeed commercially, resulting in the Group recording an impairment; and
- joint ventures and partnerships may result in restrictions on the Group's ability to compete.

Furthermore, the Group's joint venture and strategic partners may take actions contrary to the Group's instructions or requests or contrary to its policies or objectives, be unable or unwilling to fulfill their obligations under the relevant joint venture or strategic partnership agreement, including compliance with reporting obligations and anti-corruption laws or adherence to restrictions on the use of the Group's assets, including intellectual property rights, or have financial difficulties. A serious dispute with one of the Group's joint venture or strategic partners or serious problems arising in one of its joint ventures may cause the loss of business opportunities or disruption to, or termination of, the relevant project or business venture. A dispute may also give rise to litigation or other legal proceedings, which would divert the Group's management's attention and other resources.

Joint ventures may also expose the Group to risks relating to its intellectual property and proprietary rights. See also "*1.3.8 The Group may not adequately protect its intellectual property and know-how or may be liable for the infringement of third-party intellectual property or know-how.*" Joint ventures may further be restricted by antitrust rules in certain jurisdictions. For example, the Group's joint venture with Volvo was subject to merger clearance by the European Commission. See also "*1.3.3 The Group faces risks arising from non-compliance with antitrust laws and regulations*."

Entering into joint ventures or strategic partnerships with companies in foreign countries may moreover expose the Group to changes in economic and political conditions in those foreign countries, as well as relevant laws and regulations. For example, the Group's relationship with Foton exposes the Group to economic and political conditions in China. The relevant contracts with Foton are generally governed by Chinese law and the Group is therefore exposed to Chinese laws and regulations to the extent the joint venture maintains operations in China. See also "*1.2.1 The Group is subject to risks related to its international operations*"

The successful cooperation with partners in associated companies and joint ventures is of key importance to the Group's ability to drive its transformation toward e-mobility and comprehensive digitalization, among other strategic priorities. Should such cooperative arrangements fail for any reason, including as a result of the above risks materializing, this may adversely affect the successful execution of the Group's business strategy, its competitiveness, and its ability to comply with regulatory requirements. Any of the foregoing could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.10 The Group's business, which depends on the timely availability of high-quality raw materials, parts, components and other inputs at reasonable prices, is currently facing, and may continue to face, delays, shortages and price volatility as a result of global supply chain disruptions and other factors

The Group purchases a broad range of materials, components and parts in connection with its manufacturing activities. These include steel, copper, aluminum, precious metals, rubber, plastics, particularly within parts and components containing these and other raw materials. The cost of such parts, components and materials represents a significant portion of the Group's total costs, and problems with their availability may in some cases pose a significant risk to the Group's business.

The prices of these materials, components and parts are susceptible to significant and at times sharp fluctuations, including as a result of global or regional supply/demand dynamics in the commodities markets and end markets, production capacity and constraints on the part of suppliers, transportation costs and issues, energy prices, infrastructure failures, government regulations and tariffs, geopolitical events, changes in currency exchange rates, price controls, the economic climate including inflationary pressure, and other unforeseen circumstances. Market prices for the key raw materials and components that the Group sources, such as steel and steel derivatives, have been volatile in recent years. Following a sharp decline during the early phase of the Covid-19 pandemic in 2020, these prices are rising again as demand is recovering although supply remains limited as a result of capacity reductions undertaken during the downturn. Steel prices in particular have been volatile in 2021, with extreme surges in the past months, which could further impact the cost of a wide range of items with a high exposure to steel. In general, the ability to pass on the higher costs of commodities and other materials and inputs in the form of higher prices for manufactured vehicles is limited because of strong competitive pressure in the commercial vehicle markets. Such price increases may therefore have a negative impact on the profit margins the Group earns on the vehicles it sells.

In addition to price and cost risks, the Group is subject to the risk of supply shortages for key raw materials, parts and components, which can arise due to a wide range of factors. Companies around the world are currently suffering from acute shortages of many raw materials, parts and components for complex reasons, many related to or triggered by the Covid-19 pandemic. These include surges in consumer demand as the global economy emerges from the Covid-19 pandemic, which some producers are struggling to meet due to ongoing supply limitations arising from the pandemic, shortages of energy and labor in some markets, which have caused production delays along the entire supply chain, and shortages of truck drivers and shipping containers as well as a lack of port capacity, which have undermined the transport and delivery of goods. The interconnected nature of international supply chains means that a single supply problem in one market can lead to multiple production problems in multiple markets.

The Group's operations and financial performance has been impacted by supply chain constraints, mainly due to shortages of semiconductors, which have especially affected its heavy-duty truck market segment. The Group has been able to only partly offset increased prices for raw materials with increased net pricing for its products. A particular problem for automotive manufacturers like the Group arises from the continuing international shortage of semiconductors required for cars, trucks and buses. The semiconductor shortage has for some time had, and will likely continue to have, a material impact on the Group's ability to complete the manufacture of its trucks and buses. See also "*1.1.6 The Group is dependent on third party suppliers and in particular faces an ongoing shortage of semiconductors crucial to its products*."

Further supply risks arise from other factors, such as decreases in extraction and production due to natural disasters, political instability or unrest or production limits imposed in extracting and producing countries. For example, China, which is currently the predominant producer of rare earth elements, has limited the export of such elements in the past and is increasingly using other mechanisms, such as an export licensing system or the imposition of higher raw material duties, which could limit access to such materials. See also "*1.1.4 The Group's business could be materially adversely affected by the imposition of measures restricting market access, including tariffs and other barriers to trade*." In addition, quality issues with respect to raw materials, components and parts may necessitate technical measures involving a considerable financial outlay where costs cannot be passed on to the supplier or only to a limited extent.

Finally, rapidly rising demand for certain new technologies, such as electrified powertrains, could require significant changes to the Group's supply chain and result in higher product costs and supply bottlenecks. An increasing shift to e-mobility and digitization throughout the industry has resulted and is expected to continue to result in long-term increases in demand for battery cells, semiconductors and certain critical materials, such as lithium, necessary to manufacture them. Due to the limited pool of suppliers, price increases and bottlenecks in the supply of these materials have occurred and may continue to occur, which could limit the Group's ability to meet demand for its current generation of vehicles (including its vehicles with conventional ICE powertrains) or commercialize its new ZEVs profitably (or at all).

Any of the foregoing risks, if they materialize, could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.11 Unforeseen business interruptions at production facilities may lead to production bottlenecks or downtime

The Group's success depends on the uninterrupted operation of its manufacturing operations. Unforeseen disruption of a production facility could be caused by a number of events, including a maintenance outage, power failure, equipment failure, fires, floods, earthquakes or other natural disasters, severe weather conditions, social unrest or terrorist activity, labor difficulties, public health concerns or other operational problems. A prolonged disruption at a manufacturing facility could result in production downtimes or temporary operation at reduced capacity preventing the Group from completing production orders in a timely manner, loss of business volume, reduced productivity or profitability at a particular production site, significant repair costs that are not covered by the Group's insurance coverage and, in severe cases, injuries or loss of life. For example, during the first wave of the Covid-19 pandemic in spring 2020, the Group had to temporarily suspend operations at the majority of its plants in the EU30 and later also at those in the U.S., Latin America and Asia. Certain sales-and-service centers and dealerships for the Group's products also closed due to the Covid-19 pandemic. These closures resulted in delayed shipments to customers, lower customer demand and lower unit sales. See also "*1.1.1 The Covid-19 pandemic continues to pose a significant risk to the global economy and to the Group's business, assets, results of operations, financial condition and prospects.*"

The Group is subject to concentration risk with respect to production interruptions. For instance, diesel engines for the Group's Freightliner brand commercial vehicles are produced exclusively at a single production site in the city of Detroit, Michigan in the United States. A production downtime or stoppage at this facility in particular could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.12 Deviations from planning in connection with large projects, including, in particular, new vehicle generations, may result in cost overruns, delays and otherwise hinder their successful realization

The Group is subject to risks relating to deviation from planning in connection with large projects, including the development and launch of new vehicle generations, vehicles or powertrains. This may especially be the case when capital-intensive projects, such as factory buildouts or capacity expansions, *e.g.*, the introduction of a new production line, are required. These risks may result from a number of factors, including inaccurate assumptions with respect to planning and implementation costs, unexpected technical challenges, weaknesses in project design and management, and poor performance of third-party suppliers and business partners. These factors could result in significant cost overruns, delays in new product launches, delivery delays, quality issues and damage to customer relationships.

While the current roll-out of new truck generations such as the eActros, eEconic, eCascadia and eCanter and new bus generations such as the eCitaro and the Saf-T-Liner C2 Jouley are not currently expected to require dual production lines, this could change as production volumes increase in the future, resulting in significant additional costs for the Group. The cost of such additional production lines may not be offset by profits derived from increased production volumes. Late design changes in the development process, for example in connection with new regulatory requirements, as well as quality or availability problems of supplied vehicle components can have a negative impact on production ramp-ups. Delays in the ramp-up phase of an innovation or during a product's lifecycle can lead to inefficiencies in the production process and as a consequence to a temporary reduction in production volumes. Such delays could also occur due to the ineffective training of employees, particularly in connection with the electrification process, which entails additional safety considerations compared to traditional automotive manufacturing.

The Group may not manage these or other large projects as effectively as planned, and any deviation from planning in connection with such projects could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.13 The Group may not be able to adjust its production capacity in line with demand for its products

The Group plans its production capacity for its commercial vehicle projects several years in advance on the basis of expected sales developments. Although many of the Group's products are made-to-order, demand for commercial vehicles is a function of a wide range of factors, including market cyclicality and other dynamics, and cannot be estimated with any certainty. Moreover, most customer orders have unique specifications and require extensive customization of the Group's base offerings. In particular, the ongoing transformation in the transport and logistics industry makes it more difficult to forecast future sales of vehicles with alternative powertrains, hybrid vehicles, vehicles using alternative fuels and traditional commercial vehicles, which increases the risk of the Group's production planning. In addition, as the range of the Group's models increases, the risks related to production planning also increase.

If the Group overestimates demand for its products, there is a risk that available capacity will be underutilized, while pessimistic forecasts could result in insufficient capacity to meet demand. Lower than planned capacity utilization results in lower returns on the capital invested in building such capacity and in reduced profit margins, whereas insufficient capacity could result in lost business and customer dissatisfaction. This requires the Group to continuously adjust production capacity at its facilities worldwide. Neither the Group nor its key suppliers may be able to adjust production capacity sufficiently and in the timeframe required if demand fluctuates beyond their organizational and technical flexibility. For example, in the face of a strong rebound in demand for its products in 2021, the Group has also experienced significant supplier delays in the delivery of semiconductors, which has hampered the Group's ability to maintain production capacity at levels necessary to satisfy demand. See also "*1.1.6 The Group is dependent on third-party suppliers and in particular faces an ongoing shortage of semiconductors crucial to its products*."

In addition, the Group may not be able to adjust production capacity as planned for political, regulatory or legal reasons, such as employment laws that limit the Group's ability to adjust the size of its workforce in certain jurisdictions, such as Germany, where the Group maintains significant production capacity for conventional powertrains. The transition, in particular from conventional powertrain to battery-electric and fuel-cell electric powertrain production, over the coming years is likely to require fewer employees than previously due to the reduced number of individually machined components in zero-emission powertrains compared to powertrains based on ICE.

Any of the foregoing risks, if they materialize, could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.14 The Group may fail to achieve the targeted benefits from operational performance improvements, including cost-saving measures

Efficiency improvements and cost savings are crucial for the Group to maintain its competitiveness and improve its profitability. In recent years, the Group's most significant operating expenses, personnel costs and procurement costs have been on an upward trend, putting pressure on the Group's profit margins. The Group seeks to control such costs through implementing operational improvement measures. The Group is in the midst of implementing a number of operational performance and cost-saving initiatives to address ongoing high fixed and variable costs impacting profitability.

The Group is seeking to reduce its fixed costs by approximately 15% by 2023 from fiscal year 2019 levels, to be achieved in part through 15% reductions in capital expenditures and R&D spending, and through performance-based capital allocation as well as personnel cuts at the segment level (as described in more detail below).

Operations of the Group's Mercedes-Benz segment ("**MB**") have also been a particular focus for the Group's cost optimization efforts in the period under review. Turnaround efforts comprise both top line and bottom line (*e.g.*, material, personnel and non-personnel) measures, focusing on an increase in sales performance and sustainable cost reductions, among others resulting in reduced break-even points, in Europe and Brazil. In order to achieve personnel cost targets, MB is pursuing an ongoing personnel cost reduction of EUR 280 million (including a reduction in management positions) by 2023 compared to 2019, with 50% of net savings expected to be delivered by the end of 2021. It is also pursuing a non-personnel cost reduction of EUR 200 million by 2023 compared to 2019, with 50% of net savings expected to be delivered by the end of 2021, driven by a cost and revenue program implemented to ensure improvement on all contribution margin (*i.e.* the marginal profit, calculated as revenue minus variable cost) ("**Contribution Margin**") levers. These levers relate to portfolio improvements, which include a reduction of the number of base vehicle models with low volumes from 140 to 100 and of the volume of purchased parts by approximately 15%, material-related measures, such as focusing on commonalities and growing the number of shared parts used globally, achieving higher product quality, pricing improvements, which include pursuing profitable segments as opposed to market share, and focusing on optional extras with added value for customers and high contribution margins.

The Group's Daimler Trucks Asia segment ("**TA**") has implemented a range of cost optimization initiatives in the period under review. In particular, TA is focused on achieving higher levels of variable cost efficiency, offsetting technical cost increases, improving revenue quality, reviewing its sales and production footprints and expanding for instance the insourcing of its profitable service business. TA is also seeking to optimize its fixed cost structure and reduce indirect labor costs by 10% (in particular in its Fuso operations) compared to 2019 and is aiming for downstream profits to cover 100% of fixed costs by 2025.

In the period under review, the Group's Daimler Trucks North America segment ("**TN**") has sought to maintain rigorous cost management. Going forward, TN intends to maintain strict cost discipline, focusing on vehicle cost reductions while maintaining a highly flexible production network across the U.S. and Mexico, operational efficiencies, and stringent fixed overhead controls.

The Group's Daimler Buses segment ("**DB**") has focused its cost optimization efforts on reducing personnel cost, lowering spending involving external parties and implementing digitalization in various operational settings in the period under review. DB has also sought to actively manage its portfolio of products to reduce complexity, both for customers and its own production base, in order to increase leverage from volume growth and take advantage of revisions to its production footprint. DB is seeking to reduce fixed costs by EUR 300 million by 2025 through personnel reductions, maximizing efficiencies from the Group's global production footprint and streamlining its portfolio and geographic presence.

Implementation of these operational performance and cost-saving measures is a complex exercise involving multiple jurisdictions across Asia, North America, the EU30 and Latin America and is subject to a number of interdependencies and uncertainties. For example, changes in the personnel structure and reductions in headcount for purposes of personnel cost reductions could negatively affect morale within the Group's workforce, damage the image of the Group as a preferred employer and undermine its ability to attract and retain talent. Initiatives to reach cost reduction targets in the procurement and supply chain structure could also face logistical hurdles, such as the Group's plan to produce and purchase parts in Brazil that it had previously secured from other sources internationally. Furthermore, performance initiatives of the scale and breadth targeted by the Group require significant management time and attention, which could disrupt or otherwise negatively affect ongoing business operations. The failure to provide sufficient management capacity to implement the Group's operational performance and cost-saving measures could both impede the success of the initiatives and adversely affect the Group's business.

The Group's ability to achieve the targeted benefits of its operational performance and cost-saving programs is also dependent on assumptions relating to a number of external factors, including the development of the markets for the Group's products, political, legal, fiscal, market and economic conditions, labor law and regulations, other regulatory developments, relations with trade unions and works councils, collective bargaining outcomes and tariff and wage increases, all of which are difficult to predict and are largely beyond the Group's control. These assumptions may prove to be inaccurate.

As a result of any of the factors above, these operational performance and cost-saving measures, or components thereof, may not deliver the intended benefits within the time frame the Group targets. This may result in implementation costs in excess of those originally budgeted by the Group and the actual results of the initiatives may differ materially from the targets. These initiatives may fail to be successful. If the targeted operational performance and cost-saving measures are not fully realized or achieved within the intended time frames, this could have a material adverse effect on the Group's profit margins and more generally its business, assets, results of operations, financial condition and prospects.

1.1.15 Vehicle defects and other quality issues could lead to recalls, regulatory inquiries, delays in new product launches, penalties and legal liability

In order to maintain high quality standards for its products and to comply with government-prescribed safety and other standards, the Group incurs substantial costs for monitoring, certification and quality assurance. Meeting government-mandated vehicle standards is costly and often technologically challenging, particularly where required standards conflict with one another. As commercial vehicles become increasingly complex, including as a result of digitalization of components and communications among such components, the risk of vehicle defects increases. As the Group employs a modular component concept in the production of vehicles, for instance with respect to powertrains, the Group's risk with respect to product defects is moreover further increased because individual components are used in a number of different vehicle types, models and brands.

Moreover, the adoption of new technologies, many of which are still being refined for use in the transportation industry, including autonomous driving technologies and electric vehicles powered by batteries, may increase the Group's exposure to vehicle defects and product liability.

Applicable laws and governmental standards require manufacturers to take action to remedy defects related to vehicle safety and other standards, and a manufacturer may have to recall vehicles. Costs associated with delays in new model launches due to product defects and recall campaigns or warranty costs to remedy defects in vehicles that have been sold can be substantial. For example, the Group's Actros model heavy-duty truck released in 2011 experienced quality issues with a secondary water retarder at higher mileage which required the initiation of service campaigns and the granting of extended service warranties to customers. Vehicle manufacturers can also face regulatory investigations and fines for non-compliance with various governmental standards or rules as well as customer claims and litigation arising from any defects and resulting consequences on product use or safety. Class action lawsuits, where available, and product liability, in particular, can have substantial financial consequences. In addition, in 2020, Daimler Trucks North America agreed to a USD 10 million civil penalty, to spend an additional USD 5 million on projects to enhance safety and to a USD 15 million deferred penalty (which may become payable under certain circumstances) as part of a settlement with the U.S. National Highway Traffic Safety Administration ("NHTSA") regarding claims that it had failed to recall vehicles in timely fashion and comply with U.S. federal reporting requirements.

The Group generally records warranty provisions in its accounts based on past experience and known claims, but such provisions may not be adequate for any liability ultimately incurred as a result of potential vehicle defects. In addition, defective products, product liability claims, warranty claims, product recalls and other similar proceedings could damage the Group's reputation, which could in turn harm its customer relationships and result in reduced sales and ultimately could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects. See also "*1.3.2 The Group is subject to risks arising from legal disputes and government proceedings*" and "*1.3.10 The Group's insurance coverage may not be sufficient and insurance premiums may increase*."

1.1.16 The Group's success is dependent on the image of its brands and the brand image and reputation of its strategic partners

The Group's success is dependent on the good reputation and image of its various brands. To this end, the Group must earn customers' confidence by providing products and services that meet customer demand and appeal to customers' preferences, including with respect to sustainability, innovation, quality, reliability, and value (total cost of ownership). Moreover, as the Group is dependent on suppliers for several significant production components, the perception of the Group's vehicles can also be affected by the performance and quality of third-party supply components or broader perceptions of the commercial vehicle industry generally. If the Group is unable to effectively maintain and develop its and its brands' image, for example as a result of an inability to provide safe, high-quality products and services or as a result of the failure to promptly implement safety measures such as recalls when necessary, vehicle unit sales or sale prices might decrease. The Group's success is also dependent on its image with other stakeholders, including the general public. Key factors affecting the Group's public perception include its approach to environmental sustainability, labor practices and social matters, including human rights as well as government proceedings and litigation to which it is subject.

In addition, as the Group further develops its strategic partnerships and its brands become increasingly associated with associates and strategic partners, the Group's exposure to risks relating to the brand image and reputation of third parties increases. The Group has little, if any, control over the strategic direction and management of the Group's associates and strategic partners and any deterioration of their public image may jeopardize the image of its own brands. Finally, the Group is subject to reputational risk in connection with the sale of commercial vehicles to government customers or other state actors should the activities in which its vehicles become deployed generate adverse publicity.

Any inability on the Group's part to maintain and develop the image of its brands, or failure of its associates and strategic partners to successfully manage theirs, could materially adversely affect the Group's business, assets, results of operations, financial condition and prospects.

1.1.17 The Group's multi-brand strategy may result in overlapping sales and a weakening of its brands

The Group has a number of principal truck and bus brands, comprising Mercedes-Benz, BharatBenz, FUSO, Freightliner, Western Star, Thomas Built Buses and Setra. While each of these brands has its own clear brand positioning, they serve similar industries and many of their truck and bus products and aftersales offerings overlap. The similarity of the brands' product offerings, such as those of Freightliner and Western Star in the

U.S. market, could increase the risk of an overlap in the marketing approach and could lead to sales of one brand cannibalizing the sales of another in markets where such overlap exists, which can have an adverse effect on the overall position and market share of the individual brands. For example, the Group's vehicle brands in certain instances compete with one another in tenders for customer contracts. Risks relating to an overlap in the product offerings of the Group's various brands may be intensified by the Group's modular strategy, which incorporates certain platforms and components into certain products across the Group's principal brands. In particular, the Group may face price erosion and lower margins for certain premium vehicles if more components are shared between brands.

These risks may lead to internal cannibalization, loss of sales or additional expenses associated with higher investment to reposition affected models or brands, which could have a material adverse effect on the Group's business, assets, financial condition, results of operations and prospects.

1.1.18 The Group's sales performance could weaken, if the Group is unable to effectively market and distribute its products

The Group's success in the sale of vehicles and after-sale services depends on the ability of its business divisions to market and distribute their products effectively based on distribution networks, financial services and sales techniques tailored to the needs of their customers. Further, in many jurisdictions, the Group's products are sold by independent commercial vehicle dealers and vehicle importers, with whom the Group strives to maintain good working relationships and whom it aims to integrate into its marketing, sales and product strategies. However, the Group's and the dealers' or vehicle importers' interests may not be aligned. Moreover, the Group may not be able to adequately adapt its sales techniques and distribution networks to changing customer preferences or changes in the regulatory environment or local business practice in the major markets in which it operates.

In markets where the Group relies on independent distributors for a significant portion of its business volume, the Group is also exposed to the risk of disruption in its distribution network in connection with financial instability or insolvency of important distributors, a risk that may become acute during financial downturns or crises. For example, some of the Group's independent distributors have experienced significant financial strain as a result of the Covid-19 pandemic and it cannot be ruled that the Group will have to take costly support measures to ensure the performance of failing business partners. The loss of strategically important distributors could result in the Group's inability to fully serve consumer demand and lower unit sales, as well as costs related to contract cancellations. At the same time, support measures to safeguard such distributors could result in significant costs and operational challenges. See also "*1.1.1 The Covid-19 pandemic continues to pose a significant risk to the global economy and to the Group's business, assets, results of operations, financial condition and prospects.*"

Finally, laws and regulations in many jurisdictions govern sales practices and provide for governmental and private rights of action to address non-compliant practices. Failure to maintain well-developed sales techniques and distribution networks may result in lower volumes and a decline in market share, regulatory and legal inquiries and claims and could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.19 The Group's service business, which is a key contributor to the Group's success and competitiveness, may not generate the revenues and profitability that the Group expects

The Group offers an array of aftersales services and parts to purchasers of its commercial vehicles, including workshop services, maintenance plans, spare parts and services for the management of customer operations, such as fleet management systems and driver coaching, as well as financial services distinct from aftersales services. The aftersales services business generally produces higher margins than new vehicle sales in certain cases, making it particularly important for the Group's financial performance. In 2019, the Group's contribution to revenue from services amounted to approximately 30% (being the percentage of revenue from services of the Industrial Business and Financial Services plus leasing installments from finance leases (numerator) divided by the total of a) new vehicle revenues from the Industrial Business minus b) additions to Financial Services finance and operating leases plus c) the numerator) ("**Service Share of Revenue**"). The Group's ambition is to increase its Service Share of Revenue to approximately 35% in the mid-term and to approximately 50% by 2030 as part of its ultimate transformation into a provider of mobility services. The Group's aftersales business may however not generate the revenues and profitability that the Group expects, and such services could decline in importance over time. This could happen for a number of reasons, including:

- declines in sales of new vehicles;

- changes in economic conditions encouraging customers to become more price-conscious and less willing to commit to long-term service contracts;
- a large proportion of customers deciding to move their aftersales maintenance needs in-house or to other providers;
- changes in customer preferences for connectivity and other digital services, including offerings from third-party software and hardware developers;
- competitive pressure forcing the Group to reduce the prices it charges for aftersales services and/or parts, thereby reducing the Group's margins and profitability;
- the elimination by government authorities of design protection for "must-match" automotive parts, which refer to component parts used in the repair of a complex product so as to restore such product's original appearance, which would increase competitive pressure on the Group's aftersales business and in particular its sale of spare parts;
- the introduction of new or stricter government regulations regarding horizontal competition in the vehicle aftersales market;
- growing market share of electric vehicles and other new products with a lower need for spare parts and aftersales services for certain new products; and
- extended maintenance intervals as a result of product quality improvements.

The occurrence of any of the foregoing developments could materially adversely impact the Group's revenue and, in particular, its profitability, and result in a lower return on its investment in its service network. Because the Group's aftersales business tends to be less cyclical than the sale of commercial vehicles, a decline in the Group's business from aftersales services would moreover expose its financial results to greater volatility arising from economic cycles. The materialization of any of the above factors, could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects. See also "*1.3.7 The Group's aftersales business is subject to risks relating to regulation of the vehicle aftermarket*."

1.1.20 The Group's Financial Services Business may not be successful

The Group's business success is dependent on its ability to offer its vehicle customers a range of financial services, including financing, leasing and insurance. Such services, which the Group offers through its Financial Services reporting segment ("**Financial Services**" or "**Financial Services Business**"), facilitate the Group's sale and lease of its vehicles by offering customers financing options and other incentives.

As a captive finance operation, the Group's Financial Services Business depends largely on its vehicle sales and a significant decline in vehicle deliveries would therefore adversely affect financial services income. Reasons for a decline in vehicle sales can be diverse, including weaker economic conditions in a key market, industry cyclicality or adverse regulatory developments. See also "*1.1.2 Demand for the Group's products depends on economic and political conditions globally and in the Group's key markets, including North America, Europe and Asia.*" Further, the success of the Group's Financial Services Business also depends on the overall economic situation as well on the economic situation of its customers. If these economic conditions worsen, the customer credit risk borne by the Group's Financial Services Business may increase and may have an impact on the Group's business.

The Group's Financial Services Business also depends on the Group's ability to finance and refinance its capital needs on commercially attractive terms in order to be able to offer financial services to customers on attractive terms. Higher financing or refinancing costs, or inability to access capital altogether, including as a result of adverse changes in the Group's credit ratings would have a negative effect on the competitiveness and profitability of the Group's financial services business. See also "*1.2.6 The Group may not succeed in financing or refinancing its capital requirements in due time and to the extent necessary, or at all, or it may finance or refinance on unfavorable terms and conditions*."

The Group's financial services offerings are furthermore subject to financial regulations in the various jurisdictions in which they are offered, including a growing number of increasingly strict compliance rules. The cost of compliance with such regulations may be significant, and failure to comply could result in fines, penalties and the suspension or termination of such services.

Any failure to provide financial services to customers on commercially attractive terms could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.21 The Group may fail to successfully identify, enter into or integrate acquisitions and or successfully execute disposals

The Group has made acquisitions and disposals in the past and may continue to enter into such transactions in the future. For example, in March 2019, Daimler Truck AG acquired a majority interest in Torc as part of a strategic partnership to cooperate on autonomous driving systems. Corporate acquisitions and disposals are typically associated with significant risks.

The Group may not be able to identify suitable acquisition candidates in the future. Among other factors, the high degree of consolidation in the truck industry generally leaves little room for larger horizontal mergers or acquisition transactions of complementary businesses. Even if the Group does identify a suitable acquisition candidate, it may not be able to finance such acquisition on favorable terms or at all. Diligence reviews of acquisition targets may not identify all of the material issues necessary to accurately estimate the cost or potential loss contingencies with respect to a particular transaction, including potential exposure to regulatory sanctions resulting from an acquisition target's previous activities. The Group may incur unanticipated costs or expenses, including post-closing asset impairment charges, expenses associated with eliminating duplicate facilities, litigation and other liabilities, including related to warranties. The Group may also encounter difficulties in integrating acquisitions with its operations, applying its internal controls processes to these acquisitions or in managing strategic investments. Target companies may be located in countries in which the underlying legal, economic, political and cultural conditions do not correspond to those customary in the European Union or have other national peculiarities with which the Group is not familiar. Moreover, any planned acquisition may be subject to review and approval by the competition and other regulatory authorities of a number of jurisdictions, which may impede a planned transaction. See also "*1.3.3 The Group faces risks arising from non-compliance with antitrust laws and regulations*."

The Group may not realize the targets for growth, economies of scale, cost savings, development, production and distribution targets, or other strategic goals that it seeks from the acquisition to the extent or in the timeframe anticipated and the attention of management and other personnel may be diverted for long periods of time. Moreover, the purchase price may prove to have been too high or unforeseen restructuring or integration expenses may become necessary. In addition, the underlying market/strategic assumptions may change adversely between the signing and closing of an acquisition, and/or the Group may have to pay a substantial break-up fee for terminating the acquisition. Thus, the Group's corporate acquisitions or the acquisition of equity interests in companies may not be successful, which could adversely affect the Group's business, assets, results of operations, financial condition and prospects.

Furthermore, the Group may make strategic disposals from time to time. Disposals may result in continued financial involvement in the divested businesses, such as through guarantees or other financial arrangements, following the completion of the respective transactions. Under these arrangements, non-performance by those divested businesses could result in financial obligations for the Group and could affect its future financial results. In addition, the Group could be subject to potential liabilities resulting from contractual warranties and indemnities, as well as regulatory risks of not being able to obtain required approvals.

The materialization of any of the foregoing risks could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.22 The assumptions made in preparing the profit forecast and business outlook included in this Prospectus may prove incomplete or inaccurate

The profit forecast and business outlook included in this Prospectus reflect numerous assumptions made by the Group's management. These assumptions relate to commercial expectations and other external factors, including political, legal, fiscal, market and economic conditions and applicable legislation, regulations or rules, all of which are difficult to predict and are beyond the Group's control. Accordingly, the assumptions made in preparing the profit forecast and business outlook could prove incomplete or inaccurate and there may be differences between the Group's actual and projected results, which could be material and could in the future impact the price of the Shares of the Company. The inclusion of the profit forecast and outlook in this Prospectus should not be regarded as an indication that the Group considers such financial targets to be achievable or any outlook to be reliable predictions of future events. Accordingly, investors should not place undue reliance on any of the profit forecast or outlook information included in this Prospectus.

1.2 Risks Related to the Group's General Operations

1.2.1 The Group is subject to risks related to its international operations

The Group has operations in North America, the EU30, Asia and Latin America and customers in most countries around the world, including a number of emerging markets. As a result, the Group is subject to various risks inherent in international business operations, including:

- political and economic instability and exposure to potentially undeveloped legal systems;
- unexpected or unfavorable changes in foreign laws, regulatory requirements and related interpretations;
- difficulties in attracting and retaining locally qualified management and employees; staffing challenges, including works councils, labor unions and immigration laws;
- exposure to economic sanctions laws and regulations, trade barriers, local content requirements and import and export licensing requirements;
- logistical and communications difficulties;
- requirements to expend a portion of funds locally and governmental industrial cooperation requirements
- expropriation, coups, increased risk of fraud (*e.g.*, by employees or suppliers) and political corruption, terrorism, or acts of war;
- exposure to local public health issues and the resulting impact on economic conditions;
- the complexity of managing competing and overlapping tax regimes, including regulations relating to transfer pricing and withholding and other taxes on payments to or from subsidiaries;
- foreign currency exchange rate fluctuations and currency controls;
- greater risk of uncontrollable accounts and longer collection cycles;
- risks relating to cross-border financing or collateralization for Group companies;
- the risk of government-sponsored competition; and
- controls on the repatriation of cash.

For example, the Group has significant operations, and derives a material portion of its revenues from customers, in Brazil, India and Indonesia. As a consequence, the Group is subject to risks relating to regulatory, economic, social and political uncertainties in these jurisdictions. While each country experienced a recession in 2020 due to the Covid-19 pandemic, in Brazil, in particular, the recovery from a previous recession from 2014 through 2017 was tepid prior to Covid-19, leaving the country more exposed to economic headwinds from the pandemic. Each of the above-mentioned countries is to a certain degree characterized by political instability due to a number of factors, including the significant impact of the Covid-19 pandemic and related government countermeasures, ongoing labor and social disputes, as well as a perceived lack of transparency in the application of regulations and government policies. The Group's business, assets, results of operations and financial condition may also be adversely affected by changes in such policies, as well as fluctuations in the exchange rate of the respective local currencies against the Euro, changes in interest rates, liquidity of the domestic markets for capital and loans, controls on foreign exchange and limitations on international trade.

In China, the Group's operations are also subject to economic and political risks, as well as Chinese laws and regulations affecting foreign-invested enterprises, including foreign currency exchange rules. Moreover, as laws and regulations in China are gradually evolving, including with regard to CO_2 emissions, there may be uncertainty in their interpretation and enforcement. The administrative and court authorities in China have significant discretion in interpreting and implementing statutory terms. Thus, it may be more difficult for the Group to evaluate the outcome of administrative and court proceedings in China, should they arise, than in more developed legal systems. In addition, the Group is exposed to the risk of restrictions on the repatriation of cash from China, which may impact its ability to repatriate dividends from its subsidiaries in China.

The Group's overall success as a global business depends to a considerable extent on its ability to anticipate and effectively manage differing legal, political, social and regulatory requirements and economic conditions and unforeseeable developments. The materialization of local business risks or the Group's inability to adapt to changing conditions in markets outside of its core markets could have significant material adverse effects on the Group's business, assets, results of operations, financial condition and prospects. See also "*1.3.6 The*

Group's operations are subject to export control, sanctions, anti-corruption and anti-money laundering laws and regulations."

1.2.2 The Group is dependent on good relationships with its employees, their trade unions as well as employee representative bodies and stakeholders and is party to a number of collective agreements, some of which impose obligations and restrictions on the Group in connection with reorganizations, restructurings or similar corporate actions and which it may not be able to extend, renew or replace in a favorable or timely manner or at all

The Group is dependent on good relationships with its employees, trade unions, employee representative bodies such as works councils (*Betriebsräte*) and other stakeholders to successfully operate its business. Personnel expenses make up a significant portion of the Group's costs and the Group is obligated to comply with various collective agreements, such as collective bargaining agreements and works agreements that are in place with trade unions as well as works councils and other employee representative bodies and which cover a broad range of basic employment terms and conditions and provide for protections for the Group's workforce. Employees at the Group's German and U.S. locations as well as at a number of other foreign subsidiaries have traditionally been heavily unionized and members of the Group regularly conduct, or are involved in or affected by, negotiations with the relevant unions and employee representative bodies.

It may not be possible to extend or renew existing collective agreements or conclude new collective agreements in a favorable and timely manner or on terms and conditions that the Group considers to be reasonable or without work stoppages, strikes or similar industrial action. For example, in Germany the Group is regularly affected by strikes initiated by the metalworkers' union (IG Metall) when the collective wages agreement expires and a new wages agreement has to be negotiated by the metalworkers' union (IG Metall) and the employers' associations. The Group is occasionally affected by strikes also in other locations as well as by strikes and work stoppages taking place at suppliers and service providers for the Group. Moreover, any deterioration of the relationships with trade unions, works councils and other employee representative bodies could adversely impact the Group's business operations. The Group could face strikes or other types of conflicts with trade unions, works councils or its employees in the future as the Group has experienced in past years. Any such strikes, conflicts, work stoppages or other industrial actions may disrupt the Group's production and sales activities, damage its reputation and adversely affect its customer relations.

A number of collective agreements which apply to the Group also impose certain obligations and restrictions on the Group that may adversely affect its flexibility to undertake adjustments to its workforce, restructurings, reorganizations and similar corporate actions. In particular, collective agreements in relation to securing the Group's future (*Zukunftssicherung*) generally exclude dismissals for operational reasons until the end of 2029 for its German workforce and stipulate, *inter alia*, specific information and consultation obligations *vis-à-vis* the employee representatives in the supervisory board in relation to planned transactions as well as enhanced information and consultation obligations *vis-à-vis* the economics committee (*Wirtschaftsausschuss*), *e.g.*, in relation to new products or technologies to be introduced. The Group estimates that, in addition to the protections which its employees generally have under applicable employment laws, approximately 26,500 of the Group's employees enjoy such special protection against dismissal under these collective agreements on securing the Group's future. There is also a collective agreement in place for the operation in Mannheim, Germany (Daimler Truck AG), providing, *inter alia*, for commitments to manufacture certain products on site until the end of 2031 and to extend and renovate existing facilities. Similar commitments under works council agreements also exist for other sites which cover, for example, the transformation of individual sites to centers of competence for certain components or technologies and a commitment until the end of 2029 that certain future vehicles will be manufactured at the site in Wörth, Germany. Further collective agreements include, inter alia, site guarantees (*Standortsicherungen*) in principle for all own retail dealerships (*Niederlassungen*) as well as for the truck stores in Bremen, Recklinghausen, Köngen and Munich which may not be sold or shut down until the end of 2022; other reorganizations of the sites are also restricted. A similar site guarantee has been agreed for the headquarter of the Mercedes Benz Vertriebsorganisation Deutschland in Berlin/Brandenburg, Germany, which applies until the end of 2025. Similar commitments exist also for certain sites in the U.S. where the Group is, inter alia, under a contractual obligation towards the unions to build a certain number of trucks which effectively guarantees a minimum headcount and which is in effect until April 26, 2024.

Other restrictions contained in the Group's collective agreements that could have similar restrictive effects include for example restrictions on the deployment of temporary agency workers (*Leiharbeitnehmer*) as well as minimum severance obligations in case of redundancies and protection of remuneration (*Verdienstsicherung*).

The applicable collective agreements restrict the Group's flexibility to make adjustments to its workforce, to reduce its labor costs and to implement reorganization, restructuring or similar corporate measures, even where the Group's management has concluded that such actions are necessary in light of economic conditions or market developments and where the failure to do so, or the failure to do so in a timely manner (in particular compared to the Group's competitors), could negatively impact the Group. In addition, the Group's competitors may obtain competitive advantages compared to the Group if they succeed in negotiating collective wage agreements or other collective agreements on more favorable terms and conditions than applicable to the Group. Foreign competitors in particular may possess competitive advantages compared to the Group due to fewer and less restrictive collective and similar agreements and more flexible legal environments, especially with regard to minimum labor conditions, redundancies and other restructurings or reorganizations.

Moreover, any restructuring or reorganizational measures that the Group succeeds in carrying out may result in significant redundancy payments and other one-off costs and strain relations with employees and their representatives. This may in turn make it more difficult for the Group to subsequently negotiate, renew or extend collective agreements in a favorable and timely manner. The Group may also become subject to new or amended collective agreements, including collective bargaining agreements usually negotiated by the employers' association and the trade union for the metal industry, such as collective bargaining agreements on wages and working time, which may increase the Group's operating costs. The Group may fail to negotiate wages and other key employment conditions that are reasonable and fair from the Group's perspective.

Any of the foregoing risks, if they materialize, could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.2.3 The Group's future success depends on its ability to attract, develop and retain highly qualified managerial staff and skilled personnel

The Group's success depends substantially on its ability to attract, hire, train and retain experienced management and personnel. The Group's management team has substantial expertise and industry experience and the loss of key members of management could adversely affect the Group's ability to implement its strategic objectives. Further, the Group is also dependent on personnel that are highly skilled and qualified in scientific, technical and other specialist fields. The Group's success in attracting and retaining such personnel depends on a variety of factors, including its compensation and benefit programs, work environment, career development opportunities, commitment to diversity and public image. Competition for qualified personnel is increasing, particularly in the area of vehicle engineering and research and development and is especially intense in the areas of zero emissions technologies, software engineering and data science in products, services and production, among other technology areas driving the transformation of the industry. In addition, the Group faces challenges relating to the need to recruit, develop and retain a sufficient number of talented individuals with the potential to become the next generation of highly skilled specialists and executives. The Group may not be successful in attracting, developing and retaining experienced management and skilled personnel and any failure to do so could have a material adverse effect on its business, assets, results of operations, financial condition and prospects.

1.2.4 The Group's operations, products and services rely on complex information technology systems and networks that are subject to the risk of disruption, including as a result of security breaches and cyber attacks

The Group relies heavily on information technology systems and networks to support the entire value chain, including customer touchpoints, digital products and services. The importance and complexity of the Group's information technology is moreover growing as its vehicles contain increasingly complex IT systems that control key vehicle functions. This is likely to continue as the Group broadens its digital services offerings and prepares for the commercial launch of autonomous driving solutions. The consistent, efficient and secure operation of the Group's IT systems is therefore critical to the successful performance of its business along the entire value chain.

Despite IT maintenance and security measures, the Group's IT systems and networks (and those of the third party vendors and service providers it relies on) are exposed to the risk of malfunctions and interruptions from a variety of sources, including unauthorized access, cyber-attacks, equipment damage, power outages, computer viruses and a range of other hardware, software and network problems. Recently, ransomware attacks, in which malware from crypto-virology threatens to block access to systems and data via encryption unless a ransom is paid to the attacker, have been on the rise and have caused a number of companies to suspend operations and pay ransoms. The occurrence of any system malfunction, attack or failure could result in the loss or corruption of data and interruptions in the availability of systems. In addition, the implementation of new digitalization initiatives or the migration to new enterprise resource planning and other systems carries the risk of errors and malfunctions. The Group may encounter data migration or other errors, which could result in the loss of important data, interruptions, delays or cessations in the availability of the Group's systems.

The Group has implemented multiple layers of security measures to protect the confidentiality, integrity and availability of its IT systems and the data stored on them, and its defenses are monitored and routinely tested. Despite these efforts, the Group and its vendors remain subject to the threat of cyber security incidents and have been the target of cybersecurity attacks that could have a security impact. Any future cyber incidents could materially disrupt operational systems, result in loss of trade secrets or other proprietary or competitively sensitive information, compromise personally identifiable information regarding customers, suppliers or employees, delay the Group's ability to deliver products and services to customers, or jeopardize the security of its facilities and the safety of the Group's products.

Moreover, as a result of the Spin-off, a significant portion of the Group's IT environment, including infrastructure, systems, applications and related support and development functions, have been and will continue to be transferred from Daimler AG to the Group's control and that of its service providers. This transition is complex and global in scale. Aspects of this transition could result in disruptions to critical business functions of the Group, including to IT infrastructure or cybersecurity protections the Group might otherwise normally have in place. Such disruptions or vulnerabilities could expose the Group to heightened risks, including to data loss and cyberattacks.

As a result, cybersecurity, physical security and the continued development and enhancement of the Group's controls, processes and practices designed to protect the Group's facilities, information systems and data from damage or unauthorized access remain a priority for the Group. As cyber threats continue to evolve, the Group may be required to expend significant additional resources to continue to modify or enhance its protective measures or to investigate and remediate any cybersecurity vulnerabilities or incidents.

The materialization of any of the above risks could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects. See also "*1.2.5 The Group is exposed to the risk of data breaches*" and "*1.4.5 As the Group sets up its own information technology infrastructure and transitions the Group's data to its own systems, the Group could incur substantial additional costs and experience temporary business interruptions*."

1.2.5 The Group is exposed to the risk of data breaches

The Group's products and systems generate and store significant volumes of personal and sensitive business information, including personally identifiable information of customers, drivers, employees, partners and suppliers. The volume and complexity of electronically processed data continues to increase as the Group increasingly sells "connected" vehicles and digital services and solutions, which involve the transfer and analysis of data.

The Group is subject to privacy and information security regulations in the various jurisdictions and markets where it operates with respect to, among other things, the use and disclosure of personal data, and the confidentiality, integrity and availability of such information. Such regulations have increased worldwide in recent years, including in the European Union and the United States. For example, the Group is subject to the European Union's General Data Protection Regulation ("**GDPR**"), which imposes stringent requirements for data mapping and accountability, processor (service provider) obligations and international data transfers, along with a requirement to designate a data protection officer. The Group is also subject to the requirements of U.S. laws and regulations on data protection that are complex and developing rapidly. Many state legislatures in the U.S. have adopted legislation that regulates how businesses operate online, including measures relating to privacy, data security and data breaches, which are not consistent, and compliance in the event of a widespread data breach could result in significant costs.

While the Group has systems and processes in place to ensure compliance with these regulations, it cannot be ruled out that the confidentiality of sensitive data and information will be breached, as a result of cyber security attacks or otherwise, or that doubts will arise regarding the security of the data and information collected and managed by the Group. If the Group fails to adequately safeguard confidential personal or other sensitive data or such data is wrongfully used by the Group, its employees (or by third parties) or disclosed to unauthorized persons, this could result in claims for damages and other liabilities, significant fines and other penalties. For example, violation of the GDPR can result in significant sanctions including administrative fines of EUR 20 million or up to 4% of the Group's global turnover, whichever is higher, for each infraction. In addition, the GDPR grants individual data subjects the right to claim damages for violations of their rights under the GDPR.

See also "*1.2.4 The Group's operations, products and services rely on complex information technology systems and networks that are subject to the risk of disruption, including as a result of security breaches and cyber attacks*."

1.2.6 The Group may not succeed in financing or refinancing its capital requirements in due time and to the extent necessary, or at all, or it may finance or refinance on unfavorable terms and conditions

The Group depends on its ability to access capital to cover its financing and re-financing requirements on commercially acceptable terms. The commercial vehicle industry is cyclical and highly capital intensive, and the Group is exposed to risks related to the availability and cost of funding for its future growth and, in particular its ability to offer financial services to customers on commercially attractive terms. To the extent that the Group's existing sources of capital are not sufficient to satisfy its needs, it will have to seek capital from further sources, including the issuance of additional equity or debt securities in the domestic or international capital markets or through additional bank borrowings.

The Group's ability to obtain additional capital from external sources in the future is subject to a variety of uncertainties, including:

- the Group's financial condition, results of operations, cash flows and prospects;
- the liquidity and volatility of the domestic and international capital markets;
- the Group's credit profile and ratings;
- any tightening of credit markets and general market conditions for debt and equity raising activities by financial institutions; and
- economic, political and social conditions in the geographical markets in which the Group operates and elsewhere.

Such factors, among others, could increase the cost of borrowing money and limit the Group's access to the capital markets and commercial credit. Any difficulty that the Group encounters in securing adequate sources of short- and long-term funding could hamper its ability to invest in its manufacturing capacity, develop new technologies, offer financial services to customers and/or expand into new markets, thereby restraining the Group's growth opportunities.

The Group may also be unable to refinance its existing indebtedness or be forced to refinance such indebtedness on unfavorable terms. In particular, the Group's ability to access the capital markets or other forms of refinancing and related costs are dependent, among other things, on the Group's credit ratings. Rating agencies may review their ratings and any potential future downgrades could increase the Group's cost of capital and potentially limit its access to sources of financing. An increase in the cost of re-financing would in particular also have a negative impact on the competitiveness and profitability of the Group's financial services business. See also "*1.1.20 The Group's Financial Services Business may not be successful.*" Difficulty in accessing funding may also result in the Group experiencing financial distress or in the Group's creditors imposing restrictions on its business operations. Any future difficulty accessing funding on acceptable terms may have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.2.7 The Group's external debt could limit its future financing options and otherwise impact its business

As of September 30, 2021, the Group had EUR 18,825 million in financing liabilities. A significant portion of these total financing liabilities as of September 30, 2021 consists of financing liabilities which are allocated based on a target equity ratio resulting from the acquisition of the Financial Services Business through the Phase 1 Transactions and owed to the Daimler Group. The Group intends to refinance such financing liabilities owed to the Daimler Group with the net proceeds from the Bond Offerings (as defined below) or with draw-downs under the Bridge Facility (as defined below), in the event and to the extent that net proceeds from the Bond Offerings will not be available at the time of the refinancing of such financing liabilities, as well as additional draw-downs under the Bridge Facility and with further financial debt in the form of bilateral bank loans or further capital market transactions.

On August 6, 2021, Daimler Truck Holding AG (as guarantor effective upon the Demerger Transactions Effective Date) and Daimler Truck AG (as borrower and guarantor) and further subsidiaries of the Group entered into a German law governed EUR 18 billion credit facilities agreement with BNP PARIBAS, Citibank N.A. London Branch, Deutsche Bank AG Luxembourg Branch and JPMorgan Chase Bank N.A. London Branch acting as underwriters, and BNP PARIBAS, Citibank N.A. London Branch, Deutsche Bank AG and J.P. Morgan AG acting as coordinators, bookrunners and mandated lead arrangers, with Deutsche Bank Luxembourg S.A. acting as facility agent, and Deutsche Bank Trust Company Americas acting as swingline agent for the Canadian currency and the U.S. currency (the "**EUR 18 Billion Credit Facilities Agreement**") which includes a EUR 13 billion term loan facility (the "**Bridge Facility**") and a EUR 5 billion multicurrency revolving credit facility (the "**Revolving Credit Facility**").

The Group also intends to offer, through finance subsidiaries, senior unsecured notes guaranteed by Daimler Truck Holding AG and Daimler Truck AG and denominated in U.S. dollars, Canadian dollars and/or Euros across a market standard range of maturities in an aggregate principal amount of approximately up to the amount of the Bridge Facility (the "**Bond Offerings**"). The Bond Offerings may be launched, subject to market conditions, at any time, including before or after the Demerger Transactions Effective Date. The Bond Offerings are independent of the Demerger Transactions, are not conditional upon one another and may be consummated at different times. The Group may not be able to effect the Bond Offerings or any future offerings in the capital markets or other forms of financing or refinancing as planned in terms of timing, economic terms or at all, especially in challenging market conditions. It may therefore be necessary that the Group has to adjust current plans for the Bond Offerings or any future capital markets offerings or other forms of financing or refinancing, and such adjustments may lead to terms under such financing or refinancing measures which entail additional costs and/or lead to an increased level of indebtedness, in each case to the detriment of the Group.

To the extent the Bond Offerings are successfully completed, the Bridge Facility will either be mandatorily prepaid or cancelled in an amount equal to 90% of the available net proceeds received from the Bond Offerings by the Group.

The Group is likely to continue to have significant outstanding indebtedness following the foregoing financings, payments, re-financings, prepayments and cancellations. In addition, the Group's indebtedness may increase further in the future for various reasons, including to finance growth opportunities.

The Group's overall leverage may limit its ability to obtain additional funding for working capital, capital expenditure and growth opportunities in the future, as well as its ability to refinance its debt obligations or to pay a dividend. In addition, it could adversely affect the Group's flexibility to respond to changing business and economic conditions, making it more vulnerable to adverse economic and industry conditions. Furthermore, a portion of the Group's cash flows must be dedicated to interest payments on its indebtedness and is therefore not available for other purposes. The Group's ability to meet its debt service obligations will depend on its future performance. If the Group does not generate enough cash to pay its maturing debt service obligations it may be required to refinance the maturing debt and required cash amounts by selling assets or raising equity.

1.2.8 The Group's financing activities expose it to interest rate risk

The Group employs a variety of interest-rate sensitive financial instruments to manage the cash requirements of its business operations on a day-to-day basis. Most of these financial instruments are held by the Group for the Group's Financial Services Business as a result of a substantial volume of the Group's interest sensitive assets and liabilities relating to Financial Services' leasing and sales financing operations. As a consequence, any rise in interest rates exposes the Group to increased borrowing costs. The Group uses a variety of interest rate sensitive financial instruments to manage this risk such as interest rate swaps, among other measures. In particular, the Group hedges interest rate risks by matching funding in terms of interest rates and maturity periods of its assets and liabilities where economically feasible. However, for a limited portion of the Group's receivables portfolio, funding is not matched in order to take advantage of market opportunities, exposing the Group to interest rate risk. Any failure to manage this risk could have a material adverse effect on the Financial Services Business and as a consequence on the Group's business, assets, results of operations, financial condition and prospects.

1.2.9 The Group's international operations expose it to foreign exchange rate risk

The Group operates worldwide and is therefore exposed to risks arising from currency exchange rate fluctuations. A substantial portion of the Group's assets, liabilities, revenue and costs is denominated in currencies other than the EUR, the Group's reporting currency. Currency risk arises on the one hand in connection with the translation of the financial condition and results of operations of the Group's international subsidiaries with non-EUR reporting currencies, in particular Daimler Trucks North America, whose functional currency is the United States Dollar and Mitsubishi Fuso Truck and Bus, whose functional currency is the

Japanese Yen. Moreover, the Group is subject to transactional currency risk, which arises when the Group and its subsidiaries incur costs or generate revenues in a currency other than its or their functional currency. The Group's predominant transactional exposures are EUR-USD, EUR-GBP and EUR-JPY. The Group utilizes natural hedging, and, to some extent, financial derivatives to protect the Group against certain transactional foreign currency exchange rate risks to which it is exposed. The Group's refinancing activities or investments in liquid assets are generally selected in a way to avoid possible currency risks, and the Group uses derivative financial instruments it deems appropriate to hedge against such risk. Such measures may, however, not offset the adverse financial impact resulting from currency variation, which may in turn have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.2.10 The Group is exposed to the risk of default by customers and counterparties

The Group has a significant amount of trade receivables due from customers for the sale of vehicles and the delivery of services, including financing, leasing and insurance services.

The Group is exposed to the risk that the credit quality of its larger customers and dealers may deteriorate and in the worst case that a large number of its larger customers and dealers may default on their obligations to the Group simultaneously or within a short timeframe. This includes the risk of failure to pay for products and services rendered and, with respect to the Group's financial services business, default on lease payments as well as on repayments of and interest payments on financing contracts. This type of credit risk is influenced by, among other factors, customers' financial strength, collateral quality, overall demand for commercial vehicles and general macroeconomic conditions. If, for example, an economic downturn were to lead to increased inability or unwillingness of customers, borrowers or lessees to repay their debts or fulfill their payment obligations, increased write-downs and higher provisions would be required, which in turn could have a material adverse effect on the Group's results of operations and liquidity positions. See also "*1.1.1 The Covid-19 pandemic continues to pose a significant risk to the global economy and to the Group's business, assets, results of operations, financial condition and prospects.*"

The Group is also exposed to the risk of deterioration of the credit quality of its contractual counterparties in the money markets and the capital markets from its investing activities. The Group maintains extensive business relationships with banks and financial institutions, in particular to invest in call money and fixed term deposits and to hedge against currency exchange rate risks, interest rate risks and commodity price risks using derivative instruments. The Group incurs default risks with respect to the repayment of and interest on the deposits and the fulfillment of obligations under such derivative contracts. The Company and certain of its subsidiaries invest surplus liquidity in certain financial instruments. If the credit quality of an issuer of these financial instruments were to deteriorate, or if such an issuer became insolvent, this may result in valuation and other losses if the Group sells the financial instrument before or at its maturity. This can even result in the issuer's default on the receivable.

If the macroeconomic environment were to deteriorate in the future, the magnitude and likelihood of the risks described above could increase and the Group may have to increase its risk provisioning, which would materially adversely affect its results of operations and financial condition.

1.2.11 The value of goodwill, development costs or other intangible assets or at-equity investments reported in the Group's consolidated financial statements may need to be partially or fully impaired as a result of revaluations

As of September 30, 2021, the Group's carrying amount of goodwill, development costs and other intangible assets recorded on its consolidated balance sheet was EUR 1,650 million. Under the International Financial Reporting Standards as adopted by the European Union ("**IFRS**"), the Group is required to annually test its recorded goodwill and indefinite-lived intangible assets, such as brand names like Mercedes-Benz and associated trademarks, and to assess the carrying values of other intangible assets or when impairment indicators exist. As a result of such tests, the Group could be required to recognize impairment losses in its income statement if the carrying value is in excess of the recoverable amount. Factors that could trigger an impairment of such assets include the underperformance of the Group's business relative to projected future operating results, negative industry developments or economic trends, including changes in borrowing rates or weighted average cost of capital, applicable tax rates or changes in working capital. Furthermore, the Group has significant at-equity investments. These include its recently established joint venture, cellcentric, with a carrying amount of EUR 674 million and BDFA, a joint venture with Foton, with a carrying amount of EUR 456 million as of September 30, 2021. Cellcentric's business model in particular depends on the successful development, manufacture and marketing of its fuel-cell electric technology which has yet to reach initial series production. Any factors negatively influencing the financial position and results of operations of the Group's at-equity investments and other investments could negatively affect the earnings contributions of such investments and result in impairments. Should the Group have to book any impairment losses, this could have a material adverse effect on its business, assets, results of operations, financial condition and prospects.

1.2.12 The Group is subject to the risk of a decrease in the residual value of leased, rented and other used vehicles

As a lessor under vehicle leasing contracts and short-term rental agreements with repurchase obligations, the Group bears the risk that the market value of vehicles returned at the end of the term may be lower than the contracted residual value at the time the contract was entered into. This in turn increases the Group's risk of future losses when divesting the returned vehicle through its used vehicle business. A decline in the value of used vehicles can be caused by a broad range of external factors affecting the used vehicle market, including adverse changes in customer confidence, customer preference and economic conditions, government policies, exchange rates, marketing programs, price pressure in the new vehicle market (in particular leasing), the actual or perceived safety or reliability of vehicles, the price of raw materials regained from recycling or scrapping, or fuel prices.

Uncertainties may also exist regarding the internal methods for calculating residual values. Although the Group continuously monitors used vehicle prices, demand and supply trends, and other factors to forecast residual values, the assumptions on which residual value assessments are based may prove to be incorrect. In addition, provisions for residual value risk may be insufficient to cover the shortfall where residual values as determined by the Group turn out to be lower than the amounts actually required to be paid at the end of a lease or rental contract due to changes in market or regulatory conditions. Similarly, if the market value of the Group's used trucks decreases, the Group may have to record write-downs beyond its existing reserves for used vehicle inventory risk. Finally, a significant decrease in the value of used commercial vehicles may create pricing pressure for the Group's new vehicle business if customers are not willing to pay significantly higher prices for a new vehicle.

As a result of the above factors, a significant decrease in the residual value of leased, rented and other used vehicles may have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.3 Legal, Regulatory and Tax Risks

1.3.1 Governmental regulations regarding climate change and vehicle exhaust emissions could result in substantial costs for the Group and the Group may not be able to develop commercially viable products that comply with such regulations. Non-compliance with such regulations could result in regulatory proceedings, substantial fines and limitations on the Group's ability to market its products

Commercial vehicles are subject to a broadening range of increasingly strict and at times conflicting environmental laws and regulations around the world, in particular regulations addressing climate change and vehicle exhaust emissions. Such laws and regulations may be unclear at times or change unexpectedly, leading to uncertainty and planning challenges for manufacturers of commercial vehicles. Compliance with such regulations can be costly, and the Group may not be able to adapt its product portfolio to these requirements in a commercially viable manner.

For example, the European Union in 2019 introduced emission standards for heavy duty vehicles (Regulation (EU) 2019/1242) requiring a 15% reduction in CO_2 emissions by trucks above 16 tons by 2025 and a 30% reduction by 2030, each compared to the benchmark time period of July 1, 2019 to June 30, 2020. In addition, the regulation imposed a system of supercredits for zero- and low-emission trucks for the period from 2019 to 2024 and quotas for zero- and low-emission trucks based on a benchmark system starting in 2025. The regulation further provides for very significant financial penalties per additional gram of CO_2 for trucks which exceed baseline CO_2 emissions starting in 2025, which will further increase from 2030 onward.

Similarly, the U.S. Environmental Protection Agency ("**EPA**") and the U.S. Department of Transportation introduced standards for fuel economy and greenhouse gas ("**GHG**") emission levels for both engines and vehicles starting with model year 2014. A second phase with mandatory further reductions in fuel consumption and GHG emissions started with model year 2018 (for certain trailer models) and 2021 (for other trucks and buses) and culminates with model year 2027. In addition, in 2020 California enacted the Advanced Clean Trucks Regulation, a mandate requiring medium and heavy-duty vehicle manufacturers to sell an increasing minimum percentage of zero emission vehicles from 2024 through 2035. There is still uncertainty in the market as to how truck manufacturers can effectively comply with the new regulations in California, and the Group may fail to find suitable, cost-effective solutions. Other U.S. states are currently considering whether to implement regulations similar to those of California, and such regulations could eventually be adopted by the EPA.

Among other key jurisdictions in which the Group sells its products, China, Japan, Brazil and India have also promulgated mandatory fuel economy improvements and stricter emissions standards for heavy duty vehicles. In particular, the China VI-a and China VI-b emissions standards are more restrictive than those of the European Union, and compliance with these regulations may require the Group to specially modify (*i.e.*, upgrade) its engine specifications through hardware or software improvements or potentially require recalls of existing products. The China VI-b standards will be mandatory for all new heavy-duty trucks in China from July 1, 2023. Moreover, certain jurisdictions, such as Brazil and Indonesia, may also implement regulations which increase the amount of biofuels required to be mixed with diesel fuel which could require significant modifications to the Group's existing engine technology in order to be compliant.

These regulations are costly and challenging to implement and the Group may not be able to comply with them in a timely and commercially viable manner, or at all. In particular, achieving the EU's 2025 emissions target will require significant proportion of BEV trucks or other electrified drive systems in the actual market, which may only be achievable at higher costs. In addition, the Group's ability to comply with quotas for zero- and low-emission trucks will depend on a number of factors relating to the market acceptance of zero- and low-emission vehicles over which the Group has limited or no control, including, in particular, the development of a widely available charging infrastructure for electric trucks and road toll reform, as well as other factors such as governmental policies and regulations supporting the development of electric vehicles, for example commercially viable regulations governing testing and type approval for zero- and low-emission vehicles, and the availability of financial incentives for the purchase of zero- and low-emission vehicles.

In addition, emissions standards that seek to limit harmful pollutants, such as NOx from vehicle exhausts, are in effect in a number of jurisdictions. While the Group is able to offer its products with limited adjustments in markets that adhere to EU or U.S. emissions standards, such as Brazil, it is costlier for the Group to produce vehicles that comply with national standards that deviate from such uniform norms. For instance, the China VI emissions regulations reflect a mix of EU, U.S. and China-specific standards, and these standards are in some cases stricter than those of the EU or U.S. With the United Kingdom now separated from the EU through Brexit, the United Kingdom could impose amendments to its technical standards for commercial vehicles which deviate from EU standards, including in relation to NOx and CO_2 emissions. Adapting commercial vehicles to diverging emission standards is technically challenging and costly, particularly in respect to often conflicting regulations regarding CO_2 and other pollutant emissions. The lack of uniformity in emission regulations across different markets may impair the Group's ability to engage in modular production. Further, compliance with NOx and CO_2 emissions regulations can have countervailing effects as efforts to decrease CO_2 emissions from engines can in some cases increase NOx emissions.

Compliance with climate change and exhaust emission regulations will require substantial investments in new technologies, including alternative drive systems in BEV and FCEV in which the Group is currently investing significant resources. At the same time, there are limits to the Group's ability to achieve fuel efficiency improvements or develop alternative drive trains in a given timeframe, including relating to the cost and effectiveness of available technologies, the willingness of customers to absorb the additional costs of new technologies, the widespread availability of supporting infrastructure for new technologies (such as battery charging stations for BEV), and the human, engineering, and financial resources necessary to deploy new technologies across a wide range of products. The Group may not be able to produce and sell vehicles that use such technologies profitably or that customers will purchase in the quantities sufficient for the Group to comply with applicable regulations in all jurisdictions in which it seeks to sell its products. Non-compliance with these regulations can moreover result in very substantial fines and penalties, which could have a strong negative impact on the Group.

A further tightening of regulations on exhaust emissions, including particulates, by commercial vehicles is likely in light of regulators' recent focus on emissions testing and on-road performance, particularly with respect to diesel engines. In particular, the European Commission is planning to impose stricter standards on CO_2 and NOx emissions through the Euro VII regulation, which is expected to come into force in 2025. Complying with these standards may pose a significant cost and technological challenge for automotive manufacturers. The Group may need to seek further partnerships with other truck or engine manufacturers to help spread the costs associated with the development and production of compliant engines, and it may not succeed in its cooperation efforts. Further, a number of city and local governments across Europe have proposed regulations seeking to limit or ban the use of diesel vehicles with old emission standards. In Germany, a number of federal courts issued decisions in 2018 allowing municipalities to enact diesel bans for vehicles not meeting certain emission standards, and several large cities in Germany have implemented such bans in respect of passenger vehicles. Several countries, including France and China, have, moreover, announced their intention to ban diesel vehicles within the next two decades. Should commercial diesel vehicles become banned broadly in the Group's markets, this may adversely affect demand for the Group's diesel vehicles, their prices or the Group's ability to obtain or maintain the authorizations or certifications necessary to sell certain vehicles.

The costs of complying with existing government regulations are substantial, and such costs are likely to increase further in the future, given the expected increase in scrutiny, regulatory changes or novel interpretations of current regulations and stricter enforcement by regulators globally. A violation of applicable regulations could, depending on the circumstances, lead to administrative, civil or criminal action including resulting in the imposition of penalties, fines, damages, recalls, restrictions on or revocations of the Group's permits and licenses (including vehicle certifications or other authorizations that must be in place before a particular vehicle may be sold in the authorizing jurisdiction), which in turn could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.3.2 The Group is subject to risks arising from legal disputes and government proceedings

From time to time, the Group may be involved in, or be threatened with, legal disputes and proceedings with suppliers, dealers, customers, employees or other third parties concerning, among other things, customer, supplier and dealer contractual relationships, warranty and other product-related claims, financial services, employment, safety and environmental matters, as well as investor litigation. Furthermore, the Group may become subject to proceedings by governmental authorities in connection with its compliance with laws and regulatory requirements, including in the areas of antitrust, tax, environmental and safety matters. For example, the Group is currently subject to legal actions, class actions and other forms of legal redress in and beyond Europe in connection with European antitrust matters. See also "*1.3.3 The Group faces risks arising from non-compliance with antitrust laws and regulations*."

The outcome of pending or potential future legal or regulatory proceedings is, as a general matter, difficult to predict. If such proceedings are resolved against the Group, the Group may be subject to civil, criminal or other penalties, damages or other payment obligations, which may exceed any provisions set aside or any available insurance coverage. The Group may also be required to undertake service actions, recall campaigns, or change its business practices. Even if the Group ultimately prevails in legal and regulatory proceedings, defending such actions can be costly and result in diversion of management's attention away from the Group's business.

Any legal or regulatory proceeding pending or threatened against the Group could have a material adverse effect on the Group's reputation, business, assets, results of operations, financial condition and prospects.

1.3.3 The Group faces risks arising from non-compliance with antitrust laws and regulations

The Group's operations are subject to antitrust regulations in the European Union and other jurisdictions globally. Any failure to comply with such regulations may result in enforcement actions and/or damage claims. If the Group were to be found to be in breach of applicable antitrust regulations, this could have a material adverse impact on the Group, resulting from the imposition of substantial financial penalties, reputational damage, enforcement of damage claims by third parties such as customers and/or competitors, forced divestiture of parts of the business, and changes of certain business practices which may cause a further loss in revenue or profit. In some jurisdictions, the Group's ability to enter into certain transactions, such as acquisitions or joint ventures, may be restricted, including as a result of the increasing concentration of the commercial vehicles industry.

In 2011, the European Commission carried out unannounced inspections at the premises of several truck manufacturers (including Daimler AG's truck business) and, in 2014, it initiated formal proceedings regarding suspected anti-competitive practices in the European truck sector. 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 by means of collusive arrangements on pricing and gross price increases for medium- and heavy-duty trucks in the European Economic Area, and the timing and the passing on of costs for the introduction of emission technologies for medium- and heavy-duty trucks required by EURO III to VI standards. The individual fine imposed on Daimler AG by the European Commission's settlement decision amounted to EUR 1.09 billion and has been paid in full.

Following the decision of the European Commission, claims for damages have been filed against Daimler AG as the then controlling parent of the Group, and the Group in several jurisdictions. In addition, a number of further claims may be made against Daimler AG and/or the Group in the future. Due to the joint and several liability with other truck manufacturers, such liability could extend beyond trucks sold by the Group and the Group, accordingly, may have a claim for contribution against the other jointly liable parties. However, such a claim is subject to certain limitations and it is not guaranteed that the contribution would in fact be recovered. The Group has set aside provisions in connection with the proceedings. The provisions are evaluated and, if necessary, adjusted on a quarterly basis.

In relation to the cartel infringement described above, the most substantial claims (including certain types of class actions or aggregator claims) against Daimler AG are pending in Germany, the United Kingdom, the Netherlands, and Spain. Claims are also pending in certain other European countries and in Israel (in total in approximately 20 countries). Currently, only a limited number of claims has been brought against the Group. Where claims are pending against Daimler AG, the Group will indemnify Daimler AG for liabilities arising from such claims where claims are attributable to the business of the Group. Adverse judgments in connection with this or potential future antitrust matters could therefore result in substantial liability for the Group, which could in turn have a material adverse effect on its financial condition and reputation.

1.3.4 The Group's operations are subject to a range of different regulatory requirements worldwide, compliance with which is costly and burdensome and non-compliance with which may result in significant cost

The Group's operations must comply with a broad range of increasingly complex regulatory requirements in the jurisdictions in which it operates, including in the areas of vehicle design, manufacture, marketing and aftersales services, financial services, data protection, vehicle recycling, environment, health and safety, as well as labor. These regulations are not always homogeneous and are subject to increasing governmental scrutiny and enforcement.

In the area of environmental regulation, the Group's operations are required to comply with laws and regulations relating to air emissions, discharges into water, noise pollution, toxic and other chemicals and materials, waste treatment and disposal methods, and the energy efficiency of production processes, among other things. The Group is also subject to monitoring by environmental protection authorities in various jurisdictions. Any failure on the Group's part to comply with any present or future environmental regulations could result in the assessment of damages or imposition of fines against it, suspension of production or other penalties.

The Group operates complex industrial plants that manufacture, use, store, manage, generate, emit and dispose of various substances that may constitute a hazard to human health, as well as to the environment and natural resources. In the past, it is possible that environmentally hazardous substances from those operations may have entered and in the future may enter the air, watercourses, especially groundwater, or surface or subsurface soils at Group facilities or third-party locations. Issues with environmentally hazardous substances could affect property and endanger the environment, natural resources, and the health and safety of persons. The Group may be held liable, possibly regardless of fault and without any caps on liability, to remove or clean up such harm and to pay damages, including any resulting natural resource damages, arising from those environmentally hazardous substances.

The Group also requires various permits, licenses and other approvals to operate, including air emission, operating, wastewater discharge and waste disposal permits. Changes in the scope of operations, time limits on existing permits and future environmental laws may require the Group to apply for the renewal of existing or the issuance of new permits. The Group may not be able to renew its permits, licenses, or other approvals upon their expiration within the required timeframe or at all.

The cost of compliance with regulatory requirements is considerable, and such costs are likely to increase further in the future, given the expected increased scrutiny, regulatory changes or novel interpretations of current regulations and stricter enforcement by regulators globally. For example, the European Court of Justice in a July 2020 judgment (*Schrems II*) annulled the EU-U.S. Privacy Shield as the basis for the transfer of certain data from the EU to the United States. Such decisions may lead to increased costs of compliance for the Group. A violation of applicable regulations could lead to the imposition of penalties, fines, damages, recalls, restrictions on or revocations of the Group's permits and licenses (including vehicle certifications or other authorizations that must be in place before a particular vehicle may be sold in the authorizing jurisdiction), restrictions on or prohibitions of business operations, reputational harm and other adverse consequences.

Finally, there is a growing number of global consumers that focus on and inquire about the labor and environmental standards of manufacturers, particularly in emerging markets. Additionally, more stringent social responsibility laws and regulations may be adopted in the future, which may result in an increase in the Group's cost of compliance. In addition, if the Group fails to comply with such laws and regulations, it may be subject to fines, penalties, legal judgments or other costs. In addition, a finding of noncompliance, or the perception that the Group has not responded appropriately to growing consumer concern for issues relating to social responsibility, whether or not it is legally required to do so, may materially adversely affect the Group's reputation.

The occurrence of any of these events could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.3.5 The Group's internal controls, procedures, compliance systems and risk management systems may prove to be inadequate to prevent and discover previous or future breaches of laws and regulations and generally to manage risks

In connection with the Group's worldwide business operations, it must comply with a broad range of legal and regulatory requirements in a number of jurisdictions, including in the areas of anti-corruption, anti-money laundering, antitrust and sanctions compliance, as well as laws and regulations regarding sales practices, products and services, environment, finance, employment and general corporate and criminal law.

Members of the Group's governing bodies, employees, authorized representatives or agents may intentionally or unintentionally violate applicable laws and internal standards and procedures. However, the Group's internal controls, procedures, compliance systems and risk management systems may not be able to identify such violations, ensure that they are reported in a timely manner, evaluate them correctly or take the appropriate countermeasures, and they may fail to be adequate for an enterprise of the Group's scale and complexity. This is particularly true in the case of individual misbehavior, as internal control systems are generally oriented to detect systemic issues. There can further be no certainty that any countermeasures implemented by the Group will be appropriate to reduce the corresponding business risks effectively or that as of yet undetected breaches of law or regulations have not occurred in the past, and that their discovery would not result in significant liability or reputational damage for the Group.

While the Group has implemented internal control reforms as part of a broader review across Daimler AG's business divisions following the diesel exhaust compliance issues within the Mercedes-Benz Cars & Vans segment, compliance issues in the Group's operations or products may not be detected in the future.

Moreover, in light of continuously evolving legal and regulatory requirements and internal developments such as corporate reorganizations, the Group's risk management systems, internal controls and compliance systems and related governance structures may not adequately identify and address all relevant requirements.

Any failure to effectively prevent, identify or address violations of the Group's legal obligations as a result of inadequate internal controls, procedures, compliance systems and risk management systems could result in penalties and other sanctions, liabilities, the assertion of damages claims by third parties, and reputational damage, each of which could have a material adverse effect on the Group's business, operations, financial condition or prospects. See also "*1.3.6 The Group's operations are subject to export control, sanctions, anti-corruption and anti-money laundering laws and regulations*".

1.3.6 The Group's operations are subject to export control, sanctions, anti-corruption and anti-money laundering laws and regulations

In connection with the Group's worldwide business operations, it must comply with a broad range of legal and regulatory requirements relating to sanctions, anti-bribery and corruption, and anti-money laundering.

The Group's operations may be restricted by economic sanction programs imposed by multiple authorities, such as the United Nations, the EU and the United States through the Office of Foreign Assets Control ("**OFAC**"). Economic sanctions programs do and will continue to restrict the Group's ability to engage in business dealings with certain sanctioned countries, persons or companies.

The Group's international operations are also subject to anti-corruption laws and regulations in the jurisdictions in which it operates, such as the U.S. Foreign Corrupt Practices Act of 1977 and the United Kingdom Bribery Act of 2010. In addition, the Group is subject to anti-money laundering laws and regulations, including the EU's 6th Anti-Money Laundering Directive, which went into force in 2020.

Export control law, sanctions, anti-bribery and corruption, and anti-money laundering regimes evolve over time and it is difficult for the Group to predict the interpretation, implementation or enforcement of governmental policies with respect to its activities. While the Group continuously reviews existing policies and procedures to ensure compliance with applicable laws and regulations, these policies and procedures may not be followed at all times and the Group's internal controls may not effectively detect and prevent violations by the Group's employees, consultants, agents or partners.

Violation of anti-corruption laws, export control, sanctions and anti-money laundering regulations are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts (and termination of existing contracts) and revocations or restrictions of licenses, as well as criminal fines and imprisonment. In addition, any violation could result in adverse media coverage, have an impact on the Group's reputation and consequently on its ability to generate future business and maintain long-term commercial relationships with its customers.

If the Group does not manage to succeed in managing the above risks, this could materially adversely affect its business, assets, results of operations, financial condition and prospects. See also "*1.3.5 The Group's internal controls, procedures, compliance systems and risk management systems may prove to be inadequate to prevent and discover previous or future breaches of laws and regulations and generally to manage risks*."

1.3.7 The Group's aftersales business is subject to risks relating to regulation of the vehicle aftermarket

The Group maintains Europe-wide distribution networks with selected dealers and workshops based on standardized contracts. This distribution network is subject to a number of rules and regulations in the EU and other jurisdictions to ensure effective competition in the aftermarket, including the EU Vertical Restraints Block Exemption Regulation (EU) No 330/2010, the Automotive Block Exemption Regulation (EU) 461/2010, and sector specific guidelines on vertical restraints in agreements for the sale and repair of motor vehicles and for the distribution of spare parts for motor vehicles. These rules, among other things, restrict manufacturers from requiring authorized dealers or repairers to re-sell vehicles, parts or components to customers or independent workshops at fixed or minimum prices, to limit their territorial sales activity, or to hinder original equipment suppliers from also supplying their products as spare parts to independent distributors. In addition, the Regulation (EU) No 2018/858 on market surveillance of motor vehicles requires vehicle manufacturers, including the Group, to grant access to certain technical information relating to vehicle repair and maintenance to independent market participants which is of relevance to the Group's aftermarket services. It cannot be ruled out that such requirements will not become more stringent in the future. Rules regarding vertical competition in the vehicle aftermarket and related topics are also in place or currently being discussed by regulators in many other jurisdictions, including in certain of the Group's markets.

Aftersales services, which includes spare parts and related services covered by the rules and regulations described above, generally produce higher margins than new vehicle sales in certain cases, making them particularly important for the Group's financial performance. The Group's Service Share of Revenue in 2019 was approximately 30%. The Group's ambition is to increase its Service Share of Revenue to approximately 35% in the mid-term and to approximately 50% by 2030 as part of its ultimate transformation into a provider of mobility services. Should rules and regulations with respect to vertical competition or market dominance in the vehicle aftermarket become stricter, or should additional rules or regulations be adopted (including in jurisdictions outside of the European Union), this could give rise to additional compliance costs and expose the Group to greater competition in the aftermarkets. Such changes could reduce the Group's market share for aftersales services in key markets and prevent the Group from attaining its strategic goals for growth in service share of its revenue. Moreover, failure to comply with these rules and regulations could result in the Group suffering penalties carrying financial consequences. The occurrence of any of these events could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.3.8 The Group may not adequately protect its intellectual property and know-how or may be liable for the infringement of third-party intellectual property or know-how

The Group's success in maintaining its competitive position depends, to a significant extent, on its ability to obtain and enforce intellectual property rights worldwide. The Group seeks to protect its intellectual property and proprietary rights through a combination of patents, registered designs, trade secrets, trademarks, copyrights, domain names and similar protections. With respect to proprietary know-how that is not patentable and production processes for which patents are difficult to enforce, the Group relies on trade secret protections and confidentiality agreements to safeguard its interests.

Steps taken by the Group to protect its intellectual property and proprietary information may not be adequate to prevent misappropriation of its technology as the existence of laws or contracts prohibiting such actions may not always serve as sufficient deterrents. Policing the unauthorized use of the Group's intellectual property may be expensive and time consuming. The Group's intellectual property rights may be (and have in certain instances been) challenged, and the Group may not be able to secure such rights in the future. In particular, there is a heightened risk that the Group may not be in a position to secure all necessary intellectual property rights with respect to the development of new technologies, in particular when such technologies are developed in the context of a collaborative partnership or joint ventures, such as the ones in place with Volvo, Waymo or Linde. In addition, the laws of certain countries may not protect the Group's proprietary rights to the same extent as the laws of Europe or the United States. Consequently, third parties, including the Group's competitors, may be able to use the technology behind the Group's products and processes without a license. The Group may not be successful in maintaining the confidentiality of its trade secrets, or may not employ adequate protection measures with regard to know-how, which measures are in some instances a requirement for taking legal steps against know-how misappropriation. The undue exploitation of the Group's intellectual property by third parties may reduce or eliminate the competitive advantage derived from the Group's own technology, limiting its ability to develop further innovative technologies and its capacity to compete in the markets where it operates and to attract new customers.

The Group may also infringe patents, trademarks or other third-party rights. For instance, until June 2021, Daimler AG and Nokia had pending litigation regarding the conditions of the use of Nokia's standard essential 3G and 4G patents by the Group's products. In June 2021, Daimler AG announced that it had signed a patent licensing agreement with Nokia under which Nokia licenses standard essential patents regarding the 2G, 3G, 4G, and Wi-Fi standards to Daimler AG as well as the Group and receives payment in return. The parties agreed to settle all pending litigation between Daimler AG and Nokia, including the complaint by Daimler AG against Nokia to the European Commission. In the past the Group has also received patent infringement claims from Broadcom/Avago. The various complaints have been settled as well by taking a license for the use of the Broadcom/Avago patents by Daimler AG and its affiliated companies. If the Group is found to have infringed third-party intellectual property rights, it may have to pay royalties, damages, modify manufacturing processes, redesign products or may be barred from manufacturing, selling or marketing certain products. Should the Group have to redesign products or become barred from manufacturing, selling or marketing certain products, this could result in significant production and delivery delays or inability to sell certain products altogether, both of which could result in significant lost business volume. The defense of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings may moreover be both costly and time consuming. Finally, the Group may not be able to obtain the licenses necessary for its business success on reasonable terms in the future. The materialization of any of these risks could lead to delivery and production restrictions or interruptions and have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.3.9 The Group has substantial pension and other similar employee benefits-related obligations and is subject to risks related to the development of these obligations, the development of assets dedicated to the funding of parts of these obligations and to applicable funding requirements of its pension and other post-employment benefit plans

The Group maintains various defined benefit pension plans as well as defined contribution pension plans, and has other similar long-term employee benefits-related obligations, including certain healthcare benefit obligations. The majority of the obligations under defined benefits schemes relate to the Group's subsidiaries in Germany, the U.S. and Japan. Though the Group has reserved plan assets that can be offset against the corresponding pension liabilities on the balance sheets, a substantial part of the pension obligations and other similar long-term employee benefits-related obligations is underfunded pursuant to IFRS standards. This means that as the case may be, ongoing pension and long-term employee benefits-related obligations may have to be financed out of the Group's cash flow when coming due or additional contributions of assets into the schemes may become required. The funding ratio between pension obligations and the fair value of plan assets depends on the development of both parameters.

As of September 30, 2021, the Group's defined benefit obligations from pensions and other similar long-term employee benefits-related obligations totaled EUR 8,010 million. The fair value of plan assets for the funding of such obligations as of September 30, 2021 amounted to EUR 5,880 million. Accordingly, as of September 30, 2021, the net liability for defined benefit plans recognized in the consolidated balance sheet of the Group was EUR 2,130 million. These figures do not reflect changes resulting from (i) additional funding in the amount of EUR 250 million which has already been approved and was provided to the Group by Daimler AG as the sole shareholder of the Company as at the date of the Prospectus (the "**Existing Shareholder**") in the context of the Demerger Transactions and (ii) regular service costs contributions and reimbursements for pensions paid which are in general made in the fourth quarter of a calendar year.

The defined benefit obligation of the Group's pension and other similar long-term employee benefits-related and/or payment obligations depend, among other factors, upon longevity, actuarial profiles of the plan participants, the level of interest rates used to measure future liabilities, other actuarial assumptions and experience, salary and wage trends, inflation, contribution rates for the employees, benefit plan changes and their effectiveness, as well as the development of statutory and government regulations and rulings by labor courts in relation to the measurement of the obligations, the design of the plans and the plan administration.

If the market value of plan assets falls or external pension providers are unable to fulfil the respective pension commitment, the Group may also have to substantially increase its pension provisions. For example, fluctuations in currency, interest rates and securities prices may adversely affect the value of the plan assets.

Where either the value of the defined benefit obligations increases or the value of the plan assets decreases, the Group may have to cover the shortfall, *e.g.*, by additional contributions to the plan assets or direct payments to pensioners.

Further, in some jurisdictions in which the Group has significant pension obligations (such as Germany) the Group would in principle also be liable for the pension commitments implemented via external pension providers if and to the extent that an external pension provider were unable to fulfil the respective pension commitment. This may also lead to a substantial increase in the Group's pension provisions.

In addition, changes in local regulatory requirements, such as minimum funding standards, may force the Group to make additional contributions into the relevant pension scheme or schemes which were currently not due under applicable funding regulations.

Any significant increase in the present value of the Group's pension and other employee benefits-related obligations, significant decrease in the fair value of the plan assets for a funding of the obligations, failure of external pension providers to cover their respective pension commitments or changes in regulatory funding requirements could have a negative impact on the Group.

Due to the large number of variables that determine the development of the obligations and the plan assets, funding requirements (where applicable), as well as any legislative action or other changes in the relevant jurisdiction, are difficult to predict. Any underfunding in relation to the Group's pension plans and other long-term employee benefit plans could be significantly higher than the amounts estimated as of September 30, 2021. In the event of significant deviations from the current assumptions and parameters, such underfunding and the resulting funding requirements or direct payment obligations *vis-à-vis* pensioners could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects, as could the occurrence of any of the other events described above.

1.3.10 The Group's insurance coverage may not be sufficient and insurance premiums may increase

The Group currently participates in the insurance framework of Daimler AG due to its historical ownership of the Group. Through these arrangements, the Group has insurance coverage in place in relation to a number of risks associated with its business activities, including general liability, product liability, property damage and business interruption, cargo, cyber, credit and director and officer's ("**D&O**") insurance. The Group currently intends to remain under the insurance framework of Daimler AG until the next expiration of the Daimler AG policies, which will generally occur on December 31, 2021 (with the exception of cyber insurance coverage, which the Group intends to maintain through Daimler AG at least through the end of 2022). Furthermore, as of the Spin-off, members of the supervisory and management board of Daimler Truck AG and its subsidiaries will no longer be part of Daimler AG's D&O insurance. It is intended to have a separate D&O insurance policy in place for the Group upon completion of the separation. At present, the Group plans to enter new insurance contracts for similar levels of coverage as previously held under Daimler AG, with such coverage to generally begin on January 1, 2022 (concurrent with the end of its prior coverage). There can, however, be no guarantee that the Group will have agreed and signed such insurance contracts by that time at commercially attractive conditions, either due to events within the Group or in the general insurance market.

The Group's objective with respect to insurance is to minimize the risk of financial loss at a reasonable cost and with appropriate deductibles and the Group believes that its insurance coverage is adequate for its operations. However, because the Group's insurance coverage is subject to exclusions and deductions, there may be claims in respect of which the liability for damages and costs falls to the Group before being met or reimbursed by any insurance underwriter. There may also be claims in excess of the Group's insurance cover or claims which are not covered by the insurance due to other policy limitations or exclusions or failure by the insurer or the Group to comply with the terms of the policy. Furthermore, the Group may not be able to obtain adequate insurance cover in the future on commercially acceptable terms, or at all.

In addition, there are risks left intentionally uninsured based on the Group's cost benefit analysis, and the Group therefore has no insurance against such events.

Along with the occurrence of any of the other events described above, an inability to obtain insurance coverage commercially similar to that presently covering the Group, the Group having to pay higher premiums for or encountering restrictions on insurance coverage or the Group sustaining damages for which there is no or insufficient insurance coverage could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.3.11 The Group is exposed to tax risks, which could arise in particular as a result of tax audits or past measures

Due to the global nature of its business, the Group is subject to income and other taxes in multiple jurisdictions. Significant judgment and estimation is required in determining the Group's provision for income, sales, value-add and other taxes, including withholding taxes. In the ordinary course of the Group's business, there are various transactions and calculations, including, for example, intercompany transactions and cross-jurisdictional transfer pricing and transactions with specific documentation requirements, for which the ultimate tax determination or the timing of the tax effect is uncertain. Pursuant to transfer pricing rules that apply in several jurisdictions and in relation to cross-border business relationships, related enterprises are obligated to conduct any intercompany transactions on conditions which would also apply among unrelated third parties concluding comparable agreements (arm's length principle) and to provide sufficient documentation thereof. The possibility that the tax authorities will challenge the Group's compliance with applicable transfer pricing rules cannot be ruled out. The Group is regularly audited and the Group's tax calculations and interpretation of laws are reviewed by tax authorities, who may disagree with the Group's tax estimates or judgments. Although the Group believes its tax estimates are reasonable, the final determination of any such tax audits or reviews could differ from its tax provisions and accruals and such final determination could result in additional tax liabilities and related interest payments, as well as in penalties and regulatory, administrative or other sanctions.

In addition, the Group is and may in the future become involved in proceedings with national or regional tax authorities, including proceedings regarding cross-jurisdictional transfer pricing issues. While the Group attempts to assess in advance the likelihood of any adverse judgments or outcomes to tax proceedings or claims, it is difficult to predict final outcomes with any degree of certainty. The final determination of any tax investigation, tax audit, tax review, tax litigation, and appeal of a tax authority's decision or similar proceedings may differ materially from the Group's expectations and/or the estimate as reflected in the Group's financial statements. There can further be no assurance that current audits and reviews will not be extended to other tax years or tax matters. In addition, changes in tax legislation or guidance could result in additional taxes and/or affect the Group's tax rate, the carrying value of deferred tax assets or its deferred tax liabilities.

In addition, certain entities of the Group were in the past or are currently part of fiscal unities, tax groups and other tax consolidation schemes; in some cases, the fiscal unities, tax groups and other tax consolidation schemes consisted of both entities of the Daimler Group and entities of the Group. It cannot be ruled out that entities of the Group will be held liable for unpaid taxes of the members of such tax consolidation schemes (including members outside of the Group) under statutory law or contract. Furthermore, should such tax consolidation schemes not be accepted by the tax authorities and/or a tax court, taxes, interest and penalties may be imposed against entities of the Group, and such liabilities may be substantial.

Furthermore, the Group may be subject to tax risks due to measures implemented in the period from 2018 to 2021 for the purpose of bundling the Cars & Vans and Trucks & Buses divisions. In the course of these separation measures, a multitude of shares and assets were transferred and it cannot be ruled out that the envisaged tax treatment of such measures will be challenged by the tax authorities and additional taxes, for instance, income taxes, VAT, stamp duties or de-grouping charges, will be assessed and/or have to be paid. Even if such additional taxes were assessed against and/or would be required to be paid by entities of the Daimler Group, such additional taxes may, pursuant to a group separation agreement entered into by Daimler AG and the Company on August 6, 2021 in notarized form (the "**Group Separation Agreement**") (*Konzerntrennungsvertrag)*, have to at least partially be paid by the Group, to the extent they result from measures that were undertaken to separate the Daimler Truck Business from the business of the remaining Daimler Group.

The occurrence of any of the above events could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.4 Risks Related to the Group's Separation from the Daimler Group

1.4.1 The Group has not previously operated as a stand-alone publicly listed company and may face difficulties operating effectively and fully implementing its business strategy

The Group has previously not operated as a stand-alone publicly listed entity and it is uncertain how it will perform as such. Following the Spin-off, the Group will be responsible for managing, among other things, all of its administrative and employee arrangements, its legal affairs and its financial reporting requirements which may result in significant additional expenditures and/or expose the Group to an increased risk of legal, regulatory or civil costs or penalties. Significant changes may occur in the Group's cost structure, management, financing and business operations as a result of operating as a stand-alone publicly listed entity separate from the Daimler Group. In addition, the Group's funding costs could increase as a stand-alone entity.

Furthermore, the Group's management has limited experience in operating its business as a stand-alone publicly listed entity. The Group anticipates that its success in the endeavors to manage the aforesaid changes and, as a result, a successful implementation of its business strategy, will depend substantially upon the ability of the Group's Management Board, senior management and other key employees to implement or adapt the necessary structures, to supervise their functionality and to work in a cohesive manner.

The factors described above could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.4.2 The separation from the Daimler Group may lead to the loss of business opportunities and decreased purchasing power and result in a loss of synergies

As part of the Daimler Group, the Group was able to take advantage of the Daimler Group's long-standing reputation, creditworthiness, size and purchasing power in procuring goods, services and technology, such as access to certain financial services, procurement networks, treasury and financing services, research and development, information technology, intellectual property (including the Mercedes-Benz and other trademarks) and other services. As a separate, stand-alone entity following the Spin-off, the Group may find it difficult or costlier to access certain goods, services and technologies, for instance IT services. The Group may incur higher costs due to a decline in purchasing scale if the Group is unable to continue to take advantage of the Daimler Group's goods, services and technology on the same or similar terms as prior to the Spin-off, or to obtain other similar goods, services and technologies at prices or on terms as favorable as those obtained prior to the Spin-off. Moreover, prior to the separation from the Daimler Group, the Group shared many common parts and other goods with other members of the Daimler Group (*e.g.*, common parts which were sold by the Group and members of the Daimler Group under a common brand). For some parts and other goods, this may no longer be possible following the separation. In addition, the Group will have to compete with the Daimler Group for certain goods and services (including raw materials) as well as for qualified employees. The operation as a separate Group could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.4.3 The Group may not realize potential benefits from the separation of its business from the Daimler Group's other businesses

The Group may be unable to realize the potential benefits that it expects by separating from the Daimler Group. These benefits include the Group's ability to focus on its own strategic and operational plans, a more efficient allocation of capital for the Group, a distinct investment identity allowing investors to evaluate the merits, performance and future prospects of the Group separately from those of the Daimler Group, and a better tailoring of internal procedures to the nature of the Group's business and developing effective equity-based compensation to achieve greater alignment of management interests with the Group's business.

The Group may not achieve these and other anticipated benefits for a variety of reasons. Following the Spin-off, the Group will not have access to the same scale of financial, managerial and professional resources from which the Group has benefited in the past and will incur significant costs, which may be greater than those for which the Group has planned, to replace these resources. In particular, some of the employees of the Daimler Group who the Group expects to transfer to the Group upon the separation may decline to do so for any number of reasons, including the smaller size of the Group compared to the Daimler Group, unresolved compensation and benefit issues applicable to employees who transfer to the Group, the perception of more limited career opportunities at the Group than at the Daimler Group, or the belief that the passenger car brands are more prestigious than those of the Group's truck and bus brands. In addition, the Group may fail to recruit and hire new employees with the necessary skills. Either of these scenarios could leave the Group without the expected managerial, professional and other skilled personnel in the areas of IT, treasury, tax, legal, sustainability and energy management, financial services and other critical functions that it needs to successfully operate as an independent Group upon completion of the Spin-off.

In addition, the separation and Spin-off will require significant amounts of management's time and effort, which may divert management's attention away from the Group's business. Furthermore, certain costs and liabilities that were otherwise less significant to the Daimler Group as a whole will be more significant to the Group as a stand-alone publicly listed entity, the Group may be more susceptible to market fluctuations and other adverse events than if it were still a part of the Daimler Group, and the Group's business will be significantly less diversified than the Daimler Group's business prior to the separation. If the Group is unable to achieve some or all of the benefits expected to result from the separation and the Spin-off, or if such benefits are delayed, this could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.4.4 Services to be provided by the Daimler Group to the Group based on the existing service relationships may be insufficient to cover the Group's needs as a stand-alone company and the Group may be unable to subsequently replace the services provided by the Daimler Group after the Spin-off without operational problems or additional cost

The Group has ongoing service relationships and agreements with the Daimler Group pursuant to which Daimler Group has provided certain services to the Group in the past and will continue to provide such services after the Spin-off. These services include, among others, financial services, IT, procurement, human resources, accounting, sales, aftersales, and supply chain and production. The Group expects that it will be dependent on these services, in particular the IT services provided by the Daimler Group, for the duration of the agreements pursuant to which they will be provided.

It is possible that such ongoing service relationships and agreements will be insufficient to cover the Group's needs as a stand-alone company or that the agreements pursuant to which they are provided may contain terms and conditions that are not favorable to the Group or not competitive with alternatives in the market. In addition, failure by the Daimler Group to perform the services provided for under the service arrangements and agreements may result in operational problems and increased costs to the Group. The services to be provided by the Daimler Group after the Spin-off may not function as efficiently as they did prior to the Spin-off and the Group may find it difficult to find a suitable alternative supplier of such services in a timely fashion or at all. Moreover, following the expiration of these service agreements, the Group will need to be in a position to ensure the continuation of the relevant services either by providing them itself or by finding alternative service providers. Any failure to achieve this could result in higher costs than under the service agreements with the Daimler Group. Any of the foregoing could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.4.5 As the Group sets up its own information technology infrastructure and transitions the Group's data to its own systems, the Group could incur substantial additional costs and experience temporary business interruptions

After the Spin-off, Daimler Group will continue to provide certain IT services to the Group, including infrastructure, license and application services, some of which will be outsourced to third-party IT companies. However, over time the Group will seek to provision its own independent IT services, either internally or through third parties, in order to support its critical business functions. The Group may not be entirely successful in effectively making this transition or in meeting its original timelines for completion of various aspects of the transition, and any future solutions may incur higher implementation and running costs than the current set-up. After the Spin-off, the Group's IT resources could be strained due to a combination of workplace restrictions resulting from the Covid-19 pandemic, lack of available IT personnel and the multiple large-scale, complex projects involved in the transition running simultaneously. See also "*1.4.3 The Group may not realize potential benefits from the separation of its business from the Daimler Group's other businesses.*" Moreover, aspects of the transition could result in disruptions to critical business functions of the Group and expose it to heightened risks, including to data loss and cyberattacks. Any failure to avoid operational interruptions during the implementation of the new systems and replacing parts of the Daimler Group's IT services, or any failure to implement the new systems and replace the Daimler Group's services effectively and efficiently, could disrupt the Group's business and lead to liability towards third parties which could have a material adverse effect on the Group's business, assets, results of operations and prospects. See also "*1.2.4 The Group's operations, products and services rely on complex information technology systems and networks that are subject to the risk of disruption, including as a result of security breaches and cyber attacks*" and "*1.4.7 The Group may face difficulties in meeting treasury and finance requirements, including managing liquidity and* *financing risks, foreign currency exchange rate risks, interest rate risks and credit risks, in particular as a result of the Group's historical dependency on services from Daimler AG*."

1.4.6 The Group may encounter higher costs and other difficulties when creating its own financing structure and financing arrangements

The Group is exposed to risks associated with developing and implementing its own financing structure and arrangements separate from those of Daimler AG. As the Group was formerly a fully integrated part of the Daimler AG financing structure, it relied to a significant extent on Daimler AG for certain financing resources, including guarantees and other financing support. On August 6, 2021, Daimler Truck Holding AG (as guarantor upon the Demerger Transactions Effective Date) and Daimler Truck AG (as borrower and guarantor) and further subsidiaries of the Group entered into the EUR 18 Billion Credit Facilities Agreement which includes the Bridge Facility of EUR 13 billion and the multicurrency Revolving Credit Facility amounting to EUR 5 billion. As a stand-alone publicly listed company following the Spin-off, the Group intends to obtain further financing from banks and from the capital markets in the future. The Group also intends to offer, through finance subsidiaries, senior unsecured notes guaranteed by Daimler Truck Holding AG and Daimler Truck AG and denominated in U.S. dollars, Canadian dollars and/or Euros across a market standard range of maturities in an aggregate principal amount of up to approximately the amount of the Bridge Facility (the Bond Offerings). To the extent the Bond Offerings are successfully completed, the Bridge Facility will either be mandatorily prepaid or cancelled in an amount equal to 90% of the available net proceeds received from the Bond Offerings by the Group. The Bond Offerings may be launched, subject to market conditions, at any time, including before or after the Demerger Transactions Effective Date. Furthermore, post-separation, the Group may face increased costs of and fewer opportunities for financing, reduced credit availability, higher costs of follow-on financing, and higher refinancing costs, due, among other reasons, to potentially lower issuing volumes and its relatively new presence in these markets. Moreover, the Group will no longer have the potential benefit of guarantees or other credit support from Daimler AG for new financings. All of these may impact the ability of the Group to establish or maintain an attractive credit rating. The materialization of any of the above factors could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.4.7 The Group may face difficulties in meeting treasury and finance requirements, including managing liquidity and financing risks, foreign currency exchange rate risks, interest rate risks and credit risks, in particular as a result of the Group's historical dependency on services from Daimler AG

Given the various services provided or to be provided by Daimler AG to the Group in the past and going forward, particularly those related to information technology and applications for treasury processes, the Group faces the risk that some or all of the applications may temporarily become non-operational and/or inaccessible for reasons beyond the control of the Group, including a shortage of qualified personnel. As a result, the execution and processing of financial transactions, payments or other treasury operations could be disrupted, causing difficulties in managing liquidity and financing risks, foreign currency exchange rate risks, interest rate risks and credit risks. Furthermore, this could translate into difficulties to satisfy other financial requirements, such as regulatory reporting (*e.g.*, in connection with the European Market Infrastructure Regulation).

The separation of the businesses between Daimler AG and the Group may also result in adverse scale effects regarding general and administrative expenses and system and maintenance costs for treasury systems, applications and processes. In addition, there remain transitional risks, for the period between the Demerger Transactions Effective Date and the Group's full implementation of its own treasury and finance functions. See also "*1.4.6 The Group may encounter higher costs and other difficulties when creating its own financing structure and financing arrangements.*" Any of the foregoing could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.4.8 The Group's combined financial statements are based on management judgements and a series of assumptions and estimates that may prove inaccurate and not necessarily representative of the results the Group would have achieved or will achieve as a stand-alone publicly listed company

The Group has not previously operated as a stand-alone company. Accordingly, the combined financial statements of the Daimler Truck Business prepared by Daimler AG and Daimler Truck AG in accordance with IFRS as adopted by the European Union as of and for the fiscal years ended December 31, 2020, 2019 and 2018 (the "**Audited Combined Financial Statements**") and the unaudited condensed interim combined financial statements of the Daimler Truck Business as of and for the nine months ended September 30, 2021 (the "**Unaudited Condensed Interim Combined Financial Statements**", and, together with the Audited Combined Financial Statements, the "**Combined Financial Statements**") of the Daimler Truck Business have been prepared on a carve-out basis from the IFRS consolidated financial statements of Daimler AG using historical results of operations, assets and liabilities attributable to the Daimler Truck Business based on the legal reorganization up until the Spin-off (*i.e.,* the Phase 1 Transactions), include allocations of income and expenses from the Daimler Group for the periods presented, and exclude activities that will transfer to the Daimler Truck Group after the Spin-off (*i.e.,* the Phase 2 Transactions). The Combined Financial Statements therefore may not be indicative of future performance of the Group and do not necessarily reflect what its net assets, financial position, results of operations, capital structure and cash flows would have been had the Daimler Truck Business operated as an independent stand-alone group during the periods presented.

In addition, in preparing the Combined Financial Statements, additional assumptions and estimates were made, including, in particular, 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.

1.4.9 The Group may be subject to claims under the German Transformation Act as a consequence of the Spin-off and the Hive-down (so called continued liability (*Nachhaftung*) and right of creditors to request security)

The Group's separation from the Daimler Group was partly realized by way of a spin-off and a hive-down under the German Transformation Act (*Umwandlungsgesetz*). According to section 133 para. 1 and 3 of the German Transformation Act (*Umwandlungsgesetz*), the Group may be held liable by creditors of Daimler AG who may be able to enforce certain claims that were constituted prior to the effectiveness of the Spin-off and the Hive-down, respectively, against the Group. Pursuant to such provisions, the Company is jointly and severally liable with Daimler AG for any liabilities of Daimler AG that were constituted prior to the effectiveness of the Spin-off and the Hive-down, respectively, if such liabilities fall due within five years, or in case of retirement benefit obligations under the German Company Pension Act (*Betriebsrentengesetz*) 10 years, from publication of the Spin-off and the Hive-down, respectively, in the commercial register of Daimler AG. In the Demerger and Hive-down Agreement concluded between Daimler AG and the Company, Daimler AG agreed to indemnify the Company against any liabilities or obligations that remained with Daimler AG in the event that relevant claims are asserted against the Company. Should Daimler AG not satisfy its obligations to indemnify the Company, this could have a material adverse effect on the Group's business, financial condition and results of operations or prospects. Furthermore, creditors of the Company could request the Company to provide security to the extent such creditors cannot obtain satisfaction of their claims and can demonstrate probable cause that the fulfillment of their claims will be jeopardized by the Spin-off and the Hive-down, respectively, pursuant to sections 125 sentence 1, 22, 133 para. 1 sentence 2 of the German Transformation Act (*Umwandlungsgesetz*).

1.4.10 The Phase 2 Transactions planned to occur after the Spin-off are subject to a variety of regulatory approvals, which could delay or prevent their completion entirely

As of the date of this Prospectus, the implementation of the Phase 2 Transactions remains subject to certain completion conditions, which comprise the receipt of the relevant merger control clearances in the European Union and the competent merger control authorities in Morocco, North Macedonia, Serbia, South Africa, Taiwan, Turkey and Ukraine. Furthermore, a merger control notification has been submitted to the Argentinian competition authority although clearance by the Argentinian competition authority is not currently a condition precedent for the implementation of the Phase 2 Transactions. In Egypt currently a non-suspensory post-closing filing is required. The Egyptian merger control regime is about to change with an envisaged switch to a pre-closing regime which could apply to the Phase 2 Transactions.

The various countries' antitrust regulators may not approve certain or all of the Phase 2 Transactions on a timely basis or at all. A significant delay in obtaining the required regulatory approvals could reduce the anticipated benefits of the Group's separation from the Daimler Group.

In connection with their review processes, antitrust regulators may impose terms, conditions or undertakings to address any potential antitrust concerns, including requiring the sale, divestiture, license or other disposition of properties or other assets of either the Company or the Group. Any such actions could require the Group to incur significant costs. If conditions imposed for regulatory approval require the divestiture of portions of the Group, satisfying such conditions could significantly reduce the anticipated benefits of the Group's separation from the Daimler Group. Furthermore, the Group may not be able to effect required divestitures or other commitments in a timely manner or at all, or on economically viable terms. Failure to satisfy such terms, conditions or undertakings could result in certain or all of the Phase 2 Transactions not being completed.

Delays in obtaining, or an inability to obtain, all required approvals to complete the Phase 2 Transactions, or any conditions imposed by regulators, in particular divestiture actions or other commitments, could have a material adverse effect on the business, assets, results of operations, financial condition and prospects of the Group.

1.4.11 The Group's right to use the trademarks "Mercedes-Benz", "Mercedes-Benz Star" and certain patents, trademarks and domain names of Daimler AG depends on the existence of Intellectual Property licensing agreements

The Group has concluded various intellectual property ("**IP**") agreements regarding the allocation of trademarks, patents and domain names that will become effective in the course of the separation of the trucks and buses business from the cars and vans business of Daimler AG. The IP agreements comprise purchase and transfer agreements with Daimler AG on the trademarks "DAIMLER", "CHARTERWAY", "FLEETBOARD" and "DISPOPILOT" and a patent portfolio as well as certain license agreements with Daimler Brand & IP Management GmbH & Co KG. Based on a master license agreement with Daimler AG, Daimler Brand & IP Management GmbH & Co. KG acts as the licensor within the Daimler Group for the IP licensed to Daimler Truck AG in such agreements. Daimler AG accedes to Daimler Brand & IP Management GmbH & Co. KG's obligations under the license agreements by an assumption of debt.

Under a trademark licensing and domain usage agreement (the "**Trademark Licensing and Domain Usage Agreement Mercedes-Benz**"), Daimler Truck AG receives the right to use the trademark families "Mercedes-Benz" and "Mercedes-Benz Star" as well as certain domain names relevant for Daimler Truck AG's business and comprising the element "Mercedes-Benz" free of charge to develop, produce and distribute products as well as provide services relating to commercial vehicles and buses with a maximum permissible gross weight equal to or exceeding 7.49 tons in certain business lines, *inter alia*, commercial vehicles and buses, its chassis and engines and other technical drives, including their parts, assemblies and vehicle spare parts and banking and insurance transactions, financial and payment services and insurance brokerage (the "**Field**"). According to a further trademark licensing agreement (the "**Trademark Licensing Agreement Multi-Use**"), Daimler Truck AG receives the right to use various "multi-use trademarks", *i.e.*, trademarks used by both Daimler AG's cars and vans divisions and the Group's trucks and bus divisions in the Field for no consideration. Under a separate royalty-based patent licensing agreement (the "**Patent Licensing Agreement**"), Daimler Truck AG receives a right to use the patent portfolio of Daimler AG existing as of November 30, 2021 for the development, production, marketing, sale and further use of products in Daimler Truck AG's business area.

The Trademark Licensing and Domain Usage Agreement Mercedes-Benz and the Trademark Licensing Agreement Multi-Use have an indefinite term and cannot be terminated ordinarily. They may, however, be terminated by the licensor for good cause, which includes a third party acquiring control over Daimler Truck AG, an attack by Daimler Truck AG on the licensed rights, a substantial and permanent impairment or threat on the distinctive character or repute of the licensed rights, usage outside the Field and a lasting breach of the quality requirements. Either party may terminate the agreements *e.g.*, in case of serious breaches of duty and in the event of payment difficulties and financial collapse of the respective other party. Termination first requires an escalation process, which includes the request to remedy the respective breach of the agreement and efforts to find an amicable settlement of the breach by a member of the highest management level of each party. Upon termination or adjustment of the Trademark Licensing and Domain Usage Agreement Mercedes-Benz and the Trademark Licensing Agreement Multi-Use, Daimler Truck AG has certain transitional rights to (i) continue production under the licensed trademarks and domain names for one year, (ii) distribute products already produced and offer services aimed at vehicle distribution for one further year, (iii) distribute replacement parts for five years (Trademark Licensing Agreement Multi-Use) or 15 years (Trademark Licensing and Domain Usage Agreement Mercedes-Benz), respectively, and (iv) use the licensed domain names for one year. Notwithstanding the transitional rights and whether they are sufficient to re-brand relevant products and services, any termination of the Trademark Licensing Agreement Multi-Use and Trademark Licensing and Domain Usage Agreement Mercedes-Benz and the resulting loss of the right to use the "Mercedes-Benz", "Mercedes-Benz Star" trademarks and domain names, and further "multi-use trademarks" (or a termination of the Patent Licensing Agreement for good cause which does not provide for any transitional rights) could have a material adverse effect on the business, assets, results of operations, financial condition and prospects of the Group.

1.5 Risks Related to the Group's Shareholder Structure

1.5.1 The Existing Shareholder will retain a substantial shareholding in the Company following effectiveness of the Demerger Transactions and will be able to exercise a corresponding influence, and the interests of the Existing Shareholder could come into conflict with the interests of other investors

Upon effectiveness of the Demerger Transactions, Daimler AG and Daimler Grund will directly hold 28.43% and 6.57% of the Shares, respectively, while the remaining 65% of the Shares will be held by the shareholders of Daimler AG.

On August 6, 2021, Daimler AG, Daimler Grund and the Company entered into a deconsolidation agreement in notarized form (the "**Deconsolidation Agreement**"). The Deconsolidation Agreement basically stipulates an obligation of Daimler AG and Daimler Grund towards the Company not to exercise their voting rights in the election of two of the 10 members of the Company's Supervisory Board to be elected by the shareholders. In addition, Daimler AG and Daimler Grund shall not exercise their voting rights in decisions on an early re-election, the election of substitute members and the dismissal of such Supervisory Board members in whose original election they did not exercise their voting rights. The Deconsolidation Agreement is valid until the end of the fifth annual general meeting of the Company following the annual general meeting of the Company in 2022. If the Deconsolidation Agreement is not ordinarily terminated until no later than six months prior to its expiry, it will in each case be extended until the end of the fifth annual general meeting following the termination of the Deconsolidation Agreement that would otherwise have occurred. During these fixed terms, the Deconsolidation Agreement can only be terminated for good cause. The Deconsolidation Agreement automatically terminates if the aggregated direct and indirect shareholdings of Daimler AG in the Company fall below 20% of the share capital of the Company, subject to the condition precedent that all merger and investment control regulations have been complied with.

Prior to the indirect transfer of 5.0% of the Shares by Daimler AG to Daimler Pension Trust e.V. which is intended to take place prior to the first general meeting of the Company, on matters not covered by the Deconsolidation Agreement or, if the Deconsolidation Agreement is terminated, Daimler AG may, depending on the shareholder presence at the general meeting of the Company, be in a position to control the resolutions passed by the general meeting of the Company with a simple majority of the votes cast or the represented share capital. Such resolutions comprise, among others, resolutions on the election of the members of the supervisory board to be elected by the shareholders (subject to the respective restrictions agreed in the Deconsolidation Agreement) and on the appropriation of profits. In addition, as long as Daimler AG holds more than 25% of the shares represented at the Company's general meeting, Daimler AG will be able to prevent resolutions from being adopted at the general meeting of the Company which require a qualified majority of at least 75% of the votes cast and/or the represented share capital. This may include, among others, structural measures (*e.g.*, approval of enterprise, merger, spin-off or other major agreements) and the dismissal of a member of the supervisory board elected by the shareholders (subject to the respective restrictions agreed in the Deconsolidation Agreement). In connection with the exercise of its voting rights in the Company's general meeting and/or the exercise of its contractual rights under agreements entered into with the Company or its subsidiaries, the interests of Daimler AG may be in conflict with the interests of other shareholders and/or the Company.

1.5.2 Membership of the same individuals on boards of the Company and of the Daimler Group as well as other relationships with the Daimler Group or companies of the Daimler Group may result in conflicts of interest

The three members of the Company's supervisory board (the "**Supervisory Board**"), who are members of the Supervisory Board as of the date of this Prospectus, but who will resign from office upon the Demerger Transactions Effective Date, are employees of entities of the Daimler Group. Mr. Martin Daum, the Chief Executive Officer of the Company, is, as of the date of this Prospectus, also a member of the management board of Daimler AG, but will resign from the management board of Daimler AG by the Demerger Transactions Effective Date. The composition of the Supervisory Board will change upon the Demerger Transactions Effective Date. Ms. Renata Jungo Brüngger and Mr. Harald Wilhelm, who will become members of the Supervisory Board upon the Demerger Transactions Effective Date, are also members of the management board of Daimler AG. Further, Mr. Michael Brecht and Mr. Roman Zitzelsberger, who will become members of the Supervisory Board upon the Demerger Transactions Effective Date, are also members of the supervisory board of Daimler AG.

Since the interests of Daimler AG (or other companies of the Daimler Group) and the Company do not necessarily always coincide, the aforementioned dual mandates and other relationships of board members of the Company with Daimler AG (or other companies of the Daimler Group) may in the future potentially result in conflicts of interest for the respective board members.

1.6 Risks Related to the Shares and the Admission to Trading

1.6.1 Substantial sales of the Company's Shares, which may occur in connection with the Spin-off, could cause the price of the Shares to decline

Following the effectiveness of the Spin-off and the start of trading of the Company's Shares, a significant number of these shares could be sold and the price of the Shares in the Company could accordingly experience a sharp decline. Such a decline in the price of shares could be due to shareholders selling their shares in the Company because they do not wish to invest in the activities which have been spun off and new investors refrain from buying the Company's Shares in the same volume, for example because the Company does not yet have a history as an independent company. For example, there can be no certainty that the Shares of the Company will be included in the same share indexes (e.g., DAX from which the Shares of the Company will exit after the first day of trading) as those which currently include the shares of Daimler AG (*e.g.* DAX). This means that shareholders who, in accordance with their investment guidelines, investment risk profiles or for other reasons, can only invest in shares in a certain index which currently includes Daimler AG are required to sell their Shares in the Company after they are listed.

In light of the foregoing, it is not unlikely that considerable selling pressure will develop immediately after the Shares are admitted to trading and that the Share price will materially decline as a result.

On August 6, 2021, Daimler AG and the Company entered into a Group Separation Agreement (*Konzerntrennungsvertrag)* which provides for a so-called lock-up agreement pursuant to which Daimler AG undertakes *vis-à-vis* the Company not to dispose of any of the Shares in the Company held directly or indirectly by Daimler AG at the time of the consummation of the Demerger and Hive-down Agreement without the prior consent of the Company until the end of the day that is 36 months after the first day on which the Shares in the Company are traded on the Frankfurt Stock Exchange (the "**GSA Lock-Up Period**"). After expiry of twelve months following the Admission to Trading, the GSA Lock-Up Period does not prevent a disposal—other than *vis-à-vis* a direct competitor of the Company—if, in the opinion of the management board of Daimler AG, such a disposal is necessary for the purposes of prudent and conscientious management (section 93 para. 1 German Stock Corporation Act (*Aktiengesetz*)), taking into account the economic and strategic considerations applying at the relevant time. However, in case such lock-up is waived or following the end of the GSA Lock-Up Period, Daimler AG may also sell, or announce to sell, the Shares it holds in the Company and thereby affect the price of the Company's Shares negatively.

1.6.2 The Company's Shares have previously not been publicly listed, and an active and liquid market for the Company's Shares may not develop or be maintained

Prior to the admission to trading to the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (the "**Frankfurt Stock Exchange**") with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (the "**Admission to Trading**") of 50,000 existing ordinary registered shares with no-par value (*auf den Namen lautende Stückaktien*) (the "**Existing Shares**") and 822,901,882 newly issued ordinary registered shares with no-par value (*auf den Namen lautende Stückaktien*) from capital increases against contribution in kind resolved upon by an extraordinary general meeting of the Company on November 5, 2021 (the "**New Shares**", together with the Existing Shares, the "**Shares**"), there was no public trading market for the Company's Shares. As a consequence, an active and liquid trading market may not develop or continue after the Admission to Trading and the share price could decline. Investors may not be in a position to sell their Shares quickly or at the market price if there is no active trading in the Shares.

1.6.3 The combined value of the Company's Shares and the Daimler AG shares following the Spin-off may not equal or exceed the value of Daimler AG shares prior to the Spin-off

Following the Spin-off, the shares of Daimler AG will continue to be listed and will trade as of the trading day following the entry into effect of the Spin-off, taking into account the Spin-off. The total of the Daimler AG share price after the Spin-off and the share price of the Company's Shares allocated to Daimler AG shareholders in accordance with the allocation ratio may not be equal to or higher than the Daimler AG share price prior to the Spin-off. Until the market has fully priced the business of the Daimler AG Group, excluding the business of the Company and also priced the business of the Company as an independent company, the shares in the Company and Daimler AG may be subject to significant fluctuations, and this could have a material adverse effect on an investment in the shares of the Company.

1.6.4 The market price and trading volume of the Company's shares may fluctuate significantly and could decline following the Admission to Trading, and investors could lose some or all of their investment

The trading volume and price of the Company's shares may fluctuate significantly. The share price is determined by the supply of and demand for the Shares and may not necessarily reflect the fair value of the Company. The share price may decline substantially as a result of substantial sales of the Company's shares in connection with the Spin-off, as further discussed above under "*1.6.1 Substantial sales of the Company's shares may occur in connection with the spin-off, which could cause the price of the Shares to decline*." Other factors that could negatively affect the share price or result in fluctuations in the price or trading volume of the shares include, for example, ad hoc developments, changes in profit forecasts or estimates, fluctuations in the Group's actual or projected operating results, variations in quarterly results, failure to meet securities analysts' expectations, the contents of published research reports about the Company or the Group or the industry segments or securities analysts failing or ceasing to cover the Company or the Group following the Spin-off, actions by institutional shareholders and general market conditions or special factors influencing companies in the industry in general. Fluctuations in the equity markets could also cause the share price to decline, though such general fluctuations may not necessarily have any particular basis in the Group's business, assets, results of operations, financial condition and prospects. The price at which the shares will be traded following the Admission to Trading could decline.

1.6.5 The payment of future dividends will depend, among other things, on the Group's results of operations, financial and investment needs and the availability of distributable reserves

In accordance with the German Stock Corporation Act, the general meeting of the Company decides on the payment of dividends on the recommendation of the management board and the supervisory board. The Company's ability to distribute dividends in the future will, among other things, depend on the Group's ability to generate profits, its results of operations and financing and investment needs, as well as the availability of distributable profits or distributable reserves. The decision on the payment of dividends is based on the balance sheet profit, as determined for the Company on a standalone basis in accordance with the German Commercial Code (*Handelsgesetzbuch*) and the German Stock Corporation Act (*Aktiengesetz*). In order to determine the balance sheet profit available for distribution, the annual financial profit or loss must be adjusted with the profit/loss carry forward from the previous year as well as any withdrawals or contributions made to the reserves. The Company can make no predictions as to the size of future profits available for distribution, or whether distributable profits will be achieved at all, and hence it cannot guarantee that dividends will be paid in the future.

1.6.6 The Company is a holding company with no material business operations of its own and relies on operating subsidiaries to provide the Company with the funds required to meet its financial obligations and make dividend payments

The Company is a holding company with no material business operations of its own. The principal assets of the Company are its direct and indirect equity interests in its operating subsidiaries. As a result, the Company is dependent on these subsidiaries in order to generate the funds required to meet the Company's financial obligations and make dividend payments, if any.

The ability of the Company's subsidiaries to make distributions and other payments to the Company depends on the subsidiaries' earnings and is subject to various contractual and statutory limitations. The amount and timing of such distributions depend on the laws of the operating companies' respective jurisdictions and such distributions may not arrive in time for the dividend payments of the Company and the Company would have to draw on its reserves to pre-fund dividend payments. The transfer of profits may be limited where minority interests of third parties exist in subsidiaries and affiliates and where such minorities must approve the approval of annual accounts and the distribution of profits to shareholders. As a (direct or indirect) shareholder in its subsidiaries, the Company's right to receive assets upon liquidation or reorganization of such subsidiaries will be effectively subordinated to the claims of the subsidiaries' respective creditors. Even if the Company is recognized as a creditor of its subsidiaries, the Company's claims will still be subordinated to any security interests that are senior to the Company's claims.

If the Company does not receive sufficient distributions and other payments from its direct and indirect subsidiaries at all or in time, it may be unable to meet its financial obligations and to make dividend payments.

1.6.7 The Company will face additional administrative requirements and incur higher ongoing costs as a result of its operation as an independent publicly listed company

After the Spin-off, the Company will for the first time be subject to the legal requirements for German stock corporations listed on the regulated market of a public exchange and the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*), the German Securities Trading Act (*Wertpapierhandelsgesetz*) and the Market Abuse Regulation. These requirements include periodic financial reporting and other public disclosures of information (including those required by the stock exchange listing authorities), regular calls and meetings with securities and industry analysts, and other required disclosures.

The Group's accounting, controlling and legal or other corporate administrative functions may not be capable of responding to these additional requirements without difficulties and inefficiencies that cause it to incur significant additional expenditures and/or expose it to legal, regulatory or civil costs or penalties. Furthermore, the preparation, convening and conduct of general meetings and the Company's regular communications with shareholders and potential investors will entail substantially greater expenses.

The Group's management may also need to devote time and other resources to these additional requirements that it could have otherwise devoted to other aspects of managing its operations, and these additional requirements could also entail substantially increased time commitments and costs for the accounting, controlling, legal and investor relations departments and other Group administrative functions. In addition, the Group may be required to hire additional employees or engage outside consultants to comply with such requirements, which could increase the Group's costs and expenses.

Any inability of the Company's administrative functions to handle the additional demands placed on it by becoming a company with listed shares, as well as any costs resulting therefrom, may have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.6.8 Future offerings of equity or equity-linked debt securities may adversely affect the market price of the Company's Shares

In the future, the Group may seek to raise capital through offerings of equity or debt securities (potentially including convertible debt securities). An issuance of additional equity securities or securities with rights to convert into equity could have a material adverse effect on the market price of the Company's Shares and would dilute the economic position and voting rights of existing shareholders if made without granting subscription rights to existing shareholders. Because the timing and nature of any future offering would depend on market conditions at the time of such an offering, the Group cannot predict or estimate the amount, timing or nature of future offerings. Thus, holders of shares bear the risk of future offerings reducing the market price of the shares and/or diluting their shareholdings in the Company. In addition, the acquisition of other companies or investments in companies in exchange for newly issued shares of the Company, as well as the exercise of stock options by the Group's employees in the context of future stock option programs or the issuance of new shares to employees in the context of employee equity programs, such as restricted stock or employee stock participation programs could lead to such dilution. Any additional offering of shares by the Company, or the public perception that an offering may occur, could also have a material adverse impact on, or increase the volatility of, the market price of the Company's Shares.

Upon effectiveness of the Demerger Transactions, Daimler AG and Daimler Grund will directly hold 28.43% and 6.57%, respectively, of the Shares, while the remaining 65% of the Shares will be held by the shareholders of Daimler AG. In the event that Daimler AG and Daimler Grund do not participate in a capital increase undertaken by the Company in the future, this could limit the Group's efforts to raise new capital and may have a material adverse effect on the Group's competitive position, and on the Group's business, assets, results of operations, financial condition and prospects.

1.6.9 Shareholders from outside the Eurozone may be subject to foreign currency exchange rate risk

The Company's Shares are, and any dividends to be paid in respect of them will be, denominated in Euro. An investment in the Company's Shares by an investor whose principal currency is not the Euro exposes the investor to foreign currency exchange rate risk. Any depreciation of the Euro in relation to an investor's principal currency will reduce the investor's value of the investment in the Company's Shares or any dividends in relation to such currency.

1.6.10 Shareholders outside of Germany may not be able to participate in future rights offerings

Under German corporate law, shareholders generally have subscription rights (*Bezugsrechte*) relating to any shares issued in a capital increase, or convertible bonds or bonds with warrants, in proportion to their shareholding, subject to certain exceptions which allow for an exclusion of preemptive rights. Due to restrictions in other jurisdictions, including the United States, shareholders outside of Germany may be prohibited, under applicable law, or excluded under the terms of the capital measure, from participating in future capital measures or such participation may be difficult. In addition, shareholders may not be able to participate in potential future capital measures if they do not have the funds necessary to subscribe for new securities or if the subscription rights are excluded. This could result in dilution of those shareholders' proportionate interests in the Company. Open market purchases to counteract such dilution could be on terms less favorable than those offered to other shareholders in connection with such a capital increase.

2 GENERAL INFORMATION

2.1 General Information regarding this Prospectus

2.1.1 Responsibility for the Content of this Prospectus

Daimler Truck Holding AG, a stock corporation governed by German law, with its registered office in Stuttgart and its registered business address at Fasanenweg 10, 70771 Leinfelden-Echterdingen, registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Stuttgart under HRB 778600, telephone +49 711 8485 0, and BNP PARIBAS S.A., 16, boulevard des Italiens, 75009 Paris, France ("**BNP PARIBAS**"), Citigroup Global Markets Europe AG, Reuterweg 16, 60323 Frankfurt am Main, Germany ("**Citigroup**") and Goldman Sachs Bank Europe SE, Taunusanlage 9-10, 60329 Frankfurt am Main, Germany ("**Goldman Sachs Bank Europe SE**"; and, together with BNP PARIBAS and Citigroup, the "**Listing Agents**") acting as financial advisors and Listing Agents, and Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Germany ("**Deutsche Bank**") and J.P. Morgan AG, Taunustor 1, TaunusTurm, 60310 Frankfurt am Main, Germany ("**J.P. Morgan**") acting as financial advisors (Deutsche Bank and J.P. Morgan together, the "**Financial Advisors**") and Joh. Berenberg, Gossler & Co. KG, Neuer Jungfernstieg 20, 20354 Hamburg, Germany ("**Berenberg**"), BofA Securities Europe SA, 51 rue La Boétie, 75008 Paris, France ("**BofA Securities**") and Landesbank Baden-Württemberg, Am Hauptbahnhof 2, 70173 Stuttgart, Germany ("**Landesbank Baden-Württemberg**"), acting as co-advisors (the "**Co-Advisors**", and, together with the Financial Advisors and the Listing Agents, the "**Banks**"), assume responsibility for the content of this Prospectus pursuant to section 8 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*), as well as article 11 para. 1 of the Prospectus Regulation and declare that the information contained in this Prospectus is, to best of their knowledge, in accordance with the facts and that the Prospectus makes no omissions likely to affects its import.

2.1.2 Competent Authority Approval

This Prospectus has been approved on November 26, 2021 in accordance with Art. 20 para. 2 of the Prospectus Regulation by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, the "**BaFin**"), Marie Curie Straße 24-28, 60439 Frankfurt am Main, Germany (telephone: +49 228 4108 0; website: www.bafin.de), as competent authority under the Prospectus Regulation. The BaFin only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the Company or its Shares. Investors should make their own assessment as to the suitability of investing in the Shares of the Company.

2.1.3 Company's Legal Entity Identifier (LEI) and website

The Company's LEI is: 529900PW78JIYOUBSR24.

The Company's website is (www.daimlertruck.com). Information contained on the Company's website is not incorporated by reference in this Prospectus and does not form part of this Prospectus.

2.1.4 General disclaimers

If any claims are asserted before a court of law based on the information contained in this Prospectus, the investor appearing as plaintiff may have to bear the costs of translating this Prospectus prior to the commencement of the court proceedings pursuant to the national legislation of the member states of the European Economic Area.

Prospective investors should read the entire document and, in particular, the section headed "Risk Factors", when considering an investment in the Company.

Neither the delivery of this Prospectus nor any sale made hereunder shall under any circumstances imply that there has been no change in the Group's affairs or that the information set forth in this Prospectus is correct as of any date subsequent to the date hereof.

Neither the Company nor the Banks are required by law to update this Prospectus subsequent to the date hereof, except in accordance with Article 23 of the Prospectus Regulation, which stipulates that every significant new factor, material mistake, or material inaccuracy relating to the information included in a prospectus which may affect the assessment of the securities and which arises or is noted between the time when the prospectus is approved and the closing of the offer period or the time when trading on a regulated market begins, whichever occurs later, shall be mentioned in a supplement to the prospectus without undue delay.

2.2 Subject Matter of this Prospectus

This Prospectus relates to the admission to trading to the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (the "**Frankfurt Stock Exchange**") with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (the "**Admission to Trading**") of 50,000 existing ordinary registered shares with no-par value (*auf den Namen lautende Stückaktien*) (the "**Existing Shares**") and 822,901,882 newly issued ordinary registered shares with no-par value (*auf den Namen lautende Stückaktien*) from capital increases against contribution in kind resolved upon by an extraordinary general meeting of the Company on November 5, 2021 (the "**New Shares**", together with the Existing Shares, the "**Shares**"). Each Existing Share represents a notional share of EUR 1.00 in the Company's share capital per no-par value share and carries full dividend rights as of March 25, 2021 (with International Securities Identification Number ("**ISIN**"): DE000DTR0013). Each New Share represents a notional share of EUR 1.00 in the Company's share capital per no-par value share and carries full dividend rights as of January 1, 2022 (with ISIN: DE000DTR0CK8). The Company's Legal Entity Identifier ("**LEI**") is 529900PW78JIYOUBSR24 and its business address is at Fasanenweg 10, 70771 Leinfelden-Echterdingen, Federal Republic of Germany ("**Germany**") (telephone +49 711 8485 0; website: www.daimlertruck.com).

The New Shares will be issued in three capital increases, each against contribution in kind under the German Stock Corporation Act (*Aktiengesetz*):

(i) in connection with a spin-off by absorption (*Abspaltung zur Aufnahme*) under the German Transformation Act (*Umwandlungsgesetz*) ("**Spin-off**") resulting in the issuance of 534,918,723 newly issued ordinary registered shares with no-par value (the "**New Spin-off Shares**"),

(ii) in connection with a hive-down by absorption (*Ausgliederung zur Aufnahme*) under the German Transformation Act (*Umwandlungsgesetz*) ("**Hive-down**") resulting in the issuance of 233,936,002 newly issued ordinary registered shares with no-par value (the "**New Hive-down Shares**"), and

(iii) by way of an additional ordinary capital increase against contribution in kind ("**Capital Increase Against Contribution in Kind III**") resulting in the issuance of 54,047,157 newly issued ordinary registered shares with no-par value (the "**New Capital Increase Shares**").

The 534,918,723 New Spin-off Shares, the 233,936,002 New Hive-down Shares and the 54,047,157 New Capital Increase Shares will result in the 822,901,882 New Shares.

The Spin-off, Hive-down and Capital Increase Against Contribution in Kind III (together the "**Demerger Transactions**") will together form the key steps of a sequence of transaction steps, where each will become effective upon registration with the relevant commercial register, which is expected in case of the Spin-off, the Hive-down and the Capital Increase Against Contribution in Kind III on or about December 9, 2021 (the "**Demerger Transactions Effective Date**").

As a consequence of the Spin-off and Hive-down, Daimler AG with its registered seat (*Sitz*) in Stuttgart, Germany, its registered office (*Geschäftsanschrift*) at Mercedesstraße 120, 70372 Stuttgart, Germany, and registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Stuttgart, Germany, under HRB 19360 ("**Daimler AG**", together with its consolidated subsidiaries, "**Daimler**" or "**Daimler Group**"), as transferor, will transfer shares in Daimler Truck AG, Stuttgart, together with its subsidiaries carrying out Daimler's Trucks & Buses business ("**Daimler Truck AG**"), to the Company as transferee. As part of the Capital Increase Against Contribution in Kind III, Daimler Verwaltungsgesellschaft für Grundbesitz mbH, Schönefeld ("**Daimler Grund**"), as transferor will transfer shares in Daimler Truck AG to the Company as transferee. As consideration for the Spin-off, the shareholders of Daimler AG will receive a part of the New Shares according to their proportional shareholding in Daimler AG, as consideration for the Hive-down and Capital Increase Against Contribution in Kind III, Daimler AG and Daimler Grund will also receive parts of the New Shares, respectively.

For more details regarding the Demerger Transactions, the Phase 1 Transactions and the Phase 2 Transactions, see "*3 Separation, Demerger Transactions and Admission to Trading*".

2.3 Validity of this Prospectus

The validity of this Prospectus will expire with the beginning of the trading of the Company's Shares on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), which is expected to occur on December 10, 2021, and no obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will apply when this Prospectus is no longer valid.

2.4 Forward-Looking Statements

This Prospectus contains forward-looking statements. A forward-looking statement is any statement that does not relate to present or historical facts and events. Statements in this Prospectus containing information relating to, among other things, (i) the Group's future earnings, cash flows, capital expenditures and profitability (including the detailed guidance and targets set out under "*22 Recent Developments and Outlook*"), (ii) the Group's plans and expectations regarding its business, (iii) the Group's strategy, and (iv) projected industry growth in the markets in which the Group operates are all examples of forward-looking statements. In addition, statements made using the words "anticipates", "contemplates", "continues", "could", "is likely", "will", "believes", "expects", "assumes", "estimates", "predicts", "targets", "intends" or "in its estimation" or the negative of these words indicate forward-looking statements.

The forward-looking statements in this Prospectus are subject to uncertainties, as they relate to future events, and are based on estimates and assessments made to the best of the Company's present knowledge. These forward-looking statements are based on assumptions, uncertainties and other factors, the occurrence or non-occurrence of which could cause the Company's actual results, including the financial condition and profitability of the Group, to differ materially from or fail to meet the expectations expressed or implied in the forward-looking statements. Accordingly, investors are strongly advised to consider this Prospectus as a whole and particularly ensure that they have read the following sections of this Prospectus: "7 *Management's Discussion And Analysis Of Financial Condition And Results Of Operations"*, "*8 Profit Forecast*", "*9 Industry Overview*", "*10 Business*", "*12 Regulatory Environment*" and "*22 Recent Developments and Outlook*". These sections include more detailed descriptions of factors that might have an impact on the Group's business and the business environment in which the Group operates.

In light of these factors, it is possible that the future events mentioned in this Prospectus might not occur and future projections may prove to be inaccurate. In addition, the forward-looking estimates and forecasts reproduced in this Prospectus from third-party reports could prove to be inaccurate (see "*2.6 Sources of Market Data and Other Information from Third Parties*" for more information on third-party sources used in this Prospectus).

2.5 Presentation of Financial Information

The fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018 are also referred to in this Prospectus as "fiscal year 2020" or "2020", "fiscal year 2019" or "2019" and "fiscal year 2018" or "2018", respectively.

The combined financial statements of the Daimler Truck Business prepared by Daimler AG and Daimler Truck AG in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**") as of and for the fiscal years ended December 31, 2020, 2019 and 2018 (the "**Audited Combined Financial Statements**") were audited in accordance with International Standards on Auditing by KPMG AG Wirtschaftsprüfungsgesellschaft, Klingelhöferstraße 18, 10785 Berlin, Federal Republic of Germany ("**KPMG**"), who issued on August 9, 2021 an independent auditor's report thereon. The unaudited condensed interim combined financial statements of the Daimler Truck Business as of and for the nine months ended September 30, 2021 (the "**Unaudited Condensed Interim Combined Financial Statements**", and, together with the Audited Combined Financial Statements, the "**Combined Financial Statements**") were prepared in accordance with IFRS applicable to interim financial reporting (IAS 34) as adopted by the European Union. The Combined Financial Statements reflect the Daimler Truck Business and the entities and businesses being transferred in connection with the Phase 1 Transactions, but do not reflect the entities and businesses which are expected to be transferred to the Group in connection with the Phase 2 Transactions. During the fiscal years 2020, 2019 and 2018, the Daimler Truck Business did not conduct operations as an independent group. For further information, see "*7.2 Background and Basis of Presentation*".

The audited unconsolidated financial statements of Daimler Truck Holding AG as of and for the stub period from March 25, 2021 to September 30, 2021 (the "**Audited Unconsolidated Financial Statements**") were prepared by Daimler Truck Holding AG in accordance with IFRS as adopted by the European Union.

The aforementioned financial statements are included in the following section of this Prospectus "*20 Financial Information*" beginning on page F-1.

Financial data in this Prospectus as of and for the fiscal years 2020, 2019 and 2018, as of and for the stub period from March 25, 2021 to September 30, 2021, and for the nine months ended September 30, 2021 (i) if presented as "audited", is taken from the Audited Combined Financial Statements or from the Audited Unconsolidated Financial Statements and (ii) if presented as "unaudited", is taken or derived from the Unaudited Condensed Interim Combined Financial Statements, the Group's accounting records or its internal management reporting systems or derived from the Audited Combined Financial Statements or derived from the Audited Unconsolidated Financial Statements.

2.6 Sources of Market Data and Other Information from Third Parties

To the extent not otherwise indicated, the information contained in this Prospectus on the market environment, market developments, market and economic growth rates, market trends and competition in the markets in which the Group operates are based on the Company's assessments and estimates. These assessments are, in turn, based on publicly available sources, including, but not limited to, third-party studies or estimates that are also primarily based on data or figures from publicly available sources. They are also based in part on privately commissioned reports.

The following sources were used in the preparation of this Prospectus:

- American Bus Association, "*Motorcoach Quarterly Sales Data*," dated December 2019, available at https://www.buses.org/assets/images/uploads/pdf/Coachbuilder_2019Q4_-_Revised.pdf ("**American Bus Association**");
- Armstrong & Associates, "*Global 3PL Market Size Estimates*," dated October 7, 2020, available at https://www.3plogistics.com/3pl-market-info-resources/3pl-market-information/global-3pl-market-size-estimates/ ("**Armstrong & Associates 2020**");
- Barclays, "*Recharging the LCV market with EVs*," dated December 14, 2020 ("**Barclays 2020**");
- European Commission, "*Sustainable mobility: The European Green Deal*," dated December 2019, available at https://ec.europa.eu/commission/presscorner/api/files/attachment/860070/Sustainable_mobility_en.pdf.pdf ("**European Commission 2019**");
- Eurostat, "*National Accounts (including GDP)*," available at https://ec.europa.eu/eurostat/statistics-explained/index.php?title=National_accounts_and_GDP#Developments_for_GDP_in_the_EU:_decline_in_2020.2C_the_first_since_2013, last visited November 25, 2021 ("**Eurostat**");
- Goldman Sachs, "*Cars 2025*," available at https://www.goldmansachs.com/insights/technology-driving-innovation/cars-2025/, last visited November 25, 2021 ("**Goldman Sachs**");
- IHS Markit, "*Medium Heavy Commercial Vehicle Industry Forecast*," dated November 2021 ("**IHS Markit**");
- IHS Markit, "*Global Light Vehicle Sales Forecast October 2021*," dated October 2021 ("**IHS Markit 2021**");
- Kraftfahrt-Bundesamt, "*Stadtbusmarktzulassungen von Elektorfahrzeugen auf Kreisebene*," dated September 2021 ("**KBA**");
- McKinsey & Company, "*Advanced driver-assistance systems: Challenges and opportunities ahead*," dated February 19, 2016, available at https://www.mckinsey.com/industries/semiconductors/our-insights/advanced-driver-assistance-systems-challenges-and-opportunities-ahead ("**McKinsey 2016**");
- McKinsey & Company, "*Route 2030- The Fast Track to the Future of the Commercial Vehicle Industry*," dated September 2018, available at https://www.mckinsey.com/~/media/McKinsey/Industries/Automotive%20and%20Assembly/Our%20I nsights/Route%202030%20The%20fast%20track%20to%20the%20future%20of%20the%20commerci al%20vehicle%20industry/Route%202030%20- %20The%20fast%20track%20to%20the%20future%20of%20the%20commercial%20vehicle%20indu stry_vf.ashx ("**McKinsey 2018**");
- McKinsey & Company, "*Unlocking the full life-cycle value from connected-car data*," dated February 11, 2021, available at https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/unlocking-the-full-life-cycle-value-from-connected-car-data ("**McKinsey 2021**");

- Morgan Stanley, "*Mapping Alternative Powertrain Adoption*," dated March 2, 2021 ("**Morgan Stanley 2021**");
- National Bureau of Statistics of China, "*National Data*," available at https://data.stats.gov.cn/english/easyquery.htm?cn=C01, last visited November 25, 2021 ("**National Bureau of Statistics of China**");
- Organisation for Economic Co-operation and Development, "*Looking to 2060: Long-term global growth prospects—Bloomberg Brief*," available at https://www.oecd.org/economy/lookingto2060long-termglobalgrowthprospects.htm, last visited November 25, 2021 ("**OECD**");
- U.S. Bureau of Economic Analysis, "*National Data*," available at https://apps.bea.gov/iTable/iTable.cfm?reqid=19&step=2#reqid=19&step=2&isuri=1&1921=survey, last visited November 25, 2021 ("**US BEA**");
- United Nations: Department of Economic and Social Affairs, "*Growing at a slower pace, world population is expected to reach 9.7 billion in 2050 and could peak at nearly 11 billion around 2100,*" dated June 17, 2019, available at https://www.un.org/development/desa/en/news/population/world-population-prospects-2019.html ("**UN 2019**");
- United States Department of Energy, "*Alternative Fuels Data Center*," available at https://afdc.energy.gov/data/, last visited November 25, 2021 ("**US DoE**");
- United States Environment Protection Agency, "*Fast Facts on Transportation Greenhouse Gas Emissions,*" dated June 2021, available at https://www.epa.gov/greenvehicles/fast-facts-transportation-greenhouse-gas-emissions ("**US EPA 2021**");
- University of South Florida, "*Vehicle Average Replacement Schedule,*" dated February 24, 2017, available at https://www.usf.edu/administrative-services/documents/asbc-resources-field-equipment-replacement.pdf ("**University of South Florida**");
- World Bank, "*Urban Development,*" dated April 20, 2020, available at https://www.worldbank.org/en/topic/urbandevelopment/overview ("**World Bank 2020**");
- World Bank, "*GDP growth (annual %)*," available at https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2020&locations=1W&name_desc=true&start=1961&view=chart, last visited November 25, 2021 ("**World Bank 2021**"); and
- World Economic Forum, "*Autonomous Trucks: An Opportunity to Make Road Freight Safer, Cleaner and More Efficient,*" dated March 2021, available at http://www3.weforum.org/docs/WEF_Autonomous_Vehicle_Movement_Goods_2021.pdf ("**World Economic Forum**").

This Prospectus also contains estimates of market data and information derived from these estimates that are generally not available from publications issued by market research firms or from any other independent sources. This information is based on the Group's analysis and aggregation of local management feedback on market position and ongoing market developments, adjusted and supplemented where necessary by a combination of publicly available and non-public data (such analysis, the "**Company Internal Analysis**") and, as such, may differ from the estimates made by its competitors or from data collected in the future by various market research firms or other independent sources. To the extent the Group derived or summarized the market information contained in this Prospectus from a number of different studies, an individual study is not cited unless the respective information can be taken from it directly. Statements in this Prospectus cited to IHS Markit are based on unit sales.

Third-party sources generally state that the information they contain originates from sources assumed to be reliable, but that the accuracy and completeness of such information is not guaranteed and that the calculations continued therein are based on assumptions.

In this Prospectus, the term "market" refers to a geographic or economic area, as applicable, within which the Group or another business conducts commercial dealings, rather than the "relevant market" as commonly understood in the context of competition law analysis.

Irrespective of the assumption of responsibility for the content of this prospectus by the Company and the Banks (see "*2.1 Responsibility for the Content of this Prospectus*"), neither the Company nor the Banks have independently verified the market data and other information on which third parties have based their studies or the external sources on which the Company's own estimates are based or make any representation or give any warranty as to the accuracy or completeness of such information. The information from third-party sources that is cited here has been reproduced accurately. As far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information included in this Prospectus inaccurate or misleading. Investors should nevertheless consider this information carefully.

2.7 Documents Available for Inspection

For the period during which this Prospectus is valid, the following documents, or copies thereof, will be available for inspection on the Company's website at www.daimlertruck.com under the section "www.daimlertruck.com/investors":

- the articles of association of the Company (the "**Articles of Association**");
- the audited combined financial statements of the Daimler Truck Business as of and for the fiscal years ended December 31, 2020, 2019 and 2018;
- the unaudited condensed interim combined financial statements of the Daimler Truck Business as of and for the nine months ended September 30, 2021; and
- the audited unconsolidated financial statements of Daimler Truck Holding AG as of and for the stub period from March 25, 2021 to September 30, 2021.

The future annual consolidated financial statements and half-year interim consolidated financial statements of the Group as well as annual unconsolidated financial statements of the Company will also be made available on the Company's website after the commencement of trading of the Company's Shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). The Company's future annual consolidated and annual unconsolidated financial statements will also be published in the German Federal Gazette (*Bundesanzeiger*).

Information on the Company's website at www.daimlertruck.com and on the websites of any of its affiliates, and information accessible via these websites, is neither part of nor incorporated by reference into this Prospectus.

2.8 Note on Currency

The following table explains the denotation of currencies used in this Prospectus:

Symbol used	Legal currency of
"**EUR**", "**€**" or "**Euro**"	the participating member states in the third stage of the European Economic Union pursuant to the Treaty Establishing the European Community
"**USD**", "**$**" or "**US dollar**"	United States

The abbreviation "t" preceding currency data stands for "thousand", the abbreviation "m" stands for "million" and the abbreviation "bn" stands for billion.

2.9 Alternative Performance Measures

In accordance with the Commission Delegated Regulation (EU) 2016/301 and the European Securities and Markets Authority ("**ESMA**") Guidelines published on October 5, 2015 (the "**ESMA Guidelines**"), the following sections provide information related to certain financial measures of the Group that are not required by, or not presented in accordance with, IFRS or the German Commercial Code (*Handelgesetzbuch*) and German generally accepted accounting principles, which the Group regards as alternative performance measures ("**APMs**") within the meaning of the ESMA Guidelines.

2.9.1 Definitions

APM	Definition	Relevance of its Use
Earnings before Interest and Taxes ("**EBIT**") for the Group, the Industrial Business and each segment	EBIT for the Group, the Industrial Business and each segment 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 for the Group, the Industrial Business and each segment, respectively. EBIT for the Industrial Business includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment. For definitions of the Group's reporting segments, the Automotive Segments, the Industrial Business and Reconciliation, see "*7.1 Overview.*"	The Group discloses EBIT for the Group, the Industrial Business and each segment as the Group believes it is a meaningful financial measure to evaluate the operating performance of its business activities over time. EBIT excludes interest income/expenses as well as income taxes as the Group does not regard them as indicative of operating performance. EBIT is shown as a subtotal in the Group's consolidated statement of income prepared in accordance with IFRS to provide analysts, rating agencies and investors with full transparency on its derivation.
Adjusted Earnings before Interest and Taxes ("**Adj. EBIT**") for the Group and each segment	Adj. EBIT for the Group and each segment is based on EBIT as adjusted to exclude significant results for legal proceedings and related measures, restructuring measures and M&A transactions that are not expected to occur on a regular recurring basis for the Group and each segment, respectively.	The Group discloses Adj. EBIT for the Group and each segment as the Group believes it is a meaningful financial measure to provide a more transparent presentation of the ongoing operating performance of its business activities. The Group excludes significant results for legal proceedings and related measures, restructuring measures and M&A transactions that are not expected to occur on a regular recurring basis to enhance the ability of investors to compare the operating performance for the Group and each segment over time and across the segments.
Adj. EBIT for the Industrial Business	Adj. EBIT for the Industrial Business is the sum of Adj. EBIT of the Automotive Segments and Reconciliation. Adj. EBIT for the Industrial Business includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.	The Group discloses Adj. EBIT for the Industrial Business as the Group believes it is a meaningful financial measure to provide a more transparent presentation of the ongoing operating performance of its Industrial Business. The Group excludes significant results for legal proceedings and related measures, restructuring measures and M&A transactions that are not expected to occur on a regular recurring basis to enhance the ability of investors to compare the operating performance for the Industrial Business over time.

APM	Definition	Relevance of its Use
Return on Sales ("**RoS**") for the Industrial Business and each Automotive Segment	RoS for the Industrial Business and each Automotive Segment is EBIT for the Industrial Business or each Automotive Segment, as applicable, divided by revenue for the Industrial Business or the respective Automotive Segment, as applicable. RoS for the Industrial Business includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.	The Group discloses RoS for the Industrial Business and each Automotive Segment as the Group believes it is a meaningful financial measure to evaluate the operating profitability of the Industrial Business and each Automotive Segment. The Group understands that this measure is broadly used by analysts, rating agencies and investors in comparing the operating profitability of the Group's Industrial Business and each Automotive Segment with competitors and across segments.
Adjusted Return on Sales ("**Adj. RoS**") for the Industrial Business and each Automotive Segment	Adj. RoS for the Industrial Business and each Automotive Segment is Adj. EBIT for the Industrial Business or each Automotive Segment divided by revenue of the Industrial Business or each Automotive Segment, respectively. Adj. RoS for the Industrial Business includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.	The Group discloses Adj. RoS for the Industrial Business and each Automotive Segment as the Group believes it provides a more transparent presentation of the ongoing operating profitability of the Industrial Business and each Automotive Segment activities over time and across segments by excluding significant results for legal proceedings and related measures, restructuring measures and M&A transactions that are not expected to occur on a regular recurring basis.
Return on Equity ("**RoE**") for the Financial Services segment	RoE for the Financial Services segment is calculated as EBIT for the Financial Services segment divided by the average equity for the Financial Services segment. For the periods until December 31, 2020, average equity is defined as the average of the equity for the Financial Services segment at the beginning of the period and at the end of the period. From January 1, 2021, average equity is defined as the average of the quarterly average equity for each period. For each interim period, the EBIT for the Financial Services segment used for the calculation of the RoE is annualized.	The Group discloses RoE for the Financial Services segment as the Group believes it is a meaningful financial measure to evaluate the operating performance of its Financial Services segment.
Adjusted RoE ("**Adj. RoE**") for the Financial Services segment	Adj. RoE for the Financial Services segment is Adj. EBIT for the Financial Services segment divided by average equity for the Financial Services segment. For the periods until December 31, 2020, average equity is defined as the average of the equity for the Financial Services segment at the beginning of the period and at the end of the period.	The Group discloses Adj. RoE for the Financial Services segment as the Group believes it is a meaningful financial measure to evaluate the ongoing operating performance of its Financial Services segment over time and to provide a more transparent presentation by excluding significant results for legal proceedings and related measures,

APM	Definition	Relevance of its Use
	From January 1, 2021, average equity is defined as the average of the quarterly average equity for each period. For each interim period, the Adj. EBIT for the Financial Services segment used for the calculation of the RoE is annualized.	restructuring measures and M&A transactions that are not expected to occur on a regular recurring basis.
Free cash flow ("**FCF**") for the Industrial Business	FCF for the Industrial Business is defined as the free cash flow for the Group minus the free cash flow for the Financial Services segment. The free cash flow for the Group and the free cash flow for the Financial Services segment, respectively, each consist of the sum of cash provided by operating activities, cash used for investing activities, changes in marketable debt securities and similar investments, right-of-use assets, and other adjustments for the Group or the Financial Services segment, as applicable. The cash flows from sales and purchases of marketable debt securities and similar investments included in cash flows from investing activities are deducted, as those securities are allocated to liquidity. On the other hand, effects in connection with the recognition and measurement of right-of-use assets, which result from the change in lessee accounting and are largely non-cash items, are included. FCF for the Industrial Business includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.	The Group believes FCF for the Industrial Business provides meaningful information to investors as it is a measure of cash generated by the Industrial Business. The measure gives an indication of the cash generating ability of the Group's Industrial Business. It is also taken into consideration when setting the dividend.
Adjusted FCF ("**Adj. FCF**") for the Industrial Business	Adj. FCF for the Industrial Business is based on FCF for the Industrial Business as adjusted to exclude significant cash payments for legal proceedings and related measures, restructuring measures and M&A transactions that are not expected to occur on a regular recurring basis. Adjusted FCF for the Industrial Business includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.	The Group believes Adj. FCF provides meaningful information to investors as it is a measure of cash generated by the Industrial Business which excludes effects from transactions that are not expected to occur on a regular recurring basis. Therefore, the measure gives an indication of the long-term cash generating ability of the Group's Industrial Business.
Cash flow before Interest and Taxes ("**CFBIT**") for the Industrial Business	CFBIT for the Industrial Business is defined as EBIT for the Industrial Business adjusted for change in working capital, net financial	CFBIT for the Industrial Business is a measure of the cash flow performance for the Industrial Business and is used to calculate

APM	Definition	Relevance of its Use
	investments, net investments in property, plant and equipment ("**PP&E**") and intangible assets, depreciation and amortization/ impairments and other for the Industrial Business. CFBIT for the Industrial Business includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment. Technically, CFBIT for the Industrial Business is calculated as CFBIT of the Group minus CFBIT of the Financial Services segment.	Adj. CCR for the Industrial Business.
Adjusted CFBIT ("**Adj. CFBIT**") for the Industrial Business	Adj. CFBIT for the Industrial Business is defined as CFBIT for the Industrial Business adjusted to exclude significant cash payments for legal proceedings and related measures, restructuring measures and M&A transactions that are not expected to occur on a regular recurring basis. Adj. CFBIT for the Industrial Business includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.	The Group believes Adj. CFBIT provides meaningful information to investors. The Group excludes significant cash payments for legal proceedings and related measures, restructuring measures and M&A transactions that are not expected to occur on a regular recurring basis to enhance the ability of investors to compare the cash generating ability of the Industrial Business over time.
Adjusted Cash Conversion Rate ("**Adj. CCR**") for the Industrial Business	Adj. CCR for the Industrial Business is the ratio of Adj. CFBIT for the Industrial Business to Adj. EBIT for the Industrial Business.	The Group believes Adj. CCR for the Industrial Business is an important financial measure for ongoing cash flow performance since it indicates the ability of the Industrial Business to turn ongoing profits into ongoing cash flow by excluding significant legal proceedings and related measures, restructuring measures and M&A transactions that are not expected to occur on a regular recurring basis.
Investments in PP&E for the Group ("**Investments in PP&E**")	Investments in PP&E for the Group include the additions to property, plant and equipment as presented in the combined statement of cash flows in the Combined Financial Statements.	The Group discloses Investments in PP&E for the Group as the Group believes it is a meaningful financial measure to evaluate the financial impact of investments in its production and infrastructure projects.
Research and development costs for the Group	Research and development costs for the Group includes the research and non-capitalized development costs as presented in the combined statement of income in the Combined Financial Statements as well as the capitalized development costs for the Group.	The Group discloses Research and development costs for the Group as it believes it is a meaningful financial measure to evaluate the activities to strengthen its competitive position with respect to key technologies and transformational challenges over time.

APM	Definition	Relevance of its Use
Capitalization Ratio for the Group ("**Capitalization Ratio**")	Capitalization Ratio for the Group is defined as the ratio of capitalized development cost for the Group to Research and development costs for the Group.	The Group discloses the Capitalization Ratio for the Group as it believes it is a meaningful financial measure to evaluate the Group's ratio of development costs for which a concrete and profitable marketing opportunity is seen (and which therefore qualify for capitalization) in relation to the Group's total research and development costs.
Research and development costs for the Industrial Business	Research and development costs for the Industrial Business include the research and non-capitalized development costs as presented in the combined statement of income in the Combined Financial Statements as well as the capitalized development costs for the Industrial Business. Research and development costs for the Industrial Business includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.	The Group discloses Research and development costs for the Industrial Business as it believes it is a meaningful financial measure to evaluate the Industrial Business' activities to strengthen its competitive position with respect to key technologies and transformational challenges over time.
Research and development costs (EBIT view) for the Group	Research and development costs (EBIT view) for the Group includes research and non-capitalized development costs as presented in the combined statement of income in the Combined Financial Statements as well as amortization on capitalized development costs for the Group.	The Group discloses Research and development costs (EBIT view) for the Group as it believes it is a meaningful financial measure to evaluate the Group's activities to strengthen its competitive position with respect to key technologies and transformational challenges over time. Research and development costs for the Group (EBIT view) is simplified and assumes that only amortization on capitalized development costs occurred and that no further depreciation and amortization on research and development costs related other assets/ liabilities exist.
Equity ratio for the Group, Equity ratio for the Industrial Business and Equity ratio for the Financial Services segment	Equity ratio for the Group, Equity ratio for the Industrial Business and Equity ratio Financial Services segment are defined as the equity of the Group, Industrial Business or Financial Services segment, respectively, divided by the assets of the Group, Industrial Business or Financial Services segment, respectively. Technically, equity for the Industrial Business is calculated as equity of the Group minus equity of the Financial Services segment. Equity ratio for the Industrial	The Group discloses Equity ratio for the Group, Equity ratio for the Industrial Business and Equity ratio Financial Services segment as it believes they are meaningful financial measures to evaluate and steer the capital structure of the Group, Industrial Business and Financial Services segment.

APM	Definition	Relevance of its Use
	Business includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.	
Group gross liquidity	Group gross liquidity is defined as the sum of cash and cash equivalents and marketable debt securities and similar investments as presented in the combined statement of financial position in the Combined Financial Statements.	The Group discloses Group gross liquidity as it believes it is the component of a meaningful financial measure to evaluate the gross liquidity of the Group.
Leverage for the Financial Services segment	Leverage for the Financial Services segment is defined as the sum of current and non-current financing liabilities for the Financial Services segment divided by equity for the Financial Services segment	The Group discloses Leverage for the Financial Services segment to enable the assessment of the Financial Services segment's ability to meet its financial obligations and the Financial Services segment's capital structure.
Illustrative Group gross liquidity	Illustrative Group gross liquidity is defined as Group gross liquidity adjusted for the effects of future capital and liquidity funding measures, remaining purchase price payments in relation Phase 1 transactions and certain other measures relating to the spin-off, all taken or to be taken after September 30, 2021, but prior to the spin-off date. Illustrative Group gross liquidity does not include operating cash flow of the fourth quarter of 2021 and effects related to refinancing financial liabilities at Daimler Truck Financial Services.	The Group discloses Illustrative Group gross liquidity as it believes it is a meaningful financial measure to demonstrate the effect of the spin-off on Group gross liquidity.
Group net debt	Group net debt is defined as Group gross liquidity minus the sum of current and non-current financing liabilities as presented in the combined statement of financial position in the Combined Financial Statements and market valuation and currency hedges for financing liabilities.	The Group discloses Group net debt as it believes it is a meaningful financial measure to evaluate the capital structure of the Group.
Gross liquidity for the Industrial Business	Gross liquidity for the Industrial Business is defined as the sum of cash and cash equivalents for the Industrial Business and marketable debt securities and similar investments for the Industrial Business. Gross liquidity for the Industrial Business includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.	The Group discloses Gross liquidity for the Industrial Business as it believes it is the component of a meaningful financial measure to evaluate the gross liquidity for the Industrial Business.

APM	Definition	Relevance of its Use
Net liquidity for the Industrial Business	Net liquidity for the Industrial Business is defined as Gross liquidity for the Industrial Business minus the sum of current and non-current financing liabilities for the Industrial Business and market valuation and currency hedges for financing liabilities for the Industrial Business. Net liquidity for the Industrial Business includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.	The Group discloses Net liquidity for the Industrial Business as it believes it is a meaningful financial measure to identify excess liquidity that is not tied up by financing liabilities and is not being used in the operative business of the Industrial Business.
Illustrative net liquidity for the Industrial Business	Illustrative net liquidity for the Industrial Business is defined as Net liquidity for the Industrial Business adjusted for the effects of future capital and liquidity funding measures, remaining purchase price payments in relation Phase 1 transactions and certain other measures relating to the spin-off, all taken or to be taken after September 30, 2021, but prior to the spin-off date. Illustrative net liquidity for the Industrial Business does not include operating cash flow of fourth quarter 2021 and effects related to refinancing financial liabilities at Daimler Truck Financial Services.	The Group discloses Illustrative net liquidity for the Industrial Business as it believes it is a meaningful financial measure to demonstrate the effect of the spin-off on the net liquidity for the Industrial Business.
Funded status	Funded status is defined as the present value of the defined benefit obligations and fair value of plan assets as presented in the Combined Financial Statements.	The Group discloses Funded status as it believes it is a meaningful financial measure to evaluate net liability for the defined benefit pension liability plans.
Funding ratio	Funding ratio is defined as the fair value of plan assets divided by the present value of the defined benefit obligations.	The Group discloses funding ratio as it believes it is a meaningful financial measure to evaluate percentage of the fair value of the defined benefit obligation that is covered by the fair value of plan assets.

2.9.2 Overview and Reconciliations

These APMs are presented as (i) they are used by the Company's management to measure operating performance and liquidity and identify trends, including in presentations to the members of the Company's Management Board and the Company's Supervisory Board, and as a basis for making strategic decisions, (ii) management believes that these measures provide an enhanced understanding of the Group's underlying results and related trends, and (iii) management believes they represent similar measures that are widely used by securities analysts, investors and other interested parties as supplemental measures of operating and financial performance. These APMs may enhance management's and investors' understanding of the Group's financial performance and liquidity by excluding items that are outside of the Group's ongoing operations, such as taxes on income, costs of capital, non-cash expenses, gains and losses from M&A transactions, restructuring expenses and payments and other non-recurring and special items.

However, these APMs are not measures based on IFRS, German GAAP or any other generally accepted accounting principles, and should not be considered as an alternative to the historical financial results or other indicators of the Group's performance based on IFRS measures. They should not be considered as alternatives to net profit/loss as indicators of the Group's performance or profitability or as alternatives to cash flows used for/provided by operating, investing or financing activities as an indicator of the Group's liquidity. The APM, as defined by the Group, may not be comparable to similarly titled measures as presented by other companies due to differences in the way the Group's APMs are calculated. Even though the APMs are used by management to assess ongoing operating performance and liquidity and these types of measures are commonly used by investors, they have important limitations as analytical tools, and they should not be considered in isolation or as substitutes for analysis of the Group's results or cash flows as reported under IFRS.

The table below sets out the figures for APMs for the Group and its segments that are based on the Combined Financial Statements.

	As at and for the year ended December 31			As at and for the nine months ended September 30	
	2020	**2019**	**2018**	**2021**	**2020**
	EUR millions, except where indicated (unaudited, except where indicated)				
EBIT	491[(1)]	2,792[(1)]	2,734[(1)]	2,940	(53)
EBIT (TN)	1,015[(1)]	2,237[(1)]	1,821[(1)]	1,205	636
EBIT (MB)	(372)[(1)]	72[(1)]	524[(1)]	330	(610)
EBIT (TA)	32[(1)]	154[(1)]	328[(1)]	316	42
EBIT (DB)	67[(1)]	284[(1)]	295[(1)]	(74)	24
EBIT for the Financial Services segment	(11)[(1)]	192[(1)]	210[(1)]	121	(52)
EBIT for the Industrial Business	501	2,600	2,524	2,819	(0)
Adj. EBIT	657	2,792	2,734	1,958	21
Adj. EBIT (TN)	1,015	2,237	1,821	1,205	636
Adj. EBIT (MB)	(232)	72	524	534	(554)
Adj. EBIT (TA)	37	154	328	316	42
Adj. EBIT (DB)	67	284	295	(53)	24
Adj. EBIT for the Financial Services segment	2	192	210	121	(50)
Adj. EBIT for the Industrial Business	655	2,600	2,524	1,837	70
RoS for the Industrial Business	1.4%	5.8%	5.9%	10.2%	(0.0)%
RoS (TN)	7.3%	11.5%	10.7%	10.8%	6.5%
RoS (MB)	(2.7)%	0.4%	3.1%	2.8%	(6.5)%
RoS (TA)	0.6%	2.3%	4.9%	7.2%	1.0%
RoS (DB)	1.9%	6.1%	6.7%	(3.6)%	1.1%
Adj. RoS for the Industrial Business	1.9%	5.8%	5.9%	6.7%	0.3%
Adj. RoS (TN)	7.3%	11.5%	10.7%	10.8%	6.5%
Adj. RoS (MB)	(1.7)%	0.4%	3.1%	4.5%	(5.9)%
Adj. RoS (TA)	0.7%	2.3%	4.9%	7.2%	1.0%
Adj. RoS (DB)	1.9%	6.1%	6.7%	(2.6)%	1.1%
RoE for the Financial Services segment	(0.7)%	12.4%	13.8%	10.4%[(2)(3)]	(4.5)%[(3)]
Adj. RoE for the Financial Services segment	0.1%	12.4%	13.8%	10.4%[(2)(3)]	(4.3)%[(3)]
FCF for the Industrial Business	1,781	1,478	930	649	534
Adj. FCF for the Industrial Business	1,781	1,478	930	94	534
CFBIT for the Industrial Business	2,502	2,393	1,654	1,181	916
Adj. CFBIT for the Industrial Business	2,502	2,393	1,654	627	916
Adj. CCR for the Industrial Business	3.8x	0.9x	0.7x	0.3x	13.0x
Investments in PP&E	796	1,130	1,221	344	445
Research and development costs for the Group	1,530	1,738	1,589	1,139	1,145
Capitalization Ratio	7.0%	4.4%	5.0%	12.9%	6.2%
Research and development costs for the Industrial Business	1,530	1,738	1,589	1,139	1,145
Research and development costs (EBIT view) for the Group	1,648	1,882	1,734	1,144	1,245
Equity ratio for the Group	17.4%	18.7%	18.7%	21.7%	n/a
Equity ratio for the Industrial Business	22.0%	24.7%	24.2%	27.0%	n/a
Equity ratio for the Financial Services segment	8.1%	8.1%	8.4%	10.5%	n/a

	As at and for the year ended December 31			As at and for the nine months ended September 30	
	2020	2019	2018	2021	2020
	EUR millions, except where indicated (unaudited, except where indicated)				
Leverage for the Financial Services segment	10.9x	10.9x	10.5x	8.2x	n/a
Group gross liquidity	7,504	5,823	3,460	5,842	n/a
Group net debt	(12,915)	(17,401)	(15,848)	(12,946)	n/a
Illustrative Group gross liquidity	n/a(4)	n/a(4)	n/a(4)	6,753	n/a
Gross liquidity for the Industrial Business	7,368	5,761	3,387	5,758	n/a
Net liquidity for the Industrial Business	1,570	338	(485)	1,010	n/a
Illustrative net liquidity for the Industrial Business	n/a(5)	n/a(5)	n/a(5)	5,164	n/a
Funded status	(2,911)	(2,500)	(1,872)	(2,130)	n/a
Funding ratio	66.0%	67.9%	71.8%	73.4%	n/a

Notes:

(1) Audited.

(2) From January 1, 2021, Average Equity for the Financial Services segment of the period is defined as the average of the quarterly average equity for each period.

(3) For the nine months ended September 30, 2021 and 2020, the EBIT for the Financial Services segment used for the calculation of the RoE is annualized.

(4) Illustrative Group gross liquidity is not applicable for this period, as it includes adjustments for the separation of the Group from Daimler Group which are not reflected in the Combined Financial Statements as they are taken or to be taken after September 30, 2021.

(5) Illustrative net liquidity for the Industrial Business is not applicable for this period, as it includes adjustments for the separation of the Group from Daimler Group which are not reflected in the Combined Financial Statements as they are taken or to be taken after September 30, 2021.

2.9.2.1 (Adj.) EBIT for the Group, the Industrial Business and each Automotive Segment; (Adj.) RoS for the Industrial Business and each Automotive Segment

The table below shows the reconciliation of EBIT and Adj. EBIT for the Group to revenue for the years ended December 31, 2020, 2019 and 2018 and for the nine months ended September 30, 2021 and 2020.

	For the year ended December 31			For the nine months ended September 30	
	2020	2019	2018	2021	2020
	EUR millions (audited, except where indicated)			EUR millions (unaudited)	
Revenue	36,013	46,244	43,700	28,418	25,154
Cost of Sales	(30,531)	(37,596)	(35,445)	(23,126)	(21,622)
Gross Profit	**5,482**	**8,648**	**8,255**	**5,292**	**3,532**
Selling expenses	(2,625)	(3,001)	(2,745)	(1,924)	(1,885)
General administrative expenses	(1,472)	(1,686)	(1,502)	(1,143)	(1,060)
Research and non-capitalized development costs	(1,423)	(1,662)	(1,509)	(991)	(1,075)
Other operating income	726	797	660	1,753	511
Other operating expenses	(200)	(214)	(471)	(245)	(80)
Profit/loss on equity-method investments, net	47	(2)	41	138	34
Other financial income/expense, net	(44)	(88)	5	60	(30)
EBIT	**491**	**2,792**	**2,734**	**2,940**	**(53)**
Legal proceedings and related measures(1)	—	—	—	—	—
Restructuring measures(1)(2)	166	—	—	116	73
M&A transactions(1)(3)	—	—	—	(1,098)	—
Adj. EBIT(1)	**657**	**2,792**	**2,734**	**1,958**	**21**

Notes:

(1) Unaudited.

(2) Relate to restructuring measures in connection with the Group's cost optimization programs.

(3) Relate to non-recurring expenses from the separation of the Group from the Daimler Group.

The tables below show the reconciliation of EBIT and Adj. EBIT to revenue as well as the calculation of RoS and Adj. RoS for the years ended December 31, 2020, 2019 and 2018 and for the nine months ended September 30, 2021 and 2020, for the Industrial Business and each Automotive Segment.

(Adj.) EBIT; (Adj.) RoS—For the nine months ended September 30, 2021

	TN	MB	TA	DB	Reconciliation	Industrial Business[5]
				EUR millions (unaudited)		
Revenue	11,185	11,788	4,355	2,043	(1,811)	27,561
Cost of sales	(9,127)	(9,975)	(3,453)	(1,799)	1,782	(22,572)
Gross profit	**2,057**	**1,813**	**902**	**244**	**(29)**	**4,988**
EBIT	**1,205**	**330**	**316**	**(74)**	**1,043**	**2,819**
RoS (in %)[1]	**10.8**	**2.8**	**7.2**	**(3.6)**	**(57.6)**	**10.2**
Legal proceedings and related measures	—	—	—	—	—	—
Restructuring measures[3]	—	95	—	6	15	116
M&A transactions[4]	—	109	—	15	(1,223)	(1,098)
Adj. EBIT	**1,205**	**534**	**316**	**(53)**	**(165)**	**1,837**
Adj. RoS (in %)[2]	**10.8**	**4.5**	**7.2**	**(2.6)**	**9.1**	**6.7**

Notes:

(1) Defined as EBIT divided by Revenue.

(2) Defined as Adj. EBIT divided by Revenue.

(3) Relate to restructuring measures in connection with the Group's cost optimization programs.

(4) Relate to non-recurring expenses from the separation of the Group from the Daimler Group.

(5) Includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.

(Adj.) EBIT; (Adj.) RoS—For the nine months ended September 30, 2020

	TN	MB	TA	DB	Reconciliation	Industrial Business[4]
				EUR millions (unaudited)		
Revenue	9,823	9,372	4,097	2,277	(1,334)	24,236
Cost of sales	(8,281)	(8,627)	(3,303)	(1,900)	1,329	(20,781)
Gross profit	**1,542**	**745**	**794**	**378**	**(5)**	**3,455**
EBIT	**636**	**(610)**	**42**	**24**	**(93)**	**(0)**
RoS (in %)[1]	**6.5**	**(6.5)**	**1.0**	**1.1**	**6.9**	**(0.0)**
Legal proceedings and related measures	—	—	—	—	—	—
Restructuring measures[3]	—	56	—	—	15	71
M&A transactions	—	—	—	—	—	—
Adj. EBIT	**636**	**(554)**	**42**	**24**	**(78)**	**70**
Adj. RoS (in %)[2]	**6.5**	**(5.9)**	**1.0**	**1.1**	**5.8**	**0.3**

Notes:

(1) Defined as EBIT divided by Revenue.

(2) Defined as Adj. EBIT divided by Revenue.

(3) Relate to restructuring measures in connection with the Group's cost optimization programs.

(4) Includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.

(Adj.) EBIT; (Adj.) RoS—For the year ended December 31, 2020

	TN	MB	TA	DB	Reconciliation	Industrial Business[5]
	EUR millions (unaudited, except where indicated)					
Revenue[1]	13,847	13,790	5,579	3,438	(1,848)	34,806
Cost of sales	(11,542)	(12,320)	(4,548)	(2,906)	1,826	(29,490)
Gross profit	**2,305**	**1,471**	**1,031**	**532**	**(22)**	**5,317**
EBIT[1]	**1,015**	**(372)**	**32**	**67**	**(239)**	**501**
RoS (in %)[2]	**7.3**	**(2.7)**	**0.6**	**1.9**	**12.9**	**1.4**
Legal proceedings and related measures	—	—	—	—	—	—
Restructuring measures[4]	—	141	6	—	7	153
M&A transactions	—	—	—	—	—	—
Adj. EBIT	**1,015**	**(232)**	**37**	**67**	**(232)**	**655**
Adj. RoS (in %)[3]	**7.3**	**(1.7)**	**0.7**	**1.9**	**12.6**	**1.9**

Notes:

(1) Audited, except Industrial Business.

(2) Defined as EBIT divided by Revenue.

(3) Defined as Adj. EBIT divided by Revenue.

(4) Relate to restructuring measures in connection with the Group's cost optimization programs.

(5) Includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.

(Adj.) EBIT; (Adj.) RoS—For the year ended December 31, 2019

	TN	MB	TA	DB	Reconciliation	Industrial Business[4]
	EUR millions (unaudited, except where indicated)					
Revenue[1]	19,370	16,806	6,638	4,644	(2,605)	44,853
Cost of sales	(15,668)	(14,563)	(5,278)	(3,720)	2,621	(36,609)
Gross profit	**3,702**	**2,243**	**1,360**	**923**	**16**	**8,244**
EBIT[1]	**2,237**	**72**	**154**	**284**	**(147)**	**2,600**
RoS (in %)[2]	**11.5**	**0.4**	**2.3**	**6.1**	**5.6**	**5.8**
Legal proceedings and related measures	—	—	—	—	—	—
Restructuring measures	—	—	—	—	—	—
M&A transactions	—	—	—	—	—	—
Adj. EBIT	**2,237**	**72**	**154**	**284**	**(147)**	**2,600**
Adj. RoS (in %)[3]	**11.5**	**0.4**	**2.3**	**6.1**	**5.6**	**5.8**

Notes:

(1) Audited, except Industrial Business.

(2) Defined as EBIT divided by Revenue.

(3) Defined as Adj. EBIT divided by Revenue.

(4) Includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.

(Adj.) EBIT; (Adj.) RoS—For the year ended December 31, 2018

	TN	MB	TA	DB	Reconciliation	Industrial Business[(4)]
	EUR millions (unaudited, except where indicated)					
Revenue[(1)]	17,080	16,724	6,744	4,383	(2,431)	42,500
Cost of sales	(13,889)	(14,237)	(5,379)	(3,517)	2,373	(34,648)
Gross profit	**3,191**	**2,487**	**1,365**	**866**	**(58)**	**7,851**
EBIT[(1)]	**1,821**	**524**	**328**	**295**	**(444)**	**2,524**
RoS (in %)[(2)]	**10.7**	**3.1**	**4.9**	**6.7**	**18.3**	**5.9**
Legal proceedings and related measures	—	—	—	—	—	—
Restructuring measures	—	—	—	—	—	—
M&A transactions	—	—	—	—	—	—
Adj. EBIT	**1,821**	**524**	**328**	**295**	**(444)**	**2,524**
Adj. RoS (in %)[(3)]	**10.7**	**3.1**	**4.9**	**6.7**	**18.3**	**5.9**

Notes:

(1) Audited, except Industrial Business.

(2) Defined as EBIT divided by Revenue.

(3) Defined as Adj. EBIT divided by Revenue.

(4) Includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.

2.9.2.2 (Adj.) EBIT for the Financial Services segment; (Adj.) RoE for the Financial Services segment

The table below shows the reconciliation from Adj. EBIT to EBIT for the Financial Services segment and the calculation of RoE and Adj. RoE for the Financial Services segment for the years ended December 31, 2020, 2019 and 2018 and for the nine months ended September 30, 2021 and 2020.

	For the year ended December 31			For the nine months ended September 30	
	2020	**2019**	**2018**	**2021**	**2020**
	EUR millions (unaudited, except where indicated)			**EUR millions (unaudited)**	
Equity for the Financial Services segment at the Beginning of the Period	1,637	1,468	1,577	1,338	1,637
Equity for the Financial Services segment at the End of the Period	1,338	1,637	1,468	1,713	1,457
Average Equity for the Financial Services segment of the Period	**1,488**	**1,553**	**1,523**	**1,555**[3]	**1,547**
EBIT for the Financial Services segment[1]	(11)	192	210	121	(52)
/ Average Equity for the Financial Services segment of the Period	1,488	1,553	1,523	1,555[3]	1,547
RoE for the Financial Services segment (in %)	**(0.7)**	**12.4**	**13.8**	**10.4**[3][4]	**(4.5)**[4]
EBIT for the Financial Services segment[1]	**(11)**	**192**	**210**	**121**	**(52)**
Legal proceedings and related measures	—	—	—	—	—
Restructuring measures[2]	13	—	—	—	3
M&A transactions	—	—	—	—	—
Adj. EBIT for the Financial Services segment	**2**	**192**	**210**	**121**	**(50)**
/ Average Equity for the Financial Services segment of the Period	1,488	1,553	1,523	1,555[3]	1,547
Adj. RoE for the Financial Services segment (in %)	**0.1**	**12.4**	**13.8**	**10.4**[3][4]	**(4.3)**[4]

Notes:

(1) Audited.

(2) Relate to restructuring measures in connection with the Group's cost optimization programs.

(3) From January 1, 2021, Average Equity for the Financial Services segment of the period is defined as the average of the quarterly average equity for each period.

(4) For the nine months ended September 30, 2021 and 2020, the EBIT for the Financial Services segment used for the calculation of the RoE is annualized.

2.9.2.3 (Adj.) FCF for the Industrial Business

The table below shows the reconciliation of FCF for the Industrial Business and Adj. FCF for the Industrial Business to the combined statement of cash flows in the Combined Financial Statements for the years ended December 31, 2020, 2019 and 2018 and for the nine months ended September 30, 2021 and 2020.

	For the year ended December 31			For the nine months ended September 30	
	2020	2019	2018	2021	2020
	EUR millions (unaudited, except where indicated)			EUR millions (unaudited)	
Cash provided by operating activities(1)	4,170	1,270	876	1,269	2,536
Cash used for investing activities(1)	(2,352)	(3,227)	(2,727)	1,942	(1,480)
Changes in marketable debt securities and similar investments	1,442	1,772	1,158	(1,687)	858
Right of use assets	(49)	(283)	—	(45)	(69)
Other Adjustments(2)	9	(7)	(17)	(2)	15
Free cash flow for the Group	**3,219**	**(475)**	**(710)**	**1,478**	**1,860**
Free cash flow for the Financial Services segment	(1,438)	1,953	1,640	(829)	(1,326)
FCF for the Industrial Business	**1,781**	**1,478**	**930**	**649**	**534**
Legal proceedings and related measures	—	—	—	—	—
Restructuring measures(3)	—	—	—	130	—
M&A transactions(4)	—	—	—	(684)	—
Adj. FCF for the Industrial Business	**1,781**	**1,478**	**930**	**94**	**534**

Notes:

(1) Audited.

(2) Consists of adjustments for purchase/sale of share in subsidiaries, finance leases in accordance with IAS 17 for the year ended December 31, 2018 and other.

(3) Relate to restructuring measures in connection with the Group's cost optimization programs.

(4) Relate to non-recurring expenses arising in connection with the separation of the Group from the Daimler Group.

2.9.2.4 (Adj.) CFBIT for the Industrial Business; Adj. CCR for the Industrial Business

The tables below show the reconciliation of CFBIT and Adj. CFBIT for the Industrial Business to EBIT for the Industrial Business as well as the calculation of the Adj. CCR for the Industrial Business for the years ended December 31, 2020, 2019 and 2018 and for the nine months ended September 30, 2021 and 2020.

	For the year ended December 31			For the nine months ended September 30	
	2020	2019	2018	2021	2020
			EUR millions (unaudited)		
Change in Working Capital[(1)]	1,060	(113)	(488)	(1,369)	726
Change in Working Capital for the Financial Services segment	23	(8)	(25)	(6)	4
Change in Working Capital for the Industrial Business[(6)]	**1,083**	**(121)**	**(513)**	**(1,375)**	**730**
Net financial investments[(2)]	(78)	(138)	(24)	672	(69)
Net financial investments for the Financial Services segment	—	—	—	—	—
Net financial investments for the Industrial Business[(6)]	**(78)**	**(138)**	**(24)**	**672**	**(69)**
Net investments in property, plant and equipment and intangible assets[(3)]	(908)	(1,606)	(1,438)	(510)	(543)
Net investments in property, plant and equipment and intangible assets for the Financial Services segment	39	166	144	7	36
Net investments in property, plant and equipment and intangible assets for the Industrial Business[(6)]	**(869)**	**(1,440)**	**(1,294)**	**(503)**	**(507)**
Depreciation and amortization/impairments[(4)]	1,409	1,391	1,165	799	1,054
Depreciation and amortization/impairments for the Financial Services segment[(5)]	(91)	(86)	(69)	(94)	(69)
Depreciation and amortization/impairments for the Industrial Business[(6)]	**1,318**	**1,305**	**1,096**	**706**	**985**
Other[(5)]	2,029	(1,881)	(1,881)	(492)	1,149
Other for the Financial Services segment	(1,483)	2,066	1,746	(645)	(1,372)
Other for the Industrial Business[(6)]	**546**	**186**	**(135)**	**(1,138)**	**(223)**

Notes:

(1) Consists of changes in provisions, inventories, trade receivables and trade payables as included in the combined statement of cash flows in the Combined Financial Statements.

(2) Consists of changes in financial liabilities as included in the combined statement of cash flows in the Combined Financial Statements.

(3) Consists of changes in property plant and equipment and intangible assets as included in the combined statement of cash flows in the Combined Financial Statements.

(4) Consists of depreciation and amortization/impairments as presented in the combined statement of cash flows in the Combined Financial Statements and includes additionally the depreciation on leased assets as included in "Vehicles on operating leases" in the combined statement of cashflows in the Combined Financial Statements and depreciation on equity instruments as included in "Other non-cash expense and income" in the combined statement of cash flows in the Combined Financial Statements.

(5) Consists of the result from sale of PP&E and intangible assets, adjustments of leases, result from disposal of subsidiaries, equity instruments not in the IFRS 9 scope and at equity investments, result from valuation of at equity investments, result from remeasurement of IFRS 10/IFRS 3 pre-owned/remaining share, changes in provision without pension provisions, changes in other operating assets/liabilities, changes in receivables from financial services and changes in assets held for sale and liabilities included in disposal groups as included in the combined statement of cash flows in the Combined Financial Statements.

(6) Includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.

	For the year ended December 31			For the nine months ended September 30	
	2020	2019	2018	2021	2020
	EUR millions (unaudited)			EUR millions (unaudited)	
EBIT for the Industrial Business	**501**	**2,600**	**2,524**	**2,819**	**(0)**
Change in Working Capital for the Industrial Business[3]	1,083	(121)	(513)	(1,375)	730
Net financial investments for the Industrial Business[3]	(78)	(138)	(24)	672	(69)
Net investments in property, plant and equipment and intangible assets for the Industrial Business[3]	(869)	(1,440)	(1,294)	(503)	(507)
Depreciation and amortization/impairments for the Industrial Business[3]	1,318	1,305	1,096	706	985
Other for the Industrial Business[3]	546	186	(135)	(1,138)	(223)
CFBIT for the Industrial Business	**2,502**	**2,393**	**1,654**	**1,181**	**916**
Legal proceedings and related measures	—	—	—	—	—
Restructuring measures[1]	—	—	—	130	—
M&A transactions[2]	—	—	—	(684)	—
Adj. CFBIT for the Industrial Business	**2,502**	**2,393**	**1,654**	**627**	**916**
/ Adj. EBIT for the Industrial Business	655	2,600	2,524	1,837	70
Adj. CCR Industrial Business	**3.8x**	**0.9x**	**0.7x**	**0.3x**	**13.0x**

Notes:

(1) Relate to restructuring measures in connection with the Group's cost optimization programs.

(2) Relate to non-recurring expenses from the separation of the Group from the Daimler Group.

(3) Includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.

2.9.2.5 Investments in PP&E

	For the year ended December 31			For the nine months ended September 30	
	2020	2019	2018	2021	2020
	EUR millions (audited)			EUR millions (unaudited)	
Investments in PP&E[1]	796	1,130	1,221	344	445

Notes:

(1) Consists of Additions to property, plant and equipment as presented in the combined statement of cash flows in the Combined Financial Statements.

2.9.2.6 Research and development costs for the Group and for the Industrial Business; Capitalization Ratio

The table below shows the calculations of Research and development costs for the Group, for the Industrial Business and the Capitalization Ratio for the years ended December 31, 2020, 2019 and 2018 and for the nine months ended September 30, 2021 and 2020.

	For the year ended December 31			For the nine months ended September 30	
	2020	2019	2018	2021	2020
	EUR millions (unaudited, except where indicated)			EUR millions (unaudited)	
Research and non-capitalized development costs[(1)]	1,423	1,662	1,509	991	1,075
Capitalized development costs[(1)]	107	76	80	147	70
Research and development costs for the Group	**1,530**	**1,738**	**1,589**	**1,139**	**1,145**
Capitalization Ratio (in %)[(2)]	**7.0**	**4.4**	**5.0**	**12.9**	**6.2**
Research and non-capitalized development costs for the Financial Services segment	—	—	—	—	—
Capitalized development costs for the Financial Services segment	—	—	—	—	—
Research and development costs for the Financial Services segment	—	—	**—**	—	**—**
Research and non-capitalized development costs	1,423	1,662	1,509	991	1,075
Research and non-capitalized development costs for the Financial Services segment	—	—	—	—	—
Research and non-capitalized development costs for the Industrial Business[(3)]	**1,423**	**1,662**	**1,509**	**991**	**1,075**
Capitalized development costs[(1)]	107	76	80	147	70
Capitalized development costs for the Financial Services segment	—	—	—	—	—
Capitalized development costs for the Industrial Business[(3)]	**107**	**76**	**80**	**147**	**70**
Research and non-capitalized development costs for the Industrial Business[(3)]	1,423	1,662	1,509	991	1,075
Capitalized development costs for the Industrial Business[(3)]	107	76	80	147	70
Research and development costs for the Industrial Business[(3)]	**1,530**	**1,738**	**1,589**	**1,139**	**1,145**

Notes:

(1) Audited.

(2) Defined as Capitalized development cost divided by Research and development costs for the Group.

(3) Includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.

2.9.2.7 Research and development costs (EBIT view) for the Group

The table below shows the calculations of Research and development costs (EBIT view) for the Group for the years ended December 31, 2020, 2019 and 2018 and for the nine months ended September 30, 2021 and 2020.

	For the year ended December 31			For the nine months ended September 30	
	2020	2019	2018	2021	2020
	EUR millions (unaudited, except where indicated)			EUR millions (unaudited)	
Research and non-capitalized development costs[1]	(1,423)	(1,662)	(1,509)	(991)	(1,075)
Amortization expense on capitalized development costs[1]	(225)	(220)	(226)	(153)	(170)
Research and development costs (EBIT view) for the Group	**(1,648)**	**(1,882)**	**(1,734)**	**(1,144)**	**(1,245)**

Notes:

(1) Audited.

2.9.2.8 Equity ratio for the Group, Industrial Business and Financial Services segment

The table below shows the calculations of the Equity ratio for the Group, Industrial Business and Financial Services segment for the years ended December 31, 2020, 2019 and 2018 and for the nine months ended September 30, 2021.

	As at December 31			As at September 30
	2020	2019	2018	2021
	EUR millions (unaudited, except where indicated)			EUR millions (unaudited)
Total equity[1]	8,708	10,345	9,332	11,012
/ Total assets[1]	49,989	55,367	49,972	50,817
Equity ratio for the Group (in %)	**17.4**	**18.7**	**18.7**	**21.7**
Total equity[1]	8,708	10,345	9,332	11,012
Equity of the Financial Services segment	(1,338)	(1,637)	(1,468)	(1,713)
Equity of the Industrial Business[2]	**7,370**	**8,708**	**7,864**	**9,299**
Total assets[1]	49,989	55,367	49,972	50,817
Total assets of the Financial Services segment	(16,462)	(20,126)	(17,534)	(16,342)
Total assets of the Industrial Business[2]	**33,527**	**35,241**	**32,438**	**34,475**
Equity of the Industrial Business[2]	7,370	8,708	7,864	9,299
/ Total assets of the Industrial Business[2]	33,527	35,241	32,438	34,475
Equity ratio for the Industrial Business (in %)	**22.0**	**24.7**	**24.2**	**27.0**
Equity of the Financial Services segment	1,338	1,637	1,468	1,713
/ Total assets of the Financial Services segment	16,462	20,126	17,534	16,342
Equity ratio for the Financial Services segment (in %)	**8.1**	**8.1**	**8.4**	**10.5**

Notes:

(1) Audited.

(2) Includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.

2.9.2.9 Leverage for the Financial Services segment

The table below shows the calculations of the Leverage for the Financial Services segment for the years ended December 31, 2020, 2019 and 2018 and for the nine months ended September 30, 2021.

	As at December 31			As at September 30
	2020	2019	2018	2021
	EUR millions (unaudited)			
Total Liabilities for the Financial Services segment[1]	14,621	17,801	15,436	14,040
/ Equity for the Financial Services segment	1,338	1,637	1,468	1,713
Leverage for the Financial Services segment	**10.9x**	**10.9x**	**10.5x**	**8.2x**

Notes:

(1) Consists of current and non-current financing liabilities for the Financial Services segment.

2.9.2.10 Group gross liquidity; Group net debt

The table below shows the calculations of the Group gross liquidity and Group net debt for the years ended December 31, 2020, 2019 and 2018 and for the nine months ended September 30, 2021 and 2020.

	As at December 31			As at September 30
	2020	2019	2018	2021
	EUR millions (unaudited, except where indicated)			EUR millions (unaudited)
Cash and cash equivalents[1]	1,663	1,094	548	1,475
Marketable debt securities and similar investments[2]	5,841	4,729	2,912	4,368
Group gross liquidity	**7,504**	**5,823**	**3,460**	**5,842**
Financing liabilities[3]	(20,548)	(23,296)	(19,387)	(18,825)
Market valuation and currency hedges for financing liabilities	129	72	79	37
Total financing liabilities	**(20,419)**	**(23,224)**	**(19,308)**	**(18,788)**
Group gross liquidity	7,504	5,823	3,460	5,842
Total financing liabilities	(20,419)	(23,224)	(19,308)	(18,788)
Group net debt	**(12,915)**	**(17,401)**	**(15,848)**	**(12,946)**

Notes:

(1) Audited.

(2) Consists of current and non-current marketable debt securities and similar investments as included in the combined statement of financial position in the Combined Financial Statements.

(3) Consists of current and non-current financing liabilities as included in the combined statement of financial position in the Combined Financial Statements.

2.9.2.11 Illustrative Group gross liquidity

The table below shows the calculations of the Illustrative Group gross liquidity for the years ended December 31, 2020, 2019 and 2018 and for the nine months ended September 30, 2021.

	As at December 31			As at September 30
	2020	2019	2018	2021
	EUR millions (unaudited)			
Group gross liquidity	7,504	5,823	3,460	5,842
Capital and liquidity funding measures[(1)]	—	—	—	5,380
Effects for the remaining Phase 1 acquisitions[(2)]	—	—	—	(1,564)
Other[(3)]	—	—	—	(2,905)
Illustrative Group gross liquidity	**n/a[(4)]**	**n/a[(4)]**	**n/a[(4)]**	**6,753**

Notes:

(1) Represents the effects of payments from Daimler AG to Daimler Truck AG for the capital and liquidity funding measures prior to the consummation of the Demerger Transactions comprised of (i) a EUR 1,987 million contribution to equity (capital reserves) to enable Daimler Truck AG (or its subsidiaries) to acquire and build up the commercial vehicle-related financial services business and to acquire companies, business activities and economic goods (including rights to use trademarks and patents) attributable to the trucks and buses division, (ii) a EUR 250 million contribution to equity (capital reserves) to strengthen the assets held to cover Daimler Truck Group's pension obligations, and (iii) a EUR 3,143 million contribution to equity (capital reserves) to ensure that Daimler Truck AG has an adequate equity base.

(2) Represents the cash effects of (i) the purchase price payments of EUR 102 million relating to the acquisition of Mercedes-Benz Research and Development India Private Limited, (ii) the purchase price payment of EUR 5 million relating to the acquisition of Mercedes-Benz Parts Logistics Eastern Europe s.r.o., (iii) the net cash proceeds of EUR 10 million relating to the disposal of Daimler Commercial Vehicles South East Asia Pte. Ltd., (iv) the purchase price payment for the fund and cost investments in the amount of EUR 41 million to Daimler Truck Group and (v) the cash payment of EUR 1,425 million for the purchase price with respect to share deals or asset deals for the acquisitions of the Financial Services Business in the context of the Phase 1 Transactions minus "financing liabilities allocated based on a target equity ratio", which are already part of the Unaudited Condensed Interim Combined Financial Statements, see Note 2 (Basis of Preparation) and Note 27 (Financing Liabilities) of the Audited Combined Financial Statements and Note 21 (Financing Liabilities) of the Unaudited Condensed Interim Combined Financial Statements for further information. Effects of refinancing financial liabilities replacing "financial liabilities allocated based on a target equity ratio" at Daimler Truck Financial Services at the time of the legal reorganization and as part of the financing of the preliminary purchase price through external debt, that is predominantly the effects of increases in the portfolio assets at Daimler Truck Financial Services subsequent to September 30, 2021 and prior to the legal transfer date and as such subject to the finalization of the purchase price determination that will occur subsequent to the finalization of this Prospectus, are not taken into account. Therefore, the amounts described in the foregoing sentence and the preliminary purchase prices for (ii) and (v) are determined based on preliminary valuations and therefore may differ from the final amounts, in particular because the changes from current operations are not taken into account.

(3) Represents the effects of (i) a cash contribution in the amount of EUR 215 million from Daimler Grund Services GmbH to Daimler Truck AG for a non-controlling share of 10.1% in each of the Gamma Partnerships and Grundstücksverwaltungsgesellschaft EvoBus GmbH & Co. OHG, (ii) the settlement and termination of cash pooling arrangements as well as other financial liabilities between the Daimler Group and the Daimler Truck Group, of which EUR 4,227 million correspond to cash pooling receivables and EUR 3,243 million to cash pooling liabilities and loan payables of Daimler Truck Group (excluding the Financial Services segment), (iii) the cash effects of the Agreement on the Transfer of Divisions and Functions for the purpose of the separation of central functions and mandated functions in the amount of EUR 21 million (see "*11.1.1.1.6 Agreements on Separation of Central Functions and Mandated Functions*"), (iv) the cash payments of the purchase agreements for the Daimler, Charterway and Fleetboard trademarks of EUR 13 million and related IPv4 address ranges (EUR 12 million), (v) the cash payments for a patent portfolio (EUR 65 million) and (vi) cash payments for license agreements to the patent portfolio (EUR 41 million) of Daimler AG, see "*11.1.1.1.7 Intellectual Property License and Purchase Agreements*." The final amount of the cash contribution for (i) and the final amounts for (iv), (v) and (vi) will be based on external valuations at the time of the transfer and will therefore finally be determined at a later point in time. Therefore, these amounts are preliminary and determined based on preliminary valuations and therefore may differ from the final amounts, in particular because the changes from current operations are not taken into account.

(4) Illustrative Group gross liquidity is not applicable for this period, as it includes adjustments for the separation of the Group from Daimler Group which are not reflected in the Combined Financial Statements as they are taken or to be taken after September 30, 2021.

2.9.2.12 Gross liquidity for the Industrial Business; Net liquidity for the Industrial Business

The table below shows the calculations of the gross liquidity and net liquidity for the Industrial Busines for the years ended December 31, 2020, 2019 and 2018 and for the nine months ended September 30, 2021 and 2020.

	As at December 31			As at September 30
	2020	2019	2018	2021
	EUR millions (unaudited, except where indicated)			EUR millions (unaudited)
Cash and cash equivalents(1)	1,663	1,094	548	1,475
Cash and cash equivalents of the Financial Services segment	(107)	(49)	(73)	(45)
Cash and cash equivalents of the Industrial Business(2)	**1,556**	**1,045**	**475**	**1,430**
Marketable debt securities and similar investments(3)	5,841	4,729	2,912	4,368
Marketable debt securities and similar investments of the Financial Services segment	(29)	(13)	—	(39)
Marketable debt securities and similar investments of the Industrial Business(2)	**5,812**	**4,716**	**2,912**	**4,329**
Financing liabilities(4)	20,548	23,296	19,387	18,825
Financing liabilities of the Financial Services segment	(14,621)	(17,801)	(15,436)	(14,040)
Financing liabilities of the Industrial Business(2)	**5,927**	**5,495**	**3,951**	**4,785**
Market valuation and currency hedges for financing liabilities	129	72	79	37
Market valuation and currency hedges for financing liabilities of the Financial Services segment	—	—	—	—
Market valuation and currency hedges for financing liabilities of the Industrial Business(2)	**129**	**72**	**79**	**37**
Financing liabilities of the Industrial Business(2)	(5,927)	(5,495)	(3,951)	(4,785)
Market valuation and currency hedges for financing liabilities of the Industrial Business(2)	129	72	79	37
Financing liabilities (nominal)	**(5,798)**	**(5,423)**	**(3,872)**	**(4,748)**
Cash and cash equivalents of the Industrial Business(2)	1,556	1,045	475	1,430
Marketable debt securities and similar investments of the Industrial Business(2)	5,812	4,716	2,912	4,329
Gross liquidity for the Industrial Business	**7,368**	**5,761**	**3,387**	**5,758**
Financing liabilities (nominal)	(5,798)	(5,423)	(3,872)	(4,748)
Net liquidity for the Industrial Business	**1,570**	**338**	**(485)**	**1,010**

Notes:

(1) Audited.

(2) Includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.

(3) Consists of current and non-current marketable debt securities and similar investments as included in the combined statement of financial position in the Combined Financial Statements.

(4) Consists of current and non-current financing liabilities as included in the combined statement of financial position in the Combined Financial Statements.

2.9.2.13 Illustrative net liquidity for the Industrial Business

The table below shows the calculations of the Illustrative net liquidity for the Industrial Business for the years ended December 31, 2020, 2019 and 2018 and for the nine months ended September 30, 2021.

	As at December 31			As at September 30
	2020	**2019**	**2018**	**2021**
	EUR millions (unaudited)			
Net liquidity for the Industrial Business	1,570	338	(485)	1,010
Capital and liquidity funding measures[1]	—	—	—	5,380
Effects for the remaining Phase 1 acquisitions[2]	—	—	—	(1,564)
Other[3]	—	—	—	338
Illustrative net liquidity for the Industrial Business	**n/a[4]**	**n/a[4]**	**n/a[4]**	**5,164**

Note:

(1) Represents the effects of payments from Daimler AG to Daimler Truck AG for the capital and liquidity funding measures prior to the consummation of the Demerger Transactions comprised of (i) a EUR 1,987 million contribution to equity (capital reserves) to enable Daimler Truck AG (or its subsidiaries) to acquire and build up the commercial vehicle-related financial services business and to acquire companies, business activities and economic goods (including rights to use trademarks and patents) attributable to the trucks and buses division, (ii) a EUR 250 million contribution to equity (capital reserves) to strengthen the assets held to cover Daimler Truck Group's pension obligations, and (iii) a EUR 3,143 million contribution to equity (capital reserves) to ensure that Daimler Truck AG has an adequate equity base.

(2) Represents the cash effects of (i) the purchase price payments of EUR 102 million relating to the acquisition of Mercedes-Benz Research and Development India Private Limited, (ii) the purchase price payment of EUR 5 million relating to the acquisition of Mercedes-Benz Parts Logistics Eastern Europe s.r.o., (iii) the net cash proceeds of EUR 10 million relating to the disposal of Daimler Commercial Vehicles South East Asia Pte. Ltd., (iv) the purchase price payment for the fund and cost investments in the amount of EUR 41 million to Daimler Truck Group and (v) the cash payment of EUR 1,425 million for the purchase price with respect to share deals or asset deals for the acquisitions of the Financial Services Business in the context of the Phase 1 Transactions minus "financing liabilities allocated based on a target equity ratio", which are already part of the Unaudited Condensed Interim Combined Financial Statements, see Note 2 (Basis of Preparation) and Note 27 (Financing Liabilities) of the Audited Combined Financial Statements and Note 21 (Financing Liabilities) of the Unaudited Condensed Interim Combined Financial Statements for further information. Effects of refinancing financial liabilities replacing "financial liabilities allocated based on a target equity ratio" at Daimler Truck Financial Services at the time of the legal reorganization and as part of the financing of the preliminary purchase price through external debt, that is predominantly the effects of increases in the portfolio assets at Daimler Truck Financial Services subsequent to September 30, 2021 and prior to the legal transfer date and as such subject to the finalization of the purchase price determination that will occur subsequent to the finalization of this Prospectus, are not taken into account. Therefore, the amounts described in the foregoing sentence and the preliminary purchase prices for (ii) and (v) are determined based on preliminary valuations and therefore may differ from the final amounts, in particular because the changes from current operations are not taken into account.

(3) Represents the effects of (i) a cash contribution in the amount of EUR 215 million from Daimler Grund Services GmbH to Daimler Truck AG for a non-controlling share of 10.1% in each of the Gamma Partnerships and Grundstücksverwaltungsgesellschaft EvoBus GmbH & Co. OHG, (ii) the settlement and termination of cash pooling arrangements as well as other financial liabilities between the Daimler Group and the Daimler Truck Group, of which EUR 4,227 million correspond to cash pooling receivables and EUR 3,243 million to cash pooling liabilities and loan payables of Daimler Truck Group (excluding the Financial Services segment), (iii) the cash effects of the Agreement on the Transfer of Divisions and Functions for the purpose of the separation of central functions and mandated functions in the amount of EUR 21 million (see "*11.1.1.1.6 Agreements on Separation of Central Functions and Mandated Functions*"), (iv) the cash payments of the purchase agreements for the Daimler, Charterway and Fleetboard trademarks of EUR 13 million and related IPv4 address ranges (EUR 12 million), (v) the cash payments for a patent portfolio (EUR 65 million) and (vi) cash payments for license agreements to the patent portfolio (EUR 41 million) of Daimler AG, see "*11.1.1.1.7 Intellectual Property License and Purchase Agreements*." The final amount of the cash contribution for (i) and the final amounts for (iv), (v) and (vi) will be based on external valuations at the time of the transfer and will therefore finally be determined at a later point in time. Therefore, these amounts are preliminary and determined based on preliminary valuations and therefore may differ from the final amounts, in particular because the changes from current operations are not taken into account.

(4) Illustrative net liquidity for the Industrial Business is not applicable for this period, as it includes adjustments for the separation of the Group from Daimler Group which are not reflected in the Combined Financial Statements as they are taken or to be taken after September 30, 2021.

2.9.2.14 Funded status; Funding ratio

	As at December 31			As at September 30
	2020	2019	2018	2021
	EUR millions (unaudited, except where indicated)			
Present value of the defined benefit obligation[1]	(8,555)	(7,793)	(6,629)	(8,010)
Fair value of plan assets[1]	5,644	5,293	4,757	5,880
Funded status	**(2,911)**	**(2,500)**	**(1,872)**	**(2,130)**
Funding ratio (in %)[2]	**66.0**	**67.9**	**71.8**	**73.4**

Notes:

(1) Audited, except for figures as at September 30, 2021.

(2) Defined as the fair value of plan assets divided by the present value of the defined benefit obligation.

2.10 Additional Operating Metrics

2.10.1.1 Selected income statement information for the Industrial Business

The table below shows the calculations of selected income statement information for the Industrial Business for the years ended December 31, 2020, 2019 and 2018 and for the nine months ended September 30, 2021 and 2020. Technically, this selected income statement information for the Industrial Business is calculated as the respective selected income statement item of the Group minus the respective selected income statement item of the Financial Services segment.

Selected income statement information for the Industrial Business for the nine months ended September 30, 2021

	Group	Financial Services segment	Industrial Business[2]
	EUR millions (unaudited)		
Revenue	28,418	(858)	27,561
Cost of Sales	(23,126)	554	(22,572)
Gross Profit	**5,292**	**(304)**	**4,988**
Selling expenses	(1,924)	82	(1,841)
General and administrative expenses	(1,143)	102	(1,041)
Research and non-capitalized development costs	(991)	—	(991)
Others[1]	1,706	(2)	1,704
EBIT	**(2,940)**	**(121)**	**2,819**

Notes:

(1) Includes Other operating income, other operating expense, profit/loss on equity-method investments, net and other financial income/expense, net.

(2) Includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.

Selected income statement information for the Industrial Business for the nine months ended September 30, 2020

	Group	Financial Services segment	Industrial Business[2]
		EUR millions (unaudited)	
Revenue	25,154	(919)	24,236
Cost of Sales	(21,622)	841	(20,781)
Gross Profit	**3,532**	**(78)**	**3,455**
Selling expenses	(1,885)	83	(1,802)
General and administrative expenses	(1,060)	89	(971)
Research and non-capitalized development costs	(1,075)	—	(1,075)
Others[1]	435	(42)	393
EBIT	**(53)**	**52**	**(0)**

Notes:

(1) Includes Other operating income, other operating expense, profit/loss on equity-method investments, net and other financial income/expense, net.

(2) Includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.

Selected income statement information for the Industrial Business for the year ended December 31, 2020

	Group[2]	Financial Services[3]	Industrial Business[4]
		EUR millions	
Revenue	36,013	(1,207)	34,806
Cost of Sales	(30,530)	1,041	(29,490)
Gross Profit	**5,482**	**(166)**	**5,316**
Selling expenses	(2,625)	113	(2,512)
General and administrative expenses	(1,472)	122	(1,349)
Research and non-capitalized development costs	(1,423)	—	(1,423)
Others[1]	528	(58)	469
EBIT	**491**	**11**	**501**

Notes:

(1) Includes Other operating income, other operating expense, profit/loss on equity-method investments, net and other financial income/expense, net.

(2) Audited, except for "Others".

(3) Unaudited, except for "Revenue" and "EBIT".

(4) Includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.

Selected income statement information for the Industrial Business for the year ended December 31, 2019

	Group(2)	Financial Services(3)	Industrial Business(4)
		EUR millions	
Revenue	46,244	(1,391)	44,853
Cost of Sales	(37,596)	987	(36,609)
Gross Profit	**8,648**	**(404)**	**8,244**
Selling expenses	(3,001)	132	(2,869)
General and administrative expenses	(1,686)	157	(1,529)
Research and non-capitalized development costs	(1,662)	—	(1,662)
Others(1)	493	(77)	416
EBIT	**2,792**	**(192)**	**2,600**

Notes:

(1) Includes Other operating income, other operating expense, profit/loss on equity-method investments, net and other financial income/expense, net.

(2) Audited, except for "Others".

(3) Unaudited, except for "Revenue" and "EBIT".

(4) Includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.

Selected income statement information for the Industrial Business for the year ended December 31, 2018

	Group(2)	Financial Services segment(3)	Industrial Business(4)
		EUR millions	
Revenue	43,700	(1,200)	42,500
Cost of Sales	(35,445)	797	(36,648)
Gross Profit	**8,255**	**(403)**	**7,851**
Selling expenses	(2,745)	123	(2,622)
General and administrative expenses	(1,502)	144	(1,358)
Research and non-capitalized development costs	(1,509)	—	(1,509)
Others(1)	235	(74)	161
EBIT	**2,734**	**(210)**	**2,524**

Notes:

(1) Includes Other operating income, other operating expense, profit/loss on equity-method investments, net and other financial income/expense, net.

(2) Audited, except for "Others".

(3) Unaudited, except for "Revenue" and "EBIT".

(4) Includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.

2.10.1.2 Equity of the Financial Services segment

	As at December 31			As at September 30
	2020	2019	2018	2021
		EUR millions (unaudited)		
Equity of the Financial Services segment(1)	1,338	1,637	1,468	1,713

Notes:

(1) Defined as equity of the Financial Services segment at the end of each period.

2.11 Negative Numbers and Rounding

Unless otherwise indicated, financial information presented in the text and tables in this Prospectus is shown in million Euro (EUR), rounded to a whole number. Percentage changes, ratios, subtotals and totals in the text and tables of this Prospectus are calculated based on the respective numbers as presented and then rounded to a whole percentage or to one digit after the decimal point. Because of rounding, figures shown in tables in this Prospectus do not necessarily add up exactly to the respective totals or sub-totals presented, and aggregated percentages may not exactly equal 100%. Furthermore, these rounded figures may vary marginally from unrounded figures that may be indicated elsewhere in this Prospectus. Financial information presented in parentheses denotes the negative of such number presented. In respect of financial information set out in this Prospectus, a dash ("—") signifies that the relevant figure is not available, while a zero ("0") or nil signifies that the relevant figure is available but has been rounded to or equals zero.

2.12 Time Specifications

References to "**CET**" in this Prospectus refer to Central European Time or Central European Summertime, as the case may be. References to time in this Prospectus refer to CET, unless stated otherwise.

2.13 Enforcement of Civil Liabilities

The Company is a stock corporation (*Aktiengesellschaft*) governed by German law and substantially all of its assets are located outside the United States. In addition, most members of the Management Board and the Supervisory Board are non-residents of the United States and substantially all of their assets are located outside the United States.

As a result, it may not be possible for investors to effect service of process within the United States upon the Company or such persons or to enforce against them or the Company judgments of courts of the United States, whether or not predicated upon the civil liability provisions of the federal securities laws of the United States or other laws of the United States or any state thereof. The United States and Germany do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for payment of money rendered by a federal or state court in the United States based on civil liability, whether or not predicated solely upon the United States' federal securities laws, may not be enforceable, either in whole or in part, in Germany. Furthermore, mandatory provisions of German law may apply regardless of any other law that would otherwise apply.

However, if the party in whose favor such final judgment is rendered brings a new suit in a competent court in Germany, such party may submit to the German court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States against the Company or such persons will be regarded by a German court only as evidence of the outcome of the dispute to which such judgment relates, and a German court may choose to rehear the dispute. In addition, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in Germany.

3 SEPARATION, DEMERGER TRANSACTIONS AND ADMISSION TO TRADING

3.1 Overview & Timetable

In connection with the Demerger Transactions, Daimler AG intends to separate, transfer to and bundle in Daimler Truck Group through various transactions: (i) the financial services business relating to trucks and buses (the "**Financial Services Carve-out**"): (ii) the trucks and buses business (the "**Legal Entity Separation**"): and (iii) Daimler AG's central functions and mandated functions operating, amongst others, in relation to the trucks and buses business.

A predominant part of the transactions aiming at the separation of the entities and business units relating to the trucks and buses business in the course of the Financial Services Carve-out and the Legal Entity Separation has already occurred prior to the date of this Prospectus or will have been completed by December 1, 2021 through the Phase 1 Transactions (for more details on the Phase 1 Transactions, see "*3.2.1 Separation of Financial Services Business*" and "*3.2.2 Separation of Trucks and Buses Business from Cars and Vans Business*"). After the Demerger Transactions and the Phase 1 Transactions, the remaining part of the transactions aiming at the separation of the entities and business units relating to the trucks and buses business in the course of the Financial Services Carve-out and the Legal Entity Separation will be effected in 2022 through the Phase 2 Transactions (for more details on the Phase 2 Transactions, see "*3.2.1 Separation of Financial Services Business*" and "*3.2.2 Separation of Trucks and Buses Business from Cars and Vans Business*"). The separation of the central functions and mandated functions operating in relation to the trucks and buses business will be, with a few exceptions, effected by December 1, 2021 (for more details on the separation of central functions and mandated functions see "*3.2.3 Separation of Central Functions and Mandated Functions*").

The Demerger Transactions, among other things, providing for the actual separation of Daimler Group as it exists prior to Spin-off into two independent groups, include three reorganization measures, *i.e.*, the Spin-off, the Hive-down and Capital Increase Against Contribution in Kind III (as defined below, see "*3.3.1 Demerger Transactions Procedure*"). Immediately following the Demerger Transactions Effective Date, the shares in the Company shall be listed on the Prime Standard sub-segment of the regulated market of the Frankfurt Stock Exchange.

The following table provides an overview of the most important steps of the separation of the commercial vehicles business, the Demerger Transactions and the Admission to Trading:

Timing	Summary
August 6, 2021	• Conclusion of the spin-off and hive-down agreement *(Abspaltungs- und Ausgliederungsvertrag)* relating to the Spin-off and the Hive-down between the Company and Daimler AG ("**Demerger and Hive-down Agreement**"). • Under the Demerger and Hive-down Agreement, Daimler AG transfers 65.0% of the share capital of Daimler Truck AG (*i.e.*, 574,954,240 shares in Daimler Truck AG, being calculated after the capital increase against contribution in kind of 89.9% interests in each of the Gamma Partnerships (for more details see "*3.2.2 Separation of Trucks and Buses Business from Cars and Vans Business*")) as well as the domination and profit and loss transfer agreement existing between Daimler AG and Daimler Truck AG to Daimler Truck Holding AG by way of the Spin-off by absorption (*Abspaltung zur Aufnahme*) against granting of 534,918,723 newly issued shares in Daimler Truck Holding AG, created by the Capital Increase Against Contribution in Kind I (as defined below), to the shareholders of Daimler AG, and in proportion to their shareholdings in Daimler AG. The transfer of the shares in Daimler Truck AG as well as the domination and profit and loss transfer agreement existing between Daimler AG and Daimler Truck AG to Daimler Truck Holding AG by way of the Spin-off shall occur with economic effect as of 0:00 a.m. on January 1, 2021. From that date, all acts taken by Daimler AG in relation to the assets to be spun off shall be deemed to have been performed for the account of the Company.

Timing	Summary
	• Under the Demerger and Hive-down Agreement, Daimler AG further transfers 28.43% of the share capital of Daimler Truck AG (*i.e.,* 251,498,474 shares in Daimler Truck AG, being calculated after the capital increase against contribution in kind of 89.9% interests in each of the Gamma Partnerships (for more details see "*3.2.2 Separation of Trucks and Buses Business from Cars and Vans Business*")) to Daimler Truck Holding AG by way of the Hive-down by absorption (*Ausgliederung zur Aufnahme*) against granting of 233,936,002 newly issued shares in Daimler Truck Holding AG, created by the Capital Increase Against Contribution in Kind II (as defined below), to Daimler AG. The transfer of the shares in Daimler Truck AG to be hived down shall occur with economic effect as of 0:00 a.m. on January 1, 2021. From that date, all acts taken by Daimler AG in relation to the assets to be hived down shall be deemed to have been performed for the account of the Company.
October 1, 2021	• Approval of the Demerger and Hive-down Agreement (99.90% of the votes cast) and change of Daimler AG's name to "Mercedes-Benz Group AG" (99.89% of the votes cast), the latter with effect as of February 1, 2022, and provided that the Spin-off has taken effect beforehand, by the extraordinary general meeting of Daimler AG.
November 3, 2021	• Conclusion of a contribution agreement between Daimler Grund and Daimler Truck AG regarding Daimler Grund's 89.9% shareholdings in Gamma Partnerships (as defined below), which Daimler Grund remains to hold after Daimler Grund Services GmbH has acquired an interest of 10.1% of the fixed capital of each of the Gamma Partnerships from Daimler Grund on the basis of corresponding cash contributions, against granting of 58,091,270 newly issued shares in Daimler Truck AG to Daimler Grund. The transfer of the shareholdings in Gamma Partnerships and the effectiveness of the relevant capital increase against contribution in kind will occur at the beginning of December 2021, in any case prior to consummation of the Spin-off and Hive-down.
	• Resolution of the capital increase against contribution in kind in relation to the contribution of Daimler Grund's 89.9% shareholdings in Gamma Partnerships (as defined below), which Daimler Grund remains to hold after Daimler Grund Services GmbH has acquired an interest of 10.1% of the fixed capital of each of the Gamma Partnerships from Daimler Grund on the basis of corresponding cash contributions, by the extraordinary general meeting of Daimler Truck AG.
	• Conclusion of a contribution agreement between Daimler Grund and Daimler Truck Holding AG regarding the 58,091,270 shares in Daimler Truck AG which are to be issued in relation to the contribution of Daimler Grund's 89.9% shareholdings in Gamma Partnerships (as defined below), which Daimler Grund remains to hold after Daimler Grund Services GmbH has acquired an interest of 10.1% of the fixed capital of each of the Gamma Partnerships from Daimler Grund on the basis of corresponding cash contributions, to Daimler Truck AG (see above), and an additional 1,000 shares in Daimler Truck AG held by Daimler Grund, against granting of 54,047,157 newly issued shares in Daimler Truck Holding AG to Daimler Grund, resulting in a shareholding of 6.57% in Daimler Truck Holding AG after the effectiveness of the Demerger Transactions. The transfer of the shareholding shall only become effective after the Spin-off and Hive-down have taken effect (but on the same day) (for more details, see "*3.2.2 Separation of Trucks and Buses Business from Cars and Vans Business*").

Timing	Summary
November 5, 2021	• Approval of the Demerger and Hive-down Agreement as well as the contribution agreement between Daimler Grund and Daimler Truck Holding AG as post-formation agreements by the extraordinary general meeting of the Company. • Capital Increase Against Contribution in Kind I: Resolution of the extraordinary general meeting of the Company to increase the Company's share capital for the purpose of the Spin-off from EUR 50,000 by EUR 534,918,723 to EUR 534,968,723 by issuing 534,918,723 new shares to Daimler AG's shareholders against contribution of 65.0% shares in Daimler Truck AG by Daimler AG. • Capital Increase Against Contribution in Kind II: Resolution of the extraordinary general meeting of the Company to increase the Company's share capital for the purpose of the Hive-down from EUR 534,968,723 by EUR 233,936,002 to EUR 768,904,725 by issuing 233,936,002 new shares to Daimler AG against contribution of 28.43% shares in Daimler Truck AG by Daimler AG. • Capital Increase Against Contribution in Kind III: Resolution of the extraordinary general meeting of the Company to increase the Company's share capital from EUR 768,904,725 by EUR 54,047,157 to EUR 822,951,882 by issuing 54,047,157 new shares to Daimler Grund (for more details, see "*3.3.1 Demerger Transactions Procedure*") for the purpose of the contribution in kind of 6.57% in the share capital of Daimler Truck AG (*i.e.*, the 58,091,270 shares and the additional 1,000 shares in Daimler Truck AG, being calculated after the capital increase against contribution in kind of 89.9% interests in each of the Gamma Partnerships (for more details see "*3.2.2 Separation of Trucks and Buses Business from Cars and Vans Business*")).
November 26, 2021	• Approval of the prospectus by BaFin.
By December 1, 2021 (expected)	Phase 1 Transactions which have already occurred prior to the date of this Prospectus or will have been completed by December 1, 2021: • Separation of Trucks and Buses Business from Cars and Vans Business: Transfer of equity interests or business activities attributable to the trucks and buses business to Daimler Truck AG or its subsidiaries, particularly in the following countries: Portugal, South Africa, France, India and Czech Republic, as well as India, Czech Republic, Canada, Mexico and Germany, as well as transfer of various fund investments to Daimler Truck AG or its subsidiaries. In Singapore, the cars and vans business will be transferred from a subsidiary of Daimler Truck AG to a subsidiary of Mercedes-Benz AG. In Russia, a 15% interest in an automobile company has been transferred from Daimler Truck AG to Daimler AG prior to the date of this Prospectus (for further information see "*11.1.1.4 Joint Ventures*"). • Financial Services Carve-out: Transfer of financial services business of Daimler Mobility (as defined below) relating to trucks and buses in the United States (excluding the operating leasing portfolio), Canada, Brazil, Mexico, Japan, Australia and South Africa to Daimler Truck Financial Services GmbH or its subsidiaries, or other subsidiaries of the Daimler Truck Group, or, in the United States, to a subsidiary of Daimler Truck AG located in the United States. In Germany, assets of the current financial services headquarters of Daimler Mobility AG relating to the financial services business for the sale of trucks and buses (central functions HR, Finance, IT, Operations, Risk Management and Legal, among others) will be transferred to Daimler Truck Financial Services GmbH.

Timing	Summary
December 1, 2021 (expected)	• Separation of Central Functions and Mandated Functions: Transfer of assets and employment relationships with the purpose of separation of central functions and mandated functions operating, amongst others, for the trucks and buses business from Daimler AG and Mercedes-Benz AG to Daimler Truck AG (for more details, see "*3.2.3 Separation of Central Functions and Mandated Functions*").
On or about December 9, 2021 (expected)	• Date of the effectiveness of the Demerger Transactions upon the registrations of the Spin-off, the Hive-down and the Capital Increase Against Contribution in Kind III with the relevant commercial registers (Demerger Transactions Effective Date, for definition of Demerger Transactions Effective Date see "*2.2 Subject Matter of this Prospectus*").
December 9, 2021 (expected)	• Admission to Trading approval issued by the Frankfurt Stock Exchange; allocation of the New Spin-off Shares to the shareholders of Daimler AG.
December 10, 2021 (expected)	• First day of public trading of Company's Shares on the Frankfurt Stock Exchange.
2022 (expected)	Phase 2 Transactions:
	• Separation of Trucks and Buses Business from Cars and Vans Business: Transfer of trucks and buses business by Mercedes-Benz AG or its subsidiaries to Daimler Truck AG or its subsidiaries in Spain, South Africa, Italy, Slovakia, Poland, Portugal and Taiwan, and, conversely, transfer of a Mercedes-Benz vans division by a subsidiary of Daimler Truck AG to a subsidiary of Mercedes-Benz AG in South Korea. Besides, business activities in the Netherlands, Belgium, Denmark, Sweden, Hong Kong, Colombia, Greece and Hungary will be sold and transferred to external parties (for more details, see "*3.2.2 Separation of Trucks and Buses Business from Cars and Vans Business*").
	• Financial Services Carve-out: Transfer of financial services business of Daimler Mobility relating to trucks and buses in Argentina and the European countries of Belgium, the United Kingdom, Italy, the Netherlands, Spain and Turkey. In France, certain assets (no portfolio) and employees are intended to be transferred. In Germany, a new leasing company relating to trucks and buses has been established; a transfer of the existing financial services portfolio relating to trucks and buses is not planned as it would involve a disproportionately high effort (for more details, see "*3.2.1 Separation of Financial Services Business*").

3.2 Separation of Daimler's Commercial Vehicles' Business

3.2.1 Separation of Financial Services Business

The sales of the trucks and buses brands are supported by tailored financial services that include leasing and financing solutions as well as insurance solutions offered to customers. As of the date of this Prospectus, such financial services solutions are subject to the ongoing Financial Services Carve-out process, an overview of which is provided in the subsequent paragraphs.

Structure Prior to Financial Services Carve-out

Prior to the Financial Services Carve-out, Daimler AG's financial services subsidiaries ("**Daimler Mobility**"), have provided financial services for both the sale of cars and vans (the Mercedes-Benz AG subgroup), as well as the sale of trucks and buses (the Daimler Truck AG subgroup). The steering and/or coordinating of the business division Daimler Mobility has been tasked to Daimler Mobility AG.

Overview of Main Steps and Objective of Financial Services Carve-out

After the Demerger Transactions Effective Date and the establishment of two independent groups, both Daimler Group and Daimler Truck Group will continue to require financial services for the sale of their relevant vehicles. Therefore, the financial services business currently bundled under Daimler Mobility AG shall be divided into two independent financial services businesses. The financial services provided by Daimler

Mobility relating to the cars and vans business of Daimler Group, which is the larger part of the financial services business, shall remain with Daimler Mobility AG and be renamed Mercedes-Benz Mobility AG with effect as of February 1, 2022, provided that the Spin-off has taken effect beforehand. The financial services provided by Daimler Mobility to the sale of trucks and buses in the past shall be carved out and bundled in the segment Daimler Truck Financial Services. The operational headquarter functions as well as most legal entities are bundled under Daimler Truck Financial Services GmbH, which was established in April 2021 as a wholly owned subsidiary of Daimler Truck AG.

Guiding Principles

Daimler AG and Daimler Truck Holding AG as parties to the Group Separation Agreement agreed on certain guiding principles for the Financial Services Carve-out, which are enclosed as Annex 2.1 to the Group Separation Agreement concluded on August 6, 2021 (for more details see "*11.1.1.1.3 Group Separation Agreement (Konzerntrennungsvertrag)*" and "*11.1.1.1.4 Agreements on the Separation of Financial Services Business*").

These guiding principles for the Financial Services Carve-out contain general guidelines for the individual carve-out steps in the relevant jurisdictions in which Daimler Mobility AG and its affiliates have been operating. The individual carve-out steps will be implemented by share purchase agreements, asset purchase agreements and other measures such as spin-offs and hive-downs, partly combined with further asset and share deals, by which the domestic and foreign financial services businesses relating to the sale of trucks and buses will be transferred from Daimler Mobility AG, its subsidiaries or another member of the Daimler Group to Daimler Truck Financial Services GmbH or its subsidiaries, or other subsidiaries of the Daimler Truck Group, or in the United States, to a subsidiary of Daimler Truck AG located in the United States.

Phase 1 Transactions in relation to the Separation of Financial Services Business

The major part of the financial services business relating to trucks and buses is expected to be transferred in the course of the Phase 1 Transactions by December 1, 2021.

The new headquarters of Daimler Truck Financial Services GmbH as the financial services business division of Daimler Truck Group are expected to be operationally ready in Germany by December 1, 2021. For this purpose, employees and assets of the current financial services headquarters of Daimler Mobility AG relating to the financial services business for the sale of trucks and buses (*i.e.*, central functions HR, Finance, IT, Operations, Risk Management and Legal) will be transferred to Daimler Truck Financial Services GmbH. This entity shall assume the coordination and management function for the worldwide financial services business of the Daimler Truck Group, operating through various local financial services companies of the Daimler Truck Group.

By December 1, 2021, the operational financial services business of Daimler Mobility relating to trucks and buses in the United States (excluding the operating leasing portfolio), Canada, Brazil, Mexico, as well as Japan, Australia and South Africa is expected to be transferred to Daimler Truck Financial Services GmbH or its subsidiaries or other subsidiaries of the Daimler Truck Group, or, in the United States, to a subsidiary of Daimler Truck AG located in the United States:

- In Brazil, the financial services business relating to trucks and buses is expected to be transferred by way of a share deal. The financial services business relating to cars and vans, which will also be transferred by this step, will for the time being be provided by the existing company in the form of a financial services intermediation program.
- In Mexico, the financial services business relating to trucks and buses is expected to be transferred by way of a share deal. The cars and vans-related financial services business, which will also be transferred by this step, shall be gradually phased out after a transition phase; however, for a limited period of time after December 1, 2021, financial services for the cars and vans business are expected to be offered in the form of a financial services intermediation program.
- In Canada, Australia, South Africa and the USA (excluding the operating leasing portfolio), the financial services business for trucks and buses will be transferred by way of asset deals. In the USA, the establishment of a new subsidiary covering insurance services is also planned.
- In Japan, the financial services business relating to trucks and buses will be spun-off by absorption. The absorbing company will subsequently be transferred to a financial services entity of the Daimler Truck Group.

For further information regarding the scope of the Phase 1 Transactions see Note 42 and Note 43 of the Audited Combined Financial Statements.

The Group intends to refinance the financing liabilities resulting from the acquisition of the Financial Services Business through the Phase 1 Transactions and owed to the Daimler Group with the net proceeds from the Bond Offerings or with draw-downs under the Bridge Facility, in the event and to the extent that net proceeds from the Bond Offerings will not be available at the time of the refinancing of such financing liabilities (for a description of the EUR 18 Billion Credit Facilities Agreement, see "*10.18.1 Credit Facilities Agreement*"), as well as additional draw-downs under the Bridge Facility and with further financial debt in the form of bilateral bank loans or further capital market transactions. To the extent the Bond Offerings are successfully completed, the Bridge Facility will either be mandatorily prepaid or cancelled in an amount equal to 90% of the available net proceeds received from the Bond Offerings by the Group. For further information regarding the refinancing of the financing liabilities owed to the Daimler Group, see "*1.2.7 The Group's external debt could limit its future financing options and otherwise impact its business*".

Phase 2 Transactions in relation to the Separation of Financial Services Business

The remaining financial services business relating to trucks and buses to be transferred is expected to be transferred in the course of the Phase 2 Transactions in 2022. The transfer in Argentina and the European countries of Belgium, the United Kingdom, Italy, the Netherlands, Spain and Turkey is planned as follows (for more information on the relevant financial services companies see Note 42 to the Audited Combined Financial Statements):

- In Argentina, the transfer of the financial services business relating to trucks and buses is planned by way of a share deal. As part of this share deal, in line with the approach in Brazil and Mexico, the cars and vans related financial services business is also being transferred. For a limited period of time, financial services for the cars and vans business are expected to be offered in the form of a financial services intermediation program.
- In Belgium, Italy and the Netherlands, the financial services business relating to trucks and buses will first be carved out into local subsidiaries of Daimler Mobility AG by way of a demerger to newly established local entities; the shares of the absorbing companies will subsequently be transferred to Daimler Truck Group.
- In Spain, the financial services business relating to trucks and buses will first be carved-out to a new entity before the shares of this new entity will be transferred to Daimler Truck Group. Additionally, the Spanish trucks and buses rental business will be transferred to a newly established Spanish Daimler Truck Group entity by way of an asset transfer.
- In Turkey, the financial services business relating to trucks and buses will first be carved out to a new local subsidiary by way of an asset deal. The shares of this newly established entity will subsequently be transferred to Daimler Truck Group. Besides, the establishment of a new subsidiary for insurance services is planned in Turkey.
- The financial services business relating to trucks and buses in the United Kingdom will be transferred by way of an asset transfer into a newly established subsidiary of Daimler Truck Group in the UK.
- In France, certain assets (no portfolio) and employees are intended to be transferred.
- In Germany, a new leasing company relating to trucks and buses has been established; a transfer of the existing financial services portfolio relating to trucks and buses is not planned as it would involve a disproportionately high effort.

Between December 1, 2021, and the planned completion of the Financial Services Carve-out in 2022, temporary financial services provided by Daimler Mobility AG or its affiliates for the sale of trucks and buses by Daimler Truck Group are planned in Argentina, Belgium, the United Kingdom, Italy, the Netherlands, Spain and Turkey in the form of a financial services intermediation program. In Germany and France, such financial services intermediation program is planned between December 1, 2021, and the start of operations of the new subsidiaries of Daimler Truck Financial Services GmbH being established in these countries.

For further information on the Phase 2 Transactions see Note 42 of the Audited Combined Financial Statements.

The total portfolio of the above-mentioned companies to be transferred during the course of the year 2022 is likely to be in the single-digit billion range.

Other Jurisdictions

In a number of countries, no reorganization or transfer of the financial services business related to trucks and buses will take place, in particular due to the small size of the business activities in this segment. In some of these countries, a complete phase-out of the financial services business for trucks and buses is intended. This concerns the activities in Denmark, India, Hong Kong, Luxembourg, Malaysia, Portugal, Sweden, Switzerland, Singapore, South Korea and Taiwan. In other countries, in which no transfer of the financial services business is intended, the financial services business relating to trucks and buses are expected to be provided by the existing company in the form of a financial services intermediation program for a limited period of time. This concerns Austria, China, Czech Republic, New Zealand, Poland, Romania, Russia, and Thailand. In Hungary and Slovakia, financial services for trucks and buses will also be provided by the existing company.

Personnel

For its financial services business, Daimler Truck Group expects to have a personnel requirement of approximately 1,900 employees (full-time equivalents) after the completion of the Financial Services Carve-out. The financial services business of Daimler Truck Group has been and is intended to be staffed mainly by way of a transfer of employees of Daimler Mobility AG and its affiliates to the financial services companies of Daimler Truck Group. Approximately two-thirds of these employees will be transferred on December 1, 2021. The transfer of the remaining employees is planned gradually as part of the transactions taking place after December 1, 2021, and as part of the start-up phase of the newly established companies in Germany and France.

For a description of the business activities of the financial services business relating to trucks and buses, see "*10.6 Financial Services Business*" and for more details in relation to the separation of the financial services business, see "*11.1.1.1.4 Agreements on the Separation of Financial Services Business.*"

3.2.2 Separation of Trucks and Buses Business from Cars and Vans Business

The trucks and buses business still allocated to Daimler AG, Mercedes-Benz AG or its subsidiaries after the reorganization in 2019, has in parts already been, and will be separated from the relevant cars and vans business and transferred to Daimler Truck AG or its subsidiaries in the course of the Legal Entity Separation.

Structure Prior to the Legal Entity Separation

In 2019, Daimler AG hived-down its business divisions of cars and vans on the one hand and trucks and buses on the other hand to Mercedes-Benz AG and Daimler Truck AG. At that time, the financial services business was managed by Daimler Mobility AG. In the course of this reorganization, the vast majority of the trucks and buses business was transferred to Daimler Truck AG. However, for operational and economic reasons, it was decided at the time not to separate the mixed retail companies, *i.e.*, companies that operated both in the cars and vans business as well as the trucks and buses business, whose central activity was the local distribution of vehicles purchased from the relevant wholesale company and the provision of after sales services. Instead, mixed retail companies were allocated according to a "main user principle". Certain production and wholesale companies as well as financing companies relating to trucks and buses were also not transferred. In preparation of and in connection with the Demerger Transactions, the trucks and buses business still allocated to Daimler AG, Mercedes-Benz AG or its subsidiaries after the reorganization in 2019, has in parts already been transferred to Daimler Truck AG or its subsidiaries. Prior to the date of this Prospectus, in particular, the trucks and buses business has already been transferred in Portugal, South Africa, France, India, and Czech Republic. In Portugal, an import and distributor company has been transferred to Daimler Truck AG by way of a capital increase against contribution in kind. In South Africa, a wholesale company, established as part of the 2019 reorganization, has been transferred to Daimler Truck AG by way of a share deal. In France, a wholesale company together with its regional subsidiaries that provide sales and aftersales services in the retail sector has been transferred to Daimler Truck AG by way of a share deal. In India, a production company has been transferred to Daimler Truck AG by way of a share deal. In Czech Republic, the sales and retail business relating to the trucks and buses business has been transferred to a wholly owned subsidiary of Daimler Truck AG by way of an asset deal. The remaining part of the truck and bus business will be separated from the relevant cars and vans business and transferred to Daimler Truck AG or its subsidiaries in the Legal Entity Separation. In individual cases, a separation will be achieved by transferring the cars and vans business currently allocated to Daimler Truck AG or its subsidiaries to subsidiaries of Mercedes-Benz AG.

Guiding Principles for the Legal Entity Separation

For the purpose of the Legal Entity Separation, Daimler AG and Daimler Truck Holding AG agreed on guiding principles for the Legal Entity Separation, which are enclosed as Annex 2.2 to the Group Separation Agreement concluded on August 6, 2021 (for more details see "*11.1.1.1.3 Group Separation Agreement (Konzerntrennungsvertrag)*" and "*11.1.1.1.5 Agreements on Separation of Trucks and Buses Business from Cars and Vans Business*".

The guiding principles for the Legal Entity Separation contain general guidelines for the separation of the trucks and buses business from the cars and vans business in the relevant jurisdictions and the necessary transfers of the companies and assets attributable to the trucks and buses business from Mercedes-Benz AG or its subsidiaries to Daimler Truck AG or its subsidiaries, or vice versa, by way of various transactions or divestitures to third parties. The main steps for the final separation of the business divisions which have already been implemented and which will be implemented by or after December 1, 2021, are presented below (for more details see "*11.1.1.1.5 Agreements on Separation of Trucks and Buses Business from Cars and Vans Business"*).

Transactions in Phase 1 in relation to the Separation of Trucks and Buses Business from Cars and Vans Business

At the date of this Prospectus, a part of the trucks and buses business has already been transferred; an additional part will be transferred by December 1, 2021 in the course of the Phase 1 Transactions.

By December 1, 2021, the trucks and buses business will be transferred from Daimler AG or its subsidiaries to Daimler Truck AG or its subsidiaries in Germany, India, Czech Republic, Canada and Mexico. In Germany, minority interests in a German service provider for toll collection, a German transport company and a German research center for artificial intelligence will be transferred from Daimler AG or its subsidiaries to Daimler Truck AG or its subsidiaries by way of share deals. In India, activities in IT development and the provision of research and development services attributable to the trucks and buses division will be transferred to a newly established subsidiary of Daimler Truck AG. In Czech Republic, a logistics service company will be transferred to Daimler Truck AG by way of a share deal. In Canada, an investment company, which will be used as a financing company of the Daimler Truck Group, will be transferred to Daimler Truck AG by way of a share deal. Hereby, the shares in a Mexican subsidiary providing services in the areas of finance, taxes and financial reporting will also be transferred. Additionally, in the U.S., UK and Israel, various fund investments as well as a minor shareholding in a venture capital company will be transferred to Daimler Truck AG or its subsidiaries. Finally, in Russia, a 15% interest in an automobile company has been transferred from Daimler Truck AG to Daimler AG prior to the date of this Prospectus. In Singapore, the cars and vans business will be transferred from a subsidiary of Daimler Truck AG to a subsidiary of Mercedes-Benz AG.

For further information regarding the scope of the Phase 1 Transactions, see Note 42 and Note 43 of the Audited Combined Financial Statements.

Phase 2 Transactions in relation to the Separation of Trucks and Buses Business from Cars and Vans Business

After December 1, 2021, but not earlier than January 1, 2022, the trucks and buses business will be transferred from subsidiaries of Mercedes-Benz AG to subsidiaries of Daimler Truck AG in Spain, South Africa, Italy, Slovakia, Poland, Portugal and Taiwan. In Spain, a sales and aftersales company of cars, vans and trucks will be transferred to a subsidiary of Daimler Truck AG by way of a share deal after the cars and vans business has been extracted. In South Africa, the retail company will be transferred to a subsidiary of Daimler Truck AG by way of share deal subsequent to the sale of the remaining cars and vans business. In Italy, the truck retail business will be transferred to a newly established subsidiary of Mercedes-Benz AG by way of a partial demerger before the latter will be transferred to a subsidiary of Daimler Truck AG by way of a share deal. In Slovakia, the business activities of a wholesale company attributable to the trucks and buses division will be transferred to a newly established subsidiary of Daimler Truck AG by way of an asset deal. In Poland, the truck sales and aftersales business of two retail subsidiaries of Mercedes-Benz AG will be transferred to a newly established subsidiary of Daimler Truck AG. In Portugal, the truck sales and aftersales business of a subsidiary of Mercedes-Benz AG will be transferred to a subsidiary of Daimler Truck AG by way of an asset deal. In Taiwan, the sales business of a subsidiary of Mercedes-Benz AG, which is attributable to the trucks and buses division, will be transferred to a subsidiary of Daimler Truck AG by way of an asset deal. Conversely, in South Korea, operations attributable to the Mercedes-Benz vans division will be transferred to a subsidiary of Mercedes-Benz AG. Business activities in the Netherlands, Belgium, Denmark, Sweden, Hong Kong, Colombia, Greece and Hungary will be sold and transferred from Mercedes-Benz AG or its subsidiaries or Daimler Truck AG or its subsidiaries to external parties.

For further information on the Phase 2 Transactions, see Note 42 of the Audited Combined Financial Statements.

Allocation of Real Estate Management Partnerships

The real estate management partnerships allocated to the trucks and buses division, which were not transferred to Daimler Truck AG in connection with the reorganization in 2019 due to tax blocking periods, will be reorganized and a predominant part will be transferred to Daimler Truck Group. The relevant partnerships are Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 1 OHG, Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 2 OHG, Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 3 OHG and Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 4 OHG, each with its registered office in Schönefeld, Germany (the "**Gamma Partnerships**"). The partners of each partnership are Daimler Grund, which currently holds 100% of the fixed capital of each of the Gamma Partnerships, and Daimler Grund Services GmbH, which holds no equity interest in each of the Gamma Partnerships.

In a first step, Daimler Grund Services GmbH will obtain an interest of 10.1% of the fixed capital of each of the Gamma Partnerships on the basis of corresponding cash contributions. Subsequently, Daimler Grund will contribute its remaining 89.9% interests in each of the Gamma Partnerships to Daimler Truck AG by way of a capital increase against contribution in kind. The entry in the commercial register of Daimler Truck AG required for the effectiveness of the capital increase against contribution in kind is expected to take place at the beginning of December 2021, in any case prior to the consummation of the Spin-off and Hive-down. As consideration, Daimler Truck AG will grant Daimler Grund 58,091,270 new shares. Subsequently, Daimler Truck AG, in turn, will transfer said interests in the Gamma Partnerships to Daimler Truck Verwaltungsgesellschaft für Grundbesitz mbH, a wholly owned subsidiary of Daimler Truck AG. Daimler Grund will then contribute the 58,091,270 new shares in Daimler Truck AG, which it received as consideration for the contribution of the interests in the Gamma Partnerships, and an additional 1,000 shares that Daimler AG contributed to Daimler Grund in October 2021, to Daimler Truck Holding AG and will in return receive 54,047,157 new shares in the Company (the Capital Increase Against Contribution in Kind III (as defined in "*3.3.1 Demerger Transactions Procedure*")).

A corresponding reorganization will be implemented with regard to the equity interest in Grundstücksverwaltungsgesellschaft EvoBus GmbH & Co. OHG. This partnership is a wholly owned (indirect) subsidiary of Daimler Truck AG. Due to tax considerations, Daimler Grund Services GmbH will make an appropriate cash contribution and acquire a 10.1% interest in the fixed capital of Grundstücksverwaltungsgesellschaft EvoBus GmbH & Co. OHG. Daimler Truck AG will then hold only 89.9% of Grundstücksverwaltungsgesellschaft EvoBus GmbH & Co. OHG through EvoBus GmbH.

For more details in relation to the separation of the trucks and buses business from the cars and vans business, see "*11.1.1.1.5 Agreements on Separation of Trucks and Buses Business from Cars and Vans Business*".

3.2.3 Separation of Central Functions and Mandated Functions

As of the Demerger Transactions Effective Date and the formation of two independent groups, Daimler Truck Group will perform the central functions and the up to now mandated functions, which have in the past been operated by Daimler AG and Mercedes-Benz AG for the entire group, in relation to the trucks and buses business independently.

Structure Prior to Separation and Objective

In the past, Daimler AG and Mercedes-Benz AG operated the central functions for the entire group, including both the cars and vans business and the trucks and buses business, through the headquarters located in Stuttgart, Germany, partly supported by employees allocated to subdivisions performing the relevant functions in subsidiaries worldwide, amongst others, Daimler Truck AG. Besides, certain business operations, so-called mandated functions, were performed out of operating locations in Mannheim, Gaggenau, Wörth, Kassel, Sindelfingen and Germersheim for both the cars and vans business and the trucks and buses business. As of the Demerger Transactions Effective Date and the formation of two independent groups, Daimler Truck Group will perform the central functions and the up to now mandated functions in relation to the trucks and buses business independently. The functions will legally be allocated to Daimler Truck AG but will perform their activities for the entire Daimler Truck Group, partly supported by employees allocated to subdivisions performing the relevant functions in subsidiaries worldwide. For that purpose, to the extent Daimler Truck AG already performs the central or mandated functions mentioned, these functions will be built up and, to the extent necessary, new functions will be established. The building up and establishment of the Daimler Truck Group's functions will be achieved, amongst others, by separating and transferring business assets and employment relationships relating to the trucks and buses business from Daimler AG and Mercedes-Benz AG to Daimler Truck AG.

Agreement on the Transfer of Divisions and Functions

For the purpose of the separation of the relevant central and mandated functions including the transfer of the relevant business assets—except assets under construction (*Anlagen im Bau*) located in Mannheim (Reman) and Gaggenau (Presswerk/GSP) which will only be sold and transferred under a separate asset purchase agreement between Mercedes-Benz AG and Daimler Truck AG after completion of the constructions—and employment relationships, Daimler AG, Mercedes-Benz AG and Daimler Truck AG concluded a so-called Agreement on the Transfer of Divisions and Functions in November 2021 (for more details see "*11.1.1.1.6 Agreements on Separation of Central Functions and Mandated Functions*"). The transfer of business assets and employment relationships will become effective on December 1, 2021, subject to the extent that closing conditions have been fulfilled or duly waived by November 30, 2021, or otherwise, on the last business day of the calendar month in which the last closing condition has been fulfilled or duly waived but in any case not earlier than December 1, 2021 (for more details see "*11.1.1.1.6 Agreements on Separation of Central Functions and Mandated Functions*").

Separation of Central Functions and Mandated Functions

The central functions to be separated include Group Strategy, External Affairs, Corporate Office, Communications, Accounting & Financial Reporting, Tax & Customs, Treasury, M&A, Investor Relations, Real Estate, Integrity & Legal, HR, IT and International Procurement Services (IPS). The mandated functions to be separated include Sales & After Sales, Production & Supply Chain, Production Planning, Energy and Environmental Management, Quality Management, Purchasing of Production Materials, Research & Development and Facility Management & Mobility Stuttgart. The related transfer of business assets belonging to the trucks and buses business will constitute a transfer of an undertaking or of a part thereof within the meaning of section 613a German Civil Code (*Bürgerliches Gesetzbuch*) by which the employment relationships of approximately 880 business employees, together with all rights and obligations arising therefrom, who have not made use of their right, to the extent that such a right exists under applicable local law, to object to the transfer of their employment relationship in due time and form, will be transferred automatically by operation of law to Daimler Truck AG.

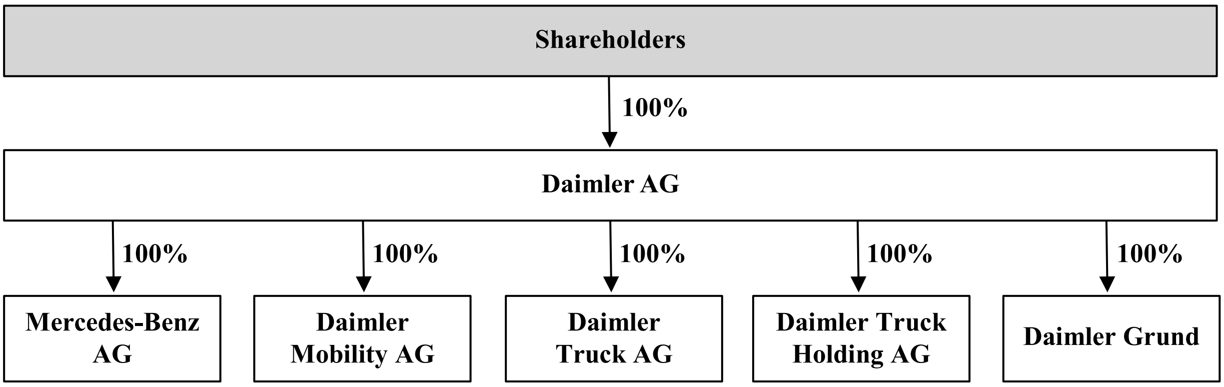
Continuing Service Relationships for Central Functions and Mandated Functions

Daimler Truck Group will perform the group central functions and the up to now mandated functions independently as soon as possible after the Demerger Transactions Effective Date. However, certain cooperations or service relationships will, for the most part temporarily, continue to exist or will be newly established between the functions. This applies to the following central functions: External Affairs, Communications, Accounting & Financial Reporting, Tax & Customs, Treasury, Real Estate, Integrity & Legal, HR, IT, and International Procurement Services. Besides, this applies to the following mandated functions: Sales & After Sales, Production & Supply Chain, Production Planning, Energy and Environmental Management, Quality Management, Purchasing of Production Materials, Research & Development and Facility Management & Mobility Stuttgart (for more details see *"11.1.1.2 Continuing Services and Cooperations between the Group and the Daimler Group*").

3.3 Demerger Transactions

3.3.1 Demerger Transactions Procedure

The separation of the Daimler Group as it exists prior to Spin-off into two independent groups, *i.e.,* Daimler Group and the Daimler Truck Group, will be carried out in three steps, the Spin-off, the Hive-down and the Capital Increase Against Contribution in Kind III. The current group structure of Daimler Group before the implementation of the Demerger Transactions is, in simplified form, as follows:



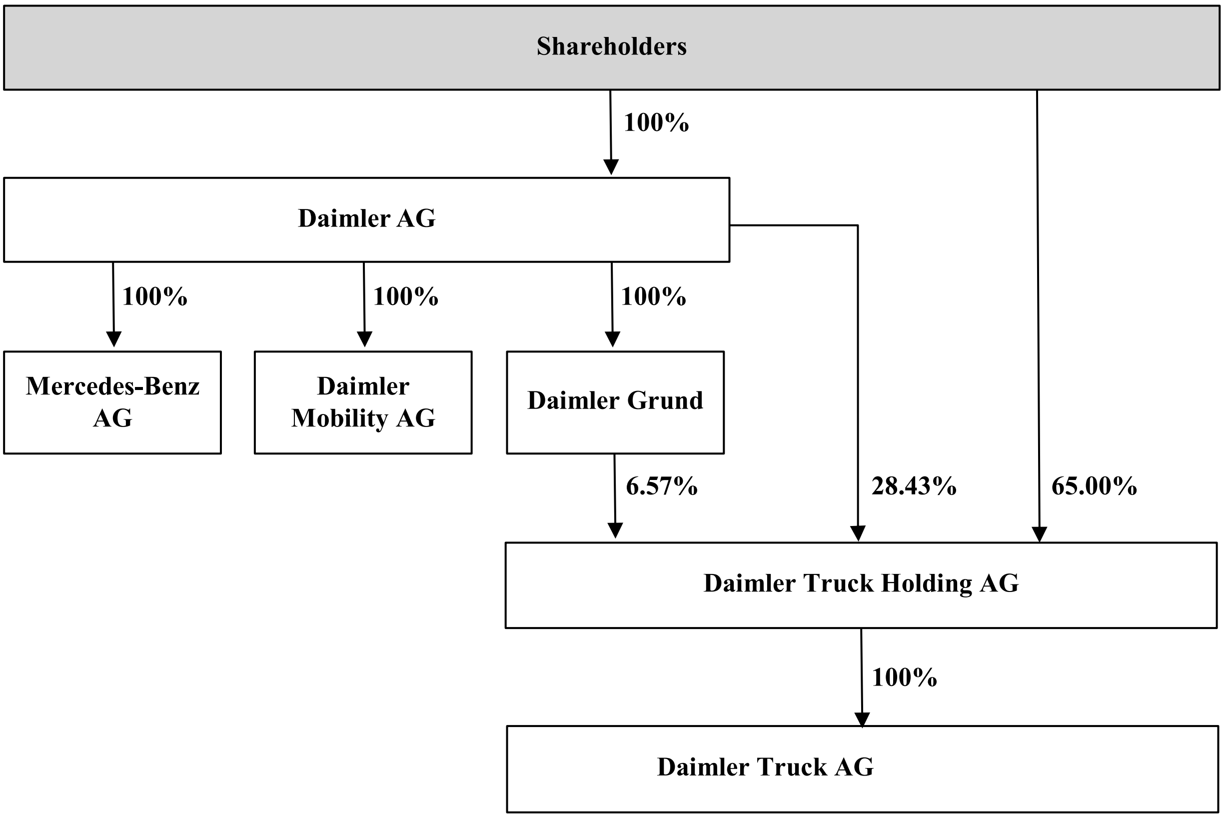
In the course of the Spin-off, Daimler AG is transferring, in a first step, a majority interest of 65.0% in the share capital of Daimler Truck AG (*i.e.*, 574,954,240 shares in Daimler Truck AG, being calculated after the capital increase against contribution in kind of 89.9% interests in each of the Gamma Partnerships (for more details see "*3.2.2 Separation of Trucks and Buses Business from Cars and Vans Business*")), as well as the domination and profit and loss transfer agreement existing between Daimler AG and Daimler Truck AG to the Company by way of spin-off by absorption (*Abspaltung zur Aufnahme*) under the German Transformation Act (*Umwandlungsgesetz*). The transfer of the shares in Daimler Truck AG as well as the domination and profit and loss transfer agreement existing between Daimler AG and Daimler Truck AG to Daimler Truck Holding AG by way of the Spin-off shall occur with economic effect as of 0:00 a.m. on January 1, 2021. From that date, all acts taken by Daimler AG in relation to the assets to be spun off shall be deemed to have been performed for the account of the Company. In return, the share capital of the Company will be increased in the course of the Spin-off and the New Spin-off Shares, *i.e.,* 534,918,723 newly issued ordinary registered shares with no-par value (for definition of New Spin-off Shares see "*2.2 Subject Matter of this Prospectus*") will be issued to Daimler AG's shareholders, who will receive one share in the Company for two Daimler AG shares. The New Spin-off Shares will be created by means of a capital increase against contribution in kind of Daimler Truck Holding AG for the purpose of implementing the Spin-off (the "**Capital Increase Against Contribution in Kind I**").

In the course of the Hive-down, Daimler AG is transferring, in a second step, a minority interest of 28.43% in the share capital of Daimler Truck AG (*i.e.,* 251,498,474 shares in Daimler Truck AG, being calculated after the capital increase against contribution in kind of 89.9% interests in each of the Gamma Partnerships (for more details see "*3.2.2 Separation of Trucks and Buses Business from Cars and Vans Business*")) to Daimler Truck Holding AG by way of hive-down by absorption (*Ausgliederung zur Aufnahme*) under the German Transformation Act (*Umwandlungsgesetz*). The transfer of the shares in Daimler Truck AG to be hived-down shall occur with economic effect as of 0:00 a.m. on January 1, 2021. From that date, all acts taken by Daimler AG in relation to the assets to be hived-down shall be deemed to have been performed for the account of the Company. In return, the share capital of the Company will be increased in the course of the Hive-down and the New Hive-down Shares, *i.e.*, 233,936,002 newly issued ordinary registered shares with no-par value (for definition of New Hive-down Shares see "*2.2 Subject Matter of this Prospectus*"), will be issued to Daimler AG. The New Hive-down Shares will be created by means of a capital increase against contribution in kind of Daimler Truck Holding AG for the purpose of implementing the Hive-down (the "**Capital Increase Against Contribution in Kind II**").

In the course of the Capital Increase Against Contribution in Kind III, Daimler Grund is, in a third step, transferring a minority interest of 6.57% in the share capital of Daimler Truck AG (*i.e.*, the 58,091,270 shares and the additional 1,000 shares in Daimler Truck AG, being calculated after the capital increase against contribution in kind of 89.9% interests in each of the Gamma Partnerships (for more details see "*3.2.2 Separation of Trucks and Buses Business from Cars and Vans Business*")) to the Company by way capital increase against contribution in kind. In return, the Company will issue the New Capital Increase

Shares, *i.e.*, 54,047,157 newly issued ordinary registered shares with no-par value (for definition of New Capital Increase Shares see "*2.2 Subject Matter of this Prospectus*"), to Daimler Grund. The New Contribution in Kind Shares will be created by means of a capital increase against contribution in kind of Daimler Truck Holding AG (the "**Capital Increase Against Contribution in Kind III**").

The structure of Daimler Group after implementation of the Demerger Transactions will be, in simplified form, as follows:



For the purpose of the Spin-off and Hive-down, on August 6, 2021, Daimler AG and the Company entered into the Demerger and Hive-down Agreement (for details see "*11.1.1.1.1 Demerger and Hive-down Agreement (Abspaltungs- und Ausgliederungsvertrag)*"). The effectiveness of this agreement was, amongst others, subject to the approval by a 75% majority of the Company's and Daimler AG's general meetings. The approval of Daimler AG's general meeting was obtained on October 1, 2021, whereas the Company's general meeting approved the Demerger and Hive-down Agreement on November 5, 2021. For the purpose of the Capital Increase Against Contribution in Kind III, on November 3, 2021, Daimler Grund and the Company entered into a Contribution Agreement. The effectiveness of the Demerger Transactions is expected to occur on December 9, 2021 upon the registrations of the Spin-off, the Hive-down and the Capital Increase Against Contribution in Kind III with the relevant commercial registers.

For more details regarding the Demerger and Hive-down Agreement and related agreements, see "*11.1.1.1 Agreements in Relation to the Separation of the Commercial Vehicles Business and the Demerger Transactions*".

3.3.2 Spin-off Auditor

Pursuant to a resolution of the regional court (*Landgericht*) Stuttgart dated April 30, 2021, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin ("**KPMG**"), was appointed as the spin-off auditor. The Demerger and Hive-down Agreement dated August 6, 2021 was audited by KPMG as spin-off auditor, and a spin-off audit report dated August 9, 2021 was issued.

3.3.3 Contributions in Kind and Post-Formation Audit

As the Company was established less than two years prior to the conclusion of the Demerger and Hive-down Agreement as well as the Contribution Agreement and the compensation for these agreements is in excess of 10% of the Company's share capital, a post-formation audit has been carried out. In this regard, the Supervisory Board of the Company reviewed the Demerger and Hive-down Agreement and the Contribution Agreement and submitted a written post-formation report. The Local Court (*Amtsgericht*) of Stuttgart appointed KPMG as the uniform auditor on post-formation (*Nachgründungsprüfer*) and the contributions in kind related to the Capital Increase Against Contribution in Kind I, II and III (*Sacheinlageprüfer*) by resolution dated April 16, 2021. KPMG issued, respectively will issue, the required audit reports. On November 5, 2021, the extraordinary general meeting of the Company approved the Demerger and Hive-down Agreement and the Contribution Agreement as agreements on post-formation.

3.3.4 Trustee, Allotment Ratio, Settlement

Deutsche Bank AG, Frankfurt am Main, was appointed by Daimler AG as trustee, as required under the German Transformation Act. The trustee will receive the shares in Daimler Truck Holding AG allocable to the shareholders of Daimler AG as a result of the Spin-off for transfer to such shareholders upon Spin-off Completion. Deutsche Bank AG was appointed as the central settlement agent for the Spin-off.

The German language version of the notification of allotment (*Zuteilungsbekanntmachung*) set forth below is expected to be published on December 9, 2021 in the German Federal Gazette (*Bundesanzeiger*):

Daimler AG

Stuttgart

ISIN Code DE0007100000 // German Securities Identification Number (*Wertpapierkennnummer*) 710000

Allocation of Shares in Daimler Truck Holding AG in Connection with the Spin-off of a Majority Interest in Daimler Truck AG

Daimler Truck Holding AG

ISIN Code DE000DTR0CK8 // German Securities Identification Number (*Wertpapierkennnummer*) DTR0CK

1. Spin-off of a Majority Interest in Daimler Truck AG

On 6 August 2021, Daimler AG as the transferring legal entity and Daimler Truck Holding AG as the acquiring legal entity entered into a spin-off and hive-down agreement (*Abspaltungs- und Ausgliederungsvertrag*, hereinafter: the "**Demerger Agreement**") in notarized form. Under the Demerger Agreement, amongst other things, the following steps were agreed:

- Transfer of a majority interest of 65.00% in the (increased) share capital of Daimler Truck AG (i.e., 574,954,240 shares in the registered share capital of Daimler Truck AG) and of the control and profit and loss transfer agreement existing between Daimler AG and Daimler Truck AG to Daimler Truck Holding AG by way of a spin-off by means of acquisition pursuant to § 123 para. 2 no. 1 of the German Transformation Act (*Umwandlungsgesetz, UmwG*, hereinafter: the "**Spin-off**"). As consideration for this transfer, the shareholders of Daimler AG were to receive one newly issued share of Daimler Truck Holding AG for each two shares in Daimler AG, i.e., a total of 534,918,723 new no-par value registered shares from a corresponding increase of the registered share capital of Daimler Truck Holding AG (hereinafter: the "**Capital Increase Against Contributions in Kind I**").
- Transfer of additional 251,498,474 shares in the registered share capital of Daimler Truck AG to Daimler Truck Holding AG by way of a hive-down by means of absorption pursuant to § 123 para. 3 no. 1 UmwG (hereinafter: the "**Hive-down**"). As consideration for this transfer, Daimler AG was to receive 233,936,002 new no-par value registered shares from a corresponding increase of the registered share capital of Daimler Truck Holding AG (hereinafter: the "**Capital Increase Against Contributions in Kind II**").

- Transfer of additional 58,092,270 shares in the registered share capital of Daimler Truck AG to Daimler Truck Holding AG by Daimler Vermögensverwaltungsgesellschaft für Grundbesitz mbH (“**Daimler Grund**”). As consideration for this transfer, Daimler Grund was to receive 54,047,157 new no-par value registered shares from a corresponding increase of the registered share capital of Daimler Truck Holding AG (hereinafter: the “**Capital Increase Against Contributions in Kind III**”).

The general meetings of Daimler AG and Daimler Truck Holding AG approved the Demerger Agreement on 1 October 2021 and on 5 November 2021, respectively. On 9 December 2021, the above-described measures (i.e., the Spin-off and the related Capital Increase Against Contributions in Kind I, the Hive-down and the related Capital Increase Against Contributions in Kind II, as well as the Capital Increase Against Contributions in Kind III) were registered with the commercial registers of Daimler Truck Holding AG and Daimler AG, respectively, and thereby became legally effective. As a result, a total of 65% of the shares in Daimler Truck Holding AG is now held by the shareholders of Daimler AG, while Daimler AG (directly and indirectly) holds a total 35% of the shares in Daimler Truck Holding AG.

2. Allocation Ratio for the Spin-off

The Spin-off is effected against the granting of 534,918,723 new no-par value registered shares of Daimler Truck Holding AG from the Capital Increase Against Contributions in Kind I to the shareholders of Daimler AG. § 4.1 of the Demerger Agreement provides for an allocation ratio of 2:1. This means that each shareholder of Daimler AG receives:

- for every two (2) ordinary registered shares with no-par value of Daimler AG (ISIN DE0007100000; German Securities Identification Number (WKN) 710000)
- one (1) ordinary registered share with no-par value of Daimler Truck Holding AG (ISIN DE000DTR0CK8; WKN DTR0CK), representing a notional amount of the share capital of EUR 1.00.

3. Profit Entitlement

All shares granted as consideration for the transfer of the Spin-off assets (as well as all shares granted as consideration for the transfer of Hive-down assets and of assets contributed as part of the Capital Increase Against Contributions in Kind III) will grant dividend rights for the financial years of Daimler Truck Holding AG beginning on or after 1 January 2022.

4. Trustee

Deutsche Bank AG, Frankfurt am Main, acts as trustee pursuant to § 125 sent. 1 in conjunction with § 71 para. 1 UmwG. Prior to the Spin-off taking effect, the trustee has taken possession of the shares in Daimler Truck Holding AG to be issued as part of the Spin-off to the shareholders of Daimler AG and will distribute these to such shareholders via the Clearing System in due course in accordance with the share allocation ratio of 2:1 as stipulated in § 4.1 of the Demerger Agreement.

5. Allocation Procedure

In accordance with the Articles of Incorporation of Daimler Truck Holding AG, the shareholders of Daimler Truck Holding AG are not entitled to have their shares securitised in physical form. The no-par value shares of Daimler Truck Holding AG are evidenced by global share certificates together with the corresponding global bearer dividend coupons and deposited with Clearstream Banking AG, Frankfurt am Main (hereinafter: “**Clearstream**”). The shareholders of Daimler Truck Holding AG will hold co-ownership interests in the global certificates and the global bearer dividend coupons in proportion to their respective shareholdings.

a) Settlement for Shares in Collective Safe Custody via Clearstream

Most shares of Daimler AG are held in collective safe custody via Clearstream. Therefore, the shareholders of Daimler AG, in principle, will be identified for the purposes of the share allocation by the depositary banks in the evening of the day on which the Spin-off has taken effect, i.e., on the evening of 9 December 2021 (hereinafter: the “**Allocation Date**”), based on the respective holdings of shares in Daimler AG in the depositary banks, taking into account open stock exchange transactions.

On this basis, the respective depository bank will, as a general rule, credit the shares of Daimler Truck Holding AG to the securities account of the respective shareholder of Daimler AG prior to the commencement of trading on the stock exchange trading day following the Allocation Date. In this case, the shareholders of Daimler AG do not need to take any action with regard to the allocation of the shares of Daimler Truck Holding AG—apart from a possible settlement of fractional amounts (partial rights, cf., Section 6 below in this respect). It may be expected that, in individual cases, depositary banks will effect, in analogy to the handling at Clearstream, such crediting only upon settlement of stock exchange transactions still outstanding, i.e. only on 14 December 2021.

For institutional investors it may be the case that the depositary banks will credit the shares of Daimler Truck Holding AG as partial rights in a first instance to wait for shareholders instruction for consolidation.

The allocation of the shares shall be free of commissions and expenses for shareholders of Daimler AG entitled to allocation who hold their shares in Daimler AG in securities accounts in Germany. Shareholders holding their shares in Daimler AG in securities accounts abroad may be subject to commissions and expenses based on existing agreements with the relevant depository bank.

The settlement of the above-described measures is centralized at Deutsche Bank AG, Frankfurt am Main.

b) Settlement for Physical Shares and for Certain U.S. Shareholders

Special circumstances apply with regard to (i) shareholders of Daimler AG with physical shares as well as (ii) certain U.S. shareholders of Daimler AG who hold shares not via a securities account connected to Clearstream, but via Depository Trust Company (DTC) or American Stock Transfer (AST). In order to participate in the allocation of shares of Daimler Truck Holding AG via Clearstream as described above, these shareholders had the opportunity (and shareholders of Daimler AG with physical shares were encouraged by letter) to transfer their shares in Daimler AG to a securities account linked to Clearstream in due time prior to the Allocation Date. Alternatively, the shareholders according to (i) were asked to provide Daimler AG with another securities account linked to Clearstream. Unless one of these alternatives was chosen, Deutsche Bank AG in its capacity as trustee pursuant to § 125 sent. 1 in conjunction with § 71 para. 1 UmwG will be unable to distribute any shares of Daimler Truck Holding AG. In this event, it is intended that the respective share(s) in Daimler Truck Holding AG attributable to the specific shareholder will be deposited with the competent local court (*Amtsgericht*), depository (*Hinterlegungsstelle*). Shareholders of Daimler AG holding their Daimler shares via American Stock Transfer (AST) or Depository Trust Company (DTC) according to (ii) will receive the shares of Daimler Truck Holding AG through American Stock Transfer (AST), unless they have elected to receive American depositary receipts (ADRs) in lieu of the shares in Daimler Truck Holding AG (see lit. c below). The distribution of shares of Daimler Truck Holding AG to the aforementioned shareholders may be delayed compared to the distribution to shareholders holding their shares within the Clearstream system.

c) Election of ADRs in Lieu of Shares

In addition, U.S. shareholders according to lit. b) (ii) were offered an alternative settlement option in the form of ADRs pursuant to a sponsored ADR programme which Daimler Truck Holding AG has newly established in lieu of Daimler Truck Holding AG shares. This election was made available to U.S. shareholders as the Daimler Truck Holding AG shares will be admitted to trading on the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), as well as on the sub-segment with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), and such shares will not be admitted to trading on a stock exchange in the United States. Affected U.S. shareholders will be informed of all relevant details of the election process, including relevant deadlines, either by Depository Trust Company (DTC) or by American Stock Transfer (AST) immediately following the Allocation Date.

6. Partial Rights

Due to the allocation ratio of 2:1, fractional shares (partial rights) arise in each case where deposit holdings in shares of Daimler AG are not evenly dividable by two. The affected shareholders of Daimler AG will then receive 0.5 partial rights of a share in Daimler Truck Holding AG. Since, in principle, no shareholder rights can be asserted based on partial rights, Deutsche Bank AG as the central settlement agent will endeavour, together with the custodian banks, to mediate a settlement between the holders of the partial rights so that these holders have the opportunity to sell partial rights or to acquire corresponding partial rights in order to increase them to full rights. A rounding-off to full share rights (so-called settlement of fractional amounts) requires a corresponding buy or sell order by the concerned shareholder. For this purpose, the shareholders of Daimler AG are requested to provide their relevant depositary bank immediately, if possible,

however, no later than by 27 December 2021,

with a corresponding instruction for the rounding to full legal rights. Deutsche Bank AG as the central settlement agent together with the custodian banks is prepared to act as an intermediary for the purchase and sale of fractional rights to the extent possible. However, it is to be expected that in individual cases banks, especially abroad, will not participate in a settlement of partial rights or will not accept related orders. To the extent that orders for rounding-off of the partial rights into full rights are not placed or a rounding-off into full rights is not possible due to the orders placed, the custodian banks and the trustee will,

after the end of 28 December 2021,

consolidate the partial rights to shares in Daimler Truck Holding AG that have been allocated to shares in Daimler AG and have not yet been consolidated into full rights (shares) in Daimler Truck Holding AG and sell them on the stock exchange. The proceeds of such sale will then be credited to the holders of partial rights concerned in proportion to the partial rights attributable to them.

The settlement of partial rights shall be free of commissions and expenses for entitled shareholders who hold their shares in Daimler AG in securities accounts in Germany. However, no assurance can be given that respective Daimler AG shareholders will not be subject to additional charges by the respective depositary banks for the allocation of shares in Daimler Truck Holding AG or for the processing of an order to settle partial rights with regard to Daimler Truck Holding AG's shares. Shareholders holding their shares in Daimler AG in securities accounts abroad may also be subject to commissions and expenses based on existing agreements with the relevant depository bank.

Shareholders of Daimler AG with physical shares will not participate in the settlement of partial rights by the depository banks. Rather, their partial rights will also be consolidated into full rights (shares) in Daimler Truck Holding AG and sold on the stock exchange according to the procedure described above. The proceeds of such sale will be paid to them by cheque.

7. Stock Exchange Admission and Stock Market Trading

The English language listing prospectus of Daimler Truck Holding AG for the admission to stock exchange trading was approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin*) on 26 November 2021. The prospectus relating to the total of 822,951,882 ordinary registered shares with no-par value of Daimler Truck Holding AG is available online at www.daimlertruck.com under the section www.daimlertruck.com/investors.

On 9 December 2021, all shares of Daimler Truck Holding AG were admitted to the Regulated Market of the Frankfurt Stock Exchange and, additionally, to the sub-segment of the Regulated Market of the Frankfurt Stock Exchange with additional post-admission obligations (Prime Standard). However, on this day trading in shares of Daimler Truck Holding AG is not yet possible and the Daimler shares are still traded "cum Daimler Truck". The first trading in the shares of Daimler Truck Holding AG is expected to occur on 10 December 2021. On the same day, the shares of Daimler AG will be traded "ex spin-off".

8. Note on the So-Called Unsponsored ADR Programmes in respect of Daimler AG in the USA
In the United States, Daimler AG shares are traded off-market in form of American depositary receipts (ADR). As Daimler AG terminated its sponsored level 1 ADR programme as of 5 January 2017, those ADR programmes in respect of Daimler AG are un-sponsored and are managed by various ADR depositaries independent of Daimler AG. Holders of ADRs under the respective unsponsored ADR programmes are advised to contact their respective ADR depositaries, brokers or financial institutions with regard to their rights under such programmes and applicable procedures in connection with the Spin-off.
Stuttgart, December 2021
Daimler AG
The Board of Management

3.3.5 Company ADR Program

The Company intends to establish an American depositary receipt (together with American depositary share, "**ADR**") program in the United States on or about December 9, 2021 (the "**Company ADR Program**"). The Bank of New York Mellon, as depositary for the Company ADR Program, will register and deliver the Company ADRs. Each Company ADR will represent an ownership interest in the Company's ordinary registered shares and a pro rata share of any other securities, cash or other property that may be held by the depositary, under the terms of the deposit agreement to be entered into between the Company, the depositary and the owners and holders of American depositary shares from time to time.

On the first trading date the Company shares will not be admitted to listing and trading on any stock exchange in the United States, and the Company expects to rely on an exemption from registration under the U.S. Securities Exchange Act of 1934 provided by Rule 12g3-2(b) thereunder.

The Company ADRs may be held either (a) directly (i) by having a Company American depositary receipt, which is a certificate evidencing a specific number of Company ADRs, registered in the name of the shareholder, or (ii) by having Company ADRs registered in the name of the shareholder in the direct registration system (the "**DRS**"), or (b) indirectly by holding a security entitlement in the Company ADRs through the shareholder's broker or other financial institution.

The Company will not treat the Company ADR holders as its shareholders and the rights of the Company ADR holders will be governed by the deposit agreement, which will be governed by the laws of the State of New York. The deposit agreement will also set out the rights and obligations of the depositary.

The depositary or its nominee will be the record holder of the Company shares underlying the Company ADRs. The Company ADR holders may exercise their voting rights with respect to the Company shares underlying the Company ADRs only in accordance with the provisions of the deposit agreement.

The Company ADR holders will be required to pay fees under the terms of the deposit agreement, including fees for cancellation of the Company ADRs and upon dividends and distributions. The depositary has agreed to reimburse the Company for certain expenses directly related to the Company ADR Program.

3.4 Admission to Trading

3.4.1 Admission to Trading on the Frankfurt Stock Exchange and Commencement of Trading

The Company and Citigroup (as defined under "*2.1 Responsibility for the Content of this Prospectus*"), a German stock corporation (*Aktiengesellschaft*) with its registered seat (*Sitz*) in Frankfurt am Main, incorporated in and operating under the laws of Germany, with business address at Reuterweg 16, 60323 Frankfurt am Main, Germany (LEI: 6TJCK1B7E7UTXP528Y04), will ask for admission of the Shares to trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) on or about November 29, 2021.

The admission to trading approval (admission decision) for the Company's Shares is expected to be granted on December 9, 2021. The decision on the admission of the Company's Shares to trading will be made solely by the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) at its discretion. Trading in the Company's Shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is expected to commence on December 10, 2021.

3.4.2 Publication and Availability of the Prospectus

Following the approval of this Prospectus by BaFin, the Prospectus will be published on the Company's website at www.daimlertruck.com under the section www.daimlertruck.com/investors.

3.4.3 Information on the Shares

3.4.3.1 Voting rights

Each Share in the Company carries one vote at the Company's general meeting. All of the Company's Shares confer the same voting rights. There are no restrictions on voting rights.

3.4.3.2 Dividend and liquidation rights

The Existing Shares carry full dividend rights as from the formation of the Company on March 25, 2021. The New Shares carry full dividend rights as of January 1, 2022. In the event of the Company's liquidation, any proceeds will be distributed to the holders of the Company's Shares in proportion to their interest in the Company's share capital. Shareholders who hold the Shares on the day of the respective general meeting's resolution on the allocation of the distributable profits are entitled to dividend payments.

3.4.3.3 Form, certification of the Shares and currency of the securities issue

As of the date of this Prospectus, all of the Company's Shares are ordinary registered shares with no par value (*auf den Namen lautende Stückaktien*). The Company's Shares will be represented by one or more global share certificates (the "**Global Share Certificates**"), which will be deposited with Clearstream Banking AG ("**Clearstream**"), together with the corresponding global bearer dividend coupons.

In connection with the Spin-off, the shareholders of the Existing Shareholder will receive Shares in the Company equivalent to the percentage of shares they own in the Existing Shareholder at the time of the Demerger Transactions Effective Date. In relation to U.S. shareholders of the Existing Shareholders, special circumstances apply as they hold their shares not via a securities account connected to Clearstream Banking AG but via Depository Trust Company (DTC) or American Stock Transfer (AST). U.S. shareholders are offered an alternative settlement option in the form of a newly established sponsored ADR program for the Shares of the Company.

Section 5 para. 2 sentence 1 of the Articles of Association excludes the shareholders' right to receive individual share certificates to the extent permitted by law, unless mandated by the rules of a stock exchange to which the shares are admitted. The Company is authorized to issue individual share certificates or global certificates pursuant to section 5 para. 2 sentence 2 of the Articles of Association. All Shares of the Company provide holders thereof with the same rights and no Shares provide any additional rights.

The Company's Shares are denominated in EUR.

3.4.3.4 ISIN/WKN/Common Code/Ticker Symbol

Existing Shares:

International Securities Identification Number (ISIN)	DE000DTR0013
German Securities Code (*Wertpapierkennnummer*) (WKN)	DTR001

New Shares:

International Securities Identification Number (ISIN)	DE000DTR0CK8
German Securities Code (*Wertpapierkennnummer*) (WKN)	DTR0CK
Ticker Symbol	DTG

Following the annual general meeting of the Company in 2022, it is intended that the ISIN for the Existing Shares will be integrated into the ISIN for the New Shares so that the two ISINs will be consolidated.

3.4.4 Identification of Target Market

Solely for the purpose of the product governance requirements contained within: (a) EU Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "**manufacturer**" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Shares have been subject to a product approval process by the Banks, which has determined that the Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling or transfer restrictions in relation to any subsequent offering or resale of Shares and does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the Shares and determining appropriate distribution channels.

In relation to any subsequent offering, transfer or resale of the Shares, legal restrictions may apply in certain jurisdictions. Potential investors or distributors should make their own assessment on the suitability, appropriateness and lawfulness of any such offering, transfer or resale and as to their own investment decision and, if appropriate, seek professional advice for the relevant jurisdiction or jurisdictions. In particular, it may be unlawful in certain jurisdictions to make Shares available to others, including through a resale, allotment, delivery or transfer, without a registration or the publication of a disclosure document approved or otherwise endorsed by the competent authority in such jurisdictions unless an exemption or waiver applies.

3.4.5 Transferability of Shares

The Company's Shares are freely transferable in accordance with the legal requirements for registered shares (*Namensaktien*). The Articles of Association of the Company do not require that the Company grants its consent to a transfer of the Shares.

For a description of the lock-up under the Listing Agreement see "*3.4.6 Lock-Up, Limitations on Disposal*" and for a description of the lock-up in connection with the GSA Lock-Up Period see "*11.1.1.1.3 Group Separation Agreement (Konzerntrennungsvertrag)*".

3.4.6 Lock-Up, Limitations on Disposal

In the Listing Agreement, the Company agreed that, during the period commencing on the date of the Listing Agreement and ending six months after the first day of trading of the Company's Shares on the Frankfurt Stock Exchange, without the prior written consent of the Listing Agents, which consent may not be unreasonably withheld, the Company will not, and will not agree to:

a) announce or effect an increase of the Company's share capital from approved capital; or

b) propose to its general meeting an increase of the Company's share capital; or

c) announce, effect or propose the issuance of securities with conversion or option rights on the Company's Shares; or

d) enter into a transaction or perform any action economically similar to those described in a) through c) above.

The Company may, however, issue or sell Shares or other securities (i) to employees and members of the Company's Management Board or Supervisory Board or the Company's subsidiaries under current or future employee or management participation plans or (ii) in consideration of all or a portion of the acquisition price of any business acquired by the Company or for the purposes of entering into a joint venture, provided that in the case of (ii) the recipient of such Shares or other securities assumes towards the Listing Agents the obligations of the Company under the section of the Listing Agreement regulating the foregoing lock-up undertakings of the Company for the then remaining part of the lock-up period of the Company. The lock-up undertakings of the Company shall not apply to the capital increases in relation to the Demerger Transactions.

In the Listing Agreement, Daimler AG agreed that during the period commencing on the date of the Listing Agreement and ending six months after the first day of trading of the Company's Shares on the Frankfurt Stock Exchange, without the prior written consent of the Listing Agents, which may not be unreasonably withheld, Daimler AG will not, and will not agree to:

a) offer, pledge, allot, sell, distribute, transfer or otherwise dispose of, directly or indirectly, any Shares held by Daimler AG in the Company; this also applies to any transactions economically similar to a disposal of securities, *e.g.*, the issuance of options and warrants convertible into Shares of the Company, but excludes, for the avoidance of doubt, the transfer of 5.0% of the Shares in the Company held by Daimler AG indirectly to Daimler Pension Trust e.V.; or

b) cause or approve, directly or indirectly, the announcement, execution or implementation of any increase in the share capital of the Company or a direct or indirect placement of Shares of the Company; or

c) propose, directly or indirectly, any increase in the share capital of the Company to any meeting of the shareholders for resolution, or vote in favor of such a proposed increase; or

d) cause or approve, directly or indirectly, the announcement, execution or proposal of any issuance of financial instruments provided with options and warrants convertible into Shares of the Company; or

e) enter into a transaction or perform any action economically similar to those described in a) through d) above.

The foregoing lock-up restrictions for Daimler AG will not restrict the (i) tender, sale and transfer of the Company's shares in a takeover bid for the Shares of the Company pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), (ii) the over-the-counter (*außerbörsliche*) transfer of the Company's Shares by Daimler AG to any of its affiliates and the transfer of the Company's Shares by any Authorized Recipient (as defined below) to another Authorized Recipient, and (iii) any allotments or distributions of the Company's shares to direct or indirect shareholders or other securities holders of Daimler AG or any affiliates of such shareholders or securities holders (together with any affiliates under (ii), the ("**Authorized Recipients**"), provided that in each case mentioned in (ii) and (iii) the Authorized Recipient shall assume towards the Listing Agents the obligation to comply with the restrictions applicable to Daimler AG thereunder for the then remaining part of the lock-up period. In particular, the foregoing lock-up restrictions shall not apply to the capital increases in relation to the Demerger Transactions.

3.4.7 Designated Sponsor

Baader Bank Aktiengesellschaft, Weihenstephaner Straße 4, 85716 Unterschleißheim, Germany, has been mandated as designated sponsor of the Company's Shares traded on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). Pursuant to the designated sponsor agreement which has been concluded between the designated sponsor and the Company, the designated sponsor will, among other things, place limited buy and sell orders for the Company's Shares in the electronic trading system of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during regular trading hours. This is intended to achieve greater liquidity in the market for the Company's Shares.

3.4.8 Interests of Parties Participating in the Admission to Trading

In connection with the admission to trading of the Company's Shares, the Banks have formed a contractual relationship with the Company and the Existing Shareholder.

The Banks and their affiliates are acting exclusively for the Company and the Existing Shareholder and no one else in connection with the Admission to Trading and on coordinating the structuring and execution of the Admission to Trading. They will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Admission to Trading and will not be responsible to anyone other than the Company and the Existing Shareholder for providing the protections afforded to their respective clients, nor for giving advice in relation to the Admission to Trading or any transaction or arrangement referred to herein. BNP PARIBAS, Citigroup and Goldman Sachs Bank Europe SE, acting as the Listing Agents, will receive a fee from the Existing Shareholder in connection with the completion of the Admission to Trading. Deutsche Bank and J.P. Morgan act as Financial Advisors, and Berenberg, BofA Securities and Landesbank Baden-Württemberg act as Co-Advisors. In addition, Baader Bank Aktiengesellschaft, Weihenstephaner Straße 4, 85716 Unterschleißheim, has been mandated to act as designated sponsor for the Company's Shares. Deutsche Bank has been mandated as paying agent. As a result of these contractual relationships, the Company therefore assumes that the Banks have an interest in the successful completion of the transaction.

BNP PARIBAS, Citigroup, Deutsche Bank and JP Morgan or their affiliates entered into financing agreements with the Company and its affiliates, primarily under the EUR 18 billion Credit Facilities Agreement (see "*10.18.1 Credit Facilities Agreement*"). The financing commitments under the EUR 18 Billion Credit Facilities Agreement were syndicated to more than 20 banks whereby the Banks or affiliates of the Banks (except for Berenberg) have either maintained their lending position or have become new lenders.

Furthermore, the Banks or their affiliates may have, and may from time to time in the future continue to have, business relations with the Company and the Existing Shareholder and their respective affiliates, including lending activities, and have performed or may perform services for the Company and the Existing Shareholder and their respective affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. In addition, certain of the Banks or their affiliates may enter into financing arrangements (including swaps) with investors in connection with which such Banks (or their affiliates) may from time to time acquire, hold or dispose of Shares of the Company. None of the Banks intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Daimler AG has an interest in the Demerger Transactions as it serves to dispose of a majority shareholding in Daimler Truck AG. For further details regarding the expectations of Daimler AG and the Company as to the effects of the Demerger Transactions, see "*4.1 Reasons for the Demerger Transactions and Admission to Trading*".

None of the aforementioned interests in the Admission to Trading constitute a material conflict of interest or a potential conflict of interest. Consequently, there are no material conflicts of interest with respect to the Admission to Trading.

For information regarding dual mandates and certain information relating to members of the Management Board and Supervisory Board see "*1.5.2 Membership of the same individuals on boards of the Company and of the Daimler Group as well as other relationships with the Daimler Group or companies of the Daimler Group may result in conflicts of interest*", "*11.1.1.6 Dual Mandates*" and "*16.4 Certain Information Regarding the Members of the Management Board and Supervisory Board*".

4 REASONS FOR THE DEMERGER TRANSACTIONS AND ADMISSION TO TRADING AND COSTS OF THE ADMISSION TO TRADING

4.1 Reasons for the Demerger Transactions and Admission to Trading

Daimler AG has decided to implement the Demerger Transactions and thereby give the Daimler Truck Group the entrepreneurial flexibility it needs in order to adapt its strategy and business model to changing market conditions in an independent and agile manner. The Demerger Transactions are intended to enable the Daimler Truck Group to implement its own strategy under better framework conditions, including a more focused profile to react to the changes in the market environment. In addition, direct access to the capital market opens up additional sources of financing. The Company intends to ask for admission of the Shares of the Company to trading on the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), as well as on the sub-segment with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) to gain access to the capital markets.

4.2 No proceeds; Costs of the Admission to Trading

Neither the Company nor the Existing Shareholder will receive proceeds in connection with the Admission to Trading.

All costs in connection with the Admission to Trading are assumed by Daimler AG except that the Company will bear costs of up to EUR 1.0 million in connection with the Admission to Trading.

5 DIVIDEND POLICY

5.1 General Provisions Relating to Profit Allocation and Dividend Payments

The shareholders' share of profits in the Company is determined based on their respective interest in the Company's share capital. In a German stock corporation (*Aktiengesellschaft*), such as the Company, the distribution of dividends for any given fiscal year, and the amount and payment date thereof, are generally resolved by the general meeting (*Hauptversammlung*) of the subsequent fiscal year, based upon a joint proposal by the Management Board and the Supervisory Board. The annual general meeting must be held within the first eight months of each fiscal year.

When determining distributable profits, the profit or loss for the fiscal year (*Jahresüberschuss/-fehlbetrag*) must be adjusted for retained profit/loss carry forwards (*Gewinn-/Verlustvorträge*) from the previous fiscal year, withdrawals from capital reserves or withdrawals from or appropriations to reserves (retained earnings). Certain reserves are required to be set up by law and must be deducted when calculating the balance sheet profits available for distribution. Certain additional limitations apply if self-created intangible assets or deferred tax assets have been capitalized or certain plan assets that exceed corresponding pension liabilities have been capitalized. Subject to certain statutory restrictions, the general meeting is entitled to transfer additional amounts to the reserves or carry them forward.

Pursuant to German law, dividends may only be distributed from a distributable balance sheet profit (*Bilanzgewinn*) of the Company which is calculated based on the Company's unconsolidated (separate) financial statements prepared in accordance with German generally accepted accounting principles of the German Commercial Code (*Handelsgesetzbuch*). Such accounting principles differ from IFRS in material respects.

The Management Board must prepare, *inter alia*, unconsolidated (separate) financial statements (balance sheet, income statement and notes to the unconsolidated (separate) financial statements) and a management report for the previous fiscal year by the statutory deadline and present these to the Supervisory Board and the auditors immediately after preparation. At the same time, the Management Board must present to the Supervisory Board a proposal for the allocation of the Company's distributable balance sheet profit pursuant to section 170 para. 2 of the German Stock Corporation Act (*Aktiengesetz*). Pursuant to section 171 of the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board must review the financial statements, the Management Board's management report and the proposal for the allocation of the distributable profits and report to the general meeting in writing on the results of such review. The Supervisory Board must submit its report to the Management Board within one month of receiving the documents. If the Supervisory Board approves the financial statements after its review, these are deemed adopted unless the Management Board and Supervisory Board resolve to assign adoption of the financial statements to the general meeting. If the Management Board and Supervisory Board choose to allow the general meeting to adopt the financial statements, or if the Supervisory Board does not approve the financial statements, the Management Board must convene a general meeting without undue delay. If the Management Board and the Supervisory Board approve the unconsolidated (separate) financial statements, they may, pursuant to section 58 para 2 of the German Stock Corporation Act (*Aktiengesetz*), allocate an amount of up to 50% of the Company's profit for the fiscal year—after deducting any transfers to statutory reserves and any losses carried forward—to non-statutory reserves.

The general meeting's resolution on the allocation of the distributable balance sheet profit requires a simple majority of votes cast to be passed without being bound by the proposal from the Management Board and the Supervisory Board. Pursuant to the Articles of Association, the general meeting may also, to the extent permitted by law, approve the distribution of non-cash dividends in addition to the distribution of cash dividends. Dividends resolved by the general meeting are due and payable on the third business day following the relevant general meeting, unless a longer period is provided for in the dividend resolution or the articles of association. The dividends will be paid out in accordance with the rules of the respective clearing system on the day they become due and payable. Since all of the dividend entitlements with respect to the Company's Shares will be evidenced by global dividend coupons (*Gewinnanteilsschein*) deposited with Clearstream, dividends with respect to the Company's Shares will be paid via Clearstream to the custodian banks for the benefit of shareholders. German custodian banks are under an obligation to distribute the respective funds to their customers. Shareholders using a custodian bank located outside Germany must enquire at their respective bank about the terms and conditions applicable in their case. Details on dividend payments and the respective payment agent will be published in the German Federal Gazette (*Bundesanzeiger*). To the extent that dividends can be distributed by the Company in accordance with the German Stock Corporation Act (*Aktiengesetz*) and the German Commercial Code (*Handelsgesetzbuch*) and corresponding decisions are taken, there are no restrictions on shareholders' rights to receive such dividends.

Generally, withholding tax (*Kapitalertragsteuer*) is withheld from dividends paid. For further information on the taxation of dividends, see "*18.2.2 Taxation of Dividends*."

Pursuant to German law, dividend payment claims are subject to a three-year standard limitation period. Once time-barred, the relevant dividend payment claim passes to the Company.

5.2 Dividend Policy

Subject to the availability of distributable profit (*Bilanzgewinn*), legal restrictions with respect to the distribution of profits and available funds, and subject to prevailing market conditions and economic situation at the time of the distribution, the Company intends to pay an annual dividend of approximately 40% of the Group's consolidated net profit attributable to the shareholders of the Company according to IFRS, provided that the payment of such annual dividend is covered by the free cash flow resulting from the Industrial Business, for the first time in 2023 for the fiscal year ending in 2022.

Any future determination to pay dividends will be made in accordance with applicable laws, and will depend upon, among other factors, the Group's results of operations, financial condition, contractual restrictions and capital requirements. Any proposals of the Management Board of the Company to pay dividend is subject to the approval of the general meeting. The Company depends to a significant extent on the transfer of distributable profits from its operating subsidiaries. The Company can make no predictions as to the size of any future profits available for distribution, and hence the Company cannot guarantee that dividends will be paid in the future, see also "*1.6.5 The payment of future dividends will depend, among other things, on the Group's results of operations, financial and investment needs and the availability of distributable reserves.*"

6 CAPITALIZATION, INDEBTEDNESS AND STATEMENT ON WORKING CAPITAL

*The following tables set forth (i) the Company's actual capitalization and indebtedness as of September 30, 2021 and (ii) the actual capitalization and indebtedness of the Daimler Truck Group as of September 30, 2021 on a combined basis together with adjustments for the effects of (a) capital and liquidity funding measures, (b) the remaining Phase 1 Transactions, and (c) certain other measures ("**Other**"), all taken or to be taken prior to the consummation of the Demerger Transactions, but not reflected in the Unaudited Condensed Interim Combined Financial Statement.*

Investors should read these tables in conjunction with "7 Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as the Combined Financial Statements and the Audited Unconsolidated Financial Statements, in each case, including the notes thereto, contained in this Prospectus.

6.1 Capitalization

	Company	Daimler Truck Group				
			Adjustments for the effects of			
	As of September 30, 2021	As of September 30, 2021	Capital and liquidity funding measures[1]	Remaining Phase 1 Transactions[2]	Other[3]	Total[4]
	(EUR in thousands)			(EUR in million) (Unaudited)		
Total current debt (including current portion of non-current debt)[5]	**521**	**21,865**	**—**	**—**	**(3,243)**[3](ii)	**18,622**
of which guaranteed[6]	—	3,436	—	(2,814)[2](v)	—	622
of which secured[7]	—	591	—	—	—	591
of which unguaranteed/ unsecured	521	17,838	—	2,814[2](v)	(3,243)	17,409
Total non-current debt (excluding current portion of non-current debt)[8]	—	**17,940**	**—**	**—**	**215**[3](i)	**18,155**
of which guaranteed[9]	—	3,504	—	(2,138)[2](v)	—	1,366
of which secured[10]	—	340	—	—	—	340
of which unguaranteed/ unsecured	—	14,095	—	2,138[2](v)	215	16,448
Shareholder equity[11]	**183**	**11,012**	**5,380**[1](i)(ii)(iii)	**(1,523)**[2](i)(ii)(iii)(iv)	**977**[3](iii)(iv)(v)(vi)	**15,847**
of which share capital[12][13]	50	—	—	—	—	—
of which legal reserves[12][14]	150	—	—	—	—	—
of which other reserves[12][15]	(17)	—	—	—	—	—
Total	**704**	**50,817**	**5,380**	**(1,523)**	**(2,050)**	**52,624**

Notes

(1) Represents the effects of payments from Daimler AG to Daimler Truck AG for the capital and liquidity funding measures prior to the consummation of the Demerger Transactions comprised of (i) a EUR 1,987 million contribution to equity (capital reserves) to enable Daimler Truck AG (or its subsidiaries) to acquire and build up the commercial vehicle-related financial services business and to acquire companies, business activities and economic goods (including rights to use trademarks and patents) attributable to the trucks and buses division, (ii) a EUR 250 million contribution to equity (capital reserves) to strengthen the assets held to cover Daimler Truck Group's pension obligations, and (iii) a EUR 3,143 million contribution to equity (capital reserves) to ensure that Daimler Truck AG has an adequate equity base.

(2) Represents the effects of (i) net cash purchase price payments of EUR 102 million relating to the acquisition of Mercedes-Benz Research and Development India Private Limited, (ii) net cash purchase price payments of EUR 5 million relating to the acquisition of Mercedes-Benz Parts Logistics Eastern Europe s.r.o., (iii) net cash proceeds of EUR 10 million relating to the disposal of Daimler Commercial Vehicles South East Asia Pte. Ltd. and (iv) a cash payment of EUR 1,425 million for the purchase price with respect to share deals or asset deals for the acquisitions of the Financial Services Business in the context of the Phase 1 Transactions minus "financing liabilities allocated based on a target equity ratio," which are already part of the Unaudited Condensed Interim Combined Financial Statements. See Note 2 (Basis of Preparation) and Note 27 (Financing Liabilities) of the Audited Combined Financial Statements and Note 21 (Financing Liabilities) of the Unaudited Condensed Interim Combined Financial Statements for further information. Effects of refinancing financial liabilities replacing "financial liabilities allocated based on a target equity ratio" at Daimler Truck Financial Services at the time of the legal reorganization and as part of the financing of the preliminary purchase price through external debt, that is predominantly the effects of increases in the portfolio assets at Daimler Truck Financial Services subsequent to September 30, 2021 and prior to the legal transfer date and as such subject to the finalization of the purchase price determination that will occur subsequent to the finalization of this Prospectus, are not taken into account. Therefore, the amounts described in the foregoing sentence and the preliminary purchase prices for (ii) and (iv) are determined based on preliminary valuations and therefore may differ from the final amounts, in particular because the changes from current operations are not taken into account. In addition, potential changes to long-term and

short-term classifications of debt due to refinancing financial liabilities are not taken into account as the future structure of the external financing will not be completed by the time of this Prospectus. Furthermore, (v) represents the effects that debt guaranteed by Daimler AG as of September 30, 2021 (current: EUR 2,814 million; non-current: EUR 2,138 million) will be replaced by new and essentially equivalent guarantees issued by companies of the Daimler Truck Group.

(3) Represents the effects of (i) the acquisition of a 10.1% non-controlling interest by Daimler Grund Services GmbH in the amount of EUR 215 million in each of the Gamma Partnerships and Grundstücksverwaltungsgesellschaft EvoBus GmbH & Co. OHG, which is accounted for as a financial instrument under IAS 32, (ii) the settlement and termination of cash pooling payables as well as other financial liabilities of the Daimler Truck Group to the Daimler Group in the amount of EUR 3,243 million, (iii) the equity effects of the purchase price payment in the amount of EUR 21 million relating to the Agreement on the Transfer of Divisions and Functions for the purpose of the separation of central functions and mandated functions (see "*11.1.1.1.6 Agreements on Separation of Central Functions and Mandated Functions*"), (iv) the equity effects of a new license agreement between the Daimler Group and the Daimler Truck Group for the right to use the Mercedes-Benz brand for an indefinite period in exchange for no consideration with a fair value of EUR 1,056 million, (v) the equity effects of the purchase agreements for the Daimler, Charterway and Fleetboard trademarks and related IPv4 address ranges (EUR 16 million) and (vi) the equity effects of the purchase agreement for a patent portfolio (EUR 41 million) of Daimler AG, see "*11.1.1.1.7 Intellectual Property License and Purchase Agreements*." The final amount of the cash contribution for (i) and the final amounts for (iv), (v) and (vi) will be based on external valuations at the time of the transfer and will therefore finally be determined at a later point in time. Therefore, these amounts are preliminary and determined based on preliminary valuations and therefore may differ from the final amounts, in particular because the changes from current operations are not taken into account.

(4) Total reflects the sum of the effects of the adjustments resulting from the capital and liquidity funding measures, the effects of the remaining purchase price payments in relation to Phase 1 Transactions and Other on the figures of Daimler Truck Group as of September 30, 2021.

(5) Corresponds to "Total liabilities" in the statement of financial position of the Company's Audited Unconsolidated Financial Statements, and to the item "Total current liabilities" in the combined statement of financial position of the Unaudited Condensed Interim Combined Financial Statements for the Daimler Truck Group.

(6) Current debt guaranteed includes mainly guaranteed notes, bonds, commercial papers, financing liabilities to external financial institutions and certain liabilities and provisions for other risks.

(7) Current debt secured includes current portion of the financing liabilities from ABS transactions.

(8) Corresponds to "Total non-current liabilities" in the combined statement of financial position of the Unaudited Condensed Interim Combined Financial Statements for the Daimler Truck Group.

(9) Non-current debt guaranteed includes mainly guaranteed notes, bonds, commercial papers, financing liabilities to external financial institutions and certain liabilities and provisions for other risks.

(10) Non-current debt secured includes non-current portion of the financing liabilities from ABS transactions.

(11) Corresponds to "Total equity" in the statement of financial position of the Company's Audited Unconsolidated Financial Statements, and to the item "Total equity" (including "Invested equity attributable to non-controlling interests" in the amount of EUR 494 million) as shown in the combined statement of financial position of the Unaudited Condensed Interim Combined Financial Statements for the Daimler Truck Group.

(12) Prior to the completion of the Demerger Transactions, the Daimler Truck Group was not a legal group for consolidated financial statements reporting purposes in accordance with "*IFRS 10—Consolidated Financial Statements*" in the periods presented. Its equity was presented on the basis of the aggregation of the net assets of the Daimler Truck Group under the control of Daimler AG and centrally managed by the management board of Daimler AG. Consequently, the Unaudited Condensed Combined Interim Financial Statements for the Daimler Truck Group do not separately disclose share capital, legal reserves and other reserves.

(13) Corresponds to "Share capital" in the statement of financial position of the Company's Audited Unconsolidated Financial Statements.

(14) Corresponds to "Capital reserve" in the statement of financial position of the Company's Audited Unconsolidated Financial Statements.

(15) Corresponds to "Loss for the period" in the statement of financial position of the Company's Audited Unconsolidated Financial Statements.

6.2 Indebtedness

	Company	Daimler Truck Group				
			Adjustments for the effects of			
	As of September 30, 2021	As of September 30, 2021	Capital and liquidity funding measures[(1)]	Remaining Phase 1 Transactions[(2)]	Other[(3)]	Total[(4)]
	(EUR in thousands)			(EUR in million) (Unaudited)		
A. Cash[(5)]	51	1,349	5,380[(1)(i)(ii)(iii)]	(1,564)[(2)(i)(ii)(iii)(iv)(v)]	1,322[(3)(i)(ii)(iii)(iv)(v)(vi)]	6,487
B. Cash equivalents[(6)]	—	126	—	—	—	126
C. Other current financial assets[(7)]	—	5,002	—	—	(4,503)[(3)(ii)]	499
D. Liquidity (A)+(B)+(C)	**51**	**6,477**	**5,380**	**(1,564)**	**(3,181)**	**7,112**
E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)[(8)]	—	13,575	—	—	(3,243)[(3)(ii)]	10,332
F. Current portion of non-current financial debt	—	—	—	—	—	—
G. Current financial indebtedness (E + F)	**—**	**13,575**	**—**	**—**	**(3,243)**	**10,332**
H. Net current financial indebtedness (G–D)	**(51)**	**7,098**	**(5,380)**	**1,564**	**(62)**	**3,220**
I. Non-current financial debt (excluding current portion and debt instruments)[(9)]	—	8,825	—	—	—	8,825
J. Debt instruments[(10)]	—	704	—	—	—	704
K. Non-current trade and other payables	—	—	—	—	—	—
L. Non-current financial indebtedness (I + J + K)	**—**	**9,529**	**—**	**—**	**—**	**9,529**
M. Total financial indebtedness (H + L)	**(51)**	**16,627**	**(5,380)**	**1,564**	**(62)**	**12,749**

Notes:

(1) Represents the effects of payments from Daimler AG to Daimler Truck AG for the capital and liquidity funding measures prior to the consummation of the Demerger Transactions comprised of (i) a EUR 1,987 million contribution to equity (capital reserves) to enable Daimler Truck AG (or its subsidiaries) to acquire and build up the commercial vehicle-related financial services business and to acquire companies, business activities and economic goods (including rights to use trademarks and patents) attributable to the trucks and buses division, (ii) a EUR 250 million contribution to equity (capital reserves) to strengthen the assets held to cover Daimler Truck Group's pension obligations, and (iii) a EUR 3,143 million contribution to equity (capital reserves) to ensure that Daimler Truck AG has an adequate equity base.

(2) Represents the cash effects of (i) the purchase price payments of EUR 102 million relating to the acquisition of Mercedes-Benz Research and Development India Private Limited, (ii) the purchase price payment of EUR 5 million relating to the acquisition of Mercedes-Benz Parts Logistics Eastern Europe s.r.o., (iii) the net cash proceeds of EUR 10 million relating to the disposal of Daimler Commercial Vehicles South East Asia Pte. Ltd., (iv) the purchase price payment for the fund and cost investments in the amount of EUR 41 million to Daimler Truck Group and (v) the cash payment of EUR 1,425 million for the purchase price with respect to share deals or asset deals for the acquisitions of the Financial Services Business in the context of the Phase 1 Transactions minus "financing liabilities allocated based on a target equity ratio", which are already part of the Unaudited Condensed Interim Combined Financial Statements, see Note 2 (Basis of Preparation) and Note 27 (Financing Liabilities) of the Audited Combined Financial Statements and Note 21 (Financing Liabilities) of the Unaudited Condensed Interim Combined Financial Statements for further information. Effects of refinancing financial liabilities replacing "financial liabilities allocated based on a target equity ratio" at Daimler Truck Financial Services at the time of the legal reorganization and as part of the financing of the preliminary purchase price through external debt, that is predominantly the effects of increases in the portfolio assets at Daimler Truck Financial Services subsequent to September 30, 2021 and prior to the legal transfer date and as such subject to the finalization of the purchase price determination that will occur subsequent to the finalization of this Prospectus, are not taken into account. Therefore, the amounts described in the foregoing sentence and the preliminary purchase prices for (ii) and (v) are determined based on preliminary valuations and therefore may differ from the final amounts, in particular because the changes from current operations are not taken into account.

(3) Represents the effects of (i) a cash contribution in the amount of EUR 215 million from Daimler Grund Services GmbH to Daimler Truck AG for a non-controlling share of 10.1% in each of the Gamma Partnerships and Grundstücksverwaltungsgesellschaft EvoBus GmbH & Co. OHG, (ii) the settlement and termination of cash pooling arrangements as well as other financial liabilities and receivables between the Daimler Group and the Daimler Truck Group, of which EUR 4,503 million correspond to cash pooling receivables and loan receivables and EUR 3,243 million to cash pooling liabilities and loan payables of Daimler Truck Group (excluding the Financial Services segment), (iii) the cash effects of the Agreement on the Transfer of Divisions and Functions for the purpose of the separation of central functions and mandated functions in the amount of EUR 21 million (see "*11.1.1.1.6 Agreements on Separation of Central Functions and Mandated Functions*"), (iv) the

cash payments of the purchase agreements for the Daimler, Charterway and Fleetboard trademarks of EUR 13 million and related IPv4 address ranges (EUR 12 million), (v) the cash payments for a patent portfolio (EUR 65 million) and (vi) cash payments for license agreements to the patent portfolio (EUR 41 million) of Daimler AG, see "*11.1.1.1.7 Intellectual Property License and Purchase Agreements*." The final amount of the cash contribution for (i) and the final amounts for (iv), (v) and (vi) will be based on external valuations at the time of the transfer and will therefore finally be determined at a later point in time. Therefore, these amounts are preliminary and determined based on preliminary valuations and therefore may differ from the final amounts, in particular because the changes from current operations are not taken into account.

(4) Total reflects the sum of the effects of the adjustments resulting from the capital and liquidity funding measures, the effects of the remaining purchase price payments in relation to Phase 1 Transactions and Other on the figures of Daimler Truck Group as of September 30, 2021.

(5) For the Company, "A. Cash" corresponds to "Cash and cash equivalents" in the statement of financial position of the Company's Audited Unconsolidated Financial Statements. For the Daimler Truck Group, "A. Cash" is included in the item "Cash and cash equivalents" in the combined statement of financial position of the Unaudited Condensed Interim Combined Financial Statements for the Daimler Truck Group and comprises cash and deposits at banks, checks and cash in transit.

(6) For the Daimler Truck Group, "B. Cash equivalents" is included in the item "Cash and cash equivalents" in the combined statement of financial position of the Unaudited Condensed Interim Combined Financial Statements for the Daimler Truck Group and comprises short-term deposits at banks and restricted funds in the amount of EUR 106 million relating primarily to subsidiaries where exchange controls apply so that Daimler Truck Group has restricted access to the funds.

(7) Reflects the sum of "Marketable debt securities and similar investments", which are part of the Daimler Truck Business' liquidity management and "Other financial assets" (excluding derivative financial instruments used in hedge accounting in the amount of EUR 57 million) as shown in the Unaudited Condensed Interim Combined Financial Statements for the Daimler Truck Business.

(8) Reflects the sum of "Financing liabilities" and "Other financial liabilities", each as shown in the combined statement of financial position of the Unaudited Condensed Interim Combined Financial Statements for the Daimler Truck Business, and includes EUR 169 million of current lease liabilities.

(9) Corresponds to the sum of "Financing liabilities" (excluding notes/bonds, liabilities from ABS transactions) and "Other financial liabilities" (excluding derivative financial instruments used in hedge accounting), each as shown in the combined statement of financial position of the Unaudited Condensed Interim Combined Financial Statements for the Daimler Truck Business, and includes EUR 1,050 million of non-current lease liabilities.

(10) Corresponds to the sum of "Notes/bonds", "Liabilities from ABS transactions" and "Derivative financial instruments used in hedge accounting", each as shown in the Unaudited Condensed Interim Combined Financial Statements for the Daimler Truck Business.

6.3 Lease Liabilities

As of September 30, 2021, current financial debt includes current lease liabilities amounting to EUR 169 million and non-current financial debt includes non-current lease liabilities amounting to EUR 1,050 million.

6.4 Indirect and Contingent Indebtedness

As at September 30, 2021, the Group's best estimate for obligations from contingent liabilities was EUR 607 million, as shown in Note 24 to the Unaudited Condensed Interim Combined Financial Statements The contingent liabilities mainly include legal proceedings.

6.5 Statement on Working Capital

In the Company's opinion, the working capital of the Company is sufficient to meet the Company's present requirements over at least the next 12 months from the date of this Prospectus.

In the Company's opinion, the working capital of the Group (being the Group upon the Demerger Transactions Effective Date, *i.e.* the Company and its consolidated subsidiaries) is sufficient to meet the Group's present requirements over at least the next 12 months from the date of this Prospectus.

6.6 No Significant Change

Other than the effects on capitalization and indebtedness of the Daimler Truck Group of (a) the capital and liquidity funding measures, (b) the remaining Phase 1 Transactions and (c) the Other measures, each as described in "*6.1 Capitalization*" and "*6.2 Indebtedness*", between September 30, 2021 and the date of the Prospectus, there have been no significant changes in the Group's financial position and the Group's financial performance.

For further information on recent developments and outlook, see "*22 Recent Developments and Outlook*".

7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion and analysis below provides information that the Group believes is relevant to an assessment and understanding of the Group's historical financial position and results of operations. You should read this discussion and analysis in conjunction with the section entitled "2.5 Presentation of Financial Information."

The financial information contained in the following section has been taken or derived from the Daimler Truck Business' audited combined financial statements as of and for the fiscal years ended December 31, 2020, 2019 and 2018 (the "Audited Combined Financial Statements"), the Daimler Truck Business' unaudited condensed interim combined financial statements as of and for the nine months ended September 30, 2021 (the "Unaudited Condensed Interim Combined Financial Statements", and together with the Audited Combined Financial Statements, the "Combined Financial Statements"), the audited unconsolidated financial statements of Daimler Truck Holding AG as of and for the stub period from March 25, 2021 to September 30, 2021 (the "Audited Unconsolidated Financial Statements") and the Group's accounting records or internal reporting systems. The Audited Combined Financial Statements were prepared in accordance with IFRS as adopted by the European Union. The Unaudited Combined Interim Financial Statements were prepared in accordance with international accounting standard 34 "Interim financial reporting" (IAS 34) as adopted by the European Union. The Audited Unconsolidated Financial Statements as of and for the stub period from March 25, 2021 to September 30, 2021 have been prepared in accordance with IFRS as adopted by the European Union.

Where financial information in the following tables is labeled "audited", this means that it has been taken from the audited financial statements mentioned above. The label "unaudited" is used in the following tables to indicate financial information that has not been taken from the audited financial statements mentioned above, but has been taken either from the Unaudited Condensed Interim Combined Financial Statements or the accounting records or the internal reporting systems of the Group or has been calculated based on figures from the aforementioned sources.

The following discussion of the Group's results of operations also makes reference to certain financial measures not defined by IFRS. Prospective investors should bear in mind that these financial measures may not be comparable to other similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group's results of operations as reported under IFRS. See "2.9 Alternative Performance Measures."

7.1 Overview

The Group is one of the world's largest manufacturers of medium-duty ("**MDT**") and heavy-duty ("**HDT**") trucks based on unit sales (source: IHS Markit). The Group operates a global network in which it produces trucks and buses under the brands Mercedes-Benz, Freightliner, Western Star, FUSO, BharatBenz, Setra and Thomas Built Buses. Flagship products of the Group include the Mercedes-Benz Actros, Freightliner Cascadia and the FUSO Canter, which represent some of the most popular trucks on the road worldwide. Alongside the sale of vehicles and related components and services, the Group also provides tailored financial services to support the purchase and use of its trucks and buses.

As of September 30, 2021, the Group had a total of 101,550 employees (headcount) and more than 40 production facilities located in North America, the EU30, Asia and Latin America. The Group has a presence in most countries around the world and leading market positions in key regions, including North America, the EU30, Japan and Brazil. The Group's headquarters are in Leinfelden-Echterdingen, Germany and it has significant production operations in Brazil, France, Germany, India, Japan, Mexico, Turkey and the United States. In China, the Group owns a 50% stake in Beijing Foton Daimler Automotive Co., Ltd. ("**BFDA**"), a joint venture with Chinese partner Foton, which produces trucks under the Auman brand.

The Group's truck product range includes light-, medium- and heavy-duty trucks for long-distance, distribution and construction-site haulage, special vehicles that are used mainly in municipal applications as well as industrial engines. Trucks account for the large majority of the Group's total unit sales and revenue. The Group's bus product range comprises city and inter-city buses, touring coaches and bus chassis.

Alongside the sale of new and used commercial vehicles, the Group also offers a range of aftersales services that constitute a significant source of revenue. For both trucks and buses, the Group has a global network of service points which perform maintenance and repair services and sell spare parts. To complement its traditional service offering, the Group also increasingly provides digital services such as preventative maintenance alerts via remote diagnostic tools and fleet management. As many of the Group's latest trucks and buses are wirelessly connected to mobile networks, the Group is able to offer a growing a number of connectivity solutions under brand names including Detroit Connect, Fuso Connect, Mercedes-Benz Uptime, Fleetboard and others.

In addition to its vehicles with conventional internal combustion engine-driven powertrains, the Group offers an increasing number of battery-electric vehicles in series production, which began with the Fuso eCanter in 2017, and is developing fuel-cell electric vehicles, along with related charging and intelligent infrastructure. The Group is fully committed to the international climate agreement referred to as the "**Paris Agreement**" and to supporting a carbon-neutral economy by 2050. By 2039, the Group aims to offer only new vehicles in Europe, North America and Japan that are CO_2 neutral in driving operation (tank-to-wheel). To achieve this, the Group already has a range of battery-electric commercial vehicles on the road, including the Freightliner eCascadia and eM2, the Mercedes-Benz eActros and the FUSO eCanter. The Group believes that demand for both BEVs and FCEVs will increase significantly due to the global trend towards ZEVs and the broad range of use cases in the commercial transportation industry. To this end, Daimler Truck AG recently established a joint venture with Volvo to develop, manufacture and market fuel cell systems for heavy-duty commercial vehicle applications and other areas of application and it also has a number of further strategic partnerships centered on battery-electric and hydrogen supply and charging. Furthermore, the Group offers e-mobility consulting services to assist its customers with the transition to ZEVs.

The Group's activities are divided into five reporting segments: Mercedes-Benz ("**MB**"), Trucks North America ("**TN**"), Trucks Asia ("**TA**"), Daimler Buses ("**DB**") and Financial Services ("**Financial Services**", or the "**Financial Services Business**"). MB, TN, TA and DB are collectively referred to as the "**Automotive Segments**." The Automotive Segments engage in the production and sale of trucks, buses, engines and related services and have divisions which produce and market brand-specific products. In addition, other business activities and investments, in particular in the area of autonomous driving, as well as functions and services provided by the Group's headquarters and other Group companies not allocated to the segments and projects managed by headquarters are recorded under reconciliation ("**Reconciliation**" and, together with the Automotive Segments, the "**Industrial Business**"). In 2021, Volvo and Daimler Truck AG entered into a 50-50 joint venture called cellcentric GmbH & Co. KG ("**cellcentric**") for the development, manufacture and marketing of hydrogen fuel cells and systems, which is also included in Reconciliation. The Financial Services Business supports the sales of the Group's truck and bus brands with tailored financial services that include leasing and financing packages, as well as insurance and rental solutions purchased by the Group's customers and plans to offer fleet management and integrated service offerings to the Group's customers. In 2020, prior to Reconciliation adjustments, the Automotive Segments generated revenue of EUR 36,654 million (or 96.8% of total Group revenue pre-Reconciliation) and the Financial Services Business generated revenue of EUR 1,207 million (or 3.2% of total Group revenue pre-Reconciliation).

In 2020, the Group sold 378,290 total units (2019: 521,545), generating revenue of EUR 36,013 million (2019: EUR 46,244 million), an Adj. EBIT (Industrial Business) of EUR 655 million (2019: EUR 2,600 million) and Adj. RoS (Industrial Business) of 1.9% (2019: 5.8%). The Group's most important sales markets in 2020 on a unit sales basis were North America with 37.4% (2019: 39.5%), Asia with 18.6% (2019: 20.9%) and the EU30 with 17.4% (2019: 17.0%). On a total revenue basis, the Group's most important markets in 2020 were also North America with 38.1% (2019: 41.6%), Europe with 31.2% (2019: 28.4%) and Asia with 16.4% (2019: 15.1%).

7.2 Background and Basis of Presentation

The Company in its present form was first established in March 2021. Prior to 2018, the operations and assets of the Group were administered as separate divisions of Daimler AG (then called "Daimler Trucks", "Daimler Buses" and "Daimler Financial Services" (with the Daimler Financial Services division administering the financing of all Daimler AG products, including passenger cars)). In July 2018, Daimler AG announced that the Daimler Trucks and Daimler Buses divisions would be reorganized and placed into a separate entity, Daimler Truck AG, to enable a clearer focus and independent corporate responsibility for Daimler AG's truck and bus business, and that the Daimler Financial Services division, which was already legally independent as Daimler Financial Services AG, was to be renamed Daimler Mobility AG. In May 2019, the shareholders of Daimler AG voted in favor of the planned reorganization. That corporate reorganization of the Daimler Group was largely implemented in 2019 and 2020, whereby the operating business activities of the Daimler Group in the areas of passenger cars and commercial vehicles were separated by transferring the respective divisions into legally independent units under the umbrella of Daimler AG ("**Project Future**"). In February 2021, Daimler AG announced that it had agreed to evaluate a spin-off of the operations and assets related to its truck and bus business, including certain financial services operations and assets of Daimler Mobility AG, with the goal of making the Group more agile and competitive. On October 1, 2021, the shareholders of Daimler AG formally approved the Spin-off and proposed listing of the Shares of the Company.

As discussed in more detail in "*3 Separation, Demerger Transactions and Admission to Trading*", the separation of the Group from the Daimler Group will be undertaken in multiple steps, comprising the Demerger Transactions, the Phase 1 Transactions and the Phase 2 Transactions. Given that the Group was not a group in accordance with IFRS 10 prior to the completion of the reorganization and due to the significant restructuring involved, the Group has a "Complex Financial History", according to Commission Delegated Regulation (EU) 2019/980, as there is no historical financial information for the Group as of and for the years ended December 31, 2020, 2019 and 2018 and as of and for the nine-month period ended September 30, 2021 that reflects the entire operations of the Group. Therefore, Daimler AG has prepared the Combined Financial Statements for those periods, which in general reflect the business of Daimler Trucks & Buses and Daimler Truck Financial Services that will have been transferred to the Group up until completion of the Phase 1 Transactions. Legal entities and operations being transferred to the Group in the Phase 2 Transactions are not reflected in the Combined Financial Statements.

For the reporting periods under consideration, the activities of the Group were conducted by a variety of legal entities, many of which also conducted other business activities than operations now conducted by the Group (the "**Mixed Entities**") and many of which solely conducted Group operations (the "**Dedicated Entities**"), but were not subsidiaries of Daimler Truck AG.

The scope of combination for the Combined Financial Statements of the Daimler Truck Business for 2020, 2019 and 2018 and for the nine-month period ended September 30, 2021 was determined based on the legal reorganization concept. Accordingly, 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 the Phase 1 Transactions), will be part of the Group by the date of the Spin-off. This approach is based on the fact that the economic activities that form the 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 the Spin-off.

Dedicated entities and operations conducted in those Mixed Entities, which constitute a business as defined in accordance with IFRS 3 "Business Combinations" and that have been transferred during Project Future or will be transferred to the Group during the Phase 1 Transactions, 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-Group operations to the remaining Daimler Group companies up until the Spin-off. Businesses acquired from third parties during the reporting periods of the Combined Financial Statements were included from the date as of which the Daimler Group gained control based on fair values in accordance with IFRS 3.

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 Spin-off, 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 the Group's business. Short-term assets and liabilities were presented in the Combined Financial Statements if they were directly attributable to Group business. Short-term assets and liabilities that were not directly attributable to Group business were excluded, unless such items were expected to be legally transferred to the Group. 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 by the Daimler Truck Business. For a description of certain special considerations applicable to liabilities of specified Mixed Entities within Daimler Truck Financial Services, please refer to Note 2 to the Audited Combined Financial Statements beginning on page F-2. For the purpose of cost allocation, reasonable keys have been used and applied consistently to 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.

Daimler AG and Daimler Truck AG have prepared the Audited Combined Financial Statements in compliance with IFRS and the interpretations of the IFRS Interpretations Committee as adopted by the European Union. The Unaudited Condensed Interim Combined Financial Statements were prepared in accordance with international accounting standard 34 "Interim financial reporting" (IAS 34) as adopted by the European Union. As IFRS provides no guidelines for the preparation of combined financial statements, rules given in IAS 8 "Accounting policies, changes in accounting estimates and errors", particularly IAS 8.12, have been used.

IAS 8.12 requires the consideration of the most recent pronouncements of other standard setting bodies, other financial requirements and recognized industry practices.

Following IAS 8.12, the predecessor accounting approach has been applied in the Audited Combined Financial Statements of the Daimler Truck Business, *i.e.* the Audited Combined Financial Statements are considered to be an extract from the consolidated financial statements of the parent company Daimler AG (referred to as the "Extraction Method") and reflect the activities attributable to the Daimler Truck Business as they have been historically included in the Consolidated Financial Statements of Daimler AG. Hence, the 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 the Daimler Truck Business as a separate, stand-alone reporting entity, particularly with no intercompany elimination made between the 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.

The Unaudited Condensed Interim Combined Financial Statements were prepared on the same basis as the Audited Combined Financial Statements. They should therefore be read in combination with each other. Since IFRS provides no guidelines for the preparation of Unaudited Condensed Interim Combined Financial Statements, rules given in IAS 8.12 have been used. Consistent with the Audited Combined Financial Statements, the predecessor accounting approach has been applied in the Unaudited Condensed Interim Combined Financial Statements following IAS 8.12. Furthermore, the same combination rules have been applied as in the Audited Combined Financial Statements.

The Audited Combined Financial Statements and the Unaudited Condensed Interim Combined Financial Statements have been prepared in Euros. All figures are shown rounded, so minor discrepancies may arise when adding up these amounts. Furthermore, the preparation of the Audited Combined Financial Statements in accordance with IFRS and the Unaudited Condensed Interim Combined Financial Statements in accordance with IAS 34 requires management to make estimates that affect the reported amounts of certain items in the combined statements of financial position and in the combined statements of income, as well as the related disclosure of contingent assets and liabilities. See also "*1.4.8 The Group's combined financial statements are based on management judgements and a series of assumptions and estimates that may prove inaccurate and not necessarily representative of the results the Group would have achieved or will achieve as a stand-alone publicly listed company.*"

For more information, see Note 1, Note 2 and Note 4 to the Audited Combined Financial Statements, beginning on page F-2, and Note 1, Note 2 and Note 4 to the Unaudited Condensed Interim Combined Financial Statements, beginning on page F-118.

7.3 Segment Reporting and Reconciliation

Reporting segments are identified on the basis of the Group's internal management and reporting. The reporting segments are largely organized and managed separately, according to geographical areas, the nature of the products and services provided, brands, distribution channels and customer profiles. The key activities of the four Automotive Segments are as follows:

- MB develops, manufactures and sells trucks under the Mercedes-Benz brand and sells Fuso-branded trucks, as well as off-highway-applications, in Europe and Latin America.
- TN develops, manufactures and sells trucks under the Freightliner and Western Star brands in North America. TN's product range also includes Thomas Built Buses and bus chassis.
- TA develops, manufactures and sells trucks and buses under the FUSO and BharatBenz brands and sells trucks and buses under the Mercedes-Benz brand. TA also has a 50% holding in BFDA, its joint venture with Chinese partner Foton, which develops, manufactures and sells trucks under the Auman brand.
- DB develops, manufactures, and sells buses under the Mercedes-Benz and Setra brands. DB's product range also includes bus chassis under the Mercedes-Benz brand.

The Automotive Segments each sell related spare parts and accessories to external customers and between the segments, as well as offering aftersales services such as workshop services, maintenance plans, spare parts and services for the management of customer operations. The Financial Services segment supports the sales of the

Group worldwide. Its product portfolio primarily comprises tailored financing and leasing packages for end-customers and dealers, and brokering of commercial vehicles insurance.

Unless otherwise indicated, revenue information provided below for individual segments is presented prior to Reconciliation, meaning that transactions between segments are included at their recorded values. These transactions are generally eliminated in the Reconciliation. Combined financial information provided for the Daimler Truck Business is presented after Reconciliation. In addition, Reconciliation also includes other business activities and functions, as described in "*7.1 Overview.*"

7.4 Reporting by products and services and by geographical regions

The Group reports revenues disaggregated into two categories—by type of products and services (corresponding to the reporting segments described above) and by geographical regions based on the location of the customer. The reported geographical regions are: Europe, North America, Asia, Latin America and Other markets. The Group reports financial figures and financial data with reference to Europe and non-financial figures and operating data with reference to the EU30, which includes the member states of the European Union along with the United Kingdom, Switzerland and Norway (collectively, the "**EU30**") rather than the geographic region of Europe. For the purpose of describing unit sales, a unit comprises an individual truck, bus or chassis.

7.5 Key Factors Affecting the Results of Operations

The Group believes that the factors discussed below have significantly affected its results of operations in the past periods for which financial information is presented in this Prospectus, and that these factors will continue to have a material influence on its results of operations, financial position and cash flow in the future.

7.5.1 General Economic Conditions and the Impact of the Covid-19 Pandemic

The Group's results of operations depend significantly on general macroeconomic conditions and economic cycles globally and in its key markets, including in 2020, in particular, North America with 37.4% of the Group's unit sales, Asia with 18.6% and the EU30 with 17.4%. On a total revenue basis, the Group's most important markets in 2020 were North America with 38.1%, Europe with 31.2% and Asia with 16.4%.

Macroeconomic conditions and economic cycles affect both the level of demand for the Group's vehicles and services as well as the prices at which they can be sold. The commercial vehicle industry, in particular for trucks, is highly cyclical, which means that periods of investment in commercial vehicles are generally followed by slower periods in which demand levels decline. The length, timing and intensity of specific demand cycles, which may affect individual market segments, customer groups and regions in which the Group operates, are subject to uncertainty. Economic conditions can be impacted by a number of factors, including volatility in global financial markets, macroeconomic policy, trade policy and conflicts, business and consumer sentiment, monetary policy (*i.e.,* interest rates), inflation, fluctuating commodity prices and public and private debt levels. Furthermore, geopolitical events, domestic political tension, terrorism, natural catastrophes, pandemics or other unforeseen events may prompt unexpected responses from the markets and declines in demand for the Group's products. Demand cycles for commercial vehicles may further be affected by regulatory developments, such as increases in road tolls, which may result in lower demand for certain vehicles, or changes in emissions standards, which can lead to increasing demand prior to the effective date of such new developments and decreasing demand thereafter.

Actual or anticipated improvements in economic conditions generally result in higher business volume for the Group's corporate customers, which generally translates into higher demand for trucks and buses. Conversely, a weak or uncertain economic environment, particularly when combined with rising cost of capital and low business and consumer confidence, tends to discourage fleet owners from replacing or expanding their commercial vehicle fleets. The heavy-duty truck industry for example is sensitive to business cycles in the manufacturing and industrial sectors, which generate a significant portion of freight tonnage hauled and are in turn dependent on the overall business environment. The Group also depends on demand from public transportation providers and other public sector customers that operate bus and other commercial vehicle fleets, and whose budgets are often directly or indirectly affected by the macroeconomic environment. The market for buses can, however, also be unpredictable at times and may not always follow traditional business cycles. New bus orders vary from year to year and are influenced, among other factors, by major replacement programs, the introduction of new regulatory standards, shifts in tourism trends and the expansion of transit systems and other networks by transit authorities, which in turn depend on public and private funding for such purposes.

During 2020, the Covid-19 pandemic and the containment measures implemented to combat it caused the global economy to contract by 3.4% in real terms (source: World Bank 2021) and led to the most severe recession since the end of World War II. Central banks and governments around the world have implemented extensive and unusually expansive measures in order to mitigate the impact of the economic downturn on companies and employees, including via significant borrowing programs that have increased government deficits.

The Covid-19 pandemic hit the economies of the industrialized countries very hard, triggering deep recessions in the United States and the Eurozone where economic output decreased by 3.4% and 6.5%, respectively, in 2020 compared to 2019 (sources: US BEA; Eurostat). In Asia, China was able to contain the spread of the virus, achieving positive growth of 2.3% compared to 2019 (source: National Bureau of Statistics of China). Although some other Asian countries were able to benefit from China's quick recovery, Japan suffered a severe downturn and its gross domestic product decreased according to the Group's estimates by 4.0% in 2020 compared to 2019.

The severe economic crisis, in combination with contracting markets caused by expected developments in the economic cycle, caused the demand for heavy-duty trucks to decrease sharply in many of the Group's key sales markets in 2020. The North American and EU30 markets for heavy-duty trucks contracted by 26.0% and 28.6%, respectively, in 2020 compared to 2019. Certain other markets, such as Brazil and Japan, performed better than expected, with market growth declining by only 9.9% and 6.4%, respectively, in 2020 compared to 2019 (source: IHS Markit).

The decreased demand for heavy-duty trucks was reflected in the Group's unit sales, which declined in North America from 206,266 to 141,560, in the EU30 from 88,766 to 65,863, in Asia from 109,158 to 69,727 and in Latin America from 52,752 to 33,723 between 2019 and 2020. In contrast, due to the strong rise in demand in China, unit sales of Auman trucks, which the Group produces at its joint venture BFDA, increased to 126,446 in 2020 compared to 86,214 in 2019. DB sold 18,932 buses and chassis worldwide in 2020, compared to 29,763 in 2019, mainly influenced by the global effects of the Covid-19 pandemic.

As a consequence of the pronounced decrease in unit sales, the Group's revenues declined 22.1%, from EUR 46,244 million in 2019 to EUR 36,013 million in 2020. The Group's revenues were also negatively impacted by a smaller contribution from its aftersales business due to weaker demand. Cost of sales declined from EUR 37,596 million in 2019 to EUR 30,531 million in 2020 as a result of production and cost adjustments in response to the Covid-19 pandemic, resulting in gross profit of EUR 5,482 million in 2020 compared to EUR 8,648 million in 2019. EBIT was EUR 491 million in 2020 compared to EUR 2,792 million in 2019.

In the first nine months of 2021, many economies throughout the Group's markets, including in the United States, the EU30 and Asia, experienced economic recoveries as vaccination rates increased (particularly in developed markets), containment measures were lifted or relaxed and expectations regarding the end of the Covid-19 pandemic generally rose. This led to a significant recovery in the Group's unit sales and revenue in the nine months ended September 30, 2021 compared to the same period in 2020. Specifically, unit sales at the Group level in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 increased from 258,042 to 324,149, driven by increases in unit sales in North America from 98,808 to 117,042, in the EU30 from 42,615 to 50,026, in Asia from 57,429 to 62,038 and in Latin America from 24,751 to 40,332. DB sold 12,669 buses and chassis worldwide in the nine months ended September 30, 2021, compared to 12,480 in the same period in 2020. While these broadly positive economic trends supported unit sales and revenues at the Group level in the first half of 2021, the second half of 2021 has so far developed more disparately as production bottlenecks caused by supply chain constraints, mainly due to shortages of semiconductors, have especially affected the heavy-duty truck market segment. In the quarter ended September 30, 2021, the North American market (class 8) was close to its prior-year volume with growth of just under 1% compared to the same period in 2020. The market in the EU30 region showed slight growth of approximately 5%. In Brazil, demand rose by about 45%. The Japanese market was nearly 2% smaller than in the prior-year period (source: Company Internal Analysis). See also "*7.5.6 Procurement Costs and Availability of Materials.*"

Driven by the recovery in unit sales, notwithstanding the effects of supply chain constraints which have intensified in the latter half of 2021 so far, the Group's revenues increased by 13.0%, from EUR 25,154 million in the nine months ended September 30, 2020 to EUR 28,418 million in the nine months ended September 30, 2021, reflecting revenue increases in North America, the Europe and Asia. The revenue contribution from the Group's aftersales business also increased significantly due the recovery in demand. Cost of sales increased from EUR 21,622 million in the nine months ended September 30, 2020 to EUR 23,126 million in the nine months ended September 30, 2021 as a result of the growth in sales, resulting in gross profit of EUR 5,292 million in the nine months ended September 30, 2021 compared to EUR 3,532 million in the nine months ended September 30, 2020. EBIT was EUR 2,940 million in the nine months ended September 30, 2021 compared to a EUR 53 million loss in the nine months ended September 30, 2020.

Whether this recovery will be sustained is currently uncertain, however, as outbreaks in many countries, driven by highly contagious variants of the disease, as well as low vaccination rates (especially in emerging economies), have led to a surge in new cases and, in some cases, the re-imposition of containment measures, for instance in certain countries in Europe. Nonetheless, the Group continues to expect the world economy, including important truck markets, to continue its strong recovery in 2021 as the impact of the Covid-19 pandemic generally recedes. As global vaccination programs continue to gain momentum, the economic situation should also continue to improve, with the global economy returning to its pre-crisis levels of the fourth quarter of 2019 and key regional economies, such as the United States, experiencing robust growth fostered by supportive government and central bank policies and a surge in private demand leading to sustained economic recoveries. The recovery of the EU30 is expected to lag somewhat behind the United States due to an initially slower vaccination rollout and generally lower fiscal support measures, though the trend is still expected to remain positive. As a result, the Group anticipates significant sales growth in 2021, mainly driven by its expectations for the North American and EU30 truck markets. However, the ongoing recovery may not continue as envisioned, and even if it continues, its exact timing and magnitude are currently uncertain.

7.5.2 Sales Volume and Market Share

Sales volume, or unit sales, is the principal driver of the Group's revenue and also affects the Group's margins by defraying fixed costs. Increased sales volumes typically also create demand for the Group's aftersales services, albeit with an intervening time lag reflecting the period between the sale of new vehicles and the need for aftersales services. Sales volume also drives the Financial Services Business's revenue by increasing demand for the financing, leasing and insurance products offered by the Group. The Group's sales volume is driven by a number of factors, including general economic conditions, general market conditions (encompassing cyclicality of demand by logistics, long-haul freight, short-haul and intra-city delivery, distribution and construction businesses, as well as public transportation providers, among others) in its key markets, product price, new product introductions and regulatory developments, as well as targeted marketing campaigns. The Group also considers its market share to be a key driver of its sales volumes.

The following table provides an overview of the Group's volume of units sold (including both trucks and buses) by geographic region for the fiscal years ended December 31, 2020, 2019 and 2018 and the nine months ended September 30, 2021 and 2020:

	For the year ended December 31			For the nine months ended September 30	
Daimler Truck Group	**2020**	**2019**	**2018**	**2021**	**2020**
	000's (unaudited)			**000's (unaudited)**	
EU30	66	89	95	50	43
North America	142	206	194	117	99
Latin America	34	53	46	40	25
Asia	70	109	145	62	57
Rest of World	67	64	69	55	34
Total	**379**	**522**	**549**	**324**	**258**

In 2020, the Group's unit sales were substantially lower than in 2019 in all markets, largely due to the strong contraction of demand in the Group's key markets as a result of the Covid-19 pandemic, as well as a downturn in the economic cycle. In the nine months ended September 30, 2021, the Group has been acutely affected by an ongoing global shortage of semiconductors, which the Group needs to complete its products, and broader adverse effects on global supply chains. Supply issues related to semiconductors may not be alleviated in the near future. It could take several years for the global shortage to be resolved. See also "*1.1.6 The Group is dependent on third-party suppliers and in particular faces an ongoing shortage of semiconductors crucial to its products.*"

Market conditions from 2018 to 2019 across the Group's major markets were largely positive and supportive of growth in sales volume. GDP growth of 2.9% in 2018 and 2.3% in 2019 in the United States (source: BEA) helped propel total market volumes of 560,000 and 595,000 units in North America in 2018 and 2019, respectively (source: IHS Markit). In the EU30, GDP growth of 1.9% in 2018 and 1.3% in 2019 (source: Eurostat) had a similar effect with total market volumes of 383,000 and 385,000 MDT and HDT trucks, respectively (source: IHS Markit).

Despite the generally higher unit sales in the United States and the EU30 in 2018 and 2019, the Group experienced slight reductions in market share for certain of its products in its major markets from 2018 to 2019. In the EU30, market share for MDT and HDT trucks decreased from approximately 20.5% to 19.8% from 2018 to 2019 and for buses from 27.7% to 27.2% (source: IHS Markit). The Group believes it has lost share in the EU30 for a number of reasons, including customers perceiving the Group's portfolio as being overly complicated, and the Group's general decline in customer rankings of its products, sales and service experience since 2015.

In 2020, market volumes were substantially lower than in 2019, largely due to the contraction of the Group's key markets in the wake of the Covid-19 pandemic, though in certain cases the Group's market share increased, such as in the North American MDT market where it increased from 17.0% in 2019 to 17.3% in 2020 (source: IHS Markit), supported in part by the Group's strong on-highway products.

The table below sets forth the Group's market share (by percentage of total market) for a selection of the Group's most important markets and product classes by unit sales for the fiscal years ended December 31, 2020, 2019 and 2018, based on IHS Markit.

Daimler Trucks (MDT and HDT Trucks)[(1)]	**2020**	**2019**	**2018**
EU30	19.6%	19.8%	20.5%
Germany	35.4%	33.7%	35.3%
Brazil	31.3%	29.0%	27.4%
North America (HDT)	36.8%	37.0%	36.7%
North America (MDT)	17.3%	17.0%	19.9%
Japan	18.1%	18.0%	18.2%
Indonesia	48.7%	45.4%	42.8%

Daimler Buses[(1)]	**2020**	**2019**	**2018**
EU30	28.2%	27.2%	27.7%
Germany	48.9%	50.7%	49.2%
Brazil	46.6%	50.3%	25.6%

Note:

(1) Based on IHS Markit Data.

The table below sets forth the Group's market share (by percentage of total market) for a selection of the Group's segments in select markets for the fiscal years ended December 31, 2020 and 2019, based on Company Internal Analysis.

MB	**2020**	**2019**
EU30	19.5%	20.0%
TN	**2020**	**2019**
North America (Class 8)	40.0%	38.8%
North America (Class 6–7)	32.4%	32.9%

The table below sets forth the Group's market share (by percentage of total market) for a selection of the Group's segments in select markets for the nine months ended September 30, 2021 and 2020, based on Company Internal Analysis.

MB	**2021**	**2020**
EU30	20.0%	19.3%
TN	**2021**	**2020**
North America (Class 8)	40.1%	39.5%
North America (Class 6–7)	35.3%	33.9%

In order to maintain or gain market share, the Group may need to incur considerable selling expenses, among other costs. In certain cases, the Group expends significant resources on sales and marketing efforts, as well as on research and development to adapt to customer preferences in individual markets. For example, the Group first entered India with its brand BharatBenz in 2012, offering products tailored specifically to the Indian market. While growing its market share in India for trucks over 9 tons from 6.0% in 2018 to 9.1% in 2020, the

Group has made substantial investments in localized production and sales there (source: Company Internal Analysis).

A number of specific factors are expected to further drive the Group's ability to maintain or gain market share, and thereby grow its sales volumes, in both its key markets and new markets where it intends to expand. These include, in particular, the TCO of its vehicles, the market acceptance of its existing and forthcoming vehicle generations, and the ability to develop a commercially attractive product portfolio in response to changing regulatory and customer requirements in the medium to long-term, in particular autonomous driving technologies, connectivity and ZEV featuring battery-electric or fuel-cell electric drivetrains. See also "*9 Industry Overview.*"

7.5.3 Demand for Aftersales Services

Through its Automotive Segments, the Group offers an array of aftersales services and parts to purchasers of its commercial vehicles, including workshop services, maintenance plans, spare parts and services for the management of customer operations, such as fleet management systems and driver coaching. Increasingly, the Group's aftersales services also encompass digital remote diagnostics, transport and telematic services. These services are provided by the Group either via service contract or on an ad-hoc, per-repair basis. The aftersales services business generally produces higher margins than new vehicle sales in certain cases, making it particularly important for the Group's financial performance. Drivers of the higher profitability of aftersales services include the fact that increasing sales of aftersales services to existing customers of the Group's commercial vehicle products in certain cases may entail lower selling expenses than finding new customers for the Group's commercial vehicle products. The Group's Service Share of Revenue in 2019 was approximately 30%.

Aftersales products and services reduce the impact of the Group's exposure to cyclicality in the commercial vehicle market by providing a steady revenue stream during periods of market decline and may even have a counter-cyclical effect as customers who delay purchasing new vehicles during periods of economic decline or uncertainty purchase more aftersales services in order to keep their aging fleets operational.

In order to increase its profitability and recurring revenue on a lasting basis, the Group intends to develop more targeted aftersales services by expanding its existing range of aftersales services and creating new services. The recent introduction of 3D printing for spare parts for buses is an example of this, but the Group also intends to establish other aftersales services based on software and digitalization. This effort is already underway, with digital services such as Fleetboard, Mercedes Benz Uptime, Detroit Connect and TruckConnect for the Group's truck customers and the Omni-plus ON platform for the Group's bus customers already being provided, and more aftersales services under development.

The Group has in-house development teams working on the core elements of its operating system, with the goal of reducing the number of physical computing units in vehicles and delinking software cycles to reduce complexity and catalyze innovation. In addition, the Group is currently developing its first 100% connected, over-the-air-enabled operating system to be ready for next-generation human-machine interface, predictive intelligence and safety systems, compatible with BEV, FCEV and autonomous driving technology, with an initial release date of 2023. The Group expects revenue from its aftersales services to continue to increase in the future, driven by both its growing rolling fleet of vehicles and higher aftersales services sales per truck and bus sold as it continues to expand its aftersales service portfolio. The Group's ambition is to increase the service share of its total revenue mix to approximately 35% in the mid-term and to approximately 50% by 2030 (including both aftersales services and financial services) as part of its transition to a provider of advanced services.

7.5.4 Product, Customer and Geographic Mix

The Group's results of operations are further affected by product, customer and geographic mix.

The Group's five truck brands and four bus brands comprise an extensive product portfolio with a wide range of pricing and margin levels, catering to the diverse needs of customers across all market segments and geographies. Within certain geographies there are also instances where the Group's products through its various brands address particular market segments.

Pricing and margins also vary by product type. New vehicles and vehicle generations generally command higher prices and margins than their predecessors, and aftersales services generally have higher margins than vehicles. The Group also tends to achieve comparatively better margins for its heavy-duty trucks and coach buses than for light- or medium-trucks and city or intercity buses.

Customer mix can also influence the Group's margins. In the heavy-duty and medium-duty truck market, the majority of sales for TN for instance tend to be to operators with sizeable truck fleets, spread across industries such as logistics, beverage production and mining. In comparison to smaller fleet or individual owners/operators, these large customers are generally able to negotiate lower margins for the Group's products in exchange for their large order volumes.

Geographic mix can also impact the Group's results, as the importance of different product classes varies by geographic market. For example, the majority of trucks the Group sells in Asia are light-duty models, which generally have lower vehicle margins than the medium- and heavy-duty models that are predominant in the European and North American markets.

As a result, the Group's results of operations are affected by the relative demand for particular products, and relative demand from particular customer types and customers in particular geographies.

In the period under review, the Group's results were adversely affected by the Covid-19 pandemic's impact on product mix. At DB, for example, unit sales of coach buses by each of the Mercedes-Benz and Setra brands have fallen dramatically since the second quarter of 2020 due to government restrictions on travel and general apprehension among potential travelers and have yet to rebound to pre-Covid-19 pandemic levels.

7.5.5 Cost Optimization Programs

The Group continuously optimizes its processes and structures and seeks ways to improve its cost base. Efficiency and cost control are critical to maintaining profitability in the highly competitive commercial vehicle industry. Such measures can be expensive to implement, however, meaning that they increase a company's costs and expenses in the period in which they are incurred even as they may enhance efficiency and reduce costs over time. As a result, such initiatives have had and may continue to have a significant impact on the Group's results of operations.

In recent years, the costs of such measures have not been material. In 2020, however, the Group adopted several cost optimization programs which collectively had a material impact on its costs base. The table below summarizes the expenses associated with the Group's cost optimization programs in 2020 and the nine months ended September 30, 2021.

	For the year ended December 31 2020	**For the nine months ended September 30 2021**
	EUR millions (audited)	**EUR millions (unaudited)**
Cost of sales	85	65
Selling expenses	31	18
General administrative expenses	27	17
Research and non-capitalized development costs	23	16
Total	**166**	**116**

The Group is seeking to reduce its fixed costs by 15% by 2023 from fiscal year 2019 levels, to be achieved in part through 15% reductions in capital expenditures and R&D spending and through performance-based capital allocation as well as personnel cuts at the segment level (most notably MB, as described below). In addition, the Group has in the past implemented and is currently continuing to further implement a number of operational performance and cost-saving initiatives to address ongoing high fixed and variable costs impacting profitability in each of its operating segments.

MB's operations have been a particular focus for the Group's cost optimization efforts in the period under review. Turnaround efforts comprise both top line and bottom line (*e.g.*, material, personnel and non-personnel) measures, focusing on an increase in sales performance, sustainable cost reduction and a reduction of the break-even point in Europe and Brazil. In order to achieve personnel cost targets, MB is pursuing an ongoing personnel cost reduction of EUR 280 million (including a reduction in management positions) by 2023 compared to 2019, with approximately 50% of net savings expected to be delivered by the end of 2021.

MB is also pursuing a non-personnel cost reduction of EUR 200 million by 2023 compared to 2019, with approximately 50% of net savings expected to be delivered by the end of 2021, driven by a cost and revenue program implemented to ensure improvement on all Contribution Margin levers. These levers relate to portfolio improvements, which include a reduction of the number of base vehicle models with low volumes from 140 to

100 and of the volume of purchased parts by approximately 15%, material-related measures, such as focusing on commonalities and growing the number of shared parts used globally (MB has already reduced variable costs by approximately EUR 200 million compared to 2019 through these two material-related steps), achieving higher product quality, pricing improvements, which include pursuing profitable segments as opposed to market share, and focusing on optional extras with added value for customers and high contribution margins. The Group has already implemented used-truck-related measures, such as reducing the stock of used trucks by more than 50% compared to 2019 and by implementing more restrictive buyback policies, leading to an improved EBIT contribution of EUR 100 million compared to 2019.

TA has implemented a range of cost optimization initiatives in the period under review. In particular, TA is focused on achieving higher levels of variable cost efficiency, offsetting technical cost increases, improving revenue quality, reviewing its sales and production footprints and expanding for instance the insourcing of its profitable service business. TA is also seeking to optimize its fixed cost structure and reduce indirect labor costs by 10% (in particular in its Fuso operations) compared to 2019 and is aiming for downstream profits to cover 100% of fixed costs by 2025.

In the period under review, TN has sought to maintain rigorous cost management. Going forward, TN intends to maintain strict cost discipline, focusing on vehicle cost reductions while maintaining a highly flexible production network across the U.S. and Mexico, operational efficiencies, and stringent fixed overhead controls.

DB has focused its cost optimization efforts on reducing personnel cost, lowering spending involving external parties and implementing digitalization in various operational settings in the period under review. DB has also sought to actively manage its portfolio of products to reduce complexity, both for customers and its own production base, in order to increase leverage from volume growth and take advantage of revisions to its production footprint. DB is seeking to reduce its fixed costs by EUR 300 million by 2025 through personnel reductions, maximizing efficiencies from its global production footprint, and streamlining its portfolio and geographic presence.

7.5.6 Procurement Costs and Availability of Materials

The Group's results of operations are significantly affected by the cost and availability of materials, which include raw materials, vehicle parts and components, and energy, and represent the largest portion of its total operating expense. Overall material costs accounted for a significant share of the Group's cost of sales over the past three fiscal years.

The principal raw materials that the Group uses in its manufacturing operations include steel, aluminum, precious metals, rubber and plastics and parts and components containing such materials. The Group also sources vehicle parts and components containing these materials. The prices of raw materials and the parts and components containing them are influenced by global or regional supply/demand dynamics, transportation costs, government regulations and tariffs, geopolitical events, changes in currency exchange rates, price controls, the economic climate, capacity constraints caused by supplier failures and financial bottlenecks at suppliers, among other factors and circumstances. With respect to raw materials, the Group in most cases does not act as a direct purchaser, but rather relies on its suppliers to source such raw materials. Supplier costs often contain pass-through pricing for raw materials.

Market prices for both raw materials and key components that the Group sources, such as steel, steel derivatives and semiconductors, have been volatile in recent years. In general, the global supply chain is currently under stress as a result of capacity reductions implemented during the economic downturn triggered by the Covid-19 pandemic and the subsequent strong recovery of many economies globally in the current fiscal year. Steel prices in particular have been volatile in 2021, with extreme surges in the past months, which could further impact the supply and cost of the wide range of items reliant on steel. Significant supplier delays in the delivery of semiconductors to the Group have also hampered the Group's ability to keep up with market demand for its products in 2021, resulting in a material impact on its results for the current fiscal year. For example, for the quarter ended September 30, 2021, the Group's unit sales decreased significantly in North America and the EU30 compared to the quarter ended September 30, 2020, mainly as a consequence of semiconductor shortages. See also "*1.1.10 The Group's business, which depends on the timely availability of high-quality raw materials, parts, components and other inputs at reasonable prices, is currently facing, and may continue to face, delays, shortages and price volatility as a result of global supply chain disruptions and other factors.*" Freight rates have also increased sharply in the current fiscal year in certain of the Group's key markets, including in North America and the EU30.

In general, the Group's ability to pass on higher costs of commodities and other materials to its customers in the form of higher prices for manufactured vehicles is limited because of strong competitive pressure in the market, which means that volatile material prices will typically have a direct impact on the Group's costs and therefore its profitability. Moreover, supply shortages can make it difficult for the Group to meet market demand, as is currently the case with semiconductor shortages and their effect on the Group's production capacity in the face of comparatively strong order intake.

The Group generally manages procurement costs through competitive tenders, continuous optimization of its supplier portfolio, proactive inventory management and long-term supply contracts. The Group generally does not hedge its commodities exposure. In the period under review, the Group was partially able to offset rising raw material prices through volume rebates, the renegotiation of contracts and cost-saving measures. The cost-saving measures were implemented across operating units by the Group-wide procurement organization in collaboration with the Truck Technology Group, which also coordinates R&D efforts across operating units. As a result, the Group's material costs as a percentage of revenue remained relatively stable in the periods under review.

Going forward and in line with its broader business strategy, the Group expects an increasing share of its raw material and component costs to be attributable to next-generation technologies, including Connectivity (networking), Autonomous (autonomous driving), Shared & Services (flexible usage) and Electric (electric mobility) ("**CASE**") technologies. The shift to these technologies will also require a change in the composition of the Group's supplier landscape compared to conventional ICE suppliers and may also have a significant impact on the Group's procurement costs as a proportion of the Group's cost of sales over the medium- to long-term, although at this point it is not possible to ascertain the nature and magnitude of such impact.

7.5.7 Personnel Expense

The Group's results of operations are significantly affected by personnel expense, which represents the second largest component of the Group's operating costs after procurement costs.

Personnel expense includes the costs of wages and salaries, social security and pension obligations and is reflected in the Group's cost of sales, selling expenses, general administrative expenses and research and non-capitalized development costs. In the periods under review, the Group's personnel expense increased by 2.7% from EUR 6,856 million in the fiscal year ended December 31, 2018 to EUR 7,043 million in the fiscal year ended December 31, 2019 and decreased by 6.9% to EUR 6,554 million in the fiscal year ended December 31, 2020.

The Group's total number of employees (headcount) declined from 99,021 in 2019 to 98,280 in 2020. The decrease in personnel costs over the period was partly offset by expenses of EUR 166 million incurred in connection with cost optimization programs. In addition, the Group's personnel costs are expected to decline further during 2021 as a result of an agreement entered into by Daimler AG and the employees association that applies to all employees of the Group as well as those of the other members of the Daimler Group. The agreement was concluded in July 2020 in response to the various challenges associated with both the ongoing transformation of the automotive industry and the Covid-19 pandemic. The Group is also in the process of reducing personnel costs across much of its business as part of a longer-term effort to increase its profitability. See "*10.2.1 Pursuing Clear Financial Ambitions*," "*10.2.3 Targeting Regional Benchmarks Across all Segments*" and "*7.5.5 Cost Optimization Programs*."

To the extent possible, the Group seeks to optimize employee levels and manage personnel expense. However, its ability to do so is limited by restrictive labor laws as well as collective wage and other collective employment agreements in a number of jurisdictions in which it operates, including Germany, where a substantial portion of its workforce is based. For example, all of the Group's employees in Germany have generally been excluded from dismissals for operational reasons until the end of 2029. See also "*1.2.2 The Group is dependent on good relationships with its employees, their trade unions as well as employee representative bodies and stakeholders and is party to a number of collective agreements, some of which impose obligations and restrictions on the Group in connection with reorganizations, restructurings or similar corporate actions and which it may not be able to extend, renew or replace in a favorable or timely manner or at all*."

7.5.8 Research and Development

The Group's results of operations are driven to a significant extent by its ability to develop commercially attractive products, services and technologies to further strengthen its competitive position against the backdrop of upcoming technological challenges. Accordingly, the Group dedicates substantial resources to research and development, and considers its research and development expenditure to be one of its alternative performance measures.

The Group's research and development costs primarily comprise personnel expenses and material costs. The table below sets forth the Group's research and development costs for the fiscal years ended December 31, 2020, 2019 and 2018 and the nine months ended September 30, 2021 and 2020, including their share of capitalized development costs and the amortization of capitalized development costs.

	For the year ended December 31			For the nine months ended September 30	
	2020	2019	2018	2021	2020
	EUR millions (audited)			EUR millions (unaudited)	
Total research and development costs	(1,530)	(1,738)	(1,589)	(1,139)	(1,145)
of which capitalized development cost	107	76	80	147	70
Capitalization Ratio (in %)	7.0	4.4	5.0	12.9	6.2
Amortization expense on capitalized development costs	(225)	(220)	(226)	(153)	(170)
Research and non-capitalized development costs	**(1,423)**	**(1,662)**	**(1,509)**	**(991)**	**(1,075)**

Overall research and non-capitalized development costs recognized in the Group's functional costs (*i.e.* cost of sales, selling expenses, general and administrative expenses and research and non-capitalized development costs) accounted for 4.0%, 3.6% and 3.5% of the Group's revenue, respectively, in the fiscal years ended December 31, 2020, 2019 and 2018 and 3.5% and 4.3%, respectively, for the nine months ended September 30, 2021 and 2020.

The Group's research and development costs in these periods were driven by the development of subsequent generations of existing products, measures to achieve fuel efficiency and emissions reductions as well as the customization of products and technologies for key growth markets. Moreover R&D spend focused on e-mobility (including the eCascadia, eActros, eCanter truck and eCitaro bus models), other zero emissions vehicle solutions such as research and development on fuel cell vehicles and components, connectivity solutions and the development of automated driving. Initiatives in this area included the preparation of the dual strategy for autonomous driving, including increased R&D spend on majority-owned subsidiary Torc. The principal reason for the decline in research and development costs in 2020 compared to 2019 was a reduction in the development budget driven by the Covid-19 pandemic.

The Group anticipates a slightly higher volume of research and development expenditure in 2021 than in 2020. Its development activities will focus on the same areas as in prior periods as described above, yet with expedited development activities in the areas of new technologies. At the same time, the Group is also seeking to reduce its fixed costs by 15% by 2023 from fiscal year 2019 levels, to be achieved in part through 15% reductions in capital expenditures and R&D spending, and through performance-based capital allocation as well as personnel cuts at the segment level.

7.5.9 New Vehicle Generations / New Product and Service Introductions

The introduction of new vehicle generations has affected the Group's results of operations in recent years and will continue to affect its results in the future.

The development and ramp-up of new vehicle generations adversely affects the Group's profitability in the short term as a result of the significant ramp-up costs associated with producing two truck generations in parallel during the time that the new generation is rolled out and vehicles of both the old and the new generation are sold. In the mid to long-term, however, the Group believes that new vehicle generations have a favorable impact on its results of operations because they result in higher sales volumes and higher selling prices.

In the fiscal years ended December 31, 2020, 2019 and 2018, the Group's results of operations were impacted by the ramp-up of the latest generation Mercedes-Benz Actros heavy-duty truck, first introduced in 2018. The latest Actros generation involved the production and installation of a number of novel features, including Active Drive Assist, an upgraded steering system, Multimedia Cockpit and a digital mirror camera system. Dual production costs with the prior generation Actros, higher costs of goods sold and certain other roll-out costs associated with the new Actros generation adversely affected the Group's profitability in 2018 and 2019. Since 2020, the impact of these costs have declined as the new Actros generation has generated higher sales volumes and an increase in average sales prices.

Furthermore, the Group plans to ramp down its current ICE offerings in favor of a ZEV strategy involving both BEV and FCEV commercial vehicles. While it expects this transition to occur over the next 10 to 20 years, the Group has already committed significant resources to, and has already experienced significant effects from, the transformation. For example, in March 2021 the Group established the 50-50 joint venture cellcentric with Volvo to develop, manufacture and market fuel cell systems for heavy-duty commercial vehicle and other applications. The Group experienced a significant increase in other operating income in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020, primarily due to income from cellcentric, of which EUR 624 million was accounted for by a remeasurement of the Group's interest in that joint venture.

For the fiscal year ended December 31, 2020, the Group's ICE-based vehicles accounted for the vast majority of its total unit sales. As the Group currently aims to offer only new vehicles in Europe, North America and Japan that are CO_2 neutral in driving operation (tank-to-wheel) by 2039, the transition from a high percentage of ICE products at present to a portfolio eventually comprised largely of new ZEV products will necessitate the use of dual production of ICE and ZEV product generations, also in the long-term. The Group already has or plans to release series-production zero-emissions versions of some of its most popular vehicle models, including the eActros, eCascadia, eCanter and the eCitaro, while continuing to produce ICE versions of these vehicles during the transitional period. As many critical aspects of a BEV or FCEV differ from a conventional ICE-powered commercial vehicle, the Group expects the initial costs of dual production to be significant. Nevertheless, the Group also aims to achieve increasing sales volumes and improved financial performance as it transitions to ZEVs, due to a number of factors, including the generally lower TCO potential associated with ZEV. See also "*10.2.2 Capitalizing on Clear Technology Leadership and Strategic Partnerships in Key Technologies*."

The Group's new products and services must also comply with a broad range of increasingly complex regulatory requirements in the jurisdictions in which it operates, including in the areas of emissions, vehicle design, manufacture, marketing and aftersales services, financial services, data protection, vehicle recycling, environment, health and safety, as well as labor. The cost of compliance with regulatory requirements is considerable, and such costs are likely to increase further in the future, given the expected increased scrutiny, regulatory changes or novel interpretations of current regulations and stricter enforcement by regulators globally. In addition, the future course of such regulatory requirements is highly uncertain. For instance, the Group has made significant investments into the development of autonomous driving technology with Waymo and with its majority-owned subsidiary Torc, whereas the future regulation of autonomous driving remains highly uncertain across certain of the Group's major markets. See "*12.2.12 Automated and Autonomous Driving*."

7.5.10 Demand for Financial Services

The Group's Financial Services Business supports, as "captive", the sales of the Group's truck and bus brands with tailored financial services that include leasing and financing packages as well as insurance, fleet and rental solutions. Due to the relatively high unit cost of a commercial vehicle, most customers seek to finance their purchase of the Group's products, either through the Group's Financial Services Business or a third-party financing entity. As customer retention and loyalty are important factors in the Group's business and commercial vehicle customers are moreover closely focused on TCO (which includes financing costs), the Group's Financial Services Business can play a critical role in a customer's decision to purchase the Group's products. Alongside finance and operating leases granted to customers, the Group also offers short-term financing for the Group's third-party dealers (also called "wholesale financing"), with the goal of providing credit to dealers for the period between intake of a vehicle order and the actual delivery of the vehicle.

The Financial Services Business generates revenue for the Group through interest income and lease rents. Higher revenue is generally correlated with higher vehicle sales, a higher penetration rate (number of vehicles sold by the Group which are also financed by the Group), higher sales prices for vehicles, and a greater length of financing or lease term. In general, the Group's Financial Services business strives to apply a prudent, risk-oriented approach when deciding whether to provide or extend financing, enter into a lease arrangement or offer insurance, which can lead to somewhat lower penetration rates in certain markets.

The Group earns a margin on its financing products by subtracting interest expenses, administrative expense and risk provisions from interest income. For leasing products, the margin is calculated by subtracting financing and leasing expenses from the lease instalment payment. The Group has policies in place to steer liquidity, currency, interest rate and country-matched funding requirements in an effort to secure margins on its financing products. However, if refinancing costs rise, for example because of higher interest rates on the capital markets where the Group seeks a portion of funding for its financial services products, the Financial Services Business's margin may be reduced temporarily in certain cases if the increase cannot be offset in the short term by modifying the interest rate according to the financing agreement with the customer or be passed on to new customers. In certain markets where the Group's Financial Services Business is active, there is also intense competition for financing packages by third-party financing entities. These third-party entities may be able to finance a customer's purchase of the Group's products at a commercially more attractive rate than the Group's Financial Services Business, in which case the Group would be unable to earn a corresponding margin.

Default rates also affect the results of the Group's Financial Services Business. When default rates rise, the Group recognizes additional impairment losses and expenses for risk provisions, which adversely affect the Group's results of operations. Higher risk provisioning and the related additional impairment losses in 2020 were significantly impacted by the Covid-19 pandemic. As the Group's Financial Services Business operates in various jurisdictions, the costs of regulatory compliance can also affect its ability to achieve attractive margins.

The table below sets forth the receivables of the Financial Services Business as at December 31, 2020, broken down by category of financing to which they are attributable, whether current or non-current, and the resulting gross carrying amounts and loss allowances.

	As at December 31, 2020		
	Current	**Non-current**	**Total**
		EUR millions (audited)	
Sales financing with customers	3,457	6,624	10,081
Sales financing with dealers	2,702	550	3,252
Finance lease contracts	904	1,403	2,307
Gross carrying amount	**7,063**	**8,577**	**15,641**
Loss allowances	(112)	(259)	(371)
Net carrying amount	**6,951**	**8,318**	**15,269**

The table below sets forth the credit risks included in the Financial Service Business receivables as at December 31, 2020, broken down by past due date and credit impairment.

	As at December 31, 2020			
	12-month expected credit loss	**Lifetime expected credit loss**		**Total**
		Not-credit impaired	**Credit impaired**	
	(Stage 1)	**(Stage 2)**	**(Stage 3)**	
		EUR millions (audited)		
Gross carrying amount	**14,581**	**593**	**467**	**15,641**
thereof				
not past due	14,354	181	141	**14,676**
past due 30 days or 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**

For more information, see Note 16 to the Audited Combined Financial Statements.

As the Financial Services Business is still in the process of being transferred to the Group from Daimler AG, its receivables and credit risks for 2020 described above, and its results more generally, only represent the portion of the assets and operations that will have been transferred to the Group up until completion of the Phase 1 Transactions. The Phase 2 Transactions, whereby the remaining financial services businesses will be transferred to or will otherwise become part of the Group, will occur in a second wave in 2022. A third wave involving the ramp-up of markets where new portfolios for the Financial Services segment are intended to be established, including in France, Germany and other new markets, is (following initial build-up steps in 2022) planned to occur through 2023 and beyond. For more information, see Note 1 to the Audited Combined Financial Statements and "*3.2.1 Separation of Financial Services Business*." For more information on how the Group plans for the Financial Services Business to form part of an expanded services offering in the future, see "*7.5.3 Demand for Aftersales Services*."

7.5.11 Foreign Exchange Rate Fluctuation

Due to the global orientation of the Group's operations, its results of operations are exposed to risks and opportunities related to fluctuations in currency exchange rates. This applies in particular to fluctuations of the Euro against the U.S. dollar, the Japanese Yen and the currencies of certain growth markets. Changes in the exchange rates between these currencies can affect the Group's operations and financial position, as a result of both transactional and translational exchange rate effects.

Transactional effects of exchange rate fluctuations arise in business operations primarily when revenue is generated in a currency that is different from the currency in which the costs of revenue are generated, for example when a member of the Group enters into a sale or purchase transaction in a currency other than its functional currency. In addition, the Group is indirectly exposed to transaction risk from its equity method investments. The Group's predominant transactional exposures are EUR-USD, EUR-GBP and EUR-JPY.

The Group utilizes natural hedging, which involves the currency exposures of business operations of different entities and segments partially offsetting each other. 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, the Group generally strives to increase cash outflows in the same currencies in which the Group has a net excess inflow. In addition, the Group uses financial derivatives to protect itself against certain transactional foreign currency exchange rate risks to which it is exposed. The Group regularly updates its currency risk exposures in accordance with its exchange rate expectations. In addition, the Group applies currency matched funding in principle whenever possible in order to denominate external borrowings in the same currencies as the financing needs of the operative units. See also "*7.15 Financial Risk Management*" and "*1.2.9 The Group's international operations expose it to foreign exchange rate risk.*"

Translational effects of exchange rate fluctuations arise because the income and expenses, assets and liabilities of the Company's subsidiaries are measured in the currency of the primary economic environment in which the relevant subsidiary operates (its functional currency). The results of operations of a number of the Company's global subsidiaries located outside the eurozone are, therefore, measured in currencies other than EUR and are then converted into EUR for presentation of the Group's financial results in the combined financial statements. Consequently, period-to-period changes in the applicable average foreign currency exchange rates may impact, for example, Group revenue, segment results (*i.e.* EBIT) and assets, even if their value has not changed in their local functional currency.

7.5.12 Commercial Success of CO_2 Neutral Transportation

The Group is committed to the Paris Agreement on climate change and intends to play a major role in shaping the development of CO_2-neutral transportation. To achieve this, the Group is focusing on two technologies: batteries and hydrogen-powered fuel cells. See "*7.5.8 Research and Development.*"

The Group's plans are in part driven by the requirement to meet certain emissions requirements in a number of countries in the next several years, including the forthcoming Euro VII emissions standard. The Group intends to significantly reduce its ICE spending and instead spend the majority of R&D resources on ZEV technologies by 2025. To accomplish this goal and help bear further development costs, the Group has entered into, and plans to enter into, strategic partnerships. As a first step, the Group has already partnered with Cummins on the development of a medium-duty engine platform to comply with forthcoming emissions standards. See also "*10.7.4 Strategic Partnership with Cummins.*" The Group is also actively seeking partners to help share the burden of heavy-duty engine development which also comply with upcoming regulations. While further regulation of ICE emissions will still result in additional costs for the Group, government support for the transition to ZEV platforms and infrastructure may also have a positive impact on the Group's results. For instance, government subsidies for the purchase of commercial BEV or FCEV, construction of charging stations, safety regulations and generally favorable and supportive legislation (including tax and toll incentives) could lead to faster and broader acceptance of the Group's zero-emissions products. At the same time, any withdrawal of supportive government measures could undermine the Group's ability to offer ZEV products with competitive TCO.

The transition described above entails significant costs that go well beyond research and developments expenses and include increased costs for dual production during the transitional phase when ICE and ZEV models are both offered and heightened material costs and marketing costs for ZEV products. Moreover, achieving the emissions targets described above will require incurring significantly higher costs to deploy the latest clean technologies. Whether these investments yield positive returns for the Group depends on the degree to which the Group's customers accept fuel cell-powered trucks and buses and commercial vehicles with battery-electric drive systems. Customer acceptance in turn depends on factors ranging from the performance of these vehicles to government support programs, including subsidies for electric vehicles and the build-out of charging infrastructure, to the ultimate TCO of these vehicles compared to traditional internal combustion vehicles.

The Group believes that the transition to electric trucks and buses is inevitable and will ultimately prove to be successful, but also acknowledges that there are a number of uncertainties surrounding the market acceptance of these vehicles, including those produced by the Group. The resolution of these uncertainties will have a significant impact on the Group's results of operation in the coming years.

See also "*1.1.7 The Group's future business success depends on its ability to respond to evolving market trends with innovative, attractive and energy-efficient products, technology and services on competitive terms.*"

7.6 Explanation of Income Statement Items

Revenue consists of revenue from contracts with customers, mainly comprising the sale of the Group's products and services, and other revenue not in the scope of IFRS 15 ("**Other revenue**"), which primarily comprises revenue from the rental and leasing business and interest income from financial services in the Financial Services segment and effects from currency hedging.

Cost of sales consists of expenses of goods sold, depreciation of equipment on operating leases, refinancing costs at financial services, impairment losses on receivables from financial services, and other cost of sales.

Selling expenses consist of direct selling costs and selling overhead expenses, comprising personnel expenses, material costs and other selling costs.

General administrative expenses consist of expenses which are not attributable to production, sales or research and development functions, comprising personnel expenses, depreciation and amortization of fixed and intangible assets and other administrative costs.

Research and non-capitalized development costs consist primarily of personnel expenses and material costs.

Other operating income consists of income from costs recharged, government grants and subsidies, gains on sales of property, plant and equipment, rental income not relating to sales financing, and other miscellaneous income.

Other operating expenses consist of losses on sale of property, plant and equipment and other miscellaneous expenses.

Profit/loss on equity-method investments, net relates to the result from investments in significant joint ventures. As of September 30, 2021, the Group's investments in BFDA, cellcentric and KAMAZ were material from a Group perspective.

Other financial income/expense, net consists of income and expense from compounding and effects from changes in discount rates of provisions for other risks and miscellaneous other financial income/expense, net.

Interest income consists of interest and similar income.

Interest expense consists of net interest expense on the net obligation from defined benefit pension plans and interest and similar expense.

Income taxes consists of current taxes and deferred taxes.

7.7 Results of Operations

The table below sets out the results of operations of the Group for the years ended December 31, 2020, 2019 and 2018, as well as for the nine months ended September 30, 2021 and 2020.

	For the year ended December 31			For the nine months ended September 30	
	2020	**2019**	**2018**	**2021**	**2020**
	EUR millions (audited)			**EUR millions (unaudited)**	
Revenue	36,013	46,244	43,700	28,418	25,154
Cost of sales	(30,531)	(37,596)	(35,445)	(23,126)	(21,622)
Gross profit	**5,482**	**8,648**	**8,255**	**5,292**	**3,532**
Selling expenses	(2,625)	(3,001)	(2,745)	(1,924)	(1,885)
General administrative expenses	(1,472)	(1,686)	(1,502)	(1,143)	(1,060)
Research and non-capitalized development costs	(1,423)	(1,662)	(1,509)	(991)	(1,075)
Other operating income	726	797	660	1,753	511
Other operating expense	(200)	(214)	(471)	(245)	(80)
Profit/loss on equity-method investments, net	47	(2)	41	138	34
Other financial income/expense, net	(44)	(88)	5	60	(30)
Earnings before interest and taxes (EBIT)	**491**	**2,792**	**2,734**	**2,940**	**(53)**
Interest income	62	131	74	38	50
Interest expense	(219)	(292)	(257)	(107)	(156)
Profit before income taxes	**334**	**2,631**	**2,551**	**2,871**	**(159)**
Income taxes	(465)	(881)	(712)	(606)	(340)
Net profit/loss	**(131)**	**1,750**	**1,839**	**2,265**	**(499)**
thereof profit attributable to non-controlling interests	12	19	31	23	4
thereof profit/loss attributable to Daimler Group	(143)	1,731	1,808	2,242	(503)

Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020

	For the nine months ended September 30		
	2021	**2020**	**% Change**
	EUR millions (unaudited)		**(unaudited)**
Revenue	28,418	25,154	13.0
Cost of sales	(23,126)	(21,622)	7.0
Gross profit	**5,292**	**3,532**	49.8
Selling expenses	(1,924)	(1,885)	2.1
General administrative expenses	(1,143)	(1,060)	7.8
Research and non-capitalized development costs	(991)	(1,075)	(7.8)
Other operating income	1,753	511	243.1
Other operating expense	(245)	(80)	206.3
Profit/loss on equity-method investments, net	138	34	305.9
Other financial income/expense, net	60	(30)	300.0
Earnings before interest and taxes (EBIT)	**2,940**	**(53)**	n.a.
Interest income	38	50	(24.0)
Interest expense	(107)	(156)	(31.4)
Profit before income taxes	**2,871**	**(159)**	n.a.
Income taxes	(606)	(340)	78.2
Net profit/loss	**2,265**	**(499)**	553.9
thereof profit attributable to non-controlling interests	23	4	n.a.
thereof profit/loss attributable to Daimler Group	2,242	(503)	n.a.

Revenue

Revenue increased by EUR 3,264 million, or 13.0%, from EUR 25,154 million in the nine months ended September 30, 2020 to EUR 28,418 million in the nine months ended September 30, 2021. The key drivers for the increase were overall improved macroeconomic conditions as a result of global markets beginning to recover from the severe impacts of the Covid-19 pandemic seen in the first nine months of 2020. This recovery was reflected in increased demand for heavy-duty trucks, particularly in the first half of 2021 in the EU30, North America and Brazil.

The general increase in demand for heavy duty trucks was reflected in the Group's unit sales, which increased in the EU30 from 42,615 to 50,026, in North America from 98,808 to 117,042, in Asia from 57,429 to 62,038, in Latin America from 24,751 to 40,332 and in Other markets from 34,439 to 54,658. This led to increases in the Group's revenues in the MB, TN and TA segments. DB sold 12,669 buses and chassis worldwide in the nine months ended September 30, 2021, compared to 12,480 in the corresponding period in 2020. Despite this increase, the Group's revenue in DB decreased as a result of the ongoing impact of the Covid-19 pandemic, especially on demand for touring coaches. While broadly positive economic trends supported revenues at the Group level in the first half of 2021, the second half of 2021 has so far developed more disparately as production bottlenecks caused by supply chain constraints, mainly due to shortages of semiconductors, have especially affected the heavy-duty truck market segment and offset revenue increases to a significant extent.

The following table sets forth the Group's revenue by geographic region.

	For the nine months ended September 30		
	2021	**2020**	**% Change**
	EUR millions (unaudited)		**(unaudited)**
Total Group revenue	28,418	25,154	13.0
of which Europe	8,355	7,428	12.5
of which North America	11,041	9,727	13.5
of which Asia	3,968	4,323	(8.2)
of which Latin America	2,072	1,213	70.8
of which Other markets	1,612	895	80.1
of which Other revenue	1,370	1,568	(12.6)

The Group's revenue increased across the geographic regions of Europe, North America, Latin America and Other markets due to improved macroeconomic impacts as global markets began to recover from the Covid-19 pandemic, which drove increases in unit sales for each of the Automotive Segments compared to the nine months ended September 30, 2020. Despite this, the Group's revenue decreased in Asia due to volume decreases in Japan as well as foreign exchange effects. Moreover, increases in the Group's revenue have been offset to a significant extent in the third quarter of 2021 by the effects of supply chain constraints, mainly due to shortages of semiconductors.

The following table sets forth the Group's revenue by segment.

	For the nine months ended September 30		
	2021	**2020**	**% Change**
	EUR millions (unaudited)		**(unaudited)**
MB	11,788	9,372	25.8
TN	11,185	9,823	13.9
TA	4,355	4,097	6.3
DB	2,043	2,277	(10.3)
Financial Services	858	919	(6.6)
Total segments	**30,229**	**26,488**	14.1
Reconciliation	(1,811)	(1,334)	35.8
Total Group revenue	**28,418**	**25,154**	13.0

MB

The following table sets forth MB's revenue for the respective periods broken down in line with the Group's geographic reporting.

	For the nine months ended September 30	
	2021[(1)]	**2020**[(1)]
	EUR millions (unaudited)	
MB	11,788	9,372
of which Europe	7,348	6,007
of which North America	821	468
of which Asia	806	975
of which Latin America	1,695	951
of which Other markets	673	518
of which Other revenue	445	453

Note:

(1) Figures are pre-Reconciliation.

MB's revenue increased from EUR 9,372 million for the nine months ended September 30, 2020 to EUR 11,788 million for the nine months ended September 30, 2021, mainly due to the improvements in demand for the Group's vehicles and resulting increased unit sales described above, principally in Europe and Latin America. This increase was offset to a significant extent in the third quarter of 2021 by the effects of supply chain constraints, mainly due to shortages of semiconductors.

TN

The following table sets forth TN's revenue for the respective periods broken down in line with the Group's geographic reporting.

	For the nine months ended September 30	
	2021[(1)]	**2020**[(1)]
	EUR millions (unaudited)	
TN	11,185	9,823
of which Europe	67	51
of which North America	10,834	9,571
of which Asia	11	33
of which Latin America	105	43
of which Other markets	166	74
of which Other revenue	2	51

Note:

(1) Figures are pre-Reconciliation.

TN's revenue increased from EUR 9,823 million for the nine months ended September 30, 2020 to EUR 11,185 million for the nine months ended September 30, 2021, mainly due to the improvements in demand for the Group's vehicles and resulting increased unit sales described above. This increase was offset to a significant extent in the third quarter of 2021 by effects of supply chain constraints, mainly due to shortages of semiconductors.

TA

The following table sets forth TA's revenue for the respective periods broken down in line with the Group's geographic reporting.

	For the nine months ended September 30	
	2021[1]	**2020[1]**
	EUR millions (unaudited)	
TA	4,355	4,097
of which Europe	74	154
of which North America	61	68
of which Asia	3,424	3,584
of which Latin America	95	63
of which Other markets	685	207
of which Other revenue	16	21

Note:

(1) Figures are pre-Reconciliation.

TA's revenue increased from EUR 4,097 million for the nine months ended September 30, 2020 to EUR 4,355 million for the nine months ended September 30, 2021, mainly due to the improvements in demand for the Group's vehicles and resulting increased unit sales described above in Other markets. This development was partly offset by a decline in Asia due to volume decreases in Japan as well as foreign exchange effects.

DB

The following table sets forth DB's revenue for the respective periods broken down in line with the Group's geographic reporting.

	For the nine months ended September 30	
	2021[1]	**2020[1]**
	EUR millions (unaudited)	
DB	2,043	2,277
of which Europe	1,388	1,599
of which North America	110	72
of which Asia	41	48
of which Latin America	261	236
of which Other markets	62	107
of which Other revenue	181	215

Note:

(1) Figures are pre-Reconciliation.

DB's revenue decreased from EUR 2,277 million for the nine months ended September 30, 2020 to EUR 2,043 million for the nine months ended September 30, 2021. Despite increased unit sales, DB's revenue decreased as a result of the ongoing impact of the Covid-19 pandemic, especially on demand for touring coaches.

Financial Services

Financial Services' revenue (pre-Reconciliation) decreased from EUR 919 million for the nine months ended September 30, 2020 to EUR 858 million for the nine months ended September 30, 2021, as a result of a decline in the underlying average portfolio (contract volume).

Cost of sales

Cost of sales increased by EUR 1,504 million, or 7.0%, from EUR 21,622 million in the nine months ended September 30, 2020 to EUR 23,126 million in the nine months ended September 30, 2021. The increase was primarily due to increases in the expenses of goods sold as a result of the Group's increased unit sales and increased raw material prices.

The table below sets forth the Group's cost of sales by Automotive Segment on a pre-Reconciliation basis.

	For the nine months ended September 30		
	2021	2020	% Change
	EUR millions (unaudited)		(unaudited)
MB	(9,975)	(8,627)	15.6
TN	(9,127)	(8,281)	10.2
TA	(3,453)	(3,303)	4.5
DB	(1,799)	(1,900)	(5.3)

Cost of sales increased in MB, TN and TA as a result of increases in the expenses of goods sold as a result of increased unit sales by each of these segments. Cost of sales decreased in DB despite an increase in unit sales as a result of a change in product mix.

Gross profit

Gross profit increased by EUR 1,760 million, or 49.8%, from EUR 3,532 million in the nine months ended September 30, 2020 to EUR 5,292 million in the nine months ended September 30, 2021 and gross profit margin increased from 14.0% to 18.6% over the period, as the Group's revenue increase outpaced the increase in cost of sales. This increase was offset to a significant extent in the third quarter of 2021 by the effects of supply chain constraints, mainly due to shortages of semiconductors, and increased raw material prices.

Selling expenses

Selling expenses increased by EUR 39 million, or 2.1%, from EUR 1,885 million in the nine months ended September 30, 2020 to EUR 1,924 million in the nine months ended September 30, 2021. The increase was primarily due to increases in direct selling costs and overhead expenses, which were incurred in connection with increased unit sales.

General administrative expenses

General administrative expenses increased by EUR 83 million, or 7.8%, from EUR 1,060 million in the nine months ended September 30, 2020 to EUR 1,143 million in the nine months ended September 30, 2021. The increase was primarily due to the overall growth in revenue and sales volume.

Research and non-capitalized development costs

Research and non-capitalized development costs decreased by EUR 84 million, or 7.8%, from EUR 1,075 million in the nine months ended September 30, 2020 to EUR 991 million in the nine months ended September 30, 2021. The decrease was primarily due to an increased share of capitalized R&D.

Other operating income

Other operating income increased by EUR 1,242 million, or 243.1%, from EUR 511 million in the nine months ended September 30, 2020 to EUR 1,753 million in the nine months ended September 30, 2021. The increase was primarily due to income from cellcentric, which had a positive effect on earnings of EUR 1,215 million, of which EUR 624 million was accounted for by a remeasurement of the Group's interest in the joint venture.

Other operating expense

Other operating expense increased by EUR 165 million, or 206.3%, from EUR 80 million in the nine months ended September 30, 2020 to EUR 245 million in the nine months ended September 30, 2021. The increase was primarily due to a EUR 52 million change in provisions for liabilities and litigation and an impairment loss of EUR 40 million on goodwill related to the Financial Services segment, which was driven by the formation of the new Daimler Truck Management Board, the new management reporting and the respective planning for this cash generating unit.

Profit/loss on equity-method investments, net

Profit/loss on equity-method investments, net increased by EUR 104 million, or 305.9%, from EUR 34 million in the nine months ended September 30, 2020 to EUR 138 million in the nine months ended September 30, 2021, as a result of a EUR 75 million loss reversal in BFDA triggered by the confirmation of the production and distribution of Mercedes-Benz branded heavy duty trucks in China from the fourth quarter of 2022 onwards, as well as the addition of the Daimler Truck Business' equity investment share in cellcentric, which were partially offset by a net loss in the Group's equity result in KAMAZ of EUR 40 million.

Other financial income/expense, net

Other financial income/expense, net increased by EUR 90 million, or 300.0%, from a EUR 30 million loss in the nine months ended September 30, 2020 to a EUR 60 million gain in the nine months ended September 30, 2021. The increase was primarily due to increased income from compounding and effects from changes in discount rates of provisions for other risks, as well as from miscellaneous other financial income, net.

Earnings before interest and taxes (EBIT)

Earnings before interest and taxes (EBIT) increased by EUR 2,993 million from a EUR 53 million loss in the nine months ended September 30, 2020 to a EUR 2,940 million gain in the nine months ended September 30, 2021. The increase was primarily due to the factors described above. The table below sets forth the Group's earnings before interest and taxes (EBIT) by segment on a pre-Reconciliation basis.

	For the nine months ended September 30		
	2021	2020	% Change
	EUR millions (unaudited)		(unaudited)
MB	330	(610)	154.1
TN	1,205	636	89.5
TA	316	42	652.4
DB	(74)	24	(408.3)
Financial Services	121	(52)	332.7

EBIT increased for each of the Group's segments except DB in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. In the case of MB, TN and TA, these increases were primarily attributable to increases in the Group's revenue in those segments. Furthermore, at TA, EBIT also increased as a result of a EUR 75 million loss reversal in BFDA triggered by the confirmation of the production and distribution of Mercedes-Benz branded heavy duty trucks in China from the fourth quarter of 2022 onwards. Despite a decrease in revenue and a EUR 40 million goodwill impairment loss, Financial Services' EBIT increased due to lower estimated risk costs and the resulting release of provisions as compared to the nine months ended September 30, 2020, which period was heavily impacted in this regard by the Covid-19 pandemic. DB's EBIT decreased from a EUR 24 million gain in the nine months ended September 30, 2020 to a EUR 74 million loss in the nine months ended September 30, 2021, primarily the result of decreased revenues and the ongoing impact of the Covid-19 pandemic, especially on demand for touring coaches.

Adj. EBIT

The Group's Adj. EBIT increased by EUR 1,937 million, from EUR 21 million in the nine months ended September 30, 2020 to EUR 1,958 million in the nine months ended September 30, 2021. The increase was primarily due to the same reasons that EBIT increased, adjusted for M&A transactions (EUR 109 million) and restructuring measures (EUR 95 million) at MB, for M&A transactions (EUR 15 million) and restructuring measures (EUR 6 million) at DB and reduced for M&A transactions (EUR 1,223 million) and adjusted for restructuring measures (EUR 15 million) at Reconciliation. The table below sets forth Adj. EBIT by segment on a pre-Reconciliation basis.

	For the nine months ended September 30		
	2021	2020	% Change
	EUR millions (unaudited)		(unaudited)
MB	534	(554)	196.4
TN	1,205	636	89.5
TA	316	42	652.4
DB	(53)	24	(320.8)
Financial Services	121	(50)	342.0

Interest income

Interest income decreased by EUR 12 million, or 24.0%, from EUR 50 million in the nine months ended September 30, 2020 to EUR 38 million in the nine months ended September 30, 2021. The decrease was due to decreased interest and similar income.

Interest expense

Interest expense decreased by EUR 49 million, or 31.4%, from EUR 156 million in the nine months ended September 30, 2020 to EUR 107 million in the nine months ended September 30, 2021. The decrease was due to decreased net interest expense on the net obligation from defined-benefit pension plans and interest and similar expense.

Net profit/loss

As a result of the foregoing, net profit/loss increased by EUR 2,764 million from a EUR 499 million net loss in the nine months ended September 30, 2020 to a EUR 2,265 million net profit in the nine months ended September 30, 2021.

Industrial Business

The table below sets forth selected income statement information for the Industrial Business for the nine months ended September 30, 2021 and 2020. The table below includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.

	For the nine months ended September 30		
	2021	2020	% Change
	EUR millions (unaudited)		(unaudited)
Revenue	27,561	24,236	13.7
Cost of sales	(22,572)	(20,781)	8.6
Gross profit	**4,988**	**3,455**	44.4
Selling expenses	(1,841)	(1,802)	2.2
General administrative expenses	(1,041)	(971)	7.2
Research and non-capitalized development costs	(991)	(1,075)	(7.8)
Others[(1)]	1,704	393	333.6
Earnings before interest and taxes (EBIT)	**2,819**	**(0)**	n.a.
Adj. EBIT	**1,837**	**70**	n.a.

Note:

(1) Includes Other operating income, other operating expense, profit/loss on equity-method investments, net and other financial income/expense, net.

Revenue

Revenue of the Industrial Business increased by EUR 3,325 million, or 13.7%, from EUR 24,236 million in the nine months ended September 30, 2020 to EUR 27,561 million in the nine months ended September 30, 2021. The key drivers for this increase were overall improved macroenomic conditions as a result of global markets beginning to recover from the severe impacts of the Covid-19 pandemic seen in the first nine months of 2020.

These improvements culminated in increased unit sales across the Group's segments. While broadly positive economic trends supported revenues at the Group level in the first half of 2021, the second half of 2021 has so far developed more disparately as production bottlenecks caused by supply chain constraints, mainly due to shortages of semiconductors, have especially affected the heavy-duty truck market segment and offset revenue increases to a significant extent.

Cost of sales

Cost of sales of the Industrial Business increased by EUR 1,791 million, or 8.6%, from EUR 20,781 million in the nine months ended September 30, 2020 to EUR 22,572 million in the nine months ended September 30, 2021. The increase was primarily due to increases in the expenses of goods sold as a result of the Group's increased unit sales and increased raw material prices.

Selling expenses

Selling expenses of the Industrial Business increased by EUR 39 million, or 2.2%, from EUR 1,802 million in the nine months ended September 30, 2020 to EUR 1,841 million in the nine months ended September 30, 2021. The increase was primarily due to increases in direct selling costs and overhead expenses, which were incurred in connection with increased unit sales.

General administrative expenses

General administrative expenses of the Industrial Business increased by EUR 70 million, or 7.2%, from EUR 971 million in the nine months ended September 30, 2020 to EUR 1,041 million in the nine months ended September 30, 2021. The increase was primarily due to the overall growth in revenue and sales volume.

Research and non-capitalized development costs

Research and non-capitalized development costs of the Industrial Business decreased by EUR 84 million, or 7.8%, from EUR 1,075 million in the nine months ended September 30, 2020 to EUR 991 million in the nine months ended September 30, 2021. The increase was primarily due to an increased share of capitalized R&D.

Others

Others of the Industrial Business increased by EUR 1,311 million, or 333.6%, from EUR 393 million in the nine months ended September 30, 2020 to EUR 1,704 million in the nine months ended September 30, 2021. The increase was primarily due to income from cellcentric, which had a positive effective on earnings of EUR 1,215 million, of which EUR 624 million was accounted for by a remeasurement of the Group's interest in the joint venture. Cellcentric related activities are allocated to Reconciliation and thus included in the Industrial Business.

Earnings before interest and taxes (EBIT)

Earnings before interest and taxes (EBIT) of the Industrial Business increased by EUR 2,819 million from EUR 0 million in the nine months ended September 30, 2020 to EUR 2,819 million in the nine months ended September 30, 2021. The increase was primarily due to the factors described above, *i.e.* revenue improvements driven by increased customer demand and resulting increases in unit sales following markets recovering from the Covid-19 pandemic. This increase was offset to a significant extent in the third quarter of 2021 by the effects of supply chain constraints, mainly due to shortages of semiconductors, and increased raw material prices.

Adj. EBIT

Adj. EBIT of the Industrial Business increased by EUR 1,767 million, from EUR 70 million in the nine months ended September 30, 2020 to EUR 1,837 million in the nine months ended September 30, 2021. The increase was primarily due to the same reasons that EBIT increased, adjusted for M&A transactions (EUR 109 million) and restructuring measures (EUR 95 million) at MB and M&A transactions (EUR 15 million) and restructuring measures (EUR 6 million) at DB.

Year ended December 31, 2020 compared to year ended December 31, 2019

	For the year ended December 31		
	2020	2019	% Change
	EUR millions (audited)		(unaudited)
Revenue	36,013	46,244	(22.1)
Cost of sales	(30,531)	(37,596)	(18.8)
Gross profit	**5,482**	**8,648**	(36.6)
Selling expenses	(2,625)	(3,001)	(12.5)
General administrative expenses	(1,472)	(1,686)	(12.7)
Research and non-capitalized development costs	(1,423)	(1,662)	(14.4)
Other operating income	726	797	(8.9)
Other operating expense	(200)	(214)	(6.5)
Profit/loss on equity-method investments, net	47	(2)	n.a
Other financial income/expense, net	(44)	(88)	(50.0)
Earnings before interest and taxes (EBIT)	**491**	**2,792**	(82.4)
Interest income	62	131	(52.7)
Interest expense	(219)	(292)	(25.0)
Profit before income taxes	**334**	**2,631**	(87.3)
Income taxes	(465)	(881)	(47.2)
Net profit/loss	**(131)**	**1,750**	(107.5)
thereof profit attributable to non-controlling interests	12	19	n.a
thereof profit/loss attributable to Daimler Group	(143)	1,731	n.a

Revenue

Revenue decreased by EUR 10,231 million, or 22.1%, from EUR 46,244 million for the year ended December 31, 2019, to EUR 36,013 million for the year ended December 31, 2020. The severe economic crisis triggered by the Covid-19 pandemic and the measures taken to contain it in combination with contracting markets caused by unexpected developments in the economic cycle, caused the demand for heavy-duty trucks to decrease sharply in many of the Group's key sales markets. The North American market for heavy-duty trucks contracted by 26.0% in 2020. Demand for heavy-duty trucks also dropped substantially in the EU30, where it decreased by 28.6% in 2020 Other markets, such as Brazil (with a 9.9% decline) and Japan (6.4%), performed better in 2020 than expected but were still markedly weaker than in 2019 (source: IHS Markit).

The decline in demand for heavy-duty trucks was reflected in the Group's unit sales, which declined in North America from 206,266 to 141,560, in the EU30 region from 88,766 to 65,863, in Asia from 109,158 to 69,727 and in Latin America from 52,752 to 33,723 between 2019 and 2020. These declines led to correspondingly sharp declines in the Group's revenue in the MB, TN and TA segments. DB sold 18,932 buses and chassis worldwide in 2020 compared to 29,763 in 2019, largely as a consequence of the pandemic, which also led to revenue declines in the DB segment.

The following table sets forth the Group's revenue by geographic region.

	For the year ended December 31		
	2020	2019	% Change
	EUR millions (audited)		(unaudited)
Total Group revenue	36,013	46,244	(22.1)
of which Europe	11,241	13,156	(14.6)
of which North America	13,735	19,229	(28.6)
of which Asia	5,910	6,964	(15.1)
of which Latin America	1,838	3,024	(39.2)
of which Other markets	1,288	1,684	(23.5)
of which Other revenue	2,001	2,187	n.a.

The Group's revenue decreased across geographic regions from the year ended December 31, 2019 to the year ended December 31, 2020 due largely to the macroeconomic impacts of the Covid-19 pandemic. North America, Latin America and Other markets in particular saw significant declines in revenue as a result of sharp decreases in the demand for heavy-duty trucks and aftersales services. Europe and Asia were also severely impacted, with Europe seeing a significant decrease in the demand for, among others, coaches (resulting to an extent from the imposition of travel restrictions).

The following table sets forth the Group's revenue by segment.

	For the year ended December 31		
	2020	**2019**	**% Change**
	EUR millions (audited)		**(unaudited)**
MB	13,790	16,806	(17.9)
TN	13,847	19,370	(28.5)
TA	5,579	6,638	(16.0)
DB	3,438	4,644	(26.0)
Financial Services	1,207	1,391	(13.2)
Total segments	**37,861**	**48,849**	(22.5)
Reconciliation	(1,848)	(2,605)	(29.1)
Total Group revenue	**36,013**	**46,244**	(22.1)

MB

The following table sets forth MB's revenue for the respective periods broken down in line with the Group's geographic reporting.

	For the year ended December 31	
	2020(1)	**2019(1)**
	EUR millions (audited)	
MB	13,790	16,806
of which Europe	8,977	10,383
of which North America	703	1,022
of which Asia	1,313	1,500
of which Latin America	1,452	2,237
of which Other markets	748	1,082
of which Other revenue	597	582

Note:

(1) Figures are pre-Reconciliation.

MB's revenue decreased from EUR 16,806 million for the year ended December 31, 2019 to EUR 13,790 million for the year ended December 31, 2020, mainly due to the impacts of the Covid-19 pandemic discussed above. The Covid-19 pandemic impacted MB's revenue in Europe and Latin America more significantly than its other markets, given MB's greater exposure to conditions in those markets.

TN

The following table sets forth TN's revenue for the respective periods broken down in line with the Group's geographic reporting.

	For the year ended December 31	
	2020(1)	**2019(1)**
	EUR millions (audited)	
TN	13,847	19,370
of which Europe	71	113
of which North America	13,482	18,859
of which Asia	40	85
of which Latin America	77	129
of which Other markets	118	141
of which Other revenue	59	43

Note:

(1) Figures are pre-Reconciliation.

TN's revenue decreased from EUR 19,370 million for the year ended December 31, 2019 to EUR 13,847 million for the year ended December 31, 2020, mainly due to the impacts of the Covid-19 pandemic discussed above in its primary market of North America.

TA

The following table sets forth TA's revenues for the respective periods broken down in line with the Group's geographic reporting.

	For the year ended December 31	
	2020(1)	**2019(1)**
	EUR millions (audited)	
TA	5,579	6,638
of which Europe	224	265
of which North America	91	149
of which Asia	4,870	5,701
of which Latin America	91	140
of which Other markets	274	379
of which Other revenue	29	4

Note:

(1) Figures are pre-Reconciliation.

TA's revenue decreased from EUR 6,638 million for the year ended December 31, 2019 to EUR 5,579 million for the year ended December 31, 2020, mainly due to the impacts of the Covid-19 pandemic discussed above.

DB

The following table sets forth DB's revenues for the respective periods broken down in line with the Group's geographic reporting.

	For the year ended December 31	
	2020[(1)]	2019[(1)]
	EUR millions (audited)	
DB	3,438	4,644
of which Europe	2,502	2,996
of which North America	129	224
of which Asia	106	276
of which Latin America	322	709
of which Other markets	151	138
of which Other revenue	228	301

Note:

(1) Figures are pre-Reconciliation.

DB's revenue decreased from EUR 4,644 million for the year ended December 31, 2019 to EUR 3,438 million for the year ended December 31, 2020, mainly due to the impacts of the Covid-19 pandemic discussed above. DB's revenue from the sale of coaches, which is primarily generated in Europe, was hit especially hard by the effects of pandemic-related restrictions (due to *e.g.*, travel bans and restrictions).

Financial Services

Financial Services' revenue (pre-Reconciliation) decreased from EUR 1,391 million in 2019 to EUR 1,207 million in 2020, the result of decreases in revenue from the rental and leasing business, interest from financial services and net investment in leases. This decline was similarly driven by the Covid-19 pandemic, which saw the demand for vehicle financing and related financial services products decrease along with the declines in vehicle sales, as well as due to exchange-rate effects (predominantly in Brazil and Mexico).

Cost of sales

Cost of sales decreased by EUR 7,065 million, or 18.8%, from EUR 37,596 million for the year ended December 31, 2019, to EUR 30,531 million for the year ended December 31, 2020 as a result of production and cost adjustments in response to the Covid-19 pandemic, with expense of goods sold decreasing from EUR 35,046 million in 2019 to EUR 27,759 million in 2020.

The table below sets forth the Group's cost of sales by Automotive Segment on a pre-Reconciliation basis.

	For the year ended December 31		
	2020	2019	% Change
	EUR millions (unaudited)		(unaudited)
MB	(12,320)	(14,563)	(15.4)
TN	(11,542)	(15,668)	(26.3)
TA	(4,548)	(5,278)	(13.8)
DB	(2,906)	(3,720)	(21.9)

Cost of sales decreased across each Automotive Segment in line with and for the same reasons as the Group's cost of sales.

Gross profit

As a result of the foregoing movements in the Group's revenue and cost of sales, Group profitability as measured by gross profit decreased by EUR 3,166 million, or 36.6%, from EUR 8,648 million for the year ended December 31, 2019, to EUR 5,482 million for the year ended December 31, 2020. Gross profit margin declined from 18.7% to 15.2% over the period, as the Group's decline in revenue outpaced the decline in cost of sales.

Selling expenses

Selling expenses decreased by EUR 376 million, or 12.5%, from EUR 3,001 million for the year ended December 31, 2019, to EUR 2,625 million for the year ended December 31, 2020. This decrease was the result of planned cost-optimization programs agreed in late 2019 as well as due to measures initiated to adjust costs and capacities in response to the Covid-19 pandemic.

General administrative expenses

General administrative expenses decreased by EUR 214 million, or 12.7%, from EUR 1,686 million for the year ended December 31, 2019, to EUR 1,472 million for the year ended December 31, 2020. This decrease was the result of planned cost-optimization programs agreed in late 2019 as well as from measures initiated to adjust costs and capacities in response to the Covid-19 pandemic.

Research and non-capitalized development costs

Research and non-capitalized development costs decreased by EUR 239 million, or 14.4%, from EUR 1,662 million for the year ended December 31, 2019, to EUR 1,423 million for the year ended December 31, 2020 due to planned cost-optimization programs as well as a reduction in the development budget driven by the Covid-19 pandemic.

Other operating income

Other operating income decreased by EUR 71 million, or 8.9%, from EUR 797 million for the year ended December 31, 2019, to EUR 726 million for the year ended December 31, 2020, due to decreases in income from costs recharged, partly offset by increases in government grants and subsidies and gains on sales of property, plant and equipment.

Other operating expense

Other operating expense decreased by EUR 14 million, or 6.5%, from EUR 214 million for the year ended December 31, 2019, to EUR 200 million for the year ended December 31, 2020, due to decreases in losses on sales of property, plant and equipment and other miscellaneous expense.

Profit/loss on equity-method investments, net

Profit/loss on equity-method investments, net was a profit of EUR 47 million for the year ended December 31, 2020, compared to a loss of EUR 2 million for the year ended December 31, 2019. This development was mainly driven by a sharp rise in demand for Auman trucks, which the Group produces at its joint venture BFDA, where unit sales increased to 126,446 in 2020 from 86,214 in 2019 and accordingly, BFDA's equity result increased from a loss of EUR 15 million in 2019 to a gain of EUR 43 million in 2020 (including investor level adjustments).

Other financial income/expense, net

Other financial expense, net decreased by EUR 44 million, or 50.0%, from a loss of EUR 88 million for the year ended December 31, 2019, to a loss of EUR 44 million for the year ended December 31, 2020 as a result of decreased expense from compounding and effects from changes in discount rates of provisions for other risks, as well as from miscellaneous other financial income, net.

Earnings before interest and taxes (EBIT)

The Group's profitability measured by earnings before interest and taxes (EBIT) decreased by EUR 2,301 million, or 82.4%, from EUR 2,792 million for the year ended December 31, 2019, to EUR 491 million for the year ended December 31, 2020, as a result of the factors cited above. The table below sets forth the Group's earnings before interest and taxes (EBIT) by segment on a pre-Reconciliation basis.

	For the year ended December 31		
	2020	2019	% Change
	EUR millions (audited)		(unaudited)
MB	(372)	72	(616.7)
TN	1,015	2,237	(54.6)
TA	32	154	(79.2)
DB	67	284	(76.4)
Financial Services	(11)	192	(105.7)

EBIT decreased for each of the Group's segments from the year ended December 31, 2019 to the year ended December 31, 2020 primarily as a result of the decrease in each segment's revenue for that period, due to significantly lower unit sales in all regions caused by market downturns and significantly lower contribution from aftersales services due to lower demand as well as negative industrial performance mainly due to adjustments of warranty provisions. MB's EBIT decrease was especially pronounced, declining from a EUR 72 million gain in 2019 to a EUR 372 million loss over these periods.

Adj. EBIT

The Group's Adj. EBIT decreased by EUR 2,135 million, or 76.5%, from EUR 2,792 million for the year ended December 31, 2019, to EUR 657 million for the year ended December 31, 2020, as a result of the factors cited above. The table below sets forth the Adj. EBIT by segment on a pre-Reconciliation basis.

	For the year ended December 31		
	2020	2019	% Change
	EUR millions (unaudited)		(unaudited)
MB	(232)	72	(422.2)
TN	1,015	2,237	(54.6)
TA	37	154	(76.0)
DB	67	284	(76.4)
Financial Services	2	192	(99.0)

Adj. EBIT decreased for each of the Group's segments from the year ended December 31, 2019 to the year ended December 31, 2020 primarily for the same reasons that EBIT declined for each segment, as described above. MB's Adj. EBIT decrease was less pronounced than its decline in EBIT as a result of the lower amount of the loss recorded in 2020, which was due to adjustments for restructuring measures, declining from a EUR 72 million gain in 2019 to a EUR 232 million loss over these periods.

Interest income

Interest income decreased by EUR 69 million, or 52.7%, from EUR 131 million for the year ended December 31, 2019, to EUR 62 million for the year ended December 31, 2020, as a result of decreases in interest and similar income. This decrease was due to a significant reduction in the number of loans provided.

Interest expense

Interest expense decreased by EUR 73 million, or 25.0%, from EUR 292 million for the year ended December 31, 2019, to EUR 219 million for the year ended December 31, 2020, primarily as a result of decreased interest and similar expense, due to a significant reduction in the number of loans of received.

Net profit/loss

As a result of the factors described above, the Group's profitability as measured by net profit/loss decreased by EUR 1,881 million, or 107.5%, from a profit of EUR 1,750 million for the year ended December 31, 2019, to a loss of EUR 131 million for the year ended December 31, 2020.

Industrial Business

The table below sets forth selected income statement information for the Industrial Business for the years ended December 31, 2020 and 2019. The table below includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.

	For the year ended December 31		
	2020	2019	% Change
	EUR millions (unaudited)		(unaudited)
Revenue	34,806	44,853	(22.4)
Cost of sales	(29,490)	(36,609)	(19.4)
Gross profit	**5,316**	**8,244**	(35.5)
Selling expenses	(2,512)	(2,869)	(12.4)
General administrative expenses	(1,349)	(1,529)	(11.8)
Research and non-capitalized development costs	(1,423)	(1,662)	(14.4)
Others(1)	469	416	12.7
Earnings before interest and taxes (EBIT)	**501**	**2,600**	(80.7)
Adj. EBIT	**655**	**2,600**	(74.8)

Note:

(1) Includes Other operating income, other operating expense, profit/loss on equity-method investments, net and other financial income/expense, net.

Revenue

Revenue of the Industrial Business decreased by EUR 10,047 million, or 22.4%, from EUR 44,853 million for the year ended December 31, 2019 to EUR 34,806 million for the year ended December 31, 2020. The key driver of the decrease was the impact of the Covid-19 pandemic, as described above.

Cost of sales

Cost of sales of the Industrial Business decreased by EUR 7,119 million, or 19.4%, from EUR 36,609 million for the year ended December 31, 2019 to EUR 29,490 million for the year ended December 31, 2020. The decrease was primarily due to production and cost adjustments in response to the Covid-19 pandemic.

Selling expenses

Selling expenses of the Industrial Business decreased by EUR 357 million, or 12.4%, from EUR 2,869 million for the year ended December 31, 2019 to EUR 2,512 million for the year ended December 31, 2020. The decrease was primarily due the result of planned cost-optimization programs agreed in late 2019 as well as due to measures initiated to adjust costs and capacities in response to the Covid-19 pandemic.

General administrative expenses

General administrative expenses of the Industrial Business decreased by EUR 180 million, or 11.8%, from EUR 1,529 million for the year ended December 31, 2019 to EUR 1,349 million for the year ended December 31, 2020. The decrease was primarily the result of planned cost-optimization programs agreed in late 2019 as well as from measures initiated to adjust costs and capacities in response to the Covid-19 pandemic.

Research and non-capitalized development costs

Research and non-capitalized development costs of the Industrial Business decreased by EUR 239 million, or 14.4%, from EUR 1,662 million for the year ended December 31, 2019 to EUR 1,423 million for the year ended December 31, 2020. The decrease was primarily due to planned cost-optimization programs as well as a reduction in the development budget driven by the Covid-19 pandemic.

Others

Others of the Industrial Business increased by EUR 53 million, or 12.7%, from EUR 416 million for the year ended December 31, 2019 to EUR 469 million for the year ended December 31, 2020. The increase was primarily due to a sharp rise in demand for Auman trucks, which the Group produces at its joint venture

BFDA, where unit sales increased to 126,446 in 2020 from 86,214 in 2019 and accordingly, BFDA's equity result increased from a loss of EUR 15 million in 2019 to a gain of EUR 43 million in 2020 (including investor level adjustments). BFDA activities are allocated to TA and thus included in Industrial Business.

Earnings before interest and taxes (EBIT)

Earnings before interest and taxes (EBIT) of the Industrial Business decreased by EUR 2,099 million from EUR 2,600 million for the year ended December 31, 2019 to EUR 501 million for the year ended December 31, 2020. The decrease was primarily due to the impacts of the Covid-19 pandemic on the Industrial Business' revenue.

Adj. EBIT

Adj. EBIT of the Industrial Business decreased by EUR 1,945 million, or 74.8%, from EUR 2,600 million for the year ended December 31, 2019 to EUR 655 million for the year ended December 31, 2020. The decrease was primarily due to the impacts of the Covid-19 pandemic on the Industrial Business' revenue.

Year ended December 31, 2019 compared to year ended December 31, 2018

	For the year ended December 31		
	2019	**2018**	**% Change**
	EUR millions (audited)		**(unaudited)**
Revenue	46,244	43,700	5.8
Cost of sales	(37,596)	(35,445)	6.1
Gross profit	**8,648**	**8,255**	4.8
Selling expenses	(3,001)	(2,745)	9.3
General administrative expenses	(1,686)	(1,502)	12.3
Research and non-capitalized development costs	(1,662)	(1,509)	10.1
Other operating income	797	660	20.8
Other operating expense	(214)	(471)	(54.6)
Profit/loss on equity-method investments, net	(2)	41	n.a
Other financial income/expense, net	(88)	5	n.a
Earnings before interest and taxes (EBIT)	**2,792**	**2,734**	2.1
Interest income	131	74	77.0
Interest expense	(292)	(257)	13.6
Profit before income taxes	**2,631**	**2,551**	3.1
Income taxes	(881)	(712)	(23.7)
Net profit/loss	**1,750**	**1,839**	(4.8)
thereof profit attributable to non-controlling interests	19	31	n.a.
thereof profit/loss attributable to Daimler Group	1,731	1,808	n.a.

Revenue

Revenue increased by EUR 2,544 million, or 5.8%, from EUR 43,700 million for the year ended December 31, 2018, to EUR 46,244 million for the year ended December 31, 2019. This increase was primarily the result of an increase in units sold in North America and Brazil, better pricing across brands as well as positive exchange-rate effects. The following table sets forth the Group's revenue by geographic region:

	For the year ended December 31		
	2019	**2018**	**% Change**
	EUR millions (audited)		**(unaudited)**
Total Group revenue	46,244	43,700	5.8
of which Europe	13,156	13,523	(2.7)
of which North America	19,229	16,834	14.2
of which Asia	6,964	6,774	2.8
of which Latin America	3,024	2,575	17.4
of which Other markets	1,684	1,872	(10.0)
of which Other revenue	2,187	2,122	n.a.

The Group's revenue increased in North America (14.2%), Latin America (17.4%) and Asia (2.8%) from the year ended December 31, 2018 to the year ended December 31, 2019, primarily as a result of an increase in units sold in these regions due to general improvements in economic conditions. The Group's revenue in Other markets decreased by 10% during the same period, primarily as a result of a decrease in units sold due to market weakening. The Group's revenue in Europe decreased by 2.7% during the same period as a result of a decrease in units sold due to market weakening.

The following table sets forth the Group's revenue by segment.

	For the year ended December 31		
	2019	**2018**	**% Change**
	EUR millions (audited)		**(unaudited)**
MB	16,806	16,724	0.5
TN	19,370	17,080	13.4
TA	6,638	6,744	(1.6)
DB	4,644	4,383	6.0
Financial Services	1,391	1,200	15.9
Total segments	**48,849**	**46,131**	5.9
Reconciliation	(2,605)	(2,431)	7.2
Total Group revenue	**46,244**	**43,700**	5.8

MB

The following table sets forth MB's revenue for the respective periods broken down in line with the Group's geographic reporting.

	For the year ended December 31	
	2019[(1)]	2018[(1)]
	EUR millions (audited)	
MB	16,806	16,724
of which Europe	10,383	10,858
of which North America	1,022	998
of which Asia	1,500	1,409
of which Latin America	2,237	1,792
of which Other markets	1,082	1,024
of which Other revenue	582	643

Note:

(1) Figures are pre-Reconciliation.

MB's revenue increased from EUR 16,724 million for the year ended December 31, 2018 to EUR 16,806 million for the year ended December 31, 2019, mainly as a result of an increase in units sold in Latin America partly offset by declines in sales volumes in Europe due to market weakness there.

TN

The following table sets forth TN's revenue for the respective periods broken down in line with the Group's geographic reporting.

	For the year ended December 31	
	2019[(1)]	2018[(1)]
	EUR millions (audited)	
TN	19,370	17,080
of which Europe	113	154
of which North America	18,859	16,418
of which Asia	85	43
of which Latin America	129	177
of which Other markets	141	230
of which Other revenue	43	58

Note:

(1) Figures are pre-Reconciliation.

TN's revenue increased from EUR 17,080 million for the year ended December 31, 2018 to EUR 19,370 million for the year ended December 31, 2019, mainly as a result of an increase in units sold in North America, driven by overall strengthening of the market.

TA

The following table sets forth TA's revenue for the respective periods broken down in line with the Group's geographic reporting.

	For the year ended December 31	
	2019(1)	2018(1)
	EUR millions (audited)	
TA	6,638	6,744
of which Europe	265	283
of which North America	149	135
of which Asia	5,701	5,716
of which Latin America	140	135
of which Other markets	379	463
of which Other revenue	4	12

Note:

(1) Figures are pre-Reconciliation.

TA's revenue decreased from EUR 6,744 million for the year ended December 31, 2018 to EUR 6,638 million for the year ended December 31, 2019, primarily the result of a decline in conditions in Asian markets, particularly in Indonesia and India.

DB

The following table sets forth MB's revenue for the respective periods broken down in line with the Group's geographic reporting.

	For the year ended December 31	
	2019(1)	2018(1)
	EUR millions (audited)	
DB	4,644	4,383
of which Europe	2,996	2,846
of which North America	224	243
of which Asia	276	161
of which Latin America	709	644
of which Other markets	138	124
of which Other revenue	301	365

Note:

(1) Figures are pre-Reconciliation.

DB's revenue increased from EUR 4,383 million for the year ended December 31, 2018 to EUR 4,644 million for the year ended December 31, 2019, a result of increased unit volumes in Brazil, Argentina and the EU30, as well as positive exchange-rate effects.

Financial Services

Financial Services' revenue (pre-Reconciliation) increased from EUR 1,200 million for the year ended December 31, 2018 to EUR 1,391 million in the year ended December 31, 2019, a result of portfolio/volume increases and positive exchange-rate effects, predominantly in the U.S., Brazil and Mexico.

Cost of sales

Cost of sales increased by EUR 2,151 million, or 6.1%, from EUR 35,445 million for the year ended December 31, 2018, to EUR 37,596 million for the year ended December 31, 2019, due to an increase in expenses of goods sold from EUR 33,284 million to EUR 35,046 million, which was driven by valuation adjustments for used trucks.

The table below sets forth the Group's cost of sales by Automotive Segment on a pre-Reconciliation basis.

	For the year ended December 31		
	2019	2018	% Change
	EUR millions (unaudited)		(unaudited)
MB	(14,563)	(14,237)	2.3
TN	(15,668)	(13,889)	12.8
TA	(5,278)	(5,379)	(1.9)
DB	(3,720)	(3,517)	5.8

Cost of sales in TN increased due to an increase in expenses sold as a result of an increase in unit sales from 192,515 in 2018 to 203,965 in 2019. TA's cost of sales decreased as a result of a decrease in expenses of goods sold as a result of a decrease in unit sales from 188,860 in 2018 to 152,805 in 2019. DB's cost of sales increased as a result of an increases in expenses of goods sold as a result of an increase in unit sales from 28,133 in 2018 to 29,763 in 2019. MB's cost of sales increased despite a decrease in unit sales due to changes in product mix.

Gross profit

The Group's profitability measured by gross profit increased by EUR 393 million, or 4.8%, from EUR 8,255 million for the year ended December 31, 2018, to EUR 8,648 million for the year ended December 31, 2019, as a result of the developments described above. Gross profit margin decreased slightly from 18.9% to 18.7%, as cost of sales increased at a higher rate than revenue.

Selling expenses

Selling expenses increased by EUR 256 million, or 9.3%, from EUR 2,745 million for the year ended December 31, 2018, to EUR 3,001 million for the year ended December 31, 2019, as a result of increased sales revenue and units sold.

General administrative expenses

General administrative expenses increased by EUR 184 million, or 12.3%, from EUR 1,502 million for the year ended December 31, 2018, to EUR 1,686 million for the year ended December 31, 2019, as a result of the overall growth in revenue and sales volume.

Research and non-capitalized development costs

Research and non-capitalized development costs increased by EUR 153 million, or 10.1%, from EUR 1,509 million for the year ended December 31, 2018, to EUR 1,662 million for the year ended December 31, 2019, as a result of increased expenditures related to new technologies.

Other operating income

Other operating income increased by EUR 137 million, or 20.8%, from EUR 660 million for the year ended December 31, 2018, to EUR 797 million for the year ended December 31, 2019, as a result of increases in income from costs of sales recharged as well as recharged administration costs.

Other operating expense

Other operating expense decreased by EUR 257 million, or 54.6%, from EUR 471 million for the year ended December 31, 2018, to EUR 214 million for the year ended December 31, 2019, primarily due to changes in provisions for other risks.

Profit/loss on equity-method investments, net

Profit/loss on equity-method investments, net was a loss of EUR 2 million for the year ended December 31, 2019, compared to a net profit of EUR 41 million for the year ended December 31, 2018. This development was primarily the result of a decline in equity results from associated companies as well as from joint ventures.

Other financial income/expense, net

Other financial income/expense, net was a loss of EUR 88 million for the year ended December 31, 2019, compared to a profit of EUR 5 million for the year ended December 31, 2018. This development was the result of increased expense from compounding and effects from changes in discount rates of provisions for other risks, as well as by increased miscellaneous other financial expense.

Earnings before interest and taxes (EBIT)

The Group's profitability measured by earnings before interest and taxes (EBIT) increased by EUR 58 million, or 2.1%, from EUR 2,734 million for the year ended December 31, 2018, to EUR 2,792 million for the year ended December 31, 2019, as a result of the developments discussed above. The table below sets forth the Group's earnings before interest and taxes (EBIT) by segment on a pre-Reconciliation basis.

	For the year ended December 31		
	2019	**2018**	**% Change**
	EUR millions (audited)		**(unaudited)**
MB	72	524	(86.3)
TN	2,237	1,821	22.8
TA	154	328	(53.0)
DB	284	295	(3.7)
Financial Services	192	210	(8.6)

Generally, EBIT in the Group's segments was negatively affected by valuation adjustments for used trucks as well as higher expenses for new technologies and capacity adjustments. MB's EBIT decreased from EUR 524 million for the year ended December 31, 2018 to EUR 72 million for the year ended December 31, 2019 and TA's EBIT decreased from EUR 328 million to EUR 154 million during this period, in part as a result of lower volumes in the EU30 and in Asia. TN's EBIT increased from EUR 1,821 million to EUR 2,237 million during this period primarily as a result of higher unit sales in North America supported by positive exchange rate effects.

Adj. EBIT

The Group's Adj. EBIT decreased by EUR 58 million, or 2.1%, from EUR 2,734 million for the year ended December 31, 2018, to EUR 2,792 million for the year ended December 31, 2019, as a result of the developments discussed above. The table below sets forth the Adj. EBIT by segment on a pre-Reconciliation basis.

	For the year ended December 31		
	2019	**2018**	**% Change**
	EUR millions (unaudited)		**(unaudited)**
MB	72	524	(86.3)
TN	2,237	1,821	22.8
TA	154	328	(53.0)
DB	284	295	(3.7)
Financial Services	192	210	(8.6)

Adj. EBIT, which was identical to EBIT for the Group and each segment, increased for the same reasons as EBIT for each category.

Interest income

Interest income increased by EUR 57 million, or 77.0%, from EUR 74 million for the year ended December 31, 2018, to EUR 131 million for the year ended December 31, 2019. This increase was the result of an increase in the number of loans provided.

Interest expense

Interest expense increased by EUR 35 million, or 13.6%, from EUR 257 million for the year ended December 31, 2018, to EUR 292 million for the year ended December 31, 2019, a result of increased net expense on the net obligation from defined benefit pension plans and interest and similar expense.

Net profit/loss

The Group's profitability as measured by net profit/loss decreased by EUR 89 million, or 4.8%, from EUR 1,839 million for the year ended December 31, 2018, to EUR 1,750 million for the year ended December 31, 2019, as a result of the developments discussed above.

Industrial Business

The table below sets forth selected income statement information for the Industrial Business for the years ended December 31, 2019 and 2018. The table below includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment.

	For the year ended December 31		
	2019	2018	% Change
	EUR millions (unaudited)		(unaudited)
Revenue	44,853	42,500	5.5
Cost of sales	(36,609)	(34,648)	5.7
Gross profit	**8,244**	**7,851**	5.0
Selling expenses	(2,869)	(2,622)	9.4
General administrative expenses	(1,529)	(1,358)	12.6
Research and non-capitalized development costs	(1,662)	(1,509)	10.1
Others(1)	416	161	158.4
Earnings before interest and taxes (EBIT)	**2,600**	**2,524**	3.0
Adj. EBIT	**2,600**	**2,524**	3.0

Note:

(1) Includes Other operating income, other operating expense, profit/loss on equity-method investments, net and other financial income/expense, net.

Revenue

Revenue of the Industrial Business increased by EUR 2,353 million, or 5.5%, from EUR 42,500 million for the year ended December 31, 2018 to EUR 44,853 million for the year ended December 31, 2019. The key drivers for the increase were increases in units sold in North America and Brazil, better pricing across brands as well as positive exchange-rate effects.

Cost of sales

Cost of sales of the Industrial Business remained relatively flat from EUR 34,648 million for the year ended December 31, 2018 to EUR 36,609 million for the year ended December 31, 2019.

Selling expenses

Selling expenses of the Industrial Business increased by EUR 247 million, or 9.4%, from EUR 2,622 million for the year ended December 31, 2018 to EUR 2,869 million for the year ended December 31, 2019. The increase was primarily due to increased sales revenue and units sold.

General administrative expenses

General administrative expenses of the Industrial Business increased by EUR 171 million, or 12.6%, from EUR 1,358 million for the year ended December 31, 2018 to EUR 1,529 million for the year ended December 31, 2019. The increase was primarily due to the overall growth in revenue and sales volume.

Research and non-capitalized development costs

Research and non-capitalized development costs of the Industrial Business increased by EUR 153 million, or 10.1%, from EUR 1,509 million for the year ended December 31, 2018 to EUR 1,662 million for the year ended December 31, 2019. The increase was primarily due to increased expenditures related to new technologies.

Others

Others of the Industrial Business increased by EUR 255 million, or 158.4%, from EUR 161 million for the year ended December 31, 2018 to EUR 416 million for the year ended December 31, 2019. The increase was primarily due to changes in provisions for other risks.

Earnings before interest and taxes (EBIT)

Earnings before interest and taxes (EBIT) of the Industrial Business increased by EUR 76 million from EUR 2,524 million for the year ended December 31, 2018 to EUR 2,600 million for the year ended December 31, 2019. The increase was primarily due to revenue improvements resulting from increased unit sales.

Adj. EBIT

Adj. EBIT of the Industrial Business increased by EUR 76 million, or 3.0%, from EUR 2,524 million for the year ended December 31, 2018 to EUR 2,600 million for the year ended December 31, 2019. The increase was primarily due to revenue improvements resulting from increased unit sales.

7.8 Discussion of Statement of Financial Position

	As at December 31			As at September 30
	2020	**2019**	**2018**	**2021**
	EUR millions (audited)			**EUR millions (unaudited)**
Total non-current assets	24,576	26,949	24,625	24,622
Total current assets	25,413	28,418	25,347	26,195
Total assets	**49,989**	**55,367**	**49,972**	**50,817**
Total equity	**8,708**	**10,345**	**9,332**	**11,012**
Total non-current liabilities	19,924	22,597	20,085	17,940
Total current liabilities	21,357	22,425	20,555	21,865
Total equity and liabilities	**49,989**	**55,367**	**49,972**	**50,817**

The Group's total non-current assets consist of intangible assets, property, plant and equipment, equipment on operating leases, equity-method investments, receivables from financial services, marketable debt securities and similar investments, other financial assets, deferred tax assets and other assets.

The Group's total current assets consist of inventories, trade receivables, receivables from financial services, cash and cash equivalents, marketable debt securities and similar investments, other financial assets and other assets.

The Group's total equity consists of invested equity attributable to Daimler Group, other components of equity and invested equity attributable to non-controlling interests.

The Group's total non-current liabilities consist of provisions for pensions and similar obligations, provisions for other risks, financing liabilities, other financial liabilities, deferred tax liabilities, deferred income, contract and refund liabilities and other liabilities.

The Group's total current liabilities consist of trade payables, provisions for other risks, financing liabilities, other financial liabilities, deferred income, contract and refund liabilities and other liabilities.

As at September 30, 2021 compared to December 31, 2020

The Group's total non-current assets increased by EUR 46 million, or 0.2%, from EUR 24,576 million as at December 31, 2020 to EUR 24,622 million as at September 30, 2021. This development was primarily driven by an increase in equity-method investments from EUR 534 million to EUR 1,385 million, primarily the result of the Daimler Truck Business' equity investment share in cellcentric and an impairment reversal in BFDA, partly offset by decreases in property, plant and equipment, equipment on operating leases and deferred tax assets.

The Group's total current assets increased by EUR 782 million, or 3.1%, from EUR 25,413 million as at December 31, 2020 to EUR 26,195 million as at September 30, 2021. This development was primarily driven by an increase in inventories from EUR 6,278 million to EUR 8,492 million, a result of increased unit production in line with increased demand for the Group's products as well as an increase in inventory work-in-progress, due to semi-conductor supply shortages leading to a significant number of trucks awaiting completion, partly offset by decreases in receivables from financial services and marketable debt securities and similar investments.

The Group's total equity increased by EUR 2,304 million, or 26.5%, from EUR 8,708 million as at December 31, 2020 to EUR 11,012 million as at September 30, 2021. The increase was primarily driven by increases in equity attributable to the Daimler Group in connection with the net profit for the period.

The Group's total non-current liabilities decreased by EUR 1,984 million, or 10.0%, from EUR 19,924 million as at December 31, 2020 to EUR 17,940 million as at September 30, 2021. This development was primarily driven by a decrease in provisions for pensions and similar obligations from EUR 3,530 million to EUR 2,752 million, a result of significant increases in discount rates, and in financing liabilities, partly offset by increases in contract and refund liabilities.

The Group's total current liabilities increased by EUR 508 million, or 2.4%, from EUR 21,357 million as at December 31, 2020 to EUR 21,865 million as at September 30, 2021. This development was primarily driven by increases in trade payables in connection with higher market demand for the Group's products, in provisions for other risks and in other financial liabilities, partly offset by a decrease in financing liabilities.

As at December 31, 2020 compared to December 31, 2019

The Group's total non-current assets decreased by EUR 2,373 million, or 8.8%, from EUR 26,949 million as at December 31, 2019 to EUR 24,576 million as at December 31, 2020. This development was driven by decreases in all of the components of total non-current assets, except for an increase in deferred tax assets, due to increases in temporary differences mainly from German entities of the Group.

The Group's total current assets decreased by EUR 3,005 million, or 10.6%, from EUR 28,418 million as at December 31, 2019 to EUR 25,413 million as at December 31, 2020. This development was primarily driven by decreases in inventories, trade receivables and receivables from financial services, as a result of the reduced portfolio volume of the Financial Services segment, decreased inventories and property, plant and equipment following decreased business volumes in 2020 as a result of the Covid-19 pandemic, as well as measures taken for active working capital management. These decreases were partly offset by increases in marketable debt securities and similar investments as a result of higher cash pooling receivables.

The Group's total equity decreased by EUR 1,637 million, or 15.8%, from EUR 10,345 million as at December 31, 2019 to EUR 8,708 million as at December 31, 2020. This development was primarily driven by decreases in invested equity attributable to the Daimler Group, due to effects from currency translation and actuarial losses from defined-benefit pension plans recognized in retained earnings.

The Group's total non-current liabilities decreased by EUR 2,673 million, or 11.8%, from EUR 22,597 million as at December 31, 2019 to EUR 19,924 million as at December 31, 2020. This development was primarily driven by decreases in financing liabilities, deferred income and contract and refund liabilities, a result of lower refinancing requirements of the leasing and sales-financing operations of the Group in regard to financial institutions as well as a lower cash pooling payable to Daimler Group entities, partly offset by increases in provisions for pensions and similar obligations due to decreases in discount rates, which led to an increase in the present value of defined-benefit pension obligations. The Group's current liabilities decreased by EUR 1,068 million, or 4.8%, from EUR 22,425 million as at December 31, 2019 to EUR 21,357 million as at December 31, 2020. This development was primarily driven by a decrease in other financial liabilities as a result of a decrease in miscellaneous other financial liabilities as liabilities towards Daimler Group entities were settled, except for increases in other contract and refund liabilities and other tax liabilities.

As at December 31, 2019 compared to December 31, 2018

The Group's total non-current assets increased by EUR 2,324 million, or 9.4%, from EUR 24,625 million as at December 31, 2018 to EUR 26,949 million as at December 31, 2019. This development was primarily driven by increases in property, plant and equipment due to the initial application of IFRS 16 and therefore the recognition of right of use assets, as well as due to increases in receivables from financial services as a result of higher sales financing volumes. These increases were partly offset by a decrease in deferred tax assets, as a result of changes in taxes on actuarial gains/losses from pensions and similar obligations recognized in equity.

The Group's total current assets increased by EUR 3,071 million, or 12.1%, from EUR 25,347 million as at December 31, 2018 to EUR 28,418 million as at December 31, 2019. This development was primarily driven by increases in receivables from financial services and marketable debt securities and similar investments, due to higher sales financing volumes and a higher cash pooling receivable from Daimler Group entities, respectively. These were partly offset by decreases in inventories, trade receivables and other assets, a result of lower work-in-progress and finished goods inventories, a higher collection of receivables and the collection of reimbursements related to tax refunds.

The Group's total equity increased by EUR 1,013 million, or 10.9%, from EUR 9,332 million as at December 31, 2018 to EUR 10,345 million as at December 31, 2019. This development was primarily driven by increased equity attributable to the Daimler Group due to positive effects from net profit and transactions with Daimler Group entities, offset by decreasing effects on other comprehensive income.

The Group's total non-current liabilities increased by EUR 2,512 million, or 12.5%, from EUR 20,085 million as at December 31, 2018 to EUR 22,597 million as at December 31, 2019. This development was primarily driven by increases in non-current financial liabilities, due to the first-time application of IFRS 16, and provisions for pensions and similar obligations, due to a decrease in discount rates, which led to an increase in the present value of defined-benefit pension obligations. These increases were partly offset by decreases in deferred income and other liabilities, a result of a reversal of a provision for income taxes recorded in 2019, and a decrease in the deferral of revenue received from sales with residual-value guarantees.

The Group's current liabilities increased by EUR 1,870 million, or 9.1%, from EUR 20,555 million as at December 31, 2018 to EUR 22,425 million as at December 31, 2019. This development was primarily driven by increases in financing liabilities due to the refinancing of increases in leasing and sales financing activities, partly offset by decreases in trade payables in line with a decrease in inventories.

7.9 Liquidity and Capital Resources

7.9.1 Overview

The Group's primary sources of liquidity are cash generated from operations and raised externally from banks and investors (*e.g.*, bank loans and, going forward, capital markets transactions) and through financing vehicles (*e.g.*, asset-backed security structures). Prior to the Spin-off, the Group was also integrated into the cash pooling and cash management systems of the Daimler Group (see also "*11.1.2.3.1 Cash Pooling with Daimler Group*"). In addition, the Group's sources of liquidity prior to the Spin-off will include payments made by Daimler AG to Daimler Truck AG, constituting capital and liquidity funding measures, prior to the consummation of the Demerger Transactions, comprised of (i) a EUR 1,987 million contribution to equity (capital reserves) to enable Daimler Truck AG (or its subsidiaries) to acquire and build up the commercial vehicle-related financial services business and to acquire companies, business activities and economic goods (including rights to use trademarks and patents) historically attributable to the Daimler Group's trucks and buses division, (ii) a EUR 250 million contribution to equity (capital reserves) to strengthen the assets held to cover the Group's pension obligations, and (iii) a EUR 3,143 million contribution to equity (capital reserves) to ensure that Daimler Truck AG has an adequate equity base. The Group had cash and cash equivalents of EUR 1,663 million, EUR 1,094 million and EUR 548 million as of December 31, 2020, 2019 and 2018, respectively, and EUR 1,475 million as of September 30, 2021.

Following completion of the Spin-off, the Group expects that its key sources of liquidity will continue to be cash flows from operations, bank and capital markets debt and a EUR 18 billion credit facilities agreement entered into by, among others, Daimler Truck Holding AG, Daimler Truck AG and a bank syndicate (see "*10.18.1 Credit Facilities Agreement*"). The Group's planned capital markets transactions include the offer, through finance subsidiaries, of senior unsecured notes guaranteed by Daimler Truck Holding AG and Daimler Truck AG and denominated in U.S. dollars, Canadian dollars and/or Euros across a market standard range of maturities in an aggregate principal amount of up to approximately the amount of the Bridge Facility (the "**Bond Offerings**"). The Bond Offerings may be launched, subject to market conditions, at any time, including before or after the Demerger Transactions Effective Date. The Bond Offerings are independent of the Demerger Transactions, are not conditional upon one another and may be consummated at different times. To the extent the Bond Offerings are successfully completed, the Bridge Facility will either be mandatorily prepaid or cancelled in an amount equal to 90% of the available net proceeds received from the Bond Offerings by the

Group. For further information regarding the refinancing of the financing liabilities owed to the Daimler Group, see "*1.2.7 The Group's external debt could limit its future financing options and otherwise impact its business*". The Group may not be able to effect the Bond Offerings or any future offerings in the capital markets or other forms of financing or refinancing as planned in terms of timing, economic terms or at all, especially in challenging market conditions, and thus such methods of obtaining financing or refinancing are not guaranteed sources of liquidity.

Further sources of liquidity following the Spin-off include the capital and liquidity funding payments made by Daimler AG prior to the Spin-off, as described above, to the extent still available.

The Group aims to manage its capital to ensure that all Group companies can continue to operate as going concerns. The Group's ability to generate cash flow from operations depends on its future operating performance, which is in turn dependent on general economic, financial, competitive, market and other factors, many of which are beyond its control. See "*7.5 Key Factors Affecting Results of Operations*."

7.9.2 Cash Flows

The following table sets forth financial information extracted from the cash flow statements for the years ended December 31, 2020, 2019 and 2018, as well as for the nine months ended September 30, 2021 and 2020.

	For the year ended December 31			For the nine months ended September 30	
	2020	2019	2018	2021	2020
	EUR millions (audited)			EUR millions (unaudited)	
Cash provided by operating activities	4,170	1,270	876	1,269	2,536
Cash used for/provided by investing activities	(2,352)	(3,227)	(2,727)	1,942	(1,480)
Cash used for/provided by financing activities	(1,135)	2,493	1,512	(3,405)	(580)

Cash provided by operating activities

The following table provides a breakdown of cash provided by operating activities for the periods indicated.

	For the year ended December 31			For the nine months ended September 30	
	2020	2019	2018	2021	2020
	EUR millions (audited)			EUR millions (unaudited)	
Profit before income taxes	334	2,631	2,551	2,871	(159)
Depreciation and amortization/impairments	1,335	1,320	1,160	882	990
Other non-cash expense and income	(61)	—	(120)	(775)	(41)
Gains (-)/losses (+) on disposals of assets	(17)	10	(2)	(633)	(21)
Change in operating assets and liabilities					
Inventories	870	199	(989)	(2,105)	(290)
Trade receivables	350	435	(296)	58	594
Trade payables	(138)	(863)	882	620	257
Receivables from financial services	1,438	(1,849)	(1,794)	701	1,277
Vehicles on operating leases	339	98	(175)	255	377
Other operating assets and liabilities	318	131	318	(132)	(131)
Dividends received from equity-method investments	9	12	18	12	6
Income taxes paid	(607)	(854)	(677)	(485)	(323)
Cash provided by operating activities	**4,170**	**1,270**	**876**	**1,269**	**2,536**

Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020

Cash inflow provided by operating activities decreased by EUR 1,267 million, or 50.0%, from EUR 2,536 million for the nine months ended September 30, 2020, to EUR 1,269 million for the nine months ended September 30, 2021. This decrease was mainly attributable to an increased outflow for inventories from EUR 290 million to EUR 2,105 million, a result of increased cash outlays to increase inventory in response to heightened customer demand and due to semi-conductor supply shortages, leading to a significant number of trucks awaiting completion, as well as increases in outflows for other non-cash expense and income and gains (-)/losses (+) on disposals of assets. These developments offset an increase in profit before income taxes of EUR 3,030 million, a result of the heightened customer demand described above.

Fiscal year ended December 31, 2020 compared to fiscal year ended December 31, 2019

Cash inflow provided by operating activities increased by EUR 2,900 million, or 228.3%, from EUR 1,270 million for the year ended December 31, 2019, to EUR 4,170 million for the year ended December 31, 2020. This increase was mainly attributable to a change in receivables from financial services from an outflow of EUR 1,849 million to an inflow of EUR 1,438 million, a result of lower additions to receivables from financial services (wholesale) and increased repayments on receivables from financial services (wholesale). The change in receivables from financial services was partly offset by a decrease in profit before income taxes by EUR 2,297 million, or 87.3%, from EUR 2,631 million to EUR 334 million, due largely to the impact of the Covid-19 pandemic and related containment measures.

The increase was also partly attributable to a change in trade payables by EUR 725 million, or 84.0%, from an outflow of EUR 863 million to an outflow of EUR 138 million, a result of decreased payables due to cost management from the Covid-19 pandemic and an increase in cash inflow from inventories by EUR 671 million, or 337.2%, from EUR 199 million to EUR 870 million, a result of inventory management during the Covid-19 pandemic.

Fiscal year ended December 31, 2019 compared to fiscal year ended December 31, 2018

Cash inflow provided by operating activities increased by EUR 394 million, or 45.0%, from EUR 876 million for the year ended December 31, 2018 to EUR 1,270 million for the year ended December 31, 2019. This increase was mainly attributable to a change in inventories from an outflow of EUR 989 million to an inflow of EUR 199 million resulting from units sold outpacing increases in inventory stock.

This increase was also partly attributable to a change in trade receivables from an outflow of EUR 296 million to an inflow of EUR 435 million due to stronger sales and an increase in the collection of receivables in 2019, and a change in vehicles on operating leases from an outflow of EUR 175 million to an inflow of EUR 98 million.

The increase in cash provided by operating activities was partly offset by a change in trade payables from an inflow of EUR 882 million to an outflow of EUR 863 million, which was the result of payments in 2019 for inventories acquired in 2018, a decrease in other operating assets and liabilities by EUR 187 million, or 58.8%, from EUR 318 million to EUR 131 million and an increase in income taxes paid by EUR 177 million, or 26.1%, from an outflow of EUR 677 million to an outflow of EUR 854 million.

Cash used for/provided by investing activities

The following table provides a breakdown of cash used for/provided by investing activities for the periods indicated.

	For the year ended December 31			For the nine months ended September 30	
	2020	**2019**	**2018**	**2021**	**2020**
	EUR millions (audited)			**EUR millions (unaudited)**	
Additions to property, plant and equipment	(796)	(1,130)	(1,221)	(344)	(445)
Additions to intangible assets	(139)	(133)	(132)	(172)	(94)
Proceeds from disposals of property, plant and equipment and intangible assets	108	59	78	89	94
Acquisition of businesses	(64)	(153)	—	—	(64)
Proceeds from the disposal of shares in Daimler Truck Fuel Cell GmbH & Co. KG	—	—	—	634	—
Proceeds from disposals of shareholdings	8	56	2	136	7
Investments in shareholdings	(31)	(41)	(26)	(135)	(24)
Acquisition of marketable debt securities and similar investments	(2,593)	(4,127)	(2,511)	(1,290)	(1,633)
Proceeds from sales of marketable debt securities and similar investments	1,152	2,355	1,353	2,976	771
Other	3	(113)	(270)	48	(92)
Cash used for/provided by investing activities	**(2,352)**	**(3,227)**	**(2,727)**	**1,942**	**(1,480)**

Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020

Cash used for investing activities changed by EUR 3,422 million, or 231.2%, from a EUR 1,480 million outflow for the nine months ended September 30, 2020, to a EUR 1,942 million inflow for the nine months ended September 30, 2021. This increase was primarily attributable to an increase in proceeds from sales of marketable debt securities and similar investments from EUR 771 million to EUR 2,976 million, mainly a result of a significant decrease in cash pooling receivables from the Daimler Group. This increase was also attributable to proceeds from the disposal of shares in Daimler Truck Fuel Cell GmbH & Co. KG constituting a EUR 634 million inflow, as well as to proceeds from disposals of shareholdings, mainly related to the disposal of shares in KAMAZ PA, constituting a cash inflow of EUR 132 million. These developments were partially offset by an increased outflow for investments in shareholdings from EUR 24 million to EUR 135 million and for additions to intangible assets from EUR 94 million to EUR 172 million.

Fiscal year ended December 31, 2020 compared to fiscal year ended December 31, 2019

Cash outflow used for investing activities decreased by EUR 875 million, or 27.1%, from EUR 3,227 million for the year ended December 31, 2019 to EUR 2,352 million for the year ended December 31, 2020. This decrease was mainly attributable to a decrease in acquisition of marketable debt securities and similar investments by EUR 1,534 million, or 37.2%, from an outflow of EUR 4,127 million to an outflow of EUR 2,593 million, due to a decline in purchases by a subsidiary of short-term debt instruments as a cost saving measure to reduce these business activities as a result of the Covid-19 pandemic. The decrease was also partly attributable to a decrease in additions to property, plant and equipment by EUR 334 million, or 29.6%, from an outflow of EUR 1,130 million to an outflow of EUR 796 million, similarly as a result of cost saving measures in response to the Covid-19 pandemic. These decreases were partly offset by a decline in proceeds from sales of marketable debt securities and similar investments of EUR 1,203 million from EUR 2,355 million for the year ended December 31, 2019 to EUR 1,152 million for the year ended December 31, 2020.

Fiscal year ended December 31, 2019 compared to fiscal year ended December 31, 2018

Cash outflow used for investing activities increased by EUR 500 million, or 18.3%, from EUR 2,727 million for the year ended December 31, 2018 to EUR 3,227 million for the year ended December 31, 2019. This increase was mainly attributable to the increase in acquisition of marketable debt securities and similar investments by EUR 1,616 million, or 64.4%, from an outflow of EUR 2,511 million to an outflow of EUR 4,127 million, due to measures to improve the interest position of a subsidiary by purchasing short-term debt instruments to generate interest income on excess liquidity. This development was partly offset by an increase in proceeds from sales of marketable debt securities and similar investments by EUR 1,002 million, or 74.1%, from EUR 1,353 million to EUR 2,355 million.

Cash used for/provided by financing activities

The following table provides a breakdown of cash used for/provided by financing activities for the periods indicated.

	For the year ended December 31			For the nine months ended September 30	
	2020	**2019**	**2018**	**2021**	**2020**
	EUR millions (audited)			**EUR millions (unaudited)**	
Change in short-term financing liabilities	921	993	(793)	(2,266)(1)	(786)(1)
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)	(27)	—
Dividends paid to Daimler Group	(14)	(985)	(593)	(6)	(1)
Other transactions with Daimler Group	(604)	1,488	(215)	(1,106)	207
Cash used for/provided by financing activities	**(1,135)**	**2,493**	**1,512**	**(3,405)**	**(580)**

Note:

(1) Representing total change in financing liabilities.

Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020

Cash used for financing activities increased by EUR 2,825 million, or 487.2%, from EUR 580 million for the nine months ended September 30, 2020, to EUR 3,405 million for the nine months ended September 30, 2021. This was mainly attributable to an increase in change in financing liabilities from an outflow of EUR 786 million to an outflow of EUR 2,266 million, a result of decreases in notes/bonds payable, liabilities to financial institutions, deposits in the direct banking business and loans/liabilities from cash pooling, as well as a change in other transactions with the Daimler Group from a EUR 207 million inflow to a EUR 1,106 outflow, mainly as a result of payments for Phase 1 transactions towards remaining Daimler Group entities.

Fiscal year ended December 31, 2020 compared to fiscal year ended December 31, 2019

Cash used for/provided by financing activities was an outflow of EUR 1,135 million for the year ended December 31, 2020, compared to an inflow of EUR 2,493 million for the year ended December 31, 2019. This development was mainly attributable to a decrease in additions to long-term financing liabilities by EUR 2,194 million, or 23.9%, from EUR 9,180 million to EUR 6,986 million, due to reductions in financing liabilities in favor of financial institutions and reductions in lease liabilities. This development was also partly attributable to a change in other transactions with the Daimler Group from an inflow of EUR 1,488 million to an outflow of EUR 604 million, as a result of reductions in financing payables due to Daimler Group entities, including cash pooling payables and loan payables. These were partly offset by a decrease in the dividends paid to the Daimler Group of EUR 971 million, or 98.6%, from an outflow of EUR 985 million to an outflow of EUR 14 million.

Fiscal year ended December 31, 2019 compared to fiscal year ended December 31, 2018

Cash provided by financing activities increased by EUR 981 million, or 64.9%, from an inflow of EUR 1,512 million for the year ended December 31, 2018, to an inflow of EUR 2,493 million for the year ended December 31, 2019. This development was mainly attributable to a change in short-term financing liabilities from an outflow of EUR 793 million to an inflow of EUR 993 million, a result of the implementation of IFRS 16 in 2019, which led to an overall increase in leasing liabilities. This development was also partly attributable to a change in other transactions with the Daimler Group from an outflow of EUR 215 million to an inflow of EUR 1,488 million during the period under review, a result of an increase in financing payables due to Daimler Group entities, including cash pooling payables and loan payables.

The increase in cash provided by financing activities was partly offset by an increase in repayment of long-term financing liabilities of EUR 2,061 million, or 33.8%, from an outflow of EUR 6,104 million to an outflow of EUR 8,165 million and an increase in dividends paid to Daimler Group of EUR 392 million, or 66.1%, from an outflow of EUR 593 million to an outflow of EUR 985 million.

7.10 Capital Expenditures

7.10.1 Historical Capital Expenditure

The Group's capital expenditures are defined as payments for intangible assets and property, plant and equipment, as far as such payments do not relate to capitalized borrowing costs or goodwill ("**Capital Expenditures**") as shown in the Group's combined statement of cash flows. The Group's Capital Expenditures for intangible assets as well as property, plant and equipment are made to maintain and improve the Group's business, including capacity step investments, robotic machinery, improvements of workshops and buildings at distributors and dealerships, land, specialized tooling and other projects. Due to the variability of the Group's business, its Capital Expenditures vary from period to period depending on its needs and strategy.

Capital Expenditures are not recognized as a measure under IFRS and should not be considered as a substitute for an analysis of the combined statement of financial position and the combined statement of cash flows of the Group prepared in accordance with IFRS. In addition, the Group's definition of Capital Expenditures may not be comparable to similarly titled information published by other issuers.

Capital Expenditures for the nine months ended September 30, 2021 amounted to EUR 516 million. Key strategic targets included investment in future-oriented technologies such as electric mobility and automated driving (*e.g.* the eCanter, eActros, eCascadia and eCitaro). In addition, investment was channeled to global drive assembly with focus on heavy duty trucks, *e.g.*, to meet emission regulations and improve fuel efficiency in successor generations of existing products (*e.g.*, Western Star) and tailored products for Brazil. Additionally, ongoing investments in infrastructure, *e.g.*, to improve the Group's sales network, especially in Europe and Asia, were made, as well as to expand the aftersales network in North America. Furthermore, Capital Expenditures were made in the optimization and to improve the flexibility of production lines as well as in series management which remains at a steady high level.

Capital Expenditures for the year ended December 31, 2020 amounted to EUR 935 million, which included the following:

- More than half (EUR 528.0 million) was channeled into MB. Key strategic targets included further investment in the Chinese and Brazilian product portfolio as well as investments in electric mobility in connection with the second generation eActros heavy-duty truck as well as for future-oriented powertrain technologies such as eAxle and HV Battery. Ongoing investments to improve the Group's sales network, replace machinery and improve vehicle series and powertrain production (with a focus on heavy-duty) were also undertaken.
- For TN, investments amounted to EUR 159.0 million and targeted the development of new products or the improvement of existing products, with a focus on further enhancing fuel efficiency through new design and efficiency of the powertrain feature, as well as continuously investing in future technologies for trucks and buses (*e.g.*, the eCascadia & eM2). The largest investment projects were the development of a next generation of vocational trucks with a focus on Western Star and M2 to aid the Group's strategic goal of increasing market leadership in the vocational market segment just as the Group maintains in the on-highway segment.
- At EUR 153.0 million, investments in TA focused on the continuous implementation of safety technologies in model year upgrades of the light duty trucks portfolio and Rosa Bus, as well as ongoing investments in electric mobility, such as the fully electric eCanter. Further investments related to series management and infrastructure improvement, as well as to production and sales facilities.
- Investments of EUR 73.0 million in DB were aimed at enhancing the production of the body shop/ coach and city bus, as well as continued investments in electric mobility (*e.g.,* the eCitaro Battery LMP, and C2 Electric Drive Bus) and connectivity. Furthermore, investments in a new coach model (stainless steel body) for the U.S. market continued at a high level.

Capital Expenditures for the year ended December 31, 2019 amounted to EUR 1,263 million, which included the following:

- EUR 674.0 million was invested in the MB segment, where, in addition to continued investments in the distribution chain, the replacement of machinery and equipment in the vehicle series production and the construction of a new engineering and test center in Wörth were key areas of investment. Additionally, investments in the Chinese and Brazilian product portfolio as well as in the further optimization of the logistic and production concept to ensure suitable warehousing in Brazil to accommodate the new product portfolio continued. Further investments were made in flexible production in German powertrain plants to meet a high market demand for heavy-duty powertrains in the European and North American markets as well as in the heavy-duty powertrain portfolio.
- In TN, investments amounting to EUR 226.0 million were made to increase production capacity of plants while also improving their flexibility to react faster to short-term demand. Further, investments in the heavy-duty engine and powertrain were made to increase efficiency and fulfill EPA regulations.
- Investments totaling EUR 203.0 million for TA included projects such as the continuous implementation of safety technologies in model year upgrades of the heavy-duty trucks portfolio as well as for the fully electric eCanter. Infrastructure improvements included the maintenance of production and sales facilities and the finalization of new headquarters for TA.
- EUR 135.0 million was invested for the DB segment. Aside from investments in production reorganization of the body shop/coach and city bus production, further investments focusing on investments in future-oriented technologies such as electric mobility (*e.g.*, the eCitaro Battery LMP, Compact Hybrid and C2 Electric Drive Bus) as well as connectivity were made. In addition, investments were made in successor generations of existing products.

Capital Expenditures for the year ended December 31, 2018 amounted to EUR 1,353 million, which included the following:

- For projects in MB, the Group invested EUR 704.0 million, which included significant investments in the sales organization to set-up a dedicated sales structure for the Group. In particular, dedicated sales and service centers for the Group were created which aimed at increasing customer engagement. Other investments related to the Group's global heavy-duty powertrain portfolio, the replacement of machinery as well as to vehicle series and powertrain production. In Brazil, investments were made into the future product portfolio in order to gain market leadership while ensuring compliance with emissions regulations. Further future oriented investment was made in the growth market of China for tailored products and technologies.
- EUR 258.0 million was invested in TN, with a focus on product portfolio development for both new products as well as further enhancements of existing products to comply with increasingly demanding regulations and to further secure the Group's market leading position.
- EUR 222.0 million was invested for TA, aimed at enhancing fuel efficiency through new products and at increasing powertrain efficiency. Further investments focused on infrastructure improvements, including the new headquarters, maintaining production and sales facilities, and improving the energy efficiency of production facilities.
- EUR 162.0 million was invested in DB, with a focus on improvements in production and service related infrastructure, including the reorganization of body shop/coach and city bus production to enhance manufacturing flexibility and optimization. Further investments included the reorganization of EvoBus service centers (Bus World Home) in Switzerland and investments in successor generations of existing products to maintain competitiveness.

Between October 1, 2021 and the date of this Prospectus, the Group's Capital Expenditures amounted to approximately EUR 200 million.

7.10.2 Ongoing and planned Capital Expenditure

The Group has budgeted total Capital Expenditures of approximately up to EUR 1,200 million for the year ended December 31, 2021. The Group's ongoing Capital Expenditures primarily comprise investments in ongoing efficiency and capacity enhancement projects in the Group's production plants in Germany and in the city of Detroit, Michigan in the United States to supply high market demand for heavy duty powertrains along with further replacements of equipment and machinery to allow higher flexibility in the roll-out of future-oriented technologies. These investments are being financed primarily from cash-flows generated from operating activities.

The planned Capital Expenditures have a global focus on machinery maintenance and replacement, infrastructure improvements, which include the Group's sales facilities and entire sales network especially in Europe and Asia, series management of the Group's existing product portfolio and capacity increases and flexible heavy duty truck production lines. Additional planned investments will be made in all regions in future technologies, mainly ZEVs (eCanter, eActros, eCascadia and eCitaro) and autonomous driving, as well as setting-up additional parts distribution centers in North America to expand the Group's network and its coverage area and support a dedicated aftermarket services strategy in order to further drive the global growth of the Group.

The Group expects that these planned Capital Expenditures will, however, be predominantly invested in new production technologies (*e.g.*, innovation labs for manufacturing processes), and battery production to support the Group's ambitious plans and goals on automated driving and electric mobility and plans to fund these on an ongoing basis. The Group's planned Capital Expenditures will be financed primarily from cash-flows generated from operating activities supported by the Group's reduction of investment in its conventional product production lines.

7.11 Provisions for Pensions and Similar Obligations

The following table shows the amounts recognized in the statement of financial position for the respective periods shown.

	As at December 31			As at September 30
	2020	2019	2018	2021
	EUR millions (audited)			EUR millions (unaudited)
Provision for pension benefits	2,915	2,505	1,877	2,135
Provision for other post-employment benefits	615	673	586	617
Total	**3,530**	**3,178**	**2,463**	**2,752**

Expenses from Pension obligations included in the combined statements of income amounted to EUR 312 million, EUR 282 million and EUR 264 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Please see "*10.14.4 Pension Plans and Retirement*" and Note 25 to the Audited Combined Financial Statements for more detail on the Group's pension plans.

7.12 Financing Liabilities

The following table sets forth the Group's financing liabilities as at December 31, 2020, 2019 and 2018 and September 30, 2021.

	As at December 31			As at September 30
	2020	2019	2018	2021
	EUR millions (audited)			EUR millions (unaudited)
Notes/bonds	1,259	999	1,138	894
Commercial paper	82	105	11	42
Liabilities to financial institutions(1)	3,658	5,596	5,824	2,712
Deposits in the direct banking business	264	195	172	450
Liabilities from ABS transactions	871	991	571	930
Lease liabilities(1)	1,340	1,548	201	1,219
Loans/liabilities from cash pooling(1)	13,075	13,862	11,470	12,578
Total	**20,549**	**23,296**	**19,387**	**18,825**

Note:

(1) See "*11.1.2 Past Relationships with the Daimler Group*" for more information on remaining Daimler Group amounts.

Please see Note 27 to the Audited Combined Financial Statements for more detail on the Group's financing liabilities.

7.13 Other Financial Liabilities

The following table sets forth the Group's other financial liabilities as at December 31, 2020, 2019 and 2018 and September 30, 2021.

	As at December 31			As at September 30
	2020	2019	2018	2021
	EUR millions (audited)			EUR millions (unaudited)
Derivative financial instruments used in hedge accounting	57	105	53	25
Financial liabilities recognized at fair value through profit or loss	2	6	8	2
thereof liabilities from residual value guarantees	2,691	2,964	3,095	2,470
thereof liabilities from wages and salaries	550	500	555	706
thereof accrued interest expenses	163	251	229	156
thereof deposits received	235	260	210	263
thereof other	606	1,421	1,051	657
Miscellaneous other financial liabilities	4,245	5,396	5,140	4,252
Total	**4,304**	**5,507**	**5,201**	**4,279**

7.14 Contingent Liabilities and Liquidity Runoff

As at December 31, 2020, the best estimate for obligations from contingent liabilities was EUR 589 million (2019: EUR 574 million, 2018: EUR 538 million). As at September 30, 2021, the best estimate for obligations from contingent liabilities for the Group was EUR 607 million. The contingent liabilities mainly include legal proceedings.

The table below outlines how the future liquidity situation of the Group can be affected by the cash flows from liabilities, financial guarantees and irrevocable loan commitments as of December 31, 2020.

	Total	2021	2022	2023	2024	2025	≥ 2026
Financing liabilities(1)	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(2)	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(3)	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(4)	148	148	—	—	—	—	—
Financial guarantees(5)	287	287	—	—	—	—	—
	28,296	17,409	5,693	3,247	727	311	909

Notes:

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 the Group can be required to pay.

(b) The cash flows of floating-interest financial instruments are estimated on the basis of forward rates.

(1) The stated cash flows of financing liabilities consist of their undiscounted principal and interest payments.

(2) The undiscounted sum of the cash flows of the derivative financial liabilities is shown for the respective year.

(3) The cash outflows of trade payables are undiscounted.

(4) The maximum available amounts are stated

(5) The maximum potential obligations under the issued guarantees are stated. It is assumed that the amounts are due within the first year.

7.15 Financial Risk Management

As a result of its businesses and the global nature of its operations, the Group 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, the Group is exposed to credit risks from its leasing and financing activities and from its business operations *(i.e.*, trade receivables). Furthermore, the Group 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 the Group's profitability, liquidity and capital resources and financial position.

The 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 related controlling. The Group manages and monitors these risks primarily through its operating and financing activities.

Below is a high-level overview of the financial risks the Group faces. For more detailed information on the Group's management of financial risks, see Note 36 to the Audited Combined Financial Statements on page F-81.

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.

Exchange Rate Risk

Exchange rate risk is the risk of cash flows becoming exposed to fluctuations in exchange rates. For the Group, this risk primarily relates to fluctuations between the Euro, the U.S. dollar, the British pound and other currencies such as those used in emerging markets. The Group's 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, in which case the revenue 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. In order to mitigate the impact of this risk, the Group continually assesses its exposure to exchange rate risks and hedges a portion of those risks by using derivative financial instruments.

Liquidity Risk

Liquidity risk comprises the risk that a company cannot meet its financial obligations in full. The Group 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 the Group's liquidity risk. Liquid assets comprise cash and cash equivalents and marketable debt securities and similar investments.

Equity Price Risk

The Group 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 Group.

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. The Group uses a variety of interest rate sensitive financial instruments to manage its liquidity needs. A substantial volume of interest rate sensitive assets and liabilities results from the leasing and sales financing business operated by Financial Services. Financial Services enters into transactions with customers that primarily result in fixed-rate receivables. Group 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 Group is exposed to risks due to changes in interest rates.

Commodity Price Risk

The Group 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.

7.16 Critical Accounting Policies

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 Group had existed as a separate, stand-alone group in the reporting periods under consideration. The fact that the Group 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 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. Further assumptions relate to the attribution of assets, liabilities and income and expenses reflected in the Audited Combined Financial Statements and the Unaudited Condensed Interim Combined Financial Statements. 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.

For more information, see Note 4 to the Audited Combined Financial Statements on page F-32 and Note 4 to the Unaudited Condensed Interim Combined Financial Statements on page F-129.

7.17 New Accounting Standards and Interpretations That Are Not Yet Effective

The following standards have not yet been endorsed by the European Union. The Group has not yet applied these standards and does not expect them to have any material impact on its combined financial statements:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 16 on COVID-19-Related Rent Concessions
- 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, IRS 4 and IFRS 16).

7.18 Information from the Audited Unconsolidated Financial Statements of Daimler Truck Holding AG as of and for the stub period from March 25, 2021 to September 30, 2021

The Audited Unconsolidated Financial Statements of Daimler Truck Holding AG as of and for the stub period from March 25, 2021 to September 30, 2021 have been prepared in accordance with IFRS as adopted by the European Union and are included in this Prospectus beginning on page F-159. For the stub period from March 25, 2021 to September 30, 2021, the loss for the period was EUR 16.9 thousand, and the total assets of the Company as of September 30, 2021 amounted to EUR 703.8 thousand.

8 PROFIT FORECAST

8.1 Profit Forecasts for the period from January 1, 2021 to December 31, 2021 and for the period from January 1, 2022 to December 31, 2022 prepared by Daimler Truck Holding AG

The forecast of EBIT (as defined below) and Adj. EBIT (as defined below) prepared by Daimler Truck Holding AG (the "**Company**") for the Group (as defined below) for the period from January 1, 2021 to December 31, 2021 ("**Fiscal Year 2021**") and for the period from January 1, 2022 to December 31, 2022 ("**Fiscal Year 2022**"), respectively (hereinafter referred to as "**Profit Forecasts 2021**" and "**Profit Forecasts 2022**", and both together with the respective explanatory notes, the "**Profit Forecasts**"), is not a representation of facts and should therefore not be interpreted as such by prospective investors. Rather, it reflects the forward-looking expectations of the Company with respect to the Profit Forecasts 2021 and the Profit Forecasts 2022.

For the purpose of the Profit Forecasts, the Group (as defined below) comprises the group of Daimler Truck Holding AG together with the group of legal entities and operations (i) of the Daimler trucks and buses business ("**Daimler Trucks & Buses**") and (ii) of the related financial services business ("**Daimler Truck Financial Services**") which are subject to the reorganization measures and transfers to Daimler Truck AG and to subsidiaries of Daimler Truck AG which have already occurred prior to the date of this prospectus or will have been completed by December 1, 2021 (the "**Phase 1 Transactions**"). These legal entities and operations of Daimler Trucks & Buses and Daimler Truck Financial Services which are subject to the Phase 1 Transactions are referred to collectively as the "**Daimler Truck Business**". On or about December 9, 2021 (i.e., after completion of the Phase 1 Transactions), Daimler Truck AG (including the entities transferred to Daimler Truck AG and to subsidiaries of Daimler Truck AG as part of the Phase 1 Transactions) will become a subsidiary of the Company. The second phase includes reorganization measures and transfers of certain remaining legal entities and operations of Daimler Trucks & Buses and Daimler Truck Financial Services to the Group that will be implemented in the Fiscal Year 2022 (the "**Phase 2 Transactions**").

For the purpose of the Profit Forecasts 2021, "**Group**" includes the Company and (i) the Daimler Truck Business up to or about December 9, 2021 or (ii) its consolidated subsidiaries starting on or about December 9, 2021, respectively, whereas for the purpose of the Profit Forecasts 2022, "**Group**" includes the Company and its consolidated subsidiaries as well as the Phase 2 Transactions upon the occurrence at the relevant points in time in the Fiscal Year 2022.

The Group's activities are divided into five reporting segments: Mercedes-Benz ("**MB**"), Trucks North America ("**TN**"), Trucks Asia ("**TA**"), Daimler Buses ("**DB**") and Financial Services ("**Financial Services**", or the "**Financial Services Business**"). MB, TN, TA and DB are collectively referred to as the "**Automotive Segments**". The Automotive Segments engage in the production and sale of trucks, buses, engines and related services and have divisions which produce and market brand-specific products. In addition, other business activities and investments, in particular in the area of autonomous driving, as well as functions and services provided by the Group's headquarters and other Group companies not allocated to the segments and projects managed by headquarters are recorded under reconciliation ("**Reconciliation**" and, together with the Automotive Segments, the "**Industrial Business**"). In 2021, Volvo and Daimler Truck AG entered into a 50-50 joint venture called cellcentric GmbH & Co. KG ("**cellcentric**") for the development, manufacture and marketing of hydrogen fuel cells and systems, which is also included in Reconciliation. EBIT for the Industrial Business and Adj. EBIT for the Industrial Business include the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment. The Financial Services Business supports the sales of the Group's truck and bus brands with tailored financial services that include leasing and financing packages, as well as insurance and rental solutions purchased by the Group's customers and plans to offer fleet management and integrated service offerings to the Group's customers.

The respective financial information for the fiscal year ended December 31, 2020 presented for comparative reasons is based on the combined financial statements of the Daimler Truck Business prepared by Daimler AG and Daimler Truck AG in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**") as of and for the fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018 (the "**Audited Combined Financial Statements**").

Any forward-looking statements are necessarily based on a number of assumptions and estimates about future events and actions, including management's assessment of opportunities and risks. Such assumptions and estimates are inherently subject to significant business, operational, economic and competitive uncertainties and contingencies, many of which are beyond the Group's control, and upon assumptions with respect to future business decisions that are subject to change.

The Profit Forecasts are based on the factors and assumptions made by the Company's management board (*Vorstand*, "**Management Board**") with respect to the development of factors influencing the EBIT of the Group and the Adj. EBIT of the Group for the Fiscal Year 2021 and for the Fiscal Year 2022, respectively, as set out below. These factors and assumptions also relate to factors that the Company cannot influence. Even if these factors and assumptions are reasonable on the date on which the Profit Forecasts are published, they may subsequently prove to be unjustified or incorrect. If one or more of these factors and assumptions prove to be unjustified or incorrect, the actual EBIT of the Group and the actual Adj. EBIT of the Group for the fiscal year ending December 31, 2021 as well as the actual EBIT of the Group and the actual Adj. EBIT of the Group for the fiscal year ending December 31, 2022 (including the Phase 2 Transactions upon the occurrence at the relevant points in time in the Fiscal Year 2022) may deviate materially from the respective Profit Forecasts 2021 as well as the respective Profit Forecasts 2022. Accordingly, prospective investors should treat this information with caution and should not place undue reliance on the Profit Forecasts 2021 and the Profit Forecasts 2022.

8.2 Definition of Key Performance Indicators—EBIT and Adj. EBIT

The Group discloses EBIT for the Group as the Group believes it is a meaningful financial measure to evaluate the operating performance of its business activities over time. EBIT for the Group excludes interest income/expenses as well as income taxes as the Group does not regard them as indicative of operating performance. EBIT for the Group is shown as a subtotal in the Group's consolidated statement of income prepared in accordance with IFRS to provide analysts, rating agencies and investors with full transparency on its derivation. The Group discloses Adj. EBIT of the Group as the Group believes it is a meaningful financial measure to provide a more transparent presentation of the ongoing operating performance of its business activities. The Group excludes significant results for legal proceedings and related measures, restructuring measures and M&A transactions that are not expected to occur on a regular recurring basis to enhance the ability of investors to compare the operating performance for the Group over time.

EBIT for the Group 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 ("**EBIT**"). Adj. EBIT for the Group is based on EBIT for the Group as adjusted to exclude significant results for legal proceedings and related measures, restructuring measures and M&A transactions that are not expected to occur on a regular recurring basis for the Group ("**Adj. EBIT**").

EBIT for the Group and Adj. EBIT for the Group are not measures based on IFRS, German GAAP or any other generally accepted accounting principles, and should not be considered as a substitute for net results or earnings before taxes, cash flow from operating activities or any other performance indicator as determined or defined by IFRS. The way the Group measures EBIT and Adj. EBIT may not be consistent with the way other companies determine these measures, similar measures or measures with similar names. Accordingly, EBIT and Adj. EBIT as presented herein may not be comparable to these measures, similar measures or measures with similar names as presented by other companies.

8.3 Profit Forecasts 2021 and Profit Forecasts 2022

For the period from January 1, 2021 to December 31, 2021, the Company expects EBIT of the Group to be between EUR 3.4 billion and EUR 3.8 billion. However, the Company expects Adj. EBIT of the Group to be between EUR 2.3 billion and EUR 2.7 billion.

For the period from January 1, 2022 to December 31, 2022, the Company expects EBIT of the Group to decrease slightly compared to the Fiscal Year 2021. However, the Company expects Adj. EBIT of the Group to increase significantly compared to the Fiscal Year 2021.

8.4 Explanatory Notes to the Profit Forecasts

8.4.1 Basis of Preparation

The Profit Forecasts were prepared in accordance with the principles of the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.*, "**IDW**") IDW Accounting Practice Statement: Preparation of Profit Forecasts and Estimates in Accordance with the Specific Requirements of the Regulation on Prospectuses (IDW AcPS AAB 2.003) (*IDW Rechnungslegungshinweis: Erstellung von Gewinnprognosen und -schätzungen nach den besonderen Anforderungen der Prospektverordnung (IDW RH HFA 2.003)*).

With respect to the accounting policies applied, reference is made to the notes of the unaudited condensed interim combined financial statements of the Daimler Truck Business as of and for the nine months ended September 30, 2021 (the "**Unaudited Condensed Interim Combined Financial Statements**", and, together with the Audited Combined Financial Statements, the "**Combined Financial Statements**") and to the notes of the Audited Combined Financial Statements.

The Profit Forecasts have been compiled and prepared on a basis which is both (a) comparable with the historical financial information included in the prospectus, *i.e.* the Combined Financial Statements and (b) consistent with the issuer's accounting policies.

The Profit Forecasts have been prepared solely for the inclusion in the prospectus and represent the best estimates as of November 23, 2021.

In preparing the Profit Forecasts, the Company has considered several factors relating to the operational and financial performance of the Group. The development of these factors is based on specific assumptions made by the Management Board of the Company, which are set forth below.

If not stated otherwise, developments as described herein are presented as comparison to the respective previous fiscal year.

8.4.2 Factors and Assumptions

8.4.2.1 Factors Beyond Control and Related Assumptions

The Profit Forecasts are subject to factors beyond the Group's control. These factors, and the assumptions made about their impact, are described below:

Factor 1: Unforeseen events such as force majeure

For the purpose of the Profit Forecasts, the Company assumes that no material unforeseen events will occur that could result in material or lasting constraints on the ongoing operations of the Group, such as but not limited to *force majeure*, including natural disasters (*e.g.*, fires, floods, hurricanes, storms and earthquakes), war or terrorist attacks, extraordinary macroeconomic events or cyber-attacks, maintenance outages, power or equipment failure, social unrest, work stoppages and public health concerns, except for the Covid-19 pandemic (see Factor 3).

Factor 2: Legal & regulatory framework

The automotive industry is subject to governmental regulation worldwide. Risks and opportunities from the legal and political framework have a considerable influence on the Group's future business success. Regulations such as those concerning vehicles' emissions, fuel consumption, safety and certification, as well as tariff aspects, play a particularly important role.

For the purpose of the Profit Forecasts, the Company assumes that the probability of material changes in the legal and regulatory framework affecting the Group will be low and the Company assumes no material impact on the Group from minor changes in the applicable legal and regulatory framework. Furthermore, the Company assumes that the Group is in full compliance with applicable laws, regulations and standards in the countries in which the Group operates. However, should there be unforeseen material changes in the legal and regulatory framework, the Company assumes the possible impact on the Group from such changes in the applicable legal and political framework to be high. For the purpose of the Profit Forecasts, the Company has not considered such unforeseen material changes.

Factor 3: Covid-19 pandemic

For the purpose of the Profit Forecasts, the Company assumes that the Covid-19 pandemic will be gradually contained in its most important markets of the Group and that further setbacks for global economic development will be avoided. In particular, measures adopted to contain and combat the spread of Covid-19, including travel bans, quarantines, "stay-at-home" orders, restrictions on business activities and similar requirements for individuals to restrict daily activities are assumed to be lifted, leading to sustained economic recoveries. The impact of this assumption and further details on the assumed economic and political development are described in Factor 4. Nevertheless, strong uncertainty remains regarding the future course of the Covid-19 pandemic and the related macroeconomic recovery.

Factor 4: Economic and political development

For the purpose of the Profit Forecasts, the Company assumes that the economic conditions in the most important markets of the Group continue to normalize after the disruptions caused by the Covid-19 pandemic. In line with the majority of economic research institutes, the Company assumes the world economy to recover in the Fiscal Year 2021 and continue the momentum for the Fiscal Year 2022 (see Factor 3 for details on assumptions related to the Covid-19 pandemic). Therefore, the Company assumes a world economic growth of about 5.9% for the Fiscal Year 2021 and of approximately 4.4% for the Fiscal Year 2022.

For the purpose of the Profit Forecasts, the Company also assumes there will be a stable political environment in its most relevant markets. In particular, the Company assumes stability of the global trade and tariff framework and no changes in barriers to trade or other protectionist measures compared to the fiscal year ended December 31, 2020.

Factor 4.1: Economic development in Europe

For the purpose of the Profit Forecasts, the Company assumes that the economy of Western Europe will grow by about 4.7% in the Fiscal Year 2021 and approximately 4.3% in the Fiscal Year 2022. In particular, the Company assumes that the German economy will grow by about 3.5% for the Fiscal Year 2021. For the Fiscal Year 2022 the Company assumes a growth rate of approximately 4.3% for the German economy.

Factor 4.2: Economic development in North America

For the purpose of the Profit Forecasts, the Company assumes that the economy of the United States of America will grow by about 6.7% in the Fiscal Year 2021, driven primarily by dynamic growth in private consumption and possibly by additional fiscal stimulus and continue such momentum in the Fiscal Year 2022 with an assumed growth of approximately 4.0%. As vaccination rates rise, especially those services sectors should recover which were severely affected by Covid-19 pandemic-related restrictions (see Factor 3 for details on assumptions related to the Covid-19 pandemic). This should also ensure that unemployment continues to decline.

Factor 4.3: Economic development in Latin America

For the purpose of the Profit Forecasts, the Company assumes a moderate recovery of the Latin American economy. In particular for the market in Brazil, the Company assumes that the economy will grow by about 5% in the Fiscal Year 2021 and by approximately 2.5% in the Fiscal Year 2022 due to scheduled general elections.

Factor 4.4: Economic development in Asia

For the purpose of the Profit Forecasts, the Company assumes that, within Asia, the Japanese economy will recover at a rather moderate rate of approximately 2.7% for the Fiscal Year 2021, driven mainly by strong export growth in the context of the recovery in global trade. For the Fiscal Year 2022 the Company assumes an economic growth for Japan of about 3.0%.

Factor 5: Truck market development

For the avoidance of doubt, the following assumptions on truck market developments are based on internal estimates of the Company for the relevant markets of the Group. Deviations between these internal estimates on the one hand and third-party studies or estimates and industry forecasts that may be cited elsewhere in this prospectus on the other hand, such as IHS Markit, "Medium Heavy Commercial Vehicle Industry Forecast," dated November 2021 ("**IHS Markit**") may occur due to (a) the timing of the publication of such third-party studies, estimates and forecasts and (b) the definition of the relevant market (e.g. IHS Markit provides the market volume for trucks in North America for classes 4 to 8, whereas Company internal estimates provide the market volume for trucks in North America for class 8 only).

For the purpose of the Profit Forecasts, the Company assumes the following developments for its most relevant truck markets based on internal estimates. While MB develops, manufactures and sells trucks, as well as off-highway-applications, in EU30 and Latin America, TN develops, manufactures and sells trucks in North America. TN's product range also includes buses and bus chassis. TA develops, manufactures and sells trucks and buses in Asia.

In EU30, the Company assumes a significant increase in the market volume for heavy-duty trucks for the Fiscal Year 2021 and assumes that this market will stay on the same level for the Fiscal Year 2022. In North America, the Company assumes a significant increase in the market volume for trucks of class 8 for the Fiscal Year 2021 and assumes that this market will stay on the same level for the Fiscal Year 2022. Within Latin America, for Brazil, the Company assumes a significant increase in the market volume for heavy-duty trucks for the Fiscal Year 2021 and assumes an additional significant increase for the Fiscal Year 2022 driven by the assumption of a Euro VI pre-buy effect. Within Asia, for Japan, the Company assumes the market volume for heavy-duty trucks will stay on the same level for the Fiscal Year 2021 and assumes a significant decrease of this market for the Fiscal Year 2022.

Factor 6: Bus market development

For the avoidance of doubt, the following assumptions on bus market developments are based on internal estimates of the Company for the relevant markets of the Group. Deviations between these internal estimates on the one hand and third-party studies or estimates and industry forecasts that may be cited elsewhere in this prospectus on the other hand, may occur due to (a) the timing of the publication of such third-party studies, estimates and forecasts and (b) the definition of the relevant market.

Overall, the bus market development has a lower impact on the Group given the bus sales volume's less significant share of the Group's total sales volumes. DB develops, manufactures, and sells buses mainly in EU30 and Latin America. DB's product range also includes bus chassis, which are sold globally.

For the purpose of the Profit Forecasts, the Company assumes the following developments for its most relevant bus markets based on internal estimates. In EU30, the Company assumes a slight decrease in the bus market volume for the Fiscal Year 2021 but a slight increase for the Fiscal Year 2022. Within Latin America, for Brazil, the Company assumes a slight decrease in the bus market volume for the Fiscal Year 2021, but a significant increase for the Fiscal Year 2022 driven by the assumption of a Euro VI pre-buy effect in Brazil.

Factor 7: Prices of raw materials and other commodities

The principal raw materials that the Group uses in its manufacturing operations include steel, aluminum, precious metals, rubber and plastics and parts and components containing such materials. Furthermore, the Company assumes an increasing share of the raw material and component costs of the Group to be attributable to next-generation technologies, including Connected, Autonomous, Shared and Electric ("CASE") technologies. For the purpose of the Profit Forecasts, the Company assumes prices of principal raw materials overall to increase in the Fiscal Year 2021 compared to the fiscal year ended December 31, 2020 and to continue to increase in the Fiscal Year 2022 compared to the Fiscal Year 2021. Such increases are already considered in the developments as described herein (see Factor 21).

Factor 8: Semiconductor components

The current worldwide shortage of supply in certain semiconductor components and significant supplier delays in the delivery of semiconductors to the Group has affected the Group's ability to keep up with market demand for its products in the Fiscal Year 2021. For the purpose of the Profit Forecasts, the Company assumes such shortages to continue for the Fiscal Year 2021 and the Fiscal Year 2022. The impact from semiconductor shortages and production constraints in the Fiscal Year 2021 and the Fiscal Year 2022 is already considered in the unit sales development of the Industrial Business as described herein (see Factor 20). Nevertheless, strong uncertainty remains regarding the future course of such shortages and the Group's ability to keep up with market demand for its products.

For the avoidance of doubt, any additional shortages are not considered herein and may materially impact sales volume, product mix and contribution margins (as defined in Factor 21) of the Industrial Business and therefore have a material impact on the Profit Forecasts.

Factor 9: Foreign currency rates

For the purpose of the Profit Forecasts, the Group's predominant exposures are in US Dollar ("**USD**") and Japanese yen ("**JPY**") and the Company assumes the following average exchange rates based on internal estimates (excluding hedging effects).

Currency rates	**For the period from January 1, 2021 to December 31, 2021**	**For the period from January 1, 2022 to December 31, 2022**
USD/EUR	1.21	1.20
JPY/EUR	131	132

For the purpose of the Profit Forecasts 2021, the Company assumes a slight negative net impact on EBIT of the Group and Adj. EBIT of the Group for the Fiscal Year 2021 from changes in foreign currency rates and related translation and transaction currency effects. For the purpose of the Profit Forecasts 2022, the Company assumes no material net impact on EBIT of the Group or Adj. EBIT of the Group for the Fiscal Year 2022 from changes in foreign currency rates and related translation and transaction currency effects.

Factor 10: Interest rates

The Group requires funding for its Financial Services Business. For the purpose of the Profit Forecasts, the Company assumes interest rates and the overall refinancing costs of the Group for the purpose of its Financial Services Business to remain stable compared to the fiscal year ended December 31, 2020.

Factor 11: Customer defaults

For the purpose of the Profit Forecasts, the Company does not assume any material changes in valuation allowances on trade receivables of the Industrial Business compared to the fiscal year ended December 31, 2020 outside of the ordinary course of business or any material defaults of customers of the Industrial Business, in particular due to the Covid-19 pandemic (see Factor 3). The impact from changes in loss allowances and credit risks on receivables from financial services (Financial Services segment) are described as part of Factor 27 within the development of cost of risk for the Financial Services segment.

8.4.2.2 Factors That Can Be Influenced and Related Assumptions

In addition to the factors and assumptions that are beyond the Group's control, the Profit Forecasts are subject to factors that can be influenced by the Group. These factors, and the assumptions taken about their impact, are described below:

Group

Factor 12: Competitive environment

The commercial vehicle industry is highly competitive and competition may intensify in the future. Nevertheless, for the purpose of the Profit Forecasts, the Company assumes there will not be any material changes in the competitive environment of the Group compared to the fiscal year ended December 31, 2020. In particular, the Company assumes the pricing of the products of the Group to remain stable and does not assume price deterioration as a result of competitors looking to increase their market share or disruption by new market participants or new models. Conversely, the Company does not assume price increases or market share increases as a result of competitors exiting markets compared to the fiscal year ended December 31, 2020.

Factor 13: Legal proceedings

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. Following the decision of the European Commission, claims for damages have been filed against Daimler AG as the then controlling parent of the Group, and the Group in several jurisdictions. In addition, a number of further claims may be made against Daimler AG and/ or the Group in the future. The Group has set aside provisions in connection with the proceedings. Where claims are pending against Daimler AG, the Group will indemnify Daimler AG for liabilities arising from such claims where claims are attributable to the business of the Group. For the purpose of the Profit Forecasts, the Company assumes that accounting estimates and management judgement made in connection with these legal proceedings in the Unaudited Condensed Interim Combined Financial Statements as of September 30, 2021 to remain unchanged and continue to be valid for the Fiscal Year 2021 and the Fiscal Year 2022 and therefore assumes no material impact on the EBIT of the Group or the Adj. EBIT of the Group in the Fiscal Year 2021 and the Fiscal Year 2022.

Factor 14: Supply chain disruptions including availability of essential parts

The Group is dependent on third-party suppliers for the timely delivery of high-quality materials and components for the manufacture of its vehicles. Materials, automotive parts and components are sourced from several suppliers; however, for the majority of parts the Group relies on one specific supplier (also termed "single sourcing") for each individual part.

For the purpose of the Profit Forecasts, besides the global shortage of semiconductor components (see Factor 8) the Company assumes a stable global supply chain situation to meet demand for its products and it does not assume further supply chain interruptions such as factory shutdowns (including defaults of suppliers) or sudden worldwide border closings caused by the Covid-19 pandemic.

Factor 15: Revenue of the Group

For the purpose of the Profit Forecasts 2021, the Company assumes revenue of the Group of EUR 37 billion to EUR 39 billion, primarily driven by MB and TN and due to the overall increase in unit sales of new vehicles in the Industrial Business (see Factor 20).

Furthermore, for the purpose of the Profit Forecasts 2022, the Company assumes a significant increase of revenue of the Group compared to the Fiscal Year 2021, primarily driven by TN and to a lesser extent MB and due to the overall significant increase in unit sales of new vehicles in the Industrial Business (see Factor 20).

Overall, for the purpose of the Profit Forecasts, the Company assumes that the Industrial Business will additionally grow its aftermarket and services revenues to drive profitability, and customer retention in the Fiscal Year 2021 and the Fiscal Year 2022. This includes the traditional spare parts and maintenance service business. For the avoidance of doubt, such assumptions regarding aftermarket and services revenues are already considered in the developments as described above.

Factor 16: Research and development costs (incl. capitalized development costs) of the Group

For the purpose of the Profit Forecasts 2021, the Company assumes research and development costs (incl. capitalized development costs) of the Group of EUR 1.5 billion to EUR 1.7 billion. Furthermore, for the purpose of the Profit Forecasts 2022, the Company assumes a slight increase of research and development costs (incl. capitalized development costs) of the Group compared to the Fiscal Year 2021. This is primarily due to the Group’s focus on new technologies, including truck automation and connectivity, as well as for electric drive powered by batteries and fuel cells of the Industrial Business. Other key areas are the development of subsequent generations of existing products, especially in the segment of heavy-duty trucks, and of tailored products and technologies for key growth markets of the Industrial Business.

Furthermore, for the purpose of the Profit Forecasts, the Company assumes a significant increase of the capitalized development costs of the Group for the Fiscal Year 2021 and for the Fiscal Year 2022, each compared to the level as per the fiscal year ended December 31, 2020. The Company assumes that the Group will be successful in achieving its development goals and can therefore capitalize related development costs according to its development plan in the Fiscal Year 2021 and the Fiscal Year 2022.

Overall, as part of its structural actions, for the purpose of the Profit Forecasts, the Company also assumes that the Group will be able to reduce total research and development costs (incl. capitalized development costs) of the Group by certain measures, such as implementing absolute annual EUR budgets instead of percentage of revenue targets.

For the avoidance of doubt, such assumptions regarding research and development costs (incl. capitalized development costs) are already considered in the developments as described herein (see Factor 21 and Factor 22), where applicable.

Research and development costs for the Group includes the research and non-capitalized development costs as presented in the combined statement of income in the Combined Financial Statements as well as the capitalized development costs for the Group.

Factor 17: Valuation of inventories and used vehicles

The Group continues to be acutely affected by an ongoing global shortage of semiconductors (see Factor 8), which the Group needs to complete its products. As a consequence, the number of vehicles produced, but still missing significant components has risen and may continue to rise. Furthermore, as the demand for buses in particular has been severely affected by the Covid-19 pandemic, the value of used vehicles may be permanently affected.

For the purpose of the Profit Forecasts, the Company assumes that unfinished vehicles can be timely delivered with no material loss of value or material cancellations of customers. Furthermore, the Company assumes that residual values of used vehicles will not change materially compared to the fiscal year ended December 31, 2020.

Factor 18: Warranties, guarantees and campaigns

The Group provides various types of product warranties depending on the type of product and conditions in the relevant market. 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 as to the type and extent of future warranty claims and customer goodwill, as well as with respect to possible recall campaigns for each model series.

For the purpose of the Profit Forecasts, the Company does not assume material product defects or recall campaigns and it does not assume any additional provisions for unforeseen warranty claims are required outside the ordinary course of business compared to the fiscal year ended December 31, 2020.

Factor 19: Adjustments

Adjustments of EBIT of the Group relate to significant results for legal proceedings and related measures, restructuring measures and M&A transactions.

For the purpose of the Profit Forecasts 2021, the Company assumes that adjustments of EBIT of the Group for the Fiscal Year 2021 comprise a net negative impact on Adj. EBIT of the Group from significant results for (i) expenses for restructuring measures in connection with the Group's cost optimization programs as well as (ii) M&A transactions. M&A transactions consist primarily of the income from cellcentric in March 2021 resulting in a positive effect on earnings of EUR 1,215 million, of which EUR 624 million is accounted for in particular by the remeasurement of the interest in cellcentric that is held by the Group. This is partly offset by non-recurring expenses related to other M&A transactions from the separation of the Group from the Daimler Group.

For the purpose of the Profit Forecasts 2022, the Company assumes that adjustments of EBIT of the Group comprise a net positive impact on Adj. EBIT of the Group from significant results for (i) expenses for restructuring measures in connection with the Group's cost optimization programs and (ii) M&A transactions, mainly due to non-recurring expenses from the separation of the Group from the Daimler Group. Overall, the Company therefore assumes a significant decrease of adjustments of EBIT of the Group from a net negative impact on Adj. EBIT of the Group in the Fiscal Year 2021 to a net positive impact on Adj. EBIT of the Group in the Fiscal Year 2022.

For the avoidance of doubt, such adjustments are already considered in the developments as described below (see Factor 21 through Factor 22 for the Industrial Business and see Factor 27 through 29 for the Financial Services segment), where applicable.

Industrial Business

Factor 20: Sales volumes

Following the drop in demand in the fiscal year ended December 31, 2020, which was heavily impacted by the Covid-19 pandemic, major truck markets are assumed to recover in the Fiscal Year 2021 and the Fiscal Year 2022 (see Factor 5). However, for the purpose of the Profit Forecasts, the Company assumes the shortage of semiconductor components to persist in the Fiscal Year 2021 and the Fiscal Year 2022 (see Factor 8). Therefore, the Company assumes the following sales volumes of the Industrial Business based on such constraints on the production capacity. For such sales volumes, the Company assumes that the Industrial Business can timely deliver the products in its order backlog and does not assume any material cancellations of customers due to potential delays in the supply chain (see Factor 14). Nevertheless, strong uncertainty remains regarding the future course of the shortage of semiconductor components and the Group's ability to keep up with market demand for its products. For the avoidance of doubt, any additional shortages are not considered herein and may materially impact sales volume, product mix and contribution margins (as defined in Factor 21) of the Industrial Business and therefore have a material impact on the Profit Forecasts.

For the purpose of the Profit Forecasts 2021, the Company assumes unit sales of 140 thousand to 150 thousand for MB mainly of medium and heavy-duty trucks in EU30 and medium and heavy-duty trucks in Latin America (in particular Brazil), unit sales of 160 thousand to 170 thousand for TN mainly of trucks classes 6 to 8 in North America and unit sales of 140 thousand to 150 thousand for TA mainly of total trucks in Asia for the Fiscal Year 2021. For DB, the Company assumes unit sales of 17 thousand to 18 thousand mainly in EU30 and Latin America for the Fiscal Year 2021. This assumption is based on the weak market environment of DB that has not fully recovered from the Covid-19 pandemic. Overall, for the purpose of the Profit Forecasts 2021, the Company assumes unit sales of 450 thousand to 470 thousand for the Industrial Business, taking into account the elimination of inter-segment unit sales (Reconciliation).

For the purpose of the Profit Forecasts 2022, the Company assumes a significant increase in unit sales of the Industrial Business for the Fiscal Year 2022 compared to the Fiscal Year 2021, mainly driven by TN mainly of trucks classes 6 to 8 in North America (supported by a slight increase in market share of TN for trucks of classes 6 to 8) and TA mainly of total trucks in Asia (in particular outside of Japan) and to a lesser extent by MB mainly of medium and heavy-duty trucks in Latin America (in particular Brazil). For DB, the Company assumes a recovery mainly of the touring coach market in EU30 and Latin America (in particular Brazil) towards a pre- Covid-19 pandemic level as well as positive effects assumed from the outcome of tenders.

Factor 21: Contribution margin

For the purpose of the Profit Forecasts 2021, the Company assumes a significant increase of the contribution margin (the marginal profit, calculated as revenue minus variable cost, "Contribution Margin") of the Industrial Business compared to the fiscal year ended December 31, 2020 mainly driven by the increase of unit sales of new vehicles (see Factor 20). However, this development is assumed to be partly offset by an increase in raw material prices, which cannot be compensated by price increases. Furthermore, the Company assumes the Contribution Margin of the Industrial Business other than from the unit sales of new vehicles to increase as well, driven by the recovery of volumes after the Covid-19 pandemic affected the fiscal year ended December 31, 2020.

For the purpose of the Profit Forecasts 2022, the Company assumes a continued significant increase of the Contribution Margin of the Industrial Business compared to the Fiscal Year 2021, mainly driven by the increase of unit sales of new vehicles (see Factor 20) as well as price increases mitigating the increase in raw material prices. For the Contribution Margin of the Industrial Business other than from the unit sales of new vehicles, the Company assumes a further increase compared to the Fiscal Year 2021 due to the ongoing recovery of volumes.

Overall, for the purpose of the Profit Forecasts, the Company assumes the Contribution Margin of MB in particular to increase as a percentage of its revenue in the Fiscal Year 2021 and to a lesser extent in the Fiscal Year 2022 mainly due to Mercedes-Benz in Europe and (i) its assumptions for product cost and complexity reductions, (ii) a variable cost reduction driven by a cost and revenue program implemented to ensure improvement on all Contribution Margin levers and (iii) variant reductions (models, powertrain). For the avoidance of doubt, such assumptions are already considered in the developments as described above.

Factor 22: Fixed overhead costs

For the purpose of the Profit Forecasts 2021, the Company assumes fixed overhead costs of the Industrial Business to stay at the level of the fiscal year ended December 31, 2020. While the Company assumes an increase of fixed overhead costs due to the overall recovery of the Industrial Business, the Company assumes to compensate such increases in the Fiscal Year 2021 due to the full-year impact from measures initiated to adjust costs and capacities in response to the Covid-19 pandemic, such as worktime reductions.

For the purpose of the Profit Forecasts 2022, the Company assumes a slight increase of fixed overhead costs of the Industrial Business compared to the Fiscal Year 2021, primarily due to the normalization of cost structures in connection with the overall recovery of the Industrial Business, effects resulting from the separation of the Group from the Daimler Group as well as due to increased spending on research and development costs (see Factor 16).

Overall, as part of its structural actions to reduce fixed overhead costs, for the purpose of the Profit Forecasts, the Company assumes that it will be able to streamline processes, to reduce complexity, to reduce personnel costs, to sustainably implement Covid-19 pandemic learnings and to reduce external spending for the Industrial Business. For the avoidance of doubt, such assumptions are already considered in the developments as described above.

Factor 23: Other income and other expense

For the purpose of the Profit Forecasts 2021, the Company assumes a significant decrease of the net expense from other income and other expense of the Industrial Business compared to the fiscal year ended December 31, 2020 mainly due to positive valuation effects, such as gains from the reversals of impairments of investments in KAMAZ PAO and Beijing Foton Daimler Automotive Co., Ltd. overcompensating other expenses from the ordinary course of business, in particular as a consequence of constraints (see Factor 8 and Factor 14). For the purpose of the Profit Forecasts 2022, the Company assumes a significant increase of the net expense from other income and other expense of the Industrial Business compared to Fiscal Year 2021, mainly due to the non-recurring nature of the positive valuation effects of the Fiscal Year 2021 mentioned above.

Overall, for the purpose of the Profit Forecasts, the Company assumes no other material valuation effects, in particular from impairments of investments of the Industrial Business. Furthermore, the Company assumes that the Industrial Business can attract, develop and retain highly qualified managerial staff and skilled personnel in the Fiscal Year 2021 and the Fiscal Year 2022, as required to achieve the assumptions described herein.

Factor 24: Phase 2 Transactions of the Industrial Business

Phase 2 Transactions of the Industrial Business will be implemented in the Fiscal Year 2022 and comprise transfers of the trucks and buses business by Mercedes-Benz AG or its subsidiaries to Daimler Truck AG or its subsidiaries in Spain, South Africa, Italy, Slovakia, Poland, Portugal and Taiwan, and, conversely, transfer of a Mercedes-Benz vans division by a subsidiary of Daimler Truck AG to a subsidiary of Mercedes-Benz AG in South Korea. Besides, business activities in the Netherlands, Belgium, Denmark, Sweden, Hong Kong, Colombia, Greece and Hungary will be sold and transferred to external parties.

For the purpose of the Profit Forecasts 2022 the Company assumes no material impact on the Industrial Business from Phase 2 Transactions of the Industrial Business from operational contributions upon the occurrence at the relevant points in time in the Fiscal Year 2022. For the avoidance of doubt, such impacts are already considered in the developments as described above, where applicable.

Furthermore, the Company assumes no material impact on EBIT of the Group or Adj. EBIT of the Group from the accounting treatment of the Phase 2 Transactions of the Industrial Business as business combinations in accordance with IFRS 3 in the Fiscal Year 2022. For the avoidance of doubt, such impact from the accounting treatment of the transactions is not considered in the developments of the Industrial Business as described above, where applicable. However, as the identifiable assets acquired and liabilities assumed are to be measured at their acquisition date fair values upon the occurrence at the relevant points in time in the Fiscal Year 2022, the accounting treatment is a preliminary estimate and subject to uncertainty and therefore might differ from the assumptions for the purpose of the Profit Forecasts 2022.

For the purpose of the Profit Forecasts, the Company has not assumed any other material M&A transactions of the Industrial Business in the Fiscal Year 2021 and the Fiscal Year 2022.

*Factor 25: Profitability of the Industrial Business as measured by Adj. Return on Sales ("**Adj. RoS**")*

The Group discloses Adj. RoS for the Industrial Business or for the respective Automotive Segment, as applicable, as the Group believes it provides a more transparent presentation of the ongoing operating profitability of the Industrial Business or the respective Automotive Segment activities over time and across segments, as applicable, by excluding significant results for legal proceedings and related measures, restructuring measures and M&A transactions that are not expected to occur on a regular recurring basis. Adj. RoS of the Industrial Business or the respective Automotive Segment, as applicable, is Adj. EBIT of the Industrial Business or the respective Automotive Segment, as applicable, divided by revenue of the Industrial Business or the respective Automotive Segment, as applicable. Adj. EBIT for the Industrial Business includes the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment. Adj. RoS is not a measure based on IFRS, German GAAP or any other generally accepted accounting principles and should not be considered as a substitute for net results or earnings before taxes, cash flow from operating activities or any other performance indicator as determined or defined by IFRS. The way the Group measures Adj. RoS may not be consistent with the way other companies determine this measures, similar measures or measures with similar names. Accordingly, Adj. RoS as presented herein may not be comparable to such measure, similar measures or measures with similar names as presented by other companies.

For the purpose of the Profit Forecasts 2021, the Company assumes Adj. RoS of the Industrial Business to be between 6% and 8% based on the underlying developments described above (see Factor 20 through Factor 24). In particular, the Company assumes Adj. RoS of MB to be between 4% and 6%, Adj. RoS of TN to be between 9% and 11%, Adj. RoS of TA to be between 6% and 8% and Adj. RoS of DB to be between negative 4% and negative 2%.

For the purpose of the Profit Forecasts 2022, the Company assumes Adj. RoS of the Industrial Business to be between 7% and 9% based on the underlying developments described above (see Factor 20 through Factor 24).

Financial Services

Factor 26: Interest result

The Financial Services Business generates revenue for the Group through interest income and lease rents. For the purpose of the Profit Forecasts 2021, the Company assumes a significant increase of the interest result (calculated as interest income less interest expense, where interest income contributes to revenue of the Group and interest expense contributes to cost of sales of the Group) of the Financial Services segment compared to the fiscal year ended December 31, 2020. While the average portfolio is assumed to have decreased compared to the fiscal year ended December 31, 2020, based on new business for the Fiscal Year 2021 of EUR 5 billion to EUR 6 billion, the Company assumes a normalization of interest margins of the Financial Services segment to pre-Covid-19 pandemic levels. For the purpose of the Profit Forecasts 2022, the Company assumes a significant increase of the interest result of the Financial Services segment compared to Fiscal Year 2021 due to the overall recovery with a concurring increase in penetration rate as well as additional portfolio volume effects due to the contribution of Phase 2 Transactions of Financial Services.

Factor 27: Cost of risk

For the purpose of the Profit Forecasts 2021, the Company assumes cost of risk of the Financial Services segment (which contributes to cost of sales of the Group) overall to decrease significantly compared to the fiscal year ended December 31, 2020, but to continue to remain above pre-Covid-19 pandemic average levels. For the purpose of the Profit Forecasts 2022, the Company assumes a slight increase of cost of risk of the Financial Services segment compared to Fiscal Year 2021 due to the continued improvement of credit risk costs of the Financial Services segment towards pre-Covid-19 pandemic average levels but offset by additional cost of risk for portfolio increases.

Factor 28: Operating expenses

For the purpose of the Profit Forecasts 2021, the Company assumes a significant increase in operating expenses of the Financial Services segment compared to the fiscal year ended December 31, 2020 mainly due to effects resulting from the separation of the Group from the Daimler Group. For the purpose of the Profit Forecasts 2022, the Company assumes a significant increase in operating expenses of the Financial Services segment compared to Fiscal Year 2021 mainly due to the full-year effects from the separation of the Group from the Daimler Group as well as high project and ramp-up costs in connection with portfolios that have not been transferred as part of the separation of the Group from the Daimler Group in the Fiscal Year 2022.

Factor 29: Other income and other expense

For the purpose of the Profit Forecasts 2021, the Company assumes the net income from other income and other expense of the Financial Services segment to remain largely unchanged compared to the fiscal year ended December 31, 2020, except for the impairment related to the goodwill of the Financial Services segment and expenses for certain duties. For the purpose of the Profit Forecasts 2022, the Company assumes a significant increase of the net income from other income and other expense of the Financial Services segment primarily due to the non-recurring nature of the impairment related to the goodwill of the Financial Services segment and expenses for certain duties from the Fiscal Year 2021 as well as increases from the ordinary course of business in the Fiscal Year 2022.

*Factor 30: Profitability of Financial Services as measured by Adj. Return on Equity ("**Adj. RoE**")*

The Group discloses Adj. RoE for the Financial Services segment as the Group believes it is a meaningful financial measure to evaluate the ongoing operating performance of its Financial Services segment over time and to provide a more transparent presentation by excluding significant results for legal proceedings and related measures, restructuring measures and M&A transactions that are not expected to occur on a regular recurring basis. Adj. RoE for the Financial Services segment is Adj. EBIT for the Financial Services segment divided by average equity for the Financial Services segment. From January 1, 2021, average equity is defined as the average of the quarterly average equity for each period. Adj. RoE is not a measure based on IFRS, German GAAP or any other generally accepted accounting principles and should not be considered as a substitute for net results or earnings before taxes, cash flow from operating activities or any other performance indicator as determined or defined by IFRS. The way the Group measures Adj. RoE may not be consistent with the way other companies determine this measures, similar measures or measures with similar names. Accordingly, Adj. RoE as presented herein may not be comparable to such measure, similar measures or measures with similar names as presented by other companies.

For the purpose of the Profit Forecasts 2021, the Company assumes Adj. RoE of the Financial Services segment to be between 5% and 7% based on the underlying developments described above (see Factor 26 through Factor 29) and considering an equity ratio of approximately 9% for the Financial Services segment at the end of the Fiscal Year 2021. Overall, the Financial Services Business has a lower impact than the Industrial Business on EBIT of the Group and Adj. EBIT of the Group.

Equity ratio for the Financial Services segment is defined as the equity of the Financial Services segment divided by the assets of the Financial Services segment.

Factor 31: M&A Transactions of Financial Services

Phase 2 Transactions of Financial Services will be implemented in the Fiscal Year 2022 and comprise transfers of the financial services business of Daimler AG's financial services subsidiaries relating to trucks and buses in Argentina and the European countries of Belgium, the United Kingdom, Italy, the Netherlands, Spain and Turkey. In France, certain assets (no portfolio) and employees are intended to be transferred. In Germany, a new leasing company relating to trucks and buses has been established; a transfer of the existing financial services portfolio relating to trucks and buses is not planned as it would involve a disproportionately high effort.

For the purpose of the Profit Forecasts 2022, the Company assumes a significant negative net contribution from M&A Transactions of Financial Services (including Phase 2 Transactions of Financial Services) on the Financial Services segment in the Fiscal Year 2022. While the Company assumes positive results from additional portfolio volumes being contributed to the Financial Services segment as part of the Phase 2 Transactions of Financial Services upon the occurrence at the relevant points in time in the Fiscal Year 2022, the Company assumes that these will be overcompensated by high project and ramp-up costs in the Fiscal Year 2022 in connection with portfolios that have not been transferred as part of the separation of the Group from the Daimler Group. For the avoidance of doubt, such impacts are already considered in the developments as described above, where applicable.

Furthermore, the Company assumes no material impact on EBIT of the Group or Adj. EBIT of the Group from the accounting treatment of the Phase 2 Transactions of Financial Services as business combinations in accordance with IFRS 3 in the Fiscal Year 2022. For the avoidance of doubt, such impact from the accounting treatment of the transactions is not considered in the developments of the Financial Services segment as described above, where applicable. However, as the identifiable assets acquired and liabilities assumed are to be measured at their acquisition date fair values upon the occurrence at the relevant points in time in the Fiscal Year 2022, the accounting treatment is a preliminary estimate and subject to uncertainty and therefore might differ from the assumptions for the purpose of the Profit Forecasts 2022.

For the purpose of the Profit Forecasts, the Company has not assumed any other material M&A transactions of Financial Services in the Fiscal Year 2021 and the Fiscal Year 2022.

8.4.3 Other Explanatory Notes

The Profit Forecasts do not include any extraordinary events, results due to non-recurring activities and extraordinary tax expenses within the meaning of the IDW Accounting Practice Statement 2.003 (IDW AcPS AAB 2.003), except where explicitly stated otherwise in the explanatory notes.

As the Profit Forecasts relate to periods not yet completed and are prepared on the basis of assumptions about future uncertain events and actions, they naturally entail substantial uncertainties. Because of these uncertainties, it is possible that the actual EBIT of the Group and the actual Adj. EBIT of the Group for the fiscal year ending December 31, 2021 as well as the actual EBIT of the Group and the actual Adj. EBIT of the Group for the fiscal year ending December 31, 2022 may differ materially from the Profit Forecasts 2021 and the Profit Forecasts 2022, respectively.

The Profit Forecasts were prepared on November 23, 2021.

9 INDUSTRY OVERVIEW

The market and industry data and forecasts and statements regarding the Group's position in the relevant market or market segment in this section are based on various market research and other publicly available information, as well as reports by independent industry sources. See "2.6 Sources of Market Data and Other Information from Third Parties." Certain statements below are based on the Group's own proprietary information, insights, opinions or estimates, and not on any third-party or independent source; these statements contain words such as the Group "believes", "expects", "considers" or "estimates", and as such do not purport to cite or summarize any third party or independent source and should not be read this way. IHS Markit volume figures are rounded to the nearest one thousand. The forward-looking statements in this section are subject to risks and uncertainties, as they relate to future events, and are based on estimates and assessments that may be inaccurate. See "1 Risk Factors."

9.1 Truck Market Description

The Group is active in the global truck industry, which includes companies that design, develop, manufacture, market, sell and service light-, medium- and heavy-duty commercial vehicles.

The HDT segment includes commercial vehicles with an allowable weight of more than fifteen or sixteen tons depending on the region ("class 8" in the U.S.), the MDT segment includes commercial vehicles with an allowable weight of between six and fifteen or sixteen tons depending on the region ("classes 4–7" in the U.S.), while the light-duty segment includes commercial vehicles with an allowable weight of three and a half to six tons, as classified by IHS Markit. These are the generally accepted industry categories for truck classifications; however, different truck original equipment manufacturers ("**OEMs**") and different geographic segments within OEMs may use slightly different classifications.

In 2020, 3,216,000 units in the MDT and HDT segments were sold worldwide, according to IHS Markit. Asia-Pacific represented the largest market, with 2,167,000 units sold (67.4% of the global market), followed by North America with 477,000 units sold and Europe with 377,000 units sold.

9.1.1 Trucks: Customers and End Markets

Trucks differ materially from passenger cars and feature different key characteristics, including the following:

- Trucks are treated as capital goods due to their utility and life-span while passenger cars qualify as consumer goods with differing purchasing criteria.
- Trucks are commercially deployed with owners and fleet operators based criteria such as TCO, durability and the quality of aftersales services, while passenger car owners are more likely to be focused on brand power, prestige and emotion, in addition to cost.
- Truck end-customers are mostly fleet owners with higher customer loyalty as compared to passenger car customers.
- Trucks mileage can reach approximately 110,000 km per year for long haul use, and approximately 15,000km per year for passenger cars, based on average mileage driven in 2019 in the U.S. (source: US DoE).
- Fuel consumption for trucks amounts to approximately 40 liters per 100 km in contrast to approximately 10 liters per 100 km for passenger cars, based on the average mileage driven in 2019 in the U.S. (source: US DoE).
- The average lifecycle of trucks usually spans 10–12 years compared to only 5–8 years for passenger cars based on 2017 data (source: University of South Florida).
- The truck market differs vastly in size compared to the passenger car market with approximately 3.3 million MDT and HDT trucks compared to approximately 79.1 million light vehicles expected to be sold in 2021 (source*:* IHS Markit 2021).

In contrast to passenger cars, the key drivers of purchase decisions for trucks are rational, business-driven factors, in particular TCO. The Group estimates that fuel costs (including annual mileage per liter, driving behaviour, powertrain efficiency) and driver costs (including driver salary) account for approximately 25% and 35% of TCO, respectively. The remaining 40% of TCO, is composed of repair and maintenance costs (depending on usage pattern, cost / frequency of repair and maintenance, uptime), vehicle depreciation costs (purchasing costs, vehicle specification and residual value) and costs for administration and services (general and administrative processes, driver and vehicle and fleet management). TCO improvements are key drivers of industry development, with truck OEMs focusing significant research efforts on developing technologies that reduce costs for their customers.

The truck market is evolving from the traditional truck business with a focus on vehicles toward a more holistic offering that includes aftersales services, transport solutions and end-to-end logistics solutions. Key services include repair and maintenance, vehicle services, financial services (*e.g.*, insurance, extended warranty, leasing), driver services (*e.g.*, training) as well as fleet management and predictive and preventative maintenance software. These additional activities contribute to truck OEMs' recurring revenues.

9.1.2 Development of Global Truck Industry

The following numbers are based on IHS Markit data (rounded), unless otherwise indicated.

Total HDT and MDT sales globally developed from 3,324,000 units in 2018 to 3,217,000 units in 2019 and decreased to 3,216,000 units in 2020 (2018–2020 CAGR of –1.6%; –9.7% for MDT units and 1.0% for HDT units).

- 2018 breakdown: 856,000 MDT units and 2,468,000 HDT units
- 2019 breakdown: 807,000 MDT units and 2,410,000 HDT units
- 2020 breakdown: 698,000 MDT units and 2,518,000 HDT units

2020 sales were impacted by the Covid-19 pandemic (for the Group, see "*7.5.1 General Economic Conditions and the Impact of the Covid-19 Pandemic*") while 2021 global volumes are expected to recover by 2.2%, driven by a rebound of MDT sales (14.9% growth for MDT units and 1.3% decline for HDT units) to 3,288,000 units sold. In the medium term, global truck sales volumes are expected to decline by 0.1% p.a. between 2021 and 2026 (a 3.4% increase for MDT units and a 1.3% decrease for HDT units), reaching 3,279,000 units sold (with 71.0% of sales represented by HDT) in 2026.

Europe (including Austria, Belarus, Belgium, Bulgaria, Cyprus, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Moldova, Netherlands, Norway, Poland, Portugal, Romania, Russia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine and the United Kingdom) is the world's third largest market for trucks, representing an average of 13.8% of the global market between 2018 and 2020. Total HDT and MDT sales in Europe have developed from 489,000 units in 2018 to 482,000 units in 2019, declining significantly to 377,000 units in 2020 (2018–2020 CAGR of –12.2%; –7.7% for MDT and –13.0% for HDT).

- 2018 breakdown: 73,000 MDT units and 417,000 HDT units
- 2019 breakdown: 73,000 MDT units and 409,000 HDT units
- 2020 breakdown: 62,000 MDT units and 316,000 HDT units

2021 volumes are expected to recover following the Covid-19 impact on 2020 sales volumes and are forecasted to grow by 15.0% from 2020 figures (10.3% growth for MDT and 16.0% growth for HDT) to 434,000 units sold in 2021. Between 2021 and 2026 volumes are expected to grow by 4.6% p.a. (6.7% growth for MDT and 4.1% growth for HDT), resulting in 543,000 units sold in 2026 (95,000 MDT and 448,000 HDT). Between 2021 and 2026 the portion of HDT units is expected to remain stable at approximately 80–85% of total Europe truck sales.

Within Europe, **EU30** represents an average of 10.7% of the global market between 2018 and 2020. Total HDT and MDT sales in Europe have developed from 383,000 units in 2018 to 385,000 units in 2019, declining significantly to 280,000 units in 2020 (2018–2020 CAGR of –14.5%; –8.2% for MDT and –15.5% for HDT).

- 2018 breakdown: 50,000 MDT units and 333,000 HDT units
- 2019 breakdown: 52,000 MDT units and 333,000 HDT units
- 2020 breakdown: 42,000 MDT units and 238,000 HDT units

2021 volumes are expected to recover following the Covid-19 impact on 2020 sales volumes and are forecasted to grow by 10.8% from 2020 figures (3.2% growth for MDT and 12.2% growth for HDT) to 310,000 units sold in 2021. Between 2021 and 2026 volumes are expected to grow by 5.4% p.a. (7.1% growth for MDT and 5.1% growth for HDT), resulting in 403,000 units sold in 2026 (61,000 MDT and 341,000 HDT). Between 2021 and 2026 the portion of HDT units is expected to remain stable at approximately 85% of total Europe truck sales.

North America (including Canada, U.S. and Mexico) is the world's second largest market for trucks, representing an average of 16.7% of global truck volumes sold between 2018 and 2020. Total HDT and MDT sales in North America have grown from 560,000 units in 2018 to 595,000 units in 2019 declining significantly to 477,000 units in 2020 (2018–2020 CAGR of –7.8%; –3.7% for MDT and –11.3% for HDT).

- 2018 breakdown: 256,000 MDT units and 305,000 HDT units
- 2019 breakdown: 272,000 MDT units and 324,000 HDT units
- 2020 breakdown: 237,000 MDT units and 240,000 HDT units

2021 volumes are expected to recover strongly following the Covid-19 impact on 2020 sales volumes and are forecasted to grow by 18.5% (15.0% growth for MDT and 21.9% growth for HDT) to 564,000 units sold in 2021. Between 2021 and 2026 volumes are expected to grow by 0.3% p.a. (0.5% growth for MDT and 0.2% increase for HDT), resulting in 574,000 units sold in 2026 (279,000 MDT and 295,000 HDT). Between 2021 and 2026 the portion of HDT units is expected to remain stable at approximately 50% of total North America truck sales.

Asia-Pacific (including Australia, China (Hong Kong, Mainland China, Taiwan), India, Indonesia, Japan, Malaysia, New Zealand, Pakistan, Philippines, Singapore, South Korea, Thailand and Vietnam) is the world's largest market for trucks, representing an average of 63.1% of the global truck sales between 2018 and 2020 by volume. Total HDT and MDT sales in Asia-Pacific decreased from 2,076,000 units in 2018 to 1,915,000 units in 2019 and increased to 2,167,000 units in 2020 (2018–2020 CAGR of 2.2%; 14.5% for MDT units and 6.4% for HDT units).

- 2018 breakdown: 458,000 MDT units and 1,618,000 HDT units
- 2019 breakdown: 390,000 MDT units and 1,526,000 HDT units
- 2020 breakdown: 335,000 MDT units and 1,832,000 HDT units

2021 volumes are expected to decline by 6.2% (13.5% growth for MDT units and 9.8% decline for HDT units) to 2,033,000 units sold. Between 2021 and 2026, volumes are expected to decline by 1.5% p.a. (5.0% growth for MDT units and 3.2% decline for HDT units), reaching 1,886,000 units sold in 2026 (484,000 MDT units and 1,402,000 HDT units). Between 2021 and 2026 the portion of HDT units is expected to remain stable at approximately 70–75% of the total Asia-Pacific truck sales volumes.

China is the world's single largest market for trucks, accounting for approximately 45.6% (2018–2020 average) of total volumes worldwide. The Chinese market registered a growth between 2018 and 2020 of 15.8% p.a. (4.3% decline for MDT units and 18.6% growth for HDT units) and between 2021 and 2026 volumes are expected to decline by 4.6% p.a. (4.5% p.a. growth for MDT units and 6.1% p.a. decline for HDT units), with 1,248,000 units expected to be sold in 2026 (223,000 MDT units and 1,025,000 HDT units).

India is a sizeable and growing market, accounting for approximately 8.3% (2018–2020 average) of total volumes worldwide. The Indian market registered a decline between 2018 and 2020 of 41.6% p.a. (30.6% p.a. decline for MDT units and 45.6% p.a. decline for HDT units) and between 2021 and 2026 volumes are expected to grow by 11.8% p.a. (9.0% growth for MDT units and 13.2% growth for HDT units), with 330,000 units expected to be sold in 2026 (99,000 MDT units and 231,000 HDT units).

Latin America (including Argentina, Bahamas, Barbados, Belize, Bermuda, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Netherlands Antilles, Nicaragua, Other Caribbean, Panama, Paraguay, Peru, Puerto Rico, Trinidad & Tobago, Uruguay, and Venezuela) is the world's fourth largest market for trucks, representing an average of 4.2% of the global truck sales volume between 2018 and 2020. Total HDT and MDT sales in Latin America increased from 132,000 units in 2018 to 150,000 units in 2019 and declined to 133,000 units in 2020 (2018–2020 CAGR of 0.4%; –5.3% for MDT units and 2.9% for HDT units).

- 2018 breakdown: 42,000 MDT units and 89,000 HDT units
- 2019 breakdown: 44,000 MDT units and 106,000 HDT units
- 2020 breakdown: 38,000 MDT units and 95,000 HDT units

2021 volumes are expected to rebound strongly by 40.7% (37.2% growth for MDT units and 42.1% for HDT units) to 187,000 units sold. Between 2021 and 2026, volumes are expected to decline by 0.2% p.a. (1.7% p.a. growth for MDT and 0.9% p.a. decline for HDT), reaching 185,000 units sold in 2026 (57,000 MDT units and

129,000 HDT units). Between 2021 and 2026 the portion of HDT units is expected to hover around 70% of the total Latin American truck sales by volumes.

Middle East & Africa (including Algeria, Angola, Egypt, Israel, Kenya, Malawi, Nigeria, Saudi Arabia, South Africa, and Uganda) represented an average of 2.1% of the global truck sales between 2018 and 2020 by volume. Total HDT and MDT sales in the Middle East & Africa increased from 67,000 units in 2018 to 75,000 units in 2019 and declined to 63,000 units in 2020 (2018–2020 CAGR of –3.0%; –0.9% for MDT units and –4.4% for HDT units).

- 2018 breakdown: 27,000 MDT units and 40,000 HDT units
- 2019 breakdown: 27,000 MDT units and 48,000 HDT units
- 2020 breakdown: 26,000 MDT units and 36,000 HDT units

2021 volumes are expected to rebound by 11.3% (11.8% growth for MDT units and 10.9% growth for HDT units) to 70,000 units sold. Between 2021 and 2026, volumes are expected to grow by 5.5% p.a. (3.7% growth for MDT and 6.7% growth for HDT), reaching 91,000 units sold in 2026 (35,000 MDT units and 56,000 HDT units). Between 2021 and 2026 the portion of HDT units is expected to hover around 60% of the total Middle East & Africa truck sales by volumes.

9.1.3 Competitive Environment of the Truck Industry

Barriers to Entry

The truck industry is characterized by certain barriers to entry with only a limited number of OEMs competing on a global scale. Truck producers need to satisfy several criteria to be relevant in the market:

- *Customization*: Most trucks, both MDT and HDT, are highly customized to cater to various needs, driven by a broad array of heterogeneous customers who have different specifications and requirements. Trucks and associated services are also required to meet strict regulatory standards, which may differ from region to region, in order to comply with governing laws and regulations across jurisdictions. There are considerable differences between developed and emerging markets customer needs. Even if technical demands for reliability and general ease of operation are universal, there is also highly differentiated price sensitivity, along with a high tolerance for "lower quality" trucks with a minimum number of features in emerging markets.
- *Service Network*: In addition, a large and dense service network is fundamental in winning customers given the high utilization and ongoing maintenance requirements of trucks. Besides the availability of a service network, the availability of service parts and consistent high quality standards are a "must" (especially in developed markets).
- *Digital Services*: There is an increasing emergence of Transportation as a Service ("**TaaS**"), where OEMs are expected to provide more than just repair and maintenance of trucks, *e.g.*, predictive maintenance, fleet management, connected truck services. With increased digitalization and the emergence of autonomous driving trucks, customers' expectations and minimum standards for service are likely to increase.
- *Technology*: In a sophisticated market environment with changing technological and sustainability needs, state-of-the-art R&D and innovation capabilities are becoming ever more important. The industry is undergoing a transformation from ICE to BEV / FCEV technology, with a heavy focus on ZEV investing. Accordingly, truck OEMs must remain competitive with their digital solutions, ability to offer data driven value-added services and differentiated technology.

Commercial Vehicle Landscape Overview

Within the MDT and HDT markets, four OEMs compete on a global scale: Daimler Trucks, Volvo, TRATON and PACCAR. In 2020, the top four market participants held 25.2% of the global market share, based on total MDT and HDT sales according to IHS Markit, indicating a highly fragmented market with many local and regional players, with varying market shares in different regions as follows:

- 86.0% in EU30 (59.8% market share in MDT and 90.6% share in HDT segments)
- 72.4% in Europe (43.5% market share in MDT and 78.0% share in HDT segments)
- 66.1% in North America (33.8% market share in MDT and 97.9% share in HDT segments)

- 4.4% in Asia-Pacific (13.1% market share in MDT and 2.9% share in HDT segments)
- 76.5% in Latin America (51.8% market share in MDT and 86.4% share in HDT segments)
- 37.0% Middle East & Africa (11.6% market share in MDT and 55.5% share in HDT segments)

The Group held a leading position in 2020 in total MDT and HDT by sales volume among global players in North America (27.1% market share), Asia-Pacific (2.5% market share) and Middle East & Africa (13.8% market share), second largest market share in Latin America (26.6% market share) behind TRATON (31.6% market share), third largest market share in Europe (17.3% market share) behind TRATON (25.1% market share) and Volvo (18.2% market share) and third largest market share in EU30 (19.6% market share) behind TRATON (29.5% market share) and Volvo (21.9% market share).

Among global players in MDT market in 2020, the Group held leading positions in Europe (20.6% market share), EU30 (27.2% market share), North America (17.3% market share), Asia-Pacific (8.3% market share) and Middle East & Africa (7.8% market share), and second largest market share in Latin America (23.5% market share) behind TRATON (28.3% market share).

Among global players in HDT market in 2020, the Group held leading positions in North America (36.8% market share), Asia-Pacific (1.5% market share), second largest market share in Latin America (27.8% market share) behind TRATON (33.0% market share) and in Middle East & Africa (18.2% market share) behind TRATON (19.1% of market share), third largest market share in Europe's HDT market (16.6% market share) behind TRATON (27.9% market share) and Volvo (20.8% market share) and third largest market share in EU30's HDT market (18.2% market share) behind TRATON (32.0% market share) and Volvo (24.5% market share).

9.2 Bus Market Description & Market Development

The Group is also active in the global bus industry with a product range comprising city and inter-city buses, touring coaches and bus chassis.

The bus industry can be segmented in two different product types: City Buses, used for operations in metropolitan areas, usually operating on a regular schedule and along the same routes with stops at regular intervals, and Coaches, used for longer distance travel outside of metropolitan areas.

In 2020, 255,000 buses with gross vehicle weight greater than 6 tons, including City Buses and Coaches, were sold worldwide, according to IHS Markit. Asia-Pacific represents the largest bus market, with 142,000 units sold, followed by Europe with 44,000 units sold. Together, Asia-Pacific and Europe accounted for 73.0% of global bus sales in 2020.

Total bus sales globally have increased from 386,000 units in 2018 to 388,000 units in 2019 and decreased significantly to 255,000 units in 2020 (2018–2020 CAGR of –18.7%). 2020 sales figures were impacted by the Covid-19 pandemic which resulted in reduced public transport and travel. 2021 volumes are expected to recover by 3.9% to 265,000 units and by 23.3% to 327,000 units in 2022. In the medium term, global bus sales volumes are expected to grow by 9.8% p.a. between 2021 and 2026 reaching 424,000 units sold in 2026.

Europe is the world's second largest market for buses, accounting for an average of 14.7% of the global market between 2018 and 2020. Total bus sales in Europe have grown from 51,000 units in 2018 to 52,000 units in 2019 and declined to 44,000 units in 2020 (2018–2020 CAGR of –7.0%). 2021 volumes are expected to grow by 2.7% to 45,000 units sold and again in 2022 to 54,000 units sold (+18.6%). Between 2021 and 2026 volumes are expected to grow by 9.1% p.a. resulting in 70,000 units sold in 2026. Europe's share of the global bus market is expected to remain stable at approximately 15–20% between 2021 and 2026.

Within Europe, **EU30** accounted for an average of 9.2% of the global market between 2018 and 2020. Total bus sales in EU30 have grown from 31,000 units in 2018 to 34,000 units in 2019 and declined to 27,000 units in 2020 (2018–2020 CAGR of –6.6%). 2021 volumes are expected to decline by 0.9% to slightly less than 27,000 units sold and grow again in 2022 to 31,000 units sold (+15.4%). Between 2021 and 2026 volumes are expected to grow by 8.7% p.a. resulting in 41,000 units sold in 2026. EU30's share of the global bus market is expected to remain stable at approximately 10% between 2021 and 2026.

North America is the world's third largest bus market accounting for an average of 14.0% of global bus sales between 2018–2020. Total bus sales in North America have increased from 53,000 units in 2018 to 54,000 units in 2019, and decreased to 37,000 in 2020 (2018–2020 CAGR of –15.9%). 2021 volumes are expected to increase to 38,000 (+2.9%) and again in 2022 to 43,000 units sold (+11.2%). By 2026, total bus sales are expected to reach 46,000 units implying a 2021–2026 CAGR of 5.1%. North America's share of the global bus market is expected to remain between 10–15% between 2021 and 2026.

Asia-Pacific is the world's largest market for buses, accounting for an average of 59.4% of the global market between 2018 and 2020. Total bus sales in Asia-Pacific have decreased from 241,000 units in 2018 to 233,000 units in 2019 and 142,000 units in 2020 (2018–2020 CAGR of –23.1%). 2021 volumes are expected to recover by 5.1% to 150,000 units and again in 2022 to 188,000 units sold (+25.7%). Between 2021 and 2026 volumes are expected to grow by 11.0% p.a. to reach 252,000 units sold in 2026. Asia-Pacific's share of the global bus market is expected to be in the range of 50–60% between 2021 and 2026.

Latin America is the world's fourth largest bus market accounting for an average of 9.3% of global bus sales between 2018–2020. Total bus sales in Latin America have increased from 32,000 units in 2018 to 38,000 units in 2019 and decreased to 25,000 units in 2020 (2018–2020 CAGR of –10.6%). 2021 volumes are expected to stay flat at 25,000 (+0.3%) and rebound in 2022 to 34,000 units sold (+35.5%). By 2026, total bus sales are expected to be 40,000 units implying a 2021–2026 CAGR of 9.6%. Latin America's share of the global bus market is expected to hover between 9–11% between 2021 and 2026.

Middle East & Africa is the world's fifth largest bus market accounting for an average of 2.7% of global bus sales between 2018–2020. Total bus sales in Middle East and Africa have declined from 11,000 units in 2018 to 6,000 units in 2020 (2018–2020 CAGR of –22.2%). 2021 volumes are expected to increase to 7,000 (+6.8%) and again in 2022 to 8,000 units sold (+23.9%). By 2026, total bus sales are expected to be 12,000 units implying a 2021–2026 CAGR of 12.5%. Middle East and Africa's share of the global bus market is expected to hover around 3% between 2021 and 2026.

9.3 Megatrends Affecting Transportation and Key Growth Drivers

The Company believes that the global transportation industry will be largely driven by four megatrends:

- Globalization
- Digitalization and the automation of products and processes
- Connectivity solutions
- Transportation as a Service (TaaS)
- Sustainability

Globalization

Transport plays an important role in today's economy and society and has a large impact on economic growth and employment. Continued globalization of the world's economy helps to facilitate the greater international division of labor and stimulates technology and labor transfers, leading to an increased demand for transportation activities. The global logistics industry, of which trucks and trucking services form a significant part, accounted for approximately 11% of gross domestic product ("**GDP**") globally in 2019 (source: Armstrong & Associates 2020).

Factors such as population growth, urbanization, industrialization, disposable income and, ultimately, GDP growth impact the transportation industry, and accordingly drive the demand for trucks and buses:

- Global GDP is expected to grow at around 3% a year on average in the next 50 years with education and productivity improvements driving higher growth in emerging economies. GDP per capita in the poorest economies is expected to more than quadruple from 2011 to 2060, while doubling in the richest economies in the same period (source: OECD). The growth in GDP, especially post-Covid-19, is reflective of increasing productivity, business investment, rising personal consumption and government spending (*e.g.*, the USD 1.2 trillion Bipartisan Infrastructure Framework announced by the U.S. government in June 2021), factors which drive the demand for logistics services and consequently commercial vehicles (trucks and buses) and their associated activities such as aftersales services and commercial vehicle related financial services.
- The global population is forecast to grow by approximately 2 billion people in the next 30 years, from 7.7.8 billion in 2021 to 9.7 billion in 2050 (source: UN 2019). A rising global population drives additional demand for goods and services and further accelerates the rate of urbanization, which in turn requires that companies expand the geographic reach of their products and generates additional demand for quicker and more hassle free delivery of goods. These are factors that directly drive demand for logistics services.

- Economic development is often associated with a growth in industrialization, especially in developing nations, which provides another avenue of growth for commercial vehicles required for the handling of raw materials, delivery of goods along the supply chain and buses and coaches for the transportation of the expanding workforce.
- Urbanization is increasing globally with currently 55% of the world's population living in cities. By 2050 the urban population is expected to more than double in size and approximately 70% of world population is expected to live in cities (source: World Bank 2020). Ongoing urbanization supports demand for both trucks, as companies need to navigate longer and often more complex transportation routes to deliver goods, and buses, as larger urban populations require a greater fleet of city buses and further investment in transportation services.

Digitalization and the automation of products and processes

The emergence of new digital technologies and the interconnectivity of products and devices which they enable has been gaining traction and is forecast to play a key role in the future development of commercial vehicles. An important element of digitalization is expected to be the automation of products and processes, which includes autonomous driving technologies for trucks and buses.

The trajectory toward full autonomy is long and taking more time than was previously anticipated, but first use cases are expected to hit the market within the next few years (source: McKinsey 2018):

- Full autonomy on highway and selected roads (driver for pick-up / drop-off only) from 2025 onward at the earliest.
- Full autonomy (no driver) from 2027 onwards.

Digitalization presents commercial opportunities for trucking companies as it offers the possibility to speed up service and the supply chain by increasing the amount of hours per day that trucks can operate when drivers are not required, alleviates driver shortages, increases safety and energy efficiency by using digital connectivity solutions to improve route planning and other processes, and optimizes vehicle utilization and design. From 2030 full autonomy of trucks could reduce average TCO costs per truck by 45% compared to current TCO levels (source: World Economic Forum).

Autonomous buses are being tested as well: Malaga, Spain, is the first city in Europe which started the trial of a full-size autonomous bus with a maximum capacity of 60 passengers. Further development of autonomous technology is expected to accelerate the adoption of autonomous buses.

Connectivity Solutions

Connected vehicles are equipped with data aggregating sensors that enable vehicles to generate data about the vehicle, connect with third-party devices inside and outside the vehicles and share this data for further analysis. Connected commercial vehicles are quickly becoming an industry standard given the potential value for the vehicle operator / fleet manager and for the commercial vehicle OEMs.

Commercial vehicles equipped with connectivity solutions provide tangible benefits to both fleet operators and vehicle OEMs including R&D hardware optimization (*e.g.*, adjusting vehicle specifications based on real time data and prioritizing / deprioritizing features) and creating additional profit pools for OEMs (*e.g.*, predictive maintenance which can direct higher repair traffic to the OEM's own repair network and subscription service revenue models for additional data insights and over-the-air ("**OTA**"), updates) while fleet operators and owners benefit from reduced operating costs, smarter maintenance management (*e.g.*, predictive maintenance avoids unexpected interruptions), higher uptime, and improved driver productivity (*e.g.*, actively managed wear and tear based on live data by adjusting driving settings) (source: McKinsey 2021).

Transportation as a Service

TaaS is an alternative to vehicle ownership and refers to the buying of miles, trips, and/or experiences. The purchase and financing of vehicles, maintenance, fuel, insurance, actual driving, and storage are performed by third-party providers. The proliferation of connected vehicles further enables the development of TaaS from OEMs and other third party providers, given the additional control and insight on the condition and whereabouts of the vehicles.

TaaS relies on a digital platform that integrates end-to-end trip planning and payments. Across the globe, the typical vehicle is idle during 95% of the day (source: Goldman Sachs), a percentage which can be lowered via connected cars and ridesharing. This is more related to passenger vehicles and less related to trucks, which are already being over-utilized with the growth of e-commerce. Nonetheless, there may be an impact on the demand for new trucks.

Subscription models for commercial vehicles can potentially unlock new revenue streams for truck OEMs in addition to the more traditional leasing services offered. Supported by improving telematics solutions, truck OEMs are able to offer more tailored leasing solutions (*e.g.*, Daimler's pay-as-you-drive leasing solution for Freightliner trucks in the U.S.) for end customers. For smaller fleet operators, such flexibility enables them to better manage their cashflow and optimize their cost structure by transforming fixed costs into variable costs and thereby expands the addressable market available to commercial vehicle OEMs.

Sustainability

The transportation sector is one of the largest contributors to GHG emissions, comprising 29% of GHG emissions in the U.S. in 2019, with MDT and HDT contributing 24% to that amount (source: US EPA 2021). Zero-emission vehicles ("**ZEVs**") are considered one of the key levers for reducing emissions in the transportation sector to achieve climate and regulatory targets.

Many truck customers now ask for emissions data as part of their request for tenders and consider such data in making their purchasing decision. Sustainability features have shifted from being a compliance policy burden to becoming a differentiating factor in the commercial vehicle industry.

The truck industry's focus on lowering TCO by reducing fuel consumption, increasing efficiency and using greener fuel sources has been supported by the development of supporting adjacent technology which has served to advance its sustainability goals:

- Enhanced telematics with Internet of Things ("IoT") monitoring devices, which record data like engine performance and driving habits.
- Optimized route planning where Artificial Intelligence ("AI") systems predict weather and traffic, and find the optimal route.
- Improved aerodynamics and eco-friendly fuel sources, such as biodiesel.

Key truck markets have announced regulations aimed at reducing emissions standards which places further demands on truck OEMs to intensify their investment in ZEVs in order to remain competitive. Please see "*12.2.7 Vehicle Emissions*".

For example, Regulation (EU) 2019/1242 introduced emission standards for heavy-duty vehicles in 2019, requiring a 15% reduction in CO_2 emissions by trucks above 16 tons by 2025 and a 30% reduction by 2030, each compared to the benchmark time period of July 1, 2019 to June 30, 2020. In addition, the regulation imposed a system of supercredits for zero- and low-emission trucks for the period from 2019 to 2024 and quotas for zero- and low-emission trucks based on a benchmark system starting in 2025. The regulation further provides for very significant financial penalties per additional gram of CO_2 for trucks which exceed baseline CO_2 emissions starting in 2025, which will further increase from 2030 onwards.

Similarly, the U.S. Environmental Protection Agency ("**EPA**") and the U.S. Department of Transportation introduced standards for fuel economy and GHG emissions levels for both engines and vehicles starting with model year 2014. A second phase with mandatory further reductions in fuel consumption and GHG emissions started with model year 2018 (for certain trailer models) and 2021 (for other trucks and buses) and culminates with model year 2027. In addition, in 2020, California enacted the Advanced Clean Trucks Regulation, a mandate requiring medium- and heavy-duty vehicle manufacturers to sell an increasing minimum percentage of zero emission vehicles from 2024 through 2035.

Other key truck markets such as China have also promulgated mandatory fuel economy improvements and emission standards improvements for heavy-duty vehicles. In particular, the China VI-a and China VI-b emissions standards are more restrictive than those of the European Union. The China VI-b standards will be mandatory for all new heavy-duty trucks in China from July 1, 2023.

The US, EU, China and other countries are planning to phase out the sale of new passenger vehicles with ICEs and light- duty trucks between 2030 and 2035. The EU's target of 80–100% reduction in GHG emissions from transport by 2050 compared to 1990 levels will require reductions from the commercial vehicle market as well (source: European Commission 2019).

In line with government regulations to phase out ICE, many commercial vehicle OEMs have also pledged to transition to electric vehicles in the coming years:

- The Group is targeting up to 60% of sales to be zero emission by 2030 and for its buses to go full electric in the city segment by 2030.
- Volvo has set a goal of having electric trucks represent half their sales in Europe by 2030.
- TRATON's Scania is aiming for electric vehicles to comprise 10% of European unit sales in 2025 and 50% by 2030 and TRATON's MAN is aiming for half of its new buses to have an electric drive system by 2025 and 60% of its delivery trucks to be zero emission.

With strong sentiment to reduce global GHG emissions from leading governments, truck OEMs will have to spend significant additional research and development costs on existing models to remain compliant in the near term, or risk facing heavy fines. Conventional diesel technology will most likely not be able to meet the European targets set for 2025 and 2030, which necessitates the advancement of ZEV.

The combination of emissions regulations, advancements in battery technology, rising viability of green hydrogen and the injection of investment into electric mobility companies has created new challenges and opportunities for traditional commercial vehicle OEMs. Morgan Stanley estimates that by 2030, there will be a 30% adoption rate of zero emission vehicles within the global commercial vehicle market. Newcomers and disruptors pose a challenge to established OEMs as they are more nimble, agile and starting from a zero emission mindset which enables them to gain market share. However, established OEMs who direct investment efforts toward electric vehicles will be able to leverage their previous R&D efforts, existing and long-standing customer relationship and broad service networks to remain competitive (source: Morgan Stanley 2021).

9.4 Key Innovations in the Commercial Vehicle Industry

Sustainability targets are one of the main drivers of alternative powertrains, such as fuel cell electric vehicles ("**FCEV**") and battery electric vehicles ("**BEV**"). Furthermore, the overall development and emergence of IoT and AI are pushing for more advanced technological capabilities within the commercial vehicle industry, by increasing the safety and minimizing drivers' roles on the road.

Powertrains

BEV and FCEV are two alternative powertrains to ICE that are both electric, sharing the same motors and many other components. The key difference is that batteries store electricity for use, while fuel cells produce it onboard as needed, through an electrochemical process that extracts electrons from hydrogen forced through fuel-cell membranes. Aside from the electricity, the only by-product in FCEV is water vapor.

Both BEVs and FCEVs have roughly the same traction efficiency and consume less energy for traction than ICE engines through a gearbox, using electric drives and recovering energy from regenerative braking. However, there is a difference in efficiency of conversion from the energy store—chemical energy in the battery for BEV and hydrogen in tanks for FCEV—to electrical energy for the traction system. Batteries are highly efficient in energy conversion compared to hydrogen, with overall tank to wheel efficiency being approximately 75% for BEVs compared to approximately 50% for FCEVs, according to Group estimates.

In terms of impact on TCO, both technologies allow for lower repair and maintenance spending, and lower energy cost in the BEV case, but BEV and FCEV vehicles cost still remains high compared to traditional ICE vehicles, therefore, the TCO of ICE vehicles is currently more attractive to fleet owners and operators. This is expected to change with the ongoing development of technology, GHG emission fees and subsidies, and parity in TCO to be reached from 2025 onward. As commercial fleet owners' focus is on managing and reducing their cost, they are expected to upgrade their vehicle line-up with electric vehicles if there is upfront cost parity with conventional ICE vehicles or there is an acceptable breakeven point in terms of TCO. At current battery and vehicle costs and assuming average fuel efficiency, Barclays estimates that TCO breakeven is achieved at six years for light commercial vehicles and is reached even sooner at three years for "stop-and-go" types of vehicles, *e.g.*, delivery vans, which are naturally less fuel efficient. Furthermore, as battery and vehicle costs trend lower due to future innovations and increased production efficiency, TCO is likely to be achieved as early 2.3 years for U.S. average fuel economy and about one year for European average fuel economy light commercial vehicles (source: Barclays 2020).

When comparing the two technologies, BEV technology is generally considered more advantageous compared to FCEV technology, but under certain conditions FCEV technology can offer a better solution for truck operators:

- Further daily range and regular use increases the annual cost advantage of BEV over FCEV.
- Low and highly variable range is less favorable towards BEV, by reducing the share of energy cost, slowing amortization of a large battery and increasing payload losses.
- Long-haul favors FCEV over BEV only in case of highly variable long-distance requirements without full fast-charging infrastructure availability.

As the technology for BEV and FCEV continues to develop, commercial vehicle OEMs differ in their expectations on which of BEV or FCEV will be the dominant technology in the future. Generally, and in light of the current state of technology, industry experts view FCEV technology as more favorable for long-haul vehicles (500+ miles) while BEV is more suited to short-to-medium haul vehicles. With evolving battery technology and OEMs continuing to push the boundaries of charging times and mileage, it remains to be seen whether BEV and FCEV technologies will co-exist or whether one will dominate. Should FCEV technology expand use cases in medium- and short-haul trucking and the relevant hydrogen infrastructure is developed, it may become the dominant technology. Similarly, if proponents of BEV technology can develop the technology to extend it to long-haul trips with minimal payload loss, BEV may end up being the dominant technology (source: Morgan Stanley 2021).

Advanced driver-assistance systems

Advanced driver-assistance systems ("**ADAS**") which help with monitoring, warning, braking, and steering tasks are already widespread among new generation trucks. ADAS adaptation is expected to increase over the next decade, fuelled largely by regulatory and consumer interest in safety applications that protect drivers and reduce accidents.

ADAS operate using a wide range of technologies from cameras, to radars and lidar systems which, if required, can operate both independently and in combination with other systems that help to identify and avoid potential hazards either by warning the driver, or by automatically taking over an element of the vehicle such as braking, or steering if the driver is slow to react. Below are key examples of ADAS:

- Adaptive cruise control
- Blind spot warning
- Driver alerts if attentiveness is affected
- Electronic stability control
- Forward collision warning
- Front side view cameras
- Lane departure warning
- Lane keep assist systems
- Night vision
- Parking aids

Autonomous Driving

Although there are many open questions, *e.g.*, legal framework and technological redundancy, autonomous driving is expected to have a unique impact on TCO with the reduction or elimination of driver participation in the transportation route. The Autonomous Driving playing field is unlikely to be a level playing field, with smaller OEMs likely finding it more difficult to obtain the necessary resources, and the entrance of new, technology-driven market players intensifying competition among existing players. To be successful in Autonomous Driving, truck OEMs need to have access to key technologies for multiple components of the vehicle which are specifically adapted to commercial vehicles (source: McKinsey 2016):

- Business solution / operations (HD mapping is critical)
- Vehicle and Autonomous Driving system integration (Autonomous Driving system design is critical)

- Autonomous Driving platform and decision algorithm (object detection and prediction and driver policy / decision algorithm are critical)
- Processing power (high-performance processing platform is critical)
- Sensors (lidar is critical)

While there is a potential for carry-over of technology know-how and hardware between commercial vehicles and passenger cars, *e.g.*, for sensors, business solutions, high-definition mapping, Autonomous Driving technology needs to be developed and adapted to the truck space to address unique requirements of the industry.

10 BUSINESS

10.1 Overview

The Group is one of the world's largest manufacturers of MDT and HDT trucks based on unit sales (source: IHS Markit). The Group operates a global network in which it produces trucks and buses under the brands Mercedes-Benz, Freightliner, Western Star, FUSO, BharatBenz, Setra and Thomas Built Buses. Flagship products of the Group include the Mercedes-Benz Actros, Freightliner Cascadia and the FUSO Canter, which represent some of the most popular trucks on the road worldwide. Alongside the sale of vehicles and related components and services, the Group also provides tailored financial services to support the purchase and use of its trucks and buses.

As of September 30, 2021, the Group had a total of 101,550 employees (headcount) and more than 40 production facilities located in North America, the EU30, Asia and Latin America. The Group has a presence in most countries around the world and leading market positions in key regions, including North America, the EU30, Japan and Brazil. The Group's headquarters are in Leinfelden-Echterdingen, Germany and it has significant production operations in Brazil, France, Germany, India, Japan, Mexico, Turkey and the United States. In China, the Group owns a 50% stake in BFDA, a joint venture with Chinese partner Foton, which produces trucks under the Auman brand.

The Group's truck product range includes light-, medium- and heavy-duty trucks for long-distance, distribution and construction-site haulage, special vehicles that are used mainly in municipal applications as well as industrial engines. Trucks account for the large majority of the Group's total unit sales and revenue. The Group's bus product range comprises city and inter-city buses, touring coaches and bus chassis.

Alongside the sale of new and used commercial vehicles, the Group also offers a range of aftersales services that constitute a significant source of revenue. For both trucks and buses, the Group has a global network of service points which perform maintenance and repair services and sell spare parts. To complement its traditional service offering, the Group also increasingly provides digital services such as preventative maintenance alerts via remote diagnostic tools and fleet management. As many of the Group's latest trucks and buses are wirelessly connected to mobile networks, the Group is able to offer a growing a number of connectivity solutions under brand names including Detroit Connect, Fuso Connect, Mercedes-Benz Uptime, Fleetboard and others.

In addition to its vehicles with conventional internal combustion engine-driven powertrains, the Group offers an increasing number of battery-electric vehicles in series production, which began with the Fuso eCanter in 2017, and is developing fuel-cell electric vehicles, along with related charging and intelligent infrastructure. The Group is fully committed to the Paris Agreement and to supporting a carbon-neutral economy by 2050. By 2039, the Group aims to offer only new vehicles in Europe, North America and Japan that are CO_2 neutral in driving operation (tank-to-wheel). To achieve this, the Group already has a range of battery-electric commercial vehicles on the road, including the Freightliner eCascadia and eM2, the Mercedes-Benz eActros and the FUSO eCanter. The Group believes that demand for both BEVs and FCEVs will increase significantly due to the global trend towards ZEVs and the broad range of use cases in the commercial transportation industry. To this end, Daimler Truck AG recently established a joint venture with Volvo to develop, manufacture and market fuel cell systems for heavy-duty commercial vehicle applications and other areas of application and it also has a number of further strategic partnerships centered on battery-electric and hydrogen supply and charging. Furthermore, the Group offers e-mobility consulting services to assist its customers with the transition to ZEVs.

The Group's activities are divided into five reporting segments: Mercedes-Benz ("**MB**"), Trucks North America ("**TN**"), Trucks Asia ("**TA**"), Daimler Buses ("**DB**") and Financial Services ("**Financial Services**", or the "**Financial Services Business**"). MB, TN, TA and DB are collectively referred to as the "**Automotive Segments**." The Automotive Segments engage in the production and sale of trucks, buses, engines and related services and have divisions which produce and market brand-specific products. In addition, other business activities and investments, in particular in the area of autonomous driving, as well as functions and services provided by the Group's headquarters and other Group companies not allocated to the segments and projects managed by headquarters are recorded under reconciliation ("**Reconciliation**" and, together with the Automotive Segments, the "**Industrial Business**"). In 2021, Volvo and Daimler Truck AG entered into a 50–50 joint venture called cellcentric GmbH & Co. KG ("cellcentric") for the development, manufacture and marketing of hydrogen fuel cells and systems, which is also included in Reconciliation. The Financial Services Business supports the sales of the Group's truck and bus brands with tailored financial services that include leasing and financing packages, as well as insurance and rental solutions purchased by the Group's customers, and plans to offer fleet management and integrated service offerings to the Group's customers. In 2020, prior to Reconciliation adjustments, the Automotive Segments generated revenue of EUR 36,654 million (or 96.8% of total Group revenue pre-Reconciliation) and the Financial Services Business generated revenue of EUR 1,207 million (or 3.2% of total Group revenue pre-Reconciliation).

In 2020, the Group sold 378,290 total units (2019: 521,545), generating revenue of EUR 36,013 million (2019: EUR 46,244 million), an Adj. EBIT (Industrial Business) of EUR 655 million (2019: EUR 2,600 million) and Adj. RoS (Industrial Business) of 1.9% (2019: 5.8%). The Group's most important sales markets in 2020 on a unit sales basis were North America with 37.4% (2019: 39.5%), Asia with 18.6% (2019: 20.9%) and the EU30 with 17.4% (2019: 17.0%). On a total revenue basis, the Group's most important markets in 2020 were also North America with 38.1% (2019: 41.6%), Europe with 31.2% (2019: 28.4%) and Asia with 16.4% (2019: 15.1%).

10.2 Investment Highlights

As one of the world's largest manufacturers of MDT and HDT based on unit sales (source: IHS Markit) on a path to higher profitability, the Group is focused on maximizing its potential as a newly independent company by raising its financial performance and unlocking shareholder value with a view to resetting profitability and leading the way to zero emissions. To achieve these goals the Group is pursuing clear financial ambitions and ambitious segment benchmarks, leveraging its leading brands and unparalleled, international scale, accelerating its technology leadership and strategic partnerships in key technologies, rapidly growing its service offering and focusing on culture and leadership.

10.2.1 Pursuing Clear Financial Ambitions

In 2020, 2019, 2018 and the nine months ended September 30, 2021, the Industrial Business sold 378,290, 521,545 548,140 and 324,149 trucks and buses, respectively, it had incoming orders (*i.e.* net order intake, adjusted for cancellations) of 430,467, 429,280, 619,202 and 446,818 (September 30, 2020: 255,496), respectively, its revenue (including the impact of Reconciliation for the Group without allocating any Reconciliation amounts to the Financial Services segment) was EUR 34,806 million, EUR 44,853 million, EUR 42,500 million and EUR 27,561 million, respectively, its Adj. EBIT was EUR 655 million, EUR 2,600 million, EUR 2,524 million and EUR 1,837 million, respectively, and its Adj. RoS was 1.9%, 5.8%, 5.9% and 6.7%, respectively. The Industrial Business' Adj. CCR was 3.8, 0.9, 0.7 and 0.3 in 2020, 2019, 2018 and the nine months ended September 30, 2021, respectively.

The Group believes that the drivers and factors discussed in the other Investment Highlights below will help it to unlock its potential and enable it to build a structurally more profitable business with a higher return on capital, a stronger free cash flow, a lower break-even point with lower fixed costs and a higher share of revenues from services. The Group is committed to lifting its performance and delivering strong shareholder returns, targeting payment of an annual dividend for the first time in 2023 for the fiscal year 2022 of approximately 40% of the Group's consolidated net profit attributable to shareholders of the Company according to IFRS, provided that such dividend is covered by the free cash flow for the Industrial Business. See "*5.2 Dividend Policy*" for more detail. The Group further aims to maintain a strong balance sheet with a solid investment grade credit rating and to take a disciplined but flexible approach to capital allocation.

The Group's path to achieving these ambitions includes a series of key initiatives focused on improving aftersales and new service revenue opportunities and the sustainable implementation of lessons from the Covid-19 pandemic driven downturn in the business, when the Group significantly reduced its cost base and external spending in response to declines in customer demand. In particular, the Group aims to lift contribution margin (*i.e.*, the marginal profit, calculated as revenue minus variable costs ("**Contribution Margin**")) through reducing product cost and implementing changes to product mix, with an increasing pivot towards HDT (which are generally higher margin than other commercial vehicle categories); new product-led growth in vocational trucks and buses in North America and deepening the Group's position in China, the world's largest HDT market, via its joint venture with Foton and the planned localization of its heavy-duty trucks, and to reduce its Industrial Business fixed costs by 15% by 2023 from fiscal year 2019 levels, to be achieved in part through 15% reductions in capital expenditures and R&D spending and through performance-based capital allocation as well as personnel cuts at the segment level (most notably MB, as described below); and through a reduction in its Industrial Business break-even point by approximately 20% (in thousands of units) by 2025 compared to 2019. The Group believes that its plans to reduce fixed costs and enhance Contribution Margin are largely independent of truck market conditions, and has already made significant progress, particularly in Europe, Asia and Brazil. The Group has also proven it has a strong degree of control over capital expenditures and rigorous working capital management: Adj. FCF for the Industrial Business was EUR 1,781 million, EUR 1,478 million, EUR 930 million and EUR 94 million in 2020, 2019, 2018 and the nine months ended September 30, 2021.

As part of its active portfolio management, the Group has already evaluated approximately 50 business units in order to form a clear picture of their financial and strategic performance. The Group aims to implement business improvement plans for critical businesses, engage in frequent performance reviews, and make difficult decisions necessary to improve performance. The Group is accelerating its portfolio optimization, having already exited its MDT business in Mexico, announced the sale of its manufacturing of Sprinter minibuses and ceased selling the Fuso Canter in the United States.

In addition to its disciplined approach to capital allocation and cost reduction as described above, the Group considers that the strategic partnerships which it has entered into in connection with its key technologies to be measures allowing for accelerated innovation at reduced cost, which is expected to drive financial performance and create value for shareholders.

The Group's ambition is to leverage the foregoing measures, taken together with the drivers and factors in the other Investment Highlights described below, to achieve an Adj. RoS at its Industrial Business of more than 10% assuming "sunny" market conditions, an Adj. RoS of 8–9% assuming "cloudy" market conditions and an Adj. RoS of 6–7% assuming "rainy" market conditions, by 2025. The Group's ambition is to achieve an Adj. CCR of 0.8 to 1.0x at its Industrial Business by 2025.

10.2.2 Targeting Ambitious Segment Benchmarks

To enhance accountability at the segment level and establish a clearly defined path across all segments to reach its strategic and financial ambitions, the Group has adopted concrete financial targets that each segment will be required to achieve, comprising Adj. RoS in the case of the Automotive Segments and Adj. RoE in the case of the Financial Services segment.

MB

In 2020, 2019 and 2018 and the nine months ended September 30, 2021, MB sold 117,800, 144,806, 148,807 and 101,944 (September 30, 2020: 75,511) vehicles, respectively, MB's pre-Reconciliation revenue was EUR 13,790 million, EUR 16,806 million, EUR 16,724 million, and EUR 11,788 million, respectively, its Adj. EBIT was EUR (232) million, EUR 72 million, EUR 524 million and EUR 534 million, respectively; and its Adj. RoS was (1.7)%, 0.4%, 3.1% and 4.5%, respectively. MB has implemented an aggressive turnaround plan centered around improving profitability by reducing fixed costs and pushing up Contribution Margin, growing its service offering, and improving customer satisfaction.

Concrete measures include reducing personnel and non-personnel costs, including through an ongoing personnel cost reduction of EUR 280 million (including a reduction in management positions) by 2023 compared to 2019, with 50% of net savings expected to be delivered by the end of 2021, and pursuing a non-personnel cost reduction of EUR 200 million by 2023 compared to 2019, with approximately 50% of net savings expected to be delivered by the end of 2021, driven by a cost and revenue program, with rigorous cost center controlling and budgets planned from base zero, implemented to ensure improvement on all Contribution Margin levers. These levers relate to portfolio improvements, which include a reduction of the number of base vehicle models with low volumes from 140 to 100 and of the volume of purchased parts by approximately 15%, material-related measures, such as focusing on commonalities and growing the number of shared parts used globally (MB has already reduced variable costs by approximately EUR 200 million compared to 2019 through these two material-related steps), achieving higher product quality, pricing improvements, which include pursuing profitable segments as opposed to market share, and focusing on optional extras with added value for customers and high contribution margins. The Group has already implemented used-truck-related measures, such as reducing the stock of used trucks by more than 50% compared to 2019 and by implementing more restrictive buyback policies, leading to an improved EBIT contribution of EUR 100 million compared to 2019.

In addition, MB intends to expand its parts business, customer contracts and new e-mobility and digital services (including integrated offers and bundling) by expanding its own retail network to approximately 50 own retail and service locations by 2025, improving processes for parts delivery, offering new digital platforms, and developing new services customized for its ZEVs designed to, *e.g.*, increase uptime and mapping; and increase management focus on customer satisfaction by adopting a formal customer satisfaction strategy, increasing management meetings with customers to better assess customer expectations, re-organizing sales and marketing to strengthen regional sales units, and adopting measures to better act on customer feedback at the retail level. The Group has already made progress in 2021, achieving break-even in Brazil.

The Group believes that the cost and Contribution Margin plans described above are largely independent of truck market conditions. MB's ambition is to achieve an Adj. RoS of 10% by 2025, assuming "sunny" market conditions, an Adj. RoS of 8–9% assuming “cloudy” market conditions and an Adj. RoS of 5–7% assuming “rainy” market conditions. In the “sunny” scenario, MB believes the personnel and non-personnel cost reductions will contribute four percentage points of its 10% Adj. RoS ambition, the Contribution Margin measures will contribute three percentage points and the growth in aftersales and other services will contribute one percentage point.

TN

In 2020, 2019 and 2018 and the nine months ended September 30, 2021, TN sold 139,479, 203,965, 192,515 and 114,530 (September 30, 2020: 97,421) vehicles, respectively, TN’s pre-Reconciliation revenue was EUR 13,847 million, EUR 19,370 million, EUR 17,080 million and EUR 11,185 million, respectively, its Adj. EBIT was EUR 1,015 million. EUR 2,237 million, EUR 1,821 million and EUR 1,205 million, respectively, and its Adj. RoS was 7.3%, 11.5%, 10.7% and 10.8%, respectively. TN attributes its success to a strong customer focus, with industry-leading resale values, truck designs based on customer needs and unparalleled customer service. The Group’s ambition is for TN to grow its margins further through a relentless focus on profitability by maintaining strict cost discipline; focusing on vehicle cost reductions while maintaining a highly flexible production network; enhancing operational efficiencies; and imposing stringent fixed overhead controls. The Group believes that these cost and efficiency plans, which it believes will help it achieve an 8% reduction in fixed costs by 2025 compared to 2019, are largely independent of truck market conditions.

TN’s ambitions further include continuing to invest in its core product group, heavy-duty trucks, while capturing growth in vocational vehicles, a smaller but more profitable market segment where it is releasing three new vehicles between 2020 and 2022 and plans to invest USD 1,945 million between 2021 and 2023; growing its dealer network by 30 locations and 500 bays in the next 18 months; further developing its aftersales and other services (including connected vehicle services, an area in which TN operates a center of excellence and has progressed through its partnership with Platform Science, a developer of a leading platform for on-vehicle mobile applications offering advanced fleet management solutions, as well as e-consulting and other innovative, data-driven business models and services); and driving the conversion to ZEV and autonomous vehicles. TN’s ambition is to achieve an Adj. RoS of 12% by 2025 assuming “sunny” market conditions, an Adj. RoS of 9–10% assuming “cloudy” market conditions and an Adj. RoS of 7–8% assuming “rainy” market conditions.

TA

In 2020, 2019 and 2018 and the nine months ended September 30, 2021, TA sold 110,205, 152,805, 188,860 and 102,953 (September 30, 2020: 78,661) vehicles, respectively, TA’s pre-Reconciliation revenue was EUR 5,579 million, EUR 6,638 million, EUR 6,744 million, and EUR 4,355 million, respectively, its Adj. EBIT was EUR 37 million, EUR 154 million, EUR 328 million and EUR 316 million, respectively, and its Adj. RoS was 0.7%, 2.3%, 4.9% and 7.2%, respectively. TA is pursuing a multi-pronged approach to increasing its profitability, including strengthening FUSO’s market position and optimizing its cost structure through price and mix improvements; achieving higher levels of variable cost efficiency; offsetting technical cost increases; reviewing its sales and production footprints; expanding the insourcing of its profitable service business; reducing its fixed and variable costs and reducing indirect labor costs (in particular in its Fuso operations) by 10% compared to 2019, and aiming for downstream profits (*i.e*., profits from all businesses other than new vehicles, such as parts and services and insurance sales) to cover 100% of fixed costs by 2025. The Group believes that the cost and optimization plans described above are largely independent of truck market conditions. TA further intends to pursue attractive growth opportunities in India, where its market share for trucks over 9 tons increased from 5.8% in 2019 to 9.1% in 2020 (source: Company Internal Analysis) and where TA’s ambition is to achieve double-digit volume growth by 2025, by leveraging its renowned Bharat-Benz brand and technology leadership, and to utilize India as a production location with exports to emerging markets and for common components used in other markets as well as a location for indirect functions within the larger Group currently carried out elsewhere.

TA also plans to deepen its position in China, the world’s largest HDT market (source: Company Internal Analysis), by leveraging its joint venture with Foton (one of the largest truck manufacturers in China (source: IHS Markit)) with its powerful production capacity and deep dealer network and with an ambition to substantially increase its market share in the Chinese advanced truck segment from approximately 2% in 2020 (source: Company Internal Analysis) to approximately 20% in 2030 by capitalizing on higher emissions and safety standards and where a key initiative is to produce 60,000 units per annum of Mercedes Benz HDTs; and to capitalize on its first mover advantage in e-mobility in Japan, with its popular e-Canter light-duty truck (with a leading TCO in the market, according to Company Internal Analysis), to switch to electric LDTs in its core markets by 2030 by developing its integrated e-mobility ecosystem. TA's ambition is to achieve an Adj. RoS of 9% by 2025 assuming "sunny" market conditions, an Adj. RoS of 7-8% assuming "cloudy" market conditions and an Adj. RoS of 5-6% assuming "rainy" market conditions.

DB

In 2020, 2019 and 2018 and the nine months ended September 30, 2021, DB sold 18,932, 29,763, 28,133 and 12,669 (September 30, 2020: 12,480) vehicles, respectively, DB's pre-Reconciliation revenue was EUR 3,438 million, EUR 4,644 million, EUR 4,383 million, and EUR 2,043 million, respectively, its Adj. EBIT was EUR 67 million, EUR 284 million, EUR 295 million and EUR (53) million, respectively, and its Adj. RoS was 1.9%, 6.1%, 6.7% and (2.6)%, respectively. The Group's aspiration is for DB to return to profitability levels reflecting its market leading position by growing sales of its coach models as the high-margin coach market recovers from the Covid-19 pandemic in the medium-term. The Group believes that DB can leverage the high degree of commonality between the Group's trucks and buses, including purchasing common components and sharing powertrain platforms, new technologies, customer service and parts procurement, plants and general and administrative cost functions and through Financial Services.

DB plans to re-enter the North American market with a product offering specifically designed for US customers, with an ambition to substantially increase its market share in the North American private motorcoach market from approximately 2% in 2019 (source: American Bus Association) to approximately 15–20% in 2025 by responding to US customer demands for Mercedes-Benz branding, improved safety and comfort, dedicated engine types and direct sales and by leveraging TN synergies to offer best-in-class supply chains and service networks. DB intends to: continue its push into ZEV by building on its established eCitaro market presence (with a commitment to go fully electric in the city segment by around 2030 while rolling out other e-mobility technologies in the meantime, including battery-electric offerings in the interurban and coach segments by about 2025 and 2030, respectively); expand its service offering to encompass more digital, electric and financial services such as its ecommerce business and charging infrastructure; and reduce fixed costs by EUR 300 million by 2025 through personnel reductions, maximizing efficiencies from its global production footprint, and streamlining its portfolio and geographic presence. The Group believes that the cost and efficiency plans described above are largely independent of truck market conditions. DB's ambition is to achieve an Adj. RoS of 7.5% by 2025 assuming "sunny" market conditions, an Adj. RoS of 4-6% assuming "cloudy" market conditions and an Adj. RoS of 2-4% assuming "rainy" market conditions.

FS

Financial Services' pre-Reconciliation revenue was EUR 1,207 million, EUR 1,391 million, EUR 1,200 million and EUR 858 million in 2020, 2019 and 2018 and the nine months ended September 30, 2021, respectively, its total equity was EUR 1,338 million, EUR 1,637 million, EUR 1,468 million and EUR 1,713 million as of December 31, 2020, 2019, 2018 and September 30, 2021, respectively, and its Adj. RoE was 0.1%, 12.4%, 13.8% and 10.4%, respectively. The Adj. RoE for the nine month period ended September 30, 2021, was calculated based on an annualized Adj. EBIT and an quarterly average equity. The quarterly average equity is defined as the average of the quarterly average equity for each period. As the Financial Services Business is still in the process of being transferred to the Group from Daimler AG, its financial results described above only represent the portion attributable to those businesses that will have been transferred to the Group up until completion of the Phase 1 Transactions. The Phase 2 Transactions, whereby the remaining financial services businesses will be transferred to or will otherwise become part of the Group, will occur in a second wave in 2022. When accounting for the Phase 1 Transactions and the Phase 2 Transactions, the Group estimates that the total portfolio of the Financial Services segment will comprise approximately EUR 21 billion by the end of 2022 with an overall global penetration rate of 25%. A third wave involving the ramp-up of markets where new portfolios for the Financial Services segment are intended to be established, including in France, Germany and other new markets, is (following initial build-up steps in 2022) planned to occur through 2023 and beyond.

The Group believes that Financial Services has a strong foundation for future portfolio growth, with a high-quality portfolio comprised primarily of excellent and very good quality loans and low expected credit losses and a clear and proven risk management model based on more than 40 years of successful operations. Financial Services' well-balanced funding mix with a conservative capital structure supported by a strong equity ratio and a focus on operational excellence should enable it to continue supporting vehicle sales while playing a crucial role in the Group's service revenue expansion. The Group's ambition is for Financial Services' role as a key enabler of the Group's planned services growth to position it for further penetration and geographic expansion of its traditional products as well as the introduction of an array of new financial services, such as fleet and rental management, infrastructure solutions, telematics and dynamic insurance, thereby growing its sales volume and contributing to the Group's revenue and profitability growth. The Group believes that the staggered portfolio transfer, which is expected to take place in three waves up into 2023, will help it to ensure operational excellence by enabling it to focus on cost optimization from "Day One" following the Spin-off. The Group plans to invest approximately EUR 500 million into ramping up Financial Services by 2025 after which it intends for Financial Services' growth to be self-funded. Financial Services' ambition is to achieve an Adj. RoE of 14% assuming "sunny" market conditions and after full ramp-up, an Adj. RoE of 10–12% assuming "cloudy" market conditions and an Adj. RoE of 6-8% assuming "rainy" market conditions. The Group expects that Financial Services will pay dividends in excess of a 30% net payout ratio to the Industrial Business in a steady-state scenario.

10.2.3 Leveraging Leading Brands and Unparalleled Scale

The Group is one of the world's largest manufacturers of MDT and HDT trucks based on unit sales (source: IHS Markit). It operates a global network in which it produces a comprehensive range of heavy-duty, medium-duty and light-duty trucks and buses under the brands Mercedes-Benz (light-, medium- and heavy-duty trucks as well as city, intercity and touring coaches), Freightliner Trucks (weight classes 5 to 8), Western Star (heavy trucks), Setra (intercity, long-distance and premium coaches) and Thomas Built Buses (light- to medium-duty buses) as well as its Asian brands FUSO (light-, medium- and heavy-duty trucks as well as buses for Asia, Middle East, Africa, Europe and Latin America) and BharatBenz (trucks in weight classes 9 to 55 tons and medium- and heavy-duty buses). The Group's brands represent some of the most popular trucks and buses on the road worldwide. In China, the Group owns a 50% stake in BFDA, a joint venture with Chinese partner Foton, which produces heavy-duty trucks under the Auman brand. The Group believes its trucks and buses are especially known for their high quality and best-in class technology.

The Group had a share of 9.1% in the global truck market based on units sold (source: IHS Markit) in 2020 and occupies strong market positions in all of its key truck markets. These include number one market positions in North America in MDT (17.3% market share) and HDT (36.8% market share), in Brazil in MDT and HDT (31.3% market share) in Turkey in MDT and HDT (32.4% market share) and in Indonesia in MDT and HDT (48.7% market share), as well as a top three market share in Japan in MDT and HDT (17.5% market share), in each case based on 2020 unit sales (source: IHS Markit). In the EU30, the Group accounted for a 19.6% market share in MDT and HDT trucks including a leading presence in Germany (35.4% market share), also based on 2020 unit sales (source: IHS Markit). In addition, the Mercedes-Benz brand was the number one truck brand in the EU30 and Brazil, meaning more Mercedes-Benz trucks were sold than trucks under any single competitor brand, in the EU30 and Brazil in 2020 (source: IHS Markit). In 2019, the last year without a Covid-19 impact, the Group had a number one market position based on units sold in North America in HDT and the Mercedes-Benz brand was the number one brand in the EU30 and Brazil in MDT and HDT. The Group had the number three market position in Japan in total trucks based on units sold in 2019 (Source: Company Internal Analysis).

The Group is also the global market leader for buses in terms of unit sales, with DB occupying the leading market position in all of its core markets, which include Europe (27.5% market share for buses over 8 tons), Brazil (53.8% market share) and Mexico (37.8% market share) in 2020 (source: Company Internal Analysis). DB has historically occupied the number one position in the high-margin EU-30 coach market, with an average market share of 36% over the last 10 years.

In addition to its global and regional market leadership positions, the Group also has a leading global position in HDT among global players, the truck market's most profitable product segment, by unit sales (source: IHS Markit).

The Group believes that its unparalleled global scale offers commonality in terms of platforms, powertrains and systems, including heavy duty e-drive and e-architecture, enabling it to tap the benefits of size and technology. Apart from offering engineering and procurement synergies and a resilient business profile due to the significant degree of product, brand and geographical diversification, the Group's scale enables it to invest in developing innovative technologies, such as through its global R&D hubs in the EU, North America and Asia, the autonomous driving effort being pursued in North America and its activities to pioneer commercial vehicle e-mobility in certain key markets including Japan. The benefits of these technologies can be shared across the Group's operations to ensure its continued global technology leadership. In addition, the Group operates a global aftersales service network in all regions, which mitigates the impact of economic cycles on the Group's results. The Group believes that these advantages drive the Group's pricing power in its markets. and aims to further leverage them to achieve better net pricing in each of its five segments as a means to improve Contribution Margin and increase profitability.

10.2.4 Accelerating Technology Leadership and Strategic Partnerships in Key Technologies

The Group has a wide range of ongoing technology initiatives in various R&D hubs throughout its network which it intends to deploy across its global network, subject to regional variations in demand and compliance with regulatory requirements.

At present, the majority of the Group's products are powered by diesel engines, but the Group is committed to leading the way to zero emissions. It has set a technological path for the transition from internal combustion engines ("**ICE**") vehicles to zero-emission vehicles ("**ZEV**") within the next 10-20 years. The Group believes that it can leverage its technology leadership, including its global R&D teams and engineering capabilities, proprietary technology and existing infrastructure to accelerate the transition to ZEV and position itself at the forefront of the development of successful alternative drivetrains. Just as the Group's scale and global commonality of base technology and production formed the basis for the Group's success in ICE vehicles, the Group considers that these attributes will be a critical advantage in the race to lead the ZEV transition.

The Group is pursuing a dual strategy for ZEV by investing in the development of both battery electric vehicles ("**BEV**") and fuel-cell electric vehicles ("**FCEV**"), which rely on different propulsion systems, because it believes that a CO2 neutral society will require both the electric grid (which powers BEV) and hydrogen infrastructure (which powers FCEV). Although BEV are more energy efficient than FCEV, FCEV have advantages over BEV at long distances and in refueling speed, which are key aspects in trucking. To achieve CO2 neutral transport on the world's roads by 2050, the Group already offers series-produced BEV in its main sales regions in Europe, the United States and Japan. The Group has already partially released series production ZEV versions of its popular trucks, the eActros, eCascadia and eCanter, and its eCitaro bus, and is currently developing a dedicated electric vehicle platform. In the second half of the current decade, the Group aims at augmenting its vehicle portfolio with series-produced FCEV. By 2039, the Group aims to offer only new vehicles in Europe, North America and Japan that are CO2 neutral in driving operation (tank-to-wheel).

The Group has put in place a business roadmap by which it aims to ensure that the transition to ZEV results in improved financial performance, opens up new revenue models for services and ultimately increases customer loyalty. To ensure the economic viability of ZEVs, the Group is relentlessly focused on profitability and cash flow generation. Maintaining this financial discipline during its transition requires the Group to reduce the amounts it spends on developing ICE technologies, which it plans to eventually phase out, in order to devote more resources to ZEV development. By 2025 the Group plans to focus the majority of its R&D spending on ZEV. For example, TN has plans to invest USD 375 million in BEVs between 2021 and 2023. The Group aims to develop cost efficient ZEVs tailored to customer needs. TCO parity between ZEV and ICE vehicles is widely regarded as the tipping point for customers to switch from ICE vehicles to ZEV, and anticipates it will be reached for BEV by 2025 and FCEV by 2027. The Group's ultimate goal is to establish TCO leadership in the new ZEV era.

To accelerate the development of certain of the key technological initiatives, including the development of ZEV, gain access to critical technology and share the associated development and deployment costs, the Group has taken the bold step of entering into a number of joint ventures and strategic partnerships to effectively allocate resources while fostering innovation.

In August 2021, the Group signed a framework agreement with U.S. engine manufacturer Cummins establishing a cooperation on medium-duty vehicle engine manufacturing pursuant to which Cummins is to provide global medium-duty vehicle engines and the Group disinvests completely from medium-duty ICE development. The partnership is part of the Group's strategy to actively manage its ramp-down of ICE technology and significantly reduce its R&D spending on ICE technology.

The Group has also entered into a number of joint ventures and strategic partnerships for the development of ZEV technology. With respect to BEV, this includes an agreement with CATL for the global supply of ultra-long cycle life, fast-charging lithium-ion battery packs for long-haul battery-electric trucks starting in 2024. With respect to FCEV, these include the cellcentric joint venture with Volvo to drive forward the series-ready development, production and marketing of fuel cell systems for use in heavy-duty commercial vehicles and other fields of application and hydrogen refueling infrastructure and technology partnerships with BP, TotalEnergies, Shell and Linde.

Charging infrastructure will be critical to widespread ZEV adoption. To drive forward the development and build-out of high power charging networks for trucks, the Group is partnering with Power Electronics to offer a full line of commercial vehicle charging hardware in North America. In Europe, the Group has entered into partnerships with Volvo and TRATON (as of the date of this Prospectus via non-binding agreement) to install and operate a high performance, high speed charging network for battery-electric heavy-duty long-haul trucks and coaches and with Siemens, ENGIE and EVBox to offer a comprehensive e-mobility ecosystem to the Group's customers.

The Group may enter into further strategic partnerships and pursue potential business acquisitions in the future. For example, it is actively seeking OEM partners to defray the future development costs of heavy-duty engines and the expected Euro VII emission standards. In addition to development synergies and cost saving advantages of the Group's strategic partnerships, the Group considers these arrangements to be compelling evidence of its changing culture and its openness to new strategies for positioning the Group at the forefront of the ongoing industry transformation.

In addition to ZEV technology, the Group believes that its vehicles' operating system ("**OS**") and accompanying software architecture will be increasingly decisive purchasing factors in the market for commercial vehicles. Technologies such as over-the-air ("**OTA**") connectivity and autonomous driving can extend uptime and make workshop visits more efficient, enhance safety, increase asset utilization, and help integrate vehicle data into a customer's enterprise management in real time. The Group sees major upsides in developing best-in-class digital services, tailored to offer seamless enterprise-to-enterprise integration, as they offer the opportunity to strengthen customer loyalty, open additional revenue streams and deliver further valuable data-driven insights to the Group.

The Group therefore allocates significant resources to the development of software architecture as a platform for its next generation vehicle and service offerings. The Group has in-house development teams, including more than 600 engineers in its Bangalore innovation hub, working on the core elements of its operating system, with the goal of reducing the number of physical computing units in the vehicle and delinking software cycles to reduce complexity and catalyze innovation. The Group plans to transition from its current hardware-centric approach to its vehicles' OS to a software-based approach by 2027. The Group is currently developing its first 100% connected, OTA-enabled operating system to be ready for next generation human-machine interface, predictive intelligence and safety systems, compatible with BEV, FCEV and autonomous driving technology, with a planned initial release date of 2023. The Group targets further major operating system releases in the coming years. The Group considers one of the key benefits of developing its truck operating system and applications in-house to be the greater degree of control it can exercise over their development and customization for its customers.

Future connectivity solutions include B2B solutions such as advanced services for fleet managers, dispatchers and drivers; autonomous driving services and e-mobility services; connectivity foundation solutions such as platform health monitoring, data application programming interface (API), OTA software updates and device management; and vehicle architecture and telematics solutions, such as real-time speed, fuel, weight and GPS data and acting as a central provider for telemetry data. The Group aims for its connectivity solutions to form the backbone of its future service offering, which is expected to represent a growing share of Group revenue going forward. See "*10.2.5 Rapidly Growing Service Offering*" for more detail.

The Group believes that the development of autonomous driving technology represents a significant commercial opportunity which will in large part determine the future of the trucking industry. Given the size of this opportunity, the Group is developing completely new business models and is working with two strong partners as part of a dual-track strategy to offer customers the best possible integrated fully automated SAE Level 4 solutions, a standard promulgated by the Society of Automotive Engineers. The Group is investing in both its own in-house research and development effort on autonomous driving via its majority-owned subsidiary Torc, which focuses on developing its own SAE Level 4 solution for use between two logistics centers (for hub-to-hub operation) as well as its partnership with Waymo which focuses on the development of autonomous driving technology.

SAE Level 4 would eliminate the need for drivers and, as such, would have the potential to increase road safety, address chronic driver shortages in major markets such as North America, significantly decrease TCO and maximize asset utilization of the truck itself. The Group is also developing a SAE Level 4-capable chassis. As a result of the Waymo and Torc initiatives, TN has become a global center of excellence in the development of autonomous driving technology and the emerging virtual driver business model which it intends to share with the rest of the Group. The Group believes that the advent of autonomous driving technology will give rise to numerous new opportunities including aftersales services developed for autonomous trucking customers and data-as-a-service.

The Group expects that its global technology leadership, in particular the wide array of ambitious initiatives it has underway to develop and commercialize ZEV and the entire e-mobility ecosystem, to ramp up connectivity solutions to vastly expand its service offering, and to bring truly autonomous driving to the global trucking industry, will contribute to significantly improved financial performance. In particular, the Group believes that its technology, which it expects will produce a competitive TCO and generate new revenue models for margin-enhancing, tech-enabled services, will drive its revenues and profitability in the coming transformation.

10.2.5 Rapidly Growing Service Offering

The Group plans to leverage its technology leadership to transform its business from one focused on vehicle sales to one focused on vehicle operation and eventually to one focused on providing advanced services. At the core of this ambition is the rapid growth of the Group's service offering, which the Group believes will strengthen long-term customer relationships, reduce the impact of economic cyclicality by increasing the proportion of revenue generated by services (which is typically recurring) compared to vehicle sales, and drive higher overall margins.

The Group's aftersales services are provided on a segment level by MB, TN, TA and DB. Aftersales services include workshop services, maintenance plans, spare parts, and services for the management of customer operations. In addition, the Financial Services segment provides tailored financing and leasing packages for end-customers and dealers, brokering of commercial vehicles insurance and banking services. The Group's Service Share of Revenue in 2019 was approximately 30%. The Group's ambition is to increase its Service Share of Revenue to approximately 35% in the mid-term and to approximately 50% by 2030 as part of its ultimate transformation into a provider of advanced services.

The Group's future service offering will be largely tech-enabled, leveraging ZEV technologies, connectivity solutions, autonomous driving systems and financial service know-how to transition its traditional service model to an integrated service model focused on services which enhance vehicle operation in the mid-term and a suite of more advanced services by 2030. The mid-term, integrated service model is planned to cover services that are already in existence today or which are enabled by existing technology, subject to improved delivery by the Group and in some cases increased scale in the Financial Services segment. Such services include captive financial services, e-commerce platforms, e-consulting services and "second lifecycle" strategies whereby the Group serves customers along the full lifecycle of a vehicle and its components by extending its service concept to subsequent owners via used truck service contracts and used truck financing contracts, as well as the bundling of services tailored to specific customer needs, such as data-driven uptime and dynamic leases (pioneered by TN in 2019).

By 2030, when the Group plans for services to account for approximately 50% of the Group's annual revenue, the Group intends to offer a range of advanced services, many reliant on the rollout of new technologies, such as battery second use, charging services, digital e-services, data-as-a-service and autonomous services such as virtual driver, autonomous chassis and hub operation. The Group believes that new technologies will open up new relationship opportunities, enabling the Group to serve its customers across the full lifecycle, bundle e-mobility, autonomous and connectivity services that are carefully tailored to specific customer needs and industry verticals, and advance the goal of a sustainable future with its zero emissions offerings.

As with other key initiatives, the Group is determined to ensure every segment delivers on the Group's ambitions to grow its service offering, and regional excellence will be a central focus of the Group's strategy for growing its service offering. MB's strategy includes strengthening its service network with second lifecycle strategies for parts, new digital services and new rental models in Europe and the bundling of new e-mobility and other e-services. TN plans to grow its dealer network, expand into the online sale of parts through its Excelerator e-commerce platform, leverage backend systems to improve responsiveness to customers and commit to faster turnaround services (24 hours or less) on vehicle repairs. TA, which already generates a significant amount of its revenues from aftersales services, aims to further modernize its service network and plans to leverage its position as an electrification pioneer to further develop its integrated e-mobility ecosystem and expand its service business in India.

The Financial Services segment is expected to play an especially crucial role in the Group's expansion of its service offering as an enabler of many of the Group's current services, including fleet and rental management and leasing, financing and insurance products, as well as new and proposed services like battery leasing, full service leasing, equipment lease and financing, dynamic lease and insurance and e-infrastructure financing as a natural extension of its traditional financial services portfolio. The Group also expects that many new services as will likely be financed by customers through Financial Services. The Group's ambition is accordingly to increase Financial Services' penetration rate in the Group's markets from its current level of approximately 20% to approximately 30% by 2030 as it provides customers with financing solutions for new services and expands into new geographic markets.

10.2.6 Focusing on Culture and Leadership

As a newly independent company, the Group is determined to ensure its management team is fully aligned with shareholder interests and willing to make the hard decisions that are necessary to drive financial performance and create value for shareholders. Examples of the cultural change currently taking place across the Group include the decision to enter into strategic partnerships with competitors and other third parties in order to accelerate the industry's technology transformation and share the significant costs , the planned shift in the Group's focus from truck and bus sales to becoming a provider of advanced services and the generational changes in the Management Board as new leadership moves in to help the Group unlock its potential.

The Group's cultural shift is also exemplified by its commitment to fostering a performance culture with a focus on developing talent and strengthening entrepreneurship across the Group. This includes establishing stronger direct accountability of segment leaders for the performance of their respective segments, gearing its Management Board incentive structure to create shareholder value (with one-third of remuneration in the form of base salary and two-thirds tied to the achievement of performance-based and Environmental, Social and Governance ("**ESG**") goals), and otherwise affirming its commitment to ESG principles. The Group is targeting regional profit benchmarks, focusing on the highest return products and systematically lowering fixed and variable costs in order to enhance profitability. Most importantly, it is committed to ensuring that all regions and segments deliver on their targets.

The Group also believes that its long-term success is bound to its commitment to pursue a comprehensive, sustainable business strategy. By doing so, the Group seeks to generate economic, environmental and social value for all its stakeholders: customers, employees, investors, business partners, and society as a whole. The Group's ESG principles are deeply embedded in all aspects of its strategy. See also "*10.15 Sustainability.*"

10.3 History and Key Milestones

The Company in its present form was first established in March 2021. Prior to 2018, the operations and assets of the Group were administered as separate divisions of Daimler AG (then called "Daimler Trucks", "Daimler Buses" and "Daimler Financial Services" (with the Daimler Financial Services division administering the financing of all Daimler AG products, including passenger cars)). In July 2018, Daimler AG announced that the Daimler Trucks and Daimler Buses divisions would be reorganized and placed into a separate entity, Daimler Truck AG, to enable a clearer focus and independent corporate responsibility for Daimler AG's truck and bus business, and that the Daimler Financial Services division, which was already legally independent as Daimler Financial Services AG, was to be renamed Daimler Mobility AG. In May 2019, the shareholders of Daimler AG voted in favor of the planned reorganization. This corporate reorganization was largely completed in 2019 and 2020.

In February 2021, Daimler AG announced that it had agreed to evaluate a spin-off of the operations and assets related to its truck and bus business, including certain financial services operations and assets of Daimler Mobility AG, with the goal of making the Group more agile and competitive. On October 1, 2021, the shareholders of Daimler AG formally approved the spin-off and proposed admission of the Shares of the Company to trading. See also "*3 Separation, Demerger Transactions and Admission to Trading*."

The heritage of the Group's business dates back to the origins of each of its iconic brands, spanning over 130 years of breakthroughs in commercial transportation across the globe. Since the 1980s, Daimler AG has been expanding its business in North America and Asia through acquisitions of key players in the industry. It now offers trucks and buses under a number of brand names: Mercedes-Benz, Freightliner, Western Star, FUSO, BharatBenz, Setra and Thomas Built Buses.

Mercedes-Benz

Originally operating as an independent company, Daimler-Motoren-Gesellschaft, founded by Gottlieb Daimler, launched the world's first truck in 1896 and the world's first motorized bus series in 1898. Daimler-Motoren-Gesellschaft trademarked the brand name "Mercedes" in 1902 and the signature Mercedes star in 1909. Its first diesel-powered trucks were built in 1923. In 1925, commercial vehicle manufacturer Benz & Cie, founded by Carl Benz, launched its first bus series based on a bus-specific chassis specifically designed for passengers. In 1926, Daimler Motoren-Gesellschaft merged with Benz & Cie to form Daimler Benz AG in 1926 and the first trucks and buses bearing the new Mercedes-Benz brand were introduced. To this day, the Mercedes-Benz Star and brand continues to stand for modern, powerful trucks and buses. In 1932, the Mercedes-Benz model L 2000 was the world's first light-duty truck with a diesel engine and helped strengthen the company's position in the truck market. In the late 1930s until the end of the Second World War, the company focused on truck production. The company rebuilt in the late 1940s and began to expand its commercial vehicle portfolio. In

1951, Mercedes-Benz introduced its forerunner to the modern-day bus with rear-mounted engine and front-wheel steering.

By the mid-1960s, Mercedes-Benz was developing modern cab-over-engine long-haul trucks. Beginning in 1965, Mercedes-Benz shifted truck production from Gaggenau to a state-of-the-art plant in Wörth, Germany, where the Company still maintains significant production capacity today. By the early 1990s, Mercedes-Benz was launching coach buses for the luxury segment. In 1993, the company began a strategic partnership with Detroit Diesel Corporation ("**Detroit Diesel**") to develop diesel engines for trucks and buses, eventually acquiring the company. In 1996, the completely new Actros heavy-duty truck was introduced, featuring a broad range of innovations. The Actros initiated a generation change in the Mercedes-Benz truck business and paved the way for the following decades. The medium-duty Atego truck was introduced in 1998. Today, names with an international ring, such as Actros, Atego, Arocs, Citaro, Econic and Unimog represent the comprehensive model range of Mercedes-Benz trucks and buses.

Freightliner

Freightliner Corporation was founded in 1942 with owner Leland James's idea to build truck components with lightweight aluminum rather than traditional steel. Freightliner was originally a subsidiary of James's Consolidated Freightways based in Portland, Oregon. In the 1950s, Freightliner introduced its first transcontinental cab-over sleeper and overhead sleep models for long-haul applications. In the 1970s, Freightliner began shifting to the manufacture of conventional cab trucks where the driver is seated behind the engine, expanding its production footprint in North Carolina. In 1981, Daimler-Benz AG purchased Freightliner Corporation. The sales of Freightliner increased significantly during the following decade, making it a leader in the North American heavy-duty truck market. In the 1990s, Freightliner acquired several companies to expand its product line to include complementary products such as firefighting and emergency vehicles and school buses, including Thomas Built Buses in 1998. In 2008, Freightliner LLC became Daimler Trucks North America LLC, reflecting its role as an integrated part of the Group's global operations. To this date, it remains a leading commercial vehicle and diesel engine and components manufacturer in North America.

Western Star

Western Star was founded in 1967 in Cleveland, Ohio and produced its vehicles in Canada, with a focus on heavy-duty vocations such as logging and mining. Originally a part of White Motor Company, the 1980s saw Western Star continue to grow, supported by its reputation for commitment to innovation and quality. Major product developments like cabs with increased headroom and improved driver visibility helped set Western Star apart from the competition. Additionally, the development of a state-of-the-art, wrap-around dashboard caught the eyes of new customers, including highway tractor drivers. At the conclusion of the 1990s, Western Star had established itself as a premier vocational and over-the-road heavy truck manufacturer, thanks in large part to revolutionary product innovations like the Star Light Sleeper. In 2000, Daimler Trucks North America acquired the company along with Detroit Diesel, which produced several engines for Western Star's models. In 2002, Western Star production was moved to a new, state-of-the-art plant in Portland, Oregon where it continues to produce its custom heavy-duty vehicles.

Thomas Built Buses

Thomas Built Buses has its roots in the manufacture of streetcars in North Carolina, with its founder Perley A. Thomas establishing his Perley A. Thomas Car Works factory in 1916. By the late 1930s, cars and buses were beginning to make streetcar transportation obsolete and Perley A. Thomas Car Works adapted to the manufacture of school buses. By the 1960s the company had built a national reputation for its products and in 1972, to reflect better its core business, the company changed its name to Thomas Built Buses. In 1977, Thomas introduced its first bus chassis and began producing the popular Saf-T-Liner transit-style bus. Thomas expanded to manufacture a smaller school bus, the Minotour, and in the 1980s entered the commercial transit market. In 1998, Thomas Built Buses became a wholly-owned subsidiary of Freightliner LLC, a Daimler company (now Daimler Trucks North America LLC). In 2004, Thomas Built Buses added a state-of-the-art plant in High Point to manufacture its Saf-T-Liner C2 model, which to this day represents a standard in the school bus industry.

FUSO

The brand name FUSO was originally used in 1932 in connection with the first bus from Mitsubishi Heavy Industries. On occasion of the delivery, "FUSO" was chosen from among the suggested nicknames for the vehicle. Fusō is the Japanese pronunciation of the Chinese word Fusang, an old name for Japan. In the following years, Mitsubishi Heavy Industries quickly expanded into the manufacture of a wide range of trucks and buses. In 1941, Mitsubishi Heavy Industries established its production plant in Kawasaki, Japan, where FUSO vehicles continue to be produced. In 1955, FUSO launched Japan's first genuine heavy-duty truck, the T33, and in 1963 the iconic T720 "Canter" light-duty cab-over truck was introduced. The Canter remains FUSO's best-selling offering and is in its ninth generation, powering the brand to strong market positions in Japan and greater Asia. In 1970, FUSO entered the Indonesian market, which remains one of its largest markets to date. Over the decades, the entities behind the FUSO brand underwent a number of corporate mergers and reorganizations, and in 1970 Mitsubishi Motors Corporation was founded. Mitsubishi Fuso Truck and Bus Corporation ("**MFTBC**"), the current operating company of the FUSO brand, was established as a spinoff of Mitsubishi Motors Corporation's Truck and Bus Division in 2003. The initial shareholders in MFTBC were Mitsubishi Motors, DaimlerChrysler and other Mitsubishi group companies. Since 2011, Daimler has held approximately 89% of the shares in MFTBC, with various Mitsubishi Group companies holding the remaining shares.

Setra

Setra traces its roots back to the turn of the 20th century when Karl Kässbohrer introduced his first horse-drawn coach for use in sightseeing tours. In 1910, the Kässbohrer company produced its first motorized public bus for use in Ulm, Germany, where the company was based. Over the next decades, the company expanded its production of bus and other vehicle chassis and became an important manufacturer, in particular for coach bus bodies. The brand name Setra was chosen by the Kässbohrer company in 1951 and comes from the German word "selbsttragend", meaning self-supporting in reference to the company's chassis technology. This construction principle, dating from the early 1950s, brought about a revolution in bus construction in Germany and throughout Europe. Launched at the IAA show of 1951, the Setra S 8 was the first bus to feature a self-supporting body, rear-mounted engine and direct rear-axle drive. In the decades that followed the introduction of the first Setra S 8, the Ulm company launched numerous innovative bus and coach model series. In 1995, Mercedes-Benz merged its bus product line with Kässbohrer's Setra bus line, with each continuing to be marketed individually. Since the merger, the Setra brand has continued to produce a range of coach, intercity and city buses for customers internationally.

BharatBenz

Daimler commercial vehicles have been marketed in India since the 1950s, however, in 2009, Daimler established a wholly-owned subsidiary, Daimler India Commercial Vehicles Private Limited ("**DICV**"), with a vision to help transform the Indian commercial vehicles industry. At the outset, DICV spent significant time in understanding what the Indian trucking community wanted, with meticulous research capturing on road-load data. In 2011, DICV unveiled the BharatBenz brand and introduced in 2012 its first BharatBenz products tailored specifically to the Indian market. The name "Bharat" was chosen as it means "India" in a number of Indian languages and is intended to communicate the Group's commitment to the Indian market. BharatBenz has sought to distinguish itself by emphasizing the total cost of ownership ("**TCO**"), safety and comfort advantages that its products offer. In the past decade, the BharatBenz portfolio has rapidly expanded to include trucks from medium to heavy-duty applications along with buses for commercial, staff and school use.

10.4 Product Offering and Operations

The Group's operations comprise the Automotive Segments, which include the reporting segments MB, TN, TA and DB, and the Financial Services Business, which is also a reporting segment. The Automotive Segments encompass the Group's production and sale of trucks, buses and engines, along with aftersales services such as spare parts, maintenance and repair, used vehicle sales, and, increasingly, digital remote diagnostics, transport and telematic services. The Financial Services Business supports the sales of the Group's truck and bus brands with tailored financial services that include leasing and financing packages, as well as insurance solutions and rental services. It also plans to provide fleet management and integrated offerings.

The Automotive Segments of the Group produce commercial trucks and buses bearing the brands Mercedes-Benz, Freightliner, Western Star, FUSO, BharatBenz, Setra and Thomas Built Buses. The Group also has a 50–50 joint venture with the Chinese commercial vehicle manufacturer Foton for the manufacture of heavy-duty trucks locally for the Chinese market under the Auman brand, though it also plans to offer its own Mercedes-Benz branded trucks in China in the future. The Group's products range from light-duty (generally above 3 tons), to medium to heavy- (above 6 tons) and extra heavy-duty trucks (above 16 tons), special vocational trucks and buses for the coach, interurban, city and educational sectors. Light-duty trucks can be used for urban and regional delivery, for instance package delivery, refrigerated cargo and towing. Medium-duty trucks are often used for regional line hauling and retail applications. Heavy and extra heavy-duty trucks can be used for long-haul (sometimes also called on-highway), heavy distribution applications, rough road or off-road applications. Certain divisions also develop and produce industrial engines for a variety of machines, including excavators, cranes, power generators, garden-tractors and forklifts.

The Group produces buses for city applications, intercity for regional commuting and coach for long-distance travel and touring. Alongside complete vehicles, the Group sells bus and truck chassis to third-party body manufacturers along with diesel engines. Customer preferences, regional infrastructure and market conditions vary across regions such that the Group's products are generally tailored to regional requirements. Unlike a passenger car, commercial trucks and buses are often custom-ordered to a customer's specifications. Many of the Group's products are also sold to third-party specialist finishers which further modify the Group's products for specific applications, such as municipal services (*e.g.*, fire trucks).

The Group has expertise in the manufacture of conventional, internal combustion-driven commercial vehicles as well as strong competencies in alternative, next-generation BEV and FCEV drivetrains. At present, the majority of the Group's products are powered by diesel engines. In order to achieve CO_2 neutral transport on the world's roads by 2050, the Group has already introduced series-produced BEV in its main sales regions in Europe, the United States and Japan. In the second half of the decade, the Group aims to augment its vehicle portfolio with series-produced FCEV that run on hydrogen. The Group also aims to offer only new vehicles in Europe, North America and Japan that are CO_2 neutral in driving operation (tank-to-wheel) by 2039. The Group has partnered with U.S. engine manufacturer Cummins on the further development of medium-duty ICE as part of its strategy to actively manage its ramp-down of ICE technology and significantly reduce its R&D spending on ICE technology. The Group also believes that further development of autonomous driving technology represents a significant commercial opportunity which will in large part determine the future of the trucking industry. Given the size of this opportunity, the Group is pursuing a dual-track strategy of investing in both its partnership with Waymo, which focuses on the development of autonomous driving technology, and its own in-house research on autonomous driving via its majority-owned subsidiary Torc.

Alongside the sale of commercial vehicles, the Group's Service Share of Revenue in 2019 was approximately 30%. For both trucks and buses, the Group has a global network of service points which perform maintenance and repair services along with 24-hour roadside assistance services. These services are provided by the Group either via service contract or on an ad-hoc, per-repair basis. The Group also sells spare parts for its vehicles, both via its service points and through the Group's various in-store and online distribution portals. Spare parts from the Group are either produced in-house, including using 3D-printing technology, or are manufactured by the Group's suppliers. To complement its traditional service offering, the Group also offers digital services such as preventative maintenance alerts via its remote diagnostic tools and fleet management. As the Group's latest trucks and buses are wirelessly connected to mobile networks using OTA enabled operating systems and can be monitored, the Group is able to offer a growing number of digital solutions to optimize traffic and logistics processes. Depending on the brand and the product (truck or bus), the Group has individually branded its services so that its offerings are readily identifiable.

The Financial Services Business offers a wide range of vehicle financing, insurance services and rental services globally. It also plans to provide fleet management and integrated offerings. Prior to the Spin-off, the Financial Services Business was part of Daimler AG's Daimler Mobility reporting segment. In connection with the Spin-off, the Daimler Group is in the process of transferring a portion of the entities and assets, as well as establishing certain new financial services entities without transfers (to avoid disproportionate costs), which are intended to ultimately comprise the Group's Financial Services Business. By December 1, 2021, the Financial Services Business shall be transferred in Australia, Brazil, Canada, Germany (comprising only the headquarters for the Financial Services Business), Japan, Mexico, South Africa and the United States (excluding the operating lease portfolio in the United States). A second phase of transfers or establishment of new financial services entities without transfers (to avoid disproportionate costs) is planned to occur in the course of 2022, including assets and operations in Germany, Argentina, Belgium, France, Italy, the Netherlands, Spain, Turkey and the United Kingdom. See also "*3.2.1 Separation of Financial Services Business.*"

As the Financial Services Business is still in the process of being transferred to the Group from Daimler AG, its share of revenue and EBIT for 2020 only represent a portion of the assets and operations intended to ultimately comprise the Financial Services Business in the future. See Note 1 to the Audited Combined Financial Statements.

The global footprint of the Group's business is underscored by the Group having operations in most countries around the world. As of September 30, 2021, the Group operated 40 production sites in North America, Europe, Asia and Latin America and had 101,550 employees (headcount), with 26,076, 41,301, 15,986, 14,972 and 1,392 in the TN, MB, TA, DB and Financial Services segments, respectively. In the Group's view, its global presence allows it to benefit from scaling effects and develop new products in a cost-effective manner. Therefore, the Group supports its divisions with global functions in the operational areas where the Group believes it to be beneficial, mainly in R&D and Procurement. See also "*10.8.2 R&D Strategy and Organization*" and "*10.9 Procurement.*" Remaining functions are generally conducted at a divisional level.

10.5 Automotive Segments

10.5.1 Trucks North America

10.5.1.1 Overview

TN is the leading heavy-duty truck manufacturer in North America based on unit sales (source: IHS Markit). It is also the leader in on-highway large / mega fleets, small fleets and number two in the market for off-highway vocational trucks based on unit sales (source: Company Internal Analysis). Its strong market positions throughout its product range have allowed it to achieve solid EBIT margins in the fiscal years ended December 31, 2020, 2019 and 2018, respectively. In 2020, TN sold 139,470 units (prior to Reconciliation) (accounting for 36.9% of total number of units sold by the Group (including Reconciliation)) and generated revenues (prior to Reconciliation) in the amount of EUR 13,847 million. Prior to Reconciliation, TN sold 203,965, 192,515, 114,530 and 97,421 units in 2019, 2018 and the nine months ended September 31, 2021 and 2020, respectively. In 2020, 2019, 2018 and the nine months ended September 30, 2021 and 2020, TN had incoming orders of 187,406, 120,790, 257,515, 152,126 and 90,726, respectively. TN has a manufacturing network encompassing nine locations in the United States and Mexico, which the Group believes allows it flexibility to scale up and down production in a cost-efficient manner in response to market conditions. As of September 30, 2021, TN had 26,076 employees (headcount). TN produces and markets commercial vehicles under its Freightliner, Western Star and Thomas Built Buses brands. It has a strong presence in the North America market with its class 5-8 (gross vehicle weight rating ("**GVWR**"), in the case of TN as determined by U.S. regulatory authorities) trucks covering the medium to extra heavy-duty segments. TN also offers trucks for a wide range of applications, from long-haul, on-highway (popularly known in North America as "18-wheelers") to vocational and off-road applications, along with school buses.

To the extent possible, TN leverages in-house technology from within the Group when designing and manufacturing its products. Through the Group's wholly-owned subsidiary Detroit Diesel, TN is able to source a substantial share of the engines, axles and transmissions specifically designed for TN's commercial vehicle offerings. For example, TN draws the vast majority of the diesel engines in its products from Detroit Diesel. Beyond diesel powertrains, Detroit Diesel has also developed an electric powertrain, the Detroit ePowertrain, and Detroit eFill electric chargers (in cooperation with strategic partner Power Electronics) to support TN's ZEV product line. See also "*10.7.15 Strategic Partnership with Power Electronics*." Detroit Diesel also offers digital services via its Detroit Connect solutions. Detroit Diesel's operational headquarters and production facility are in the United States in Detroit, Michigan.

TN also has a large dealership network in North America for medium- and heavy-duty trucks, with over 1,100 dealer and service locations and over 9,000 service bays. Through these locations, TN offers aftersales services to its customers, including maintenance, repairs, spare parts (including under its own Detroit and Alliance Parts brands), digital services and fleet management. TN also sells used commercial vehicles through its SelecTruck locations.

10.5.1.2 Brands

Freightliner

Freightliner manufactures class 5-8 GVWR models that serve a wide range of commercial vehicle applications. The Group believes that innovation, advanced technology and responsive customer relations have made Freightliner the best-selling truck brand in North America in 2020 (source: IHS Markit). Freightliner's long-haul on-highway product lineup is led by the Cascadia Evolution model. Vocational product offerings include a broad range of trucks which are customizable to serve a variety of applications. The M2 is suited for local pick-up and delivery, towing and utility applications while the 108SD and 114SD offer higher horsepower ratings with heavier suspensions and frames to handle construction, refuse and heavy-haul duties.

The Cascadia is one of North America's most popular heavy-duty trucks, with the latest generation released in 2017. More than 800,000 Cascadias have been built, and its fuel efficiency has risen by 35%, since 2007. The Cascadia is available as a day cab, sleeper cab with mid-roof and sleeper cab with raised roof, and with a number of powertrain configurations from the Group's Detroit Diesel production, including DD15 and DD13 model engines and the DT12 model automated manual transmission specifically designed for on-highway applications. Freightliner also offers a natural gas-powered version of the Cascadia. For certain applications, such as bulk haul, the Group also offers the Cascadia with engines from strategic partner Cummins. The Cascadia also features the Detroit Assurance suite of safety systems, such as radar-based Active Brake Assist to help mitigate potential collisions. Each Cascadia is also equipped with the Detroit Connect suite of connected vehicle services, including remote maintenance information via Detroit Connect Virtual Technician, Detroit Connect Analytics and remote software updates. The Group believes the Cascadia is especially attractive to customers due to its low TCO and high resale value. The Group has made significant investments in the Cascadia over time, including in powertrain efficiency, safety, connectivity and uptime in order to make it one of the most advanced class 8 truck platforms available and adaptable for emissions-free technology.

The M2 medium-duty vehicle supports a range of bodies and chassis-mounted equipment and is a popular truck for on-highway leasing and construction applications. It is available from Freightliner as a tractor or a full-framed truck. Available with a day cab, extended cab and crew cab, Freightliner offers a wide range of engine and transmission configurations depending on customer requirements. Applications include regional and local hauling, municipal services including fire and rescue services trucks, waste disposal and transport. Engines are supplied by Detroit Diesel or Cummins. With its 108SD and 114SD models, Freightliner provides highly customized trucks in cooperation with truck equipment manufacturers, including for construction, cranes, dumping, fire and rescue, plowing, sewer vacuuming and water haulage. Freightliner also sells a custom waste collection truck, the EconicSD, with a low-entry cabover-engine design, based on a common design it shares with the Group's Mercedes-Benz brand. The M2 and 114SD are also offered in natural gas-powered configurations.

Freightliner has also recently introduced the 100% battery-electric eCascadia and eM2 models. Currently under testing with over 40 customers, the eCascadia has a range of up to 250 miles and usable electric capacity of up to 475 kilowatt hours ("**kWh**"). Together with the eCascadia, the eM2 has almost one million tested miles on roads in the United States. It offers a range of up to 230 miles and usable electric capacity of up to 315 kWh. Series production of the eCascadia and the eM2 is planned to begin in 2022. TN's powertrain unit Detroit also released in May 2021 its Detroit eFill chargers, a full line of commercial vehicle charging stations designed for seamless integration with the Detroit ePowertrain found in Freightliner eCascadia and eM2 trucks. The Detroit eFill charging station was developed in partnership with Power Electronics. Freightliner also offers eConsulting services through Detroit to assist customers in designing the electrical ecosystem necessary to support a BEV fleet of commercial vehicles. See also "*10.7.15 Strategic Partnership with Power Electronics.*"

In addition to full-built trucks and tractors, Freightliner Custom Chassis Corporation ("**FCCC**") also builds chassis for recreational vehicles, walk-in and delivery vans, along with commercial, shuttle and school buses, ranging from light to heavy-duty (classes 4 to 8). FCCC is a well-positioned manufacturer of premium products for each of these markets, offering reliable, durable, high-quality chassis backed by a nationwide service and support network. It supplies the Group's Thomas Built Buses brand with chassis for many of its products. FCCC also makes light-duty chassis for use in the vending and baking industries, medium-duty chassis for parcel and linen delivery, and heavy-duty chassis for applications such as utility repair and emergency vehicles.

Freightliner's products are built in Cleveland and Mt. Holly, North Carolina (U.S.) and in Saltillo and Santiago Tianguistenco (Mexico). FCCC engineers and manufactures its products in Gaffney, South Carolina (U.S.).

Alongside its product lineup, Freightliner offers 24/7 customer support, including one of the largest dealer and service networks in the industry.

Western Star

Western Star manufactures heavy-duty trucks for special-purpose and long-distance haulage. The Western Star brand focuses on reliability, performance and the driver. Custom-built to meet each customer's requirements, Western Star offer a wide range of powertrain options, with customers able to choose from numerous sector-specific configuration options, ranging from the bumper through to the cab rear wall. The brand's lineup ranges from the entry-level 4700 to the 5700XE extreme efficiency highway truck, as well as the new generation X-Series.

The 4700 is available as a tractor or full truck in various applications, including municipalities, agriculture, construction and highway hauling. While a sharp turning radius and sloped hood assist drivers in their work routines, the wiring, electrical system and frame rail of the model are designed for third-party bodybuilders to more easily modify. The 4900 is designed for rugged and off-road applications, offering twin steer and all-wheel drive configurations. The 5700XE is an on-highway heavy-duty truck designed for fuel efficiency and safety features such as collision avoidance, lane departure and electronic stability control. The 6900 is meant to withstand the most challenging work environments. As a tractor it can pull more than 500,000 pounds and is available with 6x4, 6x6, 8x4, 8x8 and 10x6 drivetrains.

In September 2020, Western Star introduced its new generation vocational truck, the 49X. Underpinned by a stronger, lighter chassis than other models (350 pounds in weight savings versus a similarly configured 4900 model) and equipped with a new X-series cab, the 49X is intended to deliver maximum versatility in a purpose-built package. Intended applications for the 49X include mining, logging and plowing. The new Detroit DT12 Vocational series of transmissions and Detroit Assurance suite of safety systems offer proven innovation for an attractive safety, productivity and uptime profile. The 49X can be configured with the Detroit DD15 Gen 5 engine or workhorse Detroit DD16 engine. Both engines come equipped with Detroit Connect Virtual Technician remote diagnostic services to increase uptime and productivity.

More recently, in September 2021, Western Star introduced its 47X vocational truck. The 47X extends the reach of the X-Series into even more vocational applications, with a number of new features including a shorter hood and a shorter 111 inch bumper to back of cab. This shorter configuration is ideal for applications that require optimized equipment packaging to meet local overall vehicle length requirements and applications that need to adhere to bridge laws, such as concrete mixers or dump trucks. In general, Western Star has plans to build more than 15,000 X-Series in 2022.

Western Star's products are built in the United States in Portland, Oregon and Cleveland, North Carolina.

Thomas Built Buses

Thomas Built Buses is a leading manufacturer of school and other activity buses in North America. The principle of bus safety guides the engineering and design, construction methods, technology and customer service which the brand provides. The Group estimates that one in every three children in North America who rides a bus to school or an activity rides a Thomas Built bus. Drawing on technology also proven by testing among TN's Freightliner and Western Star brands, Thomas Built products are intended to provide long-term durability and low TCO.

Models range in size and application, with custom configurations available for school, childcare, multi-use activities and commercial purposes. The Minotour is an efficient and maneuverable vehicle with a passenger capacity of up to 30. It utilizes chassis manufactured by either Ford or General Motors with varying wheelbases measurements, as well as GM or Ford gasoline engines, with Thomas Built manufacturing the bus body and otherwise completing assembly. The Saf-T-Liner C2 bus is larger, with a passenger capacity of up to 81, and it has earned a reputation for safety and efficiency. It offers maneuverability, exceptional driver ergonomics and visibility among Type C buses. The Group believes the C2 has revolutionized the school bus industry by introducing its BusWise Technologies, a full suite of robust safety, efficiency and serviceability features. The Saf-T-Liner EFX and HDX are, respectively, front and rear-engine transit-style school buses designed to provide excellent value for customers, with capacity for up to 90 passengers and a wider loading aisle. The HDX provides features such as coach-style seating and heavy-duty shock absorbers. Each of the C2, EFX and HDX are available in a range of wheelbases and with Detroit Diesel or Cummins engines. Several models are also available in natural-gas powered configurations.

Beginning in 2019, Thomas Built Buses began to offer the BEV version of the Saf-T Liner C2, the C2 Electric "Jouley." Developed as part of the Group's strategic partnership with heavy-duty electric transportation company Proterra Inc. ("**Proterra**"), the Jouley couples 226 kWh of total energy capacity from Proterra's industry-leading battery technology with a Proterra electric drivetrain to offer compelling energy efficiency and up to 135 miles of drive range to meet the needs of school bus fleets. The vehicle is controlled by the Group's PowerSuite vehicle control software and PowerTracker telematics and diagnostics system. These tools monitor the location of the bus and vehicle condition in real time. Limited series production began in 2019, and by May 2021, Thomas Built Buses and Proterra had delivered 50 Saf-T-Liner Jouley battery-electric school buses throughout the United States. See also "*10.7.12 Strategic Partnership with Proterra.*"

Thomas Built Buses has its headquarters and production facilities in High Point, North Carolina.

10.5.1.3 Aftersales Services

Aftersales services and service-related products are an important part of TN's business model. Alongside traditional maintenance and repair services through its service points throughout the United States and Canada, TN also offers a growing range of digital services and solutions to its customers to meet their evolving needs. Because downtime for a commercial vehicle can translate to lost revenue for a customer, TN's goal is to generate real added value by enabling customers to operate TN's trucks and buses more efficiently to limit downtime and cut their total transport costs.

As of December 31, 2020, TN operated a service network of over 1,100 authorized service locations with over 9,000 service bays to address the needs of Freightliner, Western Star and Thomas Built Buses customers in the North America region. These locations offer a full range of Detroit Diesel-branded parts with an emphasis on data-driven stocking and expedited turnaround times. In addition, certain TN service locations are Elite Support Certified, meaning that, within 2 hours of service, the dealer aims to generate a write-up to communicate a primary diagnosis, check parts availability and provide an estimate of cost and repair time. The ultimate goal of TN's Elite Support Network is to maximize vehicle uptime. To further cover customers' service needs, TN has partnered with TravelCenters of America and Petro Stopping Centers to offer the ServicePoint network of locations, which includes 24/7 express service for minor repair work, warranty service, spare parts, U.S. Department of Transportation inspections, trailer maintenance and repairs. Spare parts are also sold under the Alliance Parts brand, with more than 50 product lines that serve the commercial vehicle industry.

The digital Uptime Management Suite offers a bundle of service technology that helps improve the accuracy of a TN vehicle's repair needs, provides real-time tracking of vehicle repair status and aims to minimize vehicle downtime. The suite includes an Express WriteUp mobile app to create repair orders and estimates, a Service Tracker web-based application for fleet customers to facilitate communications with TN's service network and enable real-time tracking of a customers' vehicles, Uptime Pro dealer management software and Uptime Performance to enable dealers to help measure performance indicators and manage workloads.

Through its Pinnacle Fleet Solutions program, TN also offers fleet management services. Pinnacle Fleet Solutions utilizes digital solutions to provide a package of billing and support services to TN's fleet customers. It helps to streamline maintenance and repair billing administration and ensure parts availability with functions such as purchase controls, invoice dispute management, not-to-exceed customer pricing and parts spend management.

TN has also established full-service e-mobility consulting offerings to address growing customer needs for support in designing e-mobility infrastructure beyond the vehicle. In May 2021, TN announced new products and services from its powertrain unit Detroit to support fleets and customers in the deployment of all-electric trucks. Detroit eConsulting services provide experienced know-how to fleets and are offered in three varying levels of support. Under the top-tier Megaline package for large-scale electric truck deployments, customers receive assistance with planning for charging infrastructure, solar panel, and stationary energy storage projects, along with the support of the eConsulting team to interface with local utilities on their behalf, comprehensive cost-benefit and route analysis, and assistance with capital and operating expenditure optimization. The Powerline package includes similar benefits to the Megaline package, without support for distributed energy resources (*e.g.*, solar and storage) or the interface to local utilities. The Baseline package is free to all purchasers of Freightliner electric trucks (currently the eCascadia and eM2) and includes best practices and dealership-level consultation. The two higher-tier packages are available to buyers of any electric trucks, and services are not dependent on purchase of a Freightliner truck. Similarly, the Detroit eFill line of electric commercial vehicle chargers, developed with strategic partner Power Electronics, provide an array of charger options for customers and charging station operators. See also "*10.7.15 Strategic Partnership with Power Electronics.*"

Through its strategic partnership with Proterra, TN's brand Thomas Built Buses also offers school bus operators a comprehensive, turn-key electric vehicle program that includes BEV planning and funding consultation, electric school buses, charging systems, and charging infrastructure design and installation. See also "*10.7.12 Strategic Partnership with Proterra.*"

10.5.1.4 Used Vehicles

In addition to new vehicles, TN also sells a range of used commercial vehicles through its SelecTrucks locations. As of September 30, 2021, TN operated 38 SelecTrucks dealerships across the United States and Canada. Its primary customers are owner-operators and small fleets. Used vehicles include non-TN brands and are generally sourced from large commercial fleets. Incoming vehicles are reconditioned, detailed and U.S. Department of Transportation-certified to ensure road-ready condition. SelecTrucks offers its customers tailored financing solutions through the Group's Financial Services Business, selection from a nationwide inventory and what the Group believes to be the region's most comprehensive used truck warranty, the Select Limited Warranty. SelecTrucks also offers aftersales support in case of vehicle breakdown and the need for repair coordination.

10.5.2 Mercedes-Benz

10.5.2.1 Overview

MB is the leading brand of trucks in the EU30 and in Brazil based on unit sales (source: IHS Markit), with operations worldwide. Alongside product quality, MB also focuses closely on the fuel efficiency and general TCO of its products. In 2020, MB sold 117,800 units (prior to Reconciliation) (accounting for 31.1% of total number of units sold by the Group (including Reconciliation)) and generated revenues (prior to Reconciliation) in the amount of EUR 13,790 million. Prior to Reconciliation, MB sold 144,806, 148,807, 101,944 and 75,511 units in 2019, 2018 and the nine months ended September 31, 2021 and 2020, respectively. In 2020, 2019, 2018 and the nine months ended September 30, 2021 and 2020, MB had incoming orders of 124,203, 128,837, 159,279, 160,528 and 81,163, respectively. MB has a manufacturing network encompassing 10 locations in Europe and Brazil, along with numerous Completely Knocked Down ("**CKD**") manufacturing sites throughout Africa, Asia and Europe, where its fully or partly disassembled products are assembled locally. As of September 30, 2021, MB had 41,301 employees (headcount).

MB produces and markets commercial vehicles under its Mercedes-Benz brand. It has a strong global presence in the European, Middle Eastern, African and Latin American markets, in particular Brazil, with products ranging from light-duty, medium-duty and heavy-duty trucks to specialty trucks. MB's trucks are custom-built for a variety of applications, including long haul, heavy distribution, regional line haul, urban delivery, municipal services, all-terrain utility and logistics. MB also produces its own powertrains at several production sites in Germany and Brazil.

The MB sales network comprises a large number of Truck Operating Centers ("**TOCs**") and General Distributors ("**GDs**") which oversee its dealerships that are either wholly-owned (TOCs) or run by independent third parties (GDs). In Europe, MB operates 18 TOCs and GDs. Through its dealer network, MB offers aftersales services to its customers, including maintenance, repairs, spare parts, digital services and fleet management. MB also sells used commercial vehicles through its TruckStore locations.

10.5.2.2 Brands

Mercedes-Benz

The Mercedes-Benz brand manufactures trucks from 7.5 tons through 33 tons GVWR that serve a broad range of commercial applications. It also sells its powertrain products separately to third-party customers.

For the light-duty market in Latin America and Africa, the Group offers the Accelo, an agile and compact truck for operation in urban settings and regional haulage. The Accelo is highly customizable, with configurations from 8 to 13 tons GVWR with standard or extended cabs, two or three axles, and body work possible for up to 8 meters in length. Applications include refrigerated cargo, beverage distribution, liquid and gas distribution, among others.

The Atego represents MB's key medium-duty offering for distribution and construction transportation applications up to 30 tons. Available in a number of chassis configurations, including in rigid, semi-trailer tractor and tipper forms, the Atego offers a high level of engine efficiency with Euro VI (for European markets) and Proconve P7 (for Brazilian and Latin American markets) engines rated from 115 kW to 220 kW, optionally with automated transmissions. Applications for the Atego include regional and local hauling, municipal services, waste collection and tipping. The Group believes the Atego has a strong competitive advantage due to its combination of low maintenance and repair costs and generally high value retention.

MB offers a range of heavy-duty trucks depending on the application and market. In both the EU30 and Latin America for trucks above 18 tons, MB's flagship offering is the Actros. The latest generation Actros was introduced in 2018 and represents a leap forward in the Group's view in terms of comfort, driving dynamics and economy. In 2020, specialist commercial vehicle journalists from 24 European countries voted the Actros the "Truck of the Year." The Actros cab comes in a variety of sizes and has been designed to offer maximum comfort with an ergonomic workplace, generous living space and a comfortable sleeping area. The Actros is the first series-production truck in the Group's view to enable semi-automated driving (level 2) on public roads using its Active Drive Assist feature set. With Active Drive Assist, the new Actros can independently steer and brake, enhancing safety in highway traffic by permanently monitoring its surroundings. Furthermore, an optimized drivetrain, the world's first standard MirrorCam system instead of large side mirrors, and the latest generation of Active Brake Assist 5 make the new Actros in the Group's view one of the safest and most efficient trucks in its segment. With a strong focus on reduction of TCO, the Actros features economical Euro VI engines with BlueTec, the SCR diesel technology from Mercedes-Benz, cooled exhaust gas recirculation and diesel particulate filtration. These engines cover a power range from 175 to 460 kW and offer high torque response from idle speed. Applications include volume transport and loader work.

There are also several Actros variants meant to address further customer segments. The Actros SLT is a separate model meant for particularly heavy haulage of up to 250 tons, featuring certain extra-strength components, including a Mercedes PowerShift 3 automated transmission and the Turbo Retarder Clutch to provide a resilient drive. In addition, MB began accepting orders for the new Actros F in January 2021 in 24 EU countries and selected non-EU markets, to provide an Actros model specifically designed for pure functionality. The Actros F is intended to provide the quality of the Mercedes-Benz brand without some of the innovations present in the most recent Actros generation.

In the Latin American market, particularly in Brazil, MB also offers the heavy-duty Axor model as a cost-effective alternative to its more premium Actros truck. MB offers on-road Axor models for GVWR of up to 74 tons, and off-road versions with technical maximum traction capacity of up to 123 tons. Applications include bulk transport, container transport, logging, construction (such as heavy tippers) and sugar cane transport.

For heavy-duty construction applications from 18 tons onwards, MB also offers the new Arocs. Released in 2019, the Arocs draws its drivetrain power from Euro VI engines producing from 175 kW to 460 kW as well as the standard-fit Mercedes PowerShift 3 automated gearshift. The Arocs was designed to be torsionally flexible yet sturdy for high payloads and to have low TCO. A variety of configurations, including different cab sizes, are available to accommodate the custom needs of the construction transportation sector. The Arocs SLT is a separate model that supports up to 250 tons.

For special applications, MB has been manufacturing generations of its multi-purpose Unimog (short for "Universal-Motor-Gerät" (universal motorized device)—as it was originally known) for the past seven decades. With its robust design and compact dimensions, the Unimog implement carrier models U 219 through U 535 are suited to agriculture and forestry, road maintenance, emergency services and construction, to name a few. With an optional engine-driven power take-off, the Unimog is able to drive power hydraulics and can also be used to run powerful implements in combination with a hydrostatic drive, such as mowers or snow cutters, cranes and elevated platforms. The highly mobile offroad models U 4023 and U 5023 are all-terrain versions of the Unimog able to tackle especially rough terrain, with a torsionally flexible vehicle frame and the ability to ford bodies of water up to 1.2 meters. For even heavier loads on difficult routes, MB offers the Zetros model. Built to withstand mud, mountains, dust, cold and heat, MB offers 12 variants of the new Zetros as a dumper, platform vehicle or semitrailer truck, with two or three axles.

MB also offers a special-purpose low-entry truck, the Econic, for purposes such as short-radius distribution, waste collection, emergency services and airport services. The Econic combines strong safety and ergonomic features led by its DirectVision cab with panoramic glazing, state-of-the-art safety assistance systems and low entry and exiting, as well as intuitive control systems. The Econic is equipped to relieve the driver's stressful working day as much as possible. With a variety of available configurations, the Econic is bodybuilder-friendly and can be outfitted with either diesel or natural-gas engines, or as a full BEV in a version planned for series production in 2022.

In line with the Group's ZEV strategy, MB has also developed a range of BEVs. The first generation of the eActros heavy-duty truck was released in 2018 and was tested with key customers across a number of countries, with over half a million km driven. The second generation eActros began series production in Autumn 2021 and features improvements in drivetrain performance, range and payload in comparison to the first generation eActros. The eActros has been developed together with key bodybuilder partners to ensure that it fits a wide range of use cases and it is expected that a number of key customers will quickly integrate it into their operating fleets. MB is also already preparing the series production of its eActros LongHaul, expected to be ready for series production in 2024 with a range of about 500 km in a plannable long-haul use case. MB has already introduced the BEV eEconic to selected customers and it plans to roll out series production of the vehicle in 2022 to round out its special-purpose ZEV offerings. The Group is also working with its strategic partners on the development of FCEV versions of its vehicles. In September 2020, the Group presented its heavy-duty Mercedes-Benz GenH2 Truck concept ("**GenH2 Truck**") featuring key attributes of conventional long-haul trucks. Customer trials have been communicated to likely begin in 2023. See also "*10.8.4 Fuel Cell Electric Vehicles*."

MB's products are built across Europe and Latin America, with key production facilities in São Bernardo do Campo and Juiz de Fora (Brazil), Molsheim (France), Wörth (Germany) and Aksaray (Turkey).

10.5.2.3 Aftersales Services

Alongside its production of vehicles across market segments, a key part of MB's business is the sale of aftersales services and service-related products. MB offers a broad service network for maintenance and repair on a global scale. It has also placed an increasing emphasis on providing new digital services to help customers operate more efficiently and decrease their TCO. MB also provides workshop training and manufacturer certifications for modified versions of its trucks.

As of December 31, 2020, MB operated a service network of approximately 2,200 workshops worldwide (including independent retail). Along with workshop services, MB offers Service24hr and Rescue & Towing Services for 24/7 roadside support services throughout Europe and Latin America. To support customers' service needs, MB also offers a range of service contracts with varying levels of coverage. Mercedes-Benz Uptime and Zero Tolerance on Downtime represent MB's complete service contract, with a standard term of up to eight years. The Best Basic Service and ExtendPlus standard warranty extension contracts offer further options for more cost-conscious customers. Spare parts are offered under the Mercedes-Benz GenuineParts, ReManufactureed GenuineParts and TruckParts brands, with a focus on quality and reliability, and are available directly from dealers or from the WebParts online catalogue.

MB is also a provider of an array of digital services which optimize logistics processes, vehicle fleets and individual vehicles, with the goal of offering the truck itself as a service, increasing its productivity in everyday use. Fleetboard is MB's service for fleet managers, providing a modern customer interface with a proactive Notification Center and connection to Mercedes-Benz Uptime for intelligent telematics functionality. The HABBL Transport app from MB manages logistics processes and guides drivers through their tasks step-by-step. It links with information provided by MB's Fleetboard interface, using driving and rest times, as well as GPS position to help coordinate a customer's trips and cargo. The HABBL app works for instance directly with the Multimedia Cockpit in MB's new Actros trucks. Mercedes-Benz Uptime uses intelligent linking of the sensors and systems installed in an MB vehicle to allow information on the vehicle's condition to be accessed at the press of a button. In critical service cases, Uptime also informs customers proactively via automatic messages.

In addition, MB has eConsulting teams that offer comprehensive e-mobility consulting to its customers making the transition from conventional ICE to BEV fleets. To further strengthen this offering, MB entered into a strategic partnership with Siemens, energy company ENGIE and charging solutions provider EVBox in May 2021, see also "10.7.13 *Strategic Partnership with Siemens, ENGIE and EVBox.*"

10.5.2.4 Used Vehicles

MB also sells used vehicles through its Mercedes-Benz Approved/Certified Used Truck certification program. Along with used vehicles it certifies for sale at third-party independent dealerships, MB also operates its own TruckStore Centers in 13 countries in Europe and SelecTrucks dealerships in Brazil. As of December 31, 2020, MB operated 24 TruckStore and 10 SelecTrucks dealerships. Its primary customers are owner-operators and small fleets. These used vehicle dealerships also sell non-MB vehicles. Incoming vehicles are reconditioned, detailed and certified for operation. Each of the TruckStore and SelecTruck dealerships (excluding GDs) are able to offer financing solutions through the Group's Financial Services Business, as well as competitive warranties and service packages.

10.5.3 Trucks Asia

10.5.3.1 Overview

TA combines the strength of two distinct legal entities, MFTBC and DICV, which each stand in the Group's view for industry-leading technology and best-in-class quality to customers worldwide. With MFTBC based in Japan, the Group believes that it sets a benchmark in efficiency, safety and comfort with its FUSO trucks and buses. DICV's BharatBenz brand is helping to lead the transformation of the Indian commercial vehicle industry with its strong technology, safety, reliability and low TCO. In 2020, TA sold 110,205 units (prior to Reconciliation) (accounting for 29.1% of total number of units sold by the Group (including Reconciliation)) and generated revenues (prior to Reconciliation) in the amount of EUR 5,579 million. Prior to Reconciliation, TA sold 152,805, 188,860, 102,953 and 78,661 units in 2019, 2018 and the nine months ended September 31, 2021 and 2020, respectively. In 2020, 2019, 2018 and the nine months ended September 30, 2021 and 2020, TA had incoming orders of 112,024, 158,767, 184,062, 130,469 and 77,336, respectively. TA has a manufacturing network encompassing six locations in Japan, India and Europe, along with numerous CKD manufacturing sites throughout other markets. As of September 30, 2021, TA had 15,986 employees (headcount).

The FUSO brand enjoys strong positions in numerous large markets across the world, including, but not limited to, Japan and Indonesia. In India, DICV's BharatBenz brand has already grown from its first product releases in 2012 to a 9.1% market share in 2020 for trucks over 9 tons (source: Company Internal Analysis). TA offers a full range of light-duty, medium-duty and heavy-duty trucks, along with light- to heavy-duty buses, for a variety of applications. MFTBC also produces industrial engines. TA's philosophy is to provide the right product at the right price for each relevant market.

TA is also active in China via Daimler Truck China Limited ("**DTC**"). DTC holds 100% of Daimler Trucks and Buses (China) Ltd. ("**DTBC**") and 50% of BFDA, its joint venture with Chinese partner Foton, which produces trucks under the Auman brand. DTBC imports Mercedes-Benz trucks into China and offers corresponding aftersales services. As of September 30, 2021, over 80 employees worked for DTBC. Pursuing a multi-fold strategy in China, the Group is currently planning to localize production of Mercedes-Benz heavy-duty tractors to gain further market share. At the same time, the Group will continue importing other models of its Mercedes-Benz Trucks portfolio to answer customers' need in China for top-of-the-line trucks for special applications. See also "*10.7.2 Joint Venture with Foton.*"

With its global presence, the sales network of the TA brands is extensive, with various categories of general distributors, Market Performance Centers (MPCs) owned by the Group, joint ventures and TA subsidiaries performing sales functions. TA brand FUSO has approximately 114 distributor partners with whom it manages roughly 2,750 retailer locations worldwide. In India, BharatBenz has over 245 sales and service touch points.

10.5.3.2 Brands

FUSO

The FUSO brand manufactures trucks with a GVWR from 3.5 tons to 31.8 tons in rigid versions (and up to 64 tons in tractor versions) and buses from 5 to 16 tons. Within the FUSO brand, the traditional FUSO product line (symbolized by the three-diamond logo) addresses the Japanese and worldwide markets with production centered in Japan and India covering the vast majority of commercial applications. The FUSO logo (a separate logo without three diamonds) is applied to products for select international markets and leverages the Group's production know-how in Chennai, India, offering robust and economical medium and heavy-duty trucks for various applications. In some of its larger markets, such as Indonesia, FUSO offers a customized set of vehicles with differing model names that cater to particular niches. By offering its products from multiple locations in a range of branded configurations, FUSO is able to tap into the needs of both more mature and emerging markets. In addition, FUSO's operations are strategically located in major logistics hubs globally to enable fast and cost-effective delivery of its products to most destinations in the world.

FUSO is globally renowned for its offerings in the light-duty market, in particular for its Canter light-duty truck. Now in its ninth generation, the Canter is ready for all types of challenges across the globe and is an ideal choice for last-mile logistics. It is available in GVWR from 3.5 tons to 8.55 tons, several cab and engine variants, transmissions, wheelbases, all-wheel drive combinations and a universal frame hole pattern. This allows the Canter to be tailored to any commercial or industrial application. Its versatility has made it ubiquitous throughout various global markets for delivery, refrigerated transport, construction, and emergency services. It is available with a traditional ICE powertrain and also as a BEV.

For the medium-duty market, FUSO offers the Fighter and the FA/FI. The Fighter is available in a GVWR of 7.5 to 26 tons (up to 50 tons in the tractor version for export markets). The Fighter is equipped with advanced safety features such as Active Sideguard Assist ("**ASA**"), Lane Departure Warning System ("**LDWS**") and an Electronic Stability Program ("**ESP**") The FA/FI, at 9 to 16 tons, are designed to deliver excellent cost performance in a nimble, easy-to-handle package. They offer time-proven technology and robustness with fuel-efficient, common-rail injection partnered to a 4-valve, 4-cylinder engine for power and torque without sacrificing efficiency. With options to suit metropolitan deliveries, as well as longer haul routes, the Fighter and the FA/FI can fit a wide range of applications from food and general freight distribution to specialist roles, including fridge bodies, box bodies, tippers, mixers and flat decks.

FUSO provides a range of heavy-duty truck options, tailored to the needs of its markets. The Super Great represents FUSO's most innovative heavy-duty offering with its excellent quality, safety and TCO. Available with a GVWR of 15 to 34 tons (up to 64 tons in the tractor version), the Super Great was the first heavy-duty truck in the Japanese market to offer Level 2 Automated Driving Support technology. With advanced safety features such as Active Brake Assist 5 and LDWS, matched with a next-generation automated transmission coupled to a Euro 6 engine, the Group believes FUSO has set new standards for safety and efficiency in the heavy-duty class with the Super Great. Power and efficiency are also hallmarks of the Super Great, including global engine options ranging from 7.7 to 12.8 liters capacity depending on hauling requirements.

The heavy-duty FJ is designed for high power output and a flat torque curve across its rev range, together with selective catalytic reduction, to provide attractive TCO for cost-conscious markets. At 15 to 28 tons, the FJ is also built with the flexibility for on-road hauling or off-road deployment. It also features an extremely robust frame, anti-roll bars and multi-leaf rear suspension mean improved road holding, load carrying capacity and improved grip especially at higher speeds. The FZ tractor, available from a GVWR of 35 to 49 tons, has a chassis with extra strength required for heavy loads in various haulage applications. Inter-wheel and inter-axle differential lock prevents one-wheel spinning, making driving easier in slushy or bogged-down conditions. The FZ comes with an anti-roll bar in front with a wider wheel track to maintain stability when tall loads raise the center of gravity. The FO, available from 31 to 37 tons, is designed to maximize TCO with exceptional loading capacity, durability and fuel efficiency. Suited to long-distance haulage, mining and construction applications, the FO features a bodybuilder-friendly chassis and form-follows-function interior. Lastly, the TV is a rigid and tractor-head heavy duty truck available up to a GVWR of 65 tons for long-haul transport. It is built to continuously perform with a high-volume air-cleaner for challenging environments, a high-mount air brake chamber for maximum clearance over rough roads and a shot-blasted and powder-coated chassis to reduce rust.

FUSO also offers a line of buses. The Rosa is a light-duty bus with a passenger seating capacity of 25 to 33 designed for general passenger, school and special use transportation. Available in a variety of lengths, wheelbases and 4x2 or 4x4 chassis, the Rosa has safety features such as a LDWS to help keep passengers safe. For the city bus category, FUSO offers the Aero Star with passenger capacity up to 86 in both non-step and one-step designs with varying wheelbases. In the large intercity and coach categories, the Aero Queen and Aero Ace models with passenger capacity of up to 66 focus on comfort and safety. Alongside visually appealing exteriors, features to ensure safety include ASA for monitoring driver blind spots, an Emergency Driving Stop System (EDSS), Active Brake Assist 4 with pedestrian detection, and the Bus Connect telematics system. In addition, FUSO also offers bus solutions from its production facility in India, which is able to deliver buses in a wide variety of configurations depending on customer requirements. With a focus on comfort, safety and TCO, both front and rear engine buses can be produced in both chassis only or in fully built configurations.

Using the advanced engine technology that powers FUSO's heavy duty truck lineup, MFTBC also develops and produces a wide range of high-quality and reliable industrial engines for a variety of machines. Applications include excavators, cranes, power generators, garden-tractors and forklifts. The majority of FUSO's diesel engines are certified to conform to Japan's off-road diesel engine emission standards.

MFTBC is also a leader in BEV development and production. The FUSO eCanter was first introduced in 2017 and is already in its second-generation, with the third generation planned for launch in 2022. An industry benchmark with a state-of-the-art battery-electric system, the eCanter features six high-performance lithium-ion battery packs with a capacity of 370V/13.5kWh each. These give the eCanter a range of approximately 100 km per charge (depending on running condition) and are capable of being charged by two types of battery charging systems: normal alternating current (AC) charging, or quick direct current (DC) charging compliant with the CCS2 or CHAdeMO + SAE J1772 protocols depending on market requirements. The eCanter is already offered on four continents and has covered more than three million kilometers with customers across the globe, making MFTBC one of the most experienced producers of electric trucks worldwide.

FUSO products are built in Kawasaki (Kanagawa, Japan), Nakatsu (Kanagawa, Japan), Toyama Prefecture (Japan), Chennai (India) and Tramagal (Portugal).

BharatBenz

The BharatBenz brand produces trucks from 9 to 55 tons and buses from 9 to 16 tons. Within the last 10 years, BharatBenz has gained the reputation of a technology leader in the heavy-duty segment of the Indian market.

For the medium-duty market, BharatBenz offers the MDT series of trucks depending on the desired application. These range from 10.6 tons to 18.5 tons, with numerous choices in between. BharatBenz designs these models based on meticulous research done on road-load data patterns across India on various terrains, and therefore they are equipped with improved gear ratios to ensure maximum operating time spent by the vehicle on the higher gears. Better gradeability enables them to easily navigate hostile road conditions and climb gradients even with a full load. Each model is available with a number of engine, transmission and wheelbase options and is highly customizable for a variety of applications including refrigerated goods, fuel tanks, logistics and emergency services.

For heavy-duty haulage, the HDT R series is designed to offer benchmark fuel efficiency. Available from 28 tons to 42 tons, these models are suited to numerous applications, including hauling construction materials, cement and parcels. For even heavier loads, the HDT T series ranges from 37 tons to 55 tons. Made to last on various Indian road conditions, these models are suitable for haulage transportation and applications such as a flat-bed trailer for steel coils, tanker, cement bulker or container transport. The HDT C tipper series is available from 18.5 tons to 35 tons. Designed with an extra-high strength chassis, sturdy suspension and robust gearbox, this series is available with several body types to accommodate various construction and mining applications.

BharatBenz also produces a line of school and staff buses from 9 to 16 tons. Each model is designed to offer superior reliability to achieve longer service intervals for key components such as the engine, transmission, axle and body elements. Wide chassis frame widths and tubeless radial tires also enhance the stability of the buses while anti-roll bars provide improved handling. In addition to full bus models, BharatBenz also sells chassis to bodybuilders.

The BharatBenz production facilities also serve as a manufacturing and export hub for all brands within the Daimler Truck network, in particular to serve the so-called "next 30" markets, where the Group expects significant growth in the coming decade. Using an overarching market concept, BharatBenz and TA adjust production for export according to customer preferences.

BharatBenz's and further models of the Group for export are built in Chennai, India.

10.5.3.3 Aftersales Services

Services are an important part of TA's business. In certain of TA's markets, revenue obtained from service is particularly significant for TA's performance. For instance, a combination of regulatory requirements for regular service intervals and strong market presence in Japan have traditionally led the sale of aftersales services to generate a significant portion of TA's profit margin there. Each of TA's brands FUSO and BharatBenz have built a wide service network for maintenance and repair throughout their respective markets. Depending on market, each brand also offers an increasing array of digital services.

As of December 31, 2020, TA had a service network of more than 2,000 workshops worldwide. FUSO has service centers worldwide, with over 250 in Japan, 800 in Europe and over 200 in Indonesia, for example. In India, BharatBenz operates roughly 204 service locations. Along with workshop services, TA offers onsite service and towing in certain markets. Each of the TA brands also offers a range of service contracts and extended warranties with varying levels of coverage. Spare parts are offered under a number of labels, including BharatBenz, FUSO Genuine Parts, FUSO Value Parts and FUSO Genuine Reman Parts with varying price levels depending on the offering.

TA is in the process of expanding its digital service offerings among its brands FUSO and BharatBenz. Because each brand has a substantial presence in the emerging markets where customers tend to be price-sensitive and opt for fewer non-essential features in their vehicles, digital services do not yet play the same role as in the Group's other units such as TN and MB. Nonetheless, TA sees significant opportunities for digital services in its markets in the near future due to the trend of increasing digitization of commercial vehicles in general and the potential added value for customers of options such as digital fleet management and predictive maintenance.

For example, in Japan, data driven service offerings, the digitalization of service centers to improve efficiency and digital offerings like direct bookings are planned to be implemented in the upcoming years. The first such step in this transformation is planned to be the implementation of e-commerce (online parts sales) in Japan, followed by a roll-out of that system in certain other international markets. Furthermore, in India, the Group's Proserv app offers a one-stop solution for the aftersales services needs of BharatBenz customers. The app includes over 65 features aimed to enable quick, hassle-free transactions including online parts ordering, service bookings and renewals of insurance and service contracts. The Truckconnect telematics platform has also been rolled out to over 10,000 vehicles in India, offering connectivity solutions that increase fleet efficiency.

10.5.3.4 Used Vehicles

Depending on the individual market, TA's brands offer used vehicles in addition to new vehicles. Primary customers are owner-operators and small fleets. BharatBenz for instance operates a BharatBenz Exchange program at certain of its dealerships to offer reconditioned, detailed and recertified incoming vehicles. MFTBC also has a robust used vehicle offering through its dealerships.

10.5.4 Daimler Buses

10.5.4.1 Overview

Daimler Buses is a full-line supplier of buses and chassis covering every segment of the global bus market. With its Mercedes-Benz and Setra brands, Daimler Buses is the industry leader for buses in its traditional core markets in the EU30, Brazil, Argentina and Mexico based on unit sales (source: IHS Markit). In 2020, Daimler Buses sold 18,932 units (prior to Reconciliation) (accounting for 5.0% of total number of units sold by the Group (including Reconciliation)) and generated revenues (prior to Reconciliation) in the amount of EUR 3,438 million. Prior to Reconciliation, DB sold 29,763, 28,133, 12,669 and 12,480 units in 2019, 2018 and the nine months ended September 31, 2021 and 2020, respectively. In 2020, 2019, 2018 and the nine months ended September 30, 2021 and 2020, DB had incoming orders of 17,054, 30,017, 28,612, 12,632 and 12,912, respectively. Daimler Buses has a manufacturing network encompassing 10 locations in Europe, North America and South America, along with numerous CKD manufacturing sites throughout other markets. As of September 30, 2021, Daimler Buses had 14,972 employees (headcount).

Key markets for Daimler Buses are Europe for complete buses and Brazil, Mexico and Argentina for bus chassis. Pursuing a multi-brand approach, the Daimler Buses brands Mercedes-Benz and Setra are clearly positioned which in the Group's view results in more unique offerings for customers. While the Mercedes-Benz branded bus stands for top-quality technology with economical operating costs, the Setra brand targets a more premium customer base. The product range at Daimler Buses spans coach, interurban, city and special application buses to bus chassis. For aftersales services and spare parts, Daimler Buses operates a single brand, OMNIplus, and for used vehicles it has a single retail network, BusStore. Daimler Buses operates its European operations for all of its brands through its EvoBus GmbH subsidiary.

10.5.4.2 Brands

Mercedes-Benz Bus

Under the Mercedes-Benz bus brand ("**Mercedes-Benz Bus**"), DB manufactures buses for city, intercity and coach use along with bus chassis in a number of configurations depending on the market. With a reputation in the industry for quality, reliability and safety characteristic of the Mercedes-Benz brand generally, the brand focuses on cost-effective offerings for its customers.

For the city bus market, Mercedes-Benz Bus offers the Citaro. In production since 1997, the Citaro is known for its striking design, comfort, comprehensive safety, quality and economic efficiency. It has received numerous awards over the years, including the European "Best Commercial Vehicle" and "Bus of the Year". To accommodate the various needs of public service bus companies around the world, the Citaro is offered based on a standardized modular system so that customers can choose features and source parts more conveniently, regardless of Citaro model. The Citaro is available in six length variations and 19 total models, including a 12 meter basis version, 10.6 meter Citaro K compact version, Citaro LE 12 meter combined low-high floor version for easy mechanical access and Citaro G 18 meter long version with three axles. The Citaro also features a 24 volt recuperation module as a standard feature, which enables it to generate electricity to power the various systems on the bus without consuming additional fuel. Alongside ICE diesel and natural-gas hybrid versions, the Citaro is also available as a full BEV. For applications requiring passenger capacity beyond the Citaro, Mercedes-Benz Bus also offers the 4-axle, four door CapaCity and CapaCity L buses in 19.7 meter and 21 meter lengths, respectively, with space for up to 191 passengers.

For the intercity bus market, the Citaro Ü and Intouro represent two distinct offerings to meet the broad range of customer needs for passenger travel. The Citaro Ü represents a version of the Citaro city bus available with similar lengths, modified to provide more space and comfort for longer routes (*e.g.*, the base Citaro model city bus model has capacity for 106 passengers, whereas the base Citaro Ü has capacity for 82 passengers within the same dimensions). The Intouro features a higher deck than the Citaro Ü and is positioned as a cost-conscious, versatile and reliable link between town and country. Available in lengths from 12 to 15 meters with up to three axles, the Intouro is suitable for a variety of uses. In addition to classic intercity service, the Intouro can serve as a shuttle bus, staff transportation, as a school bus, and, due to its wide range of features, excursions and short trips. With advanced safety features such as Active Brake Assist 5, which the Group considers an industry-first collision avoidance system of its kind for buses, the Intouro is intended to provide optimal protection to drivers, passengers and other road users.

The Tourismo represents the Mercedes-Benz Bus flagship for the coach market. Available in a wide choice of engines, lengths from 12 to 14 meters, assistance systems, and equipment options, the Tourismo can be configured individually by the customer to suit individual business needs. To decrease TCO, the Tourismo has features such as automatic body lowering and flush-mounted windows to save fuel at highway speeds. Driver cockpits and passenger interiors are available at a range of price levels, and safety features such as bi-xenon improve driver visibility.

DB also recently announued its plans to re-enter the North American market with a product offering specifically designed for US customers, its Tourrider coach. The Tourrider is a three-axle high-deck coach with a length of

14 meters and offered in two model variants: the Tourrider Business and Tourrider Premium. The Tourrider is intended to respond to US customer demands for Mercedes-Benz branding, improved safety and comfort, dedicated engine types and direct sales. DB plans to leverage synergies with TN to offer best-in-class supply chains and service networks.

Mercedes-Benz Bus also offers minibuses based on the popular Sprinter platform. The Sprinter City, Sprinter Mobility, Sprinter Transfer and Sprinter Travel offer capacity for up to 38 passengers while still providing a slim profile for applications that require a more compact bus solution.

In addition to full buses, Mercedes-Benz Bus also sells its OC 500 RF and LE chassis to body builders around the world. With a range of body widths, length, axle and engine options available, Mercedes-Benz Bus has designed these chassis in close cooperation with body manufacturers.

To support CO_2-neutral mobility and address the growing market for BEV public buses worldwide, Mercedes-Benz has already begun series production of its eCitaro BEV version of the successful Citaro model. As of September 2021, the eCitaro had a 44% share in the battery-electric city bus market in Germany (source: KBA). The eCitaro has similar dimensions and safety features as the Citaro, including extended length versions (eCitaro G). The design concept of the eCitaro allows customers to adapt their deployment, battery and charging strategies precisely to individual transportation requirements. This is made possible by the modular technology of the eCitaro, which is intended to provide a high degree of future-proofing. The current generation of lithium nickel manganese cobalt oxide batteries ("**NMC**") from Mercedes-Benz Bus can accommodate depot-based or high-performance bus operation. Six, eight, ten or twelve battery clusters can currently be integrated, distributed over the roof and rear of the eCitaro. With maximum battery capacity and a total capacity of 292 kWh (NMC Level 1), the solo bus achieves a range of up to 200 km while the articulated bus (with average speed, topography and loading) achieves a range of up to 200 km with a total capacity of 396 kWh (NMC Level 2). The Group expects that the current NMC batteries available for the eCitaro will soon be followed by the next NMC generation with an even higher capacity and thus even greater range. Therefore, the eCitaro can be upgraded to next-generation battery technology in the future if desired. Moreover, in the future, the Group expects that three charging technologies will be available: depot charging, high performance charging via pantograph and charging via charging rails. Mercedes-Benz Bus offers a further option in the form of the solid-state battery with a total capacity of 441 kwH. Because of the significant cost and logistical planning necessary for public bus operators to adopt a fleet of new BEV buses, Mercedes-Benz Bus offers comprehensive eMobility consulting services to assist in the transition to the eCitaro. See also "*10.5.4.3 Aftersales Services*."

Setra

With its slogan "The sign of perfection", the brand name Setra has a strong reputation in the industry for innovation, high quality and top-level comfort in addition to modern, customer-tailored solutions. Setra manufactures intercity buses, generally for public operators, and premium coach buses.

Setra's MultiClass series of intercity buses offer an attractive basis for high economy and efficiency on intercity routes. MultiClass vehicles offer equipment that is focused on the essentials and optimized for tendering. The MultiClass has been designed to reduce TCO through fuel economy and low maintenance costs. Available in various lengths from the S 415 at 12.3 meters to the S 419 UL at 15 meters for particularly high passenger capacity, the high-floor rear area enables easily accessible drive components and thus, particularly, cost-effective maintenance, helping lower TCO. Standard safety features include an Electronic Braking System (EBS) with Brake Assist (BAS) as standard, with optional Advanced Emergency Braking System (AEBS) and Electronic Stability Program (ESP) also available.

In the coach market, Setra offers the ComfortClass and the TopClass series. The ComfortClass targets cost-effectiveness, ecology and performance for extended distance travel applications. Its ComfortClass HD (high-decker) models offer spacious cabins and extra luggage room for extended passenger trips, along with varying lengths, with two or three axles, to accommodate further passengers. The ComfortClass MD (middle-decker) models employ a design with less vehicle height, resulting in lower air resistance and less curb weight, which in turn reduces fuel consumption and thereby TCO. Interior and exterior packages are highly customizable, from a basic level of standard equipment to tailored premium comfort details.

The TopClass represents Setra's flagship coach series, designed to provide a high level of comfort, customized luxury and technical excellence to create a premium travel experience for passengers. Setra offers the TopClass in HDH (high-decker) or DT (double-decker) models of varying lengths. High quality seats, state-of-the-art climate control, extended interior standing height and an optional panoramic glass roof that creates all-round visibility for passengers are just a few of the features that distinguish the TopClass. Driver assistance systems on board include an optional Predictive Powertrain Control (PPC) feature which uses automatic driver assistance in speed, braking and shifting by referencing real-time topography measurements via GPS maps. Standard safety features include Active Brake Assist 4 with pedestrian detection up to 80 meters and Front Collision Guard.

10.5.4.3 Aftersales Services

Daimler Buses considers its aftersales service business to be key to the success of its business. Across Europe, Daimler Buses operates its own separate service brand, called OMNIplus, covering both Mercedes-Benz Bus and Setra products. With its ability to ensure operational reliability and high uptime of its products, the Group sees OMNIplus as an important and unique competitive advantage in the bus market.

As of December 31, 2020, Daimler Buses operated a service network of more than 600 service centers in Europe. In Brazil, Mercedes-Benz has a large dealer network for commercial vehicles (178 service points total as of December 31, 2020). With OMNIplus BusWorld Home (the Group's own service locations with BusWorld status), OMNIplus BusWorld, OMNIplus BusPort and Service Points for emergencies (BusPoint), Daimler Buses has categorized its service points according to the services offered and can, therefore, satisfy a range of different customer requirements. In Germany and many of the largest European export markets, Daimler Buses operates wholly-owned subsidiaries. These subsidiaries are 100% bus-dedicated in sales and service, which the Group believes is a major contributing factor to Daimler Buses' high market share in Europe. In all of these markets, these subsidiaries also perform retail sales. Dealers are not utilized. In smaller European markets, either wholly-owned Group subsidiaries (*e.g.*, Greece, Slovakia, Romania) perform retail sales and service for Daimler Buses or the Group nominates third-party general distributors for retail sales and service.

Alongside its workshops, OMNIplus 24h Service is accessible 24/7 throughout Europe via a 24h telephone number in the national language to ensure fast and competent service. Daimler Buses operates what it believes is the world's largest storage facility for bus spare parts with, in its view, the most advanced logistic standards and uniform documentation systems. The Group sees itself as the benchmark among all bus manufacturers when it comes to the availability of parts, with a stock of more than 130,000 original parts in Europe alone. Parts are also 3D-printed in certain cases to ensure high availability.

Digital services are also an important part of the OMNIplus service offering. Since 2018, Daimler Buses' vehicles have been equipped with a "Fleetboard Bus Data Center" telematics box as a standard feature, which has opened up a wide range of possibilities for enhanced digital services to customers. With OMNIplus ON, Daimler Buses offers an online platform aimed at the needs of bus operators, consisting of a range of applications. OMNIplus ON Advance constantly monitors the status of a bus and automatically deduces effective recommendations for the workshop management to act upon, enabling greater vehicle availability. OMNIplus ON Monitor helps operators manage their bus fleets more efficiently with operations planning, driving style assessment, time management or precise vehicle location. OMNIplus ON Drive supports bus drivers carrying out service checks before setting off on routes, checking liquid levels and vehicle functions with a simple smartphone interface. OMNIplus ON Commerce provides optimized purchasing management of spare parts. Daimler Buses plans to further enrich its OMNIplus digital services to maintain its earning potential.

Daimler Buses has positioned itself as an expert not only in the production of BEV buses, but also a consultant in the design of the entire e-mobility ecosystem for its customers. For transport companies that work with a fixed and finely graduated network of routes, timetables, cycles and scheduling, a 1:1 exchange of city buses with internal combustion engines ("**ICE**") for all-electric buses is not possible without extensive changes to the customer's underlying infrastructure. Extensive preparation for the transition to electric is essential as e-mobility implies a full rethinking of urban mobility with buses and coaches. In addition to the higher costs and potential subsidies for electrically powered buses, conversion to e-mobility requires detailed attention to energy consumption and range issues, to passenger capacity, to charging strategies, including energy supply, and, ultimately, to services ranging from equipping the customer's own workshop to multi-tiered employee training. Another key factor in electrified bus operation is the topic of operational assistance. Effective decisions can be made in daily operations by merging depot, infrastructure and bus data. To this end, Daimler Buses is able to work with customers to help them design a complete eMobility system, which opens significant business opportunities and expanded customer relationship potential for the Group. For example, Mercedes-Benz Bus recently worked with the city of Wiesbaden, Germany to not only deliver 56 eCitaro city buses, but also to convert the city's bus depot and design and construct its charging infrastructure and charging management.

10.5.4.4 Used Vehicles

Daimler Buses also sells used vehicles. Besides third-party independent dealerships, Daimler Buses also operates its own BusStore dealerships across Europe. As of December 31, 2020, Daimler Buses operated 25 BusStore dealerships. Its primary customers are owner-operators and small fleets. These used vehicle dealerships also sell non-Daimler Buses vehicles. Incoming vehicles are reconditioned, detailed and certified for operation. Nearly all BusStore dealerships are able to offer financing solutions through the Group's Financial Services Business, as well as competitive warranties and service packages.

10.6 Financial Services Business

The Group's Financial Services Business supports the sales of the Group's truck and bus brands with tailored financial services that include leasing and financing packages, as well as insurance solutions and rental solutions purchased by the Group's customers. It also plans to provide fleet management/service solutions and integrated service offerings. Financial Services can play an important role for the Group's customers by enabling them to purchase and maintain their vehicles at reasonable terms. Therefore, the Financial Services Business seeks to build and maintain the loyalty of the Group's customer base and contribute to the financial success of the Group.

Depending on local conditions within the markets, financing packages are generally structured as finance leases whereby the customer retains full ownership of the vehicle once the finance lease term has completed. This model is common for instance among smaller owner/operators as it allows the customer to extract additional value from the vehicle once it is paid off and the customer continues to own it. The Financial Services Business also offers operating leases, whereby ownership in the vehicle reverts to the relevant Group lessor entity at the expiration of the lease term. Vehicles returned from leasing arrangements are generally put up for sale as used vehicles via a Group-owned used vehicle channel (*e.g.*, TruckStore) to end customers or resellers. The Financial Services Business also provides financing solutions for used vehicle customers and is integrated in used sales campaigns.

The Group bears certain residual value risk when it enters operating leases and thus charges a premium for them. Operating leases are more commonly used by larger fleet operators who may have less of an interest in retaining a used vehicle after a certain length of time. The Financial Service Business also offers short-term financing for the Group's third-party dealers (also called "wholesale financing"), with the goal of providing credit to dealers for the period between intake of a vehicle order and the actual delivery, which in some cases can last a number of months depending on the level of vehicle customization. In certain circumstances, Financial Services also offers real estate and other loan products to dealers. Insurance policies the Group sells include motor insurance, comprehensive liability, loss of use and other ancillary items. The sale of insurance makes up a relatively small portion of the Group's Financial Services Business.

As of September 30, 2021 and 2020, adjusted RoE for the Financial Services Business was 10.4% and (4.3)%, respectively. The Adj. RoE for the nine month period ended September 30, 2021 was calculated based on an annualized Adj. EBIT and a quarterly average equity. The quarterly average equity is defined as the average of the quarterly average equity for each period. The Adj. RoE for the nine months ended September 30, 2021 and 2020 was calculated based on an annualized Adj. EBIT. As of December 31, 2020, adjusted RoE for the Financial Services Business was 0.1% (2019: 12.4%, 2018: 13.8%). At September 30, 2021 and 2020, the Financial Services Business (which includes the markets from the Phase 1 Transactions) had a contract volume (end of period) of EUR 15,848 million and EUR 16,198 million, respectively. At December 31, 2020, the Financial Services Business (which includes the markets from the Phase 1 Transactions) had a contract volume (end of period) of EUR 15,914 million (2019: EUR 19,558 million, 2018: 17,050 million). The penetration rate (defined as the percentage of vehicles sold by the Group in markets where the Financial Services Business operates that are financed or otherwise covered by financial product of the Financial Services Business) as of September 30, 2021 and 2020 was 19.4% and 22.6%, respectively. The penetration rate (defined as the percentage of vehicles sold by the Group in markets where the Financial Services Business operates that are financed or otherwise covered by financial product of the Financial Services Business) as of December 31, 2020 was 22.7% (2019: 22.2%, 2018: 22.7%). New business (defined as the amount of financing provided to third parties (pursuant to leasing and finance contracts) in any given period by Financial Services) was EUR 5,708 million, EUR 6,809 million, EUR 6,296 million, EUR 4,184 million and EUR 4,053 million for the twelve months ended December 31, 2020, 2019, 2018 and the nine months ended September 30, 2021 and 2020, respectively. As the Financial Services Business is still in the process of being transferred to the Group from Daimler AG, with the applicable Phase 2 Transactions to first be effected in 2022, its adjusted return on equity, contract volume, and penetration rate for 2020 only represent a portion of the assets and operations intended to ultimately comprise the Financial Services Business in the future. For information on outstanding receivables and credit exposures of the Financial Services Business see "*3.2.1 Separation of Financial Services Business*". See also notes 1 and 16 to the Audited Combined Financial Statements.

Prior to the Spin-off, the Financial Services Business was part of Daimler AG's Daimler Mobility reporting segment. In connection with the Spin-off, the Daimler Group is in the process of transferring a portion of the entities and assets, as well as establishing certain new financial services entities without transfers (to avoid disproportionate costs), which are intended to ultimately comprise the Group's Financial Services Business. By December 1, 2021, the Financial Services Business shall be transferred in Australia, Brazil, Canada, Germany (comprising the headquarters for the Financial Services Business), Japan, Mexico, South Africa and the United States (excluding the operating lease portfolio in the United States). A second phase of transfers or establishment of new financial services entities without transfers (to avoid disproportionate costs) is planned to occur in the course of 2022 in Germany, Argentina, Belgium, France, Italy, the Netherlands, Spain, Turkey and the United Kingdom. For assets and operations not yet transferred to the Group, the Daimler Group plans to administer them on a provisional basis until the transfers occur. Certain assets and operations which have historically been part of Daimler Mobility and are related to the Group's products and services are not intended to be transferred to the Group, and instead are planned to be serviced to the end of their respective terms or otherwise wound down. See also "*3.2.1 Separation of Financial Services Business*." By the end of the two phases (or waves) of transfers detailed above, the Financial Services Business is expected to consist of 29 legal entities operating in 16 countries. 15 of these entities are regulated by local financial supervisory authorities. One of these entities possesses a banking license in its respective market, whereas the remainder are generally regulated as financial service providers. A third wave involving the ramp-up of markets where new portfolios for the Financial Services segment are intended to be established, including in France, Germany and other new markets, is (following initial build-up steps in 2022) planned to occur through 2023 and beyond. The Group plans to focus intensely on cost optimization during the ramp-up of its Financial Services segment and has an ambition to reduce its ratio of costs to income to below 40% in 2025 from what it estimates will be higher levels between 2021 and 2024 as it works to stabilize its various country operations.

As of the Demerger Transactions Effective Date, the Group estimates that the total portfolio of the Financial Services segment will comprise approximately EUR 16 billion. When accounting for the Phase 1 Transactions and the Phase 2 Transactions, the Group estimates that the total portfolio of the Financial Services segment will comprise approximately EUR 21 billion by the end of 2022. Within this estimated portfolio by the end of 2022, the Group expects the split across wholesale, lease and finance products to be approximately 19%, 8% and 73%, respectively. Geographically, the Group expects the portfolio by the end of 2022 to have an approximately 14% share in Asia, 27% share in Europe and Latin America and 59% share in North America. From an overall estimated penetration rate of approximately 25% at the end of 2022, the Group expects an approximate penetration rate of 27% for Asia, 35% for Europe and Latin America and 20% for North America.

Financial Services operates with a diversified set of funding sources, employing what the Group views as a conservative capital structure based on Daimler Truck AG's solid investment-grade credit rating and what it plans to be a balanced funding mix going forward. As of the date of the Prospectus, approximately 5% of the funding for Financial Services is derived from asset-backed securities, which are independent from the Daimler Truck AG rating, while the remainder is derived from bank loans and the capital markets. As of the Demerger Transactions Effective Date, the Group expects a Leverage for Financial Services of approximately 10x and an Equity ratio of approximately 9%. The Group's ambition is to have approximately the same Leverage and Equity ratios in 2025. As of the Demerger Transactions Effective Date, Equity of the Financial Services segment was approximately EUR 1.5 billion, while the Group expects, when accounting for the Phase 2 Transactions, Equity of the Financial Services segment in the amount of approximately EUR 2.0 billion by the end of 2022.

In general, the Group's Financial Services business strives to apply a conservative approach when deciding whether to extend financing, enter a lease arrangement or offer insurance. Financial Services had a net credit loss of 0.82% in 2020 with a seven-year average ending in 2020 of 0.45%. The Group's credit underwriting guidelines are governed by a global credit policy which determines the structure for credit decisions at a local and a central level. This credit policy is, in the Group's view, strict and requires separate approvals for exceptions. Interest rates along with terms and conditions (including maturity) are generally made at a local level. In some markets, the competition from third-party financing is strong. Nonetheless, the Group generally does not seek to "buy the market" by offering financing terms that would be commercially unattractive per the Group's credit policy, which has led and can lead to somewhat lower penetration rates by the Financial Services Business among customers in certain markets.

10.7 Joint Ventures and Strategic Partnerships

The pursuit and establishment of strategic partnerships, either as joint ventures or in other forms of cooperation, are critical elements of the Group's operations and strategy. Evolving trends transforming the commercial vehicle industry, including alternative powertrains, such as for BEV and FCEV, and fuels, connectivity and autonomous driving, require the Group to invest substantial resources to ensure it is able to offer attractive products to its customers in the future. By forming strategic partnerships, the Group is able to both access technology critical to developing next-generation offerings for its customers and share the significant financial commitment required to develop and deploy such technology. In addition to strategic partnerships geared towards R&D, the Group also has exposure to a number of important markets by means of its joint ventures, for instance in China with strategic partner Foton, where it also has plans to expand its presence as part of its overall strategy.

For both BEV and FCEV technology, the Group is focused not only on the development of cutting-edge vehicles and drivetrains, such as through its joint venture with Volvo on fuel cell systems, but also on the development of the infrastructure and ecosystem surrounding these alternative drivetrains, including chargers and broader charging infrastructure. The Group has entered into a number of partnerships and is making targeted investments to further kickstart infrastructure for both BEV and FCEV, including with other commercial vehicle manufacturers such as TRATON and industrial companies such as Linde, Siemens, ENGIE and EVBox.

Along with sharing the cost of developing next-generation offerings, the Group also works with strategic partners on the remaining R&D necessary to comply with forthcoming emissions regulations in the EU, the United States and other jurisdictions such as China for conventional ICE vehicles. To this end the Group has a strategic partnership with Cummins for the development and global production of medium-duty ICE systems. The Group is also actively seeking partners to share in the development costs of heavy-duty ICE systems.

10.7.1 Joint Venture with Volvo (cellcentric)

On March 1, 2021, Daimler Truck AG and Volvo established the joint venture cellcentric GmbH & Co. KG ("**cellcentric**"), whereby Volvo acquired 50% of the partnership interests in the Group's existing subsidiary Daimler Truck Fuel Cell GmbH & Co. KG for EUR 639 million. In November 2020, Daimler Truck AG and Volvo had signed a binding agreement for the joint venture after a preliminary non-binding agreement had already been signed in April 2020.

Designed to help meet the 2050 targets of sustainable transport and a carbon-neutral Europe as part of the European Green Deal, the stated goal for cellcentric is to develop, manufacture and market fuel cell systems for heavy-duty commercial vehicle applications and other areas of application. Cellcentric seeks to become a leading global manufacturer of fuel-cell systems. It plans to build one of Europe's largest planned series production of fuel-cell systems, with operation planned to commence in 2025. The concentration of capacities and expertise at cellcentric is expected to reduce development costs for both the Group and Volvo and speed up the market launch of fuel cell systems. The Group plans to consolidate all of its activities related to fuel cell systems in cellcentric, which operates as an independent autonomous unit.

Cellcentric's current fuel system in development has an output of approximately 150kW and works at a voltage in the range of 800V DC. The geometry of the unit is based on the usual installation spaces of diesel engines, so that two units can be installed in the engine compartments of heavy-duty commercial vehicles with a total output of approximately 300 kW.

More than 300 highly specialized experts work for cellcentric in inter-disciplinary teams at locations in Stuttgart, Germany and Burnaby, Canada. Cellcentric holds around 700 individual patents and patent applications, underlining the significant role that cellcentric plays in FCEV development. Currently, cellcentric is conceptualizing the plans for its large-scale series production. As a significant step towards series production, cellcentric is preparing for pre-series production at a new site in Esslingen near Stuttgart, Germany. In parallel, cellcentric is also scaling up ongoing prototype output. The Group's goal is to start with customer tests of fuel-cell trucks in 2023 and aims to be in series production of fuel-cell trucks by 2027. See also "*10.8.4 Fuel Cell Electric Vehicles.*" All vehicle-related activities of the Group and Volvo are carried out independently from each other, as both companies remain competitors in all vehicle and product ranges, and particularly in fuel-cell integration solutions for all products.

In connection with cellcentric's product development, Rolls-Royce plc ("**Rolls-Royce**") and the Company announced in May 2020 that the Rolls-Royce Power Systems business unit intends to equip its emergency power generators with fuel cell systems supplied by cellcentric. See also "*10.7.7 Strategic Partnership with Rolls-Royce.*" The Group has also indicated its openness to delivering fuel cells to further third parties.

10.7.2 Joint Venture with Foton

In 2011, Daimler AG, Daimler Northeast Asia Ltd. and Chinese automotive manufacturer Foton entered into a 50:50 joint venture agreement for BFDA covering the production and sale of medium- and heavy-duty trucks under the Auman brand. At the outset of the joint venture, Foton contributed its existing Auman medium- and heavy-duty truck business, including its production sites and its sales and service network.

BFDA has been designing, manufacturing and selling trucks under the Auman brand since 2012. It also has a significant aftersales service business. BFDA's business is mainly focused on the Chinese market, though its products are also exported to selected markets in South America, Southeast Asia and Africa. As China comprised the world's largest HDT market in 2020 (source: IHS Markit), BFDA is an integral part of the Group's broader growth strategy. In the nine months ended September 30, 2021 and 2020, BFDA sold 95,615 and 99,550 units, respectively. In 2020, BFDA sold 126,446 units (2019: 86,214, 2018: 103,364). In BFDA's main product offerings under the Auman brand consist of its heavy-duty EST-A, EST, GTL and ETX models.

In December 2020, the Company and Foton jointly announced that they plan to produce and distribute Mercedes-Benz-branded trucks for the advanced market segment in China. Based on the Group's global platform strategy, BFDA will localize Mercedes-Benz heavy-duty tractor models "Made in China for China", adapted to Chinese customers' requirements. Start of production of the heavy-duty models is planned for the fourth quarter in 2022 in a newly purchased truck plant in Huairou, Beijing, China owned by BFDA, with a total production capacity per annum of over 60,000 units. By using a highly localized supply chain and production in China, the Group expects BFDA to be able to produce Mercedes-Benz-branded trucks of high quality in a cost-effective way, thereby enabling stronger competitiveness in the world's largest truck market.

10.7.3 Planned Joint Venture with Volvo and TRATON

On July 5, 2021, the Group, Volvo and TRATON announced the entry into a non-binding agreement to establish a joint venture with the aim of installing and operating a high-performance charging network for battery-electric heavy-duty long-haul trucks and coaches across Europe. The joint aim of the agreement is to initiate and accelerate the build-up of charging infrastructure to enhance customer confidence and to support the EU's transformation to climate-neutral transportation.

The agreement provides for a future joint venture equally owned by each of the three parties. The parties intend to sign the joint venture agreement by the end of 2021, with the joint venture operations intended to begin in 2022. The parties plan to invest approximately EUR 500 million to install and operate at least 1,700 high-performance green energy charging points close to highways as well as at logistic and destination points within five years of the establishment of the joint venture. With time, the number of charging points is intended to be increased significantly by seeking additional partners as well as public funding. The future joint venture is planned to operate under its own corporate identity and be based in Amsterdam in the Netherlands.

The future joint venture is expected to act as a catalyst and enabler for realizing the European Green Deal for carbon-neutral freight transportation by 2050, both by providing the necessary infrastructure and targeting the use of green energy at the charging points themselves. The joint action of the parties is intended to address the urgent need for a high-performance charging network to support truck operators with their transition to CO_2-neutral transport solutions, especially in heavy-duty long-distance trucking. The parties also intended to pursue a customer-centric approach, taking different applications for charging into consideration. BEV fleet operators are expected to be able to leverage both fast charging tailored to the 45-minute mandatory rest period in Europe focusing on long-distance transport, which is the highest priority for the future joint venture, and also charging overnight. As a clear signal towards the various stakeholders in commercial transportation, the charging network of the three parties is intended to be open and accessible to all commercial vehicles in Europe, regardless of brand.

10.7.4 Strategic Partnership with Cummins

On February 23, 2021, Daimler Truck AG and the U.S. engine manufacturer Cummins announced the signing of a memorandum of understanding concerning a global strategic partnership for medium-duty engines. Furthermore, on August 5, 2021, Daimler Truck AG and Cummins announced they had signed a framework agreement. As part of the strategic partnership, Cummins will invest in the further development of the medium-duty engine platform and its global production and supply for the Group as of the second half of this decade.

The Group plans to no longer invest its own funds in the further development of its medium-duty engines for the Euro VII emissions standard.

The Group has partnered with Cummins as part of its strategy to actively manage its ramp-down of ICE technology and significantly reduce its R&D spending on ICE technology. Cummins plans to establish an engine production facility within the Mercedes-Benz Mannheim campus, efficiently utilizing existing resources to produce medium-duty engines compliant with forthcoming Euro VII emissions standards for the Group. Cummins also plans to use its existing footprint and strong production and supply chain networks in TN for use in TN's brands.

Production of the Group's current medium-duty engine generation is planned to end in certain locations with the start of production of the Cummins engines in Mannheim, Germany. In a next step, the partners plan to evaluate a broader global strategic cooperation by identifying potential synergies in areas such as powertrain components and engine system components.

10.7.5 Strategic Partnership with CATL

In 2019, Daimler Truck AG and lithium-ion battery manufacturer and developer, CATL, entered into a global lithium-ion battery cell modules supply agreement for electric series trucks, including the Group's Mercedes-Benz eActros, Freightliner eCascadia and eM2. On May 20, 2021, Daimler Truck AG and CATL announced the intensification of their existing partnership based on their shared vision of CO_2-neutral electrified trucking.

CATL is expected to be the supplier of lithium-ion battery packs for the Mercedes-Benz eActros LongHaul battery-electric truck, which is planned to be ready for series production in 2024. The supply is intended to go beyond 2030. The batteries produced as part of the agreement are planned to combine high energy density with ultra-long cycle life and fast-charging ability to meet the unique requirements of battery-electric long-haul trucks. In addition, the companies have announced their intention to jointly design and develop even more advanced next-generation battery cells and packs for truck-specific applications, with a focus on high modularity and scalability in order to support different truck applications and flexible compatibility with future e-truck models.

10.7.6 Strategic Partnership with Waymo

On October 27, 2020, the Group and autonomous driving technology company Waymo announced the signing of a global strategic partnership to deploy autonomous technology (SAE Level 4). Their initial effort will combine Waymo's industry-leading automated driver technology, Waymo Driver, with a unique version of the Group's Freightliner Cascadia to enable autonomous driving. Waymo Driver is a suite of vision sensors, software and the underlying computing system which powers the autonomous driving platform. The Group sees Waymo as a clear leader in autonomous driving technology.

The Group believes autonomous driving technology represents a significant commercial opportunity which will in large part determine the future of the trucking industry. SAE Level 4 autonomous driving technology has the potential to increase road safety, address chronic driver shortages in major markets such as North America, significantly decrease TCO and maximize asset utilization of the truck itself. Given the size of this opportunity, the Group is pursuing a dual-track strategy of investing in both its partnership with Waymo and its own program on autonomous driving with majority-owned subsidiary Torc. While the Group believes that Torc has significant development potential, the Group also has a strong development relationship with Waymo. In the Group's view, this dual-track approach helps to lower development costs and gives the Group strategic flexibility in light of any potential developments in autonomous driving. In addition, dual-track development has the potential to provide the Group's customers with the option to choose the right solution for their business.

10.7.7 Strategic Partnership with Rolls-Royce

On May 26, 2020, the Group and Rolls-Royce announced the plan to cooperate on stationary fuel-cell generators as CO_2-neutral emergency power generators for safety-critical facilities such as data centers. These fuel-center generators are planned to be emission-free alternatives to diesel engines, which are currently used as emergency power generators or to cover peak loads. The Rolls-Royce Power Systems business unit intends to equip its emergency power generators with fuel cell systems supplied by cellcentric, the joint venture established between Daimler Truck AG and Volvo.

The Group believes that the agreement with Rolls-Royce demonstrates the concrete opportunities for the commercialization of hydrogen fuel cells and enables the Group to further increase the economy of fuel cells.

While the Group expects large-scale production of heavy-duty fuel-cell commercial vehicles for long-haul applications to first become available in the second half of the decade, fuel-cell generators for stationary applications are expected to be produced in series by cellcentric at an earlier stage, as the specific requirements for use in transport on public roads are not applicable to stationary systems. The Group expects Rolls-Royce to purchase a significant share of cellcentric's output once series production begins.

10.7.8 Strategic Partnership with Shell

On May 20, 2021, Daimler Truck AG and Shell signed an agreement to jointly drive the adoption of hydrogen-based fuel-cell trucks in Europe. The companies plan to support the decarbonization of road freight by building-out hydrogen-refueling infrastructure and facilitating the spread of FCEV trucks.

The strategic partnership with Shell is part of the Group's larger strategy to transition to long-haul FCEVs, which require the necessary refueling infrastructure to be sufficiently adopted by customers. Shell has announced that it intends to initially rollout a hydrogen-refueling network joining three green hydrogen production hubs at the Port of Rotterdam, the Netherlands, as well as Cologne and Hamburg in Germany. From 2024, Shell has announced its aim to launch heavy-duty refueling stations between the three locations. The plan aims to continuously expand the hydrogen powered freight corridor, which is expected to cover 1,200 kilometers by 2025, in order to enable delivery of 150 hydrogen refueling stations and refueling capacity for around 5,000 Mercedes-Benz heavy-duty fuel cell trucks by 2030. Shell and the Group have indicated their aim to deliver the optimal hydrogen infrastructure network by designing the network based on customer needs and usage patterns.

The agreement also includes the joint aim to establish an open refueling standard defining the interaction and interface between the truck and the refueling station in order to realize customer friendly, cost efficient, reliable and safe hydrogen refueling. Both Shell and the Group have indicated their openness to potential partners to join them in their efforts, for example by leveraging the H2Accelerate consortium of which both are members. See also "*10.7.9 H2Accelerate Consortium.*"

10.7.9 H2Accelerate Consortium

On December 15, 2020, Daimler Truck AG, commercial vehicle manufacturer IVECO S.p.A., chemical producer OMV Aktiengesellschaft, Shell and Volvo Technology AB announced their commitment to work together in a consortium ("**H2Accelerate**") to help create the conditions for the mass-market roll-out of hydrogen trucks in Europe. As a growing number of governments and businesses align on a common vision of a net-zero emissions energy system, the H2Accelerate participants have stated their belief that hydrogen is an essential fuel for the complete decarbonization of the truck sector. The Group's participation underscores its FCEV strategy.

Achieving a large-scale roll-out of hydrogen fueled trucks is expected to create new industries: zero-carbon hydrogen production facilities, large-scale hydrogen distribution systems, a network of high-capacity refueling stations for liquid and gaseous hydrogen, and the production of the hydrogen fueled trucks. The Group believes that synchronized investments across the sector during the 2020s will create the conditions for the mass market roll-out of hydrogen fueled heavy duty transportation which is required to meet the European ambition of net zero emissions by 2050.

The decade long scale-up is expected to begin with groups of customers willing to make an early commitment to hydrogen-based trucking. These fleets are expected to operate in regional clusters and along European high-capacity corridors with good refueling station coverage. This first phase is expected to involve hundreds of trucks with high-capacity charging stations that can accommodate more than 20 trucks at a time, proving high-capacity station concepts. During the decade, these clusters can then be interconnected to build a truly pan-European network. The second phase with Europe-wide coverage is expected to occur in the second half of the 2020s, with the volume of hydrogen-powered trucks to reach thousands per year and rapidly reaching over ten thousand per year.

10.7.10 Strategic Partnership with Linde

On December 10, 2020, Daimler Truck AG and Linde announced the signing of an agreement to jointly develop the next generation of liquid-hydrogen refueling technology for fuel-cell-powered trucks. Together, the companies plan to focus on a new process for handling liquid hydrogen (termed "subcooled" liquid hydrogen or "sLH_2 technology"). This innovative approach allows for higher storage density, greater range, faster refueling and superior energy efficiency. The new process will use higher than ambient pressure levels and special temperature control which avoids so-called boil-off effects and "return gas" (gas from the vehicle's tank returning to the filling station) during refueling and will not require complex data communication between the filling station and the truck during refueling. Overall, the technology allows simpler filling-station concepts.

With their collaboration, the partners aim to make the refueling process with hydrogen as easy and practical as possible. This aim is in line with the Group's larger strategy to transition to long-haul FCEVs, which require a hydrogen infrastructure that customers are willing to adopt.

Linde and the Group plan for the first refueling of a prototype vehicle at a pilot station in Germany in 2023. Linde and the Group are planning for a high level of transparency and openness around the relevant interfaces of their jointly developed technologies. By enabling as many other companies as possible to develop their own refueling and vehicle technologies that apply the new subcooled liquid-hydrogen codes and standards, Linde and the Group intend for a global mass market to be established for the new process.

10.7.11 Joint Venture with KAMAZ

In 2009, Daimler AG and Russian automotive manufacturer KAMAZ signed an agreement on the establishment of a joint venture now named DAIMLER KAMAZ RUS OOO ("**Daimler Kamaz**") for the production and sale of commercial vehicles from Daimler AG in Russia. Daimler Kamaz began operations in 2010 with the launch of domestic CKD production of Mercedes-Benz and FUSO trucks in Naberezhnye Chelny. Daimler Kamaz sells Mercedes-Benz trucks, FUSO trucks as well as Mercedes-Benz and Setra buses within the Russian market. Daimler Kamaz also offers a full range of Group-branded aftersales services. In addition, Daimler Kamaz sells used vehicles under the Group's SelecTrucks branding. Daimler Kamaz also produces Mercedes-Benz passenger cars, which it sells to Mercedes Benz AG affiliate Mercedes-Benz Rus AO. These sales account for the majority of Daimler Kamaz's total revenue. See also "*11.1.1.5 Joint Ventures.*"

Daimler Kamaz had sold more than 30,000 of the Group's commercial vehicles since its establishment by December 2019 when the Group and joint venture partner KAMAZ announced the launch of a new localized truck cabin production plant in Naberezhnye Chelny with an investment of approximately EUR 200 million, underscoring the Group's commitment to the Russian market. In 2020, Daimler Kamaz sold 3,747 commercial vehicle units (2019: 4,422).

10.7.12 Strategic Partnership with Proterra

On September 19, 2018, Daimler Trucks & Buses and heavy-duty electric transportation company Proterra announced the Group's intention to invest in Proterra. Daimler Trucks & Buses co-led a USD 155 million investment round in Proterra in 2018. In conjunction with the investment, Proterra and Daimler Trucks & Buses entered into an agreement to explore the electrification of selected Group heavy-duty vehicles.

One of the first efforts of the strategic partnership with Proterra was to explore potential synergies with the Group's Thomas Built Buses brand, with the aim of bringing Proterra's proven battery and drive train technologies to the North American school bus market. Similar to public transit vehicles, school buses provide mission-critical community infrastructure and offer a compelling use case for vehicle electrification, as many school buses travel a predictable distance per day that is within the capability of Proterra's BEV technology. With this collaboration on an electric vehicle for the school bus market, the Group and Proterra intend to provide reliable, affordable transportation options with environmentally sustainable, ZEV technology.

Thomas Built Buses and Proterra now offer school bus operators a comprehensive, turn-key electric vehicle program that includes BEV planning and funding consultation, electric school buses, charging systems, and charging infrastructure design and installation. The Group's Saf-T-Liner C2 Jouley developed with Proterra couples 226 kWh of total energy capacity from Proterra's industry-leading battery technology with a Proterra electric drivetrain to offer compelling energy efficiency and up to 135 miles of drive range to meet the needs of school bus fleets. By May 2021, Thomas Built Buses and Proterra had delivered 50 Saf-T-Liner Jouley battery-electric school buses throughout the United States.

10.7.13 Strategic Partnership with Siemens, ENGIE and EVBox

On May 20, 2021, the Group announced the signing of a strategic partnership with Siemens, energy company ENGIE and charging solutions provider EVBox to offer a comprehensive e-mobility ecosystem to its customers.

The Group has formed the strategic partnership to address customers' central concern regarding the suitability of charging infrastructure and management for new battery-electric commercial vehicles. The strategic partnership is intended to provide transport businesses with a full-service offering that covers all areas of a customer's e-mobility ramp-up. An eConsulting team from MB initially reviews the customer's existing routes to determine a realistic and meaningful usage profile for electric trucks at their location. If the customer makes use of the services provided by Siemens, ENGIE or EVBox, these partners then perform the analysis of the depots and develop a detailed plan of how to establish suitable infrastructure and energy supply, together with intelligent hardware-based charging solutions. They also address maintenance and servicing of the charging infrastructure. Siemens, ENGIE and EVBox collaborate closely with MB in all phases of the process. The products and services of these selected partners were extensively verified by MB for interoperability and future-proofing of the charging devices for use with all current and future electrically operated commercial vehicles from MB.

The eConsulting offering also includes a Charge Management System developed by MB, with features such as charging profiles to use the available output of an electrical connection as economically as possible, convenient remote starting and monitoring of charging processes. The eConsulting teams also provide advice on optimizing overall operating costs and any financial grants which may be available for the infrastructure.

10.7.14 Strategic Partnership with Luminar

On October 30, 2020, Daimler Truck AG and Luminar Technologies, Inc. ("**Luminar**") announced a strategic partnership to enable highly automated trucking, beginning on highways. Experts at Daimler Truck and Torc, a majority owned subsidiary of the Group, intend to collaborate with experts at Luminar to pursue a common goal of bringing series-produced highly automated trucks (SAE Level 4) to roads globally. The teams aim to work closely together in order to enhance Light Detection and Ranging ("**lidar**") sensing, perception, and system-level performance for the Group's trucks moving at highway speeds. To strengthen the partnership, Daimler Truck also acquired a minority stake in Luminar. The Group believes Luminar is the global leader in automotive lidar hardware and software technology and is therefore well-suited to the Group's larger strategy to become a market leader in autonomous commercial vehicles.

The strategic partnership will initially focus on highway applications, which may allow the technology it develops to be deployed in series production somewhat earlier in comparison to urban autonomous driving due to the lower number of variables in highway driving environments. The companies also plan to extend their strategic partnership beyond providing critical automotive technology solutions. As part of their joint commitment to safety, the companies also aim to collaborate on safety standards and operating practices to enable future policy advancements and safety enhancements for the trucking industry.

10.7.15 Strategic Partnership with Power Electronics

On May 3, 2021, TN announced its strategic partnership with Power Electronics, a leading manufacturer of inverters for utility scale solar power and advanced energy storage systems, to offer a full line of commercial vehicle charging stations designed for seamless integration with the Detroit ePowertrain found in Freightliner eCascadia and eM2 trucks. The Detroit eFill charging hardware portfolio is a white-label of Power Electronics products, specifically selected and optimized to integrate with the Detroit ePowertrain. Within this strategic partnership, the finalization of which is still subject to negotiation, TN and Power Electronics plan to co-develop new products.

The strategic partnership between TN and Power Electronics is part of the Group's larger strategy to kickstart charging infrastructure for ZEV in a number of its core markets by providing customers with support beyond the vehicle itself. All Detroit eFill chargers available at launch are DC fast chargers carrying the CCS-1 standard, the most common type of electric vehicle charger. Detroit eFill chargers are available with power ratings from 60 kW to as much as 400 kW, providing a scalable solution to enable a wide range of customers, from fleets with one or two trucks to truck stop operators running complete charger islands and multiple power cabinets, to benefit from Detroit quality and reliability.

10.7.16 Strategic Partnership with BP

On October 27, 2021, Daimler Truck AG announced its plans to work with BP to help accelerate the introduction of a hydrogen network, supporting the roll-out of a key technology for the decarbonization of freight transport in the UK. The parties intend to pilot both the development of hydrogen infrastructure and the introduction of hydrogen-powered fuel-cell trucks in the UK. Under their memorandum of understanding, BP will assess the feasibility of designing, constructing, operating and supplying a network of up to 25 hydrogen refueling stations across the UK by 2030. Complementing this, Daimler Truck AG intends to deliver hydrogen-powered fuel-cell trucks to its UK customers from 2025.

10.7.17 Strategic Partnership with TotalEnergies

On November 10, 2021, Daimler Truck AG and TotalEnergies announced the signing of an agreement addressing their joint commitment to the de-carbonization of road freight in the European Union. The parties intend to collaborate in the development of ecosystems for heavy-duty trucks running on hydrogen, with the intent to demonstrate the attractiveness and effectiveness of trucking powered by clean hydrogen and the ambition to play a lead role in kickstarting the rollout of hydrogen infrastructure for transportation.

The collaboration includes hydrogen sourcing and logistics, dispensing of hydrogen in service stations, development of hydrogen-based trucks, establishment of a customer base as well as other areas. As part of the collaboration, Daimler Truck AG intends to supply at least 100 hydrogen-powered fuel-cell trucks to its customers in the Netherlands, Belgium, Luxemburg and France (50 in France and 50 in the Netherlands, Belgium and Luxemburg collectively) by 2025. In addition to the collaboration, TotalEnergies has also announced its ambition by 2030 to operate directly or indirectly up to 150 hydrogen refuelling stations in Germany, the Netherlands, Belgium, Luxemburg and France.

10.8 Technology and Innovation

10.8.1 Overview

The Group's investments in technology and innovation are critical to meeting its customers' needs and driving further growth. The Group sees technology as a key enabler for its customers' ability to increase asset utilization and lower TCO, thereby maximizing customer return on investment in the Group's vehicles. In addition to its long-standing tradition of leadership in safety technology and innovations in operator and passenger comfort, the Group focuses its R&D efforts on what the Group considers to be the fundamental technological challenges for the commercial vehicle industry in the coming decades. These challenges center on the transition of the vehicle propulsion system from conventional ICE to ZEV powertrains and advancing the operating system within the vehicle to enable further digitization and autonomous driving capabilities. While the Group believes it is already a leader in ICE powertrain and safety technology, it is also committed to becoming a leader in what it sees as these future-oriented technologies.

10.8.2 R&D Strategy and Organization

The Group has several major strategic R&D projects that it believes are key to its future success. With respect to its goal to lead the commercial vehicle industry with its zero-emission vehicles, the Group is pursuing a dual zero-emission strategy. It believes that both battery-electric and fuel-cell electric vehicles will be needed by customers due to the broad range of use cases in the commercial transportation industry. Moreover, the Group believes that both an electric grid powered by renewables and substantial hydrogen generation and fueling infrastructure will be necessary to achieve a CO_2 neutral society, for instance by 2050 as targeted by the European Green Deal. Ultimately, TCO parity with existing ICE technology is likely to be the catalyst that motivates a significant transition of the industry to ZEV. The Group believes that BEV could reach TCO parity with ICE technology as early as 2025, and for FCEV as early as 2027, resulting in up to 60% ZEV penetration by 2030. This timeline and the corresponding penetration rate are subject to a number of assumptions, including government support on matters such as carbon pricing and charging infrastructure, further vehicle cost reductions, a green hydrogen price of EUR 4 per kg (with requisite infrastructure buildout) and an electricity cost of EUR 0.15 per kwh. The Group also expects there to be significant variations in this timeline depending on the region.

While BEV are generally easier to scale initially and provide an excellent use case for planned trips and hub-to-hub assignments where depot charging is possible, the Group sees FCEV technology as better suited to heavier loads for extended trips that require route flexibility. For both BEV and FCEV technology, the Group is focused not only on the development of cutting-edge vehicles, but also on the development of the infrastructure and ecosystem surrounding these alternative drivetrains, including chargers and broader charging infrastructure. The Group is focusing on a number of partnerships and is making targeted investments to further kickstart infrastructure for both BEV and FCEV. Because ICE commercial vehicles still make up the vast majority of the Group's units sold and governmental authorities, including in Europe and the United States, are in the process of implementing stricter emissions on this category of vehicles, the Group is also focused on developing leading ICE solutions while also ramping down its remaining R&D in ICE technology. To help bear the cost of remaining R&D into ICE technology, the Group focuses in particular on strategic partnerships with other major players in the industry and is also continuously evaluating its options for further opportunities.

Along with ZEV technology, the operating system and accompanying hardware architecture are also decisive factors in the market for commercial vehicles. Technologies such as over-the-air connectivity and autonomous driving can extend uptime, increase asset utilization and help integrate vehicle data into a customer's enterprise management in real time. The Group has in-house development teams working on the core elements of its operating system, with the goal of reducing the number of physical computing units in the vehicle and delinking software cycles to reduce complexity and catalyze innovation. The Group sees major upsides in developing best-in-class digital offerings as they offer the opportunity to strengthen customer loyalty, open additional revenue streams and deliver further data-driven insights to the Group.

Because of the broad use cases and heterogeneous legislative landscape across the Group's markets, different technologies are being developed at varying speeds across the globe. To accelerate the pace of technological development and to better serve the needs of its customers in each region, the Group has given its operating units and brands, which are globally active in the Group's most important sales regions of North America (Freightliner, Western Star, Thomas Built Buses), Europe and Latin America (Mercedes-Benz Trucks) and Asia (FUSO and BharatBenz), a measure of entrepreneurial independence in R&D and product development. Decision-making authority and the necessary product development resources are organized alongside the respective Group brands in the regions. This includes the Chief Engineer functions for the entire vehicle development, previously structurally anchored in the central development of the Group, being assigned to the corresponding regions. The Group's goal is to focus on pulling synergies from its broad technology portfolio at the brand level, and not pushing them into regions. Accordingly, only those technological developments that make sense at a Group level are generally shared across brands and regions.

At the same time, given the increased speed towards CO_2-neutral transportation and the accelerating development of software and connectivity, the Group has brought together all essential technology and powertrain activities into one division, the Truck Technology Group ("**TT**"). The TT operates as a global competence center for research, development and production for all future powertrain technologies (combustion engine, battery electric and fuel cell). In addition, TT is responsible for vehicle software, electronics and global purchasing. With the TT, the Group believes it is able to economically scale differentiating technologies through broad use in all regions, but also to leverage global synergies.

The Group believes that it is well-positioned to accomplish its goals of developing leading commercial vehicle solutions given its significant investments in R&D and strong, global network of R&D professionals. In 2020, Research and non-capitalized development costs at the Group amounted to EUR 1,423 million (2019: EUR 1,662 million). As of September 30, 2021, the Group employed approximately 5,045 employees (headcount) in R&D-related activities. The Group's main R&D competence centers are located in Stuttgart (Germany), Portland and Detroit (United States), Kawasaki and Kitsuregawa (Japan), Sao Bernardo de Campo (Brazil), Istanbul and Aksaray (Turkey), Beijing (China), Bangalore and Chennai (India).

10.8.3 Battery Electric Vehicles

The Group has deep and rapidly-growing competencies in battery-electric technologies, with battery-electric vehicles already in series production since 2018. In-house technology design and development projects include high voltage battery systems. The Group focuses on its TCO proposition through total system optimization and integration. New battery concepts for the Group's vehicles require a dedicated cell architecture that differs from that of passenger cars, with chemistry optimized for heavy goods hauling and usage patterns, and the Group invests heavily in related R&D. Electric trucks and buses from the Group have already logged over five million miles, providing the Group with powerful insights into how to best improve existing platforms and architecture. FUSO's eCanter for instance has made the brand a leader in BEV development and production. Already in its second generation, the eCanter is available in Asia and Europe, making FUSO one of the most experienced producers of electric trucks worldwide. See also "*10.5.3.2 Brands.*" With the eActros, eCascadia and eM2, the Group has been testing heavy-duty BEV trucks for several years with key customers, collecting valuable data that is flowing into series production. See also "*10.5.1.2 Brands*" and "*10.5.2.2 Brands.*" Furthermore, the Group already has fleets of electric buses in operation throughout its major markets with the Mercedes-Benz eCitaro and Thomas Built Buses Jouley. See also "*10.5.1.2 Brands*" and "*10.5.4.2 Brands.*" All of these offerings underline the significant push the Group has already made into the BEV market.

As the Group's vehicle battery technology has progressed, the energy density of its battery cells has increased while costs have dropped. The Group's current series generation of BEV heavy-duty trucks have a range of up to 400 km (subject to the use case) and battery capacity of around 420 kWh (with energy content of a new battery pack being approximately 105 kWh. This corresponds roughly to the energy content of the installed new battery packs, including safety and performance limits to maintain system operation), the Group is targeting significant performance gains for its next-generation vehicles. The Group is in the process of bringing its R&D expertise for eDrive technology in-house on a larger scale. This is part of an effort to own the entire battery technology chain and rely on strategic partnerships where the Group believes it is beneficial. For instance, in May 2021 the Group expanded its strategic partnership with CATL to supply the lithium-ion battery packs for the Mercedes-Benz eActros LongHaul, planned to be ready for series production in 2024. See also "*10.7.5 Strategic Partnership with CATL.*" The Group collaborates with and has invested in strategic partner Proterra on the development of the Thomas Built Buses Jouley electric bus and related consultation. See also "*10.7.12 Strategic Partnership with Proterra.*"

Because successful adoption of BEV by the industry will be determined not only by the vehicles themselves, but also the underlying infrastructure, the Group focuses on the design of the entire battery-electric ecosystem for its customers and for the wider industry. Together with strategic partners Power Electronics in North America and Siemens, ENGIE and EVBox in Europe, the Group is employing, in its view, industry-leading chargers with capacities up to 350 kW in the United States (with megawatt capacities currently undergoing testing), intelligent charge management systems to remotely operate and monitor charging and infrastructure design solutions. See also "*10.7.13 Strategic Partnership with Siemens, ENGIE and EVBox*" and "*10.7.15 Strategic Partnership with Power Electronics.*" The Group has developed scalable solutions in the United States to enable a wide range of customers, from fleets with one or two trucks to truck stop operators running complete charger islands and multiple power cabinets along with large municipal bus fleets. In addition, in July 2021, the Group announced its entry into a non-binding agreement with Volvo and TRATON to establish a joint venture with the aim of installing and operating a high-performance charging network for battery-electric heavy-duty long-haul trucks and coaches across Europe. See also "*10.7.3 Planned Joint Venture with Volvo and TRATON.*"

10.8.4 Fuel Cell Electric Vehicles

As the Group believes that the hydrogen-powered fuel-cell drive will become indispensable for CO_2-neutral long-haul road transport in the future, it has committed significant resources to both its development and the development of a wider infrastructure to support hydrogen fueling. Whereas battery power is expected to be used for lower cargo weights and for shorter distances, fuel-cell power is expected to be the preferred option for heavier loads and longer distances.

The Group already has over 25 years of R&D experience with fuel cell technologies. In 2019, TA launched the eCanter FCell. In 2020, the Group introduced its GenH2 Truck, and in April 2021 an enhanced prototype entered rigorous testing. According to the Group's development plan, the GenH2 Truck has also begun testing on public roads in Germany. Customer trials have been communicated to likely begin in 2023. The ambition is to hand over the first series-produced GenH2 Truck models to customers beginning in 2027. The GenH2 Truck and its components are designed to meet the same durability requirements as a comparable conventional Mercedes-Benz Actros. This means 1.2 million km on the road over a period of 10 years and a total of 25,000 hours of operation. The GenH2 Truck has been newly designed from the ground up. It features many completely new components, which are also the focus of developers during testing, including the fuel-cell system, the all-electric powertrain, and all of the associated systems such as the special cooling unit.

The Group focuses its research in particular on liquid hydrogen tanks because in this state, the energy carrier has a far higher energy density in relation to volume than gaseous hydrogen. As a result, the tanks of a fuel-cell truck using liquid hydrogen are much smaller and, due to the lower pressure, significantly lighter. This gives the vehicles more cargo space and a higher payload. At the same time, more hydrogen can be carried, which significantly increases the trucks' range. This makes the series GenH2 Truck, like conventional ICE trucks, suitable for multi-day, difficult-to-plan long-haul transport and where the daily energy throughput is high. The Group's R&D teams are working on the development of tank technologies for liquid hydrogen on the basis of a predefined development plan and by the end of 2021 plan to have a new prototype tank system sufficiently mature to be used to continue the ongoing demanding tests of the GenH2 Truck. Vehicle tests are then expected to be conducted exclusively with liquid hydrogen tank systems until the series-production stage is reached. Until this can be done, the extensive internal testing of the GenH2 Truck will use a gaseous hydrogen tank system as an interim solution. The Group thus seeks to demonstrate that both variants—gaseous and liquid—can be technically implemented.

By the time the GenH2 Truck is expected to reach series production, the Group targets a range for the vehicle of up to 1,000 km or more per single refuel of hydrogen with a payload of 24 tons, refueling time of 15 minutes and a fuel cell cost reduction of roughly 90% in comparison with current fuel cell cost of production. Integral to the effort to reduce fixed costs is the expense of the fuel cells themselves. To pool R&D competencies and share development costs, Daimler Truck AG has entered into the joint venture cellcentric with Volvo to design next-generation fuel cell systems. Cellcentric's current fuel cell system in development has an output of approximately 150kW and works at a voltage in the range of 800V DC. The geometry of the unit is based on the usual installation spaces of diesel engines, so that two units can be installed in the engine compartments of heavy-duty commercial vehicles with a total output of approximately 300 kW. See also "*10.7.1 Joint Venture with Volvo (cellcentric).*"

Whereas the infrastructure for BEV is quickly taking shape and the Group is introducing charging offerings, infrastructure for hydrogen-powered vehicles in its current state represents a challenge to the adoption of FCEVs. Significant investments from energy companies will be needed to lay the necessary groundwork for broader FCEV acceptance. The Group has therefore entered into several strategic partnerships to help kick-start the development of hydrogen infrastructure. With strategic partner Shell, the Group has entered into an agreement to collaborate on an open refueling standard to define the interaction and interface between the FCEV and the refueling station in order to realize customer friendly, cost efficient, reliable and safe hydrogen refueling. As part of the collaboration, Shell has announced that it intends to initially rollout a hydrogen-refueling network joining three green hydrogen production hubs at the Port of Rotterdam, in the Netherlands as well as Cologne and Hamburg in Germany. See also "*10.7.8 Strategic Partnership with Shell.*" With strategic partner Linde, the Group is working to jointly develop liquid-hydrogen refueling technology for FCEV. Together, the companies plan to focus on a new process for handling liquid hydrogen (termed "subcooled" liquid hydrogen or "sLH2 technology"). This innovative approach allows for higher storage density, greater range, faster refueling and superior energy efficiency. See also "*10.7.10 Strategic Partnership with Linde.*"

10.8.5 Internal Combustion Engines

The Group has traditionally been a leader in the development of ICE powertrain technology and continues to devote substantial resources to research concerning emission standards and fuel efficiency. R&D on ICE within the Group is concentrated in its TT unit, focusing on engines, transmissions, axles, and fully integrated drivetrains. The unit strives to develop innovative and reliable drive system components according to globally uniform quality standards. These components are used by all of the Group's divisions and brands as well as by external customers. As the Group estimates that ICE drivetrains account for approximately 50% of the Group's conventional commercial vehicles' value added, they are a major contributor to the continued growth and financial success of the Group. By using intelligent drivetrain platforms and close cooperation at a global level, the Group seeks to create synergies for its own business and for customers.

In connection with forthcoming emissions regulations in Europe (Euro VII) and the United States (EPA27), the Group is working on next-generation ICE technologies that will be compliant and maintain competitive TCO for customers. At the same time, in order to transition to ZEV within the next 10 to 20 years, the Group is actively managing the ramp-down of its investments in further ICE technology. The Group intends to significantly reduce its ICE spending and instead spend the majority of R&D resources on ZEV technologies by 2025. To accomplish this goal and help bear further development costs, the Group has entered into, and plans to enter into, strategic partnerships. As a first step, the Group has already partnered with Cummins on the development of a medium-duty engine platform to comply with forthcoming emissions standards. See also "*10.7.4 Strategic Partnership with Cummins.*" The Group is also actively seeking partners to help share the burden of heavy-duty engine development which also comply with upcoming regulations.

10.8.6 Operating System / Connectivity / Digitization

The operating system of commercial vehicles encompasses a variety of functions, including advanced assistance systems for vehicle safety, the human-machine interface ("**HMI**"), powertrain control, interior and body control and connectivity. It also serves as a key enabler for autonomous driving technologies that the Group is developing. The Group therefore expends significant resources in the development of software architecture as a platform for its next-generation vehicle and service offerings. The Group is currently developing its first 100% connected, OTA-enabled operating system to be ready for next-generation HMI, predictive intelligence and safety systems, compatible with BEV, FCEV and autonomous driving technology, starting in 2023. The Group targets further operating system major releases in 2025 and 2027.

Over time the Group has sought to continuously transition functions in its trucks that were formerly handled by the electronic architecture (*i.e.*, hardware components) into the software architecture of the vehicle. By reducing the number of computing units in the vehicle, the Group seeks to reduce layers of physical complexity and lower production costs. Moreover, by delayering the software and hardware in the vehicle, the Group seeks to increase the speed at which it can develop new software. The Group's latest generation vehicles feature approximately 400 sensors on average and their software contains over 100 million lines of code. These sensors generate valuable data which the vehicle's operating system collects, monitors and in some cases transmits using connectivity solutions developed by the Group.

For instance, the Group's flagship long-haul heavy-duty trucks—the Mercedes-Benz Actros, Freightliner Cascadia, and FUSO Super Great—share the same electric and electronic architecture. All three heavy-duty trucks also have the same "Common Telematics Platform" which receives and transmits data in real time and is the interface for all connectivity-related services. This data is leveraged to offer insights into the vehicle's health, safety status and driver grading information. In addition, the truck data is also available to fleet customers, and value-add partners, to enable fleet operation and management solutions.

The Group also focuses on the development of fleet management solutions. The Fleetboard system for Mercedes-Benz, Detroit Connect for Freightliner, and Truckconnect for FUSO connect fleet operators' entire logistics systems and provide drivers and dispatchers with an overview of essential data, and the Group is developing increasingly sophisticated solutions to ensure that each vehicle is employed as efficiently as possible. By assisting customers in integrating their vehicles directly into their enterprise management systems, the Group facilitates better utilization of the customers' assets. For example, the Fleetboard Store contains useful apps that have been specifically developed by the Group and third-party providers to help maximize asset utilization. Daimler Buses also recently invested in a collaboration with IVU Traffic Technologies AG on integrated mobility solutions for bus customers, including resource planning and fleet management. In general, the Group's fleet management solutions are based on a recurring subscription model. By providing essential fleet management functions to its customers on a continuous basis, the Group believes it is able to further embed itself into the daily operations of its customers, helping to strengthen and maintain ongoing customer relationships and, in some cases, resulting in higher switching costs for customers and repeat business for the Group.

The Group's R&D efforts also seek to reduce the downtimes of customers' vehicles. The Mercedes-Benz Uptime, Detroit Connect Virtual Technician, and the Truckconnect telediagnosis systems continuously monitor the operation of vehicle technology as well as the levels of various vehicle fluids, providing remote status and notifications to operators and to workshops via OTA technology. Providing the workshop with an exact readout of a vehicle's condition prior to arrival can ensure a more efficient service visit and better availability of spare parts.

According to its own estimates, the Group has a significant number of connected vehicles in operation, for instance at TN with approximately 300,000 connected vehicles (a number which it expects to grow substantially in the coming years). This represents a valuable source of "big data" for the Group which it uses to continuously improve its products and services.

10.8.7 Automated Driving

The Group has significant experience in the development of automated driving technology as part of the Group's goal of accident-free driving. With its Active Drive Assist (available on the Mercedes-Benz Actros and FUSO Super Great) and Detroit Assurance 5.0 with Active Lane Assist (available on the Freightliner Cascadia), the Group believes it was the first manufacturer to put partially automated driving features (SAE Level 2) into series production. These systems are able to independently brake, accelerate and steer the vehicle. Unlike systems that only work above a certain speed, Active Drive Assist and Detroit Assurance 5.0 make partially automated driving possible for the driver in all speed ranges, another first in a series-production truck. This advanced active lateral and longitudinal assistance package features some of the latest technology in radar and camera fusion systems.

In 2019, the Group established its Autonomous Technology Group to manage SAE Level 4 autonomous driving projects with an initial investment of over EUR 500 million and to create solutions for the Group's customers. The main tasks of the unit comprise overall global strategy and product roadmaps, partner management for software development for autonomous driving, development of a redundant chassis as well as an automated driving sensor kit (*e.g.*, camera, lidar, radar) and high performance computer system.

The Group believes that further development of autonomous driving technology represents a significant commercial opportunity which will in large part determine the future of the trucking industry. SAE Level 4 autonomous driving technology has the potential to increase road safety, address chronic driver shortages in major markets such as North America, significantly decrease TCO and maximize asset utilization of the truck itself. Given the size of this opportunity, the Group is pursuing a dual-track strategy of investing in both its partnership with Waymo and its own program on autonomous driving together with Torc. See also "*10.7.6 Strategic Partnership with Waymo.*" In the Group's view, this dual-track approach helps to share development costs with partners and provides the Group's customers with the option to choose the right solution for their business.

To further support Torc's work on autonomous driving, the Group also recently announced a strategic partnership with Luminar to pursue a common goal of bringing series-produced highly automated trucks (SAE Level 4) to roads globally. The Torc and Luminar teams aim to work closely together to enhance lidar sensing, perception, and system-level performance for the Group's trucks moving at highway speeds. See also "*10.7.14 Strategic Partnership with Luminar.*"

10.9 Procurement

The Group purchases a broad range of materials, components, parts and services, in connection with both its production and non-production activities. In order to leverage its demand and benefit from economies of scale, the Group manages its global purchasing activities for production materials through a Group-wide procurement organization as part of the Group's Truck Technology Group, which also operates as a global competence center for research, development and production for all future powertrain technologies (ICE, BEV and FCEV), as well as for vehicle software and electronics. As the Group's vehicles generally contain several thousand parts and components, the Group's supply chain is complex. The Group's production procurement organization is located at more than 20 locations worldwide, organized by brand and material type, and handles more than 600,000 individual part numbers. For the procurement of non-production materials and services such as IT, machines, office equipment, tools, transportation, marketing and external consulting, there is also a Group-wide organization with more than 300 employees. In total, the Group's supply chain comprises approximately 60,000 suppliers for production and non-production materials, with most of them based in Europe, North America, and Asia. These suppliers in turn have sub-suppliers, and sometimes a supply chain can contain up to seven or eight tier levels, with additional sub-suppliers on each level.

With each innovation and market development, the supply chain also dynamically develops further. The aim of the Group's procurement strategy is to consistently improve global procurement and supplier activities through strategic tenders in line with the guiding principle of "Commitment to Excellence" and to secure performance and the Group's strong market positions through a globally effective supplier network. Through effective procurement management, the Group seeks to maintain a continuous baseline of efficiency on which the business is able to build and add value. Using a global platform and modular strategy, the Group seeks to provide new systems and technologies to customers worldwide in an efficient and cost-effective manner. The Group is continuously seeking to optimize the use of resources within the R&D and procurement teams to increase efficiency, achieve synergies and develop new product solutions more quickly. A unified platform for electronics architecture in the global vehicle portfolio is one example of this collaboration.

The Group generally manages procurement costs through competitive tenders, continuous optimization of its supplier portfolio, proactive inventory management and long-term supply contracts. The procurement teams within the Group also work with R&D colleagues to assist in the design and sourcing of alternative parts to reduce the Group's cost base, for instance by sourcing parts that are lighter to save both weight in the vehicle and cost in purchase of the respective parts.

To drive transformation for next-generation technologies in line with the Group's broader strategy, the Group works with supplier partners to source innovative solutions focused on the areas of Connected, Autonomous, Shared, Electric ("**CASE**") technologies. The Group's strategic focus on CASE technologies has changed and continues to change the composition of the Group's supplier landscape, requiring the Group's procurement teams to scout and build relationships with new suppliers as well as develop and implement new methods of quality assurance for sourced parts. For example, the Group recently expanded its battery partnership with strategic partner CATL to secure supply of batteries for the Group's products beyond 2030 (see also "*10.7.5 Strategic Partnership with CATL*"). Furthermore, as the Group seeks to ramp-down its emphasis on ICE-based powertrains and transition to ZEV products, it plans to cease production of certain ICE-related components. The Group's procurement teams will continue to play a key role in ensuring continuing supply of ICE-related components for its product lines.

The Group has implemented a partnership-based cooperation model with its suppliers called the Daimler Supplier Network (the "**DSN**"). The DSN focuses on selective partnerships and is intended to foster top performers, create incentives for the entire supplier base and offer potential partners an opportunity to get to know the Group and its objectives better. The supplier collaboration model of the DSN is structured into the following four segments: potential suppliers; suppliers; key suppliers; and strategic partners. The higher the segment, the higher the mutual expectations and concessions. The segmentation involves a close examination of criteria such as innovation, performance and purchasing volume. The DSN is based on four key value drivers: technology, quality, costs and partnership. In addition to hard economic factors, values that enable constructive interaction are also fundamental to the continuous development of the supplier network and strong partnerships. These include fairness, reliability and credibility. Integrity, compliance and sustainability are key strategic foundations of the Group's procurement strategy. To this end, the Group seeks to create transparency in the supply chain structure and ensure compliance with human rights through contracts, as well as through on-site due diligence.

The Group's procurement strategy also places significant emphasis on sustainable business practices. The Daimler Supplier Sustainability Standards apply to each of the Group's suppliers and serve as the guidelines for the Group's sustainable supply chain management system. They define the Group's requirements for working conditions, respecting and upholding human rights, environmental protection, safety, business ethics, and compliance. On the basis of these standards and the Group's Integrity Code, the Group provides its suppliers with a Compliance Awareness Module that is developed specifically for each partner. These modules are intended to sensitize them to current integrity and compliance requirements such as those related to corruption prevention and technical compliance. The Group requires that direct suppliers recognize these sustainability standards and communicate them to their employees and to their upstream value chains. The Group also expects them to check to ensure that the standards are complied with. To further ensure the sustainable management of its supply chain, the Group uses a variety of measures and concepts, including supplier screenings, audits, risk-based due diligence analyses, qualification modules for production material suppliers, and additional workshops with selected service providers.

10.10 Customers, Sales and Marketing

The Group has a diversified customer base, both in terms of geography and economic sectors. In the heavy-duty and medium-duty truck market, the majority of sales for TN tend to be operators with sizeable truck fleets, spread across industries such as logistics, beverage production and mining. For instance, TN has close customer relationships with a number of fleet operators. The majority of MB's sales do not come from large fleet operators, though MB does maintain strong relationships with numerous large accounts. Customers for light-duty trucks tend to be smaller owner/operators, though depending on the market they may also be larger logistics and rental fleet operators who purchase more significant quantities. For TA, in Japan, sales channels generally consist of small operators, logistics companies and rental companies. For light-duty trucks, small operators make up the majority of TA's sales. Key factors influencing a customer's decision to purchase the Group's products include TCO, fuel efficiency, reliability, safety features, driver experience, overall vehicle uptime and resale value of the vehicle.

Within the city and intercity bus markets, the largest customers tend to be multinational transportation companies that operate public transport systems or public, municipal authorities themselves. For the coach bus market there are on the one hand large fleet customers or line bus operators which do not purchase any buses by themselves but rather negotiate terms for their independent operators; on the other hand, there are also many smaller coach operators that offer tours and charter services.

As a leader in a number of its markets worldwide, the Group aims to build and maintain long lasting customer relationships wherever possible. The Group utilizes key account management on both a national and international level for customers of varying sizes to ensure consistent contact and the ability to bid on the latest tenders. The Group seeks to deepen customer relationships by convincing customers of the Group's value proposition, thereby motivating customers to purchase increasing amounts of aftersales services in addition to the Group's vehicles.

The availability of commercially attractive financing, leasing and insurance options to potential customers also plays an important role in a customer's decision to purchase the Group's products. The Group's Financial Services Business works together with the Group's sales teams to design tailored financial services in order to build and maintain the loyalty of the Group's customer base. See also "*10.6 Financial Services Business*."

To support its operations worldwide and to leverage the full market potential of the Group, Daimler Truck has also established a global sales and coordination department, Daimler Trucks Overseas ("**DTO**"). The goal of DTO is to build and maintain optimal market positions in each of the Group's regional centers beyond its existing major markets. The department's six regional centers cover the Latin American, the Middle Eastern and North African, Central African, South African, Southeast Asian and Australian-Pacific regions. These regions contain many potential growth markets in the Group's view. The regional teams have over 1,000 employees working in sales and aftersales services for the various brands of the Group. DTO acts as a direct connection to regional sales departments, distributors, customers and partners.

10.11 Real Property and Manufacturing Facilities

The Group's headquarters are located in Leinfelden-Echterdingen, Germany, where it leases an office building at Fasanenweg 10, in 70771 Leinfelden-Echterdingen. This is also the registered place of business of the Company.

The Group is present in more than 35 countries around the world. The Group uses production and manufacturing sites for the purpose of developing, testing and manufacturing its products, a network of service stations for repairing its products in use, as well as office and logistics properties located worldwide. Many of these sites are owned by the Group, while the remaining sites are used under lease agreements.

Certain real estate and real estate-related services are provided under agreements with Daimler AG group companies. See also "*11.1.2.3.3 Lease contracts with Daimler Group*."

The following table provides a summary of the material real property used by the Group companies as of September 30, 2021:

Country	Location	Operating Segment	Use
Argentina	Buenos Aires / Virrey del Pino	MB, DB	Chassis assembly
Brazil	Campinas—SP	MB	Parts warehouse, remanufacturing activities and customer service
Brazil	Iracemápolis—SP	MB	Test track for truck and bus development
Brazil	Juiz de Fora	MB	Cabin production for MB trucks
Brazil	São Bernardo do Campo	MB, DB	Production of trucks, engines, transmissions, axles, bus chassis, press shop and technological development center
Colombia	Funza/Bogotá	MB	Chassis assembly
Czech Republic	Holýšov	DB	Bodyshell assembly, components and cathodic dip painting of touring coaches, intercity and city buses
France	Ligny-en-Barrois	DB	Assembly of city and intercity buses
France	Molsheim	MB	Customization of special purpose vehicles
Germany	Dortmund	DB	Production of minibuses
Germany	Gaggenau	MB	Production of transmissions, planetary and portal axles and torque converters; international logistics
Germany	Kassel	MB	Production of front and rear axles, propeller shafts and other components
Germany	Mannheim	DB	Head office functions, sales, body shop, cathodic dip paintings, production of city and intercity buses and touring coaches and assembly of city and intercity buses
Germany	Mannheim	MB	Production of medium and heavy-duty engines for vehicles and industrial applications, foundry, competence center for emissions-free mobility, and production of remanufactured engines
Germany	Neu-Ulm	MB, DB	Head office functions, sales and paint shop and assembly of touring coaches and intercity buses
Germany	Rastatt	MB	Production of transmissions
Germany	Stuttgart	MB	Central functions, sale and product development
Germany	Wörth	MB	Truck production

Country	Location	Operating Segment	Use
India	Bangalore	TA	R&D
India	Chennai	TA	Production of medium and heavy duty BharatBenz, Mercedes-Benz and Freightliner trucks, light-, medium-duty and heavy-duty FUSO trucks, engines and transmissions, R&D center, proving grounds, test track, headquarters of Daimler Buses India, assembly of Mercedes-Benz and BharatBenz buses and chassis
Indonesia	Jakarta	TA, DB	Assembly of Mercedes-Benz chassis for trucks and buses
Japan	Aikawa	TA	FUSO Nakatsu plant, transmission production
Japan	Kanagawa	TA	Pabco Plant Ebina, production of truck bodies
Japan	Kawasaki	TA	MFTBC head office functions; R&D, procurement, quality management, sales, administration and back offices; plant for production of FUSO light, medium-duty, and heavy-duty trucks, engines, axles, and industrial engines
Japan	Kitsuregawa	TA	Proving ground, test track for truck and bus development
Japan	Nara	TA	Pabco Kinki Plant
Japan	Toyama	TA	FUSO bus manufacturing
Mexico	Monterrey	DB	Chassis assembly
Mexico	Santiago Tianguistenco	TN	Freightliner truck assembly
Mexico	Satillo	TN	Freightliner truck assembly
Mexico	Garcia	TN	Bus assembly
Mexico	San Luis Potosí	TN	Parts distribution center for buses and Freightliner trucks
Portugal	Tramagal	TA	Production of light trucks
South Africa	East London	MB, DB	Bus chassis assembly, truck assembly
Spain	Sámano	DB	Chassis assembly
Turkey	Aksaray	DB / MB	Production of Mercedes-Benz trucks and product development
Turkey	Istanbul	DB	Body shop, cathodic dip painting, paint shop, assembly of Mercedes-Benz city and intercity buses, touring coaches and Setra intercity buses
U.S.	Byseville, OH	TN	Reconditioning of on- and off highway systems, electronics, fuel systems, diesel treatment systems
U.S.	Cleveland, NC	TN	Assembly of Freightliner and Western Star trucks
U.S.	Detroit, MI	TN	Engine production, Detroit Diesel corporate office
U.S.	Emporia, KS	TN	Reconditioning of on- and off highway systems, electronics, fuel systems, diesel treatment systems
U.S.	Gaffney, SC	TN	Freightliner Custom Chassis Corporation (FCCC) head office, chassis for vans, school buses, shuttle buses, and camper vans

Country	Location	Operating Segment	Use
U.S.	Gastonia, NC	TN	Freightliner trucks parts production
U.S.	High Point, NC	TN	Thomas Built Buses, school bus assembly, R&D
U.S.	Mount Holly, NC	TN	Assembly of Freightliner trucks
U.S.	Portland, OR	TN	Western Star truck assembly, TN head office functions, R&D
U.S.	Redford, MI	TN	Detroit Diesel Corporation head office, production of engines, transmissions, axle and powertrain components

Between September 30, 2021 and the date of this Prospectus, the Group did not acquire or lease any additional material property, other than any transfers in connection with the Phase 1 Transactions.

10.12 Intellectual Property

The Group views its global registerable IP, including its patents, design rights and trademarks, as essential to its success as a global market leader. The Group's IP strategy is designed to protect and enhance the Group's competitive position in the various geographic regions in which it operates. This is achieved by effective management of the Group's IP rights. IP rights are centrally managed and coordinated by Daimler Truck AG in Stuttgart, Germany, with support and assistance from in-house IP professionals in key countries such as the United States, Japan and India. In its view, the Group exercises appropriate due diligence in managing IP. If necessary, the Group generally seeks to license rights from third parties and, where commercially attractive, the Group will also issue licenses itself. The Group checks offers from external patent holders for suitability for use within the Group. Also, the Group enforces its IP rights against third parties in case of misuse. Where cooperations with suppliers or other OEMs are concerned, the Group strives to establish an appropriate legal framework from an IP standpoint.

The Group's brand names, *inter alia*, "Daimler" (which it acquires on or about November 29, 2021), "Freightliner", "Western Star", "FUSO", "BharatBenz", "Setra" and the right to use "Mercedes-Benz" and the "Mercedes-Benz Star" (which it obtains on or about December 1, 2021) are considered essential IP assets to its business as a whole (see "*10.12.2 Trademarks and Domain Names*").

10.12.1 Patents and Know-How

Patents protecting products or inventions developed and used by the Group are owned by the Group. This includes the patent portfolio that the Group acquires on or about November 29, 2021 and entails in total more than approximately 2,200 national patents or patent applications in various countries in the world, including the United States, Brazil, India, Japan and Europe. The patent portfolio is wide-ranging and covers the Group's operating units. The Group acquires patent rights by exercising its rights to employee inventions and submitting them for registration or other means of protection. Further, the Group owns approximately 340 design right families comprising approximately 2,000 individual/national design registrations, *e.g.*, for control panels, driver's cabins or headlights. On or about November 29, 2021, the Group acquires from Daimler AG patents which mainly have been developed by the Group, whereby Daimler AG receives a license-back in these patents. The back-license ends with the lapse of the last patent covered by the agreement. Patents of Daimler AG accrued by November 30, 2021, which are not transferred to the Group, are licensed to the Group. See also "*11.1.1.1.7 IP License and Purchase Agreements.*"

10.12.2 Trademarks and Domain Names

Trademarks and domain names which are necessary for the Group to conduct its business and which Daimler AG beneficially owns, are part of license agreements between Daimler Truck AG and Daimler Brand & IP Management GmbH & Co. KG, which acts as the licensor, *inter alia*, for such trademarks and domain names of the Daimler AG (the "**License Agreements**"). The License Agreements, which will become effective on or about December 1, 2021 allow the Group to indefinitely use certain trademarks, including the trademark families "Mercedes-Benz" and "Mercedes-Benz Star", and corresponding domain names, free of charge in carrying out the business of the Group in its existing business field without trademark collisions with the business of the remaining Daimler Group. The License Agreements cannot be terminated ordinarily but may be terminated for good cause, *e.g.*, (by licensor) in the event of a direct or indirect acquisition of control by third parties over Daimler Truck AG or (by either party) in the event of serious breaches of contract, in particular in the event of lasting damage to the reputation of the licensed trademarks.

Further, the Group has concluded with Daimler AG certain IP purchase and transfer agreements, pursuant to which the Group acquires on or about November 29, 2021, inter alia the "Daimler" trademark family including the corresponding domain names. The ownership and trademark steering are transferred to Daimler Truck AG with a back-license granted to Daimler AG. Whereas the back-license in the "Daimler" trademark family is granted for an indefinite term with respect to the business area remaining with Daimler AG to the same extent as used before the separation of the trucks and buses business from the cars and vans business of Daimler AG, the back-licenses granted under the trademark purchase and transfer agreements regarding the "CHARTERWAY", "FLEETBOARD" and "DISPOPILOT" trademarks expire one year after the agreements' effective date. See also "*11.1.1.1.7 Intellectual Property License and Purchase Agreements*."

After a transition period of five years following the effective date of the agreement under which the Group receives the license to use the "Mercedes-Benz" and "Mercedes-Benz Star" trademark families and corresponding domain names and subject to a few exceptions (*e.g.*, Mercedes-Benz do Brasil Ltda., Mercedes-Benz Türk A.S.), the Group will no longer use the trademark "Mercedes-Benz" for its company names and establishments. Vice versa, Daimler AG will refrain from further using the trademark "Daimler" in its company names after a transition period of five years following the effective date of the agreement under which the Group acquires the "Daimler" trademarks with a few potential exceptions only.

A large number of other trademarks that are used by the Group in the course of its business are owned by the Group. The trademark portfolio comprises international, European and national trademarks registered in various countries. The registrations cover among others the Group's brands, *e.g.*, "EvoBus", "Setra", "Detroit Diesel" or "Freightliner" and product/model names of the Group. Following the effectiveness of the trademark purchase and transfer agreements with Daimler AG, the Group will be the owner of more than approximately 5,500 trademarks. The Group also owns approximately 2,000 material domain names including among others the domain names "daimler-truck" and "daimlertruck" with different top-level domains that are transferred to the Group under the trademark purchase and transfer agreements.

10.12.3 Spin-off IP Legal Proceedings

The Group is occasionally involved in IP disputes, for example regarding trademarks, patents, design rights or technology licensing, during the ordinary course of its business activities, both as a plaintiff and as a defendant. For instance, until June 2021, Daimler AG and Nokia had pending litigation regarding the conditions of the use of Nokia's standard essential 3G and 4G patents by the Group's products. In June 2021, Daimler AG announced that it had signed a patent licensing agreement with Nokia under which Nokia licenses standard essential patents regarding the 2G, 3G, 4G, and Wi-Fi standards to Daimler AG and also the Group and receives payment in return. The parties agreed to settle all pending litigation between Daimler AG and Nokia, including the complaint by Daimler AG against Nokia to the European Commission. In the past, the Group has also received patent infringement claims from Broadcom/Avago. The various complaints have been settled as well by taking a license for the use of the Broadcom/Avago patents by Daimler AG and its affiliated companies. The Group is also in the process of challenging the validity of several patents owned by third parties. The Group also challenges trademark registrations of third parties to which it has better rights, defends against alleged infringements of IP rights of third parties and is also enforcing its own IP rights, where appropriate.

10.12.4 License Agreements

Entities of the Group enter into licensing agreements from time to time for the use of IP in the ordinary course of their business. These agreements mostly concern the licensing-out of patent and/or trademark rights, and, other than in development or supply agreement settings, only in a few instances are rights licensed-in. In particular, the Group has a number of joint development and related agreements encompassing strategic projects. See also "*10.7 Joint Ventures and Strategic Partnerships.*" The Group furthermore has entered into a number of development and supply agreements with various partners which include a license to the Group in the relevant IP.

10.13 Information Technology

Development and delivery of information technology ("**IT**") and business solutions are integral parts of the Group's operations and strategy, enabling process optimization, productivity increases and digitalization of the value chain, including customer touch points and digital services. The Group's IT infrastructure and application portfolio covers the Group's entire business, including engineering, procurement, manufacturing, sales and logistics, as well as digital product offerings such as Fleetboard, Uptime, Detroit Connect, Truckonnect and OmniplusOn. Furthermore, it supports the functional roles of finance, human resources, purchasing and communications, among others. Therefore, the Group commits significant resources to maintaining and further optimizing its IT portfolio and leveraging the opportunities of digital transformation.

The core IT governance of the Group is centered at the Group's headquarters in Leinfelden-Echterdingen, Germany with each of the business units supporting an IT organization that is closely aligned and works globally to execute the Group's IT strategy. The Group's IT strategy focuses on increasing customer benefit and the value of the Group, including its brands, fostering knowledge-sharing and creating synergies wherever possible. These efforts include harmonizing IT within the Group, reducing the number of IT suppliers and implementing a more global control and delivery model. The Group seeks to develop and implement common IT systems for its products across markets, as well as increasing its revenue from the sale of services by offering digital solutions.

While the Group is responsible for the entire infrastructure and application management of its local and global IT systems, and regularly monitors and updates these systems and processes to ensure reliability, compliance, business continuity and performance, certain systems are also maintained at a business unit or brand level. As such, each business unit or brand has certain IT applications and services to support its respective business tailored to its specific needs. The Group therefore maintains significant IT infrastructure in key locations around the world, including in the United States and Japan, in addition to its central functions in Germany. The IT infrastructure consists of the relevant application-based technologies as well as technologies for general office communication and collaboration purposes, databases, physical and virtual servers, storage systems and networks. The infrastructure within the Group is mainly delivered out of regional data centers together with an increasing use of cloud services. Key application platforms used within the Group include Siemens NX, SAP, Mainframe, and .NET along with commercial off-the-shelf software from providers such as Microsoft and Adobe. For its digital services marketed to customers, the Group leverages the latest cloud-native technologies from industry-leading managed infrastructure, platform and software providers.

As a result of the Spin-off, a significant portion of the Group's IT portfolio, including infrastructure, systems, applications and related support and development functions, have been and will continue to be transferred from Daimler AG to the Group's control. Certain shared services are currently provided by Daimler AG and the Group has entered into transitional service agreements with regard to the continued delivery of these services. See also "*11.1.1.2 Continuing Services and Cooperations between the Group and the Daimler Group.*" In addition, the Group is in the process of building its own independent IT resources to replace services that will not otherwise be transferred from Daimler AG. Together with strategic partner Infosys, an IT service provider, the Group is also transforming its IT operating model and infrastructure landscape across workplace services, its service desk, data center, networks and SAP Basis. The partnership is expected to enable the Group to deepen its focus on software engineering and to establish a fully scalable on-demand digital IT infrastructure and anytime-anywhere workplace.

Daimler's internal framework for IT security is based on international standards and its protective measures also apply industry standards and general best practices. New regulatory requirements for cyber security and cyber security management systems are considered in the further development of the Group's processes and policies. The Group strives to identify cyber threats over the entire lifecycle of applications and systems, and deal with these threats in line with their perceived seriousness. Cyberattacks are continuously monitored and addressed by the Group's Cyber Security Team. The Group pays particular attention to risks that could result in the disruption of business processes due to the failure of IT systems or which could cause the loss or corruption of data. The Group uses coordinated technical and organizational security measures to address the advancing digitization and connectivity of its production equipment and products.

10.14 Employees

10.14.1 Employee Statistics

The following table sets forth the number of employees of the Group (headcount) by segment as of the dates set out in the table below.

	Active workforce as of			
	December 31, 2018	**December 31, 2019**	**December 31, 2020**	**September 30, 2021**
Trucks North America	23,463	23,603	22,859	26,076
Mercedes-Benz	40,728	41,757	40,982	41,301
Trucks Asia	15,340	14,869	15,642	15,986
Daimler Buses	15,324	15,824	15,585	14,972
Financial Services	1,387	1,387	1,387	1,392
Reconciliation	1,351	1,580	1,825	1,823
Group	**97,593**	**99,021**	**98,280**	**101,550**

The following table sets forth the number of employees of the Group (headcount) by geographic region as of the dates set out in the table below.

	Active workforce as of			
	December 31, 2018	**December 31, 2019**	**December 31, 2020**	**September 30, 2021**
Europe	47,622	48,129	47,499	46,152
North America	24,731	24,808	24,172	27,494
Asia	14,770	14,257	15,136	15,496
Latin America	9,542	10,658	9,664	10,548
Other markets	929	1,170	1,809	1,861
Group	**97,593**	**99,021**	**98,280**	**101,550**

The following table sets forth the number of employees of the Group (headcount) by function as of the dates set out in the table below.

	Active workforce as of			
	December 31, 2018	**December 31, 2019**	**December 31, 2020**	**September 30, 2021**
Production and logistics	64,783	65,706	65,637	69,001
Marketing, sales and service	20,467	20,611	20,263	20,134
R&D	4,900	5,165	5,100	5,045
Other areas	7,443	7,540	7,280	7,371
Group	**97,593**	**99,021**	**98,280**	**101,550**

There has been no material change in the average number of employees in the period from September 30, 2021 until the date of this Prospectus.

10.14.2 Trade Unions and Collective Bargaining

Many Group companies are members of employers' associations of the automobile industry and/or the metal and electronics industry. Since these industries tend to be highly unionized, the Group also acknowledges that many of its employees are organized in country-specific union organizations. In most countries in which the Group operates it is bound by collective bargaining agreements with trade unions (particularly in Germany, U.S., Mexico, Brazil and in other locations), which cover various basic terms and conditions of employment and deal with or include provisions on, *inter alia*, remuneration (*e.g.*, pay-scales for different staff groups, including minimum wage guaranties, salary increases, income protection in case of individual employees' performance reduction at a certain age *e.g.* due to sickness, surcharges (*Zuschläge*)), working time (*e.g.*, regular working time, short-time, work, working time accounts), employee benefits and allowances (*e.g.*, sick pay, holiday pay, Christmas pay, overtime pay, holiday and leave entitlements, medical insurance), restrictions with regard to dismissals (*e.g.*, in respect of employees from a certain age/job tenure or union representatives, such as in the U.S., in respect of union representatives), notice periods, cut-off periods for claims, rights to reinstatement, partial retirement (*Altersteilzeit*), obligations to offer employment to apprentices, establishment of joint arbitration committees, recruitment and training processes (*e.g.*, obligations to hire internal job applicants in case of equal qualification).

In various countries employee representative bodies have been established which enjoy various information, consultation and certain co-determination rights in relation to social, personnel and economic matters. For example, in Germany several works councils, as well as economics committees (*Wirtschaftsausschüsse*), speakers' committees for executive employees (*Sprecherausschüsse*), youth and apprentices representative bodies as well as representative bodies for severely disabled employees exist which together enjoy a broad range of information and consultation rights relating especially to personnel, social and economic matters, including with regard to dismissals, compensation and benefits schemes and in connection with planned restructurings or redundancies. Also, special joint works councils (*Gemeinschaftsbetriebsräte*) which jointly represent employees of Daimler Truck AG and other companies, in particular of Daimler AG and of Mercedes-Benz AG, were set up pursuant to collective bargaining agreements on works council structure. On an international level, the Group is planning to establish employee representation bodies such as a European works council and a world employee committee which will have information and consultation rights in relation to certain transnational matters, similar to those currently in place at the Daimler Group. In addition, some Group companies are subject to employee co-determination at supervisory board level. At Daimler Truck AG and at EvoBus GmbH, half of the members of their respective supervisory board are employee representatives (*i.e.*, employees and union representatives) who are elected by the workforce.

Collective agreements entered into with works councils and other employee representative bodies govern—in addition to the existing collective bargaining agreements with trade unions—a broad range of employment conditions and other collective matters at the Group companies where such bodies have been established, *e.g.* in Germany. Moreover, in addition to applicable protections under collective bargaining agreements, these agreements among other topics also provide for protection of employees as well as for enhanced information and consultation rights of employee representatives, for example in connection with lay-offs, restructurings, reorganizations and other corporate actions. For example in Germany, there are so-called framework social plans (*Rahmensozialpläne*) in place obliging the employer to pay certain minimum severance amounts in case of redundancies and relocation allowances in case of relocations. Site guarantees (*Standortsicherungen*) have been agreed in principle for all own retail dealerships (*Niederlassungen*) as well as for the truck stores in Bremen, Recklinghausen, Köngen and Munich. Until the end of 2022 the protected sites must not be sold or shut down and other reorganizations of the sites are also restricted. A similar site guarantee has been agreed for the headquarter of the Mercedes Benz Vertriebsorganisation Deutschland in Berlin/Brandenburg which applies until the end of 2025.

There is also a collective agreement in place for the operation in Mannheim (Daimler Truck AG), providing, among other things, for commitments to manufacture certain products at this site until the end of 2031 and to extend and renovate existing facilities. Similar commitments based on works council agreements also exist for other sites which cover, for example, the transformation of individual sites to centers of competence for certain components or technologies and a commitment which is valid until the end of 2029 that certain future vehicles will be manufactured at the site in Wörth. In addition, works council agreements have been concluded in Germany on the securing of the Group's future (*Zukunftssicherung*) which generally exclude dismissals for operational reasons until the end of 2029 for the German workforce. These agreements also stipulate specific information and consultation obligations *vis-à-vis* the employee representatives in the supervisory board in relation to planned transactions and enhanced information and consultation obligations *vis-à-vis* the economics committee, *e.g.,* in relation to new products or technologies to be introduced. Further commitments on the protection of employment exist for other locations. For certain sites in the U.S. the Group is, *inter alia*, under a contractual obligation towards the unions to build a certain number of trucks which effectively guarantees a minimum headcount and which is in effect until 26 April 2024.

The Group estimates that, apart from the above-mentioned temporary protection pursuant to the works council agreements on the securing of the Group's future, approximately 2,400 of the Group's employees in Germany enjoy some form of special protection against dismissal, not only due to explicit commitments by the employer or under collective agreements, but also for other reasons, in particular due to statutory or contractual provisions regarding, *inter alia*, dismissal protection in connection with maternity, parental leave, disability or works council membership.

The applicable collective agreements restrict the Group's flexibility to make adjustments to its workforce, to reduce its labor costs and to implement reorganization, restructuring or similar corporate measures, even where the Group's management has concluded that such actions are necessary in light of economic conditions or market developments and where the failure to do so, or the failure to do so in a timely manner (in particular, compared to the Group's competitors) could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The Group may also become subject to new collective agreements, including regular wage increases under industrywide collective bargaining agreements, which may increase the Group's operating costs.

10.14.3 Remuneration Structure

In general, most of the Group's employees receive a fixed gross monthly salary and are often entitled to additional payments (*e.g.*, surcharges, performance bonuses, allowances and rewards for helpful suggestions and inventions) and benefits (*e.g.*, holiday pay, accident insurance, company car and medical examinations), among other reasons, due to the aforementioned collective agreements.

Moreover, depending on their contract and position, some employees may also be entitled to substantial amounts of variable remuneration, based on the fulfilment of personal, company, and long-term incentive targets.

In some countries, profit-sharing programs exist, entitling employees to receive a certain percentage of the local operating unit's profits.

10.14.4 Pension Plans and Retirement

Depending on the situation in the specific countries, the Group grants its employees' pension and similar long-term benefits in the form of defined benefit pension plans as well as defined contribution plans in various countries. Though the Group has reserved plan assets that can be offset against the corresponding pension liabilities on the balance sheets, a substantial part of the pension obligations and other similar long-term employee benefits-related obligations is underfunded pursuant to IFRS standards, which means that as the case may be ongoing pension and long-term employee benefits-related obligations may have to be financed out of the Group's cash-flow when coming due or additional contributions of assets into the schemes may become required. The funding ratio (*i.e.,* the ratio between pension obligations and the fair value of plan assets) depends on the development of both parameters.

As of September 30, 2021, the Group's defined benefit obligation (DBO) from pensions and other similar employee benefits-related obligations amounted to EUR 8,010 million. The fair value of plan assets for the funding of such obligations as of September 30, 2021 amounted to EUR 5,880 million. Accordingly, as of September 30, 2021, the net liability for defined benefit plans recognized in the consolidated balance sheet of the Group was EUR 2,130 million. These figures do not reflect changes resulting from: (i) an additional funding in the amount of EUR 250 million which has already been approved and was provided to the Group by the Existing Shareholder in the context of the Demerger Transactions and (ii) regular service costs contributions as well as reimbursements for pensions paid which are in general made in the fourth quarter of a calendar year.

In Germany, the Group provides pension benefits through various pension plans including fully active plans as well as certain legacy plans which were closed for new entries but continue to apply to the original beneficiaries. Certain plans are solely sponsored by the employer while other plans provide for benefits resulting from salary conversion by the employees.

The main employer-sponsored active pension plans which are in operation in Germany are the Daimler Pensions Plan, Daimler Pensions Plan LFK, Evo Pensions Plan and Evo Pensions Plan (LFK). Depending on their hierarchical level, employees who joined EvoBus GmbH from March 1, 2011 onwards participate in the Evo Pensions Plan or Evo Pensions Plan (LFK). As regards Daimler Truck AG, employees, other than senior employees, who joined from March 1, 2011 onwards participate in the Daimler Pensions Plan while senior management who joined or were appointed from January 1, 2012 onwards participate in the Daimler Pensions Plan LFK. Under these pension plans, the employer makes contributions the amounts of which in general depend on the salary group in case of the general staff respectively the individual salary in case of senior managers and which are converted into fictional fund shares before crediting into the respective employee's pension account (*Versorgungskonto*). The value development of the pension account depends on the development of the fictional fund shares. When the pension obligations become due, the account balance on the individual employee's pension account, at least in the amount of the aggregate contributions made by the employer which is guaranteed under the plan conditions, will be paid out to the employee as life-long annuity, in annual instalments or as a lump sum. In the event of disability or death, additional benefits going beyond the actual value of the pension account will be granted to the beneficiaries.

In addition, Daimler Truck AG pays monthly contributions into an employer-financed direct insurance on the basis of a collective bargaining agreement.

In the U.S. pension benefits are also granted under a variety of pension plans. The majority of active defined benefit plans are sponsored by the employees and partially matched by employer contributions while most purely employer-sponsored defined benefit plans are closed for new entries and/or further accruals. In general, the U.S. plans provide for retirement and disability benefits. As of 2020, the Pension Benefit Guarantee Corporation's ("**PBGC**") funding target attainment percentage for all of the Group's defined benefit plans was above 80% and, accordingly, no filing of certain financial and actuarial information with PBGC was required.

Defined benefit plans in Japan are mostly frozen so that no significant new entitlements can be earned under these plans.

10.15 Sustainability

Sustainability is an integral part of the Group's business strategy. The Group believes it can only remain successful over the long-term if it conducts its business operations responsibly. By doing so, the Group seeks to generate economic, environmental and social added value for all of its stakeholders: customers, employees, investors, business partners, and society as a whole.

The demand for trucks and buses is expected to continue to grow as global economic growth drives the need for transportation of goods and passengers. That potential growth also presents a key challenge. The Group believes that such growth in transport cannot occur sustainably with existing technologies and existing working processes but must be based on a sustainable business strategy.

Upon completion of the Spin-off, the Group plans to continue its efforts that were decided as part of the prior Daimler AG sustainable business strategy, but also intends to refocus its activities and ambitions more specifically on the worldwide truck and bus business. Accordingly, sustainability will continue to be an integral part of the Group's business strategy. The Group's sustainability activities will be based on global guidelines such as the UN Sustainable Development Goals, the UN Global Compact Guiding Principles and the UN Charter on Human Rights along the ESG areas. The Group undergoes private ESG corporate assessments by third party ESG consultants as part of its broader ESG commitment. The Group also seeks to address the needs of external and internal stakeholders while adapting to global sustainability trends.

To this end, the Group will focus even more intensely on sustainability by taking environmental aspects, the societal impact of its activities and its corporate governance values into account when formulating its business strategy. The Group wants to drive transformation of the industry towards efficient and emission-neutral transportation by advancing innovative and sustainable transportation safely and responsibly and seeing sustainable corporate governance at the heart of its leadership.

10.15.1 Environment

Sustainable products

The Group aims to offer only new vehicles in Europe, North America and Japan that are CO_2 neutral in driving operation (tank-to-wheel) by 2039. Fully CO_2-neutral transport only works based on electric powertrains, and accordingly, the Group is developing two kinds of electric vehicles: battery-powered, where batteries are charged with electricity, and hydrogen-powered, which are fueled by hydrogen, stored in tanks, and converted into energy by fuel cells.

As of Autumn 2021, the Group has started the series production of its fully battery-electric heavy-duty truck, the eActros. With the eCitaro, the Group already has a fully battery-electric bus already in series production. The Group is making significant investments in its Portland manufacturing plant as it prepares for production of the Freightliner eCascadia and eM2, its first battery-electric medium- and heavy-duty trucks planned for the start of series production in 2022. The Group will continue to expand its technology path in the future and explore the potential of different battery technologies and charging options. Given the importance of ensuring the right infrastructure is in place to support these CO_2-neutral trucks on the road, the Group plans to work with other leading commercial vehicle manufacturers to establish a high-performance charging network across Europe. The joint aim of these efforts is to initiate and accelerate the build-up of charging infrastructure in order to enhance customer confidence and to support the EU's planned transformation to climate-neutral transportation by 2050.

In the second half of the decade, the Group aims to expand its series production portfolio to fuel-cell electric trucks. Together with Volvo as part of the joint venture cellcentric, the Group intends to develop, manufacture and market series production-ready fuel-cell electric systems for use in heavy-duty commercial vehicles and other applications. To jointly drive the adoption of hydrogen-based fuel cell trucks in Europe, the Group recently entered a strategic partnership with Shell. With this partnership the Group plans to support the decarbonization of road freight by building-out hydrogen-refueling infrastructure and placing fuel cell-powered trucks in customers' hands.

Sustainable production and resource conservation

Another goal is to transform the Group's value chain into a value cycle. This is because even as the global demand for mobility tends to increase, the availability of resources is expected to decline. In particular, the Group is seeking to increasingly decouple resource consumption from production growth, for instance by closing material cycles, making the Group's processes more efficient, and increasing the share of recycled materials in the Group's products.

The Portland (U.S.) manufacturing plant is setting the course for the Group's green production in the U.S. with its achievement of carbon neutral production at the end of last year by means of reduced energy consumption and the offset of on-site emissions. Shutdowns and adjustments to production volume related to the Covid-19 pandemic also contributed to an overall reduction in energy consumption at the Portland manufacturing plant of approximately 22%. It is the first vehicle manufacturing plant to have achieved CO_2 neutral production in the global Daimler Truck network. ISO 50001 (energy management standards) at the Group's major truck plants in Europe is expected to ensure further improvement in energy efficiency.

The Group's German and European truck and bus plants are intended to have a CO_2-neutral energy supply by 2022. The Group plans to make all of its production plants in the U.S. CO_2-neutral by 2025 and in the rest of the world by 2039.

Electricity supply agreements for "green electricity" in the Group's plants in Germany and Portland from January 2022 onwards are also expected to make a significant contribution to the Group's sustainability goals. The agreements help ensure CO_2-free electricity procurement and support CO_2-neutral energy supply. This green electricity is generated 100% from renewable energy sources (solar, hydroelectric and wind power).

The Group promotes and advances sustainability in its supply chain by expecting its suppliers to comply with the regulatory climate protection requirements applicable in their respective jurisdiction and for their respective business.

In addition to CO_2 reductions and green production practices, the Group's sustainability goals also include resource conservation. The Group has been able to reduce its energy and water consumption and waste for disposal per vehicle produced across all segments over the last several years.

10.15.2 Social

Traffic Safety & Connected Vehicles

The Group's sustainable business strategy includes the vision of accident-free driving as a potential major contribution to society. For the Group, accident-free driving means comprehensive protection for all road users. In order to make this vision a reality, alongside its existing top safety features within its vehicles, the Group is focusing on the further development of its driver assistance and autonomous driving systems in particular. The Group's dual-track strategy for autonomous driving includes investing in both its partnership with Waymo and its own in-house research on autonomous driving via its subsidiary Torc.

From a sustainability perspective, autonomous driving technology, in particular SAE Level 4 (the most advanced level, which will eliminate the need for drivers) offers considerable advantages in many areas. SAE Level 4 trucks, once they are commercially deployed, are expected to contribute significantly to safer roads and more sustainable transport solutions. SAE Level 4 trucks can also improve efficiency and productivity, among other things through higher utilization of the vehicles due to the absence of drivers.

The Group is continuously seeking to advance the digitalization of its commercial vehicles. Many customers already take advantage of the benefits offered by the Group's connected services, such as increased availability and efficient repair and maintenance management, which advance sustainability goals by reducing fuel consumption and increasing the efficient usage of each vehicle. Fully connected vehicles can anticipate repair and maintenance requirements and provide recommended courses of action in real time by continuously monitoring the status of vehicle systems and optimizing route planning to reduce fuel costs, *e.g.*, via the Group's FleetBoard Connectivity Platform.

Data Responsibility

Consistent data responsibility is also an integral part of all of the Group's business activities, including with its employees. Connectivity, digitalization, and the ability to process large amounts of data are becoming increasingly important for the Group. The Group prioritizes the responsible handling and protection of such data as part of its vision of mobility which includes the protection of individuals' privacy. To that end, the Group prioritizes compliance with the GDPR and other applicable data protection regulations in the markets in which it operates. It also designs products and services with the needs of customers in mind and strives to ensure that customer data is managed responsibly.

Human Rights

The Group aims to ensure that human rights are respected in its own business units, as well as by business partners and suppliers. This commitment stretches from the mine where raw materials are extracted, via the processing companies, and all the way to the Group's own production plants, sales organization, and customers. That is why the respect of human rights is a fundamental component of responsible corporate governance for the Group. Motivating factors for this commitment include the new challenges associated with the expansion of e-mobility. More specifically, there are concerns throughout society that the raw materials needed to manufacture electric vehicles might possibly be obtained under conditions that violate human rights. Wherever appropriate, the Group strives to work together with various associations, organizations, and competitors to promote the responsible procurement of raw materials.

The Group is also firmly committed to the UN Guiding Principles on Business and Human Rights and the German government's National Action Plan for Business and Human Rights. The principles contained in these documents collectively require that potential or actual negative impacts on human rights within business activities are prevented or mitigated and adequate processes to exercise due diligence are established.

Human Resources

The Group aims to be a highly attractive employer. To achieve this goal, the Group has a number of initiatives and activities for all employees that it aims to continually enhance, including by maintaining a strong focus on diversity and inclusion as well as on health and safety of its employees. Respecting data privacy in this context is also one of the Group's daily goals. The Group actively engages in training its employees to be ready for all tasks related to the ongoing transformation of its business for the future. This is supported by the Group's "Digital Readiness Program" which aims at creating a common foundation of understanding and empowering employees to collaborate and master digital business transformation.

10.15.3 Governance

Governance Structure

The Group's management and organizational structures are intended support its sustainability goals with a strong sustainability governance by establishing clear lines of responsibility for its sustainability activities within all business divisions.

Building on the strong sustainability governance of Daimler AG, the Group's central management and decision body for all sustainability issues is incorporated at the Management Board level as a Sustainability Board. The CEO is explicitly responsible for sustainability matters of the Group. A Sustainability Committee at the upper management level is expected to coordinate all working and strategic activities on ESG matters while also including representatives of all business units. Further working groups are planned to be established and managed by representatives from various departments, including Research & Development, Production, Procurement, Group Strategy, Human Resources, Finance & Accounting, External Affairs and Group Communications. Details of these functions and roles are in the course of being established. A Steering Committee for sustainability matters is planned to have direct access to the Sustainability Board on a Management Board level. Within the Legal & Compliance department, a dedicated department for ESG handles governance matters for the Group's sustainability efforts.

Compliance

Part of a strong corporate governance model is also a strong and effective compliance management system. Please see "*10.16 Risk Management and Compliance*."

10.16 Risk Management and Compliance

The Group employs a risk management system designed with the intent to systematically and continually identify, assess, control, monitor and report on risks threatening the Group's existence and other material risks jeopardizing the Group's success, in order to support the achievement of corporate targets and to enhance risk awareness at the group. This risk management system is integrated into the value-based management and planning system of the Group and is a fixed component of the overall planning, management and reporting process in the Group's companies, segments and corporate functions.

Responsibility for operational risk management and for the risk management processes lies with the Group's segments, corporate functions, organizational entities and companies. These report on the specific risks and opportunities to the next-higher level unit on a regular basis. Significant, unexpected risks are required to be reported on immediately. Through the segments, this information is passed on to Group-level risk management for reporting to the Management Board and the Supervisory Board. The Group's Risk Management Committee ("**GRMC**") is responsible for the continual improvement of the risk management system and for assessing its efficiency and effectiveness. The GRMC is composed of representatives of Accounting & Result Management, Legal and Compliance and the CFOs of the segments. It is chaired by the Management Board member of the Group responsible for Finance & Controlling. The Internal Auditing department contributes material findings on the internal control and risk management system.

The Legal and Compliance function is combined in a single executive division at the Group level. The Legal and Compliance function supports all of the Group's corporate units to embed these topics into daily business routines. The Group has also instituted a Compliance Management System ("**CMS**") consisting of the following pillars:

- Compliance values. The Group expects employees to comply with laws and regulations and to put the Group's values into practice. These elements are defined in the Group's Integrity Code.
- Compliance objectives. The central objectives of the Group's compliance activities are respect for and protection of human rights, compliance with anti-corruption regulations, the maintenance and promotion of fair competition, the compliance of the Group's products with technical and regulatory requirements, adherence to data protection laws, compliance with sanctions and the prevention of money laundering and terrorist financing.
- Compliance organization. The Group's compliance and legal affairs organization is structured divisionally, regionally and along the value chain. The Group's Compliance Board provides guidance regarding overarching compliance topics and monitors activities to see whether the Group's compliance measures are effective. The Board's mission is to react promptly to changes in business models and the business environment, deal with regulatory developments and continuously enhance the Group's CMS. The Compliance Board consists of representatives of the compliance and legal affairs departments. It generally meets twice a year with additional meetings for cause and is chaired by the Chief Compliance Officer.
- Compliance risks. The Group examines and evaluates Group companies and corporate departments systematically on a regular basis in order to minimize compliance risks. The results of these analyses are the foundation of the Group's compliance risk control.
- Compliance program. The Group's compliance program comprises principles and measures that are designed to minimize compliance risks and prevent violations. Individual measures are based on the knowledge gained through the Group's systematic compliance risk analysis.
- Communication & training. The Group conducts ongoing knowledge sharing and an open dialog with employees to ensure compliance in the Group.
- Monitoring & improvement. The Group monitors the processes and measures of its CMS annually and conducts analyses to find out whether measures are appropriate and effective. It also monitors processes regularly on the basis of metrics such as the duration and quality of individual processes.

In addition, the Group maintains a whistleblower system through its Business Practices Office which allows any employees, business partners or external whistleblowers to report misconduct anywhere in the world at any time. The Group also actively monitors the specific areas of compliance with further targeted measures. For anti-corruption compliance, the Group has a specific compliance program based on the Group-wide CMS. For technical compliance and adherence to regulatory requirements related to the product creation and approval process, the Group has a Technical CMS in place to provide guidance to employees. The Group has addressed the growing importance of connectivity, digitization and corresponding regulatory requirements such as the EU's GDPR with data compliance measures with a Data CMS. The Data CMS supports the systematic planning, implementation and monitoring of compliance with data protection requirements. KPMG audited the compliance management systems of Daimler AG for corruption prevention, antitrust and technical compliance in accordance with the Assurance Standard 980 of the Institute of Public Auditors in Germany. These audits were successfully completed at the end of 2016 (antitrust compliance), 2019 (anti-corruption compliance) and 2020 (technical compliance). The audit of design appropriateness of the Group's Data Compliance Management System was also successfully completed by KPMG in 2019. Furthermore, in 2021, KPMG has re-audited the Group's Antitrust Compliance Management System for Daimler AG. The aforementioned assurance engagements were conducted by KPMG for Daimler AG, however, selected subsidiaries of the Daimler Truck Business have been part of these engagements during the decentralized audit.

To ensure compliance by sales partners and suppliers, the Group also has a set of business partner compliance in place, including a Sales Business Partner Due Diligence Process to identify possible integrity violations. The Group's procurement units also work to continuously improve processes for selecting and cooperating with suppliers. To address anti-financial crime laws and regulations, the Group uses an integrated compliance approach by checking against current sanctions lists prior to implementing measures to prevent money laundering and terrorist financing.

To ensure that human rights are respected and upheld at Group companies and at suppliers, the Group conducts risk-based and systematic monitoring. The Group uses a due diligence approach to monitor human rights risks within Group companies, at the Group's direct suppliers (tier 1) and at suppliers beyond the tier 1 level on the basis of potential risks. The results of the risk analysis are incorporated into the development of targeted measures for minimizing human rights risks.

10.17 Legal and Administrative Proceedings

The Group is and may become involved in legal proceedings during the ordinary course of its business activities, both as a plaintiff and as a defendant, including in governmental, regulatory, administrative, civil, labor and other matters.

Other than as described below, the Company and its subsidiaries are not, and have not been in the previous 12 months, subject to any governmental, legal or arbitration proceedings, including any such proceedings which are pending or threatened of which the Company or the Group is aware, which may have, or have had in the recent past, significant effects on the Company and/or the Group's financial position or profitability.

10.17.1 Antitrust Proceedings

In 2011, following an immunity application by a European truck manufacturer, the European Commission carried out unannounced inspections at the premises of several truck manufacturers, including Daimler AG's truck business. In 2014, it initiated antitrust proceedings regarding suspected anti-competitive practices in the European truck sector. In July 2016, the European Commission issued a settlement decision (the "**Settlement Decision**") against Daimler AG as the then-parent entity of the Group and four other European truck manufacturers for their participation in anticompetitive behavior in violation of European antitrust rules by means of collusive arrangements on pricing and gross price increases for medium- and heavy-duty trucks in the European Economic Area, and the timing and the passing on of costs for the introduction of emission technologies for medium- and heavy-duty trucks required by EURO III to VI standards. The European Commission found that Daimler AG participated in the relevant arrangements from January 17, 1997 to January 18, 2011 (the "**Period of Infringement**"). Daimler AG, along with four other truck manufacturers, was fined in the Settlement Decision. The individual fine imposed on Daimler AG amounted to EUR 1.09 billion. The fine has been paid in full. One European truck manufacturer decided not to settle the case with the European Commission and was fined in a separate decision by the European Commission, which it has since appealed to the General Court of the European Union. The appeal is still pending.

10.17.2 Related Follow-on Damages Claims

Many direct and indirect truck customers have claimed damages for any damage allegedly suffered as a result of the anticompetitive behavior in various jurisdictions against Daimler AG and the other truck manufacturers after the Settlement Decision had been issued.

Generally, Daimler AG and the other European truck manufacturers who were involved in the anticompetitive practices may have to compensate damages arising from their anticompetitive behavior. As a result of a preliminary ruling by the Court of Justice of the European Union also further entities, which form or formed part of a single economic undertaking with Daimler AG or the Group, may be held liable for such damages. The general approach for the calculation of damages is to consider the overcharge in relation to the respective product, *i.e.* the difference between the price actually paid by the customers for purchased or leased trucks and the price that would have prevailed in the absence of the anticompetitive behavior, together with interest. While a customer claiming damages generally bears the burden of proof in relation to the existence and the actual amount of such overcharge, customers may benefit from certain facilitations of evidence under the applicable procedural rules.

The damage claims could result in substantial liabilities for the Group, including as a result of the Group indemnifying Daimler AG for liabilities attributable to the business of the Group as well as significant costs expended for defense measures, which may have a material adverse effect on its operations and, financial condition. In addition, such proceedings entail a significant reputational risk for the Group.

During the Period of Infringement, Daimler AG's truck business sold a substantial number of medium- and heavy-duty trucks in member states of the European Economic Area.

As of the date of this Prospectus, in total approximately 68,000 customers have already claimed damages against Daimler before courts, as well as out of courts. The claims relate to several hundred thousand trucks sold by the Group. Approximately 1,800 lawsuits are currently pending before courts against Daimler AG and/or the Group, including *inter alia* lawsuits filed in Germany, the United Kingdom, the Netherlands and Spain. These numbers do not include payment orders, passive third-party notices, and pre-action disclosure cases. While, particularly in Spain, a large number of individual claims were filed, truck customers in various jurisdictions have initiated or joined lawsuits against Daimler AG or other truck manufacturers or assigned their claims to claim aggregators. It can be expected that further truck customers will initiate proceedings and/or join class actions in some jurisdictions. The value of the claims (*Streitwerte*) differs significantly, as some only relate to a small number of trucks allegedly concerned by the anticompetitive practices, while others concern a much greater number.

10.17.3 Private Follow-on Litigation in Key Jurisdictions

In Germany, as of the date of this Prospectus, almost 500 lawsuits are pending before national courts, relating to more than one hundred thousand trucks of the Group. The largest lawsuits have been lodged by financialright claims GmbH and DB Competition Claims GmbH in their respective capacity as claim aggregators. These largest lawsuits comprise claims by approximately 4,000 customers of the Group including approximately 67,000 trucks purchased or leased from the Group since 1997. Notably, the claim aggregator financialright claims GmbH has combined the damages claims of a large number of customers in two major lawsuits. They include, *inter alia*, the Bundesverband Güterkraftverkehr Logistik und Entsorgung (BGL) e.V. in relation to trucks, *inter alia* purchased or leased from the Group since 1997. Its declaratory action dated December 21, 2017 has been dismissed by the Regional Court of Munich due to invalidity of the claim aggregation model under national laws on the provision of legal services and is currently pending before the Higher Regional Court of Munich as the claimant has appealed this decision. Furthermore, on December 14, 2018, financialright claims GmbH in cooperation with the Bundesverband Güterkraftverkehr Logistik und Entsorgung (BGL) e.V. lodged a second damages claim with the Regional Court of Munich I combining a large number of further claims for compensation for leased or purchased trucks, including from the Group. Furthermore, the claim aggregator DB Competition Claims GmbH, a subsidiary of Deutsche Bahn AG, has filed a lawsuit concerning *inter alia* trucks from the Group, which is pending before the Regional Court of Munich I. There are further claim aggregators which have lodged damage claims relating to less than 10,000 trucks of the Group each. Also, Deutsche Post AG has lodged a claim, mainly in relation to indirect damages allegedly suffered attributable to services which it has sourced from sub-contractors. In addition, there are a number of proceedings involving a smaller number of trucks from the Group pending before other regional courts. In Germany, as of the date of this Prospectus, there are no legally binding (*rechtskräftig*) judgements issued in favour of claimants against Daimler and/or the Group. Certain legally binding judgements dismiss lawsuits against Daimler and certain lawsuits were withdrawn by the claimants. Several regional courts have, in the first instance, decided in a declaratory judgement (*Feststellungsurteil*) or a judgement on the merits (*Grundurteil*) that Daimler is generally liable for unquantified damages. Daimler has appealed these judgements, including any decisions dismissing its appeals. So far, the Federal Court of Justice has referred all cases back to the original courts for renegotiation. In some instances, the courts have dismissed cases for technical reasons, such as a lack of substantiation or violation of national laws regarding the provision of legal services. A preliminary ruling proceeding is currently pending with the Court of Justice of the European Union addressing the question whether certain special and customised vehicles are also in scope of the European Commission's decision dated July 2016. The European Commission's decision would then include several thousands of additional special and customised vehicles globally.

In the Netherlands, as of the date of this Prospectus, approximately 50 lawsuits were filed against Daimler and/or the Group and are currently pending before courts. Certain of these lawsuits, including combined claims of the claim aggregators Stichting Trucks Cartel Compensation and Retail Cartel Damages Claims S.A., were formally joint by the District Court of Amsterdam in May 2019. In May 2021 the District Court of Amsterdam issued an interim judgement according to which the claim cannot be already dismissed at the current stage but a substantiation of the damages suffered by the claimants is still outstanding. Certain more recent claims were then also joined in March 2020 in a second batch. Certain other claims which were filed afterwards have not been joint with the others yet. Further, in September 2020, a class action against another European truck manufacturer has been filed. The claim has no direct consequences for Daimler and/or the Group but may, however, serve as a precedent for later proceedings once a judgement has been handed down.

In the United Kingdom, less than 20 lawsuits were filed in relation to trucks of the Group before London courts. Additionally, more than 20 lawsuits were filed in Scotland and one in Northern Ireland. Furthermore, two applications to commence collective proceedings (class actions) were filed at London courts: one brought by Road Haulage Association (opt-in class action, i.e. claimants need to take active steps to join the class), and the other by UK Trucks Claim Limited (opt-out class action, i.e. claimants are automatically part of the class but may opt out, alternatively opt-in class action, in relation to all medium- and heavy-duty trucks sold in the UK between January 1997 and January 2011). The Group currently expects that the Competition Appeal Tribunal will announce its decision in relation to these two applications in the fourth quarter of 2021. Subject to the outcome of such first instance decisions, the Group intends to vigorously defend any decision certifying claims for inclusion in collective proceedings. The Group sold up to 85,000 trucks in the United Kingdom during the infringement period. Although neither Daimler nor the Group are a respondent to the application brought by Road Haulage Association, Daimler filed an application to intervene, which will be adjourned until after the Competition Appeal Tribunal has given judgement on the inclusion of the claims in collective proceedings.

As of the date of this Prospectus, in Spain, the number of lawsuits pending before courts in relation to trucks of the Group amounts to more than 1,000, the majority of which are individual lawsuits. First instance decisions have been rendered in more than 300 proceedings. A number of these cases have been dismissed, including some judgements that are already legally binding. In more than 250 cases, the claims were at least partially upheld in the judgement. All these judgements are appealed or Daimler and/or the Group are considering appealing such judgements where this is legally permissible. Only in two cases, where the claims have been upheld in the first instance the judgement became legally binding. There are already judgements of the courts of the first instance, sentencing Daimler to compensate for damages, which have been dismissed by the court of appeal in a legally binding decision. All appeal decisions upholding the claims against Daimler have been appealed or Daimler and/or the Group are considering appealing these, in case legally permissible. While the number of lawsuits in Spain is comparably high, the number of trucks per lawsuit is significantly lower than in the other jurisdictions outlined above. Notably, a Spanish law firm acts for several claimants and has already filed several hundred lawsuits. Further, the law firm announced several thousand individual claims against Daimler and other truck manufacturers.

Another application for certification of a class action is currently pending in Israel before the District Court of Lod. As for the United Kingdom, the class has not been certified as of the date of this Prospectus.

Other jurisdictions with claims pending in national courts in which Daimler and/or the Group is involved, include (as of the date of this Prospectus) in particular: Austria, Belgium, Denmark, Estonia, France, Hungary, Ireland, Italy, Lithuania, Norway, Poland, Portugal, Romania and Slovakia.

In some cases, national courts have already handed down judgements, some dismissing the claims, but some given against Daimler.

10.18 Material Contracts

10.18.1 Credit Facilities Agreement

On August 6, 2021, Daimler Truck Holding AG (as guarantor effective upon the Demerger Transactions Effective Date) and Daimler Truck AG (as borrower and guarantor) and further subsidiaries of the Group entered into a German law governed EUR 18 billion credit facilities agreement with BNP PARIBAS, Citibank N.A. London Branch, Deutsche Bank AG Luxembourg Branch and JPMorgan Chase Bank N.A. London Branch acting as underwriters, and BNP PARIBAS, Citibank N.A. London Branch, Deutsche Bank AG and J.P. Morgan AG acting as coordinators, bookrunners and mandated lead arrangers, with Deutsche Bank Luxembourg S.A. acting as facility agent, and Deutsche Bank Trust Company Americas acting as swingline agent for the Canadian currency and the U.S. currency (the "**EUR 18 Billion Credit Facilities Agreement**"). The original borrowers under the EUR 18 Billion Credit Facilities Agreement are Daimler Truck AG, Daimler Truck International Finance B.V., Daimler Trucks Finance North America LLC and Daimler Trucks Finance Canada Inc., whereby Daimler Truck Holding AG and Daimler Truck AG act as joint and several guarantors thereunder.

Under the EUR 18 Billion Credit Facilities Agreement, the facilities available include a EUR 13 billion term loan facility (the "**Bridge Facility**") and a EUR 5 billion multicurrency revolving credit facility (the "**Revolving Credit Facility**") which includes a CAD and a USD swingline facility with shortened drawing notice periods. The swingline facilities can be used in an amount of up to CAD 250 million or, as the case may be, USD 750 million. The Bridge Facility can be used for general corporate purposes, including the financing or refinancing of the acquisition of assets and business from Daimler AG and its subsidiaries in connection with the spin-off. The Revolving Credit Facility may be used for general corporate purposes. The swingline facilities can be used for the refinancing of any notes or other instruments maturing under any CAD or USD commercial paper program of a member of the Group, however, excluding any repayment or prepayment of another CAD or USD swingline loan.

A draw-down under both facilities will be possible after the fulfillment of the relevant conditions precedent (which include, *inter alia*, evidence of the registration of the Spin-off and the Hive Down in the commercial register of Daimler AG as the transferring entity and the registration of the Capital Increase Against Contribution in Kind III in the commercial register of the Company). The availability period during which any draw-downs can be made will start from the earlier of (i) the date falling three months after the signing date (*i.e.* November 6, 2021) and (ii) the Spin-off effective date (the "**Start Date**"). The Spin-off effective date is the later of the date on which (i) the Spin-off is registered in the commercial register (*Handelsregister*) of Daimler AG as the transferring entity (*übertragender Rechtsträger*), (ii) the Hive-Down is registered in the commercial register (*Handelsregister*) of Daimler AG as the transferring entity (*übertragender Rechtsträger*) or (iii) the Capital Increase Against Contribution in Kind III is registered in the commercial register of the Company. The Bridge Facility has an initial term of twelve months from the Start Date with an option for Daimler Truck AG to exercise up to two extensions of six months each, each of which may be exercised in the free discretion of Daimler Truck AG, provided, however, that the Bridge Facility may only be utilized until the date falling seven months after the effective Spin-off date.

The Revolving Credit Facility (with the accompanied swingline facilities in CAD and USD) will be available for five years from the Start Date and is also subject to the exercise of two extension options. The first extension option in relation to the Revolving Credit Facility can be exercised prior to the first-year anniversary of the Start Date and such extension will be for one year. The second extension option in relation to the Revolving Credit Facility can be exercised prior to the second anniversary of the Start Date. In connection with the second extension option Daimler Truck AG may request an extension of the term of the Revolving Credit Facility loans by (i) a further year, in case of lenders who have consented to the first extension option or (ii) one or two years, (A) in case of any lenders who have not consented to the first extension option or (B) in case no first extension request was delivered. Each revolving lender is free to decide whether or not it is willing to agree to such extension of the Revolving Credit Facility. In any event, the termination date for the Revolving Credit Facility shall not be extended beyond the date falling seven years after the Start Date and no more than two extension notices shall be delivered in this respect.

The loans will bear interest at a variable currency-related reference rate (EURIBOR, CDOR or, as the case may be, LIBOR) plus a margin per annum. For purposes of the Bridge Facility, the margin will periodically increase from the Start Date. The margin for a revolving loan will depend on the credit rating assigned to Daimler Truck AG by Moody's and Standard & Poor's and/or by any other internationally recognized rating agency. The EUR 18 Billion Credit Facilities Agreement also provides for a rate switch mechanism pursuant to which the refence rate (including LIBOR) for any risk-free rates currencies (including USD) will be changed to a risk free rate (SOFR in case of USD) upon the occurrence of certain rate switch trigger events. A rate switch trigger event is given, *inter alios*, in case the relevant screen rate is discontinued or is no longer used or if LIBOR is declared to no longer be representative of the underlying market or the economic reality. In addition, the EUR 18 Billion Credit Facilities Agreement provides for other fees and indemnifications in favor of the lenders.

The loans and, as the case may be, available commitments under the Bridge Facility will be required to be mandatorily prepaid or, as applicable, cancelled in an amount equal to 90% of the available net proceeds received by the Group from certain capital market proceeds or proceeds from syndicated loan facilities (subject to relevant limitations and exceptions as agreed in the EUR 18 Billion Credit Facilities Agreement).

The EUR 18 Billion Credit Facilities Agreement provides for a change of control mandatory prepayment event for a change of control in the Company following the Spin-off effective date which entitles each lender (after the expiry of a certain negotiation period) to cancel its commitments and/or demand prepayment of any outstanding amounts under the facilities (the Spin-off does not constitute a change of control).

The EUR 18 Billion Credit Facilities Agreement also contains negative pledge restrictions on granting security for any financial indebtedness as long as the amounts under the EUR 18 Billion Credit Facilities Agreement or other finance documents are outstanding, with certain exceptions. In addition, there are further restrictions on disposal of shares by Daimler Truck AG or any of its subsidiaries that would cause Daimler Truck AG to lose the majority of the capital and voting stock in the other borrowers. Furthermore, the EUR 18 Billion Credit Facilities Agreement contains an undertaking to ensure that the claims of the lenders against the borrowers and each guarantor rank at least *pari passu* with the claims of all of its other unsecured and unsubordinated creditors. The EUR 18 Billion Credit Facilities Agreement does not include any financial covenants. Following the Spin-off effective date, Daimler Truck Holding AG is subject to the same restrictions as Daimler Truck AG.

Subject to certain exemptions and cure periods, the lenders are entitled to accelerate and terminate the EUR 18 Billion Credit Facilities Agreement in a number of circumstances, including, but not limited to, (i) non-payment of certain amounts payable under the finance documents by a borrower or a guarantor, (ii) failure to comply with any other obligations under the finance documents, (iii) misrepresentations, (iv) cross payment default/ acceleration (in case of non-payment) in relation to the borrowers, guarantors or any finance subsidiary in respect of financial indebtedness, which in aggregate exceeds a certain threshold, (v) if grounds for the commencement of insolvency proceedings against a borrower or guarantor arise or such proceedings are initiated, or (vi) unlawfulness of invalidity of obligations of a borrower or a guarantor.

The financing commitments under the EUR 18 Billion Credit Facilities Agreement were syndicated to more than 20 banks whereby the Banks or affiliates of the Banks (except for Berenberg) have either maintained their lending position or have become new lenders. The syndication was executed at the end of September 2021.

10.18.2 Related Party Agreements

For information on agreements governing the ongoing relationship and services between the Group and the Existing Shareholder, see "*11 Certain Relationships And Related Party Transactions*."

10.19 Insurance

The Group's objective with respect to insurance is to minimize the risk of financial loss at a reasonable cost and with appropriate deductibles and the Group believes that its insurance coverage is adequate for its operations. The Group believes that the Company and its subsidiaries have reasonable insurance protection, to the extent customary in the industry. The Group currently participates in the insurance framework of Daimler AG due to its historical ownership of the Group. Through these arrangements, the Group has insurance coverage in place in relation to a number of risks associated with its business activities, including general liability, product liability, property damage and business interruption, cargo, cyber, credit and directors and officer's ("**D&O**") insurance. The Group currently intends to remain under the insurance framework of Daimler AG until the next expiration of the Daimler AG policies, which will generally occur on December 31, 2021. At present, the Group plans to enter into new insurance contracts for mainly similar levels of coverage as previously held under Daimler AG, with such coverage to begin generally on January 1, 2022 (concurrent with the end of its prior coverage) with the exception of cyber insurance coverage, which the Group intends to maintain through Daimler AG at least through the end of 2022. Furthermore, as of the Spin-off, members of the supervisory and management board of Daimler Truck AG and its subsidiaries will no longer be part of Daimler AG's D&O insurance policy. It is intended to have separate D&O insurance in place for the Company and its subsidiaries upon completion of the Spin-off.

11 CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In accordance with IAS 24, transactions with persons or companies that are, inter alia, members of the same group as a company or that are in control of or controlled by a company must be disclosed unless they are already included as consolidated entities in a company's consolidated financial statements. Control exists if a shareholder owns more than one-half of the voting rights in a company or, by virtue of an agreement, has the power to control the financial and business policies of a company's management. The disclosure requirements under IAS 24 also extend to transactions with associated companies and joint ventures, as well as transactions with persons who exercise significant influence on a company's financial and business policies, including all persons in key positions and their close family members. This includes the members of the management board and supervisory board and close members of their families, as well as those entities over which the members of the managing board and supervisory board or their close family members are able to exercise a significant influence or in which they hold a significant share of the voting rights.

Set forth below are details of such transactions with related parties in the fiscal years ended December 31, 2020, 2019 and 2018 and for the current fiscal year up to and including the date of this Prospectus. Further information on related-party transactions, including quantitative amounts, are contained in the Notes to the Audited Combined Financial Statements and the Unaudited Condensed Interim Combined Financial Statements, which are included elsewhere in this Prospectus. Business relationships between companies of the Group are not included.

11.1 Transactions and Relationship with Daimler Group

As part of the Daimler Group, the Daimler Truck Group's companies had various relationships with other companies of the Daimler Group in the past and will continue to have significant relationships with the Daimler Group following the Demerger Transactions Effective Date.

11.1.1 Ongoing Relationships with the Daimler Group

11.1.1.1 Agreements in Relation to the Separation of the Commercial Vehicles Business and the Demerger Transactions

11.1.1.1.1 Demerger and Hive-down Agreement (*Abspaltungs- und Ausgliederungsvertrag*)

On August 6, 2021, Daimler AG and the Company concluded the Demerger and Hive-down Agreement relating to the Spin-off and Hive-down in notarized form. The effectiveness of this agreement was, *inter alia*, subject to the approval by a 75% majority of votes cast by the Company's and Daimler AG's general meetings, respectively. The approval of Daimler AG's general meeting was obtained on October 1, 2021, whereas the Company's general meeting approved the conclusion of the Demerger and Hive-down Agreement on November 5, 2021. The effectiveness of the Spin-off and the Hive-down is expected to occur on December 9, 2021 upon the registrations of the Spin-off and the Hive-down with the relevant commercial registers.

The Demerger and Hive-down Agreement contains, among other items, the mandatory provisions pursuant to the German Transformation Act (*Umwandlungsgesetz*). With respect to the Spin-off, the Demerger and Hive-down Agreement includes provisions on, among other matters, the assets to be spun off by Daimler AG to the Company, as well as the details of the transfer and consideration to be granted in return, including the allotment ratio of 2:1, *i.e.*, two Daimler AG shares entitle to one share in the Company. With respect to the Hive-down, the Demerger and Hive-down Agreement includes provisions on, among other matters, the assets to be hived-down by Daimler AG to the Company as well as the details of the transfer and consideration to be granted in return. In addition, the Demerger and Hive-down Agreement provides for provisions under which Daimler AG undertakes to ensure that, (i) prior to the Spin-off taking effect, Daimler Grund contributes its 89.9% interests in each of the Gamma Partnerships (for details see "*3.2.2 Separation of Trucks and Buses Business from Cars and Vans Business*" "Allocation of Real Estate Management Partnerships") by way of a capital increase against contribution in kind to Daimler Truck AG against issuance of new shares in Daimler Truck AG, and (ii) Daimler Grund contributes these new shares and an additional 1,000 shares in Daimler Truck AG by way of a capital increase against contribution in kind to the Company against issuance of new shares in the Company, whereby the filing of this capital increase with the commercial register is made subject to the proviso that the registration is made only after the Spin-off and the Hive-down have taken effect by registration in the commercial register of Daimler AG. Moreover, the Demerger and Hive-down Agreement describes special rights and benefits and consequences of the Spin-off and Hive-down for employees and their representative bodies. The Demerger and Hive-down Agreement further provides for a provision under which Daimler AG undertakes to make the following additional contributions to the capital reserve pursuant to section 272 para. 2 no. 4 of the German Commercial Code (*Handelsgesetzbuch*) of Daimler Truck AG until the consummation of the Demerger and Hive-down Agreement: (i) in the amount of EUR 1,987 million to enable Daimler Truck AG (or its subsidiaries) to acquire and build up the commercial vehicles-related financial services business and to acquire companies, business activities and economic goods (including rights to use trademarks and patents) attributable to the trucks and buses division, (ii) in the amount of EUR 250 million to strengthen the assets held to cover the pension obligations, and (iii) in the amount of EUR 3,143 million to ensure, on the whole, that Daimler Truck AG has an adequate equity base.

The Demerger and Hive-down Agreement contains, among others, the following annexes: (i) a draft contribution agreement between Daimler Grund and Daimler Truck AG (for details see "*3.2.2 Separation of Trucks and Buses Business from Cars and Vans Business*" "*Allocation of Real Estate Management Partnerships*"), (ii) a draft agreement on post-formation and contribution between Daimler Grund and the Company (for details see "*3.3.3 Contributions in Kind and Post-Formation Audit"*), (iii) the future Articles of Incorporation of the Company, (iv) the authorization for the acquisition and use of own shares pursuant to section 71 para. 1 no. 8 of the German Stock Corporation Act (*Aktiengesetz*) (see "*15.4 Authorization to Purchase and Use Treasury Shares"*), (v) the Deconsolidation Agreement (as defined below) and (vi) the Group Separation Agreement (as defined below).

11.1.1.1.2 Deconsolidation Agreement (*Entkonsolidierungsvereinbarung*)

On August 6, 2021, Daimler AG, Daimler Grund and the Company entered into a deconsolidation agreement in notarized form (the "**Deconsolidation Agreement**"). The purpose of the agreement is to ensure that the future shareholding of Daimler AG in the Company does not have to be fully consolidated in Daimler AG's consolidated financial statements, despite of Daimler AG's remaining directly held and via Daimler Grund indirectly held minority shareholding in the Company after the effective date of the Spin-off, which could result due to a possible attendance majority (*Präsenzmehrheit*) in a majority of voting rights at the Company's general meeting.

The Deconsolidation Agreement stipulates an obligation of Daimler AG and Daimler Grund towards the Company not to exercise their voting rights in the election of two of the 10 members of the Company's Supervisory Board to be elected by the shareholders in accordance with section 101 para. 1 sentence 1 of the German Stock Corporation Act (*Aktiengesetz*) in conjunction with section 7 para. 1 sentence 1 no. 3 of the German Co-Determination Act (*Mitbestimmungsgesetz*). Besides, Daimler AG and Daimler Grund shall not exercise their voting rights in decisions on an early re-election, the election of substitute members and the dismissal of such Supervisory Board members in whose original election they did not exercise their voting rights. If, in this case, the Supervisory Board of the Company proposes a candidate for (re)appointment or replacement who is not independent of Daimler AG and Daimler Grund in accordance with C.9 para. 2 of the German Corporate Governance Code (*Deutscher Corporate Governance Kodex*) (the "**Code**"), Daimler AG and Daimler Grund shall, to the extent legally permissible, work towards ensuring that this candidate is not available for election as a member of the Supervisory Board of the Company.

The Deconsolidation Agreement further stipulates that Daimler AG and Daimler Grund shall jointly propose to the Company eight of the Supervisory Board members to be elected by the shareholders in good time prior to the adoption of the resolution by the Supervisory Board of the Company on its proposals for the election of Supervisory Board members to the general meeting of the Company. If the Supervisory Board of the Company resolves to propose the candidates proposed by Daimler AG and Daimler Grund to the general meeting of the Company for election to the Supervisory Board of the Company, Daimler AG and Daimler Grund shall exercise their voting rights only in respect of these candidates, but not in respect of the two other candidates. If, in contrast, the Supervisory Board of the Company deviates from the election proposals of Daimler AG and Daimler Grund, Daimler AG and Daimler Grund shall inform the Company without undue delay after receipt of the relevant invitation to the general meeting of the Company as to which of the Supervisory Board members standing for election they will and will not exercise their voting rights on the basis of the Deconsolidation Agreement.

The Deconsolidation Agreement also provides that the Company shall promptly publish on its website the relevant election proposals of Daimler AG and Daimler Grund and information on the voting behavior of Daimler AG and Daimler Grund in connection with the election or dismissal of members of the Supervisory Board of the Company and shall keep these election proposals and information on the voting behavior available on its homepage at least until the end of the general meeting at which the election or dismissal resolutions are adopted.

The Company, as well as shareholders of the Company whose shares together represent a proportionate amount of the share capital of the Company of at least EUR 100,000, may demand compliance with the provisions of the Deconsolidation Agreement. The Deconsolidation Agreement is valid until the end of the fifth annual general meeting of the Company following the annual general meeting of the Company in 2022. If the Deconsolidation Agreement is not ordinarily terminated until no later than six months prior to its expiry, it will in each case be extended until the end of the fifth annual general meeting following the termination of the Deconsolidation Agreement that would otherwise have occurred. The Deconsolidation Agreement automatically terminates if the aggregated direct and indirect shareholdings of Daimler AG in the Company fall below 20% of the share capital of the Company. However, the termination of the Deconsolidation Agreement is subject to the condition precedent that all merger and investment control regulations have been complied with, with the consequence that the termination of the Deconsolidation Agreement may be consummated in accordance with the respective applicable regulations.

11.1.1.1.3 Group Separation Agreement (*Konzerntrennungsvertrag)*

On August 6, 2021, Daimler AG and the Company entered into a group separation agreement in notarized form (the "**Group Separation Agreement**"). The Group Separation Agreement governs the legal relationships between Daimler AG and the Company for the period following the effective date of the Spin-off and the related separation of the companies of the Daimler Truck Group from the current Daimler Group. For the purposes of the Group Separation Agreement, the companies of the Daimler Group and the activities conducted by them which are subject to change from time to time are referred to as the "**Daimler Division**", and the respective companies of the Daimler Truck Group and the activities conducted by them which are subject to change from time to time are referred to as the "**Daimler Truck Division**".

The Group Separation Agreement comprises six sections, the main provisions of which are as follows:

- Section I contains general provisions on the separation of the divisions. This includes provisions on the replacement of the so-called cross-collateralization, including claims for indemnification of the party to whose group the collateral provider belongs against the party to whose group the principal debtor belongs in the event that a collateral provider is held liable under a cross-collateralization. Furthermore, the parties shall ensure that, in accordance with the relevant annexes to the Group Separation Agreement, (i) the activities of Daimler Mobility AG and its subsidiaries will be divided between the Daimler Group and the Daimler Truck Group (for details see "*11.1.1.1.4 Agreements on the Separation of Financial Services Business*"), (ii) any remaining interdependencies between the Cars & Vans and Trucks & Buses divisions are dissolved (for details see "*11.1.1.1.5 Agreements on Separation of Trucks and Buses Business from Cars and Vans Business*"), (iii) the separation of central functions and mandated functions is implemented (for details see "*11.1.1.1.6 Agreements on Separation of Central Functions and Mandated Functions*"), and (iv) the agreed transitional services are provided (for details see "*11.1.1.2 Continuing Services and Cooperations between the Group and the Daimler Group*"). In addition, Daimler AG undertakes to grant to Daimler Truck AG the rights of use or ownership of certain trademarks, domain names and patents, in accordance with the more detailed provisions in the respective Annex (for details see "*11.1.1.1.7 Intellectual Property License and Purchase Agreements*"). With regard to the pension obligations to company pensioners, it is stipulated that (i) Daimler AG shall not assert any claims against Daimler Truck AG with regard to the secondary liability for pension obligations to company pensioners whose pension obligations have been transferred to Daimler Pensionsfonds AG and (ii) the Company shall ensure that Daimler Truck AG makes a legally binding and irrevocable declaration *vis-à-vis* Daimler AG at the time the Group Separation Agreement becomes effective that it will not assert claims specified in more detail for the pro rata retransfer of assets granted to Daimler Pensionsfonds AG in the event of excess cover. Moreover, the section governs the allocation of any liability between Daimler AG and the Company for any and all damages and other pecuniary losses arising in connection with the implementation of the admission of the shares of the Company to trading which are based on the fact that this Prospectus and/or the further marketing documents as well as other documents actually or allegedly contain information which is incorrect, incomplete or otherwise misleading and for which either no insurance cover exists or no compensation can be obtained despite insurance cover. For this purpose, a split of the relevant damages and other pecuniary losses between Daimler AG and the Company in the ratio of 70% (Daimler AG) and 30% (the Company) is provided for.
- Section II contains tax provisions. In particular, it is stipulated that taxes shall generally be borne by the party that is the statutory taxpayer. This also applies to taxes owed as a result of the conclusion and consummation of the Demerger and Hive-down Agreement and the preparatory measures, including all pre-structuring steps. Thus, in principle, there is no general indemnification for taxes which are attributable to tax periods up to and including the tax effective date for the Spin-off as

defined in the Demerger and Hive-down Agreement. However, the section provides for a number of exceptions in this regard in which taxes are borne in deviation therefrom and may lead to indemnification obligations between the parties, namely (i) taxes in connection with the subsequent triggering of a contribution gain I (*Einbringungsgewinn I*) pursuant to section 22 para. 1 German Transformation Tax Act (*Umwandlungssteuergesetz*), (ii) taxes resulting from tax groups with Daimler Truck AG or companies of the Daimler Truck Group or a subsequent non-recognition of such tax groups, (iii) taxes in connection with measures in the period from 2018 to 2021 for the purpose of bundling the Cars & Vans and Trucks & Buses divisions; and (iv) taxes in connection with mutual agreement procedures or harmful measures of a party (*e.g.* breach of duty to cooperate). On the basis of such provisions, the Company is, among others, obliged to indemnify or compensate Daimler AG and/or, as the case may be, Daimler Grund in the following cases: The Company shall procure that certain partnership interests contributed to Daimler Truck AG are recognized at their book values and that the required application with the competent tax office is filed in time. If the Company violates these obligations it is obliged to indemnify Daimler AG and Daimler Grund from any taxes assessed (or the reduction of tax loss carry forwards). The Company may be obliged to indemnify Daimler AG and Daimler Grund from any taxes resulting from a contribution gain I (*Einbringungsgewinn I)* that arises after the Spin-off (i.e. excluding taxes triggered by the Spin-off itself) with respect to certain shares being subject to a lockup-period (*sperrfristbehaftete Anteile*) as a consequence of restructuring measures that have been undertaken in the course of the separation of the Trucks & Buses division, the contribution of the Gamma Partnerships and the Hive-Down. In case the violation of the respective lockup-period has been caused by Daimler Truck AG or the Company, the Company is obliged to pay to Daimler AG (or to Daimler Grund) an amount equaling the amount of taxes assessed against Daimler AG or Daimler Grund (or the value of any reduction of tax loss carry forwards). To the extent that certain measures that have been undertaken in order to separate the Cars & Vans division from the Trucks & Buses division in 2018 to 2021 by way of a carve-out of activities related to the Trucks & Buses division trigger taxes at the level of Daimler AG or a company of the Daimler Group and there is a corresponding tax benefit at the level of a company of the Daimler Truck Group (irrespective of whether the cash effect may only arise over time), the Company shall compensate Daimler AG in an amount that equals the corresponding tax benefit arising at the level of a company of the Daimler Truck Group. To the extent the taxes triggered at the level of Daimler AG or a company of the Daimler Group exceed the tax benefit (or there is no tax benefit) at the level of a company of the Daimler Truck Group, the Company shall bear 30% of such amount (whereas 70% shall be borne by Daimler AG). Further provisions of Section II deal with the assertion of respective claims and the scope and modalities of compensation. Moreover, the section governs future cooperation in tax matters.

- Section III contains provisions on liability. It governs the allocation of responsibility between the Daimler Division and the Daimler Truck Division for liabilities attributable to one or the other of the Divisions. Accordingly, each of the parties shall be liable, in principle, for all liabilities, commitments and contingent liabilities attributable to its respective Division. To the extent that liabilities, commitments or contingent liabilities cannot be clearly allocated to the Daimler Division or the Daimler Truck Division, the party whose Division is solely or predominantly responsible for the creation of the respective liability or commitment or the respective contingent liability shall be liable. If this cannot be determined either, Daimler AG and the Company shall be liable for the respective liabilities, commitments or contingent liabilities in the ratio of 70% (Daimler AG) to 30% (the Company). To the extent that a party or one of its group companies is held liable for a liability, commitment or contingent liability for which the other party is liable, the liable party shall indemnify the party against which claims have been asserted or its group company concerned. Moreover, the section regulates the case of liability for the repayment of subsidies and state aid: To the extent that a party or one of its group companies is held liable for repayment of subsidies or state aid granted prior to the Spin-off taking effect due to a circumstance that was solely or predominantly caused by the other party's Division, the party whose Division was solely or predominantly responsible for the repayment shall indemnify the party or its group company concerned that is obliged to make the repayment. Further, the section governs the conduct of proceedings and acts of cooperation in the event that a third party asserts a claim against a company of the Daimler Group or a company of the Daimler Truck Group or initiates legal or administrative proceedings or announces such a claim or such proceedings in writing and, according to the reasonable assumption of one party, the successful assertion of the claim by the third party or the successful outcome of the proceedings for the third party would lead to an indemnification claim of this party against the other party permitted under the Group Separation Agreement. In addition, the section defines the scope and modalities of compensation of damage and indemnification and the passing on of any respective benefits. Finally, the section clarifies that any claims of Daimler AG against its (former) members of corporate bodies or employees in connection with the decision of the European Commission of July 19, 2016 (Case AT.39824), including those against the relevant D&O insurers, shall remain in full with Daimler AG, which shall have the sole power to assert or make dispositions in respect of them (in particular by way of settlement) at its own expense. Daimler AG shall be exclusively entitled to any benefits in this respect. If the benefits can only be rendered to the Company or one of its group companies, the Company shall immediately pay an equal amount to Daimler AG.

- Section IV deals with the continuing relationships between the Daimler Division and the Daimler Truck Division. The section governs information obligations and requirements for reporting by the Company to Daimler AG. This serves to enable Daimler AG, in view of the deconsolidation of its remaining (indirect) investment in the Company upon the Spin-off taking effect and the associated presentation of this investment as an investment accounted for using the equity method in the financial statements of Daimler AG, to properly prepare its accounts and to comply with the corresponding disclosure obligations as of the spin-off taking effect. Moreover, the section contains general provisions on the envisaged cooperation of the parties and on the transfer of documents and data, including the obligation of the parties to comply with retention obligations and mutual inspection rights in the event of a legitimate interest in documents retained by the respective other party. Furthermore, the section provides for a so-called lock-up agreement pursuant to which Daimler AG undertakes *vis-à-vis* the Company not to dispose of any of the shares in the Company held directly or indirectly by Daimler AG at the time of the consummation of the Demerger and Hive-down Agreement without the prior consent of the Company until the end of the day that is 36 months after the first day on which the shares in the Company are traded on the Frankfurt Stock Exchange (the "**GSA Lock-Up Period**"). "**Disposal**", in the preceding sense, shall include, regardless of whether directly or indirectly, any sale, any transfer, any obligation to transfer, any pledge or any other encumbrance, any disposition (whether in whole or in part, for instance with regard to the voting rights or the commercial opportunities and risks, and whether legally or economically, *in rem* or under the law of obligations) and any other conduct (act, toleration or omission) by Daimler AG which is economically comparable to one or more of the above activities. This shall not apply to Disposals to affiliated companies within the meaning of section 15 of the German Stock Corporation Act (*Aktiengesetz*), to the intended indirect transfer of a participation of 5.0% in the Company as security assets to Daimler Pension Trust e.V. following the consummation of the Demerger and Hive-down Agreement as well as to any measures that are not caused by any conduct (action, toleration or omission) on the part of Daimler AG. In this context, it is clarified, that the shares of the Company held in trust by Daimler Pension Trust e.V. as security assets shall not be subject to any lock-up. However, Daimler AG shall not be prevented from disposing of the shares of the Company subject to the lock-up after the end of the day that is 12 months after the first day on which the shares of the Company are traded on the Frankfurt Stock Exchange, without the prior consent of the Company, if, in the opinion of the Management Board of Daimler AG, such a Disposal is necessary for the purposes of prudent and conscientious management (section 93 para. 1 of the German Stock Corporation Act (*Aktiengesetz*)), taking into account the economic and strategic considerations applying at the relevant time. Exceptions to this shall be Disposals to a direct competitor of the Company, which are not permitted within the GSA Lock-Up Period. Further, in the event of a Disposal within the first six years after the first day on which the shares of the Company are traded on the Frankfurt Stock Exchange, Daimler AG shall dispose of the relevant shares in the Company primarily in such a way that the Disposal leads to an increase in the free float at the Company, unless this form of Disposal would not be compatible with the duties of care of the Management Board of Daimler AG (section 93 para. 1 of the German Stock Corporation Act (*Aktiengesetz*)). Finally, the section contains customary confidentiality obligations.

- Section V contains provisions on the implementation of the Group Separation Agreement, including provisions on the assertion and fulfillment of claims, the dispute resolution mechanism and the statute of limitations.

- Section VI contains miscellaneous provisions, such as, for example, on the term and termination of the agreement and severability clauses.

- The Group Separation Agreement contains a number of annexes, including: (i) the guiding principles for the Financial Services Carve-out (see "*11.1.1.1.4 Agreements on the Separation of Financial Services Business*"), (ii) the guiding principles for the Legal Entity Separation (see

"*11.1.1.1.5 Agreements on Separation of Trucks and Buses Business from Cars and Vans Business*"), (iii) the Basic Principles for the Separation of Central Functions and Mandated Functions (see "*11.1.1.1.6 Agreements on Separation of Central Functions and Mandated Functions*"), (iv) basic principles for IP License and Purchase Agreements (see "*11.1.1.1.7 Intellectual Property License and Purchase Agreements*"), (v) the Basic Principles for the provision of Transitional Services (see "*11.1.1.2 Continuing Services and Cooperations between the Group and the Daimler Group*") and (vi) the scope of the regular reporting of the Company to Daimler AG.

11.1.1.1.4 Agreements on the Separation of Financial Services Business

For the purpose of the Financial Services Carve-out, on August 6, 2021, Daimler AG and Daimler Truck Holding AG, as part of the notarized Group Separation Agreement, agreed on guiding principles for the local separation transactions regarding the financial services business. The principles contain general guidelines for the separation of the trucks and buses related financial services business from the cars and vans related financial services business in the relevant jurisdictions in which Daimler Mobility AG and its subsidiaries have been operating, and the necessary transfer of the companies or assets from Daimler Mobility AG or its subsidiaries to Daimler Truck Financial Services GmbH or its subsidiaries by way of various transactions, including asset deals, share deals and other measures such as spin-offs and hive-downs, partly combined with further asset and share deals ("**Local Transactions**").

Further information regarding the Financial Services Carve-out, which shall be implemented as part of the Phase 1 Transactions by December 1, 2021, is set out in "*3.2.1 Separation of Financial Services Business*".

Further information regarding the Financial Services Carve-out, which shall be implemented as part of Phase 2 Transactions in 2022, is set out in "*3.2.1 Separation of Financial Services Business*".

As regards the asset scope of the Local Transactions, the guidelines contain the requirement that liabilities resulting from group internal financing arrangements with companies belonging to Daimler Group shall not form part of the relevant Local Transaction, but shall be replaced by respective financing arrangements with Daimler Truck Group companies. Further, according to the principles, on the closing date of any Local Transaction, a preliminary purchase price (plus potential VAT, sales tax or similar taxes) shall become due and payable for the relevant local trucks and buses related financial services business. Such preliminary purchase price shall be based on valuations of the relevant local trucks and buses related financial services business performed by an independent expert instructed by Daimler AG and Daimler Truck AG, whereas the valuations shall be updated after the closing date of the relevant Local Transaction. The final purchase price (plus potential VAT, sales tax or similar taxes) for the relevant Local Transactions will be derived, and the relevant preliminary purchase price will be adjusted, if applicable, based on the relevant updated valuation. With regard to representations and warranties, the definitive legal documentation for each Local Transaction shall contain customary title representations and warranties (including limitations of liability) by the respective seller. Taxes shall generally be borne by the party of a Local Transaction who is legally liable for tax. This also applies to taxes that are owed under tax law due to the conclusion and consummation of the Local Transaction (including due to any preparatory measures and pre-structuring steps).

11.1.1.1.5 Agreements on Separation of Trucks and Buses Business from Cars and Vans Business

For the purpose of the final separation of the trucks and buses business from the cars and vans business, on August 6, 2021, Daimler AG and Daimler Truck Holding AG, as part of the notarized Group Separation Agreement (see "*11.1.1.1.3 Group Separation Agreement (Konzerntrennungsvertrag)*"), aligned on guiding principles for local separation transactions. The principles contain general guidelines for the separation of the trucks and buses business from the cars and vans business in the relevant jurisdictions and the necessary transfer of the shares in companies or assets attributable to the trucks and buses business from Mercedes-Benz AG or its subsidiaries to Daimler Truck AG or its subsidiaries, or vice versa, by way of various transactions, including but not limited to, asset deals, share deals and divestitures to external parties ("**Local Separation Transactions**"). The main steps for the final separation of the business divisions which have already been implemented and which shall be implemented by or after December1, 2021, are presented in "*3.2.2 Separation of Trucks and Buses Business from Cars and Vans Business*".

The guiding principles, *inter alia*, include alignments on the valuations and the purchase prices of the shares in companies or assets to be sold and transferred. Valuations shall generally be prepared using the discounted cashflow method by an independent expert instructed jointly by Daimler AG and Daimler Truck AG, and these valuations shall be updated as of the relevant closing date. The purchase prices shall be based on the relevant valuations and shall be adjusted based on the relevant updated valuations. The estimated purchase price for the

Daimler Trucks & Buses legal entities and operations that will be transferred to Daimler Truck AG prior to the Spin-off amounts to approximately EUR 1.6 billion (see Note 29 of the Unaudited Condensed Interim Combined Financial Statements). As regards representations and warranties as well as limitations of liability, each local separation documentation in relation to the Local Separation Transactions shall only contain customary title representations and warranties by the relevant transferring company and shall contain customary limitations of liability for the relevant transferring company. Furthermore, the parties to the Local Separation Transactions shall cooperate in good faith to ensure that each Local Separation Transaction is, to the extent possible and practical, conducted in a tax efficient manner. In case of asset deals or demergers, the carve-out scope shall comprise all assets, liabilities and contracts which are exclusively related to the relevant local cars and vans or trucks and buses business being sold and transferred. As regards the sale and transfer of business to external parties, *inter alia,* the relevant seller shall receive any and all rights, claims and benefits and assume all risks, burdens and liabilities arising out or in connection with such transactions.

11.1.1.1.6 Agreements on Separation of Central Functions and Mandated Functions

In November 2021, Daimler AG, Mercedes-Benz AG and Daimler Truck AG concluded, based on the annex "Basic Principles for the Separation of Central Functions and Mandated Functions" to the Group Separation Agreement (for details on the Group Separation Agreement see "*11.1.1.1.3 Group Separation Agreement (Konzerntrennungsvertrag)*"), an Agreement on the Transfer of Divisions and Functions for the purpose of the separation of central functions and mandated functions operating for both the cars and vans business as well as the trucks and buses business, including the transfer of the respective business assets—except assets under construction (*Anlagen im Bau*) located in Mannheim (Reman) and Gaggenau (Presswerk/GSP) which will only be sold and transferred under a separate asset purchase agreement between Mercedes-Benz AG and Daimler Truck AG after completion of the constructions—and employment relationships. For details on the central functions and mandated functions concerned see "*3.2.3 Separation of Central Functions and Mandated Functions*".

11.1.1.1.7 Intellectual Property License and Purchase Agreements

Daimler AG is the owner and/or the beneficial owner of several thousand intellectual property rights in Germany and abroad. These are technical and non-technical intellectual property rights eligible for registration, in particular trademarks, domain names, design rights and patents ("**Registerable IP Rights**").

In the context of the group restructuring in 2019, Daimler AG transferred to Daimler Truck AG their single-use-IP rights, *i.e.* those intellectual property rights that were exclusively used by the trucks and buses division.

Due to the existing operational interdependencies within the current Daimler Group, some Registerable IP Rights have been used by several divisions at the same time or could be used at the same time in the future ("**Multi-Use IP Rights**"). Daimler AG's most important Multi-Use IP Rights include, in particular, the rights to the "Mercedes-Benz" and "Mercedes-Benz Star" trademarks. Based on a master license agreement with Daimler AG, Daimler Brand & IP Management GmbH & Co. KG acts as the licensor, *inter alia*, for Multi-Use IP Rights within the Daimler Group. Daimler Brand & IP Management GmbH & Co. KG and Daimler Truck AG concluded a divisional license agreement, on the basis of which Daimler Truck AG was permitted to use the Multi-Use IP Rights. In course of the separation of the trucks and buses business from the cars and vans business of Daimler AG, such divisional license agreement is terminated and replaced by a new license structure, based on the annex "basic principles for IP Licence and Purchase Agreements" to the Group Separation Agreement (for details on the Group Separation Agreement see "*11.1.1.1.3 Group Separation Agreement (Konzerntrennungsvertrag)*"). These principles are described in more detail below.

Trademark Licensing and Domain Usage Agreement Mercedes-Benz

On September 27, 2021, Daimler Brand & IP Management GmbH & Co. KG as licensor and Daimler Truck AG as licensee concluded a trademark licensing and domain usage agreement for the licensing of the "Mercedes-Benz" and "Mercedes-Benz Star" trademark families as well as for the use of certain domain names belonging to the business segment of Daimler Truck AG that comprise the component "Mercedes-Benz" ("**Trademark Licensing and Domain Usage Agreement Mercedes-Benz**"). The effective date of the Trademark Licensing and Domain Usage Agreement Mercedes-Benz is December 1, 2021.

Under the Trademark Licensing and Domain Usage Agreement Mercedes-Benz, Daimler Truck AG receives the royalty-free, perpetual, non-exclusive right to use the "Mercedes-Benz" and "Mercedes-Benz Star" trademark families in the contract territory, which shall be generally worldwide with some restrictions in Canada, Mexico and the US, for the contractual products, which comprise the development, production and distribution of products and the provision of services relating to commercial vehicles and buses with a maximum permissible gross weight equal to or exceeding 7.49 tonnes in the following lines of business: (i) commercial vehicles and buses, its chassis and engines and other technical drives, including their parts, assemblies and vehicle spare parts, (ii) other traffic engineering products, (iii) electronic equipment, devices and systems, (iv) communication and information technology, (v) mobility and transport services and concepts, including ancillary services relating to vehicles with a permissible gross weight of less than 7.49 tonnes, (vi) banking and insurance transactions, financial and payment services and insurance brokerage, and (vii) all other services related to the above products or services. In case of services, the license is limited to services designed for certain products branded with the licensed trademarks. In the case of vehicles with a maximum permissible gross weight of between equal to or exceeding 6.5 and less than 7.49 tonnes, there shall be a mutual agreement between the parties in order to avoid trademark collisions. The license shall generally not cover the use of the licensed rights in the field of corporate communications, *e.g.* as part of a company name; however, there are several exemptions such as the use of certain domain names. Daimler Truck AG shall generally be entitled to grant sublicenses to third parties as long as and to the extent that it is ensured that such third parties meet certain quality requirements and as long as the third parties exclusively distribute products under the licensed rights which have, in particular, been developed by Daimler Truck AG or by an affiliated company of Daimler Truck AG. The limited scope of the rights of use granted under the Trademark Licensing and Domain Usage Agreement Mercedes-Benz shall ensure that the Daimler Truck Group will not be active in the product area and segment of the Daimler Group and its affiliated companies using the "Mercedes-Benz" and "Mercedes-Benz Star" trademarks, to avoid market confusion caused by the use of the same trademarks by two different suppliers operating in the same product area or segment.

The Trademark Licensing and Domain Usage Agreement Mercedes-Benz obligates Daimler Truck AG to use the licensed rights in accordance with certain corporate identity policies and brand positioning policies and to ensure that the contractual products manufactured or distributed by it using the licensed rights do not adversely affect the value of the licensed rights for Daimler AG. In addition to product quality as a potential reputational risk, any kind of reputational damage has to be avoided. Daimler Truck AG is therefore obliged to maintain compliance structures that are customary in the industry.

The Trademark Licensing and Domain Usage Agreement Mercedes-Benz is concluded for an indefinite term. The right to ordinarily terminate the agreement is excluded. The Trademark Licensing and Domain Usage Agreement Mercedes-Benz may be terminated for good cause by licensor, in whole or in part, if (i) one or several third parties directly or indirectly acquire sole or joint control over Daimler Truck AG, (ii) Daimler Truck AG attacks the existence of the licensed trademarks, (iii) Daimler Truck AG or its sublicensees substantially impair or threaten to impair the reputation of the licensed trademarks, (iv) Daimler Truck AG or its sublicensees use the licensed trademarks to an extent other than that provided for in the agreement, or (v) Daimler Truck AG persistently fails to comply with quality requirements. A right of termination for good cause shall exist for each of the parties in the event of serious breaches of duty and in the event of payment difficulties and financial collapse of the respective other party. Termination shall only be possible after an escalation process, including the request to remedy the respective breach of the agreement and efforts to find an amicable settlement of the breach by one member of the highest management level of each party.

Trademark Purchase and Transfer Agreement DAIMLER

On September 27, 2021, Daimler AG as seller and Daimler Truck AG as purchaser concluded a purchase and transfer agreement under which Daimler Truck AG acquires all registered rights or rights acquired through use in the DAIMLER trademark, as well as the associated trademark families and domain names, for a purchase price of EUR 9.7 million. The effective date is November 29, 2021. Daimler AG receives a back-license with respect to the business area remaining with Daimler AG to the same extent as used before the separation of the trucks and buses business from the cars and vans business of Daimler AG as well as a pre-purchase right and a pre-emptive right with regard to the sold rights in the event of a disposal by Daimler Truck AG to third parties and as long as Daimler AG holds a direct or indirect share of at least 10% of Daimler Truck AG. The back-license may be terminated by either Daimler AG or Daimler Truck AG for good cause.

Purchase and Transfer Agreements for the CHARTERWAY, FLEETBOARD and DISPOPILOT trademarks as well as for Patent Portfolio

On September 27, 2021, Daimler AG as seller and Daimler Truck AG as purchaser concluded three purchase and transfer agreements with effective dates on November 29, 2021 under which Daimler Truck AG acquires all registered rights or rights acquired through use in the trademarks CHARTERWAY, FLEETBOARD and DISPOPILOT as well as associated trademark families and domain names as well as a patent portfolio of approximately 1,650 patents and patent applications, which mainly originated within Daimler Truck AG or are attributable to the Trucks & Buses division, for a purchase price of EUR 2.5 million for the CHARTERWAY trademark, EUR 900,000 for the FLEETBOARD and DISPOPILOT trademarks and approximately EUR 76.7 million for the patent portfolio. Daimler AG receives certain back-licenses with regard to the sold rights. The back-licenses granted with regard to the trademark families and domain names will expire one year after the respective agreements' effective date; the back-license granted under the patent purchase and transfer agreement ends with the lapse of the last patent covered by the agreement.

Further License Agreements

On September 27, 2021, Daimler Brand & IP Management GmbH & Co. KG as licensor and Daimler Truck AG as licensee concluded a patent licensing agreement for a license to the patent portfolio of Daimler AG existing as of November 30, 2021 which is not transferred to Daimler Truck AG under the patent purchase and transfer agreement for a license fee in a one-off amount of approximately EUR 27.0 million. Under such license with an effective date of December 1, 2021, Daimler Truck AG and its affiliated companies receive the payable, non-exclusive and non-transferable right to use the respective patents for the development, production, marketing, sale and further use of products in Daimler Truck AG's business area. The patent licensing agreement ends with the lapse of the last patent licensed under the agreement and cannot be terminated ordinarily.

Moreover, on September 27, 2021, Daimler Brand & IP Management GmbH & Co. KG as licensor and Daimler Truck AG as licensee concluded a multi-use trademark licensing agreement under which Daimler Truck AG receives the royalty-free, perpetual, non-exclusive right to use various multi-use trademarks, i.e., those used by both the cars and vans division and the trucks and buses division, such as the "Agility" brand. The agreement's effective date is December 1, 2021, and it cannot be terminated ordinarily. It can, however, be terminated by licensor for good cause as well as by either party e.g., in case of serious breaches of duty. Termination shall only be possible after an escalation process, including the request to remedy the respective breach of the agreement and efforts to find an amicable settlement of the breach by one member of the highest management level of each party.

11.1.1.2 Continuing Services and Cooperations between the Group and the Daimler Group

Central Functions and Mandated Functions

Daimler AG as well as Mercedes-Benz AG and its subsidiaries provided Daimler Truck AG and its subsidiaries with services relating to central functions such as group strategy, external affairs, corporate office, communications, accounting and financial reporting, taxes and customs, treasury, M&A, investor relations, real estate, legal and compliance, HR, IT and purchasing of non-production materials. Besides, there have been close cooperations between the cars and vans divisions on the one side and truck and buses divisions on the other side with regard to so-called mandated functions, such as sales and after sales, production and supply chain, production planning, energy and environmental management, quality management, purchasing of production materials, research and development and facility management and mobility Stuttgart. For further information see "*11.1.2.1 Sales of Goods and Services and Other Income and Purchase of Goods and Services and Other Expenses*."

As of the Demerger Transactions Effective Date and the formation of two independent groups, Daimler Truck Group shall perform the central functions and the mandated functions in relation to the trucks and buses business independently. For that purpose, to the extent Daimler Truck AG already performs the central or mandated functions mentioned, these functions shall be built up and, to the extent necessary, new functions shall be established. The building up and establishment of the Daimler Truck Group's functions shall be achieved, *inter alia*, by separating and transferring business assets and employment relationships relating to the trucks and buses business from Daimler AG and Mercedes-Benz AG to Daimler Truck AG. For further information on the separation of the central functions and mandated functions as well as the assets and employment relationships to be transferred see "*3.2.3 Separation of Central Functions and Mandated Functions*" and "*11.1.1.1.6 Agreements on Separation of Central Functions and Mandated Functions*".

However, following the Demerger Transactions Effective Date, Daimler Truck Group shall continue to receive certain services from Daimler Group. For that purpose, on September 20, 2021, Daimler AG and Daimler Truck AG entered into a Master Agreement for Transitional Services (the "**MTSA**"), based on the annex "Basic Principles for the provision of Transitional Services" to the Group Separation Agreement (for details on the Group Separation Agreement see "*11.1.1.1.3 Group Separation Agreement (Konzerntrennungsvertrag)*"). The MTSA sets out the contractual provisions governing the service relationships between the respective service provider and the respective service recipient and provides for a mechanism by which agreements for transitional services ("**TSAs**") are concluded for the specific service relationships between Daimler AG or its affiliated companies, on the one hand, and Daimler Truck AG or its affiliated companies, on the other. Performance and consideration shall be owed only under the TSAs; under the MTSA itself, no exchange of services is stipulated.

The TSAs provide for individual, limited terms, generally ending by the end of 2022, which may be extended unilaterally by the service recipient for a term not exceeding June 30, 2024, in the case of logistics services until December 31, 2024, and in the case of IT-related services until June 30, 2025, provided: (i) that no legal risks, in particular under antitrust law, arise from the provision of the services, and (ii) the provision of the services is not economically unreasonable. If legal risks arise from the provision of the service or if the provision of the service is economically unreasonable, the service provider may refuse to grant an extension. The same terms and conditions shall apply to an extended term as were agreed between the service recipient and the service provider for the respective initial term. TSAs concluded from the outset for a period longer than December 31, 2022, shall be reviewed annually in accordance with the same logic as that applied to the aforementioned extension option and may be terminated extraordinarily by the service provider under the same conditions under which a possible extension may be refused. An amicable termination of an exchange of services is possible at any time. As regards liability, arrangements that were customary between members of the Daimler Group prior to the Spin-off shall be continued between the contractual partners. Arrangements in respect of taxes that were customary between the contractual parties prior to the Spin-off shall be continued. In total, more than 1,300 TSAs have been concluded. The Company estimates that the value of services provided under the TSAs by the Daimler Group to the Daimler Truck Group will amount to approximately EUR 800 million for the fiscal year 2022 and will decrease in the subsequent years.

The TSAs predominantly cover services provided by Daimler Group's internal IT division, concerning the areas corporate office, communications, real estate, HR, sales and aftersales, M&A, investor relations, legal and compliance, accounting and reporting, tax, procurement productive, treasury, supply chain, logistics and production (in total approximately 700 TSAs). The remaining TSAs address the central functions external affairs, communications, accounting and financial reporting, tax and customs, treasury, real estate, HR, IPS, and the mandated functions sales and after sales, production and supply chain, production planning, energy and environmental management, quality management, purchase of production material, research and development and facility management and mobility Stuttgart.

Financial Services

Daimler Truck Financial Services GmbH and its local companies shall, on a transitional basis, obtain the following services, among others, from companies of Daimler Group, including Daimler Mobility AG, on the basis of TSAs concluded in the respective service relationships: IT (including support and purchasing services, server and database functionalities), HR, risk management and process support in the area of finance and accounting. The majority of the agreements for phase 1 countries (see "*3.2.1 Separation of Financial Services Business"*) is expected to expire at the end of 2022.

Guarantees

For a description of the replacement of guarantees see Note 42 of the Audited Combined Financial Statements and Note 28 of the Condensed Combined Interim Financial Statements of Daimler Truck Business.

Insurance

Daimler Truck Holding AG, Daimler Truck AG and its subsidiaries are covered by corporate insurance policies that apply to Daimler AG and its subsidiaries, *e.g.*, for production facilities, transportation, or for members of the corporate bodies of the included companies. For the period after effectiveness of Spin-off, it is intended to provide a separate D&O insurance for members of the corporate bodies of companies of Daimler Truck Group. For all other insurance programs, the companies of the Daimler Truck Group shall continue to be included in the insurance coverage under the existing insurance programs of Daimler AG, *i.e.* beyond the Demergers Transactions Effective Date, until the end of the respective current insurance period. Generally, existing insurance coverage terminates at 0:00 a.m. on January 1, 2022, except for the global liability insurance, which is not due for renewal until July 1, 2022. Until these dates, Daimler Truck AG shall conclude independent insurance contracts for the companies of the Daimler Truck Group, which shall be brokered by Daimler Insurance Services GmbH (a subsidiary of today's Daimler AG). This shall be done based on TSAs concluded between Daimler Insurance Services GmbH and Daimler Truck AG. One exception is the area of information technology; a joint cyber policy shall be concluded in 2022.

11.1.1.3 Purchase and Sale of Goods

The Daimler Truck Group and the Daimler Group have entered into transactions for the purchase and sale of goods between the groups (see "*11.1.2.1 Sales of Goods and Services and Other Income and Purchase of Goods and Services and Other Expenses*" for further details) which are expected to significantly decrease in volume after the Spin-Off as both groups will continue to establish their dedicated infrastructure.

11.1.1.4 Joint Ventures

After the Demerger Transactions Effective Date, Daimler Truck Group companies and Daimler Group companies will continue to be party to the following joint ventures:

- Mercedes-Benz AG will hold an 80% interest and Daimler KAMAZ RUS OOO will hold a 20% interest in the Russian vehicle assembly company Mercedes-Benz Manufacturing Rus Ltd. 50% of Daimler KAMAZ RUS OOO will be indirectly owned by Daimler Truck AG and 50% by KAMAZ PAO. The 15% investment in KAMAZ PAO has been transferred from Daimler Truck AG to Daimler AG on September 21, 2021, effective on September 28, 2021. Prior to the Spin-off it is planned to retransfer the interest in KAMAZ PAO from Daimler AG to Daimler Truck AG as soon as the related negotiations with the other shareholders of KAMAZ PAO have been concluded and the regulatory approvals have been obtained.
- Daimler Grund Services GmbH will in the future hold 10.1%, and Daimler Truck AG and EvoBus GmbH, respectively, will in the future (indirectly) hold 89.9% of the interests in the Gamma Partnerships and Grundstücksverwaltungsgesellschaft EvoBus GmbH & Co. OHG.
- In addition to external shareholders, Mercedes-Benz Investment Company LLC will hold a 3.30% interest and Daimler Trucks & Buses US Holding LLC will hold a 0.03% interest in Chargepoint Holdings Inc.

11.1.1.5 Cost Reimbursement and Indemnification

According to section 30.2 of the Demerger and Hive-down Agreement (for further details on the Demerger and Hive-down Agreement see "*11.1.1.1.1 Demerger and Hive-down Agreement (Abspaltungs- und Ausgliederungsvertrag)*", the costs incurred and still to be incurred by Daimler AG and the Company in connection with the preparation, conclusion and implementation of the Demerger and Hive-down Agreement up to the consummation of the Demerger and Hive-down Agreement (including the costs of the respective general meeting and the costs of the filings with and the entries in the commercial register, the joint demerger report, the demerger audit and the audits in connection with the capital increase and post-formation and the intended stock exchange admission to trading, as well as the respective associated costs of the advisors, banks and insurance companies commissioned by the Company) and transaction taxes (with the exception of value added tax) shall be borne by Daimler AG.

Daimler AG and the Company have taken out customary insurance for the risks typically entailed in a stock exchange admission to trading. According to section 3.1 of the Group Separation Agreement, the premium for this insurance shall be paid by Daimler AG (also see previous paragraph). Pursuant to section 3.2 of the Group Separation Agreement, in the event that no such insurance is taken out or to the extent that compensation cannot be obtained despite such insurance, all damages and other pecuniary losses incurred in connection with the implementation of the admission to trading which are based on the fact that the securities prospectus and/or the further marketing documents as well as other documents actually or allegedly contain information which is incorrect, incomplete or otherwise misleading (prospectus liability) shall be divided between Daimler AG and Daimler Truck Holding AG according to a ratio of 70% (Daimler AG) to 30% (Daimler Truck Holding AG).

11.1.1.6 Dual Mandates

The composition of the Supervisory Board will change upon the Demerger Transactions Effective Date (see "*16.3.2 Current and Future Members of the Supervisory Board*"). Ms. Renata Jungo Brüngger and Mr. Harald Wilhelm, who will become members of the Supervisory Board upon the Demerger Transactions Effective Date, are also members of the management board of Daimler AG. Further, Mr. Michael Brecht and Mr. Roman Zitzelsberger, who will become members of the Supervisory Board upon the Demerger Transactions Effective Date, are also members of the supervisory board of Daimler AG. Mr. Martin Daum, the Chief Executive Officer of the Company, is, as of the date of this Prospectus, also a member of the management board of Daimler AG, but will resign from the management board of Daimler AG by the Demerger Transactions Effective Date. See "*1.5.2 Membership of the same individuals on boards of the*

Company and of the Daimler Group as well as other relationships with the Daimler Group or companies of the Daimler Group may result in conflicts of interest".

11.1.2 Past Relationships with the Daimler Group

The below description of the past relationships of the Daimler Truck Group with the remaining Daimler Group (excl. Daimler Truck Group) are based on Note 40 of the Audited Combined Financial Statements and Note 28 of the Unaudited Condensed Interim Combined Financial Statements. For that purpose, the below summarizes the relationship of the combined Daimler Truck Group (including the entities and businesses that have been or are being transferred in connection with the Demerger Transactions and the Phase 1 Transactions) and the Daimler Truck Group. For more information see Note 40 of the Audited Combined Financial Statements and Note 28 of the Unaudited Condensed Interim Combined Financial Statements.

11.1.2.1 Sales of Goods and Services and Other Income and Purchase of Goods and Services and Other Expenses

The Daimler Truck Group realized sales with companies of the remaining Daimler Group. Those sales relate predominantly to trucks, parts, spare parts and services.

Further, the Daimler Truck Group purchased goods and services from companies of the 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.

The Daimler Group provided services to the Daimler Truck Group mainly throughout Daimler AG, Daimler Mobility AG, Daimler Greater China Ltd. and Daimler North America Corporation. These companies provided the Daimler Truck Group with central corporate services such as, but not limited to tax, legal, accounting, IT, personnel-related services and treasury. For the fiscal year 2020, the cost of such services provided by the remaining Daimler Group amounted to EUR 263 million (fiscal year 2019: EUR 315 million; fiscal year 2018: EUR 131 million).

Sales of goods and services and other income as well as purchases of goods and services and other expense from transactions with the Daimler Group in the fiscal years 2020, 2019 and 2018 are set forth in the following table:

	Sales of goods and services and other income			Purchase of goods and services and other expense		
	For the year ended December 31			For the year ended December 31		
	2020	2019	2018	2020	2019	2018
	(audited) (in EUR million)			(audited) (in EUR million)		
Daimler Group	3,524	4,424	4,360	1,888	1,946	1,602

In the nine-month period ended September 30, 2021, the cost of such services provided by the remaining Daimler Group amounted to EUR 203 million (nine-month period ended September 30, 2020: EUR 199 million).

The table below sets forth the sales of goods and services and other income and purchases of goods and services and other expenses with Daimler Group for the nine months ended September 30, 2021 and 2020:

	Sales of goods and services and other income		Purchase of goods and services and other expense	
	For the nine months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
	(unaudited) (in EUR million)		(unaudited) (in EUR million)	
Daimler Group	2,800	2,481	1,403	1,393

11.1.2.2 Use or Transfer of Brands, Trademarks, Patents, IP4 Address Ranges, Software

For the fiscal years ending December 31, 2020, 2019 and 2018 as well as for the nine months ended September 30, 2021, the Daimler Truck Group was using the Mercedes-Benz brand with the segments

Mercedes-Benz and Daimler Buses under a divisional license 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 Audited Combined Financial Statements and the Unaudited Condensed Combined Financial Statements, accordingly.

11.1.2.3 Receivables from and Payables to Daimler Group

As at the dates indicated below, Daimler Truck Group's receivables from and payables to Daimler Group were as follows:

	Receivables[1]			Payables[2]		
	As at December 31			As at December 31		
	2020	2019	2018	2020	2019	2018
	(audited) (in EUR million)			(audited) (in EUR million)		
Daimler Group	6,467	5,567	3,488	15,112	16,343	14,332

Notes:

(1) After total loss allowances of EUR 21 million (2019: EUR 23 million, 2018: EUR 19 million).

(2) Including liabilities from default risks from guarantees for related parties.

The table below sets forth Daimler Truck Group's receivables from and payables to Daimler Group as at September 30, 2021:

	Receivables[1]	Payables[2]
	As at September 30, 2021	As at September 30, 2021
	(unaudited) (in EUR million)	(unaudited) (in EUR million)
Daimler Group	4,899	14,308

Notes:

(1) After write-downs totaling EUR 6 million (December 31, 2020: EUR 21 million).

(2) Including liabilities from default risks from guarantees for related parties.

11.1.2.3.1 Cash Pooling with Daimler Group

The Daimler Truck Group was integrated into the cash pooling and cash management systems of the remaining Daimler Group. For further details, see Note 17 to the Audited Combined Financial Statements.

Financing receivables, including cash pooling receivables and loan receivables due from the remaining Daimler Group, amounted to EUR 6,074 million as at December 31, 2020 (December 31, 2019: EUR 4,965 million; December 31, 2018: EUR 3,072 million). Financing payables, including cash pooling payables and loan payables due to the remaining Daimler Group, amounted to EUR 12,763 million as at December 31, 2020 (December 31, 2019: EUR 13,305 million, December 31, 2018: EUR 11,824 million).

As at September 30, 2021, Daimler Truck Group held financing receivables of EUR 4,507 million (December 31, 2020: EUR 6,074 million) from the remaining Daimler Group, which included cash pooling receivables and loan payables.

As at September 30, 2021, Daimler Truck Group held financing payables of EUR 12,129 million (December 31, 2020: EUR 12,763 million) to the remaining Daimler Group, which included cash pooling payables and loan receivables.

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 Group and Daimler Group will be terminated and settled (see Note 42 of the Audited Combined Financial Statements).

11.1.2.3.2 Domination and Profit and loss transfer agreements with Daimler Group

During the fiscal years 2020, 2019 and 2018, domination and profit and loss transfer agreements were in place with the remaining Daimler Group. Domination and profit and loss transfer agreements resulted in receivables and payables from/to the remaining Daimler Group in the amount of EUR 0 million as at December 31, 2020 (December 31, 2019: EUR 237 million; December 31, 2018: EUR 0 million) and EUR 0 million as at

December 31, 2020 (December 31, 2019: EUR (214) million; December 31, 2018: EUR (114) million), retrospectively.

In the course of the Spin-off, the domination and profit and loss transfer agreement existing between Daimler AG and Daimler Truck AG will be transferred by Daimler AG to the Company by way of spin-off by absorption (*Abspaltung zur Aufnahme*) under the German Transformation Act (*Umwandlungsgesetz*) (see "*3.3 Demerger Transactions*").

11.1.2.3.3 Lease Contracts with Daimler Group

For the sale of vehicles to Daimler Group companies, by which Daimler Truck Group is obliged to repurchase the vehicles, that are accounted for as a lease, the corresponding balances of residual value guarantees amounted to EUR 1,828 million as at December 31, 2020 (December 31, 2019: EUR 2,005 million; December 31, 2018: EUR 2,063 million) and deferred income amounted to EUR 1,154 million as at December 31, 2020 (December 31, 2019: EUR 1,294 million; December 31, 2018: EUR 1,276 million). The corresponding balances of residual value guarantees as at September 30, 2021 amounted to EUR 1,639 million (December 31, 2020: EUR 1,828 million) and deferred income as at September 30, 2021 amounted to EUR 1,038 million (December 31, 2020: EUR 1,154 million).

In addition, the Daimler Truck Group granted Daimler Truck Financial Services part of remaining Daimler Group credit risk guarantees which required 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 amounted to EUR 40 million as at December 31, 2020 (December 31, 2019: EUR 22 million; December 31, 2018: EUR 32 million). The corresponding off-balance amounts for the financial liabilities resulting from credit risk guarantees issued to the remaining Daimler Group amounted to EUR 52 million as at December 31, 2020 (December 31, 2019: EUR 96 million; December 31, 2018: EUR 96 million). Financial liabilities due to remaining Daimler Group companies as at September 30, 2021 amounted to EUR 32 million (December 31, 2020: EUR 40 million). The corresponding off-balance amounts for the financial liabilities resulting from credit risk guarantees issued to the remaining Daimler Group as at September 30, 2021 amounted to EUR 36 million (December 31, 2020: EUR 52 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 EUR 88 million as at December 31, 2020 (December 31, 2019: EUR 98 million; December 31, 2018: EUR 91 million) and to EUR 73 million as at September 30, 2021 (December 31, 2020: EUR 88 million).

For lease transactions where the Daimler Truck Group is a lessee the carrying amount of right of use assets amounted to EUR 129 million as at December 31, 2020 (December 31, 2019: EUR 145 million) and to EUR 113 million as at September 30, 2021 (December 31, 2020: EUR 129 million) and lease liabilities amounted to EUR 125 million as at December 31, 2020 (December 31, 2019: EUR 144 million) and to EUR 115 million as at September 30, 2021 (December 31, 2020: EUR 125 million). The lease included real estate, IT equipment and other. For the fiscal year 2018 lease expenses are included in other expenses.

11.1.2.3.4 Hedging

Until December 31, 2018, Daimler AG hedged for the Daimler Truck Group commodity, interest and foreign exchange risks. From January 1, 2019, Daimler Truck Group 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 Notes 35 and 36 to the Audited Combined Financial Statements.

11.1.2.3.5 Contingent liabilities and other financial obligations

For information on contingent liabilities and other financial obligations with related parties see Note 40 and Note 34 of the Audited Combined Financial Statements and Note 28 and Note 24 of the Unaudited Condensed Interim Combined Financial Statements.

11.1.2.3.6 Contingent Claims

In 2019, Daimler AG spun off parts of its business operations into Daimler Truck AG and Mercedes-Benz AG. Pursuant to section 133 of the German Transformation Act (*Umwandlungsgesetz*), 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 section 133 of the German Transformation Act (*Umwandlungsgesetz*) amount to EUR 2,582 million as at December 31, 2020 (due in 2021: EUR 967 million), respectively and to EUR 1,990 million as at September 30, 2021 (due in the next 12 months: EUR 622 million) (December 31, 2020: EUR 2,582 million, thereafter due in 2021: EUR 967 million).

11.1.2.3.7 Guarantees

The remaining Daimler Group has issued letters of credit and guarantees securing obligations of the Daimler Truck Group and customers of the Daimler Truck Group for the benefit of third parties.

The guarantees issued by the remaining Daimler Group amounted to EUR 6,361 million as at December 31, 2020 (December 31, 2019: EUR 6,401 million and December 31, 2018: EUR 4,585 million) and to EUR 6,191 million as at September 30, 2021 (December 31, 2020: EUR 6,361 million). These include guarantees issued to financing liabilities allocated based on a target equity ratio to external financial institutions.

The guarantees issued by the remaining Daimler Truck Group securing obligations of the Daimler Group for the benefit of third parties amounted to EUR 55 million as at December 31, 2020 (December 31, 2019: EUR 45 million and December 31, 2018: EUR 33 million) and to EUR 54 million as at September 30, 2021 (December 31, 2020: EUR 55 million).

11.1.2.3.8 Share-based Payment

Employees of the Daimler Truck Group participated in share-based compensation programs of the Daimler Group. For more details see Note 24 of the Audited Combined Financial Statements.

11.2 Transactions and Relationships with Associated Companies and Joint Ventures

The below description of past relationships of the Daimler Truck Group with associated companies and joint ventures are based on Note 40 of the Audited Combined Financial Statements and Note 28 of the Unaudited Condensed Interim Combined Financial Statements. For that purpose, the below summarizes the relationship of the combined Daimler Truck Group (including the entities and businesses that have been or are being transferred in connection with the Demerger Transactions and the Phase 1 Transactions) with associated companies and joint ventures. For more information see Note 40 of the Audited Combined Financial Statements and Note 28 of the Unaudited Condensed Interim Combined Financial Statements.

In the fiscal years 2020, 2019 and 2018 and for the nine months ended September 30, 2021, significant sales of goods and services with associated companies took place with Kamaz PAO and Mitsubishi Fuso Truck and Bus associated companies. In the fiscal years 2020, 2019 and 2018 and for the nine months ended September 30, 2021, significant sales of goods and services with joint ventures took place with Daimler Kamaz Trucks Holding GmbH and National Automobile Industry Company Ltd. Since the effective date of the transfer of the 15% investment in KAMAZ PAO from Daimler Truck AG to Daimler AG, KAMAZ PAO is no longer a direct associated company of Daimler Truck Group but a related party.

These sales of goods and services and other income as well as purchases of goods and services and other expenses to and from associated companies and joint ventures in the fiscal years 2020, 2019 and 2018 are set forth in the following table:

	Sales of goods and services and other income			Purchase of goods and services and other expense		
	Fiscal year ended December 31			Fiscal year ended December 31		
	2020	2019	2018	2020	2019	2018
	(audited) (in EUR million)			(audited) (in EUR million)		
Associated companies	362	344	432	41	34	50
thereof KAMAZ PAO	139	110	204	26	15	35
thereof MFTBC investees	179	204	203	15	19	15
Joint ventures	351	371	512	28	36	21
thereof Daimler Kamaz Trucks Holding GmbH	174	206	392	16	2	3
thereof National Automobile Industry Company Ltd	93	109	56	1	—	—

The table below sets forth the sales of goods and services and other income and purchases of goods and services and other expenses with associated companies and joint ventures for the nine months ended September 30, 2021 and 2020:

	Sales of goods and services and other income		Purchase of goods and services and other expense	
	For the nine months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
	(unaudited) (in EUR million)		(unaudited) (in EUR million)	
Associated companies	248	269	37	27
thereof KAMAZ PAO[(1)]	154	103	27	17
thereof MFTBC investees	93	137	9	10
Joint ventures	285	199	13	12
thereof Daimler Kamaz Trucks Holding GmbH	203	114	6	3
thereof National Automobile Industry Company Ltd	77	69	1	1

Notes:

(1) Daimler Truck Group transferred its equity investment of KAMAZ PAO to Daimler AG on September 21, 2021, effective on September 28, 2021. For the nine months ended September 30, 2021 the income statement reflects all transactions until the effective date.

Daimler Truck Group receivables and liabilities to associated companies and joint ventures as at December 31, 2020, 2019 and 2018 are set forth in the following table:

	Receivables[(1)]			Payables[(2)]		
	As at December 31			As at December 31		
	2020	2019	2018	2020	2019	2018
	(audited) (in EUR million)			(unaudited) (in EUR million)		
Associated companies	55	67	87	8	15	17
thereof KAMAZ PAO	28	20	41	—	—	—
thereof MFTBC investees	18	36	28	8	15	17
Joint ventures	107	109	144	8	1	4
thereof Daimler Kamaz Trucks Holding GmbH	61	53	97	—	—	—
thereof National Automobile Industry Company Ltd	22	24	29	—	—	—

Notes:

(1) After total loss allowances of EUR 21 million (2019: EUR 23 million, 2018: EUR 19 million).

(2) Including liabilities from default risks from guarantees for related parties.

The 15% investment in KAMAZ PAO has been transferred from Daimler Truck AG to Daimler AG on September 21, 2021, effective on September 28, 2021 (see Note 28 of the Audited Combined Financial Statements).

The table below sets forth Daimler Truck Group's receivables from and payables to associated companies and joint ventures as at September 30, 2021:

	Receivables[1]	**Payables[2]**
	As at September 30, 2021	**As at September 30, 2021**
	(unaudited) (in EUR million)	**(unaudited) (in EUR million)**
Associated companies	23	25
thereof KAMAZ PAO[3]	—	—
thereof MFTBC investees	13	2
Joint ventures	106	6
thereof Daimler Kamaz Trucks Holding GmbH	65	—
thereof National Automobile Industry Company Ltd	35	—

Notes:

(1) After write-downs totaling EUR 6 million (December 31, 2020: EUR 21 million).

(2) Including liabilities from default risks from guarantees for related parties.

(3) Daimler Truck Group transferred its equity investment of KAMAZ PAO to Daimler AG on September 21, 2021, effective on September 28, 2021. For the nine months ended September 30, 2021 the income statement reflects all transactions until the effective date.

11.3 Relationships with Key Management Personnel

The following table sets forth the compensation of the key management personnel received from the Daimler Truck Group for the fiscal years 2020, 2019 and 2018 (for information on the composition of the key management personnel see Note 41 to the Audited Combined Financial Statements):

	Fiscal year ended December 31		
	2020	**2019**	**2018**
	(audited) (in EUR million)		
Remuneration of the management board			
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
Total	**19.3**	**15.9**	**14.5**
Remuneration of the supervisory board	2.8	1.7	1.4
Total Remunerations of the management board and the supervisory board	**22.1**	**17.7**	**15.8**

For a description of the current remuneration of the members of the Management Board, see "*16.2.3 Remuneration and other benefits of the members of the Management Board*".

For a description of the current remuneration of the members of the Supervisory Board, see "*16.3.4 Remuneration and other benefits of the members of the Supervisory Board.*"

12 REGULATORY ENVIRONMENT

12.1 Overview

The Group's operations and the products it manufactures are subject to laws, rules and regulations at international, EU, national, state and municipal levels. In particular, such laws, rules and regulations include environmental law, labor and employment protection law, hazardous substances and chemicals law, export control regulations, intellectual property law, consumer protection law, product warranty and product liability law, energy law, banking and insurance law, antitrust law, tax law, anti-money laundering law, data protection law and criminal law.

At the EU level, for example, the legal and regulatory environment in which the Group operates includes numerous EU directives, which are implemented in the individual EU member states through national legislation, and regulations, which apply directly. In the United States, the legal and regulatory environment consists of laws and regulations promulgated at both the federal level and the individual state level. In addition, international agreements, including bilateral and multilateral agreements between countries concerning customs duties or other regulations related to the import and export of products, apply directly or indirectly to the Group.

The legal and regulatory requirements applicable to the Group are diverse, wide-ranging and may impose conflicting obligations and limitations on the Group. The cost of compliance with legal and regulatory requirements can be significant and is ongoing. All of these laws, rules and regulations are subject to frequent, sometimes unpredictable, changes and are supervised by the relevant authorities in each of the jurisdictions in which the Group conducts its business. The legal and regulatory environment which may materially affect the Group's business operations, broken down by Group segment and general category of regulation, is described in further detail below. Any reference in this section to any legislation or regulation is deemed to refer to such legislation or regulation as amended, supplemented or otherwise modified, and all further rules and regulations promulgated thereunder, unless the context requires otherwise.

12.2 Automotive Segments

The Group's Automotive Segments are subject in particular to regulations concerning the development, design, production and sale/distribution of commercial vehicles, engines, components and spare parts, as well as product-related regulations.

12.2.1 Industrial Environmental Control

All member states of the European Union control the manufacture, use and disposal of pollutants by means of regulations on air pollutants, chemicals, heavy metals, persistent organic pollutants ("**POPs**"), soil contamination and biocides. The Group must comply with these regulations in its manufacturing, logistics and transport processes and in its end products.

The Group is subject to the Regulation for Registration, Evaluation, Authorization and Restriction of Chemicals (Regulation (EC) No 1907/2006 ("**REACH**")) and Regulation on Classification, Labelling and Packaging of Substances and Mixtures (Regulation (EC) No 1272/2008 ("**CLP**")). REACH requires manufacturers and importers of chemicals to identify and manage risks linked to the substances they manufacture and market, to submit a registration dossier for substances produced or imported in quantities of one ton or more per year per company, and to provide downstream users with risk information to ensure proper application of such substances. The producers, suppliers and users of articles containing "substances of very high concern" can have both information and notification obligations as well as the obligation to register substances under REACH in certain circumstances. In particular, the producers, suppliers and users of articles containing "substances of very high concern" have to pass information to the recipient, which allow safe use of the article. In addition, for "substances of very high concern", REACH may require government authorization for further use or impose restrictions in the future, any of which may delay or increase the costs of operations. CLP complements REACH by requiring suppliers of substances and mixtures, including manufacturers, downstream users and distributors, to apply harmonized criteria to their classification and labelling.

The Group must also comply with the Stockholm Convention on Persistent Organic Pollutants, which the European Union adopted as Regulation (EU) No 2019/1021 ("**POP Regulation**"), restricting or prohibiting in some cases the production, placing on the market and use of certain POPs, and the Biocidal Product Regulation (Regulation (EU) 528/2012), which regulates how biocides and anti-microbial substances are used and marketed. In addition, the Group must comply with Directive 2011/65/EU ("**RoHS Directive**") on the restriction of the use of certain hazardous substances, including lead, mercury and cadmium in electrical and electronic equipment.

Substance restrictions under the POP Regulation and REACH in some cases prohibit the marketing in the EU of articles containing certain substances. This is particularly relevant in relation to spare parts for products which were designed before a relevant restriction was adopted and which are no longer in mass production ("**legacy parts**"). Similar problems may arise if a substance is placed under an authorization requirement under REACH and may, therefore, not be used for the production of legacy parts without a corresponding authorization. REACH and the POP Regulation do not include general exemptions with regard to legacy parts (so-called "repair as produced" clauses). In contrast, a "repair as built" clause is included in the RoHS Directive, applying, *inter alia*, to spare parts for the repair, the reuse, the updating of functionalities or upgrading of capacity of electrical and electronic equipment (i) placed on the market before July 1, 2006 or (ii) that was outside the scope of the first RoHS Directive 2002/95/EC and which was placed on the market before July 22, 2019.

The European legislation regarding pollutants and chemicals described above is governed by regulations and, thus, applies directly in the EU member states. However, national regulation on such substances may impose further obligations. In Germany, the legislative framework on chemical law, the German Chemicals Act (*Chemikaliengesetz*), mainly reflects and accompanies REACH, but, to a certain extent, also establishes additional and further requirements.

Other government authorities worldwide have adopted frameworks that aim to achieve results similar to REACH and RoHS-2. In the U.S., the Toxic Substances Control Act ("**TSCA**") addresses, *inter alia*, the importation, use and disposal of specific chemicals. It requires the U.S. Environmental Protection Agency (the "**EPA**") to undertake risk evaluations for chemicals made or used within the U.S. which are new or already listed in the chemical substances inventory. For new chemicals, the TSCA requires manufacturers and processors to notify the EPA 90 days prior to beginning to manufacture or process such chemical substances. If a chemical substance presents an unreasonable risk in the EPA's view, the EPA must propose rules to manage the risk, such as limiting or prohibiting the manufacture or distribution of the chemical substance. In addition, the Group must immediately inform the EPA if it obtains information that the substance or mixture may present a substantial risk of injury to health or the environment.

Directive 2004/35/EC on environmental liability establishes a comprehensive liability system, based on the "polluter pays" principle, for damage to natural resources and protected species. Operators of specific activities that cause environmental damage or direct threat of damage to these natural resources or protected species could be held strictly liable, and for other operators, liability can be fault-based. In Germany, this directive is implemented mainly by the Environmental Damage Act (*Umweltschadensgesetz*).

Furthermore, in Germany, the Group is subject to several national environmental laws and regulations in respect of its operations, properties, products and waste, including, in particular, the German Federal Emissions Control Act (*Bundes-Immissionsschutzgesetz*) and related ordinances (*e.g.*, the Hazardous Incidents Ordinance (*Störfall-Verordnung*), implementing Directive 2012/18/EU on the control of major accident hazards involving dangerous substances), the German Water Resources Act (*Wasserhaushaltsgesetz*), the German Chemicals Act (*Chemikaliengesetz*), the German Federal Soil Protection Act (*Bundes-Bodenschutzgesetz*), and the German Closed Substance Cycle Waste Management Act (*Kreislaufwirtschaftsgesetz*, "***KrWG***"). Under the KrWG, generators, owners, collectors and transporters of waste must demonstrate to the competent authority and to other parties that they have properly disposed of hazardous waste. In the U.S., the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and similar state statutes provide broad government authority to respond directly to releases or threatened releases of hazardous substances that may endanger public health or the environment. In certain cases, these statutes impose retroactive, strict, and joint and several liability on current and prior owners or operators of contaminated sites, and on parties that disposed of or transported hazardous substances to contaminated sites.

For some of the Group's operations, including construction, operation and alteration of individual facilities, the Group is required to obtain and maintain permits from governmental authorities. Examples in Germany include emission control permits under the aforementioned Federal Emissions Control Act, building permits under building laws or permits under water laws. Some of these permits, in particular water law permits, might be granted for a specific period only and therefore must be renewed frequently. Non-compliance with permit requirements and environmental laws may trigger administrative fines, and the individuals responsible may also be subject to criminal prosecution. Furthermore, the authority may order operational restrictions or, in a worst-case scenario, a (partial) shutdown of the facility or revocation of the permit. Such developments can also be triggered by legal challenges of third parties, namely neighbors, citizen initiatives or non-governmental organizations whose participation rights have been expanded by the EU public participation directive (Directive 2003/35/EC of the European Parliament and of the Council) and its interpretation by the European Court of Justice, which have been incorporated into the German Environmental Appeals Act (*Umwelt-Rechtsbehelfsgesetz*).

In addition, the German Federal Soil Protection Act and regulations promulgated thereunder, for instance, require property owners and operators of facilities to prevent contamination of the soil by taking necessary precautions. If soil contamination has occurred, property owners, operators of facilities, the party which caused the pollution or its universal legal successor, and in some cases the previous owner, may be held responsible for investigation and remediation measures. In certain cases, a party may even be held liable for the entire cost of remediation, regardless of fault. Non-compliance may result in administrative fines or, in certain cases, criminal liability. The Group's historical and current operations involve the use of hazardous substances. The Group operates and has operated production plants that are or have been located on sites with a history of industrial use, also by third parties.

12.2.2 Emissions from Production

In many countries in which the Group operates, the emission of, *inter alia*, air pollutants, noise, odors, vibrations and greenhouse gases (such as CO_2) is governed by specific laws and regulations, and, if the operation of a facility is subject to a permit, by specific conditions set forth therein. In some cases, the Group is required to submit emission reports on a regular basis. Non-compliance with maximum emission levels may result in administrative fines.

Moreover, at the 2015 United Nations Framework Convention on Climate Change in Paris, nearly 200 nations, including nations where the Group manufactures its products, entered into the Paris Agreement, which became effective in November 2016. The Paris Agreement sets a goal of limiting the increase in global average temperature to well below 2 degrees Celsius and pursuing efforts to limit the increase to 1.5 degrees Celsius, with global greenhouse gas emissions to peak and begin to decline as soon as possible. The Paris Agreement consists of two elements: a commitment by each participating country to set a voluntary emissions reduction target (referred to as "**nationally determined contributions**" or "**NDCs**"), with a review of the NDCs that could lead to updates and enhancements every five years beginning in 2023, and a transparency commitment requiring participating countries to disclose their progress.

The EU has issued several regulations to achieve the goals of the Paris Agreement, in particular the European Climate Law (Regulation (EU) 2021/1119 of the European Parliament and the Council) which *inter alia* sets the binding target that EU-wide greenhouse gas emissions shall be reduced to net zero by 2050, as well as a binding intermediate target to reduce net greenhouse gas emissions by at least 55% compared to 1990 levels by 2030. In Germany, the Federal Climate Protection Act (*Bundes-Klimaschutzgesetz*) provides for national climate protection targets and annual maximum emission quantities for specific sectors (including *inter alia* transport and industry) as well as the general goal to achieve net climate neutrality. Following a decision by the German Federal Constitutional Court (*Bundesverfassungsgericht*), the German legislator passed an amendment to the Federal Climate Protection Act pursuant to which greenhouse gas emissions shall be reduced gradually compared to 1990 by 65% until 2030 and by 88% until 2040; net climate neutrality shall be achieved by 2045. The amendments entered into force on August 31, 2021.

International, European and national regulations will have repercussions on the Group's production facilities to varying degrees. Several of the Group's production plants have in the past emitted and will continue to emit dust, odors, greenhouse gases, hazardous and non-hazardous substances into the air. Although the Group believes that it is in material compliance with its legal obligations with respect to such emissions, the Group may be required to incur significant capital expenditures to upgrade production plants by installing or improving technical equipment to comply with maximum emission levels that may become applicable in the future. For example, stricter regulation of CO_2 emissions from the Group's production facilities could require the Group to increase spending on energy efficiency measures and on alternative, in some cases more expensive, energy sources to power its industrial processes.

In January 2011, the European Directive 2010/75/EC on industrial emissions (the "**IED**") came into force. It sets out rules on the prevention and control of pollution from industrial activities including reducing emissions into air, water and land, as well as preventing the generation of waste. Under the IED and its implementing law, the production of copper, aluminum and ferroalloys, among other industries, is subject to thresholds for various pollutants, such as carbon monoxide and fine particulate matter. Such thresholds, as well as operational conditions and other descriptions of industrial processes for various industrial activities, are set forth in so-called Best Available Techniques Reference Documents ("**BREFs**"), adopted *inter alia* under the IED. The

BREFs are continuously reviewed and updated to correspond with new developments. EU member states are required to take the so-called Best Available Techniques Conclusions, which are part of the BREFs, as a reference for setting or reconsidering permit conditions to installations covered by the IED.

In Germany, the IED has been implemented by way of amendments, in particular to the German Federal Emissions Control Act (*Bundes-Immissionsschutzgesetz*), the German Water Resources Act (*Wasserhaushaltsgesetz*), and the German Closed Substance Cycle Waste Management Act (*Kreislaufwirtschaftsgesetz*), resulting in specific emission thresholds, authorization requirements and supervisory obligations for new and existing facilities. In June 2021, the German government decided on an amendment of the Technical Instructions on Air Quality Control (*TA Luft*) which will lead to stricter emission thresholds *e.g.* for combustion and dust, in part adjusting for and in part going beyond thresholds set by European law. The new version of the Technical Instructions on Air Quality Control was published in the Joint Ministerial Gazette (*Gemeinsames Ministerialblatt*) on September 14, 2021 and will enter into force on December 1, 2021.

The Group is also subject to European and national emission trading systems ("**ETS**"). These systems are based on "cap and trade" principles designed to reduce carbon dioxide emissions by limiting the number of emission allowances (cap) required for certain facilities and allowing the purchase for shortfall or the sale of surplus emission allowances (trade).

The general legal framework for emission trading is provided in Directive 2003/87/EC, as amended *inter alia* by Directive 2009/29/EC and Directive (EU) 2018/410 (together the "**ETS Directives**"). In Germany, the Greenhouse Gas Emissions Trading Act (*Treibhausgas-Emissionshandelsgesetz*) is applicable.

During the current allocation period (2021 through 2030) for the EU ETS, emission allowances are issued to facility operators on an auction basis except for certain defined categories of operators. The ETS Directives, among other things, extend the number of facilities that are subject to the EU ETS and establish the framework for the respective auction systems for emission allowances in the EU member states. Under the ETS Directives as currently in force, the overall number of emission allowances will decline at an annual rate of 2.2% during the current allocation period 2021 to 2030. Such emission cuts are intended to be part of the EU's contribution to the Paris Agreement. Furthermore, the EU ETS has been operating a market stability reserve since January 1, 2019 to address a perceived surplus of emission allowances by transferring certain amounts of allowances to a reserve instead of auctioning them. To align the EU ETS with the increased reduction targets under the EU Climate Law (Regulation (EU) 2021/1119), as part of the "Fit for 55" package the European Commission proposed amendments to the ETS Directives in July 2021, including *inter alia* steeper annual cuts of 4.2% to the overall number of emission allowances, following a one-off reduction of the overall emissions cap by 117 million allowances ("re-basing"), and strengthening the market stability reserve.

Furthermore, the European Commission has put forward a proposal for a Carbon Border Adjustment Mechanism (CBAM), which addresses the risk of carbon leakage for a targeted number of sectors (including *inter alia* iron and steel, aluminum and electricity generation) by applying a cost of carbon to imports of certain goods to the EU based on the carbon emissions associated with their manufacture from 2026. As a next step, the proposals by the European Commission will enter the legislative process. The revised EU ETS legislative framework and potential future tightening and potentially rising costs for carbon dioxide emission allowances may have repercussions on the Group's production facilities to varying degrees.

12.2.3 Health and Safety

In all jurisdictions in which it operates, the Group must comply with applicable laws and regulations to protect employees against occupational injuries. Under such laws and regulations, employers typically must establish and maintain working conditions that effectively prevent danger to employees. In particular, employers must comply with certain medical and hygiene standards and meet certain health and safety requirements at work, such as carrying out risk assessments and deriving measures for the safety of employees. This is based, for example, on permissible maximum values for noise at the workplace, regulations for the use of personal protective equipment and requirements for ambient temperature, ventilation and lighting, as well as working time and work break regulations.

At the European Union level, Directive 2014/27/EU *inter alia* seeks to protect employees from hazards relating to dangerous substances. In Germany, the occupational Health and Safety Act (*Arbeitsschutzgesetz*), the Industrial Safety Regulation (*Betriebssicherheitsverordnung*), the Hazardous Substances Ordinance (*Gefahrstoffverordnung*) and the Technical Rules for Hazardous Substances (*Technische Regel für Gefahrstoffe*) as well as further specific regulations, in part based on EU directives, regulate aspects of the Group's facilities.

In the U.S., the Occupational Safety and Health Act promotes the improvement of the working environment to protect workers' health and safety. Over the years, various standards have been adopted for several different areas of occupational health and safety in the workplace (such as work equipment, personal protective equipment, display screen equipment, the manual handling of loads and the handling of hazardous substances). In the U.S., standards are non-binding but still preserved as industry standards.

12.2.4 Cross-Border Import and Export of the Group's Products

Most countries in which the Group conducts business have import and export control regulations. The Group manufactures and deals with products which are subject to export control and sanction regulations, as well as trade policy measures, such as tariffs. The Group is required to comply with sanctions restrictions imposed by multiple authorities, such as the United Nations, the EU and the United States, in particular in its commercial interactions with parties in sanctioned countries. In addition, the European Union, United States and other applicable sanctions and embargo laws and regulations vary in their application: they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time.

12.2.4.1 Requirements in Member States of the European Union

Within the European Union's internal market, the principle of free movement of goods applies. When importing and exporting goods to non-EU countries, the Group has to comply with national and European foreign trade and customs regulations, including applicable trade sanctions law. At the EU level, the relevant regulatory framework concerning customs is the Union Customs Code (Regulation (EU) No 952/2013), which, in connection with further delegated and implementing acts, defines the customs laws and procedures for import and export from the EU's internal market. For foreign trade regulations, a number of EU level regulations and national laws are applicable, as further described below.

Some of the Group's products can be used for both civil and military purposes and are defined as dual-use goods under EU regulations, such as Council Regulation (EC) No 428/2009, recast by Regulation (EU) 2021/821, applicable as of September 9, 2021, which sets forth an EU-wide regime for the control of exports, transfer, brokering and transit of such items. The export of such goods to destinations outside the European Union requires a permit. The competent national authority may exercise a certain degree of discretion in its granting of such permit. Export controls regulations may also limit or prohibit the export of the Group's products if specific countries, entities or individuals are the destination of such exports. On the EU level, such restrictions are set out in specific regulations on sanctioned countries or individuals. In addition, specific domestic export controls and sanctions regulations may have an impact on the Group's customer or supply relationships even if these relationships do not relate directly to the relevant countries.

In Germany, the Group is subject to the German Foreign Trade and Payments Act (*Außenwirtschaftsgesetz*) and the German Foreign Trade and Payments Regulation (*Außenwirtschaftsverordnung*) forming a national law framework to implement and enforce the EU-rules on the national level, and to some extent adding certain nationally specific requirements, *e.g.* adding further controlled goods. Whether an export will be prohibited depends on the circumstances of the individual case, *i.e.* on the type of goods, the (end-) destination country and the intended use of the product. For example, certain parts built-in within vehicles are so-called dual use goods and export of these parts as spare parts to countries outside the EU is only allowed with a permit.

The Group must also comply with European Union compliance screening lists of specific persons and entities such as per Council Regulations including (EC) No 881/2002 and 2580/2001 (both regarding certain persons and entities in connection with terrorism), and with anti-money laundering regulations, including the Fifth Anti-Money Laundering Directive (EU) 2018/843 as amended and supplemented by the Sixth Anti-Money Laundering Directive (EU) 2018/1673, both as implemented into national law and focusing on the prevention of money laundering or terrorist financing, imposing requirements regarding compliance organization and customer checks. The European Union has also imposed sanctions on certain persons, entities and dual-use exports to Russia particularly via Regulation (EU) No 692/2014 and Regulation (EU) No 833/2014 in their most current versions. To ensure compliance with these laws and regulations, the Group screens its transactions and potential business partners.

12.2.4.2 Requirements under United States laws and regulations

In the United States, the U.S. Customs and Border Protection agency, among others, regulates the import and export of goods from the United States. Imports are governed by a number of laws including the Tariff Act of 1930. The U.S. Departments of Justice, Commerce, State and Treasury and other federal agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for violations of economic sanctions laws, export control laws, anti-money laundering laws and other federal statutes and regulations, including those established by the U.S. Department of Treasury's OFAC. Various government agencies may seek to impose modifications to business practices, including cessation of business activities in sanctioned countries or with sanctioned persons or entities and modifications to compliance programs, which may increase compliance costs, and may subject the Group to fines, penalties and other sanctions. A violation of these laws or regulations could adversely impact the Group's business, results of operations and financial condition.

The Group's business is subject to the regulatory framework of U.S. secondary sanctions. For example, the U.S. has imposed primary sanctions on certain Russian individuals and companies and sectors of the Russian economy. As a result of the Countering America's Adversaries Through Sanctions Act of 2017, non-U.S. persons must comply with certain secondary sanctions against Russia even if such activities have no connection to the U.S. Among other things, non-U.S. persons may face penalties for knowingly facilitating significant transactions or significant financial transactions for or on behalf of a party subject to the U.S. sanctions against Russia.

Moreover, on November 5, 2018, the U.S. announced it would withdraw from the Joint Comprehensive Plan of Action which had previously eased U.S. sanctions on Iran under the authority of, among others, the Iran Sanctions Act, the Comprehensive Iran Sanctions, Accountability and Divestment Act of 2010, the National Defense Authorization Act for Fiscal Year 2012, the Iran Threat Reduction and Syria Human Rights Act of 2012, the Iran Freedom and Counter-Proliferation Act of 2012 and various Executive Orders. In broad terms, the U.S. has reimposed U.S. extraterritorial sanctions measures against Iran in connection with activity related to Iran's energy, petrochemical, automotive, shipping, shipbuilding, port operating, and financial sectors. Persons engaged in such activities involving Iran will face exposure to secondary sanctions or enforcement actions under U.S. law. Additionally, the U.S. government has included certain Iranian persons and entities on the Specially Designated Nationals And Blocked Persons List (SDN List) and other sanctions lists as administered by OFAC.

The Group has ceased its operations in Iran.

12.2.5 Antitrust Law

The Group must observe various antitrust laws and regulations applicable in the jurisdictions in which it operates. Provisions on merger control, the prohibition of anti-competitive agreements, collusive behavior, the prohibition of abuse of a dominant position and the prohibition of receipt of advantages in violation of state aid rules are particularly relevant. In general, such antitrust laws and regulations are designed to preserve free and undistorted competition in the marketplace to protect competitiveness and economic efficiency. National and supranational antitrust authorities may initiate investigations and proceedings for alleged infringements of antitrust laws, which may, among others, result in significant fines or other forms of liability or impose certain limitations or conditions regarding acquisitions and certain business practices.

Certain parts of the Group have also been involved in antitrust proceedings, including with European authorities, and are affected by certain related third-party claims. For more information, see "*10.17.1 Antitrust Proceedings* ."

Within the European Union, compliance with applicable European and national antitrust laws is monitored by the European Commission and the national antitrust authorities (for instance, in Germany, the Federal Cartel Office (*Bundeskartellamt*)). Comparable provisions also apply in most countries outside the European Union and are enforced by respective local antitrust authorities.

The EU's antitrust rules are set out in Articles 101 and 102 of the Treaty on the Functioning of the European Union ("**TFEU**"). Article 101(1) of the TFEU prohibits anti-competitive agreements to the extent they are not otherwise exempted by Article 101(3) of the TFEU. Article 102 prohibits abusive conduct by undertakings with a dominant market position. The European Commission provides guidance on the enforcement priorities in applying Article 102 TFEU (Guidance Paper 2009/C 45/02).

The assessment of whether the exemption criteria of Article 101(3) of the TFEU are met must be made by the Group in a "self-assessment". This self-assessment of compliance of the Group's agreements with dealers, suppliers or competitors generally carries the risk that the European Commission, national antitrust authorities or national courts could come to a different conclusion as to whether there is an infringement of antitrust laws.

The self-assessment is guided, in parts, by Commission Regulations and Notices, for example the Commission Notice on the implementation of Article 101(3) of the TFEU, and so-called Block Exemption Regulations

("**BERs**"). BERs provide a safe harbor for groups of agreements which can be assumed to meet the requirements for an exemption from the cartel prohibition without an individual review under Article 101(3) of the TFEU. The Commission's Notice on guidelines of the application of Article 101(3) (former Article 81(3) TFEU (2004/C 101/08)) provides guidance on the cumulative conditions which must be satisfied to be exempted. The General BER on vertical agreements (Regulation (EU) No 330/2010) ("**General BER**") generally exempts certain vertical agreements from Article 101(1) of the TFEU by assuming that they satisfy the conditions of Article 101(3) of the TFEU. However, this only applies if the market shares of the supplier and the distributor each do not exceed 30% on the relevant markets.

For new vehicle sales, the non-sector specific General BER and the sector-specific guidelines issued by the European Commission (Commission notice 2010/C 138/05, "Sector-Specific Guidelines") apply to the sale of new motor vehicles, including the commercial vehicles of the Group. For spare part sales and the provision of repair and maintenance services, the European Commission issued an Automotive BER via Commission Regulation (EU) No 461/2010 on the application of Article 101(3) of the TFEU to categories of vertical agreements and concerted practices in the motor vehicle sector ("**Automotive BER**"). The Automotive BER is supplemented by the rules of the General BER.

By way of example, a qualitative selective distribution system for new vehicle sales is exempted by the General BER from Article 101(1) of the TFEU if the market shares of the supplier and the distributor each do not exceed 30%. For new vehicle sales, the European Commission has stated in sector-specific guidelines that quantitative selective distribution will generally satisfy the exemption conditions of Article 101(3) of the TFEU if the parties' market shares do not exceed 40%.

For aftersales services (original spare parts ("**genuine parts**") and provision of repair and maintenance services), under the Automotive BER, vertical agreements are block-exempt only if they satisfy the requirements set forth in the General BER and comply with more stringent requirements with respect to certain types of restrictions on competition which could limit the supply of genuine parts in the motor vehicle aftermarket (in particular with respect to independent dealers, independent repair shops and end users).

Regulation (EU) 2018/858 on market surveillance of motor vehicles requires vehicle manufacturers, including the Group, to grant access to certain technical information relating to vehicle repair and maintenance to independent market participants. The Group may have to incur additional expenses in connection with a review of its existing arrangements and other costs to comply with the new regulations and could expose the Group to further competition for aftersales services. For further discussion on genuine parts, see also "*12.2.9 Genuine Parts and Design Protection*."

12.2.6 Vehicle/Engine Type Approval/Road Safety

The Group's commercial vehicle and related component products require approval by the government authorities before they can be sold to customers and used on public roads. Each jurisdiction where the Group operates has various product-related regulatory requirements. The Group must comply with substantial licensing, certification, approval and permit requirements, as well as numerous and continually increasing technical product requirements, particularly with regard to environmental protection and the safety of vehicle occupants and other road users.

Concerning the approval of vehicles at a global level, the UNECE World Forum for Harmonization of Vehicle Regulations (WP.29) has published the Regulations UN-R 155 for cyber security and cyber security management systems and UN-R 156 for software updates and software update management systems. They each essentially include the procedure and requirements for approval, the issuing of a Certificate of Compliance (*Konformitätszertifikat*) for the respective management systems and the conformity of production, as well as penalties for non-conformity of production. Both regulations are to be viewed in conjunction with Regulation (EU) 2018/858 on the approval and market surveillance of motor vehicles and their trailers, as described in more detail below, as they each aim to harmonize rules and principle for the type-approval of motor vehicles and of systems, components, and separate technical units for such vehicles.

Overall, the European Union has passed extensive legislation and regulations on vehicle approval and safety. In particular, Regulation (EU) 2018/858 establishes a framework for the approval and market surveillance of motor vehicles and their trailers, and of systems, components and separate technical units intended for such vehicles. It makes reference to the Agreement of the United Nations Economic Commission for Europe (UN ECE), concerning the adoption of uniform technical prescriptions for wheeled vehicles, equipment and parts which can be fitted to and/or be used on wheeled vehicles and the conditions for reciprocal recognition of approvals granted based on these prescriptions. The Regulation is directly binding in all EU member states and does not need further implementation into national laws. The Regulation governs the testing necessary for a vehicle to be placed on the market. It also provides for market surveillance to control the conformity of vehicles already available on the market, and includes rules on data access. It further allows EU member states and the European Commission to carry out random tests on vehicles to detect failures. Directives 2014/45/EU on periodic roadworthiness tests for motor vehicles and their trailers and 2014/47/EU on the technical roadside inspection of the roadworthiness of commercial vehicles circulating in the Union also provide for heavy-duty vehicle road testing and roadside inspections, and requires member states to specify rules on type approval and related penalties.

Furthermore, road safety Regulation (EC) No 661/2009 and its implementing regulations govern type-approval requirements for the general safety of motor vehicles (including heavy-duty vehicles), their trailers and systems, components and separate technical units intended therefor. In addition, Regulation (EC) No 78/2009 concerns type approval of motor vehicles with regard to the protection of pedestrians and other vulnerable road users, and includes passive safety requirements to mitigate the risk of critical injury in the event of a collision between a vehicle and a person. Regulations (EC) No 661/2009 and (EC) No 78/2009 will, among others, be replaced from July 6, 2022 by Regulation (EU) 2019/2144 on type-approval requirements for motor vehicles and their trailers, and systems, components and separate technical units intended for such vehicles, as regards their general safety and the protection of vehicle occupants and vulnerable road users ("**GSR**"). In view of further reducing the number of persons killed and injured in road accidents, GSR *inter alia* makes it mandatory to introduce a range of new technologies and safety measures following a fixed timetable. It lays down administrative provisions and technical requirements for the type-approval of all new vehicles, systems, components, and separate technical units. It also refers to Regulation EU 2018/858, *inter alia* addressing data security and data sharing. The European Union has also passed Regulation (EU) No 540/2014 on the sound level of motor vehicles, including trucks. The Regulation establishes administrative and technical requirements on sound levels for the EU type-approval of new vehicles, including the sound level of compressed air generated by a truck's primary and parking brakes.

The European Union has also enacted EU Directive 2010/40/EU on Intelligent Transport Systems ("**Intelligent Transport Systems Directive**"), which established a comprehensive legal framework for the implementation and use of intelligent transport systems. The Intelligent Transport Systems Directive was transposed into German national law in 2012 by the Law on Intelligent Transport Systems in Road Traffic and their Interfaces with Other Modes of Transportation (*Gesetz über intelligente Verkehrssysteme im Straßenverkehr und deren Schnittstellen zu anderen Verkehrsträgern*). In 2019, a draft for a delegated regulation supplementing the Intelligent Transport Systems Directive was published by the Commission regarding the deployment and operational use of Cooperative Intelligent Transport Systems ("**C-ITS**") with the main purpose of creating the minimal legal requirements for the interoperability of C-ITS, and thus enable large-scale deployment of C-ITS systems and services.

In addition, Regulation (EU) 2015/758 concerning type approval requirements for the deployment of the eCall in-vehicle system based on the 112 service (eCall Regulation) was issued and is directly applicable in each EU Member State. It establishes general requirements and sets out obligations, particularly for manufacturers like the Group, concerning the deployment of 112-based eCall in-vehicle systems, the EC type-approval of vehicles in respect of those systems, as well as regarding their components and separate technical units. It further contains specific provisions on the processing of personal data, supplementary to those of the GDPR and provides for sanctions for manufacturers in cases of non-compliance.

At the national level, Germany has implemented portions of the above into its Road Transport Law (*Straßenverkehrsgesetz*), Road Traffic Licensing Regulations (*Straßenverkehrszulassungsordnung*), EG-Vehicle Approval Regulation (*EG-Fahrzeuggenehmigungsverordnung*) and Ordinance on Technical Inspections of Commercial vehicles on the Road (*Verordnung über technische Kontrollen von Nutzfahrzeugen auf der Straße*).

12.2.7 Vehicle Emissions

Across the markets where it operates, the Group's products must comply with increasingly stringent standards on vehicle emissions. Research and development as well as continuing compliance with a varying set of rules on vehicle emissions impose significant costs on the Group and have the potential to adversely impact its business going forward.

In order to receive vehicle type approval in the European Union, new heavy-duty vehicles must comply with the Euro VI regulatory framework as provided by Regulation (EC) No. 595/2009 and Regulation (EU) No 582/2011 ("**Euro VI**"). Implementation of Euro VI in the EU member states did not require additional legislation at the national level and became mandatory in 2013, with national authorities monitoring compliance and having the ability to recall non-compliant vehicles. The Euro VI standard for heavy-duty vehicles is different than the similarly named Euro 6 standard for light-duty and passenger vehicles with a maximum mass not exceeding 3.5 tons, which is provided for under Regulation (EC) No. 715/2007 ("**Euro 6**") and became mandatory in stages, depending on the vehicle, beginning in September 2014. A legislative proposal for the introduction of Euro VII/7 standards is currently expected for the second half of 2021, potentially to enter into force in 2025.

Euro VI and Euro 6 each regulate emissions of carbon monoxide, hydrocarbons, nitrogen oxides ("**NOx**"), ammonia and particulates. Emissions are tested according to the World Harmonized Stationary Cycle and World Harmonized Transient Cycle standards, which incorporate elements of real-world driving conditions. Testing results are based on g/kWh values. Euro VI and Euro 6 also set engine durability requirements to ensure lasting emissions performance and regulates certain on-board diagnostic functions of the engine's emissions system. The Group's current product offerings in the European Union comply with Euro VI and Euro 6.

Furthermore, the European Union imposed requirements relating to emission limits for gaseous pollutants, including *inter alia* carbon monoxide and NOx, and particulate pollutants as well as to type-approval for internal combustion engines for non-road mobile machinery in Regulation (EU) 2016/1628.

For passenger cars and light commercial vehicles, the European Union has implemented mandatory CO_2 emissions targets as provided by Regulation (EU) 2019/631. From 2020, manufacturers must meet a target average of 147g CO_2/km for their new light commercial vehicle fleets, which is, since 2021, calculated on the basis of the World Harmonised Light Vehicle Test Procedure (WLTP). From 2025, the CO_2 emissions target average for new light commercial vehicles will drop to a 15% reduction of the target in 2021 and from 2030, to a 31% reduction. There is a monetary penalty of 95 EUR for each g CO_2/km exceeding the limit multiplied by the number of vehicles produced. If a manufacturer also produces light commercial vehicles with low or no emissions, such as battery-electric powered models, or certain exempt models, this will factor into the average emissions calculation. From 2025, certain reliefs up to 5% of the CO_2 emissions target can be achieved depending on the share of zero- and low-emission vehicles (ZLEV) in the manufacturer's fleet of new light commercial vehicles, provided a 15% (and from 2030, 30%) share ("benchmark") is met. In view of the increased reduction targets under the EU Climate Law (Regulation (EU) 2021/1119), as part of the "Fit for 55" package the European Commission proposed a revision of the CO_2 standards for passenger cars and light commercial vehicles in July 2021, which includes *inter alia* a reduction of the CO_2 emissions target average for new light commercial vehicles by 50% by 2030 and by 100% by 2035 compared to 2021. Furthermore, the incentive mechanism for ZLEV would be removed as of 2030. As a next step, the proposal by the European Commission will enter the legislative process.

The European Union has also instituted a monitoring and reporting system for fuel consumption and CO2 emissions by heavy-duty vehicles to both assist customer access to information on fuel efficiency and fulfil, greenhouse gas reduction goals under the Paris Agreement. Beginning on January 1, 2019, Commission Regulations (EU) 2017/2400 and 2018/956 requires manufacturers, including the Group, to monitor and report CO2 and fuel consumption of new heavy-duty vehicles. The EU then posts the results in a publicly accessible Central Register.

In further pursuit of goals under the Paris Agreement, the European Union has introduced mandatory CO_2 emission performance standards as provided by Regulation (EU) 2019/1242, imposing a 15% reduction in CO2 emissions by trucks above 16 tons by 2025 and a 30% reduction by 2030, compared to the benchmark time period of July 1, 2019 to June 30, 2020 as determined using data from the EU's new Central Register on CO2 and fuel consumption (such benchmark being subject to a further regulatory assessment by the European Union in 2022). In addition, the regulation imposes a system of supercredits for zero- and low-emission trucks for the period 2019-2024 and quotas for zero- and low-emission trucks based on a benchmark system beginning in 2025. Penalties for failing to reach the outlined targets will amount to EUR 4,250 for each gram CO2/t-km of excess emissions, per vehicle, for the period from 2025 to 2029, and from 2030, EUR 6,800 for each gram CO2/t-km of excess emissions, per vehicle.

In the context of the increased reduction targets under the EU Climate Law (Regulation (EU) 2021/1119), as part of the "Fit for 55" package the European Commission proposed creating a new EU-wide ETS for road transport and buildings (in parallel to the existing EU ETS) from 2026 as an upstream system, *i.e.* regulating fuel suppliers who would be responsible for monitoring and reporting the quantity of fuels they place on the market and for surrendering emission allowances annually depending on the carbon intensity of the fuels. The total quantity of allowances shall be capped and reduced annually following a linear trajectory, aiming at a reduction of greenhouse gas emissions from the road transport and buildings sectors by 43% in 2030 (compared to 2005 levels). The resulting increase in fuel prices could adversely impact the Group's market conditions. The proposal by the European Commission will enter the legislative process as a next step.

At the national and municipal level in the European Union, several authorities are considering or have already instituted restrictions on the operation of certain diesel vehicles, in some cases including heavy-duty vehicles, in urban areas on the basis of NOx and particulate emissions. Examples include environmental zones in France, the Netherlands and Sweden. In Germany, several municipalities are in the process of instituting or have already instituted bans on certain diesel passenger, and in some cases, commercial vehicles.

In the U.S., under the U.S. Clean Air Act of December 27, 2020 (the "**Clean Air Act**"), medium and heavy-duty vehicles and powertrains are required to obtain a Certificate of Conformity issued by the EPA, and a California Executive Order issued by the California Air Resources Board ("**CARB**"). This regulatory process is designed to ensure that vehicles comply with applicable emission standards for both criteria pollutants, such as NOx and particulate matter (PM), and greenhouse gases ("**GHGs**"), such as CO2 and nitrous oxide (N2O). A Certificate of Conformity is required for vehicles sold in all states, and an Executive Order is required for vehicles sold in California and states that have adopted the California standards. CARB sets more stringent standards for emissions control for certain regulated pollutants for new vehicles and engines sold in California and must obtain a waiver of pre-emption from the EPA before implementing and enforcing such standards. California's waiver of pre-emption with regard to GHG emission standards is currently the subject of legal challenges, and the authority of California to implement and enforce GHG emission standards for vehicles and engines in the future is uncertain. Currently, U.S. states that have adopted the California standards, as approved by the EPA, also require a CARB Executive Order for sales of vehicles in those states. There are currently fourteen such additional states (in addition to the District of Columbia) that have adopted the California emissions standard for light, medium and heavy-duty vehicles. In these states, an EPA Certificate of Conformity and CARB Executive Order must be obtained for each model year for each class of vehicle. Failure to obtain or comply with the terms of a Certificate of Conformity or Executive Order is subject to civil penalty and administrative or judicial enforcement.

Pursuant to its authority under the Clean Air Act, the EPA adopted Phase 1 fuel efficiency and GHG standards for medium-duty vehicles and engines on September 15, 2011. The EPA adopted more stringent fuel efficiency and GHG standards for medium-duty vehicles and engines on October 25, 2016. Manufacturers of vehicles and engines may comply with the GHG standards by selling increasing percentages of zero-emission vehicles ("**ZEVs**"). CARB also has adopted GHG and fuel efficiency standards for medium and heavy-duty vehicles and engines. The Advanced Clean Trucks (ACT) Regulation approved by CARB in June 2020 requires medium-duty and heavy-duty vehicle manufacturers to produce and offer for sale in California increasing numbers of ZEVs. These regulatory standards increase annually beginning in 2024 and will require that 30 to 50% of new truck sales in California (depending on class) be ZEVs by 2030, and 55 to 75% (depending on class) be ZEVs by 2035.

Additional CARB regulations mandating ZEV deployment in specific vocations are in various stages of development or implementation. These include the Zero Emission Fleet Rule, Innovative Clean Transit Regulation and the Zero Emission Airport Shuttle Regulation.

Receipt of an EPA Certificate of Conformity and CARB Executive Order obligates the holder to ensure that the covered engine or vehicle is capable of complying with applicable standards throughout the full useful life of the product, which for medium-duty vehicles may be 10 years or from 120,000 to 185,000 miles, whichever comes first and depending on the engine and vehicle size. Emissions control system warranty coverage must be provided for a period of five years or 50,000 to 100,000 miles (CARB warranty obligations increasing to up to 110,000, 150,000 and 350,000 miles in 2022), whichever comes first and depending on the engine and vehicle size. During this time, manufacturers must repair emission-related defects at no cost to the customer. Throughout the full useful life of the engine or vehicle, manufacturers are required to remedy in-use problems that cause engines or vehicles to exceed emission standards for criteria pollutants or GHGs.

Manufacturers may have to conduct recalls, service campaigns or other field actions, or provide extended warranties to address any such in-use issues that may arise. The EPA is considering extending the warranty period, including by adopting the CARB warranty obligations of 110,000, 150,000, or 350,000 miles, depending on the engine size. Manufacturers of medium-duty engines and vehicles also must ensure that their products comply with On Board Diagnostics ("**OBD**") requirements. The OBD system is intended to identify and diagnose malfunctions within the engine, aftertreatment and emission control systems and alert the driver to the underlying issue so the vehicle can be brought in for service. CARB issues approval of the OBD system as part of its issuance of an Executive Order; the EPA deems demonstration of compliance with CARB OBD requirements to satisfy the EPA's requirements. As with emissions compliance, manufacturers are required to ensure that the OBD system functions as designed and is able to identify component malfunctions throughout the full useful life of the vehicle or engine.

GHG Credits—U.S. EPA

The EPA's Greenhouse Gas Rule (the "**GHG Rule**") requires all manufacturers of medium-duty engines and vehicles to comply with fleet average GHG standards. Manufacturers may comply with the standards by producing engines or vehicles, all of which comply with the standards, or by averaging, banking and trading GHG credits within vehicle or engine categories. Manufacturers may also comply with GHG standards by purchasing credits from manufacturers with a surplus of credits. The failure to comply with GHG standards can lead to civil penalties or the voiding of a manufacturer's EPA Certificate of Conformity. In connection with the delivery and placement into service of zero-emission and low-emission vehicles, the Group may earn tradable GHG credits that can be sold to other manufacturers. Under the EPA's Greenhouse Gas Rule, plug-in hybrid, all-electric and fuel cell vehicles earn a credit multiplier of 3.5, 4.5, and 5.5, respectively, for use in the calculation of GHG emission credits.

Commercial engine and vehicle manufacturers are required to meet the NOx emission standard for each type of engine or vehicle produced. Typical diesel engine emission control technology limits the fuel economy and GHG improvements that can be made while maintaining compliance with the NOx standard. As the fleet average GHG standards continue to decrease over time, compliance with the NOx standard may increase the difficulty for conventional diesel vehicles to meet the applicable GHG standards. Accordingly, manufacturers of diesel trucks may need to purchase GHG credits to cover their emission deficit. The EPA's Greenhouse Gas Rule provides the opportunity for the sale of excess credits to other manufacturers who require such credits to comply with these regulatory requirements. Furthermore, the regulation does not limit the number of GHG credits sold within the same commercial vehicle categories.

12.2.8 Fuel Requirements

Certain jurisdictions where the Group operates impose requirements on fuel mixtures and energy source requirements for transportation. Depending on the nature and extent of the regulations, this could affect the use and production of the Group's products. For instance, government-mandated mixing of conventional diesel with biodiesel beyond certain ratios can require engine modifications.

Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources establishes a framework for the promotion of energy from renewable sources in the European Union until 2030 and continues to promote the use of renewable energy in transport, including biofuel and electricity, with a target of at least 14% renewables in the final energy consumption mix by 2030. This can include biodiesel intended to be used in diesel engines which the Group produces. In the context of the increased reduction targets under the EU Climate Law (Regulation (EU) 2021/1119), as part of the "Fit for 55" package the European Commission proposed increasing the transport target under Directive (EU) 2018/2001 and expressing it as a greenhouse gas intensity reduction target of at least 13% by 2030 (instead of specifying specific shares for renewables as under the current directive). The proposal by the European Commission will enter the legislative process as a next step. Some EU member states as well as certain countries outside the European Union plan to implement measures (*e.g.*, quota or tax incentives) to establish higher targets than those provided in Directive (EU) 2018/2001. In Germany, requirements regarding biofuels were first introduced by the Biofuels Quota Law (*Biokraftstoffquotengesetz*); currently, the Federal Emissions Control Act and related regulations set greenhouse gas reduction obligations for fuels (including biofuels) to be used domestically.

12.2.9 Genuine Parts and Design Protection

The Group produces and sells genuine parts as part of its aftersales business. Genuine parts, capable of being protected, are registered as design rights in most European countries based on European Union or national laws. At the level of European Union community designs, protection for spare parts has been limited for some time by what is generally referred to as a "repair clause." Such clause eliminates design protection for "must-match" genuine parts, *i.e.* component parts used in the repair of a complex product so as to restore its original appearance. Such limitation historically did not exist under most national laws, leading companies to register their designs nationally for wider protection. A "repair clause" would largely eliminate the need for "must-match" parts to be genuine parts, as generic spare parts could then be freely produced by third-party manufacturers. Eliminating design right protection for "must-match" genuine parts also on a national level would have a significant impact on the Group, as it would lead to intensified competition in the spare parts market. Certain European countries have already adopted repair clauses within national design laws; a 1997 European directive stipulates that EU member states shall maintain in force their existing legal provisions (if any) relating to the use of the design of a component part used for the purpose of the repair of a complex product so as to restore its original appearance and shall introduce changes to those provisions only if the purpose is to liberalize the market for such parts. In 2020, the German legislature implemented a repair clause effective for newly applied registered design rights, leaving the scope of protection for existing design rights unaffected. This regulatory change for the German market will only gradually take effect. Moreover, the German legislature intended the German repair clause to be narrower than the clause applicable to EU community designs. It is possible that other EU member states will follow this example and implement similar provisions in their respective national laws.

12.2.9.1 Intellectual Property Law

Non-U.S. Regulations relating to Intellectual Property

All EU member states control the use and protection of intellectual property rights by means of national laws, EU community regulations and international law. The Group's operations and products are in particular subject to patent law, design right law and trademark law. The relevant regulatory framework particularly concerns the protection of the Group's portfolio of intellectual property rights as well as its access to intellectual property rights of third parties.

In Germany, the Group may protect new and inventive technical inventions that are industrially applicable by national German patents under the German Patent Act (*Patentgesetz*). German patents are granted by the German Patent and Trademark Office ("**GPTMO**"). The Group may also apply for European patents before the European Patent Office. European patents can grant protection in 38 contracting states of the Convention on the Grant of European Patents, whereby the Group chooses the respective states in which the European patents should be valid. Following a patent grant, the Group may use the patented technology in the designated countries up to a maximum of 20 years starting from the application day. It is however possible that third parties may challenge patents granted for the Group by giving notice of opposition within nine months of the publication of the grant by way of a revocation action.

The Group may further protect its technical inventions under the German Utility Model Act (*Gebrauchsmustergesetz*). German utility models become effective within Germany upon their registration, conferring the same rights as national German patents. In contrast to the registration of patents, German utility models are not examined as to novelty, inventive step or industrial application during their registration process with the GPTMO. For this reason, utility model protection can be obtained faster and at a lower cost than patent protection but is also more easily challenged and revoked.

The appearance of the Group's products is protected and regulated by the German Act on the Legal Protection of Designs (*Designgesetz*) in Germany. The Group may apply for the registration of design rights with the GPTMO if the designs are new and of individual character. Upon grant of a design right, the Group may prohibit third parties from using the design right for making, selling or importing and exporting products. Design rights registered at the GPTMO are only valid within Germany. European-wide protection in all member states of the European Union for community design rights is regulated by the Community Design Regulation (Regulation (EC) No 6/2002). For the registration of community design rights, the European Union Intellectual Property Office ("**EUIPO**") is in charge. The validity of German design rights may be challenged by third parties before the GPTMO or by counterclaim in infringement proceedings before the regional court; community design rights may be challenged before the EUIPO.

Trademarks, business designations and geographical indications of the Group can be protected in Germany under the German Trademark Act (*Markengesetz*). A German trademark must be applied for at the GPTMO. The GPTMO examines the trademark application for absolute grounds for refusal, such as the lack of distinctiveness and for descriptive terms. Upon registration, the Group may use the trademark for the protected goods and services for an initial term of 10 years following the filing of the application. German trademarks can be renewed for further periods of 10 years indefinitely subject to fees. After the publication of newly registered trademarks, the proprietors of earlier trademarks can file a notice of opposition. A registered trademark can further be cancelled because of invalidity or revocation. On the EU level, protection for trademarks may also be obtained on the basis of the EU Trade Mark Regulation (Regulation (EU) No 2017/1001). EU trademarks are registered with the EUIPO and may bestow protection in all EU member states. Claims for infringement of EU trademarks are, however, governed by national law and must be brought before national courts. Only proceedings on the validity of EU trademarks take place before the EUIPO.

U.S. Regulations relating to Intellectual Property

In general, the intellectual property laws of the United States are designed to incentivize development and protect against unfair competition (through copyrights) by providing copyright owners the exclusive legal right to copy, make derivative works from, distribute and otherwise exploit their works of creative expression, though not ideas; (through patents) providing inventors with the right to keep others from making, using or selling their invented claims for a certain period of time; (through trademarks) preventing third parties from causing confusion, mistake, or deception as to the source and affiliations of goods and services; and (through trade secrets) preventing confidential and proprietary materials which are held in confidence, cannot readily be obtained, and provide an opportunity to gain an advantage, from being taken and misused by improper means such as breach of confidence.

Patents give its owners the legal right to exclude others from making, using, or selling an invention for a limited period of years, in exchange for publishing an enabling public disclosure of the invention. The U.S. Patent and Trademark Office (the "**USPTO**") issues patents to investors and businesses for their inventions and trademark registration for product and intellectual property identification. Generally, in the United States, issued patents are granted a term of 20 years from the earliest claimed non-provisional filing date. In certain instances, a patent term can be adjusted to recapture a portion of delay by the USPTO in examining the patent application (patent term adjustment). In addition, designs are protected in the United States through design patents and industrial design law. Sections 171 to 173 of Title 35 of the United States Code provides for patents for "any new, original and ornamental design of an article of manufacture" for a term of 15 years.

Trademarks are symbols, words, or other means used to designate the source of a particular good or service. In the United States, the Lanham Act governs the rules of eligibility for federal trademark registration and protection. A trademark owner can bring an action to prevent unauthorized third parties from using similar marks in a way that would create confusion as to the source of any associated goods or services. Trademark rights may be maintained indefinitely in the United States, but protection may be lost if the mark is no longer used to identify goods or services or the mark otherwise loses its significance as a designator of source or affiliation. A trademark must be used in commerce in the United States to be entitled to protection. Registration is not required for trademark protection, but federal registration, which involves an examination process, is advisable for the presumptions and rights afforded registered marks. In addition, an application for federal registration of a mark may be filed if there is an intent to use the mark. The mark must be used before it can be registered, but the registrant's priority to the mark is the date of the application. The protection of a trademark is determined under pertinent federal or state laws. A trademark owner can bring an infringement action in federal or state court and seek an injunction and damages. In the case of willful infringement, enhanced damages, costs and attorneys' fees may be available. A trademark is protected as long as it is used or not abandoned. A federal registration is for 10 years as long as a statutory declaration of use is filed between the fifth and sixth year of registration and the registration can be renewed for 10-year periods.

Trade secrets are protected in the United States under the federal Defend Trade Secrets Act, and at the state level, generally, through Uniform Trade Secrets Acts in force in 48 of the 50 states. There is no official registration policy for trade secrets, and the Group's continued right to protect its trade secrets are preserved by its own efforts to maintain secrecy. Trade secret owners can bring an action against third parties for misappropriation if a third party obtains access to a trade secret by improper means. Among other remedies, the owner can be awarded damages for the misappropriation. In addition, the government can seek criminal penalties for economic espionage or theft of trade secrets. Trade secret protection lasts for as long as the information is not readily available, is maintained in confidence through reasonable means and provides an economic advantage from being kept secret. However, competitors may independently develop similar materials or functionality at any time, without liability to the owner of a trade secret.

Section 337 of the Tariff Act of 1930 (19 U.S.C. 1337)

19 U.S.C. 1337 prohibits the import or sale following importation of articles which infringe a valid and enforceable U.S. patent or which are produced by means of a process covered by a valid and enforceable U.S. patent. An investigation under this section is one of the major legal procedures in terms of patents infringement and is considered to be the most flexible and powerful legal weapon against importers trying to enter the U.S. market. After a complaint is filed under this section, the United States International Trade Commission has 30 days to determine whether to institute an investigation. In the event that an investigation is instituted, a notice of investigation is issued setting forth the scope of the investigation and the investigation is assigned to an administrative law judge to conduct the hearing. If any infringement is concluded following the investigation, an import ban will be issued to prevent the relevant products from entering the U.S. market.

12.2.10 General Product Safety Liability

In addition to product-specific regulations in the jurisdictions where the Group operates, the Group must also comply in some cases with general, non-specific product safety and product liability legislation and associated regulations where product-specific regulations do not otherwise apply.

At the European Union level, Directive 2001/95/EC on general product safety applies in the absence of specific provisions among the EU regulations governing the safety of the products concerned, or if legislation on the sector is insufficient. Under this Directive, manufacturers and distributors may only market products which comply with a general requirement of consumer safety. A product is safe if it does not present any risk or only the minimum risks compatible with the product's use considered to be acceptable and consistent with a high level of protection for the safety and health of persons. In addition to compliance with the safety requirement, manufacturers and distributors must provide consumers with the necessary information in order to assess a product's inherent risks and take the necessary measures to avoid such threats (for example, withdraw products from the market, inform consumers and recall products). The Product Safety Directive is currently under review. The EU Commission aims to replace Directive 2001/95/EC by a regulation which, *inter alia*, is deemed to respond to new technologies, improve recalls and ensure better enforcement and a more efficient market surveillance. In Germany, the requirements of Directive 2001/95/EC have been implemented via the Product Safety Act (*Produktsicherheitsgesetz*). Intentional or negligent violations of certain provisions of the Product Safety Act can be punished with a fine of up to EUR 100,000 or imprisonment of up to one year.

Strict liability applies for defective products via Directive 85/374/EEC and supplements any consumer protections at the national level. Directive 85/374/EEC stipulates the manufacturers' liability for defective products causing physical damage to consumers or their property (compensation for material damage is limited to goods for private use or consumption with a lower threshold of EUR 500). Manufacturers can exempt themselves from liability by providing evidence of exonerating circumstances, notably, if they prove that the defect was due to the compliance of the product with mandatory regulations issued by public authorities or the state of scientific or technical knowledge at the time the product was put into circulation could not detect the defect (development risk defense). Directive 85/374/EEC sets out a time limit of three years for the recovery of damages and a cut-off period of 10 years after the harmful product has been placed on the market. Several details are left to the national law of member states, including a ceiling for the total liability for damage resulting from death or personal injury caused by defective products, the implementation of the development risk defense, and the recovery of non-material damages. The EU Commission is currently examining whether the current product liability regulations need to be adapted due to new technologies (especially artificial intelligence).

In Germany, the requirements of 2001/95/EC and 85/374/EEC have been implemented via the Product Safety Act (*Produktsicherheitsgesetz*) and the Product Liability Act (*Produkthaftungsgesetz*), which are accompanied by the more general provisions under the tort law codified in the German Civil Code (*Bürgerliches Gesetzbuch*). The generally required accusation of fault in the context of manufacturers' liability has been extended by case law to a "presumption of liability" with reversal of the burden of proof; the manufacturer must therefore provide the exculpatory evidence.

Vehicle Safety and Testing Regulation

The Group's vehicles which are sold in the U.S. are subject to, and are designed to comply with, numerous regulatory requirements established by the National Highway Traffic Safety Administration ("**NHTSA**"), including applicable U.S. federal motor vehicle safety standards ("**FMVSS**"). As a manufacturer, the Group must self-certify that the vehicles meet or are exempt from all applicable FMVSS before a vehicle can be imported into or sold in the U.S.

There are numerous FMVSS that apply to the Group's vehicles. Examples of these requirements include, but are not limited to:

- Electronic Stability Control: performance and equipment requirements on heavy-duty vehicles to reduce crashes caused by rollover or by directional loss-of-control;
- Air Brake Systems: performance and equipment requirements of air brake systems on heavy-duty vehicles to ensure safe braking performance under normal and emergency conditions;
- Electric Vehicle Safety: limitations on electrolyte spillage, battery retention, and avoidance of electric shock following specified crash tests;
- Flammability of Interior Materials: burn resistance requirements for materials used in the occupant compartment; and
- Seat Belt Assemblies and Anchorages: performance and equipment requirements to provide effective occupant protection by restraint and reducing the probability of failure.

Additionally, The National Traffic and Motor Vehicle Safety Act gives the NHTSA the authority to issue vehicle safety standards and to require manufacturers to recall vehicles that have safety-related defects or do not meet federal safety standards. The NHTSA continues to increase its scrutiny on safety issues as well as advanced driver safety systems that could lead to fines and penalties.

12.2.11 Reuse, Recycling and Recovery

In several of the jurisdictions where the Group operates, it is obligated to assist customers with the disposal, recovery and recycling of certain underlying components of its products once they have reached their end-of-life/disposal stage.

Directive 2006/66/EC on batteries (the "**Batteries Directive**") governs the recovery of batteries within the European Union. The Batteries Directive requires manufacturers and distributors of batteries to bear a significant amount of the costs associated with proper collection and disposal of end-of-life batteries. In Germany, the directive has been implemented by the Battery Law (*Batteriegesetz*). In December 2020, the European Commission proposed a new regulation concerning batteries and waste batteries and repealing the current Batteries Directive. The new regulation shall aim to ensure that all batteries are produced sustainably and can be easily recycled and that any batteries used in the growing market for electric vehicles are sustainable, thus focusing on the entire life cycle instead of only end-of-life batteries. As hybrid and electric drivetrains become more prevalent in the Group's product offerings and batteries thereby become a more substantial portion of commercial vehicles, the Group will have to incur additional costs and administrative burdens to comply with these and other similar laws.

Furthermore, Directive 2000/53/EC on end-of-life vehicles ("**ELV Directive**") and Directive 2012/19/EC on waste electric and electronic equipment, also known as the WEEE Directive, each govern the recovery of motor vehicles and electric and electronic equipment within the European Union, providing for ambitious recovery, reuse and recycling rates. The directives require that manufacturers cover all, or a significant part of, the costs associated with recovery, reuse and recycling measures. The aforementioned directives, including the Batteries Directive, as well as the RoHS Directive, limit manufacturing options because they also contain prohibitions on the use of certain identified substances and materials. It is to be noted that unlike REACH and the POP Regulation (see "*12.2.1 Industrial Environmental Control*"), the ELV Directive systematically includes "repair as produced" exemptions for legacy parts in every new material restriction.

12.2.12 Automated and Autonomous Driving

The regulatory landscape for automated and autonomous driving is currently in flux as jurisdictions consider how to best govern new developments. The United Nations Convention on Road Traffic (1968) ("**Vienna Convention**") is the basis for national regulatory law on road traffic for each ratifying Contracting Party (such parties include Germany, the United Kingdom and France). Until 2016, the Vienna Convention required that in any vehicle a driver must be present and able to maneuver at all times. The Vienna Convention has since been amended to allow control of the vehicle to be transferred from the driver to the vehicle, so long as the systems can be overridden or disabled by the driver.

At present, the Group is working on multiple automated and autonomous driving projects, with some already in operation. As the Group continues to develop new technologies, regulations on automated and autonomous driving will be of increasing importance to the Group's business.

The European Commission plans to propose draft rules for the type approval of autonomous driving vehicles by the third quarter of 2021. Although the European Union continues to debate potential regulation of autonomous and automated driving, several EU member states have passed initial legislation and regulations or drafts of such legislation and regulations. In Germany, the government has amended its Road Traffic Act (*Straßenverkehrsgesetz*) in 2017 to allow a mid to high level of automated driving so long as a driver is present and able to regain control of the vehicle at any time (SAE level 3). In 2021, further amendments to the Road Traffic Act entered into force to also allow driverless autonomous driving (SAE level 4) in specific areas of operation which are defined by the competent authorities. The amendments also include obligations for the vehicle owner, the person having "technical supervision" over the vehicle and the vehicle manufacturer. Furthermore, under the German Road Traffic Act, in principle, the driver of a car or, respectively, the vehicle owner, remains liable to compensate any damages caused with a vehicle, even when the driver uses automated driving functions. However, the driver can avoid liability if the driver can prove that the damage was not caused by fault of the driver but *e.g.* because of a failure of the automated driving system. Also in case of driverless autonomous driving, the vehicle owner remains liable to compensate any damages caused with a vehicle; beyond that, damage claims against the person having "technical supervision" are possible in case of culpable violations of the respective obligations. Furthermore, the legal community continues to discuss to what extent the vehicle manufacturer and/or its suppliers can be held liable in general if the damage has been caused by an automated driving function.

There are currently no federal U.S. regulations pertaining to the safety of self-driving vehicles. However, the NHTSA has established recommended guidelines. Certain states have legal restrictions on self-driving vehicles, and many other states are considering them. Self-driving laws and regulations are expected to continue to evolve in numerous jurisdictions in the U.S. and may restrict autonomous driving features.

12.2.13 Zero Emissions Vehicles

In light of the Paris Agreement as well as the European Climate Law (Regulation (EU) 2021/1119) and further European and national regulations to achieve the goal under the Paris Agreement, the regulatory landscape for zero emissions vehicles is currently an area of continuous development. For example, the United Nations Economic Commission for Europe (UNECE) has issued regulations in the context of international harmonization which are relevant for zero emissions vehicles, *inter alia* UN R 100 on the safety of electric vehicles, UN R 10 revision 6 on electromagnetic compatibility as well as UN-R 134 on hydrogen-fueled vehicles, which may be subject to further amendments in the future. Furthermore, in 2021 the European Union laid down rules for material compatibility, filling receptable and liquefied hydrogen by Commission Implementing Regulation (EU) 2021/535 to the new GSR.

In the U.S., the Clean Air Act requires that the Group obtain a Certificate of Conformity issued by the EPA and a California Executive Order issued by CARB concerning emissions for its vehicles. A Certificate of Conformity is required for vehicles sold in states covered by the Clean Air Act's standards and an Executive Order is required for vehicles sold in states that have sought and received a waiver from the EPA to utilize California standards. CARB sets the California standards for emissions control for certain regulated pollutants for new vehicles and engines sold in California. States that have adopted the California standards as approved by EPA also recognize the Executive Order for sales of vehicles. There are currently four states which have adopted the California standard for heavy-duty vehicles.

The GHG Rule was incorporated into the Clean Air Act on August 9, 2011. Vehicles which have zero-emissions are required to seek an EPA Certificate of Conformity for the GHG Rule, and a CARB Executive Order for the CARB Heavy Duty Zero Emissions Vehicle Rule.

Further, in September 2020, California Governor Gavin Newsom issued Executive Order N-79-20, announcing a target for all in-state sales of new passenger cars and trucks to be zero-emission by 2035. Fifteen additional U.S. states and Washington, D.C. have announced that they also intend to follow California's lead in switching all heavy-duty trucks, vans and buses over to running on electricity, with potentially more states to follow suit in coming years.

12.2.14 Data Protection

Due to the increasingly digital nature of the Group's offerings and its plan to further develop connectivity solutions for its customers, regulations governing the protection of the Group's various stakeholders' data can have a significant impact on the Group's business.

The EU General Data Protection Regulation (EU) 2016/679 ("**GDPR**") became applicable on May 25, 2018 in all EU member states and represents the key regulation for data protection law. Corresponding amendments to the relevant national data protection regulations followed thereafter. The GDPR regime represents a significant increase in the stringency of data protection rules in the European Union (including potentially substantial penalties in case of lack of compliance). The Group has incurred and expects to continue to incur costs to implement various measures throughout its operations (including appropriate training of employees, fulfillment of additional documentation duties, adjustments of processes and monitoring by the Group's data protection and compliance teams) as a result of the GDPR. At a national level, Germany has replaced the Federal Data Protection Act (*Bundesdatenschutzgesetz*) in effect at that time by a new Federal Data Protection Act. The new Federal Data Protection Act complements the GDPR in such areas where the GDPR leaves Member States room for national regulations. In particular, it regulates the processing of employee data, video surveillance and the appointment of a data protection officer (*Datenschutzbeauftragter*) in Germany. It also includes provisions for fines and penalties.

Furthermore, Directive (EU) 2016/1148 on Security of Network and Information Systems (Directive on Security of Network and Information Systems) was issued to achieve a high common level of security for network and information systems within the EU. To this end, it requires the Member States to establish a national strategy on the security of network and information systems. It further regulates the cross-border collaboration between Member States and sets out obligations for operators of essential services and digital service providers. The directive has been transposed into German national law by amendments to the Law on the Federal Office for Information Security (*Gesetz über das Bundesamt für Sicherheit in der Informationstechnik*) and the Telecommunications Act (*Telekommunikationsgesetz*), among others.

Directive 2002/58/EC on privacy and electronic communications ("**E-privacy Directive**"), amended by Directive 2009/136/EC, aims at ensuring exhaustive publicly available services throughout the Union of good quality through effective and regulated market competition. The E-privacy Directive concerns the provision of electronic communications networks and services to end-users and specifies rights of end-users and the corresponding obligations of undertakings providing publicly available electronic communications networks and services, and specifically applies to the processing of personal data in connection with the provision of such publicly available electronic communications services in public communications networks. Against this background, it also has a significant impact on data processing in the automotive industry.

The proposal for the regulation on privacy and electronic communications ("**ePrivacy-Regulation**"), however, is intended to replace Directive 2002/58/EC on privacy and electronic communications in its entirety. It is supposed to govern the provision and use of electronic communication services in the EU to protect certain fundamental rights. It will therefore particularize and complement the GDPR with regards to electronic communication data that qualifies as personal data. The ePrivacy-Regulation will primarily address companies in the digital economy and imposes further requirements on them in connection with the processing of personal data. In that context it is likely to have effects on data processing in the automotive industry.

The German Telecommunications Telemedia Data Protection Act (*Gesetz zur Regelung des Datenschutzes und des Schutzes der Privatsphäre in der Telekommunikation und bei Telemedien*) was passed in May 2021 and is due to come into force in December 2021. The aim of the law is to create legal clarity for data protection and privacy in the digital world by combining data protection regulations of the Telemedia Act (*Telemediengesetz*) and the Telecommunications Act (*Telekommunikationsgesetz*), thereby anticipating the ePrivacy Regulation in some respects, and in order to reduce dependence on regulation at the EU level. Among various provisions on data protection, it provides for penalties and fines. Concerning the processing of data with regard to vehicles, the Road Traffic Act (*Straßenverkehrsgesetz*) also includes specific rules for Germany.

U.S. laws in this area are also complex and developing rapidly. Many state legislatures have adopted legislation that regulates how businesses operate online, including measures relating to privacy, data security and data breaches. Laws in all 50 states require businesses to provide notice to customers whose sensitive personally identifiable information has been disclosed as a result of a data breach *(e.g.*, information which, if exposed, could give rise to a risk of identity theft or fraud). For example, the California Consumer Privacy Act applies across sectors and introduces sweeping definitions and broad individual rights, and imposes substantial requirements and restrictions on the collection, use and disclosure of personal information. These laws are not always consistent, and compliance in the event of a widespread data breach is costly. States are also amending existing laws, resulting in frequently changing regulatory requirements, including requirements concerning documentation of information security policies, procedures and practices.

In the U.S., the NHTSA recently issued a draft of "Cybersecurity Best Practices for the Safety of Modern Vehicles (2020 update)" to update non-binding and voluntary guidance, which the NHTSA had issued in its first edition in 2016, to the automotive industry for improving motor vehicle cybersecurity.

12.2.15 Digital Environment

Of relevance for the Group will also likely be the upcoming laws and regulations regarding the digital environment.

In that regard, the EU has issued Directive (EU) 2018/1972 on establishing the European Electronic Communications Code (the "**EECC Directive**"). The EECC Directive contains harmonized regulations for electronic communication networks, electronic communication services, associated facilities and services and certain aspects of terminal equipment specifying tasks of national regulatory authorities and, where applicable, of other competent authorities. It further provides for rules on sanctions and established a set of procedures to ensure application of the regulatory framework throughout the European Union. The EECC Directive was required to be transposed into national law by December 21, 2020. In Germany, the EECC Directive is expected to essentially be implemented in the German Telecommunications Act by December 2021.

With certain linking points to the digital environment, the German Telecommunications Act is of relevance on a national level. Serving the purpose of the liberalization of telecommunication, it was mainly developed based on EU Directives. It lays down technology-neutral regulations to promote competition within the telecommunications sector and efficient infrastructures, as well as ensures sufficient nation-wide services. It contains rules on market regulation, customer protection, the interoperability of different devices and services, the allocation of frequencies, numbers and rights of way, universal services, the secrecy of telecommunication, data protection, public security, rights and duties of the Federal Network Agency (*Bundesnetzagentur*), levies, penalties and fines. The specific data protection regulations, the supervisory powers of the Federal Network Agency and the relevant penalties and fines may affect the automotive business.

Furthermore, the EU has published the Digital Services Act Package, a comprehensive package of proposals by the European Commission including the Digital Services Act (*Gesetz über digitale Dienste*) and the Digital Markets Act (*Gesetz über digitale Märkte*). The Digital Services Act Package is meant to establish a harmonized legal framework for the EU regarding digital services and regulations for a fair market. The Digital Services Act sets out rules and conditions for the digital internal market of the EU, especially for operators of large online platforms and hosting services. It implements a framework for security and responsibility in the digital environment. The Digital Markets Act addresses the dominance of bigger online platforms (so called 'Gatekeepers'), responsible for the market entry to specific internal markets. It establishes a framework for a fairer market, addresses consumer rights and prohibits the abuse of a dominant market position. Once adopted, the new rules will be directly applicable across the EU, which is expected to take place earliest in 2023.

Directive (EU) 2019/1024 on open data and the re-use of public sector information ("**Open Data Directive**") was issued to promote the use of open data and stimulate innovation in products and services with the overarching goal to strengthen digitalization in the EU and enhancing innovations in areas like AI, Smart Industry and Big Data Analytics. The Open Data Directive establishes a set of minimum rules governing the re-use and the practical arrangement for facilitating the re-use of existing documents held by public sector bodies of the member states and certain public undertakings, as well as of research data pursuant to certain conditions. It was required to be transposed into national law by July 17, 2021.

The German Telemedia Act transposed the e-Privacy Directive (ePD) 2009/136/EC into national law. It provides a legal framework for electronic information and communication services. Within its scope of regulation, it lays down the freedom of admission of telemedia, information obligations and responsibilities of service providers, the notification and redress procedure of providers of video-sharing platforms, and the rights and obligations of service providers regarding data protection. It also contains provisions on fines in cases of noncompliance.

In 2021, the German legislature extracted the provisions on telecommunication secrecy obligations and data privacy from the Telecommunications Act and the Telemedia Act and consolidated the pertinent stipulations in the German Telecommunication and Telemedia Data Protection Act (see "*12.2.14 Data Protection"*).

In the U.S., the Massachusetts right to repair legislation ("**R2R**") was amended at the end of 2020 for motor vehicles that utilize a telematics system. Accordingly, the R2R contains rules on the access to vehicle data for vehicles being equipped with vehicle diagnostics ports and telematics systems and requires a manufacturer of motor vehicles sold in Massachusetts to equip those vehicles with an inter-operable, standardized and open access platform and thus have an impact on the automotive business. A lawsuit filed by an U.S. automotive association against the recent amendment is currently at court trial.

12.3 Non-Financial Reporting

Pursuant to EU Directive 2014/95/EU on non-financial and diversity information ("**Non-Financial Reporting Directive**") and Germany's 2017 implementing legislation, the CSR (Corporate Social Responsibility) Guideline Implementation Act (*CSR-Richtlinie-Umsetzungsgesetz*), the Group is required to publish reports periodically on certain non-financial aspects of its operations. Topics include environmental protection, social responsibility, treatment of employees, anti-corruption, respect for human rights and diversity. On April 21, 2021, the European Commission published a draft revision of the Non-Financial Reporting Directive which aims to significantly expand the non-financial reporting requirements in the future.

EU Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (EU Taxonomy) requires that companies such as the Group which are subject to non-financial reporting under the Non-Financial Reporting Directive include information in their non-financial statements on how and to what extent the company's activities are linked to environmentally sustainable economic activities.

12.4 Class Actions

In several of the jurisdictions in which the Group operates, there is or has been an increasing prevalence of legislation governing collective redress mechanisms/class actions and their use to enforce regulations. As a result of these developments, consumers have increasingly powerful legal mechanisms at their disposal to collectively sue manufacturers of consumer products.

In the European Union, under the banner of "A New Deal for Consumers", the European Commission is facilitating a trend towards the increasing availability and use of collective redress mechanisms in areas in which EU law grants rights, including in particular consumer protection rules and regulations. The "Collective Redress Directive" (2020/1828/EU) has come into effect in December 2020. It empowers organizations or public bodies designated by EU countries to seek injunctive or redress measures on behalf of groups of consumers through representative actions. Directive 2020/1828/EU enables representative actions to be brought for the infringement of a limited set of European directives and regulations which concern, primarily, general consumer protection rules, *e.g*. Directive 85/374/EEC and Directive 2001/95/EC, and such provisions as transposed into national law, such as the corresponding German implementation acts as described above. EU member states have until the end of 2022 to transpose Directive 2020/1828/EU into national law and another six months to apply the new rules. The Collective Redress Directive has not yet been implemented into German law.

Before the Collective Redress Directive was introduced by the EU, a law introducing a declaratory model action (*Musterfeststellungsklage*) came into force in Germany in November 2018. With this declaratory model action, qualified entities are entitled to seek a legal declaration concerning factual or legal matters regarding consumer claims. Consumers can then opt-in to a register to be bound by a judgment (and under certain circumstances also a settlement) in the declaratory model proceedings, which effectively bundles a large number of claims. Decisions are of declaratory nature only but are binding in subsequent individual proceedings on the defendant and all injured consumers who have registered claims. Since consumers will prefer the more attractive route of a direct action for performance, it is expected that the model declaratory action in its current form will lose importance when the Collective Redress Directive is transposed into German law.

12.5 Financial Services

The Group's operations conducted by its Financial Services Business include the provision of financing and insurance services in a number of different jurisdictions and, accordingly, have to be conducted in compliance with the relevant financial legislation as well as with the rules and regulations imposed by the relevant financial services authorities in these jurisdictions, including, *e.g.*, with respect to capital requirements for financial services entities. Non-compliance with applicable laws, rules and regulations can lead to penalties or even the revocation of operating licenses in the relevant jurisdictions. The Group has specialized staff in the parts of the business that are affected so that it can monitor and respond to applicable requirements and ensure compliance with them. Financial Services comprises the Group's financial services segment, and therefore comprises the main regulatory focus in terms of financial services.

12.5.1 Anti-Money Laundering and Combat Terrorist Financing

The European Union's Fifth Anti-Money Laundering Directive (EU) 2018/843 ("**AMLD V**") came into force in 2020 and requires a risk-based approach to anti-money laundering measures. It has been amended in the meantime by the European Union's Sixth Anti-Money Laundering Directive (EU) 2018/1673 ("**AMLD VI**"). Appropriate steps must be taken to identify and assess the risks of money laundering and terrorist financing in individual business relationships and transactions. AMLD V as amended by AMLD VI also sets out a prescribed list of matters which must be covered in each assessment of a transaction.

To ensure compliance with AMLD IV as amended by AMLD V and local laws, the Group has established policies and trained anti-money laundering experts.

13 SHAREHOLDER STRUCTURE

13.1 Current Shareholders

As of the date of this Prospectus, all the Existing Shares, currently representing all the Shares in the Company, are held directly by the Existing Shareholder, so that the Company is controlled by the Existing Shareholder. Following the Demerger Transactions Effective Date, the Existing Shareholder will hold a total of 35.0% of the Shares, of which 28.43% will be held directly and 6.57% will be held indirectly through Daimler Grund. 65.0% of the Shares will be held by the shareholders of the Existing Shareholder. The number of New Spin-off Shares attributable to each shareholder of the Existing Shareholder depends on the percentage of shares in the Existing Shareholder held by such shareholder immediately prior to the effective date of the Spin-off.

The following table shows the shareholdings, both as of the date of this Prospectus (before the Demerger Transactions Effective Date) and immediately after the Demerger Transactions Effective Date, which reflects the issuance of 822,901,882 New Shares that will be transferred to the shareholders of Daimler AG, Daimler AG and Daimler Grund. See also "*3 Separation, Demerger Transactions and Admission to Trading*".

	Before Demerger Transactions Effective Date		**After Demerger Transactions Effective Date**	
	Shares	**In %**	**Shares**	**In %**
Daimler AG	50,000	100.0%	288,033,159	35.0%
thereof directly	50,000	100.0%	233,986,002	28.43%
thereof indirectly, through Daimler Grund	—	—	54,047,157	6.57%
Shareholders of Daimler AG	—	—	534,918,723	65.0%

Subsequent to the Demerger Transactions Effective Date, Daimler AG intends to transfer 5% of the Shares indirectly to Daimler Pension Trust e.V.

13.2 Control

As of the date of this Prospectus, the Existing Shareholder controls the Company due to its ownership of 100% of the share capital and voting rights in the Company.

In order to exclude that the Existing Shareholder can control the Company after the Demerger Transactions Effective Date due to a possible attendance majority at the general meeting of the Company, the Existing Shareholder, Daimler Grund and the Company entered into the Deconsolidation Agreement. The Deconsolidation Agreement stipulates an obligation of the Existing Shareholder and Daimler Grund towards the Company not to exercise their voting rights in the election of two of the 10 members of the Company's Supervisory Board to be elected by the shareholders in accordance with section 101 para. 1 sentence 1 of the German Stock Corporation Act (*Aktiengesetz*) in conjunction with section 7 para. 1 sentence 1 no. 3 of the German Co-Determination Act (*Mitbestimmungsgesetz*). Furthermore, the Existing Shareholder and Daimler Grund shall not exercise their voting rights in decisions on an early re-election, the election of substitute members and the dismissal of such Supervisory Board members in whose original election they did not exercise their voting rights. If, in this case, the Supervisory Board of the Company proposes a candidate for (re)appointment or replacement who is not independent of the Existing Shareholder and Daimler Grund in accordance with C.9 para. 2 of the Code, the Existing Shareholder and Daimler Grund shall, to the extent legally permissible, work towards ensuring that this candidate is not available for election as a member of the Supervisory Board of the Company. The Deconsolidation Agreement, which will be relevant for the future shareholding of the Existing Shareholder in the Company in order to completely exclude any control of the Existing Shareholder over the Company, further stipulates that the Existing Shareholder and Daimler Grund shall jointly propose to the Company eight of the Supervisory Board members to be elected by the shareholders in good time prior to the adoption of the resolution by the Supervisory Board of the Company on its proposals for the election of Supervisory Board members to the general meeting of the Company. If the Supervisory Board of the Company resolves to propose the candidates proposed by the Existing Shareholder and Daimler Grund to the general meeting of the Company for election to the Supervisory Board of the Company, the Existing Shareholder and Daimler Grund shall exercise their voting rights only in respect of these candidates, but not in respect of the two other candidates. If, in contrast, the Supervisory Board of the Company deviates from the election proposals of the Existing Shareholder and Daimler Grund, the Existing Shareholder and Daimler Grund shall inform the Company without undue delay after receipt of the relevant invitation to the general meeting of the Company as to which of the Supervisory Board members standing for election they will and will not exercise their voting rights on the basis of the Deconsolidation Agreement.

For details on the Deconsolidation Agreement see section "*11.1.1.1.2 Deconsolidation Agreement (Entkonsolidierungsvereinbarung)*".

14 GENERAL INFORMATION ON THE GROUP

14.1 Formation, Incorporation and Articles of Association

The Company was formed as a stock corporation (*Aktiengesellschaft*) under the laws of Germany in a notarial deed (*Gründungsurkunde*) dated March 25, 2021 by Daimler Verwaltungsgesellschaft für Grundbesitz mbH, a German limited liability company (*Gesellschaft mit beschränkter Haftung*) with its registered seat (*Sitz*) in Schönefeld, Germany, and its registered business address (*Geschäftsanschrift*) at Hans-Grade-Allee 59, 12529 Schönefeld, Germany, registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Cottbus under HRB 9760 CB. The Company was registered with the commercial register of the local court (*Amtsgericht*) of Stuttgart on April 12, 2021. The Existing Shareholder acquired all Shares in the Company on July 8, 2021.

The incorporation articles of association of the Company, dated March 25, 2021, were resolved upon to be amended in the extraordinary general meeting of the Company on November 5, 2021. This amendment is by way of a condition precedent subject to the provision that it will be registered with the competent commercial register in such manner as to ensure that it only becomes effective immediately after the effectiveness of the Demerger Transactions (see also "*16.3.1 Overview*").

14.2 Commercial Name and Registered Office and Legal Entity Identifier

The Company is a stock corporation (*Aktiengesellschaft*) incorporated under the laws of Germany having its registered seat (*Sitz*) in Stuttgart, Germany, and its headquarters in Leinfelden-Echterdingen, Germany. The legal business name (*Firma*) of the Company is Daimler Truck Holding AG. It is registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Stuttgart under HRB 778600. The Company's LEI is 529900PW78JIYOUBSR24.

The Company will be the Group's parent company upon the effectiveness of the Spin-off. The Company and the Group operate under the commercial name "Daimler Truck".

The Company's registered business address is at Fasanenweg 10, 70771 Leinfelden-Echterdingen, Germany (telephone +49 711 8485 0). Information contained on the Company's website is not incorporated by reference in this Prospectus and does not form part of this Prospectus.

14.3 Fiscal Year and Duration

The Company's fiscal year ends on December 31 of each calendar year, with the first fiscal year being a short fiscal year (*Rumpfgeschäftsjahr*) starting on March 25, 2021 and ending on December 31, 2021. The Company was established for an unlimited period of time.

14.4 Corporate Purpose

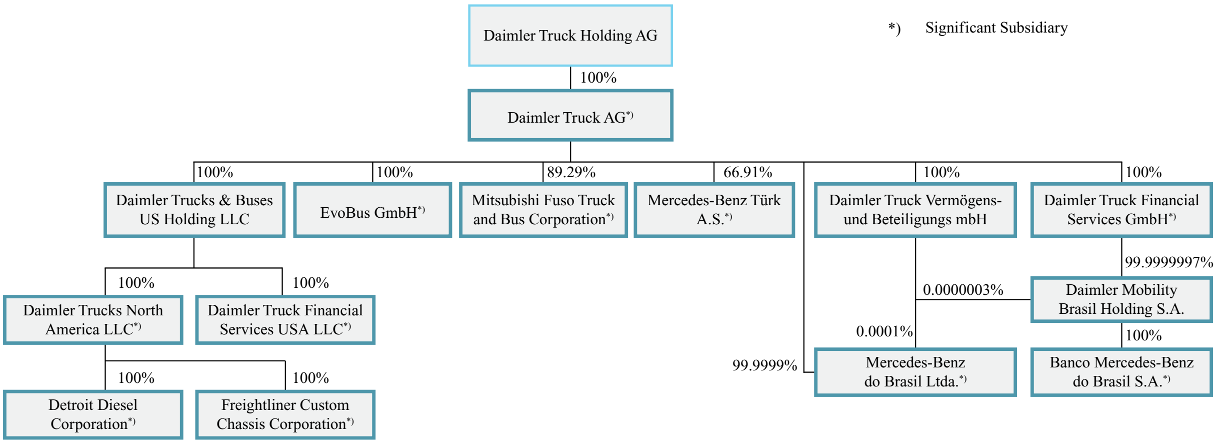
According to Article 2 para. 1 of the Articles of Association, the object of the Company is the direct or indirect activity in the field of development, production and distribution of products and provision of services in particular in the following lines of business: vehicles, in particular utility vehicles and buses, engines and technical drives of all kinds including their parts, assemblies and accessories, other transport technology products, electronic devices, equipment and systems, communication and information technology, mobility and transportation services and concepts, banking and insurance business, financial and payment services, and insurance brokerage and real estate management and development.

The Company is entitled to take all measures and actions which are connected to the aforesaid activities. The Company is entitled to limit its activity to a part of the lines of business mentioned above. It may also establish branches in Germany and abroad and it may establish and participate in other entities. The Company may further acquire or divest other companies, combine them under a uniform management, conclude enterprise agreements (*Unternehmensverträge*) with them, provide services to them or limit itself to the holding of these companies. It may outsource its operations in whole or in part to its associated companies.

The Company may not directly conduct banking or insurance business, financial and payment services, or real estate business for which a license is required.

14.5 Group Structure

The Company will be the parent company of the Group upon the Demerger Transactions Effective Date. The following diagram sets forth a summary (in simplified form) of the Company's significant subsidiaries as of the Demerger Transactions Effective Date. The shareholdings presented also include shareholdings in affiliated companies pursuant to sections 15 et seqq. of the German Stock Corporation Act (*Aktiengesetz*).



14.6 Significant Subsidiaries

The following table presents an overview of the Group's significant subsidiaries as of the Demerger Transactions Effective Date.

Legal name	Registered office	Direct and/or indirect Interest
Daimler Truck AG	Fasanenweg 10, 70771 Leinfelden-Echterdingen, Germany	100%
Daimler Trucks North America LLC	N. Channel Avenue 4555, 97217 Portland, U.S.	100%
Detroit Diesel Corporation	Outer Drive West 13400, 48239-4001 Detroit, U.S.	100%
Freightliner Custom Chassis Corporation	Hyatt Street 552, 29341 Gaffney, U.S.	100%
Daimler Truck Financial Services GmbH	Fasanenweg 10, 70771 Leinfelden-Echterdingen, Germany	100%
Banco Mercedes-Benz do Brasil S.A.	Av. do Café 277, 04311-900 São Paulo, Brasil	100%
Daimler Truck Financial Services USA LLC	Heritage Parkway 14372, 76177 Fort Worth, U.S.	100%
Mercedes-Benz do Brasil Ltda.	Av. Alfred Jurzykowski 562, 09680-900 São Bernardo do Campo, Brasil	100%
Mercedes-Benz Türk A.S.	Akçaburgaz Mahallesi Süleyman Şah Caddesi 6, 34522 Istanbul, Turkey	66.91%
EvoBus GmbH	Fasanenweg 10, 70771 Leinfelden-Echterdingen, Germany	100%
Mitsubishi Fuso Truck and Bus Corporation	Ohkura-cho, Nakahara-ku 10, 211-8522 Kawasaki, Japan	89.29%

14.7 Auditor

KPMG AG Wirtschaftsprüfungsgesellschaft, Klingelhöferstraße 18, 10785 Berlin (**"KPMG"**) is the independent auditor of the Company.

KPMG was appointed as auditor of (i) the combined financial statements of the Daimler Truck Business prepared in accordance with IFRS as of and for the fiscal years ended December 31, 2020, 2019 and 2018, on which KPMG has issued an auditor's report (*Bestätigungsvermerk*) and (ii) the audited unconsolidated financial statements of Daimler Truck Holding AG prepared in accordance with IFRS as of and for the stub period from March 25, 2021 to September 30, 2021 on which KPMG has issued an auditor's report (*Bestätigungsvermerk*).

KPMG is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Rauchstraße 26, 10787 Berlin, Germany.

14.8 Announcements and Paying Agent

Pursuant to the Articles of Association, the Company's announcements are published in the German Federal Gazette (*Bundesanzeiger*). Should a different form of publication be mandatory by law, such form of publication will replace the publication in the German Federal Gazette (*Bundesanzeiger*). Notices to the shareholders of the Company may also be communicated by means of remote data transmission.

In accordance with the Prospectus Regulation, announcements in connection with the approval of this Prospectus or any supplements thereto will be published in the form of publication provided for in this Prospectus, in particular through publication on the Company's website (www.daimlertruck.com).

The paying agent is Deutsche Bank. The mailing address of the paying agent is: Deutsche Bank AG, Trust and Agency Services, Post IPO Services, Taunusanlage 12, 60325 Frankfurt am Main, Germany.

15 DESCRIPTION OF SHARE CAPITAL

15.1 Current Share Capital and Shares

At the date of this Prospectus, the share capital of the Company amounts to EUR 50,000 and is divided into 50,000 ordinary registered shares with no-par value (*auf den Namen lautende Stückaktien*). The share capital has been fully paid up. The Company's Shares were created pursuant to the laws of Germany. Following the Demerger Transactions Effective Date, the share capital of the Company will amount to EUR 822,951,882 and will be divided into 822,951,882 ordinary registered shares with no par value (*auf den Namen lautende Stückaktien*).

Each share carries one vote at the Company's general meeting. There are no restrictions on voting rights. The Existing Shares carry full dividend rights as of March 25, 2021. The New Shares carry full dividend rights as of January 1, 2022.

15.2 Development of the Share Capital

The Company's share capital has developed as follows:

The Company was established with an initial share capital of EUR 50,000.00 against contribution in cash. The 50,000 shares existing after the establishment of the Company are referred to as the Existing Shares in the Prospectus.

On November 5, 2021, the Company's general meeting resolved to increase the Company's share capital in connection with the Demerger Transactions by way of each of the Capital Increase Against Contributions in Kind I, II and III, respectively, (for more details see "*3.3.1 Demerger Transactions Procedure*") as follows:

- For the purpose of the Spin-off and the Capital Increase Against Contribution in Kind I, the Company's general meeting resolved to increase the Company's share capital from EUR 50,000 by EUR 534,918,723 to EUR 534,968,723;
- For the purpose of the Hive-down and the Capital Increase Against Contribution in Kind II, the Company's general meeting resolved to increase the Company's share capital from EUR 534,968,723 by EUR 233,936,002 to EUR 768,904,725; and
- For the purpose of the Capital Increase Against Contribution in Kind III, the Company's general meeting resolved to increase the Company's share capital from EUR 768,904,725 by EUR 54,047,157 to EUR 822,951,882.

The effectiveness of each of the Capital Increase Against Contributions in Kind I, II and III, respectively, upon registration with the relevant commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Stuttgart, Germany, is expected to be on or about December 9, 2021. The issuance of the new shares following each of the Capital Increase Against Contributions in Kind I, II and III will become effective simultaneously with the effectiveness of each of the Capital Increase Against Contributions in Kind I, II and III, respectively. The shares issued by way of each of the Capital Increase Against Contributions in Kind I, II and III, respectively, are referred to as the New Shares in this Prospectus.

15.3 Approved Capital (*Genehmigtes Kapital*)

On November 5, 2021, the general meeting of the Company resolved to establish an approved capital pursuant to section 4 para. 3 of the amended Articles of Association in conjunction with section 202 of the German Stock Corporation Act (*Aktiengesetz*). The relevant change to the Articles of Association shall be registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Stuttgart and thereby become legally effective, which is expected to occur immediately after the effectiveness of the Demerger Transactions ("**Amended Articles Effective Date**").

Thereunder, the Management Board is authorized, with the consent of the Supervisory Board, to increase the share capital of the Company on one or more occasions in the period until October 31, 2026, by up to a total of EUR 329,180,752 through the issuance of new shares in exchange for cash and/or non-cash contributions (the "**Approved Capital 2021**"). Shareholders are in principle entitled to subscription rights. Subscription rights may also be granted to shareholders by way of an indirect subscription right (section 186 para. 5 sentence 1 of the German Stock Corporation Act (*Aktiengesetz*)).

With the consent of the Supervisory Board, the Management Board is authorized to exclude the subscription rights of shareholders in the following cases:

- to exclude residual or fractional amounts from the subscription right;
- in the case of capital increases in exchange for non-cash contributions for the purpose of the (also indirect) acquisition of companies, parts of companies, participating interests in companies or other assets or claims to the acquisition of assets, including receivables from the Company or its group companies;
- to the extent necessary to grant holders of bonds with conversion or option rights/conversion or option obligations that were or will be issued by the Company or its direct or indirect subsidiaries a right to subscribe for new registered no-par value shares of the Company in the amount to which they would be entitled as shareholders after exercising the conversion or option rights/after fulfillment of the conversion or option obligations; and
- in the case of capital increases in exchange for cash contributions, if the issue price of the new shares is not significantly lower than the stock market price of the previously listed shares and the computational part of the shares issued with the exclusion of subscription rights pursuant to section 186 para. 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) in the share capital does not exceed 10% of the share capital in total—either at the time when this authorization takes effect or when it is exercised. This limit of 10% of the Company's share capital is to include shares (i) that are issued or sold during the period of this authorization with the exclusion of subscription rights under direct or indirect application of section 186 para. 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*), and (ii) that are issued or may be or have to be issued to honor bonds with conversion or option rights/conversion or option obligations if the bonds are issued with the exclusion of the shareholders' subscription right after this authorization takes effect pursuant to section 186 para. 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*).

The computational part of the sum of shares issued according to this authorization upon exclusion of the shareholders' subscription right in exchange for cash and/or non-cash contributions in the share capital must not exceed 10% in total of the share capital at the time when this authorization takes effect. This limit is to include shares (i) that are issued or sold during the period of this authorization with the exclusion of subscription rights, and (ii) that are issued or may be or have to be issued to honor bonds with conversion or option rights/ conversion or option obligations if the bonds are issued with the exclusion of the shareholders' subscription right after this authorization takes effect.

The Management Board is authorized to stipulate, with the consent of the Supervisory Board, the other details of the implementation of capital increases out of the Approved Capital 2021.

15.4 Authorization to Purchase and Use Treasury Shares

On November 5, 2021, the general meeting of the Company resolved upon the authorization of the Company's Management Board to acquire and use shares in the Company ("**Treasury Shares**"). The authorization includes that the Management Board, with the consent of the Supervisory Board, may acquire Treasury Shares for any permissible purpose up to an amount of 10% of the Company's issued share capital until October 31, 2026. The relevant amount in this respect is to be the issued share capital existing at the time the authorization becomes effective or—if this value is lower—at the time the authorization is exercised. The authorization shall become effective on the Demerger Transactions Effective Date.

15.4.1 Overview

The authorization to acquire Treasury Shares enables the Company to acquire its own shares for any permissible purpose and, in particular, to use them to finance mergers and acquisitions, to transfer them to third parties against payment in cash, to fulfill obligations under convertible or option bonds or to transfer them to employees, or to redeem the shares.

15.4.2 Acquisition and Exclusion of the Right to Tender

In addition to acquisition via the stock exchange, it is also possible for Treasury Shares to be acquired by means of a public purchase offer or a public invitation to submit offers, by the Company itself or by companies affiliated with it within the meaning of sections 15 *et seqq.* of the German Stock Corporation Act (*Aktiengesetz*) or by third parties acting for its or their account.

15.4.3 Acquisition of Treasury Shares using Derivatives

In addition, the Company is entitled, with the consent of the Supervisory Board, to acquire Treasury Shares also by way of using derivatives. The authorization to use derivatives does not lead to an extension of the maximum limit for the acquisition of Treasury Shares of up to a total of 10% of the Company's share capital.

Any claim of the shareholders to conclude a derivative transaction with the Company is excluded. Shareholders also have no right to conclude derivative transactions if, in the case of an intended acquisition of Treasury Shares using derivatives, a preferential offer is provided for the conclusion of derivative transactions relating to smaller numbers of shares. Shareholders have a right to tender their shares to the Company only to the extent that the company is obligated to purchase the shares from them under the derivative transactions. Otherwise, the use of derivatives in the course of the buyback of Treasury Shares would not be possible and the benefits for the company associated therewith could not be achieved.

15.4.4 Use of Treasury Shares with an Exclusion of Subscription Rights

For the Treasury Shares acquired on the basis of the authorization it is possible to be used in certain cases with an exclusion of shareholders' subscription rights:

The Company's Management Board is provided with the option, subject to the consent of the Supervisory Board, to offer and transfer Treasury Shares as consideration in kind. The international competition and the globalization of the economy increasingly require this form of consideration. The proposed authorization is therefore intended to give the Group the necessary flexibility to take advantage of acquisition opportunities that arise quickly, flexibly and in a manner that preserves liquidity.

Furthermore, the Company's Management Board is entitled, subject to the consent of the Supervisory Board, to sell Treasury Shares to third parties in a manner other than on the stock exchange or by way of an offer to all shareholders against payment in cash, *e.g.*, to institutional investors or to tap new groups of investors. The prerequisite for such a sale is that the price achieved is not significantly lower than the stock market price of shares in the Company with the same features at the time of the sale (not including ancillary acquisition costs). The exclusion of the subscription right facilitates a placement close to the stock exchange price, so that the usual discount for subscription right issues does not apply. The immediate inflow of funds avoids the uncertainty of future stock market developments. The computational part in the share capital attributable to shares sold in this way may not exceed a total of 10% of the Company's share capital at the time the authorization becomes effective or—if this value is lower—at the time the authorization to sell Treasury Shares with an exclusion of subscription rights is exercised.

By basing the selling price on the stock exchange price, the interest in protecting against dilution is taken into account and the economic and voting right interests of the shareholders are adequately safeguarded. When determining the selling price, the management will endeavor to keep any discount from the stock exchange price as low as possible, taking into account market conditions. In principle, the shareholders have the option of maintaining their shareholding quota by purchasing additional shares on the stock exchange, while the Group is given further room to maneuver in the interests of all shareholders in order to take advantage of favorable stock market situations at short notice.

In addition, the Company is entitled to use Treasury Shares to satisfy or secure acquisition rights or acquisition obligations in respect of shares in the Company, in particular arising from or in connection with convertible and/or option bonds issued by the Company or an undertaking affiliated with the Company within the meaning of sections 15 *et seqq.* of the German Stock Corporation Act (*Aktiengesetz*). The Company's Management Board will give due consideration to the interests of the shareholders when deciding whether to issue new shares or Treasury Shares when satisfying such acquisition rights or acquisition obligations. The same applies to the question of the—possibly also exclusive—option of satisfying the aforementioned convertible and/or option bonds with own shares. In all such cases, the shareholders' subscription rights to the Treasury Shares must be excluded. This also applies to the granting of a form of protection against dilution that is customary in the market, in so far as the holders or creditors of conversion/option rights in respect of shares in the Company or corresponding conversion/option obligations in the case of subscription right issues by the Company are granted shares to the extent to which they would be entitled after having already exercised these rights or fulfilled these obligations.

Lastly, the authorization also allows the transfer of Treasury Shares directly or indirectly to employees of the Company or of undertakings affiliated with it within the meaning of sections 15 *et seqq.* of the German Stock Corporation Act (*Aktiengesetz*), to members of corporate bodies of undertakings affiliated with the Company or to third parties who transfer the economic ownership and/or the economic proceeds from the shares to these persons. The transfer of shares to this group of persons strengthens the identification of the beneficiaries with the Company and the ownership culture within the Company. This is in the interest of the Company. The same applies to the exclusion of subscription rights required for this use.

15.4.5 Maximum Limit for the Sale of Treasury Shares with the Exclusion of Subscription Rights

The aggregate amount of Treasury Shares used subject to an exclusion of shareholders' subscription rights during the term of this authorization may not account for more than a computational part of 10% of the Company's share capital at the time this authorization becomes effective or—if this value is lower—at the time it is exercised. If, during the term of this authorization and until it is exercised, other authorizations to issue shares of the Company or to issue rights that enable or oblige the holder to subscribe to shares of the Company are exercised and the subscription right is excluded in this context, this is to be included in the aforementioned 10% limit.

15.4.6 Redemption of the Acquired Shares

Finally, the possibility is created to redeem Treasury Shares also without a new resolution by the general meeting. The redemption is to be made possible with or without a reduction of the Company's share capital as decided by the competent corporate bodies, with the pro rata amount per share of the Company's share capital increasing in the latter case. In this case, the Company's Management Board is authorized to adjust the number of shares stated in the Articles of Association.

15.5 General Provisions Governing a Liquidation of the Company

Apart from liquidation as a result of insolvency proceedings, or with the legal effect of an order of the register court by which a defect in the Articles of Association has been established, or by expiry of the time specified in the Articles of Association, if applicable, the Company may only be liquidated with a vote of at least 75% or more of the share capital represented at the general meeting when the resolution is passed. In the event of the Company's liquidation, pursuant to the German Stock Corporation Act (*Aktiengesetz*), any assets remaining following settlement of the Company's liabilities shall be distributed among the Company's shareholders in proportion to their shareholdings. The German Stock Corporation Act (*Aktiengesetz*) provides certain protections for creditors to be observed in the event of a liquidation of the Company.

15.6 General Provisions Governing a Change in the Share Capital

The German Stock Corporation Act (*Aktiengesetz*) provides that the share capital of a stock corporation may be increased by a resolution adopted at the general meeting. Such resolution must be adopted in general by a simple majority of the votes cast (*Stimmenmehrheit*) as well as a majority of at least 75% of the share capital represented (*Kapitalmehrheit*) when the resolution is passed, unless the Articles of Association provide for a different majority.

In addition, the general meeting may resolve to issue approved capital (*Genehmigtes Kapital*) by a simple majority of the votes cast and a majority of at least 75% of the share capital represented when the resolution is passed. The approved capital authorizes the Management Board, according to the Company's future Articles of Association subject to the approval of the Supervisory Board, to issue shares of up to a specific amount within a period not exceeding five years. The nominal amount of such issuance may not exceed 50% of the share capital in existence at the time the resolution of the general meeting is registered with the commercial register (*Handelsregister*). The existing approved capital for the Company is described above under "*15.3 Approved Capital*."

Additionally, shareholders may resolve to create conditional capital (*Bedingtes Kapital*) for the purpose of issuing shares (i) to holders of convertible bonds or other securities convertible into shares of the Company, (ii) as consideration in connection with a merger with another company, or (iii) offered to executives and employees of the Company or an affiliated company. A resolution to create conditional capital must be adopted by at least 75% of the share capital represented when the resolution is passed. The nominal amount of the conditional capital created for the purpose of share issues to executives and employees may not exceed 10% of the nominal share capital in existence at the time such resolution is passed, while the nominal amount of the conditional capital created for the purpose of share issues to holders of convertible bonds or other securities convertible into shares of the Company or as consideration in connection with a merger with another company may not exceed 50% of the nominal share capital in existence at the time such resolution is passed; however, there is generally no limitation with respect to a time period during which the conditional capital may be used. The creation of conditional capital (*Bedingtes Kapital*) beyond this threshold is permitted only for the purpose of enabling the Company to make an exchange in the event of its impending insolvency or for the purpose of averting over indebtedness.

A resolution to decrease the share capital must be adopted by a simple majority of the votes cast and at least 75% of the share capital represented when the resolution is passed. A decrease of the share capital is also possible upon cancellation of treasury shares if the authorization granted to the Management Board by the general meeting to purchase treasury shares explicitly allows for such cancellation (see "*15.4 Authorization to Purchase and Use Treasury Shares*").

15.7 General Provisions Governing Subscription Rights

Section 186 of the German Stock Corporation Act (*Aktiengesetz*) generally grants all shareholders the right to subscribe for new shares of the Company issued within the framework of a capital increase. The same applies to convertible bonds, bonds with warrants, profit participation rights and participating bonds. Subscription rights are freely transferable and may be traded on German stock exchanges for a prescribed period before the deadline for subscription expires. However, shareholders do not have the right to demand admission to trading for subscription rights. The general meeting may—with a majority of 75% or more of the share capital represented at the vote—resolve to exclude shareholders' subscription rights. Exclusion of shareholders' subscription rights, wholly or in part, also requires a report from the Management Board to the general meeting that justifies the exclusion and demonstrates that the Company's interest in excluding subscription rights outweighs the interests of the shareholders to be granted subscription rights. An exclusion of shareholders' subscription rights upon issuance of new shares is generally permissible, provided the amount of the capital increase does not exceed 10% of the existing share capital at issue and the issue price of the new shares is not substantially lower than the stock exchange price of the shares (so-called "simplified exclusion of subscription rights"). However, an explanatory report by the Management Board in the above-mentioned sense is required in this case as well.

15.8 Exclusion of Minority Shareholders

15.8.1 Squeeze-out under Stock Corporation Law

Sections 327a *et seqq.* of the German Stock Corporation Act (*Aktiengesetz*), which govern a so-called "squeeze-out under stock corporation law", provide that upon request of a shareholder holding 95% or more of the Company's share capital, the general meeting may resolve to transfer the shares of minority shareholders to such majority shareholder against payment of an appropriate compensation in cash. The amount of the cash compensation offered to minority shareholders must reflect "the circumstances (*Verhältnisse*) of the Company" at the time the general meeting passes the resolution. The amount of the cash compensation is based on the full value of the Company, which is generally determined using the capitalized earnings method (*Ertragswertmethode*). Minority shareholders are entitled to file for an appraisal proceeding (*Spruchverfahren*), wherein the court will review the appropriateness (*Angemessenheit*) of the cash compensation.

15.8.2 Squeeze-out and Tender Rights under Takeover Law

Under sections 39a and 39b of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), in the event of a so-called "squeeze-out under takeover law", an offeror holding at least 95% of the voting share capital of a target company (as defined in the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*)) following a takeover bid or mandatory offer may, within three months of the expiry of the deadline for acceptance of the offer, request the regional court (*Landgericht*) of Frankfurt am Main, Germany, to order the transfer of the remaining voting shares to such offeror against payment of an adequate compensation. Such transfer does not require a resolution of the target company's general meeting. The consideration paid in connection with the takeover bid or mandatory offer is considered adequate if the offeror has obtained at least 90% of the share capital that was subject to the offer. The nature of the compensation must be the same as the consideration paid under the takeover bid or mandatory offer, while at all times a cash compensation must also be offered. In addition, following a takeover bid or mandatory offer, the shareholders in a target company who have not accepted the offer may do so up to three months after the acceptance period has expired (section 39c of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), a so-called "sell-out"), provided the offeror is entitled to petition for the transfer of the outstanding voting shares in accordance with section 39a of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*). The provisions for a squeeze-out under stock corporation law cease to apply once an offeror has petitioned for a squeeze-out under takeover law, and only apply again when these proceedings have been definitively completed.

15.8.3 Squeeze-out under Transformation Law

Under section 62 para. 5 of the German Transformation Act (*Umwandlungsgesetz*), a majority shareholder holding at least 90% of the Company's share capital may require the Company's general meeting to resolve to transfer the shares of the minority shareholders to such majority shareholder against payment of an adequate compensation in cash, provided that (i) the majority shareholder is a stock corporation (*Aktiengesellschaft—AG*), a partnership limited by shares (*Kommanditgesellschaft auf Aktien—KGaA*) or a European stock corporation (*Societas Europaea—SE*) having its registered seat (*Sitz*) in Germany, and (ii) the squeeze-out is performed to facilitate a merger under the German Transformation Act (*Umwandlungsgesetz*) between the majority shareholder and the Company. The general meeting held to approve the squeeze-out must take place within three months of the conclusion of the merger agreement. The procedure for a squeeze-out under the German Transformation Act (*Umwandlungsgesetz*) is essentially identical to the "squeeze-out under stock corporation law" described above, including the minority shareholders' right to judicial review of the appropriateness of the cash compensation.

15.8.4 Integration

Under sections 319 *et seqq.* of the German Stock Corporation Act (*Aktiengesetz*), the Company's general meeting may vote for an integration (*Eingliederung*) into another stock corporation that has its registered office in Germany, provided the prospective parent company holds at least 95% of the shares of the Company. The former shareholders of the Company are entitled to adequate compensation, which generally must be provided in the form of shares in the parent company. The amount of the compensation must be determined using the "merger value ratio" (*Verschmelzungswertrelation*) between the two companies, *i.e.*, the exchange ratio which would be considered reasonable in the event of merging the two companies. Fractional amounts may be paid out in cash.

15.9 Shareholder Notification Requirements, Mandatory Takeover Bids and Managers' Transactions

Once the Company has applied for the admission of its shares to trading on the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), with simultaneous admissions to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company will be subject to the German Securities Trading Act (*Wertpapierhandelsgesetz*) and its provisions governing, *inter alia*, disclosure requirements for significant shareholdings, and the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) provisions governing takeover bids and mandatory offers, as well as the Market Abuse Regulation ("**MAR**") provisions governing, *inter alia*, obligations of persons discharging managerial responsibilities to disclose transactions in the Company's Shares, debt instruments, related derivatives or other related financial instruments.

15.9.1 Notification Requirements of Shareholders

Pursuant to section 33 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), anyone who acquires or whose shareholding in any other way reaches or exceeds 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the total number of voting rights in the Company is required to concurrently notify the Company and BaFin of such occurrence. Subsequent notifications are required if such person reaches or exceeds another of the aforementioned thresholds or sells or in any other way falls below the aforementioned thresholds.

All such notifications must be submitted without undue delay, and no later than within four trading days. The four-day notification period starts at the time the person or the entity subject to the notification requirement has knowledge of, or in consideration of the circumstances should have had knowledge of, his or her proportion of voting rights reaching, exceeding or falling below the aforementioned thresholds. The German Securities Trading Act (*Wertpapierhandelsgesetz*) contains a conclusive presumption that the person or the entity subject to the notification requirement has knowledge at the latest two trading days after such an event occurs. Moreover, a person or entity is deemed to already hold shares as of the point in time such person or entity has an unconditional and due claim of transfer related to such shares pursuant to section 33 para. 3 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). If a threshold has been reached or crossed due to a change in the total number of voting rights, the notification period starts at the time the person or entity, subject to the notification requirement, has knowledge about such change, or upon the publication of the revised total number of voting rights by the Company, at the latest.

In connection with these requirements, section 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) contains various attribution rules. For example, voting rights attached to shares held by a subsidiary are attributed to its parent company. Similarly, voting rights attached to shares held by a third party for the account of a person or entity are attributed to such person or entity. Voting rights which a person or entity is able to exercise as a proxy according to such person's or entity's discretion are also attributed to such person or entity. Furthermore, any coordination by a person or entity with a third party on the basis of an agreement or in any other way generally results in a mutual attribution of the full amount of voting rights held by, or attributed to, the third party as well as to such person or entity. Such acting in concert generally requires a consultation on the exercise of voting rights or other efforts designed to effect a permanent and material change in the business strategy of the Company. Accordingly, the exercise of voting rights does not necessarily have to be the subject of acting in concert. Coordination in individual cases, however, is not considered as acting in concert.

Except for the 3% threshold, similar notification requirements towards the Company and BaFin exist pursuant to section 38 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), if the other aforementioned thresholds are reached, exceeded or fallen below, because a person or entity holds instruments that (i) confer to it (a) the unconditional right to acquire already issued shares of the Company to which voting rights are attached when due or (b) discretion to exercise his or her right to acquire such shares or (ii) relate to such shares and have a similar economic effect as the aforementioned instruments, whether or not conferring a right to a physical settlement. Thus, the latter mentioned notification requirements also apply, for example pursuant to section 39 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) to share swaps against cash consideration and contracts for difference. In addition, a person or entity is subject to a notification requirement towards the Company and BaFin pursuant to sections 33 para. 1 and 38 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) if the sum of the voting rights from shares and instruments held or attributed to such person or entity reaches, exceeds or falls below the aforementioned thresholds, except for the 3% threshold.

15.9.2 Exceptions to Notification Requirements

There are certain exceptions to the notification requirements. For example, a company is exempt from notification obligations if its parent company has filed a group notification pursuant to section 37 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). If the Company's parent company is itself a subsidiary, then the relevant company is exempt from notification obligations if its parent's parent company has filed such group notification. Moreover, shares or instruments held by a credit institution or a credit securities services company with a registered office in the EU or in an EEA member state are not taken into account for determining the notification obligation or proportion of voting rights held, provided: (i) the shares or instruments are held in such credit institution's or credit securities services company's trading book; (ii) they amount to no more than 5% of the Company's voting rights, do not grant the right to acquire more than 5% of the voting rights, or do not have a similar economic effect; and (iii) it is ensured that the voting rights pertaining to such shares or instruments are not exercised or otherwise utilized.

15.9.3 Fulfillment of Notification Requirements

If any notification obligation is triggered, the notifying person or entity is required to fully complete the notification form set forth as an annex to the German Securities Trading Notification Regulation (*Wertpapierhandelsanzeigeverordnung*). The notice may be submitted either in German or English to BaFin electronically via BaFin's MVP portal (which requires prior registration). The MVP portal will then create documents which must be sent to the Company via electronic means of communications. Irrespective of the event triggering the notification, the notice must include: (i) the number and proportion of voting rights; (ii) the number and proportion of instruments; and (iii) the aggregate number and proportion of voting rights and instruments held by, or attributed to, the notifying person or entity. In addition, the notice must include certain attribution details (*e.g.*, the first name, surname and date of birth of the notifying individual or the legal name, registered office and state of a notifying entity, the event triggering the notification, the date on which the threshold was reached or crossed and whether voting rights or instruments are attributed).

As a German domestic issuer, the Company is required to publish such notices without undue delay, but no later than three trading days after receipt, via media outlets or outlets where it can be assumed that the notice will be disseminated in the entire EU and in all EEA member states. Under certain circumstances, such publications may be made in English only. The Company is also required to notify BaFin of these publications, specifying the time of publication and the media used, and to transmit them to the German Company Register (*Unternehmensregister*).

15.9.4 Consequences of Violations of Notification Requirements

If a shareholder fails to file a notice or provides false information with regard to shareholdings, pursuant to sections 33 and 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), the rights attached to shares held by or attributed to such shareholder, do not exist for as long as the notification requirements are not fulfilled or not fulfilled appropriately. This temporary nullification of rights applies, in particular, to dividend, voting and subscription rights. However, it does not apply to entitlements to dividend and liquidation gains if the notifications were not omitted willfully and have since been submitted. If the shareholder willfully or with gross negligence fails to disclose the correct proportion of voting rights held, the rights attached to shares held by or attributed to such shareholder cease to exist for a period of six months after such shareholder has correctly filed the necessary notification, except if the variation was less than 10% of the actual voting right proportion and no notification with respect to reaching, exceeding or falling below the aforementioned thresholds, including the 3% threshold, was omitted. The same rules apply to shares held by a shareholder if such shareholder fails to file a notice or provides false information with regard to holdings in instruments or aggregate holdings in shares and instruments pursuant to sections 38 para. 1 and 39 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). In addition, a fine may be imposed for failure to comply with notification obligations. BaFin also publishes decisions on sanctions and measures with regard to violations of the disclosure obligations and persons responsible for such violations pursuant to section 40c of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

15.9.5 Special Notification Requirements for more than 10% of the Voting Rights

Pursuant to section 43 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), a shareholder who reaches or exceeds the threshold of 10% of the voting rights of the Company, or a higher threshold, is required to notify the Company (which has to publish such information) within 20 trading days regarding the objective being pursued through the acquisition of such voting rights, as well as regarding the source of funds used for the purchase. Afterwards, changes in those objectives must also be reported within 20 trading days. The Articles of Association have not made use of the option to release shareholders from this disclosure obligation. In calculating whether the 10% threshold has been reached, the attribution rules apply as referred to in section "*15.9.1 Notification Requirements of Shareholders*".

15.10 Mandatory Offers

Pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), every person whose share of voting rights reaches or exceeds 30% of the voting rights of the Company is required to publish this fact, including the percentage of its voting rights, within seven calendar days. Such publication must be furnished on the internet and by means of an electronically operated system for disseminating financial information, unless an exemption has been granted by BaFin. If no exemption has been granted, this publication has to be made within seven calendar days and include the total amount of voting rights held by and attributed to such person and, subsequently, such person is further required to submit a mandatory public tender offer to all holders of shares in the Company. The German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) contains a series of provisions intended to ensure the attribution of shareholdings to the person who actually controls the voting rights attached to such shares. If the relevant shareholder fails to give notice of reaching or exceeding the 30% threshold or fails to submit the mandatory tender offer, such shareholder is barred from exercising the rights associated with these shares (including voting rights and, in case of willful failure to send the notice and failure to subsequently send the notice in a timely manner, the right to dividends) for the duration of the non-compliance. A fine may also be imposed in such cases.

15.11 Transactions Undertaken for the Account of a Person with Management Duties

According to article 19 of the MAR, a person discharging managerial responsibilities within the meaning of article 3 para. 1 No. 25 of the MAR (*i.e.*, the members of the Management Board and the Supervisory Board) must notify the Company and BaFin of transactions undertaken for their own account relating to the Company's shares, debt instruments, or related financial instruments (subject to a EUR 20,000 *de minimis* exception per calendar year for all such transactions). This also applies to persons or entities closely associated with a person discharging managerial responsibilities within the meaning of article 3 para. 1 no. 26 of the MAR. Such notifications shall be made promptly and no later than three business days after the date of the relevant transaction. The Company shall ensure that such notifications are promptly made public and no later than two business days after receipt of the notification.

15.12 Post-Admission Disclosure Requirements

After the Admission to Trading of the Company's Shares, the Company will for the first time be subject to the legal disclosure requirements for German stock corporations with shares listed on a public exchange. These disclosure requirements include, *inter alia*, the disclosure of an audited report of the remuneration paid to members of the Management Board and the Supervisory Board (*Vergütungsbericht*), the disclosure of transactions with related parties, periodic financial reporting and other required disclosures according to the German Securities Trading Act (*Wertpapierhandelsgesetz*) as well as disclosure requirements under the MAR. The Company will also be obliged under the Listing Rules of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (*Börsenordnung für die Frankfurter Wertpapierbörse*), as amended from time to time, to publish quarterly statements, as the Company's Shares are to be listed on the Prime Standard sub-segment of the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

Pursuant to Article 17 of the MAR, the Company is required to inform the public as soon as possible of inside information (as defined below) which directly concerns the Company. In such case the Company is required to also, prior to informing the public, inform the BaFin and the management of the trading venues and facilities (*Geschäftsführungen der Handelsplätze*) where financial instruments of the Company have been admitted to trading or been included in such trading, and, after publication, without undue delay transmit the information to the German Company Register (*Unternehmensregister*).

Inside information comprises, *inter alia*, any information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the price of those financial instruments or on the price of related derivative financial instruments.

The Company may, at its own risk, delay disclosure of inside information if (i) immediate disclosure is likely to prejudice the legitimate interests of the Company, (ii) delay of disclosure is not likely to mislead the public and (iii) the Company is able to ensure that the inside information will remain confidential. In such case, the Company is required to also inform BaFin that disclosure of the information was delayed and provide a written explanation of how the conditions set out in the preceding sentence were met immediately after the information is disclosed to the public. Where disclosure of inside information has been delayed and the confidentiality of that inside information is no longer ensured, the Company is required to disclose such inside information to the public as soon as possible.

15.13 EU Short Selling Regulation (Ban on Naked Short Selling)

Pursuant to Regulation (EU) No. 236/2012 of the European Parliament and of the Council of March 14, 2012 on short selling and certain aspects of credit default swaps (the "**EU Short Selling Regulation**"), the European Commission's delegated regulation for the purposes of detailing the EU Short Selling Regulation, and the German EU Short Selling Implementation Act (*EU-Leerverkaufs-Ausführungsgesetz*) of November 15, 2012, the short selling of the Company's shares is only permitted under certain conditions. Additionally, under the provisions of the EU Short Selling Regulation, significant net short selling positions in the Company's shares must be reported to BaFin and published if they exceed a specific percentage. The reporting and publication process is detailed in the German Regulation on Net Short Positions (*Netto-Leerverkaufspositionsverordnung*) of December 17, 2012. The net short selling positions are calculated by offsetting the short positions of a natural person or legal entity in the Company's shares with its long positions in such shares. The details are regulated in the EU Short Selling Regulation and the other regulations which the European Commission enacted on short selling. In certain situations described in the EU Short Selling Regulation, BaFin may restrict short selling and comparable transactions.

16 GOVERNING BODIES

16.1 Overview

The Company's governing bodies are the Management Board (*Vorstand*), the Supervisory Board (*Aufsichtsrat*) and the general meeting (*Hauptversammlung*). The Company has a two-tier management and control system, consisting of the Management Board and the Supervisory Board. The powers and responsibilities of these governing bodies are determined by the AktG, the German Corporate Governance Code (*Deutscher Corporate Governance Kodex*) (the "**Code**"), the Articles of Association (*Satzung*) and will be determined by the internal rules of procedure for both the Supervisory Board (*Geschäftsordnung für den Aufsichtsrat*) and the Management Board (*Geschäftsordnung für den Vorstand*), which are expected to be resolved upon in December 2021 (see regarding the Management Board "*16.2.1 Overview*" and regarding the Supervisory Board "*16.3.1 Overview*").

The Management Board is responsible for managing the Company in accordance with applicable law, the Articles of Association, the rules of procedure for the Management Board and the schedule of responsibilities (*Geschäftsverteilungsplan*), which are expected to be resolved upon in December 2021, taking into account the resolutions of the general meeting. The members of the Management Board represent the Company in dealings with third parties.

Simultaneous management and supervisory board membership in a German stock corporation is not permitted under the AktG; however, in exceptional cases and for an interim period, a member of the supervisory board may occupy a vacant seat on the management board of the same German stock corporation. During this period, such individual may not perform any duties for the Supervisory Board. Such stand-in arrangement is limited in time for a maximum period of one year.

The Supervisory Board determines the exact number of members of the Management Board. Pursuant to the Articles of Association, the Company's Management Board consists of at least two members. The Supervisory Board also appoints the members of the Management Board and is entitled to dismiss each of them under certain circumstances. As set out in the AktG, the Supervisory Board advises and supervises the Management Board's administration of the Company but is not itself authorized to manage the Company. The Supervisory Board will, however, designate the types of matters and transactions of the Company and its dependent companies (*abhängige Unternehmen*) that require the approval of the Supervisory Board after the Demerger Transactions Effective Date and may stipulate other types of transactions and measures to be subject to a requirement of its consent within the internal rules of procedure for the Management Board or for the Supervisory Board or by a resolution of its members. The Supervisory Board may also approve a certain group of the above-mentioned transactions in general.

Each member of the Management Board and Supervisory Board owes a duty of loyalty, duty of legality and duty of care to the Company. Members of these bodies must consider in their decision-making a broad spectrum of interests, particularly those of the Company and its shareholders, employees and creditors. In addition, the Management Board must take into consideration the shareholders' rights to equal treatment and equal access to information. If members of the Management Board or Supervisory Board breach their duties, they may be individually or jointly and severally liable with the other members of the Management Board or the Supervisory Board to the Company for compensatory damages, as the case may be.

Under German law, a shareholder generally has no right to proceed directly against members of the Management Board or Supervisory Board to assert a breach of their duties to the Company. In general, only the Company has the right to enforce claims for damages against the members of the Management Board or Supervisory Board. With respect to claims against Supervisory Board members, the Company is represented by the Management Board, and the Supervisory Board represents the Company with respect to claims against members of the Management Board. Pursuant to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), the Supervisory Board is required to assert damages claims against the Management Board if they are likely to succeed, unless significant interests of the Company conflict with the pursuit of such claims and outweigh the reasons for bringing such claims. Even if they decide not to pursue a claim, the Management Board and the Supervisory Board must nevertheless assert the Company's claims for damages if a resolution to this effect is passed by the general meeting with a simple majority vote. The general meeting may also appoint a special representative (*besonderer Vertreter*) to assert the claims. Such a special representative may also be appointed by the court upon a request by shareholders whose shares together amount to not less than 1/10th of the share capital or represent a pro rata amount of EUR 1 million. If there are facts that justify the suspicion that the Company was harmed by dishonesty or a gross violation of law or the Articles of Association, shareholders who collectively hold 1/100th of the share capital or a pro rata share of EUR 100,000 may also, under certain further conditions, seek damages from members of the Company's governing bodies in their own names through court proceedings seeking leave to file a claim for damages. Such claims, however, become inadmissible if the Company itself files a claim for damages. In addition, the general meeting may appoint a special auditor (*Sonderprüfer*) to audit transactions, particularly management transactions, by a simple majority vote. If the general meeting rejects a motion to appoint a special auditor, the court must appoint a special auditor upon the request of shareholders whose shares together amount to not less than 1/100th of the share capital at the time the request is filed or represent a pro rata amount of EUR 100,000 if facts exist that justify the suspicion that the behavior in question constituted dishonesty or gross violations of the law or the Articles of Association. If the general meeting appoints a special auditor, the court must appoint another special auditor upon the petition of shareholders whose shares cumulatively constitute 1/100th of the share capital at the time the petition is filed or constitute a pro rata share of EUR 100,000 if this appears necessary, in particular because the appointed special auditor is unsuited.

Shareholders and shareholder associations can solicit other shareholders to file a petition, jointly or by proxy, for a special audit, for the appointment of a special representative, or to convene a general meeting or exercise voting rights in a general meeting in the shareholders' forum of the German Federal Gazette (*Bundesanzeiger*), which is also accessible via the website of the German Company Register (*Unternehmensregister*).

The Company may only waive or settle claims for damages against members of the Management Board or Supervisory Board three years after such claims arose and if the shareholders grant their consent at the general meeting by simple majority vote and if no objection is raised and documented in the minutes of the general meeting by shareholders whose shares cumulatively constitute 10% of the share capital.

Under German law, individual shareholders and all other persons are prohibited from using their influence on the Company to cause a member of the Management Board or the Supervisory Board to take an action detrimental to the Company. A shareholder with a controlling influence may not use that influence to cause the Company to act contrary to its own interests unless there is a domination agreement (*Beherrschungsvertrag*) between the shareholder and the Company and unless the influence remains within the boundaries of certain mandatory provisions of law or compensation is paid for the disadvantages that the Company suffers from such influence. Any person who intentionally uses his or her influence on the Company to cause a member of the Management Board or the Supervisory Board, an authorized representative (*Prokurist*) or an authorized agent (*Handlungsbevollmächtigter*) to act to the detriment of the Company or its shareholders is liable to compensate the Company and the affected shareholders for the resulting losses. Alongside a person who uses his or her influence to the detriment of the Company, the members of the Management Board and Supervisory Board can be jointly and severally liable, if they acted in violation of their duties.

16.2 Management Board

16.2.1 Overview

Under the Articles of Association, the Management Board consists of at least two members. The Supervisory Board determines the exact number of the members, and may appoint a member of the Management Board to act as chairperson of the Management Board and another member as vice chairperson.

Pursuant to section 84 para. 1 sentence 1 of the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board appoints members of the Management Board for a maximum term of five years.

Reappointment or extension of the term of members of the Management Board, each for a maximum period of up to five years, is permissible. The Supervisory Board may revoke the appointment of a member of the Management Board prior to the expiration of the member's term for good cause, such as a gross breach of fiduciary duty, or if the general meeting passes a vote of no-confidence with respect to such member, unless the no-confidence vote was clearly unreasonable. The Supervisory Board is also responsible for entering into, amending and terminating service agreements with members of the Management Board and, in general, for representing the Company in and out of court *vis-à-vis* the Management Board.

Pursuant to the future internal rules of procedure of the Management Board ("**RoP-MB**"), which will be adopted by the Management Board on December 10, 2021, the Management Board has a quorum if at least half of its members participate in the adoption of the resolution; members who are connected by telephone, video conference or have submitted a vote in text form (pursuant to the RoP-MB) are deemed present for the purpose of establishing the quorum. Absent members are required to be informed immediately of any resolutions adopted during their absence. The Management Board only holds deliberations and adopts resolutions on matters relating to the executive division of an absent member with the consent of such absent member, except in urgent cases. The Management Board adopts resolutions by simple majority of the votes cast, unless otherwise specified by statutory law or by the RoP-MB. The chairman of the Management Board is entitled to the casting vote in the case of a tie of votes. As a general rule, the Management Board will pass resolutions in meetings. An absent member who is not connected by telephone or video conference may participate in the adoption of a resolution in a meeting by having his vote submitted to the chairman of the Management Board in text form by a member present. In urgent cases and if no Management Board member objects within an appropriate time as determined by the chairman of the Management Board, resolutions may also be adopted, at the arrangement of the chairman of the Management Board, in writing, by fax, e-mail or any other electronic means (or by a combination of these communication media).

The Company is legally represented *vis-à-vis* third parties and in court proceedings by two members of the Management Board or by one member of the Management Board together with an authorized representative (*Prokurist*). The Company may also be represented by two authorized representatives (*Prokuristen*) to the extent legally permissible.

Pursuant to the RoP-MB, the Management Board resolves unanimously upon the allocation of responsibilities within the Management Board, where such allocation will be within the framework of the Supervisory Board's requirements regarding the allocation of the Management Board's areas of responsibility (segments and/or functional executive divisions).

Further details, particularly regarding chairmanship, joint responsibility, conflicts of interests and internal organization are governed by the RoP-MB.

16.2.2 Members of the Management Board

The following table lists the current members of the Management Board, the designated members of the Management Board who were appointed effective on or about December 1, 2021 and their respective responsibilities:

Name/Position	Born	First appointed in	Appointed until(1)	Responsibilities
Martin Daum	1959	July 2021(2)	February 2025	Chairman of Management Board
Jochen Götz	1971	July 2021(2)	June 2026	Finance and Controlling
John O'Leary	1960	December 2021(3)	March 2024	Region North America and the brands Freightliner, Western Star & Thomas Built Buses
Karin Rådström	1979	December 2021(3)	January 2024	Region Europe and Latin America and the brand Mercedes-Benz Truck
Dr. Andreas Gorbach	1975	December 2021(3)	June 2024	Truck Technology
Jürgen Hartwig	1967	December 2021(3)	November 2026	Human Resources
Stephan Unger	1967	December 2021(3)	June 2024	Financial Services
Karl Deppen	1966	December 2021(3)	November 2024	Truck China and the regions Japan and India with the brands FUSO and BharatBenz

Notes:

(1) For details regarding the compliance of the terms of appointment with the Code see "*16.6 Corporate Governance*".

(2) Appointment registered with the commercial register.

(3) Appointment occurred in November 2021 with the appointment taking effect on or about December 1, 2021.

The following description provides summaries of the curricula vitae of the current and designated members of the Management Board and indicates their principal activities outside the Group to the extent those activities are significant with respect to the Group.

Martin Daum

Martin Daum was born in 1959 in Karlsruhe, Germany. After graduating from high school in 1978, he did an apprenticeship as a banker. Post his apprenticeship, in 1980, he studied economics at the University of Mannheim, Germany and graduated with a master's degree in economics in 1985. After two years of working as a Management Consultant, Martin Daum joined the then Daimler-Benz AG in 1987 as a part of an international management associate program.

In 1988, he was appointed as Manager, Sales organization Overseas/Sales Companies Overseas at Daimler-Benz AG. In 1990, he became Senior Manager, Assistant to the Board Member Trading and Marketing Services at debis AG. In 1992, he became Senior Manager, Commercial Director at debis Marketing Services GmbH. In 1996, he was promoted to Director, Project Manager Controlling Light Truck Concept at Mercedes-

Benz Trucks, Portland, U.S. In 1997, he was promoted to Director, General Manager Finance and Administration at Sterling Corporation, Willoughby, Ohio U.S. In 2001, he was promoted to Director, Strategy CVD of DaimlerChrysler AG. In 2002, he was promoted to Director, Controlling Mercedes-Benz Trucks of Daimler AG.

In 2003, he was elected as the Vice President, Product Unit Unimog, Special Vehicles & Controlling of Daimler AG. In 2006, he was elected as the Vice President, Operations Mercedes-Benz Trucks of Daimler AG. In 2009, he was elected as the Executive Vice President, President & Chief Executive Officer of Daimler Trucks North America LLC. Since 2017, Martin Daum has been heading Daimler Trucks and Buses and has been a member of the board of management of Daimler AG. Since 2019, Martin Daum is the Chairman of the board of management of Daimler Truck AG.

Jochen Götz

Jochen Götz was born in 1971 in Rastatt, Germany. After school in Gaggenau, he started his professional journey in 1987 when he joined Mercedes-Benz AG as a trainee for industry merchant.

Jochen Götz gained experience in Product controlling Unimog and Department controlling Unimog while he studied in parallel Government and Economics at the Academy for Administration and Business in Karlsruhe from 1995 to 1998, graduating with a diploma in business administration. In 2001, he became a Manager (Controlling & Target planning Mercedes-Benz Trucks), and then to a senior manager (Reporting Actuals) in 2003. In 2004, he was appointed as a Senior Manager for Finance Trucks Europe/Latin America at Daimler AG.

In 2009, he was promoted to a Director for Controlling Daimler Truck Axles & Transmissions / Integration TM of Daimler AG. In 2012, he was appointed to Director, Controlling Operations Truck Powertrain of Daimler AG and afterwards to Director, Finance and Controlling Trucks NAFTA of Daimler Trucks North America LLC. In 2013, he was appointed to Director, Controlling and Reporting Mercedes-Benz Cars) of Daimler AG.

In 2015, he was elected as the Vice President for Finance and Controlling Daimler Trucks & Buses at Daimler AG. Since 2018, he has acted as the Executive Vice President responsible for Finance and Controlling Daimler Trucks & Buses) of Daimler AG. Since 2020, Jochen Götz has been a member of the board of management of Daimler Truck AG responsible for Finance & Controlling.

John O'Leary

John O'Leary was born in 1960 in Seattle, Washington, United States. He graduated from Seattle University with a Bachelor of Arts in Accounting in 1986. Additionally, he completed the Executive Program at Northwestern University's Kellogg Graduate School of Management. Prior to joining Daimler, John O'Leary worked in the electronics industry for three years and at Paccar for 12 years.

In 2000, he was appointed as Senior Manager Corporate Accounting of Freightliner Corporation, Portland, Oregon, U.S. In 2001, he was promoted to Internal Audit Director of Freightliner Corporation, Portland, Oregon, U.S. In 2002, he was elected as the President & Chief Executive Officer, Thomas Built Buses of Daimler Trucks North America, High Point, North Carolina, U.S. In 2010, he was elected as Senior Vice President, Aftermarket of Daimler Trucks North America, Fort Mill, South Carolina, U.S. In 2012, he was elected as Senior Vice President and Chief Financial Officer of Daimler Trucks North America, Portland, Oregon, U.S. In 2020, he was elected as Chief Transformation Officer of Mercedes-Benz Trucks, Stuttgart, Germany. In 2021, he was elected as President & Chief Executive Officer of Daimler Trucks North America and a Member of the management board of Daimler Truck AG, responsible for the region North America and the brands Freightliner, Western Star and Thomas Built Buses Portland, Oregon, U.S.

Karin Rådström

Karin Rådström was born in 1979 in Södertälje, Sweden. After graduating with a Master of Engineering in Industrial Management from the Royal Institute of Technology, Stockholm, she started as a trainee at Scania in 2004. Since 2007, Karin Rådström held several managing positions at Scania. She started as group manager of product information within sales and marketing. She then worked in fleet management as product planner and product & area manager for five years. In 2012, Karin Rådström was appointed as director of fleet & driver services with global responsibility for the service portfolio of connected vehicles and driver services. In 2014, she became director for pre-sales & marketing communications for Scania East Africa in Kenya, based in Nairobi. In 2016, she was appointed as the Senior Vice President and head of buses & coaches Scania. From

2019 until 2020, Karin Rådström was responsible for sales and marketing at Scania as a member of the executive board.

As of February 2021, Karin Rådström joined the management board of Daimler Truck AG responsible for the regions Europe and Latin America and the Mercedes-Benz Truck brand.

Dr. Andreas Gorbach

Dr. Andreas Benno Gorbach was born in 1975 in Ostfildern-Ruit, Germany. Dr. Andreas Gorbach is a Member of the management board of Daimler Truck AG and Head of Truck Technology. Prior to his current position, he was the Chief Executive Officer of the fuel cell joint venture cellcentric of Daimler Truck AG and the Volvo Group. Before that, Dr. Gorbach was the Head of Product Management for the global generations of engines and axles at Daimler Trucks. In addition, he was responsible for climate protection and air quality within the context of the sustainability strategy.

Dr. Andreas Gorbach started his career at Daimler Trucks in 2005 in the powertrain development department. He held various management positions in the following years, including head of development for the global engine platforms.

Jürgen Hartwig

Jürgen Hartwig was born in 1967 in Rastatt, Germany. After graduating from high school in 1986, he studied business education at the University of Mannheim from 1987 to 1993. Jürgen Hartwig began his professional career at Daimler AG in 1993 in the Human Resources and Organizational Development Commercial Vehicles Division in Gaggenau plant. From 1996 to 1999 he was Manager Qualification, Process Consulting and Organization in Rastatt plant. In 1999, Mr. Hartwig became Senior Manager Qualification, Process Consulting and Organization in Rastatt plant. In 2002, he became Senior Manager HR Daimler Research at Daimler AG.

In 2005, Mr. Hartwig was appointed Director HR Daimler Research & PC Development of Daimler AG. In 2007, he became Director Daimler Research & PC Development and Central of Daimler AG. In 2010, he took over the role Director Corporate Organization & Change Management HR of Daimler AG. From 2013 to 2016, Mr. Hartwig assumed the role Director Human Resources Greater China in Beijing at Daimler Greater China Ltd. Upon his return to Germany in 2016, he was appointed Vice President Human Resources Daimler Trucks at Daimler AG. Since 2019, Mr. Hartwig is member of the board of management of Daimler Truck AG Human Resources & Labor Director. Mr. Hartwig will continue assuming the role as member of the board of management of Daimler Truck AG Human Resources & Labor Director following the Spin-off.

Since 2018, Mr. Hartwig is also a member of the supervisory board of EvoBus GmbH. Since 2020, he is a member of the supervisory board of European School of Management and Technology (ESMT) Berlin. Starting in the second half of 2021, Mr. Hartwig will become a member of the advisory board of SG Stern Germany e.V. and member of the advisory board of ISS Degerloch e.V. Further, he will take over one board seat in the Daimler-Benz Foundation and become member of the presidium to the German Federal Union of Employers (BDA).

Stephan Unger

Stephan Unger was born in 1967 in Dannenberg, Germany. He holds a master degree in Business Administration (Diplom-Kaufmann) from the Technical University of Berlin. He has held various positions in finance and controlling in his career to date. Stephan Unger started his professional career 1993 at ABB Henschel, which later became DaimlerCrysler Railsystems GmbH (Adtranz). In 2001, he became the executive general manager of group controlling at Mitsubishi Motors Corporation in Tokyo, Japan. In 2004, Stephan Unger was appointed director of finance and controlling at Mercedes-AMG GmbH, Stuttgart, Germany, and became director of corporate controlling of the Daimler Group in 2008. In 2012, Stephan Unger became a member of the management board, responsible for finance & controlling, risk management and digital mobility solutions of Daimler Mobility AG. In his role, he promoted Daimler Mobility's transformation into an integrated, digitized financial services provider through strategic partnerships and investments in start-ups, including the mobility services and the YOUR NOW joint venture with BMW AG. On July 1, 2021, Stephan Unger became a member of the management board of Daimler Truck AG, responsible for Financial Services. He also became Chief Executive Officer of Daimler Truck Financial Services GmbH in 2021.

Karl Deppen

Karl Deppen was born in 1966 in Osnabrueck, Germany. In addition to having an academic background in economics and business administration, he also holds a dual MBA from the Business University of Vienna, Austria and the University of Minnesota, United States

Karl Deppen started his career at the Daimler Group in Woerth, Germany in 1990 as a procurement specialist. In 1993, he assumed first management responsibilities at the Daimler Group's headquarters in Stuttgart. Over the following years he held several senior management positions with responsibilities in purchasing and supply chain operations, product management, human resources and finance and controlling, among other areas. He also gathered international experience from assignments in Germany, United States, Turkey, Brazil and Japan. From 2011 to 2014, he was responsible for human resources development and human resources services, training leadership talent around the world at Daimler. He then served as Chief Financial Officer at Daimler Greater China in Beijing, China from 2014 to 2017, before taking over as Vice President of cost controlling at Mercedes-Benz Cars at Daimler AG until 2020. Since 2020, Karl Deppen has been serving as President and Chief Executive Officer of Mercedes-Benz do Brasil Ltda. with responsibility for the truck and bus business. As of December 2021, Mr. Deppen is going to be a member of the board of management of Daimler Trucks & Buses and assume the position of President & Chief Executive Officer of Mitsubishi Fuso Truck & Bus Corporation, and Head of Daimler Trucks Asia. In these capacities, Mr. Deppen will be responsible for the FUSO and BharatBenz brands in Japan and India as well as the truck business in China.

All members of the Management Board may be reached at the Company's offices at Fasanenweg 10, 70771 Leinfelden-Echterdingen (telephone: +49 711 8485 0).

The following overview lists all of the companies and enterprises in which the members of the Management Board currently hold seats or have held seats on administrative, management or supervisory boards, or comparable German or foreign supervisory bodies, or of which they were partners during the last five years, with the exception of the Company and companies within the Group:

Martin Daum	Current seats: • Member of the management board of Daimler AG • Member of the board of directors of Beijing Foton Daimler Automotive Co., Ltd. Past seats: • None
Jochen Götz	Current seats: • Member of the board of directors of Proterra Inc. Past seats: • None
John O'Leary	Current seats: • None Past seats: • None
Karin Rådström	Current seats: • Member of the supervisory board of Piab AB • Member of the supervisory board of Ouster, Inc. Past seats: • Member of the executive board of Scania CV AB and further seats within subsidiaries of Scania CV AB (2014-2020)
Dr. Andreas Gorbach . .	Current seats: • None Past seats: • None
Jürgen Hartwig	Current seats: • Member of the supervisory board of European School of Management and Technology Berlin Past seats: • None
Stephan Unger	Current seats: • None Past seats:

- Chairman of the supervisory board of Intelligent Apps GmbH (2016-2021)
- Member of the supervisory board of SHARE NOW GmbH (2020-2021)
- Member of the supervisory board of PARK NOW Group Holding B.V. (2020-2021)
- Member of the supervisory board at Digital Charging Solutions GmbH (2020-2021)
- Chairman of the supervisory board at YOUR NOW Holding GmbH (2020-2021)
- Non-Executive Director of ASTON MARTIN LAGONDA GLOBAL HOLDINGS PLC (2021-2021)

Karl Deppen . . . . Current seats:
- None

Past seats:
- Vice President Cost Controlling Mercedes-Benz Cars at Daimler AG (2017-2020)
- Chief Financial Officer of Daimler Greater China Ltd. (2014-2017)

16.2.3 Remuneration and other benefits of the members of the Management Board

16.2.3.1 Historical Compensation of the Members of the Management Board

The Company was incorporated upon its registration with the commercial register of the local court (*Amtsgericht*) of Stuttgart on April 12, 2021 (see *"14.1 Formation, Incorporation, History and Share Capital"*). With effect as of December 1, 2021, the Company has entered into (new) service agreements with the relevant members of the Management Board (including for Martin Daum and Jochen Götz who had already been appointed as members of the Management Board of the Company since July 2021, but prior to the commencement of the new service agreements with the Company rendered their services under service agreements with Daimler AG respectively with Daimler Truck AG without additional compensation from the Company). Accordingly, no member of the Management Board of the Company received any compensation from the Company during the fiscal year ended December 31, 2020 or during the nine months ended September 30, 2021.

For information regarding the compensation of the key management personnel that was attributable to the Daimler Truck Group during the fiscal years ended December 31, 2020, 2019 and 2018, see "*11.3 Relationship with Key Management Personnel*" and Note 41 to the Audited Combined Financial Statements included elsewhere in this Prospectus.

16.2.3.2 Remuneration System

Pursuant to sections 87a, 120a para. 1 of the German Stock Corporation Act (*Aktiengesetz*), the supervisory board of listed stock corporations determines the remuneration for the members of the management board in accordance with the remuneration system for the management board members which is to be submitted to the company's general meeting for its approval.

In this respect it is intended that the Supervisory Board of the Company will resolve on the final design of a remuneration system for the members of the Management Board in due course following the date of this Prospectus. Thereafter, the Supervisory Board will submit the remuneration system to the Company's general meeting for its approval at its next ordinary general meeting in 2022.

For the period starting from December 1, 2021, all members of the Management Board are bound by service agreements with the Company and will receive remuneration from the Company for their services on the Management Board, whereby a certain portion of the remuneration of Mr. Deppen and Mr. O'Leary will be partly borne by a local subsidiary of the Company. From this date on, the activity as member of the Management Board of the Company is compensated for in accordance with the structures for the Management Board remuneration laid out in the following paragraphs. For the period from said date on, the members of the Management Board do not receive any additional remuneration for their activities as members of the management board of Daimler Truck AG which they perform on the basis of their service agreements with the Company.

Under the (new) service agreement with the Company, each member of the Management Board receives a total compensation (*Gesamtvergütung*) which comprises a fixed basic salary, variable performance-based remuneration components in the form of a short-/ medium-term incentive and a long-term incentive, participation in occupational pension schemes (*betriebliche Altersversorgung*) and certain fringe benefits. In the service agreements a maximum amount of the annual total compensation (including fringe benefits, other taxable benefits and pension contributions) is defined. A maximum amount of the annual total compensation will, going forward, also be defined in the Company's remuneration system for the members of the Management Board.

Non-performance based Remuneration (Fixed)

The non-performance-based remuneration comprises a fixed basic salary, which is paid in cash in 12 monthly instalments. The annual fixed basic salary (gross) for Mr. Daum amounts to EUR 1,300,000 and for each of Mr. Götz, Mr. O'Leary, Ms. Rådström, Mr. Deppen, Dr. Gorbach, Mr. Hartwig and Mr. Unger to EUR 650,000. The fixed basic salary is annually reviewed by the Supervisory Board.

Additionally, monetary and non-monetary benefits are granted, such as annual paid holiday, continuance of the fixed and variable remuneration for certain periods in case of incapacity to work due to illness and other customary fringe benefits (mainly contributions to insurances (accident, travel baggage, liability) and expenses assumed by the Company for security services and the provision of company cars). If the tasks of a member of the Management Board required a member of the Management Board to take up a secondary residence, the Company will bear the respective necessary and reasonable costs for the establishment of such secondary residence.

Performance-based Remuneration Components

The performance-based remuneration of the members of the Management Board is intended to reward performance and, with its short-/ medium-term incentive and long-term incentive, to support the sustainable and value-creating long-term development of the Group.

In order to ensure a long-term and sustainable orientation of the remuneration, in line with the recommendations of the Code, the share of long-term incentives significantly exceeds the share of short-term incentives. The non-performance (fixed basic) remuneration and the short-/ medium-term incentive each contribute approximately 30% of the target remuneration (excluding pension commitments and fringe benefits), while the variable remuneration component with a long-term incentive effect (PPSP) corresponds to approximately 40% of the target remuneration. Each component of the performance-based remuneration is limited in its in-flow.

Short-/ Medium-Term Incentive (Annual Bonus). The members of the Management Board are entitled to a short-/ medium-term incentive in the form of an annual cash bonus (Annual Bonus) the amount of which is determined by the Supervisory Board based on the achievement of certain targets which are set by the Supervisory Board at the beginning of each fiscal year. A portion of 50% of the achieved Annual Bonus is paid in the first year following the establishment of the annual accounts for the respective fiscal year, whereas the pay-out of the other 50% is deferred for one year. Under the structure of the Annual Bonus from the fiscal year 2022 onwards, the final pay-out amount from the deferred part depends on the development of the Company's share price compared to the STOXX Europe Auto Index. The Annual Bonus is intended to reward, in particular, the contribution made during a fiscal year to the operational implementation of the business strategy. The target amount for the Annual Bonus equals 100% of the annual fixed basic salary and is granted in case of 100% target achievement. The targets relate to the EBIT of the Daimler Truck Group ("**EBIT Target**") and the Free Cash Flow of the industrial business ("**FCF Target**"), each weighed at 50%. The respective EBIT Target and FCF Target are set by the Supervisory Board based on strategic growth and ROS targets. These targets reflect a target achievement rate of 150%. On that basis the targets for 100% target achievement rate are derived. After the end of the fiscal year, the target achievement is determined within a corridor of between 0% and 200%. In case the actual EBIT or FCF is at or below 25% of the target, the achievement of the respective target is 0%. In case the actual EBIT or FCF is at or above 125% of the target, the achievement of the respective target is 200%. On this basis an overall target achievement rate for the two financial targets is determined. Certain events that may lead to extraordinary effects on the EBIT or FCF (such as transactions above a certain volume or recognition or release of provisions for certain ongoing legal/administrative proceedings) will not be (fully) considered for the determination of the actual target achievement, unless resolved otherwise by the Supervisory Board. In addition to the financial targets, the Supervisory Board sets annual targets for the Management Board relating to environmental, social and governance aspects (ESG Targets). This involves both non-financial targets as well as KPIs in relation to future fields which are defined in relation to the technological and long-term development of the Group. Taking into account the performance towards these targets as well as the economic environment, competitive landscape and the strategic, organizational and structural contributions of the Management Board, the Supervisory Board determines an overall performance ratio for the ESG Targets which can lead to an increase of the target achievement rate from the financial targets in a range between 0 to 35%. The final amount of the Annual Bonus is determined by multiplying the annual fixed basic salary with the overall target achievement rate from the financial targets and the ESG Targets. The maximum pay-out amount of the Annual Bonus (including the deferred portion) is capped at 200% of the annual fixed basic salary valid in the respective fiscal year.

For the month of December 2021, members of the Management Board are entitled to a pro-rated Annual Bonus which is oriented on the conditions for the company bonus that applied at Daimler Truck AG or Daimler AG in case of Mr. Daum in the period before December 1, 2021, where certain adjustments apply regarding the financial and non-financial targets to reflect the Spin-off as set out in further detail in "*16.2.4 Adjustment of Daimler Company Bonus*".

Long-Term incentive (PPSP-Participation). The members of the Management Board are entitled to a long-term incentive which is granted through participation in a Performance Phantom Share Plan (PPSP), where each tranche under the plan has a four-year term (three-year performance period and one-year restriction period). The PPSP is designed to set incentives for the sustainable and long-term development of the Group. For each fiscal year and member of the Management Board the Supervisory Board determines an allocation value (*Zuteilungswert*) for the respective PPSP tranche in the form of an absolute euro amount which is divided by the relevant average share price of the Company to determine a preliminary number of virtual shares to be allocated to the participant. Depending on the actual achievement of performance targets which are set by the Supervisory Board for each respective upcoming fiscal year over the three-year term the final number of virtual shares is determined for each participant. Currently applied performance targets of the PPSP are linked 50% to return on sales and 50% to relative share performance each measured in relation to the return on sales and share performance, respectively, of a comparison group consisting of certain competitors of the Company. At the end of the respective performance period the number of virtual shares that was determined based on the target achievement over the three-year term is locked-in. Following the expiration of the one-year restriction period the locked-in number of virtual shares is multiplied with the then applicable share price of the Company. During the overall four-year term of the PPSP tranche, a dividend equivalent is applied to the virtual shares which reflects the dividend actually paid for real shares in the Company over such period. The cash amount to be paid out to the participant is determined at the end of the four-year plan term and released for payment at the latest in March (respectively for the PPSP tranche for 2018 at the latest in April) following the expiration of the four year period. A cap applies at an amount equal to 250% of the allocation value of the respective PPSP starting from PPSP tranche 2022, where the cap includes also any dividend equivalents paid out under the respective PPSP tranche. Such a cap of 250% does not apply to the PPSP tranches 2018, 2019, 2020 and 2021.

As far as members of the Management Board, prior to the effectiveness of the (new) service agreements with the Company, have received a PPSP grant from Daimler Truck AG or Daimler AG for certain performance periods starting prior to 2022 (PPSP tranches for 2018, 2019, 2020 and 2021), the Company will take over their entitlements and will continue the respective PPSP in an adjusted form as Group-specific PPSP for the respective remaining plan term, including, except for the PPSP tranche for 2018, a conversion of the preliminary virtual Daimler AG shares in virtual shares of the Company with effect of the Spin-Off. The PPSP for the tranches 2018, 2019, 2020 and 2021 will be paid out by the Company.

Adjustments of the Remuneration; Malus / Claw-Back

Pursuant to section 87 para. 2 of the German Stock Corporation Act (*Aktiengesetz*) the Supervisory Board shall adjust the remuneration paid to members of the Management Board in case of a deterioration of the economic situation of the Company where a continued granting of the remuneration would be inequitable for the Company; pensions and benefits of a similar nature may, however, only be reduced in the first three years following the date on which the member of the Management Board ceases to work for the Company. In case of a reduction of the remuneration, the member of the Management Board is entitled to prematurely terminate the service agreement.

In accordance with the recommendations of the Code, pursuant to the service agreement breaches of duty as a member of the Management Board, such as identified compliance violations or breaches of the Company policy on behavior with integrity, may lead to a partial or complete reduction or reclaiming of the Annual Bonus (malus and clawback). The Supervisory Board decides on a reduction based on the circumstances and a balancing of interests in the individual case. Pursuant to the current PPSP plan rules, proven breaches of the duties as member of the Management Board may also lead to a partial or complete reduction of the preliminary or final benefits under the PPSP prior to their payment.

16.2.3.3 Pension Benefits

Under the (new) service agreements with the Company the members of the Management Board (except for Martin Daum) participate in a company pension plan (Daimler Pensions Plan) which provides for old-age, disability and surviving dependents' benefits.

The annual contribution of the Company under the Daimler Pensions Plan amounts to 15% of the pensionable income which generally consists of the fixed basic salary and the Annual Bonus granted in the respective contribution year. The pension contribution amount is converted into fictitious fund shares and credited to an individual pension account established by the Company for each member of the Management Board from December 1, 2021. The fictitious value of the fund shares on the pension account generally indicates the available capital for the event giving rise to a pension claim (pension capital). The pension capital equals the value of the pension expectancy; in case the pension capital is less than the overall sum of the pension contributions, the latter is decisive for determining the amount of the individual pension expectancy in case of old-age pension benefits. If a claim to pension is acquired as a survivor benefit, the pension capital shall be increased under certain circumstances and subject to certain limits. The pension expectancy vests if the statutory requirements are met, *i.e.*, if the service relationship ends prior to the event giving rise to a pension claim but after the age of 21 and the pension commitment has existed for at least three years at that time.

Furthermore, the members of the Management Board are entitled to participate in a company pension plan (*Zukunftskapital*) which is financed by the respective member of the Management Board through salary conversion (*Entgeltumwandlung*) and which provides for old-age, disability and surviving dependents' benefits. The members of the Management Board keep their pension expectancies under the Zukunftskapital if the service agreement ends prior to the event giving rise to a pension claim.

As far as members of the Management Board have accrued pension benefits for the past at Daimler AG respectively Daimler Truck AG, these will remain with Daimler AG respectively Daimler Truck AG that will continue the pension expectancy without contributions (*beitragsfrei fortgeführt*) (except for Ms. Rådström whose pension grant under the Daimler Pensions Plan is transferred to the Company and for Mr. Daum whose pension expectancy under the Daimler Pensions Plan will remain with Daimler AG in the form of a vested pension expectancy (*unverfallbare Anwartschaft*)).

In addition, in the event that the (new) service agreement with the Company will be extended until reaching the age of 60 or beyond, Mr. Gorbach, Mr. Götz, Mr. Hartwig, Mr. Unger and Mr. Deppen will receive a one-time payment upon termination of the (extended) service agreement in order to cover the time until the beginning of the statutory pension. Such payment (gross) amounts to EUR 120,000 for Mr. Gorbach, EUR 300,000 for Mr. Götz and EUR 360,000 for Mr. Hartwig, Mr. Unger and Mr. Deppen (capital amount—*Kapitalbetrag*) whereas this capital amount is increased as from 1 March 2009 for Mr. Gorbach, as from 1 June 2003 for Mr. Götz, as from 1 May 2005 for Mr. Hartwig, as from 1 February 2003 for Mr. Unger and as from 13 December 2004 for Mr. Deppen by 2% for each year until the termination date.

16.2.3.4 Maximum Amount of Annual Total Compensation

The annual remuneration of the members of the Management Board—in addition to the limits on the performance-based remuneration components—is subject to both an upper limit on the total amount of the cash inflow (*Cap des Barzuflusses*) for the remuneration (excluding non-cash benefits, fringe benefits and pension benefits) and to a cap on the maximum total compensation amount (including also the taxable non-cash benefits, fringe benefits and pension benefits) as agreed in the service agreements. A maximum amount of the total annual compensation is also to be determined in the Company's remuneration system pursuant to section 87a para. 1 sent. 2 no. 1 of the German Stock Corporation Act (*Aktiengesetz*).

The total amount of the annual cash inflow for the remuneration is capped at the equivalent of 1.7 times for Mr. Daum and of 1.9 times (for the other members of the Management Board) of the individual Management Bord member's annual total target compensation (*jährliche Ziel-Gesamtvergütung*). The annual maximum total compensation amount is set for each member of the Management Board in the form of an absolute euro amount which is dependent on the function of the respective board member. In case a cap is exceeded, the payout of the PPSP in the relevant fiscal year is reduced accordingly.

For Mr. Daum, the annual target total compensation (gross) amounts to EUR 4,500,000 consisting of the fixed basic salary (EUR 1,300,000), the target value of the short-/ medium-term incentive (target annual bonus = 100% of the fixed basic salary), equivalent to EUR 1,300,000) and the yearly allocation value of the long-term incentive from 2022 onwards (PPSP = EUR 1,900,000).

The annual target total compensation (gross) for Jochen Götz amounts to EUR 2,200,000, consisting of the fixed basic salary remuneration (EUR 650,000), the target value of the short-/ medium-term incentive (target Annual Bonus = 100% of the fixed basic salary, equivalent to EUR 650,000)) and the yearly allocation value of the long-term incentive from 2022 onwards (PPSP = EUR 900,000).

The annual target total remuneration (gross) for the other members of the Management Board amounts to EUR 2,100,000 each, consisting of the fixed basic salary (EUR 650,000), the target value of the short-/ medium-term incentive (target Annual Bonus = 100% of the fixed basic salary, equivalent to EUR 650,000)) and the yearly allocation value of the long-term incentive from 2022 onwards (PPSP = EUR 800,000).

The annual maximum total compensation (gross) for the chairman of the Management Board amounts to EUR 10,000,000 and for the other members of the Management Board to EUR 6,000,000.

16.2.3.5 Commitments in Connection with Termination of Management Board Membership

The service agreements between the Company and the members of the Management Board have been concluded for a fixed term, starting on December 1, 2021 and covering the period of their current individual appointment (see "*16.2.2 Members of the Management Board*"). The service agreement is extended for the duration of a reappointment.

The revocation of the appointment as a member of the Management Board is subject to restrictions under statutory law and requires "good cause" pursuant to section 84 para. 4 of the German Stock Corporation Act (*Aktiengesetz*). In case of a revocation of the appointment as member of the Management Board which is based on good cause, but which does not at the same time constitute cause pursuant to section 626 para. 1 of the German Civil Code (*Bürgerliches Gesetzbuch*), the respective member of the Management Board and the Company are each entitled to terminate the service agreement by giving 12 months' notice to the end of a month. Such termination notice has to be issued within one month following the revocation of the appointment as member of the Management Board.

If the appointment of a member of the Management Board has ended, the Company is entitled to release the respective member of the Management Board from his/her duty to perform services until the end of the service agreement regardless of whether the aforementioned termination right has been exercised or not. During such period of release, the member of the Management Board will continue to receive the fixed basic salary and the short-/medium-term incentive on the basis of the actual target achievement pro-rated until the end of the appointment; the payment of the long-term incentive is subject to the respective plan rules as amended. After the end of the appointment, no virtual shares will be granted to the respective member of the Management Board under the PPSP. Any other earnings that the member of the Management Board generates through utilization of his working capacity (excluding any remuneration received for other offices and secondary activities permitted unless they were taken up at the initiative of the Company) during the release period will be generally offset.

In case the service agreement with a member of the Management Board is terminated prematurely (*i.e.*, before the agreed term has ended) without cause pursuant to section 626 para. 1 of the German Civil Code (*Bürgerliches Gesetzbuch*), the value of the payments (including fringe benefits) paid to the respective member of the Management Board must not exceed 200% of the annual remuneration, however, not more than the total remuneration for the remaining term of the service agreement. The basis for the calculation of the annual remuneration is the total remuneration (consisting of the fixed basic salary, short-/ medium-term incentive and long-term incentive as well as taxable non-monetary benefits) actually received for the previous fiscal year and, insofar as this total remuneration was extraordinarily high or low in particular due to the target achievement level, or in the event of a new appointment, also the expected total remuneration for the fiscal year in which the service agreement ends.

16.2.3.6 D&O Insurance

Upon the Demerger Transactions Effective Date, it is intended the Management Board and Supervisory Board members by a group liability insurance policy with regard to their management activities. The policy which will be concluded for one-year terms at a time will cover personal liability for financial loss associated with performing the respective activity. The policy will provide for a deductible/retention that conforms to the requirements of the German Stock Corporation Act (*Aktiengesetz*).

16.2.4 Adjustment of Daimler Company Bonus

Prior to the Spin-off, the members of the Management Board, save for Mr. Daum, whose Daimler company bonus deviates from those of the other members of the Management Board (see below), were granted a company bonus by Daimler Truck AG for the months of January to November 2021 based on their respective service agreements with Daimler Truck AG in case the Spin-off takes effect in December 2021, which depends on the achievement of non-financial targets and transformation targets as well as financial targets (in accordance with the conditions for (senior) executives (Daimler Company Bonus)). The financial targets consist of a divisional component for Daimler Trucks & Buses (70%) and a Daimler Group component (30%), determined at 50% each on the basis of target achievement for EBIT and cash flow of the industrial business. In general, the entitlement to receive an annual bonus remains unaffected by the Spin-off. For the month of December 2021, following the effectiveness of the Spin-off, the financial target achievement for the pro-rated bonus for the month of December 2021 under the (new) service agreements with the Company ("*16.2.3.2 Remuneration System*"), Performance-based Remuneration Components—Short-/ Medium-Term Incentive (Annual Bonus)), will be determined on the basis of the consolidated financial statements of the Daimler Truck Business and the target achievement of the non-financial targets and the transformation targets will be determined at divisional level for the month of December 2021 (Daimler Truck AG). If the Spin-off does not take effect until the fiscal year 2022, the annual bonus for the fiscal year 2021 will be determined in accordance with the provisions of the service agreements with Daimler Truck AG applicable to date.

Mr. Daum has been granted an annual bonus based on his service agreement with Daimler AG, as a component of his variable remuneration for the 2021 fiscal year, for the months of January to November 2021 (for which duration the annual bonus will be paid by Daimler AG), provided that the Spin-off takes effect in December 2021, which is dependent on the corporate success of the Daimler Group. The annual bonus for the 2021 fiscal year depends on the achievement of non-financial targets and transformation targets as well as financial targets, the latter consisting of a group component of 100% (determined at 50% each on the basis of target achievement for EBIT and for free cash flow of the industrial business). The financial target consists of a divisional component for Daimler Trucks & Buses, determined at 50% each on the basis of target achievement for EBIT and cash flow of the industrial business. In general, the entitlement to receive an annual bonus remains unaffected by the Spin-off. Provided that the Spin-off takes effect in December 2021, the financial target achievement for December 2021 will be determined on the basis of the consolidated financial statements of the Company and the target achievement of the non-financial targets and the transformation targets will be determined at divisional level for the month December 2021 (Daimler Truck AG). If the Spin-off does not take effect until the fiscal year 2022, the annual bonus for the fiscal year 2021 will be determined in accordance with the provisions of the service agreement with Daimler AG applicable to date.

16.2.5 Shareholdings of the Members of the Management Board and Stock Ownership Guidelines

The members of the Management Board do not directly or indirectly, hold any Shares or options on Shares of the Company as of the date of this Prospectus.

However, according to their service agreements the members of the Management Board are expected to privately invest in shares of the Company as an entrepreneurial participation and sign of commitment to the Company. The Supervisory Board determines the target number of shares to be accumulated and held. The target number is usually oriented at the amount of one annual basic fixed salary and set at 75,000 Shares for Martin Daum, 25,000 Shares for Jochen Götz and 20,000 Shares for the other members of the Management Board. The details of the personal share investments are subject to Stock Ownership Guidelines which are contained in the PPSP. The Stock Ownership Guidelines provide, inter alia, for an obligation to use up to 25% of the gross amount paid under each PPSP for the acquisition of Shares of the Company until the target number of Shares is met.

Furthermore, the eight members of the Management Board hold 29,971 shares in Daimler AG in total for which 14,985 Shares in the Company (plus partial rights in accordance with the allocation ratio) will be issued upon the effectiveness of the Spin-off, if the respective shares in Daimler AG are still held on such date.

16.3 Supervisory Board

16.3.1 Overview

Appointment of Members of the Company's Supervisory Board

Currently, the Supervisory Board of the Company consists of three shareholder representatives. After the Spin-off takes effect, the Company will employ more than 2,000 employees in Germany on the basis of the attribution rule pursuant to section 5 para. 1 of the German Co-Determination Act (*Mitbestimmungsgesetz*). Thus, the German Co-Determination Act (*Mitbestimmungsgesetz*) will apply, and the Supervisory Board will then not be composed in accordance with the relevant provisions of the German Co-Determination Act (*Mitbestimmungsgesetz*). Upon the Demerger Transactions' effectiveness, the Company's Management Board will therefore conduct so-called status proceedings pursuant to sections 97 et seqq. of the German Stock Corporation Act (*Aktiengesetz*). From the date on which the Spin-off takes effect, pursuant to the provisions of the German Co-Determination Act (*Mitbestimmungsgesetz*), more than 20,000 employees will be deemed employees of the Company, the Supervisory Board of the Company has to be comprised from that date pursuant to sections 95 and 96 of the German Stock Corporation Act (*Aktiengesetz*) and section 7 para. 1 sent. 1 no. 3 of the German Co-Determination Act (*Mitbestimmungsgesetz*) of twenty Supervisory Board members ten representing the shareholders and ten representing the employees.

The Company's general meeting has amended the Articles of Association on November 5, 2021 regarding the Supervisory Board to increase the number of the members of the Supervisory Board to twenty already before the point in time the Co-Determination Act (*Mitbestimmungsgesetz*) will apply. This amendment of the Articles of Association is by way of a condition precedent subject to the provision that it will be registered with the competent commercial register in such manner as to ensure that it only becomes effective immediately after the effectiveness of the Demerger Transactions ("**Amended Articles Effective Date**"). Thus, the increase of the number of the members of the Supervisory Board from three to twenty will become effective upon the Amended Articles Effective Date.

After completion of the status proceedings, the terms of office of the twenty members elected to the Supervisory Board prior to the Spin-off by the Company's general meeting with effect immediately after the Spin-off takes effect will end upon one of the two following events: (i) at the close of the first general meeting of the Company after expiry of the period for bringing a motion pursuant to section 97 para. 2 of the German Stock Corporation Act (*Aktiengesetz*) or (ii) upon a final and binding court decision regarding the composition of the Supervisory Board pursuant to section 98 of the German Stock Corporation Act (*Aktiengesetz*), but no later than six months after expiry of the motion period or the final and binding decision.

The ten shareholder representatives on the Company's Supervisory Board are therefore expected to be newly elected by the Company's general meeting in June 2022 ("**AGM 2022**"). The employee representatives on the Company's Supervisory Board are to be appointed by court order upon request pursuant to section 104 of the German Stock Corporation Act (*Aktiengesetz*), which is expected to be filed in Q2/2022, for the period from the end of the AGM 2022 until the completion of the election of the employee representatives.

General Provisions regarding the Company's Supervisory Board

Generally, the shareholder representatives of the Supervisory Board are elected by the Company's general meeting. Unless the Company's general meeting has set a shorter term, the term of each Supervisory Board member expires at the end of the annual general meeting ratifying the activities of the Supervisory Board for the fourth fiscal year following the commencement of the member's term of office, not including the fiscal year in which the term commences. The election of a successor for a member leaving his or her office before the end of his or her term of office is valid for the remainder of the term of office of the departing member. Re-election is possible. In addition, the general meeting may appoint substitute members for each of the Supervisory Board members, who become members of the Supervisory Board, if the Supervisory Board seat for which the respective substitute member was elected finally becomes vacant before the end of the term of office of the departing Supervisory Board member. The term of the substitute member expires as soon as a successor for the departing Supervisory Board member is appointed but no later than the expiration of the departing Supervisory Board member's term. The Articles of Association provide that Supervisory Board members and substitute members of the Supervisory Board may resign, without good cause on four weeks' notice, by providing written notice to the Supervisory Board chair and the Management Board.

According to section 8 para. 3 of the Articles of Association, the Supervisory Board elects a chair and deputy chair from among its members. The election of the chair and first deputy chair will, pursuant to Section 27 of the German Co-Determination Act (*Mitbestimmungsgesetz*), in the future require a two-thirds majority vote. If the majority cannot be achieved in the election of the chair or his deputy, a second ballot shall be held for the election of the Supervisory Board chair and his deputy. In this ballot, the Supervisory Board members representing the shareholders shall elect the Supervisory Board chair and the Supervisory Board members representing the employees shall elect the deputy, in each case by a majority of the votes cast.

In accordance with the Articles of Association, on or about December 10, 2021, the Supervisory Board will resolve upon its own internal rules of procedure for the Supervisory Board ("**RoP-SB**") by way of a resolution.

Pursuant to the future RoP-SB, the chairman of the Supervisory Board, or his deputy if he is prevented, is responsible for convening the meetings of the Supervisory Board in text form (*e.g.*, in writing, by fax or via email) and with at least two weeks' notice; the day of the convocation notice is included in the notice period for the convocation of meetings. Such notice of meetings may also be given via a data room that is known and accessible to all Supervisory Board members. The notice period may be shortened in urgent cases, but to no less than three calendar days. Pursuant to the future RoP-SB, the Supervisory Board is required to hold at least one meeting in each quarter and must hold two meetings in each half of the calendar year. The chairman of the Supervisory Board, or his deputy if the chairman is unable to attend permanently or temporarily, acts as chair of the meetings of the Supervisory Board and stipulates the order in which items are to be discussed and the method to be adopted for voting. Following an annual general meeting in which shareholder representatives have been elected to the Supervisory Board, there will be a constituent meeting; a special convocation to this constituent meeting is not required. Pursuant to section 9 para. 2 of the future Articles of Association, the Supervisory Board constitutes a quorum if all members of the Supervisory Board have been invited to attend at the last known address and at least ten members of the Supervisory Board participate in the adoption of the resolution. When determining the quorum, Supervisory Board members who abstain from voting shall be counted. Unless otherwise required by law, resolutions of the Supervisory Board are passed by a simple majority of the votes cast. For purposes of passing a resolution, abstentions do not count as votes cast. If a vote of the Supervisory Board results in a tie, then any Supervisory Board member may demand a second vote. The chair, or in his absence the deputy, may determine when the vote is to be repeated. If the second vote still results in a tie, the chair has two votes. Under mandatory statutory provisions and the Articles of Association, the Supervisory Board is authorized to establish internal rules of procedure (*Geschäftsordnung*). Further details, particularly regarding the composition, the chairmanship and his/her deputy, confidentiality as well as conflicts of interest, tasks and responsibilities, committees and internal organization are governed by the future RoP-SB.

16.3.2 Current and Future Members of the Supervisory Board

The following table lists (i) the members of the Supervisory Board as of the date of this Prospectus who will resign as per the Amended Articles Effective Date and (ii) the future members of the Supervisory Board that will be elected by the Company's general meeting on December 2, 2021 under the condition precedent that their election shall become effective upon the Amended Articles Effective Date:

Name	Born	Member since	Appointed until	Position	Principal occupation
Tim Zech	1971	2021	AGM 2022 (will resign as per Amended Articles Effective Date)	Chairman	Head of Tax Daimler Group
Robert Köthner	1960	2021	AGM 2022 (will resign as per Amended Articles Effective Date)	Deputy Chairman	Chief Accounting Officer of Daimler Group
Dr. Annette Matzat	1970	2021	AGM 2022 (will resign as per Amended Articles Effective Date)	Member	Vice President of HR policies and employee relations Daimler Group
Joe Kaeser	1957	Amended Articles Effective Date, expected to be December 9, 2021	AGM 2022	Designated Chairman	Chairman of the Supervisory Board of Siemens Energy AG
Michael Brecht	1965	Amended Articles Effective Date, expected to be December 9, 2021	AGM 2022	Designated Deputy Chairman	Chairman Works Council Gaggenau Plant; Chairman Group Works Council
Michael Brosnan	1955	Amended Articles Effective Date, expected to be December 9, 2021	AGM 2022	Member	Former Chief Financial Officer for Fresenius Medical AG & Co. KGaA
Jacques Esculier	1959	Amended Articles Effective Date, expected to be December 9, 2021	AGM 2022	Member	Former Chairman and Chief Executive Officer of WABCO Holdings Inc.
Akihiro Eto	1960	Amended Articles Effective Date, expected to be December 9, 2021	AGM 2022	Member	Former Member of the Board, President and Global Chief Operation Officer of Bridgestone Corporation
Laura Ipsen	1964	Amended Articles Effective Date, expected to be December 9, 2021	AGM 2022	Member	President and Chief Executive Officer of Ellucian Company L.P.
Renata Jungo Brüngger	1961	Amended Articles Effective Date, expected to be December 9, 2021	AGM 2022	Member	Member of the Management Board of Daimler AG and Mercedes-Benz AG

Name	Born	Member since	Appointed until	Position	Principal occupation
John Krafcik	1961	Amended Articles Effective Date, expected to be December 9, 2021	AGM 2022	Member	Former Chief Executive Officer (now: Advisor) of Waymo LLC
Prof. Dr. Martin Richenhagen	1952	Amended Articles Effective Date, expected to be December 9, 2021	AGM 2022	Member	Former Chairman, President and Chief Executive Officer of AGCO Corporation
Marie Wieck	1960	Amended Articles Effective Date, expected to be December 9, 2021	AGM 2022	Member	Former General Manager of IBM Blockchain
Harald Wilhelm	1966	Amended Articles Effective Date, expected to be December 9, 2021	AGM 2022	Member	Member of the Management Board of Daimler AG and Mercedes Benz AG
Bruno Buschbacher	1978	Amended Articles Effective Date, expected to be December 9, 2021	AGM 2022	Member	Chairman of Works Council at Mannheim Plant
Harald Dorn	1971	Amended Articles Effective Date, expected to be December 9, 2021	AGM 2022	Member	Head of Work Preparation Workshop at Mercedes-Benz Trucks Wörth and Aksaray Daimler Truck AG
Jörg Köhlinger	1963	Amended Articles Effective Date, expected to be December 9, 2021	AGM 2022	Member	Representative of IG Metall (German Metalworkers' Union), Central
Jörg Lorz	1972	Amended Articles Effective Date, expected to be December 9, 2021	AGM 2022	Member	Chairman of the Works Council at Kassel Plant
Claudia Peter	1963	Amended Articles Effective Date, expected to be December 9, 2021	AGM 2022	Member	First Authorized Representative of IG Metall (German Metalworkers' Union), Gaggenau
Roman Zitzelsberger	1966	Amended Articles Effective Date, expected to be December 9, 2021	AGM 2022	Member	District Manager of IG Metall (German Metalworkers' Union), Baden-Württemberg
Thomas Zwick	1966	Amended Articles Effective Date, expected to be December 9, 2021	AGM 2022	Member	Chairman of Works Council at Wörth Plant
Andrea Reith	1984	Amended Articles Effective Date, expected to be December 9, 2021	AGM 2022	Member	Chair of the Works Council of EvoBus GmbH
Carmen Klitzsch-Müller	1970	Amended Articles Effective Date, expected to be December 9, 2021	AGM 2022	Member	Chair of the Works Council of the Joint Operation in Stuttgart

The following description provides summaries of the curricula vitae of the current and future members of the Supervisory Board and indicates their principal activities outside the Group to the extent those activities are significant with respect to the Group.

Tim Zech

Tim Zech was born in 1971 in Stuttgart, Germany. He studied business economics at the Justus-Liebig-University in Giessen, Germany. In 1997, he started his professional career at Arthur Andersen GmbH, a tax consultant and auditing firm for domestic and foreign companies, as a tax consultant. He joined the Daimler Group (as established before the Phase 1 Transactions) in 2001 and has assumed various functions in the national and international area of the tax department. Since February 2018, he has been the Vice President and Head of tax Daimler Group (as established before the Phase 1 Transactions) and is responsible for the tax compliance of the Daimler Group (as established before the Phase 1 Transactions) worldwide. In connection with his responsibilities, he is also entrusted with mandates in supervisory bodies of Daimler Group (as established before the Phase 1 Transactions) companies.

Robert Köthner

Robert Köthner was born in 1960 in Lichtenfels, Germany. He studied economics at the University of Freiburg in Breisgau, Saarland University in Saarbrücken, Germany, and Wayne State University in the city of Detroit, Michigan, U.S., from 1982 to 1989. He was awarded a Master of Arts (Economics) and Business Administration (Diplom-Kaufmann).

He joined the accounting division of the former Daimler Benz AG in 1989 and has been the chief accounting officer for Daimler Group (as established before the Phase 1 Transactions) since 2001. He is responsible for accounting and financial reporting in compliance with IFRS as well as German trade (HGB) and stock corporation law (AktG). In the past years, those responsibilities have been extended to include sustainability reporting according to Corporate Social Responsibility guidelines, risk management reporting and the shared services organization for Accounting & Finance. He has also been responsible for controlling and accounting governance as well as performance reporting for Mercedes-Benz AG and the Daimler Group (as established before the Phase 1 Transactions) since April 2020. In addition to his duties as the chief accounting officer for Daimler Group (as established before the Phase 1 Transactions), he is a member of the supervisory and management boards of several Daimler Group (as established before the Phase 1 Transactions) companies. In 2011, he was appointed to the governing board of the Accounting Standards Committee of Germany (DRSC). From 2015 to 2017, he was a member of the IFRS Advisory Council of the International Accounting Standards Board (IASB).

Dr. Annette Matzat

Dr. Annette Matzat was born in 1970 in Mutlangen, Germany. In 1994, she took the first law state exam and in 1998, she became a licensed lawyer. In 2003, she completed her PhD on the topic ‘Claims for compensation in organ transplantation from living and dead donors’.

In 2001, she started working as a corporate legal counsel at abaXX Technology AG in Stuttgart. In 2007, she moved to Daimler AG in her capacity as a legal counsel-specialist function level 4. In 2008, she was promoted to Senior Legal Counsel. In 2013, she was promoted to Director/Associate General Counsel- Management. In 2017, she was promoted to the Head of Human Resources and Labor Policy.

In 2018, she was elected as member of the supervisory board of Daimler Pensionsfonds AG and as member of the supervisory board of Daimler Wohnfinanz GmbH. In 2021, she was elected as a member of the supervisory board of Daimler Truck AG and as the Chair of the supervisory board of Daimler Pensionsfonds AG.

Joe Kaeser

Joe Kaeser was born in 1957 in Arnbruck, Germany. He holds a Diploma in Business Administration from the Ostbayerische Technische Hochschule in Regensburg, Germany.

Joe Kaeser has over 40 years of experience at Siemens AG, where he has held a variety of leading management positions in finance and strategy, both within and outside Germany. He began his career at Siemens in 1980 in the field of components and semiconductors, where he also worked in Malaysia and the United States. From 1999 until 2006, Joe Kaeser took over leading management positions in the finance area as well as the position as Chief Strategy Officer at Siemens AG. He became Siemens’ Chief Financial Officer in 2006 and served from 2013 until 2021 as President and Chief Executive Officer of Siemens AG. Since 2021, Joe Kaeser has been Chairman of the supervisory board of Siemens Energy AG and a member of the supervisory board of Linde plc.

Michael Brecht

Michael Brecht was born in 1965 in Karlsruhe, Germany. He completed an apprenticeship as automotive fitter at Daimler-Benz in Gaggenau and pursued a number of training programs, including as a work and motion analyst. In 2011, he graduated from the extra-occupational Master of Management program of the Malik Management Center in St. Gallen. From 1981 onwards, Michael Brecht was active as member of the Gaggenau Works Council body representing young employees and trainees and was elected as Chairman of the general youth and trainee representative body in 1985. Since 1990, he has been active as member of the Works Council Committee in Gaggenau and became its Chairman in 1998. Since 2014, Michael Brecht is Chairman of the General Works Council of Daimler AG. In addition to his activities as employee representative, he performs various honorary functions in the local municipal and union organizations.

Michael Brosnan

Michael Brosnan was born in 1955 in Worcester, United States. He holds a Bachelor of Science in Business Administration from the Northeastern University in Boston, United States. Michael Brosnan began his career with KPMG LLP in 1978, spending 16 years with progressive responsibility in the assurance business with specialties in manufacturing, banking, and government finance. He was elected to the US partnership in 1988. He spent several years with consumer and industrial manufacturing companies in senior finance roles joining Fresenius Medical Care AG & Co. KGaA in 1998 in the United States as Vice President of Finance and Administration for its clinical laboratory business. Shortly thereafter, he became Vice President of Fresenius Medical Care AG & Co. KGaA’s US dialysis products business and was appointed Chief Financial Officer of

Fresenius Medical Care AG & Co. KGaA's North American business in 2003. In January 2010, he relocated to Germany and was appointed to the management board with responsibility as Chief Financial Officer for the Fresenius Medical Care AG & Co. KGaA's global business, based in Bad Homburg, Germany. He returned to the United States in 2019 and is now retired.

Jacques Esculier

Jacques Esculier was born in 1959 in Suresnes, France. Jacques Esculier holds a Master of Science in General Sciences from Ecole Polytechnique de Paris, France and a Master of Science in Aerospace from Institut Supérieur de l'Aéronautique et de l'Espace in Toulouse, France. He later obtained an MBA from INSEAD in Fontainebleau, France. Jacques Esculier started his career as a researcher at NASA in Mountain View, California. He then came back to France in charge of all research programs on helicopters at the French Ministry of Defense. In 1990, he became Chief Executive Officer of Mooney Aircraft, a manufacturer of general aviation aircraft in Texas, U.S. From 1996 to 2001, he worked at AlliedSignal Aerospace, first as Vice-President in charge of aftermarket services across Asia Pacific, based in Singapore. He then took over the Aircraft Environmental and Electrical Systems Division at AlliedSignal Aerospace Inc. as Vice-President General Manager, based in Los Angeles. In 2002 Jacques Esculier joined American Standard, initially as President of European and Asian activities for the TRANE Air-conditioning division. In 2004, he became President of WABCO, the Vehicle Control Systems division. Following the spin-off in 2007 from American Standard, Jacques became the Chief Executive Officer of WABCO Holdings Inc., a role he held until 2020.

Akihiro Eto

Akihiro Eto was born in 1960 in Oita Prefecture, Japan. He joined Bridgestone Corporation in 1986, after graduating with a Bachelor's Degree in Law from the University of Tokyo, Japan. His career at Bridgestone comprised corporate experiences across general management functions. He was the Chief Financial Officer from 2010 to 2018. Akihiro Eto also served as Chief Compliance Officer and Director of Corporate Communications and Motorsport in earlier positions. His leadership experience spans across multiple functions and responsibilities at both, Bridgestone's Tire business, which makes for about 85% of the companies' revenues, and its other diversified businesses accounting for 15% of Bridgestone's turnovers. In his role as Executive Vice President and Executive Officer for the Japan Tire Business Unit, he was responsible for market and corporate strategy. He also led and managed Bridgestone's diversified businesses such as vehicle parts, building materials and chemical products. In March 2019, Akihiro Eto became Member of the Board and served as President, Chief Operating Officer and Representative Executive Officer. He expanded his responsible areas to Europe, Middle East, Africa, Asia and Pacific. After retiring in June 2020, he served as Chairman of the supervisory board of Bridgestone EMIA SBU (Europe, Russia, Middle East, India, and Africa / Strategic Business Unit) until March 2021.

Laura Ipsen

Laura Ipsen was born in 1964 in Milwaukee, Wisconsin. She holds a Bachelor of Arts in International Relations from the University of Virginia and studied Arabic at the Yarmouk University in Jordan. Laura Ipsen joined Cisco Systems, Inc. in 1995 and spent more than a decade there. From 1995 until 2009 she served as Senior Vice President for Worldwide Government Affairs where she established and led Cisco's worldwide government affairs division. In December 2009, Laura Ipsen became the Senior Vice President and General Manager of Cisco's Connected Energy Business Unit, a role she held until 2012. In February 2012, Laura Ipsen became Corporate Vice President of Microsoft Corporation's worldwide public sector organization where she led a team of more than 2,000 sales and marketing professionals serving government, education, and non-privatized healthcare customers in more than 100 countries. Following this, Laura Ipsen was General Manager and Senior Vice President for the Oracle Corporation Marketing Cloud and led the Industry Solutions group from September 2014 until December 2017. In December 2017, she became President and Chief Executive Officer of Ellucian Company L.P. (listed), a leading education technology solutions provider for more than 2,700 higher education institutions in more than 50 countries.

Renata Jungo Brüngger

Renata Jungo Brüngger was born in 1961 in Fribourg, Switzerland. After completing her bilingual studies of jurisprudence at the University of Fribourg in Switzerland in 1985, she became a licensed attorney-at-law in 1989. While working as a lawyer, she attended an additional course of studies at the University of Zurich and gained a Master of Laws (LL.M.) in international commercial law, specializing in intellectual property rights and technology and information rights, in 1998. She joined the Daimler AG as Head of Legal in 2011.

Renata Jungo Brüngger is a member of the management board of Daimler AG and of Mercedes-Benz AG. She is also a member of the supervisory board of Daimler Truck AG and of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München.

John Krafcik

John Krafcik was born in 1961 in Southington, United States. He holds a Bachelor of Science in Mechanical Engineering from Stanford University in California, United States and a Master of Science in Management from MIT Sloan School in Massachusetts, U.S. He began his career in the automobile and mobility sectors at the General Motor & Toyota joint-venture, New United Motor Manufacturing, Inc., in Fremont, California, in 1984, as a manufacturing and quality control engineer. From 1990 until 2004, he worked at Ford Motor Company holding various technical management positions, including chassis engineering manager and chief engineer. John Krafcik joined Hyundai Motor America as vice president for product development and strategic planning in 2004, then held the roles as President and Chief Executive Officer from 2008 until 2013. In 2014, he joined TrueCar, Inc., a two-sided digital marketplace, as a member of the management board and president before moving as Chief Executive Officer to Google LLC's autonomous driving project in 2015. John Krafcik led Waymo LLC, an independent company of Google's parent company Alphabet, Inc., as Chief Executive Officer from September 2015 until May 2021.

Prof. Dr. Martin Richenhagen

Prof. Dr. Martin Richenhagen was born in 1952 in Cologne, Germany. He holds a first and second State Examination in Philology from the University of Bonn, Germany. Prof. Dr. Martin Richenhagen started his career at Hille & Müller GmbH, Germany where he held multiple positions from 1985 until 1995 leading up to General Manager for Supply Chain Management. Prof. Dr. Martin Richenhagen was the Senior Executive Vice President for Schindler Deutschland Holdings GmbH, Germany, a worldwide manufacturer and distributor of elevators and escalators, from 1995 until 1998. He also served as Group President for CLAAS KGaA mbH, a global agricultural equipment manufacturer and distributor headquartered in Germany, from 1998 until 2002. From 2003 until 2004, Prof. Dr. Martin Richenhagen was Executive Vice President of Forbo International SA, a flooring material company headquartered in Switzerland. He served as the President and Chief Executive Officer of AGCO Corporation, a global manufacturer and distributor of agricultural equipment, since 2004, and Chairman of the Board of Directors since 2006.

Marie Wieck

Marie Wieck was born in 1960 in New York, United States. She received a Bachelor of Science in Engineering from The Cooper Union, a Master's degree in Computer Science from Columbia University, and a Master of Business Administration from New York University. Marie Wieck is an Executive Partner of Ethos Capital, a private equity investment firm. She joined IBM in 1983 and held a variety of technical and executive roles in IBM's hardware, software, services and cloud units. Marie was the General Manager of several IBM divisions since 2010 including their WebSphere, MobileFirst, Middleware, Hybrid Cloud and Blockchain divisions.

Harald Wilhelm

Harald Wilhelm was born in 1966 in Munich, Germany. After graduating from high school in 1985, he studied business administration at Ludwig Maximilian University in Munich, graduating with a degree in business administration in 1991. Subsequently, Harald Wilhelm joined the then group company Deutsche Aerospace AG as a business management assistant in the finance/controlling department. Since 2000, he has held various positions in the finance department of Airbus Group and, from June 2012, served as Chief Financial Officer of Airbus Group and Commercial Aircraft.

He is a member of the management board of Daimler AG and Mercedes Benz AG and a member of the supervisory board of Daimler Mobility AG and Daimler Truck AG.

Bruno Buschbacher

Bruno Buschbacher was born in 1978 in Great St. Nicholas (*Großsanktnikolaus*), Romania. He completed an apprenticeship as an industrial mechanic specializing in production technology at Daimler-Benz in Mannheim. This was followed by various further training measures, including training in MTM and Refa. In 2006, he completed an in-service training as a mechanical engineer at the Werner-von-Siemens-Schule in Mannheim. In 2019, he attended the General Manager seminar at European School of Management and Technology in Berlin. From 1996, Bruno Buschbacher was a member of the Mannheim Youth and Trainee Representative Council and was elected Deputy Chairman of the General Youth and Trainee Representative Council in 2000. Since 2002, he has been a member of the Mannheim Works Council and became Chairman on May 1, 2021. He has been Chairman of EvoBus GmbH General Works Council since May 1, 2021. In addition to his activities as an employee representative, he performs various honorary functions in the trade union sector.

Harald Dorn

Harald Dorn was born in 1971 in Rodalben, Germany. After completing his general university entrance qualification and two years of training as a reserve officer in the German Armed Forces, he studied industrial engineering in Kaiserslautern, majoring in mechanical engineering. Parallel to his studies, he worked, among other things, on the staff of the university president. Mr. Dorn obtained his diploma in 1998 and joined the then Daimler-Benz AG in the same year. After working as an assistant to the production manager at the Wörth site, Mr. Dorn performed various management tasks in the truck division of Daimler AG. During his time at Mercedes-Benz Special Trucks, he was a member of the management team. Since 2014, he has been responsible for the AVW work preparation workshop for sites Wörth and Aksaray (Turkey) as the interface between development and production. In addition, he is the elected chairman of the general spokesperson committee of senior managers at Daimler Truck AG, a member of the group spokesperson committee at Daimler AG and chairman of the spokesperson committee in Wörth/Germersheim. In addition to the activities described above, he performs honorary functions, among others, in the non-profit association Star Care Rheinland-Pfalz e.V. and as chairman of the affiliated foundation SternHilfe Rheinland-Pfalz e.V.

Jörg Köhlinger

Jörg Köhlinger was born in 1963 in Wetzler, Germany. After graduating from high school and working in telecommunications at the German Federal Post Office (*Deutsche Bundespost*), he graduated from a business high school and did his civilian service at the German Red Cross (*Deutsches Rotes Kreutz*).

After training as an industrial clerk and subsequently working in his learned profession at the Edelstahlwerken Buderus AG in Wetzlar, Germany, he studied at the Academy of Labor at the University of Frankfurt, Germany. He has been a member of IG Metall since 1987 and has been active in various trade union functions on a voluntary basis. Since 1991, he has been union secretary of the IG Metall in the central district management responsible for the states of Hesse, Rhineland-Palatinate, Saarland and Thuringia. He held several positions in IG Metall-Bezirk Mitte (until 2012 Frankfurt District). In 1996, he worked as a youth education officer. In 1998, he was promoted to District Secretary for trade union education work, vocational training and youth. In 2008, he was promoted to District Secretary focusing on company policy, store stewards' work, introduction of ERA, collective bargaining movements in the metal and electrical industries, company collective bargaining policy in Hesse and Thuringia, economic and structural policy. In 2012, he was promoted to District Secretary with focus on political planning, coordination and communication. In 2014, he was promoted to District Secretary, responsible for collective bargaining policy in the metal and electrical industry. In 2015, he was promoted to district Manager of IG Metall Central District (Hesse, Rhineland-Palatinate, Saarland, Thuringia).

Jörg Lorz

Jörg Lorz was born in 1972 in Volkmarsen, Germany. After graduating from a technical college in electrical engineering, he began a training as an industrial electronics technician at Mercedes Benz plant in Kassel in 1994. This was followed by further training measures with graduation in 2009 as a certified human resources specialist (IHK). In 2017, a contact study program at the University of Hamburg with graduation as a manager in social economics followed by a qualification in General Management at the European School of Management and Technology in Berlin in 2019. After his training, he first worked in the hardening shop as a production employee and shortly afterwards in his learned profession in the maintenance department of the Kassel plant. From 1994 to 2019, Jörg Lorz was employed by Daimler AG. On November 1, 2019, he was elected as the chair of the works council. From 1995 to 1998, Jörg Lorz was the chair of the young employees' and trainees' representative council. From 1998 to 2014, he was deputy chairman of the representative council for severely disabled employees. Since 2002, he has been a member of the works council of the plant in Kassel and has since served on various specialist committees of the works council. The works council elected him as its chairman in 2018. Since April 2018, he has been a member of Daimler AG's general works council and has been appointed chairman of the commission for education and training. He has been a member of the supervisory board of Daimler Truck AG since November 2019. In addition to his activities as an employee representative, he is a member of the collective bargaining commission and the negotiating commission of IG Metall's central district.

Claudia Peter

Claudia Peter was born in 1963 in Hünfeld, Germany. After school and a voluntary social year, she studied social pedagogy. She has worked for IG Metall in various positions since 1987. She was the trade union secretary at IG Metall Offenburg in 1988. In 1989, she was the trade union secretary at IG Metall Heidelberg. In 1998, she was the trade union secretary at IG Metall Pforzheim. In 2004, she was the second authorized representative in Gaggenau and has been the first authorized representative in Gaggenau since 2014.

She has been on the supervisory board of Daimler Truck AG since 2019.

Roman Zitzelsberger

Roman Zitzelsberger was born in 1966 in Ettlingen, Germany. He began an apprenticeship as machine fitter at the former Daimler-Benz plant in Gaggenau in 1984. Subsequently, he worked at the plant as measuring technician and machine operator and obtained an advanced technical degree in mechanical engineering. During his apprenticeship, he was already active as ombudsman and youth representative for IG Metall and subsequently became union secretary in Gaggenau in 1989. In 1996, he was elected as Second Authorized Representative and in December 2003 as Chief Authorized Representative of IG Metall in Gaggenau. In addition to his job, he completed courses at the FernUniversität Hagen in Business Administration and a study program at the Malik-Management-Center in St. Gallen with a Master's Degree in Management in 2011. Roman Zitzelsberger has been active as district manager of IG Metall Baden-Württemberg since December 2013. In the 2015 and 2018 collective bargaining rounds he negotiated the pilot agreements for the metal and electrical industry nationwide.

Thomas Zwick

Thomas Zwick was born in 1966 in Landau (Palatinate), Germany. He completed an apprenticeship as a car mechanic at BMW in Landau, Palatinate (Germany). Various further training measures followed. In 2011 he completed the "European Business Competence Licence (EBCL)" via the Wirtschaftsinstitut Wiesbaden. In 2019 he graduated as a general manager from the European School of Management and Technology in Berlin. On 1 June 1989 he became an employee at the Wörth plant of Daimler-Benz AG. In 2002 he became a member of the shop stewards' committee (*Vertrauenskörperleitung*). Since 2008 he has been a member of the Wörth/Germersheim works council, of which he became chairman in 2015. Since 2015 he has been a member of the general works council and is the chairman of the logistics commission there. In addition to his activities as an employee representative, he performs various honorary functions in the trade union field.

Andrea Reith

Andrea Reith was born in 1984 in Ulm, Germany. She did a double vocational course from 1993 to 2003 in construction mechanics with specialization in sheet metal construction technology. She also graduated from the University of Hamburg in 2020 with a degree from the faculty of Economics and Social Sciences.

As a part of her professional journey, she worked as construction mechanic with specialization in sheet metal construction technology at EvoBus GmbH in the assembly department from 2003 to 2018. In April 2010, she became a works councilor and since July 2018, she has worked as a works council member at EvoBus GmbH.

From 2014 to 2019, she was the honorary judge at the social court in Ulm, Germany. Since 2019, she has been the honorary judge at the labor court in Ulm, Germany. As another voluntary initiative, she has worked as a trade union shop steward at IG Metall from 2004 until present.

Carmen Klitzsch-Müller

Carmen Klitzsch-Müller was born in 1970 in Pforzheim, Germany. She received her high school diploma in 1990. During her studies, she did numerous internships and student traineeships in finance and human resources at Bardusch GmbH & Co. KG and Siemens AG. From 1993 to 1998, she studied business with a focus on human resource management at the University of Applied Sciences in Pforzheim, Germany. From 1997 to 1998, she also received a diploma in the human resources department at Siemens AG, Karlsruhe.

From 1990 to 1992, she did an apprenticeship as insurance saleswoman at Allianz Lebensversicherung AG, Karlsruhe. In 1998, she worked as a consultant in personnel development at the *Gesellschaft für Datenverarbeitung der badischen Sparkassenorganisation mbH* (Data Processing Company of the Baden Savings Banks Organization with Limited Liability), Karlsruhe. In 1999, she worked as a trainee consultant and trainer at Thuringia Versicherungs AG in Munich, Germany.

In 2000, she started working at Daimler AG as a human resources consultant in the Untertürkheim Plant, Production Engines. From 2002 to 2006, she worked as a consultant in the area of organization, management and personnel development, human resources headquarters at Daimler AG. From 2006 to 2007, she worked in internal organizational change to Daimler corporate academy, corporate functions division at Daimler AG. From 2007 to 2015, she was the Head of communication & transformation at the corporate business service management at Daimler AG. From 2015 to 2017, she became a so-called "E4" manager real estate logistics at Daimler AG. In 2017, she became the "E4" Head of change management real estate projects.

All members of the Supervisory Board may be reached at the Company's offices at Fasanenweg 10, 70771 Leinfelden-Echterdingen (telephone: +49 711 8485 0).

The following overview lists all of the companies and enterprises in which the members of the Supervisory Board currently hold seats or have held seats on administrative, management or supervisory boards, or comparable German or foreign supervisory bodies, or of which they were partners during the last five years, with the exception of the Company and companies within the Group:

Tim Zech	Current seats: • Member of the supervisory board of Daimler Pensionsfonds AG Past seats: • None
Robert Köthner	Current seats: • Member of the supervisory board of Daimler Pensionsfonds AG • Member of the board of directors of Daimler Greater China Ltd. Past seats: • Member of the supervisory board of Mercedes-Benz AG (2019-2020)
Dr. Annette Matzat	Current seats: • Chair of the supervisory board of Daimler Pensionsfonds AG Past seats: • None
Joe Kaeser	Current seats: • Chairman of the supervisory board of Siemens Energy AG • Member of the supervisory board of Siemens Energy Management GmbH • Member of the supervisory board of Linde plc • Member of the supervisory board of NXP Semiconductors N.V. • Chairman of the Asia-Pacific Committee of German Business (APA) Past seats: • President and Chief Executive Officer of Siemens AG (2013-2021) • Member of the supervisory board of Allianz AG (2008-2020) • Member of the supervisory board of Daimler AG (2014-2021)
Michael Brecht	Current seats: • Member of the supervisory board of Daimler AG Past seats: • Member of the supervisory board of Mercedes-Benz AG (2019-2021)
Michael Brosnan	Current seats: • Member of the supervisory board of MorphoSys AG Past seats: • Member of the management board of the Fresenius Medical Care Management AG (2010-2019)
Jacques Esculier	Current seats: • Director of IHS Markit • Advisor of Loop Energy Inc. Past seats: • Chairman of the directors and Chief Executive Officer of WABCO Holdings Inc. (2007-2020)
Akihiro Eto	Current seats: • None Past seats: • Chairman of the supervisory board of Bridgestone Europe NV/SA (2020-2021)

	• President, global Chief Operating Officer and Representative Executive Officer of Bridgestone Corporation (2019-2020) • Executive Vice President and Executive Officer of Bridgestone Corporation (2016-2018)
Laura Ipsen	Current seats: • President and Chief Executive Officer of Ellucian Company, L.P • Independent board member of Verisk Analytics, Inc. Past seats: • Oracle Marketing Cloud, SVP & GM of Oracle Corporation (2014-2017) • Independent board member of Monsanto Company (2010-2018)
Renata Jungo Brüngger	Current seats: • Member of the management board of Daimler AG • Member of the management board of Mercedes-Benz AG • Member of the supervisory board of Munich RE Past seats: • None
John Krafcik	Current seats: • Advisor of Waymo LLC Past seats: • Board member at TrueCar, Inc. (2014-2020) • Chief Executive Officer and board member of Waymo LLC (2015-2021)
Prof. Dr. Martin Richenhagen .	Current seats: • Member of the board of Directors of Linde plc • Member of the board of Directors of PPG Industries • Member of the advisory board of Stihl Holding AG & Co. KG Past seats: • Chairman, President and Chief Executive Officer of AGCO Corporation (2004-2020)
Marie Wieck	Current seats: • Member of the board of directors of Intapp Inc. • Member of the board of Directors of Uptake Technologies Inc. • Executive partner of Ethos Capital • Founder of Moroquain LLC • Chair of the Non-profit Board of Trustees of Charity Navigator Past seats: • General Manager at IBM Corporation (1983-2019) • Co-chair of the National Association of Female Executives Roundtable (2011-2020) • Chair at AnitaB.org (2012-2020) • Member of the Supervisory Board of Daimler AG (2018-2021)
Harald Wilhelm	Current seats: • Member of the management board of Daimler AG • Member of the management board of Mercedes-Benz AG • Chair of the supervisory board of Daimler Mobility AG Past seats: • None
Bruno Buschbacher	Current seats: • None Past seats: • None
Harald Dorn	Current seats: • None Past seats: • None
Jörg Köhlinger	Current seats: • Member of the supervisory board of SHS—Stahl-Holding-Saar GmbH & Co. KGaA

	• Member of the supervisory board of Aktien-Gesellschaft der Dillinger Hüttenwerke (*Société Anonyme des Forges et Aciéries de Dilling*) • Member of the supervisory board of DHS—Dillinger Hütte Saarstahl AG • Member of the supervisory board of Saarstahl Aktiengesellschaft Past seats: • Member of the supervisory board of ThyssenKrupp Rasselstein GmbH (2005-2020) • Member of the supervisory board of Fritz Winter Eisengießerei GmbH & Co. KG (2013-2017)
Jörg Lorz	Current seats: • None Past seats: • None
Claudia Peter	Current seats: • None Past seats: • None
Roman Zitzelsberger	Current seats: • Member of the supervisory board of Daimler AG • Member of the supervisory board of ZF Friedrichshafen AG Past seats: • Member of the supervisory board of Heidelberger Druckmaschinen Aktiengesellschaft (2014-2018) • Member of the supervisory board of Rolls-Royce Power Systems AG (2018-2020) • Member of the supervisory board of MTU Friedrichshafen GmbH (2018-2020)
Thomas Zwick	Current seats: • None Past seats: • None
Andrea Reith	Current seats: • None Past seats: • None
Carmen Klitzsch-Müller	Current seats: • None Past seats: • None

16.3.3 Supervisory Board committees

The Supervisory Board can form committees in accordance with the law. The composition, powers and procedures of the committees shall be established by the Supervisory Board. Where permitted under law, decision-making powers of the Supervisory Board may be conferred upon such committees. As provided for by the future RoP-SB, the Supervisory Board will by way of resolutions (expected to be resolved upon in December 2021, unless stated otherwise below) form the committees described below.

16.3.3.1 Presidential Committee

The Presidential Committee deals with matters relating to the Management Board and prepare the resolutions of the Supervisory Board. The Presidential Committee comprises the chair of the Supervisory Board, his deputy and two other members who are elected by a majority of the votes cast.

Pursuant to the future internal rules of procedure for the Presidential Committee, the Presidential Committee will consist of four members. The designated members of the Presidential Committee are Joe Kaeser, Michael Brecht, Marie Wieck and Roman Zitzelsberger.

16.3.3.2 Audit Committee

The tasks of the Audit Committee are predominantly matters of accounting and audit, monitoring of governance functions (internal control system, risk management, internal audit and compliance) as well as the preparation of respective resolutions of the Supervisory Board.

Pursuant to the future internal rules of procedure for the Audit Committee, the Audit Committee will consist of six members. The designated members of the Audit Committee are Michael Brosnan, Michael Brecht, Akihiro Eto, Thomas Zwick, Harald Wilhelm and Jörg Köhlinger.

16.3.3.3 Nomination Committee

The Nomination Committee is responsible for suggesting suitable candidates to the Supervisory Board for its election proposals for the general meeting for election to the Supervisory Board.

Pursuant to the future internal rules of procedure for the Nomination Committee, the Nomination Committee will consist of at least three members. The designated members of the Nomination Committee are Joe Kaeser, Renata Jungo Brüngger and Marie Wieck.

16.3.3.4 Mediation Committee

The Mediation Committee exercises the functions set forth under section 31 para. 3 of the German Co-Determination Act (*Mitbestimmungsgesetz*).

Pursuant to the future internal rules of procedure for the Mediation Committee, the Mediation Committee will consist of four members. As of the date of this Prospectus, there are no designated members of the Mediation Committee as it will be formed in 2022.

16.3.4 Remuneration and other benefits of the members of the Supervisory Board

Pursuant to the current version of the Articles of Association, other than reimbursement of their costs, the members of the Supervisory Board are only entitled to compensation if resolved upon by the Company's general meeting.

Pursuant to section 10 of the new version of the Articles of Association that will come into force on the Amended Articles Effective Date, the members of the Supervisory Board of the Company will receive a fixed annual compensation as follows: In addition to reimbursement of their expenses—including any value added tax incurred—, each member of the Supervisory Board will receive a fixed remuneration which amounts to EUR 120,000 per year for the individual member. An additional EUR 240,000 per year is paid for the chairmanship of the Supervisory Board and an additional EUR 120,000 for the deputy chairmanship of the Supervisory Board. The chairmanship of the Audit Committee is remunerated with an additional EUR 120,000, and each other membership on the Audit Committee with EUR 60,000. Membership of the Presidential Committee is remunerated with an additional EUR 50,000, and membership of other committees with EUR 24,000. Furthermore, the members of the Supervisory Board and the committees receive an attendance fee of EUR 1,100 for each Supervisory Board and committee meeting they attend as members, with the attendance fee only being paid once for several meetings of the Supervisory Board and its committees in one calendar day. The members of the Company's Supervisory Board are insured in this function through the D&O insurance policy of the Future Daimler Truck Group, which has yet to be taken out.

16.3.5 Shareholdings of the Members of the Supervisory Board

As of the date of this Prospectus, none of the members of the Supervisory Board directly or indirectly holds Shares of the Company or options on Shares of the Company.

However, the current and future members of the Supervisory Board hold 31,449 shares in Daimler AG in total for which 15,724 Shares in the Company (plus partial rights in accordance with the allocation ratio) will be issued upon the effectiveness of the Spin-off, if the respective shares in Daimler AG are still held on such date.

16.4 Certain Information Regarding the Members of the Management Board and Supervisory Board

In the last five years, no member of the Management Board or Supervisory Board has been convicted of fraudulent offences.

In the last five years, no member of the Management Board or Supervisory Board has been associated with any bankruptcy, receivership or liquidation acting in its capacity as a member of any administrative, management or supervisory body or as a senior manager.

Additionally, no official public incriminations and/or sanctions have been made by statutory or legal authorities (including designated professional bodies) against the members of the Management Board or Supervisory Board, nor have sanctions been imposed by the aforementioned authorities in the last five years.

No court has ever disqualified any of the members of either board from acting as a member of the administrative, management, or supervisory body of an issuer, or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

Beyond the service agreements of the members of the Management Board, there are no further agreements of the members of the Management Board or the members of the Supervisory Board with a Group company that provides for benefits upon termination of employment or office.

There are no family relationships between the members of the Management Board and the Supervisory Board, either among themselves or in relation to the members of the other body.

The composition of the Supervisory Board will change upon the Demerger Transactions Effective Date (see "*16.3.2 Current and Future Members of the Supervisory Board*"). Ms. Renata Jungo Brüngger and Mr. Harald Wilhelm, who will become members of the Supervisory Board upon the Demerger Transactions Effective Date, are also members of the management board of Daimler AG. Further, Mr. Michael Brecht and Mr. Roman Zitzelsberger, who will become members of the Supervisory Board upon the Demerger Transactions Effective Date, are also members of the supervisory board of Daimler AG. Mr. Martin Daum, the Chief Executive Officer of the Company, is, as of the date of this Prospectus, also a member of the management board of Daimler AG, but will resign from the management board of Daimler AG by the Demerger Transactions Effective Date. See "*1.5.2 Membership of the same individuals on boards of the Company and of the Daimler Group as well as other relationships with the Daimler Group or companies of the Daimler Group may result in conflicts of interest*".

Apart from the foregoing, there are no conflicts of interests or potential conflicts of interests between the members of the Management Board and Supervisory Board as regards the Company on the one side and their private interests, membership in governing bodies of companies, or other obligations on the other side.

16.5 General Meeting

Pursuant to section 11 para. 1 of the Articles of Association, the general meeting shall be held at the registered seat (*Sitz*) of the Company, at a venue within a radius of 100 kilometers from the registered seat (*Sitz*) of the Company, at a location of a stock exchange in Germany or at another city in Germany with more than 100,000 inhabitants. Each of the Company's Shares confer one vote in the Company's general meetings.

A general meeting may be convened by the Management Board or the Supervisory Board, or may be requested by shareholders whose shares collectively make up 5% of the share capital. Shareholders or shareholder associations may solicit other shareholders to make such a request, jointly or by proxy, in the shareholders' forum of the German Federal Gazette (*Bundesanzeiger*), which is also accessible via the website of the German Company Register (*Unternehmensregister*). If, following a request made by shareholders whose Company's Shares collectively make up 5% of the share capital, a general meeting of the Company is not held in due time, the competent local court (*Amtsgericht*) may authorize the shareholders who have requested it or their representatives to convene a general meeting of the Company. The Supervisory Board must convene a general meeting if it is in the interest of the Company. The annual general meeting takes place within eight months of the end of the fiscal year.

Pursuant to the Articles of Association, the Management Board is authorized to permit the full or partial video and audio transmission of the general meeting. In agreement with the chairperson of the general meeting, members of the Supervisory Board are exceptionally permitted to participate in the general meeting by means of video and audio transmission in cases where, due to legal restrictions or due to their place of employment or residence abroad, personal participation is not possible or only possible at considerable expense.

Pursuant to the German Act on Reducing the Effects of the COVID-19 Pandemic in Civil, Insolvency and Criminal Procedure Law (*Gesetz zur Abmilderung der Folgen der COVID-19-Pandemie im Zivil-, Insolvenz- und Strafverfahrensrecht*) dated March 27, 2020 (the "**COVID-19-Act**") as extended by Act on the Establishment of a Special Fund "Reconstruction Assistance 2021" and on the Temporary Suspension of the Obligation to File an Insolvency Petition Due to Heavy Rainfall and Floods in June 2021 and Other Acts of September 10, 2021 (*Gesetz zur Errichtung eines Sondervermögens "Aufbauhilfe 2021" und zur vorübergehenden Aussetzung der Insolvenzantragspflicht wegen Starkregenfällen und Hochwasser im Juni 2021 sowie weiterer Gesetze vom 10.9.2021*) dated September 14, 2021, the Management Board may decide, with the approval of the Supervisory Board, to hold general meetings on or before August 31, 2022 as virtual general meetings without physical attendance of the shareholders or their representatives, provided that the following requirements are fulfilled:

- the entire general meeting is broadcast via audio and video transmission;
- shareholders may exercise their voting rights via electronic communication (absentee voting or electronic participation) and by authorizing proxy representatives;
- shareholders are granted the right to ask questions via electronic communication; and
- shareholders who have exercised their voting rights are offered the opportunity to object to resolutions of the general meeting without the requirement to attend in person at the general meeting.

Under the COVID-19-Act, the Management Board, with the consent of the Supervisory Board, may shorten certain periods in connection with the convocation of, registration and providing evidence of shareholding for, general meetings held on or before August 31, 2022. In particular, the general meeting may be convened as late as on the 21st day prior to the day of the meeting.

Pursuant to the Articles of Association, all shareholders who have notified the Company at the address stated for this purpose in the invitation in text form or via electronic media and are registered in the share register on the day of the general meeting shall be submitted to attend the general meeting and to exercise their voting rights. The registration for participation must be received by the Company at least six days prior to the general meeting, unless a shorter period of time is set forth in the convening notice of the general meeting. When calculating this period, the day of the receipt by the Company and the day of the general meeting will not be included. The details of the registration will be published in the Federal Gazette (*Bundesanzeiger*) together with the convening notice.

Voting rights may be exercised by proxy. The granting of a proxy, its revocation and the evidence of authority to be provided to the Company must be in text form, unless the convening notice provides for a less strict form. Section 135 of the German Stock Corporation Act (*Aktiengesetz*) remains unaffected. If a shareholder authorizes more than one proxy, the Company can reject one or several of them. The Company may appoint proxies to exercise shareholders' voting rights in accordance with their instructions. Further details on the form and deadlines for authorization, revocation and proof of proxies and for the voting instructions and amendments to or revocation of voting instructions will be announced when a general meeting is convened.

The Management Board is authorized to make provision for shareholders to cast their votes in writing or by electronic communication without attending the general meeting (postal ballot). The Management Board also determines the details of such procedure and announces them when it convenes the general meeting.

The Management Board is authorized to make provisions such that the shareholders may also participate in the general meeting without being physically present on site and without having to appoint a proxy, as well as to exercise all or some of their rights, in whole or in part, by means of electronic communications.

The general meeting is chaired by the chairperson of the Supervisory Board or by another member of the Supervisory Board determined by the chairperson of the Supervisory Board or, failing such appointment, by the member elected by the shareholders' representatives on the Supervisory Board in accordance with section 27 para. 3 of the German Co-Determination Act (*Mitbestimmungsgesetz*). If none of the aforementioned is present or none agrees to chair the general meeting, the chairperson of the general meeting shall be elected by the Supervisory Board. The chairperson of the general meeting will preside over the proceedings and determine the order of items to be discussed and the manner of voting. The chairperson is entitled to appropriately limit the time allowed for shareholders' questions and statements.

Pursuant to section 15 para. 2 of the Articles of Association, resolutions of the general meeting are adopted by the simple majority of the votes cast (*einfache Stimmenmehrheit*), unless otherwise required by mandatory stipulations of the German Stock Corporation Act (*Aktiengesetz*) or by the Articles of Association. Where the German Stock Corporation Act (*Aktiengesetz*) also requires that a resolution must be passed by a majority of the registered share capital represented at the general meeting, a simple majority of the share capital represented shall suffice to the extent permitted by applicable law. The dismissal of a member of the Supervisory Board elected by the shareholders requires a majority of at least 75% of the votes cast. According to the current version of the German Stock Corporation Act (*Aktiengesetz*), many resolutions of fundamental importance (*grundlegende Bedeutung*) require both a majority of votes cast and a majority of at least 75% of the registered share capital represented when the resolution is adopted. Such resolutions of fundamental importance include, among others:

- the approval of contracts within the meaning of section 179a of the of the German Stock Corporation Act (*Aktiengesetz*) (transfer of the entire assets of the company) and management actions of special significance that require the approval of the general meeting in compliance with legal precedents;
- amendments to the object of the company;
- capital increases without subscription rights;
- creation of conditional or approved capital;
- ordinary or simplified capital reductions;
- liquidation of the company;
- continuation of the liquidated company after the resolution on liquidation or expiry of the time period;
- approval to conclude or amend affiliation agreements (*Unternehmensverträge*); and
- measures within the meaning of the German Transformation Act (*Umwandlungsgesetz*).

Once the respective shares have been acquired in compliance with the applicable legal provisions, and subject to ongoing compliance with such applicable legal provisions, including, for example, merger control and foreign investment regulations, neither German law nor the Articles of Association limits the right of foreign shareholders or shareholders not domiciled in Germany to hold shares or exercise the voting rights associated therewith.

16.6 Corporate Governance

The Code makes proposals concerning the management and supervision of German-listed companies. It is based on internationally and nationally recognized standards of good, responsible governance. The Code contains principles (*Grundsätze*), recommendations ("*shall provisions*") and suggestions ("*should provisions*") for corporate governance in relation to shareholders and the general meeting, the management board and the supervisory board, transparency and accounting and auditing of financial statements. The Code aims to promote confidence in the management and supervision of German listed companies by investors, customers, employees and the general public. Compliance with the Code's recommendations or suggestions is not obligatory. German stock corporation law only requires the management board and the supervisory board of a German listed company to provide an annual statement regarding whether or not the recommendations in the Code were complied with. Alternatively, the management board and the supervisory board of a German listed company must explain which recommendations have not been complied with and are not being applied, as well as the reasons underlying this non-compliance. The declaration of compliance must be publicly available on the Company's website at all times.

Prior to the admission of the Company's Shares to trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company is not subject to the obligation to render a declaration as to compliance with the Code. As of the date of this Prospectus, the Company—as a corporation whose shares are not yet listed—does not comply with all recommendations of the Code.

Following the admission of the Company's Shares to trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company intends to comply with all recommendations of the Code, with the following exceptions:

- Recommendation B.3 states that initial appointments of management board members should be for a maximum of three years. Already prior to the Admission to Trading of the Company's Shares, Mr. Martin Daum was appointed as a member of the Management Board of the Company until February 28, 2025 and Mr. Jochen Götz until June 30, 2026. The designated member Mr. Jürgen Hartwig was appointed with the appointment taking effect on or about December 1, 2021 as member of the Management Board until November 30, 2026. These longer periods of memberships in the

Management Board take into account, in particular, that the Company acts as the holding company of Daimler Truck AG and that Mr. Daum, Mr. Götz and Mr. Hartwig have already been members of the management board of Daimler Truck AG since October 1, 2019. The terms of appointment of the other members of the Management Board are in compliance with the recommendation. Pursuant to the RoP-SB which will be adopted on December 10, 2021, the initial term of appointment of members of the Management Board shall in the future be for a maximum of three years.

- According to Recommendation C.4, a supervisory board member who is not a member of any management board of a listed company shall not accept more than five supervisory board mandates in non-group listed companies or comparable functions, with an appointment as chair of the supervisory board counting twice. According to Recommendation C.5, members of the management board of listed companies shall not accept in total more than two supervisory board mandates in non-group listed companies or comparable functions and shall not accept the chairmanship of a supervisory board in a non-group listed company. Instead of observing the recommended total number of mandates for members of the management board and the supervisory board as a rigid upper limit, the Company is generally of the view that it should be possible to consider each individual case in order to assess whether the number of mandates held, which are relevant within the meaning of the Code, appears appropriate. In this context, the individual workload to be expected as a result of the mandates accepted will be taken into account, which may vary depending on the mandate.

- According to Recommendation D.13, a supervisory board shall assess, at regular intervals, how effectively the supervisory board as a whole and its committees fulfill their tasks. The supervisory board shall report in the Corporate Governance Statement (*Entsprechungserklärung*) if and how the self-assessment was conducted. An efficiency review can meaningfully only take place once a co-determined supervisory board has been constituted and has taken up its work. The Company's co-determined supervisory board will be constituted after the 2022 annual general meeting. In order to be able to consider a sufficiently long period of time in the context of the efficiency review, the first efficiency review is then planned to take place in the 2023 fiscal year.

17 LISTING AGREEMENT

17.1 General

On November 26, 2021, the Company, the Existing Shareholder and BNP PARIBAS, Citigroup and Goldman Sachs Bank Europe SE acting as Listing Agents and Deutsche Bank and J.P. Morgan acting as Financial Advisors and Berenberg, BofA Securities and Landesbank Baden-Württemberg acting as Co-Advisors entered into a listing agreement (the "**Listing Agreement**"), pursuant to which BNP PARIBAS, Citigroup and Goldman Sachs Bank Europe SE act as the Listing Agents in connection with the Admission to Trading.

In the Listing Agreement, the Company and the Existing Shareholder committed themselves to certain customary lock-up undertakings for the period commencing on the date of the Listing Agreement and ending six months after the first day of trading of the Company's Shares on the Frankfurt Stock Exchange (see for details "*3.4.6 Lock-Up, Limitations on Disposal*").

The Listing Agreement provides for certain customary representations and warranties by the Company and the Existing Shareholder and subjects the Listing Agents' obligation under the Listing Agreement to pursue and uphold the application for the Admission to Trading to the satisfaction of certain customary conditions, including, for example, the receipt of customary confirmations and legal opinions satisfactory to the requirements of the Banks.

The Banks have provided, and may in the future provide, services to the Group in the ordinary course of business and may extend credit to, and have regular business dealings with, the Group in their respective capacities as financial institutions. For a description of the interests of the Banks in the Admission to Trading, see "*3.4.8 Interests of Parties Participating in the Admission*."

17.2 Fee

The Listing Agents will receive a fee from the Existing Shareholder in connection with the completion of the Admission to Trading.

17.3 Indemnification

In the Listing Agreement, the Company and the Existing Shareholder each agreed to indemnify and hold harmless each Bank from and against certain liabilities and obligations that may arise in connection with the Admission to Trading. Internally, the Company and the Existing Shareholder have agreed to allocate certain indemnification obligations between them in a ratio of 30% to 70% (meaning that 30% shall be borne by the Company and 70% shall be borne by the Existing Shareholder).

18 TAXATION IN THE FEDERAL REPUBLIC OF GERMANY

Income received from the Shares of the Company is subject to taxation. In particular, the tax laws of any jurisdiction with authority to impose taxes on the investor and the tax laws of the Company's state of incorporation, statutory seat and place of effective management, i.e., Germany, might have an impact on the income received from the Shares of the Company.

The following section presents a number of key German taxation principles which generally are or can be relevant to the acquisition, holding or transfer of shares by a shareholder (an individual, a partnership or corporation) that has a tax domicile in Germany (that is, whose place of residence, habitual abode, registered office or place of management is in Germany). The information is not exhaustive and does not constitute a definitive explanation of all possible aspects of taxation that could be relevant for investors. In particular, this summary does not provide a comprehensive overview on tax considerations that may be relevant to a shareholder that is a tax resident of a jurisdiction other than Germany. The information is based on the tax laws in force in Germany as of the date of the Prospectus (and their interpretation by administrative directives and courts) as well as typical provisions of double taxation treaties that Germany has concluded with other countries. Tax law can change, sometimes retrospectively. Moreover, it cannot be ruled out that the German tax authorities or courts may consider an alternative interpretation or application to be correct that differs from the one described in this section.

This section cannot serve as a substitute for tailored tax advice to individual potential investors. Potential investors are therefore advised to consult their tax advisers regarding the individual tax implications of the acquisition, holding or transfer of shares and regarding the procedures to be followed to achieve a possible reimbursement of German withholding tax (Kapitalertragsteuer). Only such advisors are in a position to take the specific tax relevant circumstances of individual investors into due account.

18.1 Taxation of the Company

As a rule, the taxable profits generated by corporations with their seat or place of management in Germany are subject to corporate income tax (*Körperschaftsteuer*). The rate of the corporate income tax is a standard 15% for both distributed and retained earnings, plus a solidarity surcharge (*Solidaritätszuschlag*) amounting to 5.5% on the corporate income tax liability (*i.e.* 15.8% in total).

In general, dividends (*Dividenden*) or other profit shares that the Company derives from domestic or foreign corporations are 100% exempt from corporate income tax (including solidarity surcharge (*Solidaritätszuschlag*)), but 5% of such receipts are treated as nondeductible business expenses and are therefore subject to corporate income tax (and solidarity surcharge (*Solidaritätszuschlag*) thereon), having the effect that dividends and other profit shares are effectively 95% exempt from corporate income tax (and solidarity surcharge (*Solidaritätszuschlag*) thereon). However, as an exception to the above, dividends that the Company receives from domestic or foreign corporations are subject to corporate income tax (including solidarity surcharge (*Solidaritätszuschlag*) thereon), if the Company holds a direct participation of less than 10% in the share capital of such corporation at the beginning of the calendar year (hereinafter in all cases, a "**Portfolio Participation**"—*Streubesitzbeteiligung*). Participations of at least 10% acquired during a calendar year are deemed to have been acquired at the beginning of the calendar year. Participations in the share capital of other corporations which the Company holds through a partnership (including those that are co-entrepreneurships (*Mitunternehmerschaften*)) are attributable to the Company only on a pro rata basis at the ratio of the interest share of the Company in the equity of the relevant partnership.

The Company's gains from the disposal of shares in a domestic or foreign corporation are in general 100% exempt from corporate income tax (including the solidarity surcharge (*Solidaritätszuschlag*) thereon), regardless of the size of the participation and the holding period. However, 5% of the gains are treated as nondeductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge (*Solidaritätszuschlag*) thereon) at a combined rate of 15.8%, having the effect that gains from disposal of shares are effectively 95% exempt from corporate income tax (and solidarity surcharge (*Solidaritätszuschlag*) thereon), irrespective of whether or not the Company holds a Portfolio Participation or not. Conversely, losses incurred from the disposal of such shares are generally not deductible for corporate income tax purposes.

Additionally, the Company is subject to trade tax (*Gewerbesteuer*) with respect to its taxable trade profit (*Gewerbeertrag*) generated at its permanent establishments maintained in Germany (*inländische Betriebsstätte*). The average trade tax rate in Germany amounts to approximately 15% (with a statutory minimum rate of 7%) of the taxable trade profit. When determining the income of the Company, trade tax may not be deducted as a business expense.

In principle, profits or losses derived from the sale of shares in another domestic and foreign corporation are treated in the same way for trade tax purposes as for corporate income tax purposes (as described above). Contrary to this, profit shares derived from domestic or foreign corporations are only effectively 95% exempt from trade tax, if, at the beginning of the relevant assessment period for German trade tax purposes, the Company held an interest of at least 15% in the share capital of the company making the distribution. In order to implement a recent decision by the European Court of Justice (ECJ) dated September 20, 2018 (C-685/16), as of the fiscal year 2020 (i.e. for profits distributed as from January 1, 2020), German law, in that respect, no longer distinguishes between shares held in German or non-German corporations (including non-EU corporations). If and to the extent the Company and its German subsidiaries form a tax group for corporate income and trade tax purposes (*ertragsteuerliche Organschaft*), the profits and losses are generally effectively consolidated and subject to German corporate income and trade tax at the level of the Company.

The provisions of the so-called interest barrier (*Zinsschranke*) limit the degree to which expenses for debt financing are deductible from the tax base. Accordingly, as a general rule, interest (and other debt financing) expenses exceeding interest income are not deductible to the extent such net expenses exceed 30% of the EBITDA as determined for tax purposes in a given financial year, if the Company's net interest expense is, or exceeds, EUR 3 million (*Freigrenze*) and no other exceptions apply. Nondeductible interest expenses must be carried forward to subsequent financial years. EBITDA that has not been fully utilized can, under certain circumstances, be carried forward to subsequent years (for up to five years) and may be deducted subject to the limitations set out above. If such EBITDA carry forward is not used within the five subsequent financial years, it will be forfeited. For trade tax purposes, 25% of the interest expenses deductible after applying the interest barrier are generally added when calculating the taxable trade profit. Therefore, for trade tax purposes, the amount of deductible interest expenses is generally only 75% of the interest expenses deductible for purposes of corporate income tax. The constitutionality of the interest barrier is currently under review by the Federal Constitutional Court (*Bundesverfassungsgericht*).

Under certain conditions, negative income of the Company that has not been offset by current year positive income can be carried forward or back into other assessment periods. Loss carry backs to the immediately preceding assessment period are only permissible up to EUR 1 million (EUR 10 million for the assessment period 2021 due to special Covid-19 provisions) for corporate income tax but not at all for trade tax purposes. Negative income that has not been offset against current income and not carried back can be used to fully offset taxable income for corporate income tax and trade tax purposes of up to an amount of EUR 1 million. If the taxable income or the taxable trade profit exceeds this amount, only up to 60% of the excess amount may be offset against tax loss carry forwards. The remaining 40% of the taxable income is subject to tax in any case (minimum taxation—*Mindestbesteuerung*). Unused tax loss carry forwards can, as a general rule, be carried forward indefinitely and deducted from future taxable income in accordance with this rule. However, if more than 50% of the Company's share capital or voting rights, respectively, is/are transferred to a purchaser or group of purchasers within five years, directly or indirectly, or if a similar situation arises (harmful share acquisition—*schädlicher Beteiligungserwerb*), the Company's unutilized losses and interest carry forwards (possibly also EBITDA carry forwards) will generally be forfeited in full and, subject to certain exceptions, may not be offset against future profits. The Company's unutilized losses and interest carry forwards are not forfeited, if and to the extent the Company's unutilized losses and interest carry forwards are covered by certain built-in gains (*stille Reserven*) that are subject to domestic taxation. In addition, the Company's unutilized losses may, upon application and under certain conditions, not be forfeited based on the continuity of business exemption (*fortführungsgebundener Verlustvortrag*). This exemption generally applies to harmful share acquisitions (*schädlicher Beteiligungserwerb*) conducted after December 31, 2015. The constitutionality of the change of ownership rule stipulating a full forfeiture of unused losses, loss carry forwards and interest carry forwards is currently pending with the Federal Constitutional Court (*Bundesverfassungsgericht*).

18.2 Taxation of Shareholders

18.2.1 Income Tax Implications of the Holding, Sale and Transfer of Shares

In terms of the taxation of shareholders of the Company, a distinction must be made between taxation in connection with the holding of shares (see "*18.2.2 Taxation of Dividends*"), taxation in connection with the sale of shares (see "*18.2.3 Taxation of Capital Gains*") and taxation in connection with the gratuitous transfer of shares (see "*18.2.5 Inheritance and Gift Tax*").

18.2.2 Taxation of Dividends

18.2.2.1 Withholding Tax

As a general rule, the dividends distributed to the shareholder are subject to a withholding tax (*Kapitalertragsteuer*) of 25% plus a solidarity surcharge (*Solidaritätszuschlag*—regarding any amendments to the levy of solidarity surcharge as of 2021, see "*18.2.8 Partial Abolition of the Solidarity Surcharge (Solidaritätszuschlag) as of 2021*") of 5.5% thereon (*i.e.*, 26.375% in total plus church tax (*Kirchensteuer*), if applicable). This, however, will not apply if and to the extent that dividend payments are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; section 27 of the German Corporate Income Tax Act (*Körperschaftsteuergesetz*)); in this case, no withholding tax would be withheld. However, these payments would reduce the acquisition costs of the shares and may, consequently, increase a taxable gain upon the disposal of the shares. The assessment basis for the withholding tax is the dividend approved by the general meeting.

As the Shares of the Company are admitted for collective custody by a securities custodian bank (*Wertpapiersammelbank*) pursuant to section 5 of the German Act on Securities Accounts (*Depotgesetz*) and are entrusted to such bank for collective custody (*Sammelverwahrung*) in Germany, the withholding tax is levied for the account of the shareholders (i) by the domestic credit or financial services institution (*inländisches Kredit oder Finanzdienstleistungsinstitut*) (including domestic branches of such foreign enterprises), by the domestic securities trading company (*inländisches Wertpapierhandelsunternehmen*) or the domestic securities trading bank (*inländische Wertpapierhandelsbank*) which keeps or administers the shares and disburses or credits the dividends or disburses the dividends to a foreign agent, (ii) by the central securities depository (*Wertpapiersammelbank*) to which the shares were entrusted for collective custody if the dividends are disbursed to a foreign agent by such central securities depository (*Wertpapiersammelbank*), or (iii) by the Company itself if and to the extent shares held in collective custody (*girosammelverwahrt*) by the central securities depository (*Wertpapiersammelbank*) are, however, treated as so-called "*abgesetzte Bestände*" (stock being held separately) (hereinafter in all cases, the "**Dividend Paying Agent**").

The Company does not assume any responsibility for the withholding of taxes on distributions at source, in accordance with the statutory provisions. This means that the Company is released from liability for the violation of its legal obligation to withhold and transfer the taxes at source, if it provides evidence that it has not breached its duties intentionally or gross negligently.

In general, the withholding tax must be withheld without regard as to whether and to which extent the dividend is exempt from tax at the level of the shareholder and whether the shareholder is domiciled in Germany or abroad.

However, withholding tax on dividends distributed to a parent company domiciled in another EU member state within the meaning of Article 2 of the Council Directive 2011/96/EU of November 30, 2011, as amended (the "Parent Subsidiary Directive"), may be refunded upon application and subject to further conditions. This also applies to dividends distributed to a permanent establishment of such a parent company in another EU member state or to a permanent establishment in another EU member state of a parent company that is subject to unlimited tax liability in Germany, provided that the participation in the Company is actually part of such permanent establishment's business assets. The refund of withholding tax under the Parent Subsidiary Directive further requires that the shareholder has directly held at least 10% of the Company's registered share capital for twelve months and that a respective application is filed with the German Federal Central Tax Office (Bundeszentralamt für Steuern, Hauptdienstsitz Bonn-Beuel, An der Küppe 1, 53225 Bonn, Germany).

If, in the case of a holding of at least 10% of the Company's registered share capital, shares held in collective custody (*girosammelverwahrt*) by the central securities depository (*Wertpapiersammelbank*) are treated as so-called "*abgesetzte Bestände*" (stock being held separately), the main paying agent (*Hauptzahlstelle*) of the Company—upon presentation of an exemption certificate (*Freistellungsbescheinigung*) and of a proof that this stock has been held separately—may be entitled in accordance with the view of the German tax authorities to disburse the dividend without deducting withholding tax. An exemption certificate may be granted upon application (using official application forms) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) at the address specified above, subject to the German anti-treaty shopping rules.

With respect to distributions made to other shareholders without a tax domicile in Germany, the withholding tax rate can be reduced in accordance with the double taxation treaty if Germany has entered into a double taxation treaty with the respective shareholder's country of residence and if the shares neither form part of the assets of a permanent establishment or a fixed place of business in Germany, nor form part of business assets for which a permanent representative in Germany has been appointed. The withholding tax reduction is generally granted by the German Federal Central Tax Office (*Bundeszentralamt für Steuern* (at the address specified above)) upon application in such a manner that the difference between the total amount withheld, including the solidarity surcharge (*Solidäritätszuschlag*), and the reduced withholding tax actually owed under the relevant double taxation treaty (generally 15%) is refunded by the German Federal Central Tax Office, subject to the German anti-treaty shopping rules. A refund is not required if the Federal Central Tax Office has, upon application on the officially prescribed form, issued an exemption certificate (*Freistellungsbescheinigung*) which documents that the prerequisites for the application of the reduced withholding tax rates have been met. Dividends covered by the exemption certificate of the shareholder are then only subject to the reduced withholding tax rates stipulated in the exemption certificate. This requires, however, that the relevant shares are treated as "*abgesetzte Bestände*" (stock being held separately).

Forms for the reimbursement and exemption from the withholding at source procedure are available at the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) at the address specified above or online at http://www.bzst.de.

If dividends are distributed to corporations subject to non-resident taxation in Germany, i.e. corporations with no registered office (*Sitz*) or place of management in Germany and if the shares neither belong to the assets of a permanent establishment or fixed place of business in Germany nor are part of business assets for which a permanent representative in Germany has been appointed, two-fifths of the tax withheld at the source can generally be refunded even if not all of the prerequisites for a refund under the Parent Subsidiary Directive or the relevant double taxation treaty are fulfilled, subject to the German anti-treaty shopping rules. The relevant application forms are available at the German Federal Central Tax Office (*Bundeszentralamt für Steuern* at the address specified above).

The aforementioned possibilities for an exemption from, or a refund of, withholding tax depend on certain other conditions being met (particularly the fulfillment of so-called substance requirements—*Substanzerfordernisse*). In addition, with respect to shares held as private or as business assets by shareholders that are subject to income taxation, the aforementioned relief in accordance with an applicable double taxation treaty may further depend on whether the prerequisites of the special rules on the restriction of withholding tax credit are fulfilled.

The aforementioned credit of withholding tax described for shares held as private and as business assets (see "*18.2.2.2 Taxation of Dividends of Shareholders with a Tax Domicile in Germany*" and "*18.2.2.3 Taxation of Dividends of Shareholders without a Tax Domicile in Germany*") is subject to the following three cumulative prerequisites: (i) the shareholder has been the beneficial owner of the shares for a continuous period of at least 45 days during the period starting 45 days prior to the date when the dividend becomes due and ending 45 days after such date (the "Minimum Holding Period"—*Mindesthaltedauer*), (ii) the shareholder has been exposed (if taking into account counterclaims and claims against related parties) to at least 70% of the risk resulting from a decrease in value of the shares during the Minimum Holding Period (the minimum change in value risk; *Mindestwertänderungsrisiko*), and (iii) the shareholder is not obligated to forward (*vergüten*) these dividends, directly or indirectly, in total or predominant to another person (the tests under (i) to (iii) above are together described as the "Minimum Risk Test"). In case the shareholder does not meet the Minimum Risk Test, three-fifths of the withholding tax levied on the dividends is not creditable, but may, upon application, be deducted when determining the shareholder's taxable income. Shareholders who do not meet the Minimum Risk Test but who have, nevertheless, not suffered a withholding tax deduction on the dividends (*e.g.*, due to the presentation of a non-assessment certificate), or have already obtained a refund of the taxes withheld, are obligated to notify their competent tax office thereof, declare withholding tax in the amount of 15% of the relevant dividends in accordance with the statutory formal requirements and to make the payment of an amount corresponding to the amount which would otherwise be withheld. As an exception to this rule, the Minimum Risk Test (and, if applicable, a corresponding notification and (re)payment obligation) does not apply to an investor if either (i) his or her amount of dividend income on shares (including shares from the Company) and certain profit participation rights (*Genussrechte*) does not exceed an amount of EUR 20,000 in a given tax assessment period, or if (ii) he or she has been, upon actual receipt of the dividend, the economic owner of the shares for a continuous period of at least one year. Further to the statutory amendments, the German Federal Ministry of Finance published a decree dated July 17, 2017 (BMF, Schreiben vom 17.7.2017—IV C 1—S 2252/15/10030:05, DOK 2017/0616356) outlining the treatment of transactions where the statutory Minimum Risk Test might not be applicable but in which a credit of withholding tax will nevertheless be denied as an anti-abuse measure.

In the event that a shareholder not tax resident in Germany does not meet the requirements of the Minimum Risk Test, a refund of the withholding tax pursuant to a double taxation treaty is not available. This restriction only applies if (i) the applicable double taxation treaty provides for a tax reduction leading to an applicable tax rate of less than 15%, (ii) the shareholder is not a corporation that directly holds at least a participation of 10% of the equity capital of the Company and is subject to tax on its income and profits in its state of residence without being exempt and (iii) the shareholder has not been, upon actual receipt of the dividend, the beneficial owner of the shares for a continuous period of at least one year.

Prospective holders of the shares are advised to seek their own professional advice in relation to the possibility to obtain a tax credit or refund of withholding tax on dividends.

The Dividend Paying Agent which keeps or administrates the shares and pays or credits the capital income is required to create so-called pots for the loss set-off (*Verlustverrechnungstöpfe*) to allow for setting off of negative capital income with current and future positive capital income. A set-off of negative capital income at a Dividend Paying Agent with positive capital income at a different Dividend Paying Agent is not possible and can only be achieved in the course of the income tax assessment at the level of the respective investor. In this case, the taxpayer has to apply for a certificate confirming the amount of losses not offset with the Dividend Paying Agent where the pots for the loss set-off exists. The application is irrevocable and has to reach the Dividend Paying Agent by December 15 of the respective year. Otherwise, the losses will be carried forward to the following year by the Dividend Paying Agent.

Withholding tax will not be withheld by a Dividend Paying Agent if the taxpayer provides the Dividend Paying Agent with an application for exemption (*Freistellungsauftrag*) to the extent the capital income does not exceed the annual lump sum allowance (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 for married couples or registered civil unions (*eingetragene Lebenspartnerschaften*) filing jointly) as outlined on the application for exemption. Furthermore, no withholding tax will be levied if the taxpayer provides the Dividend Paying Agent with a non-assessment certificate (*Nichtveranlagungsbescheinigung*) to be applied for with the competent tax office of the investor.

18.2.2.2 Taxation of Dividends of Shareholders with a Tax Domicile in Germany

18.2.2.2.1 Shares Held as Non-Business Assets

Dividends distributed to shareholders with a tax domicile in Germany whose shares are held as non- business assets form part of their taxable capital investment income, which is subject to a special uniform income tax rate of 25% plus solidarity surcharge (*Solidaritätszuschlag*) of 5.5% thereon (*i.e.*, 26.375% in total plus church tax (*Kirchensteuer*), if applicable). The income tax owed for this dividend income is in general satisfied by the withholding tax withheld by the Dividend Paying Agent (flat rate withholding tax—*Abgeltungsteuer*; see "*18.2.2.1 Withholding Tax*"). Income-related expenses cannot be deducted from the shareholder's capital investment income (including dividends), except for an annual lump sum deduction (*Sparer Pauschbetrag*) of EUR 801 (EUR 1,602 for married couples assessed jointly). However, the shareholder may request that his or her capital investment income (including dividends) along with his or her other taxable income be subject to the progressive income tax rate (instead of the uniform tax rate for capital investment income) if this results in a lower tax burden (*Günstigerprüfung*). This request may only be exercised consistently for all capital investment income and be exercised jointly in the case of married couples or registered civil unions (*eingetragene Lebenspartnerschaften*) assessed jointly. In this case, the withholding tax would be credited against the progressive income tax and any excess amount would be refunded; in principle, such withholding tax credit or refund might be limited under the rules in connection with the Minimum Risk Test); however, the German Federal Ministry of Finance published a decree dated April 3, 2017 (BMF, Schreiben vom 3.4.2017—IV C 1—S 2299/16/10002, DOK 2017/0298180) according to which this provision should only exceptionally apply to shares held as private assets. Pursuant to the current view of the German tax authorities (which has been confirmed by a decision of the German Federal Tax Court (*Bundesfinanzhof*)), income-related expenses cannot be deducted from the capital investment income, except for the aforementioned annual lump sum deduction.

Exceptions from the special uniform income tax rate apply upon application for shareholders who have a shareholding of at least 25% in the Company and for shareholders who have a shareholding of at least 1% in the Company and work for the Company in a professional capacity, which enables them to exert significant entrepreneurial influence on the Company's business activities. In this situation, the tax treatment described below under "*18.2.3.1.2 Shares Held as Business Assets*" applies.

An automatic procedure for deducting church tax (*Kirchensteuer*) applies unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern* (at the above address)). The church tax (*Kirchensteuer*) payable on the dividend is withheld and passed on by the Dividend Paying Agent. In this case, the church tax (*Kirchensteuer*) for dividends is satisfied by the Dividend Paying Agent withholding such tax. Church tax (*Kirchensteuer*) withheld at source may not be deducted as a special expense (*Sonderausgabe*) in the course of the tax assessment, but the Dividend Paying Agent may reduce the withholding tax (including the solidarity surcharge (*Solidaritätszuschlag*)) by 26.375% of the church tax (*Kirchensteuer*) to be withheld on the dividends. If the shareholder has filed a blocking notice and no church tax (*Kirchensteuer*) is withheld by a Dividend Paying Agent, a shareholder subject to church tax (*Kirchensteuer*) is obligated to declare the dividends in his or her income tax return. The church tax (*Kirchensteuer*) on the dividends is then levied by way of a tax assessment.

Shareholders who are subject to German tax residents' taxation and hold their shares as non-business assets may be paid the dividends without deduction of withholding tax if certain prerequisites are met, in particular, if the shareholder has provided a non-assessment certificate (*Nichtveranlagungs-Bescheinigung*) or an exemption instruction (*Freistellungsauftrag*) and the exempt amount indicated therein has not yet been exhausted.

As an exemption, dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*) and are paid to shareholders with a tax domicile in Germany whose shares are held as non-business assets, do—contrary to the above—not form part of the shareholder's taxable income. Dividend payments funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; section 27 of the German Corporate Income Tax Act (*Körperschaftsteuergesetz*)) would reduce the shareholder's acquisition costs or, if the dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*) exceeds the shareholder's acquisition costs, negative acquisition costs will arise. Both can result in a higher capital gain in case of the shares' disposal (see "*18.2.3 Taxation of Capital Gains*" below). This would not apply if (i) the shareholder or, in the event of a gratuitous transfer, its legal predecessor, or, if the shares have been gratuitously transferred several times in succession, one of his or her legal predecessors at any point during the five years preceding the (deemed, as the case may be) disposal directly or indirectly held at least 1% of the share capital of the Company (a "Qualified Holding"), and (ii) the dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; section 27 of the German Corporate Income Tax Act (*Körperschaftsteuergesetz*)) exceeds the acquisition costs of the shares. In such aforementioned case, a dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; section 27 of the German Corporate Income Tax Act (*Körperschaftsteuergesetz*)) is deemed a sale of the shares and is taxable as a capital gain. In this case, the taxation corresponds with the description in "*18.2.3 Taxation of Capital Gains*" made with regard to shareholders maintaining a Qualified Holding.

18.2.2.2.2 Shares Held as Business Assets

Dividends from shares held as business assets of a shareholder with a tax domicile in Germany are not subject to the special uniform income tax rate. The taxation depends on whether the shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship). The withholding tax (including the solidarity surcharge (*Solidaritätszuschlag*) and church tax (*Kirchensteuer*), if applicable) withheld and paid by the Dividend Paying Agent will generally be credited against the shareholder's income or corporate income tax liability (including the solidarity surcharge (*Solidaritätszuschlag*) and church tax (*Kirchensteuer*), if applicable) or refunded in the amount of any excess. However, such withholding tax credit or refund might be limited if and to the extent the prerequisites in connection with the Minimum Risk Test are not met (see "*18.2.2.1 Withholding Tax*").

Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; section 27 of the German Corporate Income Tax Act (*Körperschaftsteuergesetz*)) and are paid to shareholders with a tax domicile in Germany whose shares are held as business assets are generally fully tax exempt in the hands of such shareholder. To the extent the dividend payments funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; section 27 of the German Corporate Income Tax Act (*Körperschaftsteuergesetz*)) exceed the acquisition costs of the shares, a taxable capital gain should occur. The taxation of such gain corresponds with the description in "*18.2.3 Taxation of Capital Gains*" made with regard to shareholders whose shares are held as business assets (however, as regards the application of the 95% exemption in the case of a corporation, this is not undisputed).

Corporations

If the shareholder is a corporation with a tax domicile in Germany, the dividends are in general 100% exempt from corporate income tax and the solidarity surcharge (*Solidaritätszuschlag*). However, 5% of the dividends are treated as a nondeductible business expense and are therefore subject to corporate income tax (plus the solidarity surcharge (*Solidaritätszuschlag*)) at a total tax rate of 15.825%, having the effect that dividends and other profit shares are effectively 95% exempt from corporate income tax (and solidarity surcharge (*Solidaritätszuschlag*) thereon). In other respects, business expenses actually incurred in direct relation to the dividends may be deducted. However, dividends that the shareholder receives are no longer exempt from corporate income tax (including solidarity surcharge (*Solidaritätszuschlag*) thereon), if the shareholder only held (or holds) a Portfolio Participation at the beginning of the calendar year. Participations of at least 10% acquired during a calendar year are deemed to have been acquired at the beginning of the calendar year. Participations which a shareholder holds through a partnership (including those that are co- entrepreneurships (*Mitunternehmerschaften*)) are attributable to the shareholder only on a pro rata basis at the ratio of the interest share of the shareholder in the equity of the relevant partnership.

Dividends (after deducting business expenses economically related to the dividends) are subject to trade tax in the full amount, unless the shareholder held an interest of at least 15% in the share capital of the Company at the beginning of the relevant assessment period. In this latter case, the dividends are not subject to trade tax; however, trade tax is levied on the amount considered to be nondeductible business expenses (amounting to 5% of the dividend). The average trade tax rate in Germany amounts to approximately 15% (with a statutory minimum rate of 7%) of the taxable trade profit but the (blended) trade tax rate applying to the respective shareholder might be lower or higher depending on the municipal trade tax multiplier applied by the relevant municipal authority in which the shareholder maintains its operations or permanent establishments.

Sole Proprietors

If the shares are held as business assets by a sole proprietor with a tax domicile in Germany, only 60% of the dividends are subject to progressive income tax (plus the solidarity surcharge (*Solidäritätszuschlag*)) at a total tax rate of up to approximately 47.5% (plus church tax (*Kirchensteuer*), if applicable), the so-called partial income method (*Teileinkünfteverfahren*). Correspondingly, only 60% of the business expenses economically related to the dividends are tax deductible. If the shares belong to a domestic permanent establishment in Germany of a business operation of the shareholder, the dividend income (after deducting business expenses economically related thereto) is not only subject to income tax but is also fully subject to trade tax, unless the prerequisites of the trade tax participation exemption privilege are fulfilled. In this latter case, the net amount of dividends, i.e. after deducting directly related expenses, is exempt from trade tax. As a general rule, trade tax can be credited against the shareholder's personal income tax, either in full or in part, by means of a lump sum tax credit method, depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

Partnerships

If the shareholder is a partnership, the income or corporate income tax is not levied at the level of the partnership but at the level of the respective partner. The taxation for every partner depends on whether the partner is a corporation or an individual. If the partner is a corporation, the dividends contained in the profit share of the shareholder will be taxed in accordance with the principles applicable for corporations (see "*Corporations*" above). If the partner is an individual, the taxation of the partner is generally in line with the principles described for sole proprietors (see "*Sole Proprietors*" above). Upon application and subject to further conditions, an individual as a partner can have his or her personal income tax rate lowered for earnings not withdrawn from the partnership.

In addition, if the partnership is a commercially active or commercially tainted partnership (co-entrepreneurship) with a tax domicile in Germany, the dividends are generally subject to trade tax in the full amount at the partnership level if the shares are attributed to a German permanent establishment of the partnership. If a partner of the partnership is an individual, the portion of the trade tax paid by the partnership pertaining to his or her profit share will generally be credited, either in full or in part, against his or her personal income tax by means of a lump sum method—depending on the level of the municipal trade tax multiplier and certain individual tax relevant circumstances of the taxpayer. If the partnership fulfills the prerequisites for the trade tax exemption privilege at the beginning of the relevant assessment period, the dividends (after the deduction of business expenses economically related thereto) should generally not be subject to trade tax. However, in this case, trade tax should be levied on 5% of the dividends to the extent they are attributable to the profit share of a corporation which is a partner of such partnership and to whom at least 10% of the Shares in the Company are attributable on a look-through basis, since such portion of the dividends should be deemed to be nondeductible business expenses. The remaining portion of the dividend income attributable to other than such specific corporation as partner of such partnership (which includes individual partners and should, under a literal reading of the law, also include any corporation as partner of such partnership to whom, on a look-through basis, only Portfolio Participations are attributable) should not be subject to trade tax. Due to a lack of case law and administrative guidance, the application of the rules for the taxation of Portfolio Participations is, however, unclear. Consequently, shareholders are strongly recommended to consult their own tax advisors.

Financial and Insurance Sector

Special rules apply to companies operating in the financial and insurance sectors, as well as to pension funds (see "*18.2.4 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*").

18.2.2.3 Taxation of Dividends of Shareholders without a Tax Domicile in Germany

Shareholders without a tax domicile in Germany, whose shares are attributable to a German permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed, are liable for tax in Germany on their dividend income. In this respect, the provisions outlined above for shareholders with a tax domicile in Germany whose shares are held as business assets apply accordingly (see "*18.2.3.1.2 Shares Held as Business Assets*" in "*18.2.2.2 Taxation of Dividends of Shareholders with a Tax Domicile in Germany*"). The withholding tax (including the solidarity surcharge (*Solidaritätszuschlag*)) withheld and passed on will generally be credited against the income or corporate income tax liability or refunded in the amount of any excess.

In all other cases, any German tax liability for dividends is satisfied by the withholding of the withholding tax by the Dividend Paying Agent. Withholding tax is only reimbursed in the cases and to the extent described above under "*18.2.2.1 Withholding Tax*."

Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; section 27 of the German Corporate Income Tax Act (*Körperschaftsteuergesetz*)) are generally not taxable in Germany.

18.2.3 Taxation of Capital Gains

18.2.3.1 Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany

18.2.3.1.1 Shares Held as Non-Business Assets

Gains on the disposal of shares acquired after December 31, 2008 by a shareholder with a tax domicile in Germany and held as non-business assets are generally—regardless of the holding period—subject to a uniform tax rate on capital investment income in Germany (25% plus the solidarity surcharge (*Solidaritätszuschlag*) of 5.5% thereon, i.e. 26.375% in total plus any church tax (*Kirchensteuer*) if applicable). If the entitlement to dividend payments is disposed of without the shares, the income from the sale of the entitlement to dividend payments is taxable. The same applies if shares are sold without the entitlement to dividend payments.

The taxable capital gain is computed from the difference between (i) the proceeds of the disposal, and (ii) the acquisition costs of the shares and the expenses related directly and materially to the disposal. Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; section 27 of the German Corporate Income Tax Act (*Körperschaftsteuergesetz*)) reduce the original acquisition costs; if dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; section 27 of the German Corporate Income Tax Act (*Körperschaftsteuergesetz*)) exceed the acquisition costs, negative acquisition costs—which can increase a capital gain—can arise in the case of shareholders, whose shares are held as non-business assets and do not qualify as Qualified Holding.

Only an annual lump sum deduction of EUR 801 (EUR 1,602 for married couples or registered civil unions (*eingetragene Lebenspartnerschaften*) assessed jointly) may be deducted from the entire capital investments income. It is generally not possible to deduct income-related expenses in connection with capital gains, except for the expenses directly related in substance to the disposal which can be deducted when calculating the capital gains. Losses on disposals of shares may only be offset against gains on the disposal of shares.

If the shares are held in custody or administered by a domestic credit institution, domestic financial services institution, domestic securities trading company or domestic securities trading bank, including domestic branches of foreign credit institutions or financial service institutions, or if such an office executes the disposal of the shares and pays out or credits the capital gains (a "**Domestic Paying Agent**"), the tax on the capital gains will in general be satisfied by the Domestic Paying Agent withholding the withholding tax on investment income at an aggregate withholding tax rate of 26.375% (including solidarity surcharge (*Solidaritätszuschlag*)) plus church tax, if any, on the capital gain and transferring it to the tax authority for the account of the seller. If the shares were held in custody or administered by the same Domestic Paying Agent after the acquisition of the relevant shares, the amount of tax withheld is generally based on the difference between the proceeds from the sale, after deducting expenses directly relating to the sale, and the acquisition costs. If the shares are sold after being transferred to a Domestic Paying Agent, the aggregate withholding tax rate of 26.375% (including solidarity surcharge (*Solidaritätszuschlag*) thereon) plus church tax (*Kirchensteuer*), if any, will be applied to 30% of the gross sales proceeds unless the previous account bank is entitled and able to verify the actual acquisition cost. In any case, the shareholder is entitled to demonstrate the actual acquisition costs of the shares in the annual tax return.

The shareholder can apply for his or her total capital investment income together with his or her other taxable income to be subject to the progressive income tax rate as opposed to the uniform tax rate on investment income, if this results in a lower tax liability (*Günstigerprüfung*). This request may only be exercised consistently for all capital investment income and be exercised jointly in the case of married couples or registered civil unions (*eingetragene Lebenspartnerschaften*) assessed jointly. In this case, the withholding tax would be credited against the progressive income tax and any resulting excess amount would be refunded; limitations on offsetting losses are applicable. Further, pursuant to the current view of the German tax authorities (which has been confirmed by a decision of the German Federal Tax Court (*Bundesfinanzhof*)), income-related expenses are nondeductible, except for the annual lump sum deduction.

If the withholding tax or, if applicable, the church tax (*Kirchensteuer*) on capital gains is not withheld by a Domestic Paying Agent, the shareholder is required to declare the capital gains in his or her income tax return. The income tax and any applicable church tax (*Kirchensteuer*) on the capital gains will then be collected by way of assessment. Generally however, an automatic procedure for deducting church tax (*Kirchensteuer*) applies unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern* (at the above address)) and church tax (*Kirchensteuer*) on capital gains is withheld by the Domestic Paying Agent and is deemed to have been paid when the tax is deducted. A deduction of the withheld church tax (*Kirchensteuer*) as a special expense is not permissible, but the withholding tax to be withheld (including the solidarity surcharge (*Solidaritätszuschlag*)) is reduced by 26.375% of the church tax (*Kirchensteuer*) to be withheld on the capital gains.

Regardless of the holding period and the time of acquisition, gains from the disposal of shares are not subject to a uniform withholding tax but to progressive income tax in the case of a Qualified Holding. In this case, the partial income method applies to gains on the disposal of shares, which means that only 60% of the capital gains are subject to German income tax and only 60% of the losses on the disposal and expenses economically related thereto are tax deductible. Even in case withholding tax is actually withheld by a Domestic Paying Agent in the case of a Qualified Holding, this does not satisfy the tax liability of the shareholder. Consequently, a shareholder must declare his or her capital gains in his or her income tax returns. The withholding tax (including the solidarity surcharge (*Solidaritätszuschlag*) and church tax (*Kirchensteuer*), if applicable) withheld and paid will be credited against the shareholder's income tax on his or her tax assessment (including the solidarity surcharge (*Solidaritätszuschlag*) and any church tax (*Kirchensteuer*), if applicable) or refunded in the amount of any excess.

18.2.3.1.2 Shares Held as Business Assets

Gains on the sale of shares held as business assets of a shareholder with a tax domicile in Germany are not subject to uniform withholding tax. The taxation of the capital gains depends on whether the shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship). Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; section 27 of the German Corporate Income Tax Act (*Körperschaftsteuergesetz*)) reduce the original acquisition costs. In case of disposal, a higher taxable capital gain can arise therefrom. If the dividend payments exceed the shares' book value for tax purposes, a taxable capital gain can arise.

(i) **Corporations**: If the shareholder is a corporation with a tax domicile in Germany, the gains on the disposal of shares are in general 100% exempt from corporate income tax (including the solidarity surcharge (*Solidäritätszuschlag*)) and trade tax, currently, regardless of the size of the participation and the holding period. However, 5% of the gains are treated as nondeductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge (*Solidaritätszuschlag*)) at an aggregate tax rate amounting to 15.8% and trade tax at the average trade tax rate in Germany of approximately 15% (depending on the municipal trade tax multiplier applied by the municipal authority in which the shareholder maintains its operations or permanent establishments, with a statutory minimum trade tax rate of 7%), having the effect that dividends and other profit shares are effectively 95% exempt from corporate income tax (and solidarity surcharge (*Solidaritätszuschlag*) thereon) and trade tax. As a rule, losses on disposals and other profit reductions in connection with shares (*e.g.*, from a write-down) cannot be deducted as business expenses.

(ii) **Sole Proprietors**: If the shares are held as business assets by a sole proprietor with a tax domicile in Germany, only 60% of the gains on the disposal of the shares are subject to progressive income tax (plus the solidarity surcharge (*Solidaritätszuschlag*)) at a total tax rate of up to approximately 47.5%, and, if applicable, church tax (*Kirchensteuer*) (partial income method). Correspondingly, only 60% of the losses on the disposal and expenses economically related thereto are tax deductible. If the shares belong to a German permanent establishment of a business operation of the sole proprietor, 60% of the gains of the disposal of the shares are, in addition, subject to trade tax.

As a general rule, trade tax can be credited towards the shareholder's personal income tax, either in full or in part, by means of a lump sum tax credit method—depending on the level of the municipal trade tax multiplier and certain individual tax relevant circumstances of the taxpayer.

(iii) **Partnerships**: If the shareholder is a partnership, the income or corporate income tax is not levied at the level of the partnership but at the level of the respective partner. The taxation depends on whether the partner is a corporation or an individual. If the partner is a corporation, the gains on the disposal of the shares as contained in the profit share of the partner will be taxed in accordance with the principles applicable for corporations (see "(i) *Corporations*" above). For capital gains in the profit share of a partner that is an individual, the principles outlined above for sole proprietors apply to the relevant partners accordingly (partial income method, see above under "(ii) *Sole Proprietors*"). Upon application and subject to further conditions, an individual as a partner can obtain a reduction of his or her personal income tax rate for earnings not withdrawn from the partnership.

In addition, if the partnership is a commercially active or commercially tainted partnership (co-entrepreneurship) with a tax domicile in Germany, gains on the disposal of shares are subject to trade tax at the level of the partnership, if the shares are attributed to a domestic permanent establishment of a business operation of the partnership: generally, at 60% as far as they are attributable to the profit share of an individual as the partner of the partnership, and, currently, at 5% as far as they are attributable to the profit share of a corporation as the partner of the partnership. Losses on disposals and other profit reductions in connection with the shares are currently not recognized for the purposes of trade tax if they are (i) attributable to the profit share of a corporation or (ii) taken into account at a ratio of 60% already in the context of the income determination of an individual. If the partner of the partnership is an individual, the portion of the trade tax paid by the partnership attributable to his or her profit share will generally be credited, either in full or in part, against his or her personal income tax by means of a lump sum method—depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

Special rules apply to companies operating in the financial and insurance sectors, as well as to pension funds (see "*18.2.4 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*").

Withholding Tax

In the case of a Domestic Paying Agent, the gains of the sale of shares held as business assets are in general subject to withholding tax in the same way as shares held as non-business assets by a shareholder (see "*18.2.3.1.1 Shares Held as Non-Business Assets*" in "*18.2.3.1 Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany*"). However, the Dividend Paying Agent will not withhold the withholding tax, if (i) the shareholder is a corporation, association of persons or estate with a tax domicile in Germany, or (ii) the shares belong to the domestic business assets of a shareholder, and the shareholder declares so to the Domestic Paying Agent using the designated official form and certain other requirements are met. If withholding tax is nonetheless withheld by a Domestic Paying Agent, the withholding tax (including the solidarity surcharge (*Solidaritätszuschlag*) and church tax (*Kirchensteuer*), if applicable) withheld and paid would generally be credited against the income or corporate income tax liability (including the solidarity surcharge (*Solidaritätszuschlag*) and church tax (*Kirchensteuer*), if applicable) or would generally be refunded in the amount of any excess.

18.2.3.2 Taxation of Capital Gains of Shareholders without a Tax Domicile in Germany

Capital gains derived by shareholders with no tax domicile in Germany are only subject to German tax if the selling shareholder has a Qualified Holding in the Company or the shares belong to a domestic permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed.

Pursuant to a decision of the German Federal Fiscal Court (*Bundesfinanzhof*) dated May 31, 2017 (Federal Tax Gazette (*Bundessteuerblatt*), part II of 2018, p. 144), in case of a Qualified Holding, the capital gain on the disposal of shares is not subject to German taxation if the shareholder is a corporation which is not tax resident in Germany and neither maintains a permanent establishment nor has appointed a permanent representative in Germany. The German tax authorities have adopted this view.

In the case of a Qualified Holding, if the shareholder is a private individual, only 60% of the gains of the disposal of the shares are subject to progressive income tax plus the solidarity surcharge (*Solidaritätszuschlag*) (partial income method); however, most double taxation treaties provide for exemption from German taxation and assign the right of taxation to the shareholder's country of residence. According to the tax authorities, there is no obligation to withhold withholding tax at source in the case of a Qualified Holding if the shareholder submits to the Domestic Paying Agent a certificate of domicile issued by a foreign tax authority.

If the selling shareholder has a Qualified Holding in the Company and the selling shareholder is a corporation, which is not protected under a double taxation treaty, which exempts any capital gain from taxation in Germany, any capital gain of such shareholder is nevertheless fully tax exempt under German domestic rules.

With regard to gains or losses of the disposal of shares belonging to a domestic permanent establishment or fixed place of business or which are part of business assets for which a permanent representative in Germany has been appointed, the abovementioned provisions pertaining to shareholders with a tax domicile in Germany whose shares are business assets apply mutatis mutandis (see *"18.2.3.1.2 Shares Held as Business Assets"* in *"18.2.3.1 Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany*"). The Domestic Paying Agent can refrain from deducting the withholding tax if the shareholder declares to the Domestic Paying Agent on an official form that the shares form part of domestic business assets and certain other requirements are met.

18.2.4 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds

As an exception to the aforementioned rules, dividends paid to, and capital gains realized by, certain companies in the financial and insurance sector are fully taxable. Since January 1, 2017, the aforementioned exclusions of (partial) tax exemptions for corporate income tax and trade tax purposes apply to shares which, in the case of credit institutions or financial services institutions, are to be allocated to the trading portfolio (*Handelsbestand*) within the meaning of the German Commercial Code (*Handelsgesetzbuch*). As a consequence, such credit institutions or financial services institutions cannot benefit from the partial income method and are not entitled to the effective 95% exemption from corporate income tax, solidarity surcharge and trade tax. Therefore, dividend income and capital gains are fully taxable. The same applies to shares held by finance companies where (i) credit institutions or financial services institutions hold, directly or indirectly, a participation of more than 50% in the respective finance company, and (ii) the finance company must disclose the shares as current assets (*Umlaufvermögen*) as of the time they are initially recognized as business assets. The preceding sentence applies accordingly for shares held in a permanent establishment in Germany by financial institutions, financial service institutions and financial institutions tax resident in another EU Member State or in other signatory states of the Treaty on the EEA. Likewise, the tax exemption described earlier afforded to corporations for dividend income and capital gains from the sale of shares does not apply to shares that qualify as a capital investment in the case of life insurance and health insurance companies, or those which are held by pension funds.

However, an exemption to the foregoing, and thus a 95% effective tax exemption, applies to dividends obtained by the aforementioned companies, to which the Parent Subsidiary Directive applies.

In addition, relief of withholding tax may be available under an applicable double taxation treaty, subject to certain prerequisites, *e.g.*, substance requirements and holding periods, being met.

18.2.5 Inheritance and Gift Tax

The transfer of shares to another person mortis causa or by way of gift is generally subject to German inheritance or gift tax if:

(i) the place of residence, habitual abode, place of management or registered office of the decedent, the donor, the heir, the donee or another acquirer is, at the time of the asset transfer, in Germany, or such person, as a German national, has not spent more than five continuous years outside of Germany without maintaining a place of residence in Germany;

(ii) the decedent's or donor's shares belonged to business assets for which there had been a permanent establishment in Germany, or a permanent representative had been appointed; or

(iii) the decedent or the donor, at the time of the succession or gift, held a direct or indirect interest of at least 10% of the Company's share capital either alone or jointly with other related parties.

The fair market value of the shares represents the tax assessment base. This is in general the stock exchange price of the shares. Different tax rates apply dependent on the degree of relationship between the decedent or donor and the recipient.

The small number of double taxation treaties in respect of inheritance and gift tax which Germany has concluded to date usually provide for German inheritance or gift tax only to be levied in the cases under (i) and, subject to certain restrictions, in the cases under (ii). Special provisions apply to certain German nationals living outside of Germany and to former German nationals.

18.2.6 Other Taxes

No German capital transfer taxes, value added tax, stamp duties or similar taxes are currently levied on the purchase or disposal or other forms of transfer of the shares; however, an entrepreneur may opt to subject disposals of shares, which are in principle exempt from value added tax, to value added tax if the sale is made to another entrepreneur for the entrepreneur's business. Wealth tax is currently not levied in Germany.

18.2.7 The Proposed Financial Transaction Tax (FTT)

On February 14, 2013, the EU Commission adopted a proposal for a Council Directive on a common financial transaction tax ("**FTT**"). According to such directive, the FTT shall be implemented in certain EU member states, including Germany.

The proposed FTT has very broad scope and could, if introduced, apply to certain dealings in the shares (including secondary market transactions) in certain circumstances. The issuance and subscription of the shares should however be exempt.

According to the coalition agreement between the German Christian Democratic Party and the German Social Democratic Party, the current German government still has the intention to introduce an FTT. In June 2018, Germany and France agreed to further pursue the implementation of an FTT in the EU for which the current French financial transaction tax (which is mainly focused on transactions regarding shares in listed companies with a market capitalization of more than EUR 1 billion) could serve as a role model.

Any FTT proposal is however still subject to negotiation between (certain) EU member states. Therefore, it is currently uncertain whether and when the proposed FTT will be enacted by the participating EU member states and when it will take effect with regard to dealings in the shares.

On December 9, 2019, the German Federal Finance Minister announced another final proposal for a Directive for a financial transaction tax implemented by way of the enhanced cooperation mechanism to 9 other participating EU member states ("**New FTT**"), which, was revised again in April 2020. In addition, the German Federal Finance Ministry further prepared the implementation of the FTT or New FTT by the creation of a new department (*Referat*) within the German Federal Finance Ministry. Such new department is referred to as "*Finanztransaktionsteuer (FTT)*" (Financial Transaction Tax (FTT)).

The proposed New FTT remains subject to negotiation between the participating EU member states. Prospective investors are advised to seek their own professional advice in relation to the FTT and New FTT.

18.2.8 Partial Abolition of the Solidarity Surcharge (*Solidaritätszuschlag*) as of 2021

The solidarity surcharge (*Solidäritätszuschlag*) which is an additional levy on the income tax burden of taxable persons in an amount of 5.5% has been partly abolished. The new rules apply from the beginning of the assessment period for the fiscal year ending December 31, 2021. Such abolition only affects individuals subject to income tax under the German Income Tax Act (*Einkommensteuergesetz*), hence corporations that are subject to corporate income tax under the German Corporate Income Tax Act (*Körperschaftsteuergesetz*) will not be affected by such abolition at all. As a result of such new law, the solidarity surcharge will only be levied if the income tax burden (*tarifliche Einkommensteuer*) exceeds an exemption limit of EUR 16,956 (or EUR 33,912 in the case of married couples or registered civil unions (*eingetragene Lebenspartnerschaften*) filing jointly). If the taxable income of an investor exceeds such exemption limit, the solidarity surcharge rate increases continuously up to a total levy of 5.5% on the income tax burden.

However, the partial abolition of the solidarity surcharge will not affect the withholding of taxes (*Kapitalertragsteuer*). Solidarity surcharge will still be levied on the withholding tax amount and withheld accordingly. There will not be a refund of any solidarity surcharge (regardless of the aforementioned exemption limits) if the withholding tax cannot be refunded either.

19 CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain U.S. federal income tax consequences to a U.S. Holder (as defined below) of the Spin-Off and of owning and disposing of New Shares or ADRs that are received by a U.S. Holder pursuant to the Spin-Off. This summary deals only with U.S. Holders receiving their New Shares or ADRs pursuant to the Spin-Off that will hold the New Shares or ADRs as capital assets. The discussion below does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of New Shares or ADRs by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, non-U.S. or other tax laws (such as estate or gift tax laws). This summary also does not address tax considerations applicable to investors that own (directly, indirectly or by attribution) 5% or more of the shares of the Company by vote or value, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers in securities or currencies, investors that will acquire, hold or dispose of the New Shares or ADRs as part of straddles, hedging transactions, wash sales, or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the New Shares or ADRs in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad or investors whose functional currency is not the U.S. dollar).

As used herein, the term "U.S. Holder" means a beneficial owner of New Shares or ADRs that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds New Shares or ADRs will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes and partners thereof should consult their tax advisers concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of New Shares or ADRs by the partnership.

Except as otherwise noted, the summary assumes that the Company is not a passive foreign investment company (a "**PFIC**") for U.S. federal income tax purposes. The Company's possible status as a PFIC must be determined annually and therefore may be subject to change. If the Company were to be a PFIC in any taxable year during which a U.S. Holder holds New Shares or ADRs, materially adverse consequences could result for such U.S. Holder. See "—Passive Foreign Investment Company Considerations" below.

This summary is based on the tax laws of the United States, including the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE SPIN-OFF, OWNING AND DISPOSING OF THE NEW SHARES OR ADRS, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

19.1 Tax Consequences of the Spin-Off

The Spin-Off has not been structured to qualify as a tax-free transaction for U.S. federal income tax purposes, and no ruling has been sought from the U.S. Internal Revenue Service (the "**IRS**"). Daimler AG believes that the distribution of New Shares and ADRs pursuant to the Spin-Off will constitute a taxable distribution to U.S. Holders with respect to Daimler AG's shares, to the extent of Daimler AG's current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because Daimler AG does not maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that the distribution of New Shares or ADRs will be reported to U.S. Holders as a dividend. The amount of the dividend will equal the fair market value of the New Shares or ADRs on the date of the Spin-Off, and a U.S. Holder will have a tax basis in the New Shares or ADRs equal to that fair market value.

The dividend will be foreign-source and U.S. Holders will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. The dividend generally will be taxable to a non-corporate U.S. Holder at the reduced rate normally applicable to long-term capital gains, provided Daimler AG qualifies for the benefits of the income tax treaty between the United States and Germany (the “Treaty”), and certain other requirements are met. Daimler AG currently believes that it qualifies for the benefits of the Treaty.

U.S. Holders should consult their tax advisers regarding the specific tax consequences of the Spin-Off to them in light of their particular circumstances, including the applicability of federal, state, local, non-U.S. and other tax laws. Holders of existing Daimler AG ADRs under unsponsored ADR programs should consult their own tax advisers with respect to the appropriate U.S. federal tax treatment of the Spin-Off if the applicable depositary converts all or a portion of the New Shares or ADRs that they would otherwise receive in the Spin-Off into cash.

19.2 U.S. Holders of ADRs

For U.S. federal income tax purposes, a U.S. Holder of ADRs generally will be treated as the owner of the corresponding number of underlying New Shares held by a depositary for the ADRs, and references to New Shares in the following discussion are also to ADRs representing the New Shares.

Deposits and withdrawals of New Shares by U.S. Holders in exchange for ADRs will not result in the realization of gain or loss for U.S. federal income tax purposes. A U.S. Holder’s tax basis in withdrawn New Shares will be the same as such U.S. Holder’s tax basis in the ADRs surrendered, and the U.S. Holder’s holding period for the New Shares will include the holding period of the ADRs.

19.3 Dividends

General. Subject to the PFIC rules discussed below, distributions paid by the Company out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), before reduction for any German withholding tax with respect thereto, generally will be taxable to a U.S. Holder as ordinary dividend income and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder’s basis in the New Shares and thereafter as capital gain. However, the Company does not maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that any distribution by the Company with respect to New Shares will be reported as ordinary dividend income. U.S. Holders should consult their own tax advisers with respect to the appropriate U.S. federal income tax treatment of any distribution received from the Company.

Dividends paid by the Company generally will be taxable to a non-corporate U.S. Holder at the reduced rate normally applicable to long-term capital gains, provided the Company qualifies for the benefits of the Treaty, is not treated as a PFIC in the taxable year in which the dividends are received or in the preceding taxable year, and certain other requirements are met. The Company believes that it is currently eligible for the benefits of the Treaty and it therefore expects that dividends that it distributes on the New Shares will be qualified dividend income, but there can be no assurance that it will continue to be eligible for the benefits of the Treaty.

A U.S. Holder generally will be entitled, subject to certain limitations, to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for German income taxes withheld by the Company or the Company’s paying agent. Dividends paid by the Company will generally constitute non-U.S. source income and be treated as “passive category income” for foreign tax credit limitation purposes. The rules governing foreign tax credits are complex. Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of German withholding taxes.

Dividends Paid in Non-U.S. Currency. Dividends paid in non-U.S. currency will be included in income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the U.S. Holder or the depositary (in the case of ADRs), regardless of whether the non-U.S. currency is converted into U.S. dollars at that time. If dividends received in non-U.S. currency are converted into U.S. dollars on the day they are received, the U.S. Holder generally will not be required to recognize foreign currency gain or loss in respect of the dividend income.

19.4 Sale or Other Taxable Disposition

Subject to the PFIC rules discussed below, upon a sale or other taxable disposition of New Shares or ADRs, a U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realized on the sale or other taxable disposition and the U.S. Holder's adjusted tax basis in the New Shares or ADRs, in each case as determined in U.S. dollars. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in the New Shares or ADRs, as applicable, exceeds one year. Non-corporate U.S. Holders are subject to tax on long-term capital gain at reduced rates. The deductibility of capital losses is subject to limitations. U.S. Holders should consult their own tax advisers about how to account for amounts received on the sale or other taxable disposition of New Shares or ADRs that are not paid in U.S. dollars.

Any gain or loss recognized from the sale or other taxable disposition of New Shares or ADRs generally will be U.S. source. Therefore, a U.S. Holder may have insufficient foreign source income to utilize foreign tax credits attributable to any German withholding tax imposed on such sale or disposition. However, if the U.S. Holder qualifies for the benefits of the Treaty, it would generally be eligible to treat any gain upon which German withholding tax is imposed as foreign source. The rules governing foreign tax credits are complex. Prospective purchasers should consult their tax advisers as to the availability of and limitations on any foreign tax credit attributable to the German withholding taxes.

19.5 Passive Foreign Investment Company Considerations

A non-U.S. corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules," either (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of the average value, determined on the basis of a quarterly average, of its assets is attributable to assets which produce passive income or are held for the production of passive income. For this purpose, "passive income" generally includes, among other things, interest, dividends, rents and royalties.

The Company believes that it should not be treated as a PFIC for U.S. federal income tax purposes for its current taxable year and does not expect to become a PFIC in the foreseeable future. However, the Company's possible status as a PFIC must be determined annually and may be subject to change. If the Company were to be treated as a PFIC, U.S. Holders of New Shares or ADRs would be required (i) to pay a special U.S. addition to tax on certain distributions and gains on sale and (ii) to pay tax on any gain from the sale of New Shares or ADRs at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain. Additionally, dividends paid by the Company would not be eligible for the special reduced rate of tax described above under "*19.3 Dividends—General*." Prospective purchasers should consult their tax advisers regarding the potential application of the PFIC regime.

19.6 Backup Withholding and Information Reporting

Payments of dividends on New Shares or ADRs and proceeds from the sale or other taxable disposition of New Shares or ADRs by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of New Shares or ADRs, including requirements related to the holding of certain "specified foreign financial assets."

20 FINANCIAL INFORMATION

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

In millions of euros	**2020**	2019	2018
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

		Other reserves	
		items that may be reclassified in profit/loss	
	Invested equity attributable to Daimler Group	Currency translation	Equity instruments/ debt instruments
In millions of euros			
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 worldwide 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 receivables 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 overhead 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

In millions of euros	2020	2019	2018
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

In millions of euros	2020	2019	2018
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

In millions of euros	2020	2019	2018
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

In millions of euros	2020	2019	2018
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 (-)

In millions of euros	2020	2019	2018
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 construction 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

In millions of euros	2020	At December 31, 2019	2018
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

In millions of euros	2020	At December 31, 2019	2018
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)	Lifetime expected credit loss 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	credit impaired	
	(Stage 2)	(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 Daim-

ler 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	2019	2018	**2020**	2019	2018	**2020**	2019	2018
	German Plans	German Plans	German Plans	US Plans	US Plans	US Plans	Other	Other	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

In millions of euros	Product warranties	Personnel and social costs	Litigation risks and regulatory proceed-ings	Other	Total
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

In millions of euros	At December 31, 2020 Current	Non-current	Total	At December 31, 2019 Current	Non-current	Total	At December 31, 2018 Current	Non-current	Total
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

In millions of euros	At December 31, 2020 Current	Non-current	Total	At December 31, 2019 Current	Non-current	Total	At December 31, 2018 Current	Non-current	Total
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	Reconciliation	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	Reconcilia-tion	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

Chairman of the Board of Management of Daimler AG

Harald Wilhelm

Finance and Controlling Member of the Board of Management of Daimler AG

Martin Daum

Member of the Board of Management of Daimler AG and Chairman of the Board of Management of Daimler Truck AG

Jochen Götz

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

Unaudited Condensed Interim Combined Financial Statements of the Daimler Truck Business as of and for the nine months ended September 30, 2021 in accordance with IFRS applicable to interim financial reporting (IAS 34)

Condensed Combined Interim Financial Statements
as of and for the nine-month period ended September 30, 2021
in accordance with
International Financial Reporting Standards
(IFRS, as adopted by the EU)
Daimler Truck Business
(unaudited)

Combined Statement of Income of Daimler Truck Business Q1-3

C.01

	Note	Q1-3 2021	Q1-3 2020
In millions of euros			
Revenue	5	28,418	25,154
Cost of sales	6	-23,126	-21,622
Gross profit		5,292	3,532
Selling expenses	6	-1,924	-1,885
General administrative expenses	6	-1,143	-1,060
Research and non-capitalized development costs	6	-991	-1,075
Other operating income	7	1,753	511
Other operating expense	7	-245	-80
Profit on equity-method investments, net	14	138	34
Other financial income/expense, net	8	60	-30
Earnings before interest and taxes (EBIT)	26	2,940	-53
Interest income	9	38	50
Interest expense	9	-107	-156
Profit/loss before income taxes		2,871	-159
Income taxes	10	-606	-340
Net profit/loss		2,265	-499
thereof profit attributable to non-controlling interests		23	4
thereof profit/loss attributable to Daimler Group		2,242	-503
Earnings/loss per share (in euros) **for profit attributable to shareholders based on the target capital structure Daimler Truck Holding AG**	27		
Basic and diluted		2.72	-0.61

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

Combined Statement of Comprehensive Income/Loss of Daimler Truck Business Q1-3

C.02

	Q1-3 2021	Q1-3 2020
In millions of euros		
Net profit/loss	**2,265**	-499
Gains/losses on currency translation	**458**	-735
Gains/losses on derivative financial instruments	**-10**	77
Items that may be reclassified to profit/loss	**448**	-658
Actuarial gains/losses from pensions and similar obligations	**750**	-547
Gains/losses on equity instruments	**-2**	-3
Items that will not be reclassified to profit/loss	**748**	-550
Other comprehensive income/loss, net of taxes	**1,196**	-1,208
thereof income/loss attributable to non-controlling interests, after taxes	**-3**	-5
thereof income/loss attributable to Daimler Group, after taxes	**1,199**	-1,203
Total comprehensive income/loss	**3,461**	-1,707
thereof income/loss attributable to non-controlling interests	**20**	-1
thereof income/loss attributable to Daimler Group	**3,441**	-1,706

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

Combined Statement of Financial Position of Daimler Truck Business

C.03

	Note	Sept. 30, 2021	Dec. 31, 2020
In millions of euros			
Assets			
Intangible assets	11	1,650	1,682
Property, plant and equipment	12	7,612	7,879
Equipment on operating leases	13	3,506	3,746
Equity-method investments	14	1,385	534
Receivables from financial services	15	8,479	8,318
Marketable debt securities and similar investments		33	27
Other financial assets	16	522	804
Deferred tax assets		1,098	1,258
Other assets		337	328
Total non-current assets		24,622	24,576
Inventories	17	8,492	6,278
Trade receivables		3,473	3,487
Receivables from financial services	15	6,696	6,951
Cash and cash equivalents		1,475	1,663
Marketable debt securities and similar investments		4,334	5,814
Other financial assets	16	725	448
Other assets		1,000	772
Total current assets		26,195	25,413
Total assets		50,817	49,989
Equity and liabilities			
Invested equity attributable to Daimler Group		11,556	9,703
Other components of equity		-1,038	-1,478
Equity attributable to Daimler Group		10,518	8,225
Invested equity attributable to non-controlling interests		494	483
Total equity	18	11,012	8,708
Provisions for pensions and similar obligations	19	2,752	3,530
Provisions for other risks	20	2,576	2,568
Financing liabilities	21	7,746	8,744
Other financial liabilities	22	1,783	2,030
Deferred tax liabilities		82	99
Deferred income		1,194	1,283
Contract and refund liabilities		1,774	1,639
Other liabilities		33	31
Total non-current liabilities		17,940	19,924
Trade payables		3,720	3,043
Provisions for other risks	20	1,941	1,719
Financing liabilities	21	11,079	11,805
Other financial liabilities	22	2,496	2,274
Deferred income		642	665
Contract and refund liabilities		1,415	1,295
Other liabilities		572	556
Total current liabilities		21,865	21,357
Total equity and liabilities		50,817	49,989

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

Combined Statement of Cash Flows of Daimler Truck Business

C.04

	Q1-3 2021	Q1-3 2020
In millions of euros		
Profit/loss before income taxes	2,871	-159
Depreciation and amortization/impairments	882	990
Other non-cash expense and income	-775	-41
Gains (-)/losses (+) on disposals of assets	-633	-21
Change in operating assets and liabilities		
Inventories	-2,105	-290
Trade receivables	58	594
Trade payables	620	257
Receivables from financial services	701	1,277
Vehicles on operating leases	255	377
Other operating assets and liabilities	-132	-131
Dividends received from equity-method investments	12	6
Income taxes paid	-485	-323
Cash provided by operating activities	1,269	2,536
Additions to property, plant and equipment	-344	-445
Additions to intangible assets	-172	-94
Proceeds from disposals of property, plant and equipment and intangible assets	89	94
Acquisition of business	-	-64
Proceeds from the disposal of shares in Daimler Truck Fuel Cell GmbH & Co. KG	634	-
Proceeds from disposals of shareholdings	136	7
Investments in shareholdings	-135	-24
Acquisition of marketable debt securities and similar investments	-1,290	-1,633
Proceeds from sales of marketable debt securities and similar investments	2,976	771
Other	48	-92
Cash used for/provided by investing activities	1,942	-1,480
Change in financing liabilities	-2,266	-786
Dividends paid to non-controlling interests	-27	-
Dividends paid to Daimler Group	-6	-1
Other transactions with Daimler Group	-1,106	207
Cash used for financing activities	-3,405	-580
Effect of foreign exchange-rate changes on cash and cash equivalents	6	-127
Net increase/decrease in cash and cash equivalents	-188	349
Cash and cash equivalents at beginning of period	1,663	1,094
Cash and cash equivalents at end of period	1,475	1,443

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

Combined Statement of Changes in Equity of Daimler Truck Business

C.05

		Other components of equity	
		Items that may be reclassified to profit/loss	
	Invested equity attributable to Daimler Group	Currency translation	Equity instruments/ debt instruments
In millions of euros			
Balance at January 1, 2020	10,617	-722	22
Net profit	-503	-	-
Other comprehensive income/loss before taxes	-573	-730	-4
Deferred taxes on other comprehensive income/loss	26	-	1
Total comprehensive income/loss	-1,050	-730	-3
Transactions with Daimler Group	487	-	-
Other	12	-	-
Balance at September 30, 2020	10,066	-1,452	19
Balance at January 1, 2021	**9,703**	**-1,525**	**19**
Net profit	**2,242**	**-**	**-**
Other comprehensive income/loss before taxes	**913**	**461**	**-3**
Deferred taxes on other comprehensive income/loss	**-163**	**-**	**1**
Total comprehensive income/loss	**2,992**	**461**	**-2**
Dividends to Non-controlling interests	**-**	**-**	**-**
Transactions with Daimler Group	**-1,167**	**-**	**-**
Other	**28**	**-**	**-**
Balance at September 30, 2021	**11,556**	**-1,064**	**17**

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

Derivative financial instruments	Treasury shares	**Equity attributable to Daimler Group**	Invested equity attributable to non-controlling interests	**Total equity**	
					In millions of euros
-66	-	9,851	494	10,345	**Balance at January 1, 2020**
-	-	-503	4	-499	Net profit
85	-	-1,222	-5	-1,227	Other comprehensive income/loss before taxes
-8	-	19	-	19	Deferred taxes on other comprehensive income/loss
77	-	-1,706	-1	-1,707	Total comprehensive income/loss
-	-	487	-21	466	Transactions with Daimler Group
-	-	12	7	19	Other
11	-	8,644	479	9,123	**Balance at September 30, 2020**
28	**-**	**8,225**	**483**	**8,708**	**Balance at January 1, 2021**
-	**-**	**2,242**	**23**	**2,265**	Net profit
-10	**-**	**1,361**	**-3**	**1,358**	Other comprehensive income/loss before taxes
-	**-**	**-162**	**-**	**-162**	Deferred taxes on other comprehensive income/loss
-10	**-**	**3,441**	**20**	**3,461**	Total comprehensive income/loss
-	**-**	**-**	**-26**	**-26**	Dividends to Non-controlling interests
-	**-**	**-1,167**	**-**	**-1,167**	Transactions with Daimler Group
-9	**-**	**19**	**17**	**36**	Other
9	**-**	**10,518**	**494**	**11,012**	**Balance at September 30, 2021**

Notes to the Condensed Combined Interim Financial Statements of Daimler Truck Business

1. General information

Background

Daimler Group is a vehicle manufacturer with a worldwide 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 a 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. 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, Daimler Truck 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 a 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. The spin-off will require the approval from shareholders of DAG and DTHAG.

In contemplation of the spin-off and subsequent listing the Daimler Truck Holding AG with registered office in Stuttgart, 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 to as “DTAG”), as a subsidiary and being the lead operating company that bundles the Daimler Truck Business at the time of the spin-off.

The Condensed Combined Interim Financial Statements of Daimler Truck Business for the nine-month period from January 1, 2021 to September 30, 2021 (“Condensed Interim Combined Financial Statements”) are prepared on the same basis as the Combined Financial Statements of Daimler Truck Business for the fiscal years ended 2020, 2019 and 2018 (the “Combined Financial Statements”) and should therefore not be read separately but only in combination with each other.

DTHAG with Share Capital of EUR 50,000 has been included to the Scope of Combination from March 25, 2021 (refer to Note 30. Scope of combination).

The headquarters and Board of Management of DTAG and DTHAG will be at the Daimler Truck Campus and Mercedes-Benz Campus, which are close to each other in Leinfelden-Echterdingen, Stuttgart. In addition to their existing roles within Daimler Truck Business, the following members of the Board of Management of DTAG were appointed as members of the Board of Management of DTHAG, with effect from July 12, 2021:

- 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.

The following members of the Supervisory Board of Daimler AG will step down from their DAG roles, and are designated for election to the Supervisory Board of Daimler Truck Holding AG:

- Marie Wieck,
- Joe Kaeser, nominated to lead the Supervisory Board as Chairman

For further information on nominations and composition of the Board of Management and Supervisory Board of Daimler Truck Holding AG, refer to the relevant section in Note 42. Events after reporting period in the Combined Financial Statements. Additionally, Hartmut Schick will be succeeded by Karl Deppen on the Board of Management of Daimler Truck AG (and similarly for Daimler Truck Holding AG) from December 1, 2021.

For further information to the background of the Daimler Truck Business, please refer to the Note 1. General information in the Combined Financial Statements.

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 29. 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.

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 in the Combined Financial Statements.

The legal steps necessary to execute and close the demerger transaction, including the aforementioned capital contribution, has been set forth and agreed on in the Spin-Off and Hive-Down Agreement (Demerger Agreement) by and between Daimler AG and Daimler Truck Holding AG, which has been signed and notarized on August 6, 2021, comprising of several Annexes, including the Group separation agreement and the Deconsolidation agreement.

- The Group separation agreement (Konzerntrennungsvertrag) contains guiding principles and provisions on the legal relationships between Daimler AG and Daimler Truck Holding AG and their respective group companies, a commitment towards the execution and completion of reorganization measures, both before and after the effective spin-off, reflecting their historical joint affiliations.

- The Deconsolidation agreement (Entkonsolidierungsvereinbarung) 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 DTHAG in order to ensure deconsolidation of DTHAG from DAG under IFRS.

With the convocation of the extraordinary general meeting of Daimler AG on October 1, 2021, the Demerger Agreement including annexes has been disclosed in the Federal Gazette on August 17, 2021, along with a reference to the Joint Spin-Off and Hive-Down Report (Demerger Report) of the Board of Management of DAG and the Board of Management of Daimler Truck Holding AG concerning the spin-off and hive-down of shares in Daimler Truck AG and the spin-off of the control and profit and loss transfer agreement existing between Daimler AG and Daimler Truck AG. The Demerger Report, signed on August 9, 2021, as well as the further documents required by the transformation act have been made available to the shareholders on the Internet at the Investor Relation section of the Daimler website.

The Demerger Agreement has been approved by the extraordinary general meeting of Daimler AG on October 1, 2021 and the extraordinary general meeting of DTHAG on November 5, 2021.

Accordingly, DTHAG will be the issuer of all 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 as well as the latest interim financial statements 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 and for the nine-month period ended September 30, 2021 that reflects the entire operations of Daimler Truck Group.

Therefore, Daimler AG’s, Daimler Truck AG’s and Daimler Truck Holding AG’s management have prepared (in addition to the Combined Financial Statements which in general reflect the Daimler Truck Business), the Condensed Interim Combined Financial Statements for the nine-month ended September 30, 2021. 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 Condensed Combined Interim Financial Statements. For detailed information on the scope of combination please refer to Note 2. Basis of preparation and Note 30. Scope of combination.

The Condensed Combined Interim Financial Statements comprise the Combined Statement of Financial Position as of September 30, 2021 and December 31, 2020, Combined Statement of Income, Combined Statement of Comprehensive Income, Combined Statement of Changes in Equity, Combined Statement of Cash Flows for the nine-month period ended September 30, 2021 and 2020 and the Notes to the Condensed Combined Interim Financial Statements for the nine-month period ended September 30, 2021, prepared on a going concern basis.

The Condensed Combined Interim 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 Condensed Combined Interim Financial Statements were prepared and authorized for issuance on November 5, 2021 by the Boards of Management of Daimler AG, Daimler Truck AG and Daimler Truck Holding 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 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 nor of DTHAG.

In the IFRS Interim Consolidated Financial Statements of Daimler AG for the nine-month period ended September 30, 2021 and 2020 Daimler Trucks & Buses has been generally included in the reportable segment “Daimler Trucks & Buses”.

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 implementing Phase 1 reorganization measures to establish the Daimler Truck Group in December 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 Daimler Truck AG 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 Daimler Truck AG 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

These Condensed Combined Interim Financial Statements of Daimler Truck Business for the nine months period from January 1, 2021 to September 30, 2021 are prepared on the same basis of preparation as the Combined Financial Statements for the fiscal years ended 2020, 2019 and 2018, unless stated otherwise in this section, and should therefore not be read separately but only in combination with each other.

Scope of combination

The scope of combination for the Condensed Combined Interim Financial Statements of Daimler Truck Business for the nine months from January 1, 2021 to September 30, 2021 was determined based on the legal reorganization concept.

Refer to Note 30. 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 Condensed Combined Interim Financial Statements. For further information on the legal reorganization of Phase 1 also refer to Note 29. Events after the reporting period.

Condensed Combined Interim Financial Statements

Daimler Truck Business has prepared the Condensed Combined Interim Financial Statements in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) and, in particular, for interim financial information according to International Accounting Standard (“IAS”) 34, Interim Financial Reporting.

Since IFRS provides no guidelines for the preparation of Condensed Combined Interim Financial Statements, rules given in IAS 8.12 have been used. IAS 8.12 requires the consideration of the most recent pronouncements of other standard-setting bodies, other financial requirements, and recognized industry practices. Consistent with the Combined Financial Statements, the predecessor accounting approach has been applied in the Condensed Combined Interim Financial Statements of Daimler Truck Business following IAS 8.12. Furthermore, the same combination rules have been applied as in the Combined Financial Statements. The Management of Daimler Truck Business uses significant judgment in developing and applying accounting policies and combination rules, which produce information that is relevant to users, reliable and free from bias, and complete in all material respects. Thus, the Condensed Combined Interim Financial Statements presented here do not necessarily reflect the financial position and results of operations that would have occurred if Daimler Truck Business had existed as a separate group in the periods presented.

All significant intercompany accounts and transactions have been eliminated. In the opinion of the management, the Condensed Combined Interim Financial Statements reflect all adjustments necessary for a fair presentation of the profitability, liquidity and capital resources, and financial position of the Daimler Truck Business. Results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period or for the full financial year.

Significant changes to the basis of preparation or other special considerations

Cellcentric

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. They completed the transaction on 1 March 2021. In 2020 the Daimler Group placed the assets and liabilities of the Group-wide fuel-cell activities in the Daimler Truck Fuel Cell GmbH & Co. KG, a wholly owned subsidiary of Daimler Truck AG. Upon completion of the transaction, 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.

Upon completion of the transaction in March 2021, income before taxes 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 recognised at the Daimler Truck Business.

Before this date, the fuel cell activities were included in full in these Condensed Combined Interim Financial Statements. After completion of the transaction, cellcentric is accounted using the equity-method and allocated to Reconciliations within the segment reporting.

Segment Reporting

In July 2021, Daimler Truck Business implemented its regular management reporting to the Board of Management of Daimler Truck AG and Daimler Truck Holding AG based on the new segment structure. The segment reporting presented in the Condensed Combined Interim Financial Statements represent the new reporting structure for all periods presented.

3. Significant accounting policies

Accounting policies

The accounting principles applied in the preparation of the Condensed Combined Interim Financial Statements as of and for the nine-month period ended September 30, 2021 are consistent with those used in the preparation of the Combined Financial Statements for fiscal year ended 2020, 2019 and 2018.

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. Similarly, Daimler Truck Business has not applied the updated amendment to IFRS 16 ("Covid-19-Related Rent Concessions beyond 30 June 2021"), as adopted by the E.U. in August 2021.

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.

4. Accounting estimates and management judgments

In the Condensed Combined Interim Financial Statements, to a certain degree, estimates and management judgments are required. These can affect: (1) the reporting of assets and liabilities; (2) the reporting of contingent assets and liabilities on the balance sheet date; and (3) the amounts of income and expense reported for the period. The condensed combined interim 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 condensed combined interim financial information. It also means that the condensed combined interim 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 Condensed Combined Interim 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 of these Condensed Combined Interim Financial Statements and of the Combined Financial Statements. 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 of these Condensed Combined Interim Financial Statements and of the Combined Financial Statements. 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.

Extension of useful lives for property, plant and equipment prospectively from January 2021

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 has been applied from January 1, 2021 and leads to a positive impact on earnings before interest and taxes (EBIT) of €93 million in the nine-month period ended September 30, 2021. The impact is mainly included in the cost of sales.

The expected full-year effects are €0.1 billion in 2021 and €0.1 billion in 2022.

Cash-generating-unit (CGU) impairment tests

With the formation of the new Daimler Truck Management Board, the new management reporting and the respective planning, an extraordinary impairment test has been triggered for the financial services cash-generating unit (CGU). The recoverable amount of the CGU was determined based on forecasts for its value-in-use calculations which require the use of assumptions and management judgements.

5. 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 ↗ C.06. The category type of products and services corresponds to the reportable segments as further described in the Note 26. Segment reporting.

Other revenue primarily comprises revenue from the rental and leasing business, interest from the financial services business at Financial Services and effects from currency hedging. Interest from financial services business includes financial income on the net investment in leases.

C.06

Revenue for the nine-month period ended September 30

In millions of euros	Mercedes-Benz	Trucks North America	Trucks Asia	Daimler Buses	Financial Services	Total segments	Reconciliation	Daimler Truck Business
Q1-3 2021								
Europe	**7,348**	**67**	**74**	**1,388**	**-**	**8,877**	**-522**	**8,355**
North America	**821**	**10,834**	**61**	**110**	**57**	**11,883**	**-842**	**11,041**
Asia	**806**	**11**	**3,424**	**41**	**7**	**4,289**	**-321**	**3,968**
Latin America	**1,695**	**105**	**95**	**261**	**8**	**2,164**	**-92**	**2,072**
Other markets	**673**	**166**	**685**	**62**	**29**	**1,615**	**-3**	**1,612**
Revenue according to IFRS 15	**11,343**	**11,183**	**4,339**	**1,862**	**101**	**28,828**	**-1,780**	**27,048**
Other revenue	**445**	**2**	**16**	**181**	**757**	**1,401**	**-31**	**1,370**
Total revenue	**11,788**	**11,185**	**4,355**	**2,043**	**858**	**30,229**	**-1,811**	**28,418**

In millions of euros	Mercedes-Benz	Trucks North America	Trucks Asia	Daimler Buses	Financial Services	Total segments	Reconciliation	Daimler Truck Business
Q1-3 2020								
Europe	6,007	51	154	1,599	-	7,811	-383	7,428
North America	468	9,571	68	72	30	10,209	-482	9,727
Asia	975	33	3,584	48	4	4,644	-321	4,323
Latin America	951	43	63	236	8	1,301	-88	1,213
Other markets	518	74	207	107	34	940	-45	895
Revenue according to IFRS 15	8,919	9,772	4,076	2,062	76	24,905	-1,319	23,586
Other revenue	453	51	21	215	843	1,583	-15	1,568
Total revenue	9,372	9,823	4,097	2,277	919	26,488	-1,334	25,154

6. Functional costs

Cost of sales

Cost of sales amounted to €23,126 million in the nine-month period ended September 30, 2021 (Q1-3 2020: €21,622 million). It primarily comprises the expenses of goods sold.

Selling expenses

In the nine-month period ended September 30, 2021 selling expenses amounted to €1,924 million (Q1-3 2020: €1,885 million). They consist of direct selling costs as well as selling overhead expenses and comprise personnel expenses, material costs and other selling costs.

General administrative expenses

General administrative expenses amounted to €1,143 million in the nine-month period ended September 30, 2021 (Q1-3 2020: €1,060 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 amounted to €991 million in the nine-month period ended September 30, 2021 (Q1-3 2020: €1,075 million). They primarily comprise personnel expenses and material costs.

In all functional cost areas, there were expenses from personnel-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. The expenses were mainly attributable to the Mercedes-Benz segment. Table ↗ C.07 provides an overview of the composition of these expenses.

C.07
Expenses associated with personnel-cost optimization programs

	Q1-3 2021	Q1-3 2020
In millions of euros		
Cost of sales	65	47
Selling expenses	18	8
General administrative expenses	17	9
Research and non-capitalized development costs	16	9
	116	73

7. Other operating income and expense

Other operating income amounted to €1,753 million in the nine-month period ended September 30, 2021 (Q1-3 2020: €511 million). In March 2021, income from the fuel-cell joint venture cellcentric GmbH & Co. KG (“cellcentric”) resulted in a positive effect on earnings of €1,215 million, of which €624 million is accounted for in particular by the remeasurement of the interest in cellcentric that is held by Daimler Truck Business.

Other operating expense was €-245 million in the nine-month period ended September 30, 2021 (Q1-3 2020: €-80 million), of this €-52 million related to changes in provisions for liabilities and litigation (Q1-3 2020 Other operating income: €60 million), which is primarily allocated to Reconciliation within the Segment reporting.

Other operating expense includes an impairment loss of €-40 million on the goodwill related to the Financial Services segment for the nine-month period ended September 30, 2021 (Q1-3 2020: €0 million).

8. Other financial income/expense

Table ↗ C.08 shows the components of other financial income/expense, net.

C.08
Other financial income/expense, net

	Q1-3 2021	Q1-3 2020
In millions of euros		
Income and expense from compounding and effects from changes in discount rates of provisions for other risks	22	-39
Miscellaneous other financial income/expense, net	38	9
	60	-30

9. Interest income and interest expense

The composition of interest income and interest expense is shown in table ↗ C.09.

C.09
Interest income and interest expense

	Q1-3 2021	Q1-3 2020
In millions of euros		
Interest income		
Interest and similar income	38	50
	38	50
Interest expense		
Net interest expense on the net obligation from defined-benefit pension plans	-39	-44
Interest and similar expense	-68	-112
	-107	-156

10. Income taxes

Table ↗ **C.10** shows income/loss before income taxes, income taxes and the derived effective tax rate.

C.10
Income Taxes

	Q1-3 2021	Q1-3 2020
In millions of euros		
Income/loss before income taxes	2,871	-159
Income taxes	-606	-340
Effective tax rate	21.1%	-213.8%

Income tax expense is recognized based on managements' estimates of the weighted average effective annual income tax rate expected for the full financial year as well as any items recognized discreetly in the interim reporting period.

In the first nine months of 2021, the effective tax rate was reduced in comparison to the expected tax rate due to the formation of the fuel-cell joint venture cellcentric. The income from that transaction was only partly subject to a deferred tax expense. On the other hand, the tax rate was increased due to the non-recognition of deferred tax assets on other losses incurred in Germany in 2021. Overall, these tax effects reduced the effective tax rate to 21.1% for the first nine months of 2021.

In the first nine months of 2020, income taxes are significantly impacted by the non-recognition of deferred tax assets on losses incurred in Germany in 2020. Thus, in spite of a pre-tax loss, a tax expense was recognized.

11. Intangible assets

The composition of intangible assets is shown in table ↗ **C.11**.

C.11
Intangible assets

	Sept. 30, 2021	Dec. 31, 2020
In millions of euros		
Goodwill (acquired)	616	626
Development costs (internally generated)	715	721
Other intangible assets (acquired)	319	335
	1,650	1,682

Intangible assets include capitalized development costs (internally generated) of €147 million for the nine-month period ended September 30, 2021 (Q1-3 2020: €70 million). Amortization of capitalized development costs for the nine-month period ended September 30, 2021 amounted to €153 million (Q1-3 2020: €170 million).

In the nine-month period ended September 30, 2021, goodwill includes a decrease of €40 million due to impairment loss of the Financial Services cash generating unit (CGU) (Q1-3 2020: €0 million) bringing the carry value of the goodwill for this CGU down to €0 million (December 31, 2020: €40 million).

12. Property, plant and equipment

Property, plant and equipment as presented in the Combined Statement of Financial Position with a carrying amount of €7,612 million (December 31, 2020: €7,879 million) also includes right-of-use assets related to lessee accounting.

Table ↗ **C.12** shows property, plant and equipment excluding right-of-use assets.

C.12
Property, plant and equipment (excluding right-of-use assets)

	Sept. 30, 2021	Dec. 31, 2020
In millions of euros		
Land, leasehold improvements and buildings including buildings on land owned by others	2,425	2,437
Technical equipment and machinery	1,818	1,899
Other equipment, factory and office equipment	1,550	1,572
Advance payments relating to plant and equipment and construction in progress	625	661
	6,418	6,569

Table ↗ **C.13** shows the composition of the right-of-use assets.

C.13
Right-of-use assets

	Sept. 30, 2021	Dec. 31, 2020
In millions of euros		
Land, leasehold improvements and buildings	1,151	1,272
Technical equipment and machinery	2	2
Other equipment, factory and office equipment	41	36
	1,194	1,310

13. Equipment on operating leases

At September 30, 2021, the carrying amount of equipment on operating leases was €3,506 million (December 31, 2020: €3,746 million). In the nine-month period ended September 30, 2021, additions and disposals amounted to €734 million and €1,023 million respectively (Q1-3 2020: €758 million and €975 million). Depreciation for the nine-month period ended September 30, 2021 was €522 million (Q1-3 2020: €667 million). Other changes primarily comprise the effects of currency translation.

14. Equity-method investments

Table ↗ **C.14** shows the carrying amounts and gains/losses on equity-method investments.

Table ↗ **C.15** presents key figures on interests in joint ventures accounted for using the equity method in Daimler Truck Business' Condensed Combined Interim Financial Statements.

C.14

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

In millions of euros	Associated companies[2]	Joint ventures	Joint operations	Total
At September 30, 2021				
Equity investment[1]	**111**	**1,259**	**15**	**1,385**
Equity result (Q1-3 2021)[1]	**-34**	**168**	**4**	**138**
At December 31, 2020				
Equity investment[1]	169	352	13	534
Equity result (Q1-3 2020)[1]	-6	37	3	34

1 Including investor-level adjustments.
2 In September 2021, DTAG disposed its 15% holding in KAMAZ. Refer to "KAMAZ" section below for more information.

C.15

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

In millions of euros	cellcentric[2]	BFDA	Others	Total
At September 30, 2021				
Equity interest (in %)	**50**	**50**		
Equity investment[1]	**674**	**456**	**129**	**1,259**
Equity result (Q1-3 2021)[1]	**-32**	**150**	**50**	**168**
At December 31, 2020				
Equity interest (in %)	-	50.0		
Equity investment[1]	-	281	71	352
Equity result (Q1-3 2020)[1]	-	35	2	37

1 Including investor-level adjustments.
2 The figures for the equity result relate to the period of March 1 to September 30, 2021.

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 Trucks Asia segment.

The profit/loss on equity method investments of BFDA includes an impairment loss reversal of €75 million in the nine-month period ended September 30, 2021 (2020 Q1-3: €0 million) triggered by the confirmation of the production and distribution of Mercedes-Benz branded heavy duty trucks in China from Q4 2022 onwards.

Cellcentric

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. Daimler Truck Fuel Cell GmbH & Co. KG was 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.

Upon completion of the transaction in March 2021, income before taxes of €1,215 million, of which €624 million is accounted for in particular by the remeasurement of the interest in cellcentric that is held by Daimler Truck Business and cash inflow of €634 million were recognized. Cellcentric related activities are allocated to Reconciliation within the Segment reporting.

Following the transaction and until September 30, 2021, Daimler Truck Business and Volvo Group made a total of €132 million capital contributions to cellcentric, therefore resulting in an increase in Daimler Truck Business' equity investment share by €66 million.

KAMAZ

In September 2021, Daimler Truck AG transferred its 15% holding in KAMAZ PAO ("KAMAZ") to Daimler AG for cash consideration of €132 million, presented within Proceeds from disposal of shareholdings in the Combined Statement of Cash Flows. As at September 30, 2021, Daimler Truck Business holds 0% share of KAMAZ. The carrying value of the investment was €131 million at date of disposal, after including equity result and reversal of historical impairment loss.

For the nine-month period ended September 30, 2021, the equity result for KAMAZ was €-40 million, which is presented within the Mercedes-Benz segment. This amount is comprised of: (1) a positive effect from the impairment loss reversal of €58 million (due to increase in share price); (2) the positive effect from the share of nine-month equity result of €11 million; (3) the €1 million gain on disposal on cash consideration against carrying value; and (4) a loss on disposal related to recycling of cumulative foreign exchange movements of €-110 million from Other Comprehensive Income.

15. Receivables from financial services

Receivables from financial services are shown in the following table:

C.16
Receivables from financial services

	Sept. 30, 2021			Dec. 31, 2020		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Sales financing with customers	3,557	6,625	10,182	3,457	6,624	10,081
Sales financing with dealers	2,316	656	2,972	2,702	550	3,252
Finance lease contracts	943	1,462	2,405	904	1,403	2,307
Gross carrying amount	6,816	8,743	15,559	7,063	8,577	15,640
Loss allowances	-120	-264	-384	-112	-259	-371
Net carrying amount	6,696	8,479	15,175	6,951	8,318	15,269

16. Other financial assets

The line item other financial assets presented in the Combined Statement of Financial Position is comprised as shown in table ↗ C.17.

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

C.17
Other financial assets

	Sept. 30, 2021			Dec. 31, 2020		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Equity instruments and debt instruments	-	275	275	-	191	191
recognized at fair value through other comprehensive income	-	93	93	-	96	96
recognized at fair value through profit or loss	-	182	182	-	95	95
Derivative financial instruments used in hedge accounting	57	18	75	142	55	197
Other financial assets recognized at fair value through profit or loss	3	-	3	19	9	28
Other financial receivables and miscellaneous other financial assets	665	229	894	287	549	836
	725	522	1,247	448	804	1,252

17. Inventories

Inventories are comprised as follows:

C.18
Inventories

In millions of euros	Sept. 30, 2021	Dec. 31, 2020
Raw materials and manufacturing supplies	**1,461**	1,095
Work in progress	**3,129**	1,530
Finished goods, parts and products held for resale	**3,898**	3,651
Advance payments to suppliers	**4**	2
	8,492	6,278

Work in progress increased by €1,599 million in the nine-month period ended September 30, 2021 due to semi-conductor supply shortages, leading to a significant number of trucks awaiting completion.

18. Equity

See also the Combined Statement of Changes in Equity of Daimler Truck Business ↗ C.05.

The individual components of equity and their development in the nine-month periods ended September 30, 2021 and 2020 are presented as in the Combined Statement of Changes in Equity.

As stated in Note 1. General information, 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 Total equity of the Daimler Truck Business consists of the Equity attributable to the Daimler Group and the Invested equity attributable to non-controlling interests.

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 nine-month period ended September 30, 2021, transactions with remaining Daimler Group were €-1,167 million (Q1-3 2020: €487 million).

The line item "Transactions with Daimler Group" mainly contains specifics in relation to the combination rules as described in Note 2. Basis of preparation in the Combined Financial Statements. In the nine-month period ended September 30, 2021 this primarily relates to purchase price payments from acquisitions with Daimler Group. 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 30. 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 such as dividend distributions and other equity transactions.

Other components of equity

In the Combined Statement of Financial Position, the equity line “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 for 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.

19. Pensions and similar obligations

Composition of provisions for pension benefit plans and similar obligations

Table ↗ **C.19** shows the composition of provisions for pension benefit plans and similar obligations.

C.19
Composition of provisions for pensions and similar obligations

In millions of euros	Sept. 30, 2021	Dec. 31, 2020
Provision for pension benefits	**2,135**	2,915
Provision for other post-employment benefits	**617**	615
	2,752	3,530

Provision for pension benefits liabilities decreased by €780 million in the nine-month period ended September 30, 2021 primarily due to a significant increase in discount rates.

Development of funded status

The funded status of pension obligations is shown in table ↗ **C.20**. The decrease in the present value of defined benefit obligations resulted especially from the significant increase in discount rates.

C.20
Development of funded status

In millions of euros	Sept. 30, 2021	Dec. 31, 2020
Present value of the defined benefit obligation	**-8,010**	-8,555
Fair value of plan assets	**5,880**	5,644
Net defined benefit liability	**-2,130**	-2,911
thereof recognized in other assets	**5**	4
thereof recognized in provisions for pensions and similar obligations	**-2,135**	-2,915

20. Provisions for other risks

Provisions for other risks are comprised as shown in table ↗ **C.21**.

C.21

Provisions for other risks

	Current	Non-current	Sept. 30, 2021 Total	Current	Non-current	Dec. 31, 2020 Total
In millions of euros						
Product warranties	**765**	**841**	**1,606**	816	877	1,693
Personnel and social costs	**638**	**748**	**1,386**	436	707	1,143
Litigation risks and regulatory proceedings	**187**	**886**	**1,073**	145	874	1,019
Other	**351**	**101**	**452**	322	110	432
	1,941	**2,576**	**4,517**	1,719	2,568	4,287

21. Financing liabilities

The composition of financing liabilities is shown in table ↗ **C.23**.

Part of the liabilities were allocated based on a target equity ratio (see Note 1. General information to the Combined Financial Statements). 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 29. Events after the reporting period for more details).

Further details to the liabilities allocated based on a target equity ratio is provided in table ↗ **C.22**.

C.22

Financing liabilities allocated based on a target equity ratio

	Sept. 30, 2021	Dec. 31, 2020
Non-current		
Liabilities to external financial institutions	**545**	699
Liabilities to remaining Daimler Group	**4,397**	4,523
Current		
Liabilities to external financial institutions	**693**	575
Liabilities to remaining Daimler Group	**4,489**	4,918

C.23

Financing liabilities

	Current	Non-current	Sept. 30, 2021 Total	Current	Non-current	Dec. 31, 2020 Total
In millions of euros						
Notes/bonds	**544**	**350**	**894**	574	685	1,259
Commercial papers	**42**	**-**	**42**	82	-	82
Liabilities to financial institutions[1]	**1,647**	**1,065**	**2,712**	2,334	1,324	3,658
Deposits in the direct banking business	**144**	**306**	**450**	28	236	264
Liabilities from ABS transactions	**590**	**340**	**930**	501	370	871
Lease liabilities[1]	**169**	**1,050**	**1,219**	177	1,163	1,340
Loans/liabilities from cash pooling[1]	**7,943**	**4,635**	**12,578**	8,109	4,966	13,075
	11,079	**7,746**	**18,825**	11,805	8,744	20,549

[1] For further details on remaining Daimler Group amounts see Note 28. Related party disclosures

22. Other financial liabilities

The composition of other financial liabilities is shown in table ↗ C.24.

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.

C.24
Other financial liabilities

	Sept. 30, 2021			Dec. 31, 2020		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Derivative financial instruments used in hedge accounting	11	14	25	31	26	57
Financial liabilities recognized at fair value through profit or loss	2	-	2	2	-	2
Liabilities from residual value guarantees	912	1,558	2,470	900	1,791	2,691
Liabilities from wages and salaries	669	37	706	518	32	550
Accrued interest expenses	156	-	156	163	-	163
Deposits received	234	29	263	205	30	235
Other	512	145	657	455	151	606
Miscellaneous other financial liabilities	2,483	1,769	4,252	2,241	2,004	4,245
	2,496	1,783	4,279	2,274	2,030	4,304

23. 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 these Condensed Combined Interim Financial Statements and are based on estimates. 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.

The statements regarding legal proceedings set out above are to be read in conjunction with Notes 26, 33 and 34 to the Combined Financial Statements.

24. Contingent Liabilities and other financial obligations

Contingent liabilities

At September 30, 2021, the best estimate for obligations from contingent liabilities was €607 million (December 31, 2020: €589 million). The contingent liabilities mainly includes legal proceedings.

Other financial obligations

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 €28,353 million as of September 30, 2021 (due in the next 12 months: €8,266 million) (December 31, 2020: €37,725 million, thereafter due in 2021: €9,765 million).

25. Financial instruments

Table ↗ **C.25** shows the carrying amounts and fair values 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 in the market.

C.25

Carrying amounts and fair values of financial instruments

	Sept. 30, 2021		Dec. 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
In millions of euros				
Financial assets				
Receivables from financial services	**15,175**	**15,278**	15,269	15,466
Trade receivables	**3,473**	**3,473**	3,487	3,487
Cash and cash equivalents	**1,475**	**1,475**	1,663	1,663
Marketable debt securities and similar investments	**4,367**	**4,367**	5,841	5,841
Recognized at fair value through other comprehensive income	**125**	**125**	108	108
Recognized at fair value through profit or loss	**10**	**10**	-	-
Measured at amortized cost	**4,232**	**4,232**	5,733	5,733
Other financial assets				
Equity instruments and debt instruments	**275**	**275**	191	191
Recognized at fair value through other comprehensive income	**93**	**93**	96	96
Recognized at fair value through profit or loss	**182**	**182**	95	95
Other financial assets recognized at fair value through profit or loss	**3**	**3**	28	28
Derivative financial instruments used in hedge accounting	**75**	**75**	197	197
Other receivables and miscellaneous other financial assets	**849**	**849**	787	787
	25,692	**25,795**	27,463	27,660
Financial liabilities				
Financing liabilities	**17,606**	**17,638**	19,209	19,246
Trade payables	**3,720**	**3,720**	3,043	3,043
Other financial liabilities				
Financial liabilities recognized at fair value through profit or loss	**2**	**2**	2	2
Derivative financial instruments used in hedge accounting	**25**	**25**	57	57
Miscellaneous other financial liabilities	**4,252**	**4,252**	4,245	4,245
Contract and refund liabilities				
Obligations from sales transactions	**335**	**335**	363	363
	25,940	**25,972**	26,919	26,956

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

Marketable debt securities and similar investments, other financial assets and liabilities

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. Daimler Truck Business does not generally intend to sell its equity instruments which are presented at September 30, 2021.

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 were 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.

The marketable debt securities and similar investments with a carrying amount of €4,367 million (December 31, 2020: €5,841 million) are part of the Daimler Truck Business' liquidity management and comprise of financial instruments recognized at fair value through other comprehensive income or fair value through profit and loss or at amortized cost for the cash pool receivables from remaining Daimler Group.

Other financial assets and liabilities 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 into 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 into account of credit premiums and default risks) using the 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.

Contract and refund liabilities

Contract and refund liabilities include obligations from sales transactions that qualify as financial instruments.

Obligations from sales transactions should, in principle, 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.

Table ↗ C.26 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 for reclassification between the fair-value hierarchies. Due to an IPO, the investment in Proterra was reclassified from Level 3 to Level 1 in Q2 2021.

For the determination of the credit risk from derivative financial instruments which are allocated to the Level 2 measurement hierarchy, portfolios are managed on the basis of net exposure.

C.26

Measurement hierarchy of financial assets and liabilities recognized at fair value

				Sept. 30, 2021				Dec. 31, 2020
	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	**135**	**33**	**102**	**-**	108	26	82	-
Recognized at fair value through other comprehensive income	**125**	**33**	**92**	**-**	108	26	82	-
Recognized at fair value through profit or loss	**10**	**-**	**10**	**-**	-	-	-	-
Equity instruments and debt instruments	**275**	**202**	**23**	**50**	191	108	77	6
Recognized at fair value through other comprehensive income	**93**	**87**	**-**	**6**	96	90	-	6
Recognized at fair value through profit or loss	**182**	**115**	**23**	**44**	95	18	77	-
Other financial assets recognized at fair value through profit or loss	**3**	**-**	**3**	**-**	28	-	28	-
Derivative financial instruments used in hedge accounting	**75**	**-**	**75**	**-**	197	-	197	-
	488	**235**	**203**	**50**	524	134	384	6
Financial liabilities recognized at fair value								
Financial liabilities recognized at fair value through profit or loss	**2**	**-**	**2**	**-**	2	-	2	-
Derivative financial instruments used in hedge accounting	**25**	**-**	**25**	**-**	57	-	57	-
	27	**-**	**27**	**-**	59	-	59	-

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

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 of selected 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, a syndicated loan agreement in the amount of €18 billion has been 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 by the underwriting banking consortium on August 6, 2021, and syndicated to a wider group of international banks on Sep 28 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.

26. Segment reporting

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 the Condensed Combined Interim 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.

Segment information for the nine-month periods ended September 30, 2021 and 2020 is as follows:

C.27

Segment reporting for the nine-month period ended September 30[1]

In millions of euros	Mercedes-Benz	Trucks North America	Trucks Asia	Daimler Buses	Financial Services	Total segments	Reconciliation	Daimler Truck Business
Q1-3 2021								
External revenue	**10,390**	**11,116**	**4,106**	**1,954**	**851**	**28,417**	**1**	**28,418**
Intersegment revenue	**1,398**	**69**	**249**	**89**	**7**	**1,812**	**-1,812**	**-**
Total revenue	**11,788**	**11,185**	**4,355**	**2,043**	**858**	**30,229**	**-1,811**	**28,418**
Segment profit/loss (EBIT)	**330**	**1,205**	**316**	**-74**	**121**	**1,898**	**1,042**	**2,940**

In millions of euros	Mercedes-Benz	Trucks North America	Trucks Asia	Daimler Buses	Financial Services	Total segments	Reconciliation	Daimler Truck Business
Q1-3 2020								
External revenue	8,394	9,747	3,895	2,188	915	25,139	15	25,154
Intersegment revenue	978	76	202	89	4	1,349	-1,349	-
Total revenue	9,372	9,823	4,097	2,277	919	26,488	-1,334	25,154
Segment profit/loss (EBIT)	-610	636	42	24	-52	40	-93	-53

[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.

In the nine-month period ended September 30, 2021, the EBIT for the Financial Services segment includes goodwill impairment loss of €40 million. With the implementation of the new management reporting and formation of the new Daimler Truck Management Board in Q3, goodwill from Financial Services allocated to Daimler Truck Business has been tested and, as per IAS 36.105(a), impaired to a carrying value of €0 million.

Reconciliation

Reconciliation of the total segments' profit/loss (EBIT) to the EBIT of the Daimler Truck Business is as shown in table ↗ C.28.

The reconciliation comprises corporate items for which headquarters is responsible. Transactions between the segments are eliminated in the context of combination.

In 2021, Volvo acquired a 50% interest in Daimler Truck Fuel Cell GmbH & Co. KG (“cellcentric”), the joint venture resulted in a positive contribution to earnings of €1,215 million, within the Other operating income.

In the nine-month period ended September 30, 2021, Other business activities and corporate items is comprised primarily of operational expenses of €76 million related to Daimler Truck Business’s autonomous driving business activities (Q1-3 2020: €58 million).

In the nine-month period ended September 30, 2020, Other business activities and corporate items includes €44 million related to Daimler Truck Business’s fuel cell activities.

C.28

Reconciliation to Daimler Truck Business figures

In millions of euros	**Q1-3 2021**	Q1-3 2020
Total segments' profit/loss (EBIT)	**1,898**	40
Profit/loss on equity-method investments	**-34**	-4
Other operating income	**1,215**	-
Other business activities and corporate items	**-127**	-144
Eliminations	**-12**	55
EBIT	**2,940**	-53

27. 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 the Condensed Combined Interim Financial Statements.

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 spinoff.

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 ↗ C.29 shows the numerator and the denominator for the calculation of the earnings per share.

C.29
Earnings per share

	Q1-3 2021	Q1-3 2020
In millions of euros		
Combined profit/loss attributable to Daimler Group - basic and diluted	2,242	-503
In millions of shares		
Weighted average number of shares outstanding - basic and diluted	823	823
Earnings per share – basic and diluted	2.72	-0.61

28. Transactions with related parties

Related parties (companies or persons) are deemed to be associated companies, joint ventures and unconsolidated subsidiaries, as well as persons who exercise a significant influence on the financial and business policy of the Daimler Truck Business ("DTB"). The latter category includes all persons in key positions and their close family members. At the Daimler Truck Business, those persons are the members of the Board of Management and of the Supervisory Board of Daimler Truck AG and Daimler Truck Holding AG as well as Daimler AG as the ultimate controlling parent of the Daimler Truck Business.

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 associated companies and joint ventures and are shown in table ↗ C.30.

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 the nine-month period ended September 2021, the cost of such services provided by the remaining Daimler Group amounted to €203 million (Q1-3 2020: €199 million).

Financing and cash pooling by the remaining Daimler Group

During the periods presented in the Condensed Combined Interim Financial Statements, Daimler Truck Business was integrated into the cash pooling and cash management systems of the remaining Daimler Group, including loans within Daimler Group. Financial receivables and liabilities from/due to the remaining Daimler Group resulting thereof are presented without netting in the Condensed Combined Interim Financial Statements.

As of September 30, 2021, DTB held financing receivables of €4,507 million (December 31, 2020: €6,074 million) from the remaining Daimler Group, which included cash pooling receivables. As of September 30, 2021, DTB held financing payables of €12,129 million (December 31, 2020: €12,763 million) to the remaining Daimler Group, which included cash pooling payables.

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 as of September 30, 2021 amounted to €1,639 million (December 31, 2020: €1,828 million) and deferred income as of September 30, 2021 amounted to €1,038 million (December 31, 2020: €1,154 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 as of September 30, 2021 amounted to €32 million (December 31, 2020: €40 million). The corresponding off-balance amounts for the financial liabilities resulting from credit risk guarantees issued to the remaining Daimler Group as of September 30, 2021 amounted to €36 million (December 31, 2020: €52 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 €73 million as of September 30, 2021 (December 31, 2020: €88 million).

For lease transactions where the Daimler Truck Business is a lessee the carrying amount of right of use assets amounted to €113 million as of September 30, 2021 (December 31, 2020: €129 million) and lease liabilities amounted to €115 million as at September 30, 2021 (December 31, 2020: €125 million). The lease included real estate, IT equipment and other.

At-cost investments acquired from the remaining Daimler Group

In the third quarter of 2021 the Daimler Truck Business acquired equity investments in the venture capital funds 8VC Fund II, L.P., Atomico IV, L.P., G2VP I, LLC, Magma Venture Capital IV L.P. and Trucks Venture Fund 1, LP from the remaining Daimler Group for a purchase price of €48 million., equivalent to the book value held at Daimler Group.

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.

On September 21, 2021, Daimler Truck AG transferred its 15% at equity investment in KAMAZ PAO (“KAMAZ”) to Daimler AG for cash consideration of €132 million, effective on September 28, 2021. Refer to Note 14. Equity-method investments.

After the effective date, KAMAZ is no longer a direct associated company of DTB but related party.

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.

In March and July 2021, Daimler Truck Business made capital contributions of €29 million and €37 million respectively, to its joint venture in cellcentric GmbH & Co. KG.

Note 14 provides further details of the significant associated companies and joint ventures.

Contingent liabilities and other financial obligations

Further information on contingent liabilities and other financial obligations with related parties are provided in Note 24 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 €1,990 million as of September 30, 2021 (due in the next 12 months: €622 million) (December 31, 2020: €2,582 million, thereafter due in 2021: €967 million).

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 €6,191 million as of September 30, 2021 (December 31, 2020: €6,361 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 €54 million as of September 30, 2021 (December 31, 2020: €55 million).

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.

Use or transfer of brands, trademarks, patents, IP4 address ranges, software

In the periods presented in the Condensed Combined Interim 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 Condensed Combined Interim Financial Statements, accordingly. Daimler Truck AG entered 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 agreement was signed on September 27, 2021 and the effective date is December 1, 2021. The transaction will be reflected as a contribution at fair value upon the effective date and the recognized intangible asset will be subject to an annual impairment test.

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.

Related persons

During the periods presented, Daimler Truck Business did not exist as a separate legal group. Therefore, the members of the Board of Management and Supervisory Board of Daimler AG, Daimler Truck AG and Daimler Truck Holding 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. Daimler Truck Holding AG only include those persons who have similar roles within Daimler Truck AG.

C.30
Related party relationships

In millions of euros	Sales of goods and services and other income Q1-3 2021	Sales of goods and services and other income Q1-3 2020	Purchases of goods and services and other expenses Q1-3 2021	Purchases of goods and services and other expenses Q1-3 2020	Receivables[1] Sept. 30, 2021	Receivables[1] Dec. 31, 2020	Payables[2] Sept. 30, 2021	Payables[2] Dec. 31, 2020
Associated companies	248	269	37	27	23	55	25	8
thereof KAMAZ PAO[3]	154	103	27	17	-	28	-	-
thereof MFTBC investees	93	137	9	10	13	18	2	8
Joint ventures	285	199	13	12	106	107	6	8
thereof Daimler Kamaz Trucks Holding GmbH	203	114	6	3	65	61	-	-
thereof National Automobile Industry Company Ltd.	77	69	1	1	35	22	-	-
Daimler Group	2,800	2,481	1,403	1,393	4,899	6,467	14,308	15,112

1 After write-downs totaling €6 million (31 December 2020: €21 million).
2 Including liabilities from default risks from guarantees for related parties.
3 DTB transferred its at equity investment of KAMAZ PAO to DAG on September 21, 2021, effective on September 28, 2021. For Q1-3 2021 the income statement reflects all transactions until the effective date.

29. Events after the reporting period

Extraordinary general meeting for the spin-off of Daimler Truck Business

At the virtual extraordinary general meeting of Daimler AG on October 1, 2021, the shareholders of Daimler AG voted in favor of the spin-off of the Trucks and Bus business on the basis of the demerger agreement entered into between DAG and DTHAG on August 6, 2021 with the subsequent listing of Daimler Truck Holding AG as an independent company on the Frankfurt Stock Exchange.

Extraordinary general meeting of DTAG

On November 3, 2021, an extraordinary general meeting of DTAG took place to resolve the capital increase via a contribution-in-kind of the participations in the Gamma entities into DTAG, including related amendments to the Articles of Association of DTAG.

General meeting of DTHAG

On November 5, 2021, a general meeting of DTHAG took place to approve all the required steps to enact the agreed demerger transaction. The following main resolutions were passed:

- Approval of the demerger agreement between DAG and DTHAG (as post-formation agreement) providing for spin-off of a majority shareholding of 65% in DTAG and the hive down of a 28.43% minority shareholding in DTAG into DTHAG;

- Approval of the post-formation and contribution agreement between Daimler Verwaltungsgesellschaft für Grundbesitz mbH and DTHAG providing for a contribution of 6.57% shareholding in DTAG into DTHAG;

- Approval of the capital increases required for the implementation of the demerger agreement and the post-formation and contribution agreement including related amendments to the Articles of Association of DTHAG;

- Approval of further amendments of the Articles of Association of DTHAG including the creation of authorized capital;

- Approval of an authorization for the acquisition and use of own shares.

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 October 1, 2021 and the date of authorization of these Condensed Combined Interim Financial Statements. Please refer to Note 30. 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 Business prior to the spin-off amounts to approximately €1.6 billion, including transfers of at-cost investments. This purchase price includes also share deals or asset deals for the Phase 1 Transactions of Daimler Trucks Financial Services and the respective purchase price already deducted "financing liabilities allocated based on a target equity ratio", which are already part of Interim Condensed Combined Financial Statements. The purchase prices for the Daimler Trucks Financial Services legal entities and operations that will transfer to Daimler Truck Business 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. For further information refer to Note 25. Financial Instruments, section on "Capital and liquidity funding measures commitments per the spin-off agreement".

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.

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 Condensed Combined Interim 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 Condensed Combined Interim 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 Condensed Combined Interim 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 increase by way of cash injection. By the end of November 2021, a €0.2 billion contractual payment, as approved by the Daimler AG, will be received by the Gamma OHGs and the EvoBus GmbH & Co. OHG. A final compensatory payment will be based on final external valuations. The non-controlling interest will be accounted for prospectively under IAS 32 as a financial instrument at fair value.

Further transactions are expected to take place before spin-off date which will result in cash outflows, such as the acquisition of equipment and machinery (for Mannheim, Kuppenheim and Gaggenau manufacturing facilities); patent portfolios and license agreements; Fleetboard, Charterway and Daimler brand names; and IPv4 address ranges.

The ultimate purchase price will be based on valuations which will be finalized subsequent to the authorization of the Condensed Combined Interim Financial Statements.

License agreement

Daimler Truck AG entered 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 agreement was signed on September 27, 2021 and the effective date is December 1, 2021. The transaction will be reflected as a contribution at fair value upon the effective date and the recognized intangible asset will be subject to an annual impairment test. The ultimate fair value will be based on valuations which will be finalized after the authorization of the Condensed Combined Interim Financial Statements.

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.

Daimler Truck Business' credit rating

As a result of the spin-off, Daimler Truck Business has been in the process of obtaining first time credit ratings to further enable access to loans and credit facilities as an independent group. On October 28, 2021, Daimler Truck Business was issued long-term issuer credit rating of A3 by Moody's Investor Service and BBB+ by S&P Global Ratings.

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.

30. Scope of combination

The tables below contain a list of all legal entities including any changes in their scope of combination after December 31, 2020.

Table ↗ **C.31** contains legal entities fully included in the scope of combination.

Table ↗ **C.32** contains joint operations, joint ventures, associates and other significant investments recognized using equity and cost method.

Table ↗ **C.33** contains unconsolidated legal entities in the nine-month period ended September 30, 2021.

Table ↗ **C.34** contains a list of all entities that are founded after September 30, 2021 but before spin-off date.

Table ↗ **C.35** contains a list of 'Phase 2' entities which, from January 01, 2022 onwards, are expected to:

- transfer from Daimler AG to Daimler Truck Group – purchase of Trucks and Buses operations; or
- from Daimler Truck Group to Daimler AG – sale of Cars and Vans business; or
- from Daimler Truck Group to third parties.

Legal entities or business operations will transfer either as share deals or as asset deals (respectively).

The businesses that will transfer from Daimler AG have been excluded from the Scope of Combination, whereas the legal entities that will be sold by Daimler Truck Group have been included in the Scope of Combination in same form expected as of spin-off date.

C.31

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	Sept. 30, 2020	Dec. 31, 2020	**Sept. 30, 2021**	Sept. 30, 2020	Dec. 31, 2020	**Sept. 30, 2021**
Atlantis Foundries (Pty.) Ltd.	Atlantis Industria, South Africa	2020	100,00	100,00	100,00	Dedicated	Dedicated	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.	Campinas, Brazil	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
cellcentric GmbH & Co. KG (former: Daimler Truck Fuel Cell GmbH & Co. KG)[14]	Kirchheim unter Teck, Germany	2020	100,00	100,00	50,00	Dedicated	Dedicated	Dedicated
Daimler AG[2]	Stuttgart, Germany	-	-	-	-	Mixed	Mixed	Mixed
Daimler Buses North America, Inc.	Oriskany, USA	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Daimler Colombia S. A.[3]	Bogota D.C., Colombia	2019	100,00	100,00	100,00	Mixed	Mixed	Mixed
Daimler Commercial Vehicles South East Asia Pte. Ltd.[3]	Singapore, Singapore	2020	100,00	100,00	100,00	Mixed	Mixed	Mixed
Daimler India Commercial Vehicles Private Limited[4]	Chennai, India	Q1 2021	-	-	100,00	Dedicated	Dedicated	Dedicated
Daimler Insurance Agency LLC[5]	Wilmington, USA	-	-	-	-	Mixed	Mixed	Mixed
Daimler Manufactura, S. de R.L. de C.V.	Mexico City, Mexico	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Daimler Mexico, S.A. de C.V.[4]	Mexico City, Mexico	Q3 2021	-	-	100,00	Dedicated	Dedicated	Dedicated
Daimler Mobility AG[6]	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.[7]	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.[7]	Singapore, Singapore	-	-	-	-	Mixed	Mixed	Mixed
Daimler Truck AG	Stuttgart, Germany	-	100,00	100,00	100,00	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		
Daimler Truck and Bus Australia Pacific Pty. Ltd.	Mulgrave, Australia	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
DAIMLER TRUCK AND BUS HOLDING AUSTRALIA PACIFIC PTY LTD	Melbourne, Australia	2018	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Daimler Truck China Limited	Beijing, China	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Daimler Truck Finance North America LLC[16]	Wilmington, USA	-	-	-	100,00	-	-	-
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 Financial Services Asia Co., Ltd.[15]	Tokyo, Japan	Q4 2021 / Before Spin-off	-	-	-	-	-	-
Daimler Truck Financial Services Australia Pty. Ltd.[16]	Melbourne, Australia	-	-	-	100,00	-	-	-
Daimler Truck Financial Services Canada Corporation[16]	Mississauga, Canada	-	-	-	100,00	-	-	-
Daimler Truck Financial Services Deutschland GmbH[18]	Berlin, Germany	-	-	-	100,00	-	-	Dedicated
Daimler Truck Financial Services GmbH[16]	Stuttgart, Germany	-	-	-	100,00	-	-	-
Daimler Truck Financial Services South Africa (Pty) Ltd[16]	Zwartkop, South Africa	-	-	-	100,00	-	-	-
Daimler Truck Financial Services USA LLC[16]	Fort Worth, USA	-	-	-	100,00	-	-	-
Daimler Truck Holding AG[17]	Stuttgart, Germany	-	-	-	-	-	-	Dedicated
Daimler Truck International Assignments USA, LLC[18]	Portland, USA	-	-	-	100,00	-	-	Dedicated
Daimler Truck International Finance B.V.	Nieuwegein, Netherlands	-	-	-	100,00	-	-	Dedicated
Daimler Truck Pension Trust e.V.[18]	Leinfelden-Echterdingen, Germany	-	-	-	100,00	-	-	Dedicated
Daimler Truck Vermögens- und Beteiligungsgesellschaft mbH	Stuttgart, Germany	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Daimler Trucks & Buses US Holding LLC	Wilmington, USA	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Daimler Trucks and Buses (China) Ltd.	Beijing, China	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Daimler Trucks and Buses Southern Africa (Pty) Ltd[4]	Zwartkop, South Africa	Q1 2021	-	-	100,00	Dedicated	Dedicated	Dedicated
Daimler Trucks Canada Ltd.	Mississauga, Canada	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Daimler Trucks Finance Canada Inc. (former: Daimler Canada Investments Company)[4]	Halifax, Canada	Q3 2021	-	-	100,00	Dedicated	Dedicated	Dedicated
Daimler Trucks Insurance Agency LLC[15]	Wilmington, USA	-	-	-	-	-	-	-
Daimler Trucks Korea Ltd.[4]	Seoul, South Korea	Q4 2020	-	100,00	100,00	Dedicated	Dedicated	Dedicated
Daimler Trucks North America LLC	Wilmington, USA	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Daimler Trucks Remarketing Corporation	Portland, USA	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Daimler Trucks Retail Trust 2018-1[8,9]	Wilmington, USA	-	-	-	-	Dedicated	-	-
Daimler Trucks Retail Trust 2019-1[8]	Wilmington, USA	Q4 2021 / Before Spin-off	-	-	-	Dedicated	Dedicated	Dedicated
Daimler Trucks Retail Trust 2020-1[8]	Wilmington, USA	Q4 2021 / Before Spin-off	-	-	-	Dedicated	Dedicated	Dedicated
Daimler Trucks Retail Trust 2021-1[8,18]	Wilmington, USA	Q4 2021 / Before Spin-off	-	-	-	-	-	Dedicated
Daimler Vehículos Comerciales Mexico, S. de R.L. de C.V.	Mexico City, Mexico	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Detroit Diesel Corporation	Detroit, USA	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Detroit Diesel Remanufacturing LLC	Detroit, USA	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
DTFC Holding GmbH	Stuttgart, Germany	-	-	100,00	100,00	-	Dedicated	Dedicated
EvoBus (Schweiz) AG	Kloten, Switzerland	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
EvoBus (U.K.) Ltd.	Coventry, United Kingdom	2019	100,00	100,00	100,00	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		
EvoBus Austria GmbH	Wiener Neudorf, Austria	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
EvoBus Belgium N.V.	Kobbegem-Asse, Belgium	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
EvoBus Ceská republika s.r.o.	Prague, Czech Republic	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
EvoBus Danmark A/S	Koege, Denmark	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
EvoBus France S.A.S.U.	Sarcelles, France	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
EvoBus GmbH	Leinfelden-Echterdingen, Germany	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
EvoBus Ibérica, S.A.U.	Sámano, Spain	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
EvoBus Italia S.p.A.	Bomporto, Italy	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
EvoBus Nederland B.V.	Nijkerk, Netherlands	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
EvoBus Polska Sp. z o.o.	Wolica, Poland	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Evobus Portugal, S.A.	Mem Martins, Portugal	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
EvoBus Sverige AB	Vetlanda, Sweden	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Freightliner Custom Chassis Corporation	Gaffney, USA	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Grundstücksverw.ges. Evobus GmbH & Co. OHG[19]	Schönefeld, Germany	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 1 OHG[11]	Schönefeld, Germany	Q4 2021 / Before Spin-off	-	-	-	Dedicated	Dedicated	Dedicated
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 2 OHG[11]	Schönefeld, Germany	Q4 2021 / Before Spin-off	-	-	-	Dedicated	Dedicated	Dedicated
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 3 OHG[11]	Schönefeld, Germany	Q4 2021 / Before Spin-off	-	-	-	Dedicated	Dedicated	Dedicated
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 4 OHG[11]	Schönefeld, Germany	Q4 2021 / Before Spin-off	-	-	-	Dedicated	Dedicated	Dedicated
Invema Assessoria Empresarial Eireli[10]	São Bernardo do Campo, Brazil	-	-	-	-	Dedicated	-	-
Koppieview Property (Pty) Ltd[7]	Zwartkop, South Africa	-	-	-	-	Mixed	Mixed	Mixed
Mascot Truck Parts Canada Ltd (2017)	Mississauga, Canada	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Mascot Truck Parts USA LLC	Wilmington, USA	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Mercedes-Benz AG[7]	Stuttgart, Germany	-	-	-	-	Mixed	Mixed	Mixed
Mercedes-Benz Camiones y Buses Argentina SAU.	Buenos Aires, Argentina	2020	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Mercedes-Benz CharterWay SAS[4]	Montigny-le-Bretonneux, France	Q2 2021	-	-	100,00	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.[12]	São Bernardo do Campo, Brazil	2020	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Mercedes-Benz Finance Co., Ltd.[5]	Tokyo, Japan	-	-	-	-	Mixed	Mixed	Mixed
Mercedes-Benz Financial Services Australia Pty. Ltd.[5]	Melbourne, Australia	-	-	-	-	Mixed	Mixed	Mixed
Mercedes-Benz Financial Services Canada Corporation[5]	Mississauga, Canada	-	-	-	-	Mixed	Mixed	Mixed
Mercedes-Benz Financial Services South Africa (Pty) Ltd[5]	Centurion, South Africa	-	-	-	-	Mixed	Mixed	Mixed
Mercedes-Benz Financial Services USA LLC[5]	Wilmington, USA	-	-	-	-	Mixed	Mixed	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	Dortmund, Germany	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Mercedes-Benz PRAHA s.r.o.[13]	Prague, Czech Republic	-	-	-	-	Mixed	Mixed	-
Mercedes-Benz Trucks & Buses Romania S.R.L.	Bucharest, Romania	2020	100,00	100,00	100,00	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		
Mercedes-Benz Trucks Belgium Luxembourg NV/SA	Brussels, Belgium	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Mercedes-Benz Trucks Center Sint-Pieters-Leeuw NV/SA	Sint-Peters-Leeuw, Belgium	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Mercedes-Benz Trucks Ceská republika s.r.o.	Prague, Czech Republic	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Mercedes-Benz Trucks España S.L.U.	Alcobendas, Spain	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Mercedes-Benz Trucks France S.A.S.U[4]	Montigny-le-Bretonneux, France	Q2 2021	-	-	100,00	Dedicated	Dedicated	Dedicated
Mercedes-Benz Trucks Italia S.r.l.	Rome, Italy	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Mercedes-Benz Trucks Molsheim	Molsheim, France	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Mercedes-Benz Trucks Nederland B.V.	Utrecht, Netherlands	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Mercedes-Benz Trucks Österreich GmbH	Eugendorf, Austria	2020	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
MERCEDES-BENZ TRUCKS POLSKA SPÓŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Warsaw, Poland	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Mercedes-Benz Trucks Portugal S.A.[4]	Sintra, Portugal	Q1 2021	-	-	100,00	Dedicated	Dedicated	Dedicated
Mercedes-Benz Trucks Schweiz AG	Schlieren, Switzerland	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Mercedes-Benz Trucks Services France S.A.[18]	Montigny-le-Bretonneux, France	- Q3 2021	-	-	100,00	-	-	Dedicated
Mercedes-Benz Trucks UK Limited	Milton Keynes, United Kingdom	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Mercedes-Benz Türk A.S.	Istanbul, Turkey	2020	66,91	66,91	66,91	Dedicated	Dedicated	Dedicated
Mercedes-Benz V.I. Lyon SAS[4]	Genas, France	Q2 2021	-	-	100,00	Dedicated	Dedicated	Dedicated
Mercedes-Benz V.I. Paris Ile de France SAS[4]	Wissous, France	Q2 2021	-	-	100,00	Dedicated	Dedicated	Dedicated
MFTA Canada, Inc.	Toronto, Canada	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Mitsubishi Fuso Bus Manufacturing Co., Ltd.	Toyama, Japan	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Mitsubishi Fuso Truck and Bus Corporation	Kawasaki, Japan	2019	89,29	89,29	89,29	Dedicated	Dedicated	Dedicated
MITSUBISHI FUSO TRUCK EUROPE - Sociedade Europeia de Automóveis, S.A.	Tramagal, Portugal	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Mitsubishi Fuso Truck of America, Inc.	Logan Township, USA	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
PABCO Co., Ltd.	Ebina, Japan	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
PT Daimler Commercial Vehicles Indonesia	Jakarta, Indonesia	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
PT Daimler Commercial Vehicles Manufacturing Indonesia	Bogor, Indonesia	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Renting del Pacífico S.A.C.	Lima, Peru	2020	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
SelecTrucks of America LLC	Portland, USA	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
SelecTrucks of Toronto, Inc.	Mississauga, Canada	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Sterling Truck Corporation	Portland, USA	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Sumperská správa majetku k.s.	Prague, Czech Republic	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Thomas Built Buses of Canada Ltd.	Calgary, Canada	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Thomas Built Buses, Inc.	High Point, USA	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
TORC Robotics, Inc.	Blacksburg, USA	2019	75,61	75,61	82,46	Dedicated	Dedicated	Dedicated
Ukuvela Holdings Proprietary Limited	Atlantis Industria, South Africa	2020	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Ukuvela Properties (Pty.) Ltd.	Atlantis Industria, South Africa	2020	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated
Western Star Trucks Sales, Inc	Portland, USA	2019	100,00	100,00	100,00	Dedicated	Dedicated	Dedicated

1 Shares (100% equity interests) are transferred to the Daimler Truck AG or one of its subsidiaries in Q4 2021 but prior to the Spin-off. The respective legal entities are included retrospectively in the Combined Financial Statements and the Condensed Combined Interim Financial Statements.

2 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 Q4 2021 but prior to the Spin-off.

3 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 in Q4 2021 but prior to the Spin-off.

4 Shares (100% equity interests) are transferred to the Daimler Truck AG or one of its subsidiaries before September 30, 2021. The respective legal entities are included retrospectively in the Combined Financial Statements and the Condensed Combined Interim Financial Statements.

5 Represents mixed entities where the Daimler Trucks & Buses Financial Service operations are transferred to a Daimler Truck NewCo after September 30, 2021 but prior to the Spin-off.

6 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 after September 30, 2021 but prior to the Spin-off.

7 Mixed entity transfers selected assets and liabilities dedicated to the Daimler Truck Business after September 30, 2021 but prior to the Spin-off. The assets and liabilities are included retrospectively in the Combined Financial Statements and the Condensed Combined Interim Financial Statements.

8 Represents structured entities under control of the Daimler Truck business only existing for a specific purpose (Special Purpose Entity). Daimler Truck Financial Services operations will transfer to a Daimler Truck NewCo after September 30, 2021 but prior to the Spin-off.

9 Liquidation in Q4 2020 as purpose for structured entity no longer given.

10 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 and the Condensed Combined Interim Financial Statements for fiscal years prior to the date of disposal.

11 Shares are transferred to the Daimler Truck AG or one of its' subsidiaries after September 30, 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.

12 Entity holds Cars dedicated spare parts that are excluded retrospectively as they will be transferred after Q3 2021 but prior to the Spin-off to the remaining Daimler Group.

13 Mixed entity transfers selected assets and liabilities dedicated to the Daimler Truck Business after FY 20 but prior to September 30, 2021. The assets and liabilities are included retrospectively in the Combined Financial Statements and the Condensed Combined Interim Financial Statements.

14 Starting from FY 2021 the legal entity is accounted for as a Joint Venture as 50% equity interests were acquired by a third party.

15 Represents a legal entity founded after FY 2020 but prior to September 30, 2021 by the Remaining Daimler Group. Shares (100% equity interests) of the legal entity will be transferred to the Daimler Truck Business after September 30, 2021 but prior to the Spin-off date.

16 Represents a legal entity fully dedicated to the Daimler Truck Business that was founded after FY 2020 but prior to September 30, 2021. The legal entity assumes net assets from a predecessor mixed legal entity hold by the Remaining Daimler Group after September 30, 2021 but prior to the Spin-off date.

17 Represents a legal entity founded after FY 2020 but prior to September 30, 2021 by the Remaining Daimler Group. Equity interests hold by the Remaining Daimler Group will be transferred to the Daimler Truck Business after September 30, 2021 but prior to the Spin-off date. The Daimler Truck Holding AG will constitute the parent of the Daimler Truck Group after Spin-off date.

18 Represents a legal entity fully dedicated to the Daimler Truck Business that was founded after FY 2020 but prior to September 30, 2021. No significant net assets are assumed from the Remaining Daimler Group prior to the Spin-off date.

19 Shares (10.1% equity interests) are transferred to the Remaining Daimler Group after September 30, 2021 but prior to the Spin-off date.

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Joint operations, joint ventures, associated companies and substantial other investments

Company Name	Country	Investment Type	Legal transfer date	Equity interest in % Sept. 30, 2020	Dec. 31, 2020	Sept. 30, 2021
North America Fuel Systems Remanufacturing LLC	Kentwood, USA	Joint operation-at equity	2019	50.00	50.00	50.00
Beijing Foton Daimler Automotive Co., Ltd	Beijing, China	Joint venture-at equity	2019	50.00	50.00	50.00
cellcentric GmbH & Co. KG (former: Daimler Truck Fuel Cell GmbH & Co. KG)[1]	Kirchheim unter Teck, Germany	Joint venture-at equity	2020	100.00	100.00	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.	Garcia, Mexico	Joint venture-at equity	2019	26.00	26.00	26.00
SelecTrucks of Atlanta LLC[3]	McDonough, USA	Joint venture-at equity	2019	50.00	-	-
SelecTrucks of Houston LLC	Houston, USA	Joint venture-at equity	2019	50.00	50.00	50.00
SelecTrucks of Houston Wholesale LLC	Houston, USA	Joint venture-at equity	2019	50.00	50.00	50.00
SelecTrucks of Omaha LLC	Council Bluffs, USA	Joint venture-at equity	2019	50.00	50.00	50.00
cellcentric Verwaltungsgesellschaft mbH (former: DTFC Verwaltungsgesellschaft mbH)[4]	Kirchheim unter Teck, Germany	Joint venture-at cost	2020	100.00	100.00	50.00
COBUS Industries GmbH	Wiesbaden, Germany	Joint venture-at cost	2019	40.82	40.82	40.82
LICULAR GmbH[2]	Kuppenheim, Germany	Joint venture-at cost	-	-	-	50.00
MercedesService Card GmbH & Co. KG	Kleinostheim, Germany	Joint venture-at cost	2019	51.00	51.00	51.00
National Automobile Industry Company Ltd.	Jeddah, Saudi Arabia	Joint venture-at cost	2019	26.00	26.00	26.00
TASIAP GmbH	Stuttgart, Germany	Joint venture-at cost	2019	60.00	60.00	60.00
FUSO LAND TRANSPORT & Co. Ltd.	Kawasaki, Japan	Associated company - at equity	2019	21.67	21.67	21.67
KAMAZ PAO[5]	Naberezhnye Chelny, Russian Federation	Associated company - at equity	2019	15.00	15.00	-
Kanagawa Mitsubishi Fuso Truck & Bus Sales Co., Ltd.	Yokohama, Japan	Associated company - at equity	2019	43.83	43.83	43.83
Okayama Mitsubishi Fuso Truck & Bus Sales Co., Ltd.	Okayamashi, Japan	Associated company - at equity	2019	50.00	50.00	50.00
P.T. Krama Yudha Tiga Berlian Motors	Jakarta, Indonesia	Associated company - at equity	2019	30.00	30.00	30.00
P.T. Mitsubishi Krama Yudha Motors and Manufacturing	Jakarta, Indonesia	Associated company - at equity	2019	32.28	32.28	32.28
Toll4Europe GmbH[6]	Berlin, Germany	Associated company - at equity	Q3 2021	-	-	15.00
Circulo Cerrado S.A. de Ahorro para Fines Determinados	Buenos Aires, Argentina	Associated company -at-cost	Q4 2020	-	21.85	21.85
H2 Mobility Deutschland GmbH & Co. KG[7]	Berlin, Germany	Associated company -at-cost	Q2 2021	-	-	2.90
MFTB Taiwan Co., Ltd.	Taipei, Taiwan	Associated company -at-cost	2019	33.40	33.40	33.40
Omnibus Hungária Kereskedelmi Kft. (former: EvoBus Hungária Kereskedelmi Kft.)	Budapest, Hungary	Associated company -at-cost	2019	33.33	33.33	33.33
Omuta Unso Co., Ltd.	Ohmuta, Japan	Associated company -at-cost	2019	33.51	33.51	33.51
Rally Bus Corp.	Buffalo, USA	Associated company -at-cost	2019	15.13	15.13	15.13
Toyo Kotsu Co., Ltd.	Sannoseki, Japan	Associated company -at-cost	2019	28.20	28.20	28.20
8VC Fund II, L.P.[7]	Wilmington, USA	Investment at-cost	Q3 2021	-	-	0.63
Atomico IV, L.P.[7]	Cayman Islands	Investment at-cost	Q3 2021	-	-	0.67
FlixMobility GmbH (3,03%)[8]	Munich, Germany	Investment at-cost	Q4 2021 / Before Spin-off	-	-	-
G2VP I, LLC[7]	Menlo Park, USA	Investment at-cost	Q3 2021	-	-	5.71
IVU Traffic Technologies AG[7]	Berlin, Germany	Investment at-cost	2019	5.25	5.25	5.25
Luminar Technologies, Inc.[7]	Orlando, USA	Investment at-cost	Q4 2020	-	0.18	0.18
Magma Venture Capital IV L.P[7]	Cayman Islands	Investment at-cost	Q3 2021	-	-	1.89
Proterra Inc.	Burlingame, USA	Investment at-cost	2019	6.22	6.22	4.54
RRE Ventures VII, L.P. (3.77%)[8]	New York, USA	Investment at-cost	Q4 2021 / Before Spin-off	-	-	-
Trucks Venture Fund 1, LP[7]	San Francisco, USA	Investment at-cost	Q3 2021	-	-	20.76

1 Starting from FY 2021 the legal entity is accounted for as a Joint Venture (at-equity) as 50% of the entity's shares were acquired by a third party.
2 Joint Venture is founded after FY 2020 but prior to September 30, 2021.
3 Disposal in Q4 2020 due to divestiture.
4 Unconsolidated entity until YE 2020. Starting from FY 21 this entity is accounted for as Joint Venture (at-cost).
5 In September 2021 the Daimler Truck Business transferred its shares (15% equity interests) in KAMAZ PAO to the Remaining Daimler Group.
6 Legally transferred to the Daimler Truck Business before September 30, 2021. At-equity investments are retrospectively included in the Combined Financial Statements and the Condensed Combined Interim Financial Statements.
7 Legally transferred to the Daimler Truck Business before September 30, 2021. At-cost investments are only prospectively included in the Combined Financial Statements and the Condensed Combined Interim Financial Statements.

8 Legally transferred to the Daimler Truck Business after September 30, 2021 but prior to the Spin-off. At-cost investments are only prospectively included in the Combined Financial Statements and the Condensed Combined Interim Financial Statements.

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Unconsolidated legal entities

Company Name	Country	Legal transfer date	Equity interest in % Sept. 30, 2020	Dec. 31, 2020	Sept. 30, 2021
cellcentric Fuel Cell Canada Inc (former: Daimler Truck Fuel Cell Canada INC.)[1]	Canada	2020	100,00	100,00	-
cellcentric Verwaltungsgesellschaft mbH (former: DTFC Verwaltungsgesellschaft[2]	Germany	2020	100,00	100,00	50,00
Daimler Automotive de Venezuela C.A.	Venezuela	2019	100,00	100,00	100,00
Daimler Coaches North America LLC (former: REV Coach LLC)	USA	2019	100,00	100,00	100,00
Daimler Commercial Vehicles (Thailand) Ltd.	Thailand	2019	100,00	100,00	100,00
Daimler Commercial Vehicles Africa Ltd.	Kenya	2019	100,00	100,00	100,00
Daimler Commercial Vehicles MENA FZE	Dubai U.A.E.	2019	100,00	100,00	100,00
Daimler Truck Innovation Center India Private Limited[3]	Bengalore, India	-	-	-	100,00
Daimler Truck Verwaltungsgesellschaft für Grundbesitz mbH	Germany	2019	100,00	100,00	100,00
Daimler Trucks Asia Taiwan Ltd.	Taiwan	2019	51,00	51,00	51,00
DTB Tech & Data Hub, Unipessoal LDA (former: DTB Tech & Data Hub LDA)	Portugal	2018	100,00	100,00	100,00
EvoBus Reunion S. A.	France	2019	96,00	96,00	96,00
EvoBus Russland OOO	Russia	2019	100,00	100,00	100,00
Fleetboard Logistics GmbH	Germany	2019	100,00	100,00	100,00
Mercedes-Benz Parts Logistics Eastern Europe s.r.o.[4]	Czech Republic	Q4 2021 / Before Spin-off	-	-	-
Mercedes-Benz Trucks MENA Holding GmbH	Germany	2019	100,00	100,00	100,00
Mercedes-Benz Vehículos Comerciales Argentina SAU i.L.[5]	Argentina	2020	100,00	100,00	-
MercedesService Card Beteiligungsgesellschaft mbH	Germany	2019	51,00	51,00	51,00
SelecTrucks Comércio de Veículos Ltda	Brazil	2020	100,00	100,00	100,00
T.O.C (Schweiz) AG	Switzerland	2019	51,00	51,00	51,00

1 Starting from FY 2021 no longer considered a part of the scope of combination as the legal entity became a subsidiary of a Joint Venture (at-equity).
2 Starting from FY 2021 accounted for as Joint Venture (at-cost).
3 Represents a legal entity fully dedicated to the Daimler Truck Business that was founded after FY 2020 but prior to September 30, 2021. The legal entity assumes net assets from a predecessor mixed legal entity hold by the Remaining Daimler Group after September 30, 2021 but prior to the Spin-off date.
4 Shares (100% equity interests) are transferred to the Daimler Truck AG or one of its' subsidiaries after September 30, 2021 but before the Spin-off.
5 Liquidation after FY 2020 but prior to September 30, 2021.

C.34

Foundation of Daimler Truck entity after September 30, 2021 but before spin-off

Company Name	Country	Foundation date after Sept. 30, 2021
Daimler Truck & Bus Slovakia s.r.o.	Slovakia	After Sep 30, 2021 but prior to the Spin-off
Daimler Trucks Retail Italia S.r.l.	Italy	After Sep 30, 2021 but prior to the Spin-off
DaimlerTruck Retail Receivables LLC	USA	After Sep 30, 2021 but prior to the Spin-off
Mercedes-Benz Trucks Renting Espana S.A.U.	Spain	After Sep 30, 2021 but prior to the Spin-off

C.35

Phase 2 – Reorganization Measures

Phase 2 entity	Country	Transaction Type	Estimated Transfer Date	Seller (after spin-off date)	Purchaser
Daimler Colombia S. A.	Colombia	Share Deal	Q1 2022	Daimler Truck Group	3rd party
Daimler Truck Korea Ltd.	South Korea	Asset Deal	Q2 2022	Daimler Truck Group	Daimler Group
Mercedes-Benz Broker Argentina S.A.	Argentina	Share Deal	Q1 2022	Daimler Group	Daimler Truck Group
Mercedes-Benz Financial Services BeLux SA/NV	Belgium	Demerger & Share Deal	Q1 2022	Daimler Group	Daimler Truck Group
Mercedes-Benz Financial Services España, E.F.C., S.A.U.	Spain	Demerger & Share Deal	Q2 2022	Daimler Group	Daimler Truck Group
Mercedes-Benz Financial Services Italia S.p.A.	Italy	Demerger & Share Deal	Q2 2022	Daimler Group	Daimler Truck Group
Mercedes-Benz Financial Services Nederland B.V	Netherlands	Demerger & Share Deal	Q1 2022	Daimler Group	Daimler Truck Group
Mercedes-Benz Financial Services UK Ltd	United Kingdom	Asset Deal	Q3 2022	Daimler Group	Daimler Truck Group
Mercedes-Benz Finansman Türk A.S	Turkey	Asset Sale & Share Deal	Q3 2022	Daimler Group	Daimler Truck Group
Mercedes-Benz Renting, S.A.U.	Spain	Asset Deal	Q2 2022	Daimler Group	Daimler Truck Group
Mercedes-Benz Retail S.A.	Spain	Share Deal	Q2 2022	Daimler Group	Daimler Truck Group
Mercedes-Benz Retail, Unipessoal Lda.	Portugal	Asset Deal	Q2 2022	Daimler Group	Daimler Truck Group
Mercedes-Benz Roma S.p.A.	Italy	Demerger & Share Deal	Q1 2022	Daimler Group	Daimler Truck Group
Mercedes-Benz Servicios S.A.U (incl. Mercedes-Benz Compañía Financiera Argentina S.A.)	Argentina	Share Deal	Q1 2022	Daimler Group	Daimler Truck Group
Mercedes-Benz Slovakia s.r.o.	Slovakia	Asset Deal	Q3 2022	Daimler Group	Daimler Truck Group
Mercedes-Benz Sosnowiec Sp. z o.o.	Poland	Asset Deal	Q4 2022	Daimler Group	Daimler Truck Group
Mercedes-Benz Taiwan Ltd.	Taiwan	Asset Deal	Q1 2022	Daimler Group	Daimler Truck Group
Mercedes-Benz Trucks Center Sint-Pieters-Leeuw NV/SA	Belgium	Asset Deal	Q3 2022	Daimler Truck Group	3rd party
Mercedes-Benz Warszawa Sp. z o.o.	Poland	Asset Deal	Q4 2022	Daimler Group	Daimler Truck Group
Sandown Motor Holdings (Pty) Ltd	South Africa	Share Deal	Q3 2022	Daimler Group	Daimler Truck Group

Stuttgart, November 05, 2021

Ola Källenius

Chairman of the Board of Management of Daimler AG

Harald Wilhelm

Finance and Controlling Member of the Board of Management of Daimler AG

Martin Daum

Member of the Board of Management of Daimler AG and Chairman of the Board of Management of Daimler Truck AG and Daimler Truck Holding AG

Jochen Götz

Finance and Controlling Member of the Board of Management of Daimler Truck AG and Daimler Truck Holding AG

Board of Management Daimler AG

Stuttgart, November 05, 2021

Ola Källenius

Harald Wilhelm

Board of Management Daimler Truck AG and Daimler Holding Truck AG

Stuttgart, 05 November, 2021

Martin Daum

Jochen Götz

Audited Unconsolidated Financial Statements of Daimler Truck Holding AG as of and for the stub period from March 25, 2021 to September 30, 2021 in accordance with IFRS (as adopted by the European Union)

Daimler Truck Holding AG
Financial Statements for the stub period
March 25 to September 30, 2021

Statement of comprehensive income of Daimler Truck Holding AG, Stuttgart, for the stub period March 25 to September 30, 2021

in € thousand

	Notes	**March 25 – September 30, 2021**
General administrative expenses	(4)	-14.9
Other operating income		-
Depreciation, Amortisation and Impairment	(6)	-2.0
Loss before taxes		-16.9
Income taxes	(5)	-
Loss for the period		**-16.9**
Total comprehensive income for the period		**-16.9**
Earnings per Share (in €)		
Basic		-0.34
Diluted		-0.34

Statement of Financial Position of Daimler Truck Holding AG, Stuttgart, as at September 30, 2021

Assets

	Notes	**September 30, 2021**	March 25, 2021[1)]
in € thousand			
Current assets			
Other Receivables	(6)		
Receivables from affiliated companies		**148.5**	-
Called up share capital - unpaid	(8)	**0**	50.0
Other assets	(6)	**504.5**	-
Cash and cash equivalents	(7) (10)	**50.8**	-
Total Assets		**703.8**	50.0

Equity and liabilities

	Notes	**September 30, 2021**	March 25, 2021[1)]
In € thousand			
Equity	(8)		
Capital subscribed to carry out the incorporation		**-**	50.0
Share capital		**50.0**	-
Capital reserve		**150.0**	-
Loss for the period		**-16.9**	-
Total Equity		**183.1**	50.0
Current Liabilities			
Trade and other Payables	(9)		
Accruals		**517.6**	
Liabilities to affiliated companies		**3.1**	-
Total Liabilities		**520.7**	
Total Equity and Liabilities		**703.8**	50.0

1) Opening balance sheet

Statement of Cash Flows of Daimler Truck Holding AG, Stuttgart, for the stub period March 25 to September 30, 2021

	Notes	**March 25 – September 30, 2021**
In € thousand	(10)	
Loss before taxes		-16.9
Depreciation and amortization/impairments		2.0
Other non-cash expense and income		14.7
Change in operating assets and liabilities		-
Income taxes paid		-
Cash used for/provided by operating activities		-0.2
Cash used for investing activities		-
Proceeds from the issue of share capital		50.0
Proceeds from addition to the capital reserve		1.0
Cash used for/provided by financing activities		**51.0**
Net Increase in cash and cash equivalents		**50.8**
Cash and cash equivalents at beginning of period		**-**
Cash and cash equivalents at end of period		**50.8**

Statement of Changes in Equity of Daimler Truck Holding AG, Stuttgart, for the stub period March 25 to September 30, 2021

	Notes	**Capital subscribed to carry out the incorporation**	**Share Capital**	**Capital Reserves**	**Retained Earnings**	**Total Equity**
In € thousand	(8)					
Balance at March 25, 2021[1]		**50.0**	**-**	-	-	**50.0**
Loss for the period			-	-	*-16.9*	*-16.9*
Total comprehensive income/loss			-	-	-16.9	-16.9
Dividends			-	-	-	-
Capital increase/issue of new shares		-50.0	50.0	-	-	0
Addition to capital reserves			-	150.0	-	150.0
Changes in Ownership interests			-	-	-	-
Balance at September 30, 2021		**0**	**50.0**	**150.0**	**-16.9**	**183.1**

1) Opening balance sheet

Notes to the financial statements of Daimler Truck Holding AG, Stuttgart

1. General information

Background

On February 3, 2021, the Supervisory Board and the Board of Management of Daimler AG, Stuttgart ("DAG") announced the plan for a fundamental change in the structure of DAG and its subsidiaries ("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 ("Daimler Truck Group") with Daimler Truck Holding AG, Stuttgart ("DTHAG") as the listed holding company. 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. DAG 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, Daimler Truck AG ("DTAG"), Stuttgart, Mercedes-Benz AG, Stuttgart and Daimler Mobility AG, Stuttgart 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 a minority interest of 35% in DTHAG and intends to transfer an interest in DTHAG in the amount of 5% to Daimler Pension Trust e.V. The spin-off will require the approval from shareholders of DAG and DTHAG. The Demerger Agreement has been approved by the extraordinary shareholders' meetings of Daimler AG on October 1, 2021. The shareholders' meeting of DTHAG is scheduled for early November 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 DTAG and the hive down of a 28.43% minority shareholding in DTAG (as such together referred to as the "legal demerger"),

(iii) the contribution of a 6.57% shareholding in DTAG into DTHAG by Daimler Verwaltungsgesellschaft für Grundbesitz mbH, Schönefeld ("Daimler Grund") (consisting of the new Daimler Truck shares received as consideration for the contribution of the so-called Gamma OHGs and 1,000 Daimler Truck shares issued in February, 2021)

(iv) the public listing of DTHAG 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 DTHAG with registered office in Stuttgart, Germany, was founded by Daimler Grund, on March 25, 2021, and sold to DAG in July 2021. DTHAG 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. DTHAG will be the issuer of the new shares and the ultimate parent company of the new stand-alone Daimler Truck Group, with DTAG, as a subsidiary and being the lead operating company that bundles the Daimler Truck Business at the time of the spin-off.

The headquarters and Board of Management of DTAG and DTHAG will be at the Daimler Truck Campus and Mercedes-Benz Campus, which are close to each other in Leinfelden-Echterdingen.

The consolidated financial statements of DAG represent the smallest and largest scope of consolidation. DAG is a stock corporation organized under the laws of the Federal Republic of Germany and is the ultimate parent company. The Company is entered in the Commercial Register of the Stuttgart District Court under No. HRB 19360 and its registered office is located at Mercedesstraße 120, 70372 Stuttgart, Germany.

The legal steps necessary to execute and close the demerger transaction have been set forth and agreed on in the Spin-Off and Hive-Down Agreement ("Demerger Agreement") by and between DAG and DTHAG, which has been signed and notarized on August 6, 2021, comprising the Group separation agreement and the Deconsolidation agreement in particular.

With the Convocation of the Extraordinary General Meeting of DAG on October 1 2021, the Demerger Agreement including annexes has been disclosed in the Federal Gazette on August 17, 2021, along with a reference to the Joint Spin-Off and Hive-Down Report ("Demerger Report") of the Board of Management of DAG and the Board of Management of DTHAG concerning the spin-off and hive-down of shares in DTAG and the spin-off of the control and profit and loss transfer agreement existing between DAG and DTAG. The Demerger Report, signed on August 9, 2021, as well as the further documents required by the transformation act have been made available to the shareholders on the Internet at the Investor Relation section of the Daimler website.

In order to secure the Daimler Trucks Business financial flexibility as well as to stabilize its capital market rating, a syndicated loan agreement in the amount of €18 billion was concluded with an international banking consortium by DTHAG, DTAG and various Daimler Truck financing companies, which includes a firm commitment of a revolving credit line in the amount of €5 billion ("Revolving Credit Facility") and a firm commitment for a credit line for bridge financing in the amount of €13 billion ("Bridge Facility"). The obligations under the Financing Agreement are subject to (aufschiebend bedingt) the occurrence of the Spin-Off Effective.

The syndicated loan agreement was signed with the banking consortium on August 6, 2021, with obligations of DTHAG under the loan agreement only arising upon the consummation of the Demerger Agreement. The Revolving Credit Facility has a term of at least five years with two extension options of one year each and was agreed at standard market conditions. The Daimler Truck Business does not intend to draw on the Revolving Credit Facility. The Bridge Facility has 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 was 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.

Description of the future Daimler Truck Group

Daimler Truck Group consists of Daimler Trucks & Buses and Daimler Trucks Financial Services.

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 or as the bus chassis only.

Daimler Trucks Financial Services supports the sales of the Daimler Trucks & Buses 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.

2. Basis of preparation

The financial statements of DTHAG as of September 30, 2021, were prepared based on the assumption of going concern according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London, and the interpretations of the IFRS Interpretations Committee (IFRS IC), both as endorsed by the European Union and in effect at the date of the financial statements.

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. DTHAG does not expect any material impacts on the profitability, liquidity and capital resources or financial position due to the application of IFRS 17. Early adoption is not planned.

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

The financial statements comparative figures are derived from the companies opening statement of financial position. No comparative period exists. The financial statements are presented for DTHAG as an individual entity for the stub period from March 25, 2021, until September 30, 2021, for inclusion in the prospectus to be submitted to BaFin in preparation of the public listing of DTHAG.

The financial statements as of September 30, 2021, have been prepared in Euro (€). Unless otherwise stated, all amounts are shown in thousands of euros (€ thousand). Any existing rounding differences between individual amounts and sums are accepted.

The financial statements are based on the principle of the historical cost.

Assets and liabilities are classified by maturity between current and non-current assets and liabilities. They are regarded as current if they mature within one year.

The statement of income is presented using the cost-of-sales method.

3. Significant accounting policies

The **income taxes** recognized are reflected at the amounts likely to be payable under the statutory regulations in force, or already enacted in relation to future periods, as of the date of the financial statements.
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, on unused tax loss carryforwards and unused tax credits. Deferred tax assets on tax loss carryforwards and tax credits are recognized to the extent that it is probable that there will be future taxable income against which the losses can be offset.

The calculation of income taxes is based on the legislation and regulations applicable in Germany. Due to their complexity, tax items presented are possibly 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 time of realization of the deferred tax assets. In this context, DTHAG 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 DTHAG's control, the assumptions made for the accounting of income taxes may include a substantial degree of uncertainty.

On each balance sheet date, DTHAG 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.

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.

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 DTHAG 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, DTHAG uses the transaction date as the date of initial recognition or derecognition.
Upon initial recognition, financial instruments are 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 receivable without a significant financing component is initially measured at the transaction price.

Financial assets primarily comprise receivables from affiliated companies, other assets and cash on hand. 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 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 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 or cash and cash equivalents (business model "hold to collect"). **Cash and cash equivalents** consist solely of demand deposits at banks. Cash and cash equivalents correspond with the classification in the Statement of Cash Flows and are recognized at nominal value.

After initial recognition, financial assets are subsequently carried at amortized cost using the effective interest method less any loss allowances. Gains and losses are recognized in the Statement of Income when the financial assets at amortized cost are impaired or derecognized.

At each reporting date, a loss allowance is recognized for financial assets 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.

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.

The estimation of 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 and forecasts of future economic conditions. The impairment amount for 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.

Financial liabilities primarily include trade payables 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.

An **accrual** is recognized when goods or services have been received or supplied but have not been paid, invoiced or formally agreed with the supplier. The amount recognized represents the best estimate of the obligation at the reporting date. Accruals are recognized at their settlement amount deemed necessary in accordance with prudent business judgment.

If the criteria of the regulations on recognition and measurement of provisions or accruals 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.

4. Functional costs

General administrative expenses amounted to €14.9 thousand. They consist of expenses which are not attributable to production, sales or research and development functions, and comprise solely other administrative costs.

5. Taxes

The current and deferred tax income or expense of the company is € 0 for the stub period.

DTHAG is domiciled in Germany with an applicable income tax rate as of September 30, 2021, at 30.5%. 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 14.7%. The deferred taxes were measured using the substantively enacted tax rates.

Temporary differences and unused tax loss carryforwards without recognition of DTA	As of September 30, 2021
In € thousand	
Deductible temporary differences	-2.0
Unused tax loss carryforwards	-14.9

The change of unrecognized deferred tax assets results from a non-recognition of deferred tax assets in 2021.

At September 30, 2021, unrecognized deferred tax assets relating to corporate income tax loss carryforwards and to temporary differences can be carried forward indefinitely.

DTHAG 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. The current estimate of deferred tax assets which are considered to be realizable may change in the future, necessitating higher or lower deferred tax assets.

Based on the applicable German income tax rate of 30.5 % multiplied with the company's loss before taxes (€ -16.9 thousand) expected income tax income amounts to € 5.1 thousand. The amount of expected tax income deviates from the amount of tax income booked (€ 0), since no deferred tax on temporary differences (€ 0.6 thousand) nor on current year tax losses (€ 4.5 thousand) has been recognized.

6. Other receivables and assets

Other receivables comprise only receivables from affiliated companies (€ 148.5 thousand). These result from the addition to the company's capital reserve which was handled via the group's internal central finance and liquidity management (€ 150 thousand; thereof € 1 thousand already paid).

All receivables have terms to maturity of up to one year. 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.

The calculated loss allowance as at September 30, 2021, is € 0.5 thousand. This reflects the portion of the lifetime expected credit losses resulting from default events possible within the next 12 months.

Other assets mainly result from deferred costs incurred in anticipation of the equity issuance by spin-off (€ 504.1 thousand) after deduction of a loss allowance as at September 30, 2021, in the amount of € 1.5 thousand. The loss allowance reflects the portion of the lifetime expected credit losses resulting from default events possible within the next 12 months.

Other receivables and assets include certain credit risks. As of September 30, 2021, no receivables are overdue.

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).

DAG provides IC-accounts to the group companies. Positive balances (i.e., receivables) on these accounts bear 0 % interest. Negative balances bear interest at market rates.

7. Cash and cash equivalents

Cash and cash equivalents amount to € 50.8 thousand and solely consist of bank balances which mainly result from the cash contribution by Daimler Grund, relating to the establishment of DTHAG. The amount is paid as capital stock.

8. Equity

Share capital

Share capital (authorized capital) in the amount of € 50 thousand consists of 50,000 no-par value shares with a nominal value of € 1 each. All shares are fully paid up. Each share grants one voting right at the Annual Shareholder's Meeting and is entitled to dividend.

Capital reserves

Until June 30, 2021, Daimler Grund made an additional payment via the IC-account provided by DAG in the amount of € 150 thousand to the capital reserve pursuant to Section 272 subsection 2 number 4 of the HGB (the amount of other additional payments made by shareholders to equity).

Retained earnings

Retained earnings comprise the net result. Net loss for the period amounts to € -16.9 thousand.

9. Trade and other payables

Liabilities to affiliated companies are liabilities that arose in the context of the Group's internal cost transfer (€ 3.1 thousand). These costs include in particular audit fees and notary costs which were settled by DTAG and will be reimbursed by DTHAG to DTAG.

Liabilities have terms to maturity of up to one year. Due to the short maturities of these financial instruments, it is assumed that their fair values are equal to the carrying amounts.

Accruals (€ 517.5 thousand) primarily comprise audit services and costs for the preparation of the financial statements that have not yet been invoiced. Accrued costs in connection with the spin-off will be reimbursed by DAG (refer to note 11). All accruals have terms to maturity of up to one year.

10. Statement of Cash Flows

At September 30, 2021, cash and cash equivalents amount to € 50.8 thousand and exclusively consist of bank balances.

The cash flow in the amount of € 50.8 thousand results mainly from financing activities and relates to the payment of capital stock and partial payment of the addition to capital reserves.

Capital stock was called-up on March 25, 2021 and paid to the company's bank account during the period.

DTHAG's operating cashflow (€ -0.2 thousand) consists of bank fees for the operating accounts.

11. Related party disclosures

Related parties as defined in IAS 24 (Related Party Disclosures) are those legal entities and natural persons that are able to exert influence on DTHAG or over which the DTHAG exercises control or joint control or has a significant influence.

They include, in particular, companies in the Daimler Group (DAG and its direct and indirect interests – including Daimler Truck operations), since DTHAG is controlled by DAG. Related parties also include nonconsolidated DAG subsidiaries, joint ventures, associates, and post-employment benefit plans. Furthermore, it includes 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 DTHAG as well as DAG as the ultimate controlling parent.

Board Members
With effect from July 12, 2021, the following members of the Board of Management of DTAG were appointed as members of the Board of Management of DTHAG in addition to their existing roles within Daimler Truck Business:

- 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 DTHAG, Fabian Römer and Lars Wettlaufer were initially appointed in March 2021 as members of the Board of Management. The aforementioned persons are executives of DAG 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.

Members of the Board of Management are currently employed by DTAG (Jochen Götz) and DAG (Martin Daum). The employment contracts will be transferred to DTHAG with execution of the spin-off. Compensation will be paid by DTHAG as of that date and no compensation was owed in the stub period from March 25 to September 30, 2021.

As at the balance sheet date members of the founding supervisory board are Tim Zech, Robert Köthner and Dr. Annette Matzat. With execution of the spin-off, they will resign, and the first general meeting of DTHAG will elect 20 members. There was no compensation owed in the stub period from March 25 to September 30, 2021.

Transactions with related parties
In the course of the establishment of DTHAG, Daimler Grund has contributed €150,000 thousand (thereof: € 1 thousand already paid) to DTHAG in July 2021. Transactions with other related companies comprise DAG and DTAG as counterparties.

As provided in the cost reimbursement agreement DAG exempts DTHAG from all costs that it incurs, and which are directly linked to the spin-off procedures. These include but are not limited to costs of the general meeting, entries in the commercial register, spin-off report, audit of spin-off and costs for consultants, banks, insurers. For further transactions with related parties in the course of the spin-off also refer to Note 1 “General information”.

The balances are shown in the following table:

Transactions with related companies

in € thousand	September 30, 2021
Income for the period March 25 – September 30, 2021	-
Expense for the period March 25 – September 30, 2021	**2.8**
Receivables at September 30, 2021	**149.0**
Liabilities at September 30, 2021	**3.1**

12. Events after the reporting period

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 DTHAG (Abspaltung und Ausgliederung zur Aufnahme), with the (i) issuance of new shares in DTHAG to the shareholders of DAG (Abspaltung) and the (ii) issuance of new shares in DTHAG to DAG (Ausgliederung) in exchange for the transfer of the investment.
The Demerger Agreement has been approved by the extraordinary shareholders’ meeting of Daimler AG on October 1, 2021. The shareholders’ meeting of DTHAG is scheduled for early November 2021.

Accordingly, DTHAG will be the issuer of all 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.

However, immediately after the spin-off and the hive-down, DTHAG will issue additional new shares to 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.

Nomination of Members of the Board of Management and Supervisory Board of DTHAG

Board of Management

For reasons of Board efficiency, the future corporate bodies of DTHAG and DTAG are to be composed of the same persons. For this reason, the members of the Board of Management of DTHAG and DTAG 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 DTAG are also to be appointed as members of the Board of Management of DTHAG.

The Board of Management of DTHAG 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 April 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),
- Karl Deppen (appointment planned until the end of November 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 DTHAG by the three-member founding Supervisory Board of DTHAG.

Supervisory Board

It is intended to enlarge the Supervisory Board of DTHAG to 20 members by amending the articles of association 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 DTHAG 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 DTHAG and the Supervisory Board of DTAG are to be composed of the same persons.

It is therefore intended that the following ten persons will be elected to the Supervisory Board of DTHAG as shareholder representatives:

- Jacques Esculier, former Chief Executive Officer of WABCO Holdings Inc.;
- Renata Jungo Brüngger, Member of the Board of Management of DAG, 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 DAG, 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 DAG. The other shareholder representatives on the Supervisory Board of DTHAG are independent of DAG. To the extent that some of the aforementioned persons are not currently members of the Supervisory Board of DTAG, they are also to be elected to the Supervisory Board of DTAG prior to the spin-off taking effect.

It is intended that the following eight persons will be elected to the Supervisory Board of DTHAG upon proposal from the employees' side:

- Michael Brecht, Deputy Chairman of the Supervisory Board of DAG; Chairman of the Group Works Council of DAG; Chairman of the General Works Council of DAG; 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;
- 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;
- Jörg Köhlinger, Representative of IG Metall (German Metalworkers' Union);
- Andrea Reith.

The proposal of the employees' side for one further person to be elected to the Supervisory Board of DTHAG is currently still pending.

With the appointment of the new Supervisory Board members, the current members of the Supervisory Board of DTHAG, 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.

The financial statements were authorised for issue on October 22, 2021 by DTHAG's Board of Management.

Leinfelden-Echterdingen, October 22, 2021

Martin Daum	Jochen Götz
Member of Board of Management Daimler Truck Holding AG	Member of Board of Management Daimler Truck Holding AG

Independent Auditor's Report

To Daimler Truck Holding AG, Stuttgart

Opinion

We have audited the financial statements of Daimler Truck Holding AG, Stuttgart, (the Company), which comprise the statement of financial position as at September 30, 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the stub period from March 25, 2021 to September 30, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2021, and (of) its financial performance and its cash flows for the stub period from March 25, 2021 to September 30, 2021 in accordance with International Financial Reporting Standards (IFRSs).

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 Financial Statements section of our report. We are independent of the Company 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 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's 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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company’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 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 Company’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 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 Company to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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, October 22, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

Bock	Mokler
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

21 GLOSSARY

"Admission to Trading"	means the admission to trading on the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) of 50,000 existing ordinary registered shares with no-par value (*auf den Namen lautende Stückaktien*) and 822,901,882 newly issued ordinary registered shares with no-par value (*auf den Namen lautende Stückaktien*) from capital increases against contribution in kind resolved upon by an extraordinary general meeting of Daimler Truck Holding AG on November 5, 2021.
"AGM 2022"	means Company's general meeting in June 2022.
"Amended Articles Effective Date"	means the date on which relevant changes to the Articles of Association shall become legally effective (i.e., registered with the competent commercial register), which is expected to occur immediately after the effectiveness of the Demerger Transaction.
"ASA"	means Active Sideguard Assist.
"Articles of Association"	means the Company's articles of association, as amended to date.
"Audited Combined Financial Statements"	means the combined financial statements of the Daimler Truck Business prepared by Daimler AG and Daimler Truck AG in accordance with IFRS as of and for the fiscal years ended December 31, 2020, 2019 and 2018.
"Automotive Segments"	MB, TN, TA and DB.
"Approved Capital 2021"	means the Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital of the Company on one or more occasions in the period until October 31, 2026, by up to a total of EUR 329,180,752.00 through the issuance of up to 329,180,752 new shares in exchange for cash and/or contributions in kind.
"BaFin"	means the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).
"Banks"	means BNP PARIBAS S.A., Citigroup Global Markets Europe AG, Goldman Sachs Bank Europe SE, J.P. Morgan AG, Deutsche Bank Aktiengesellschaft, Joh. Berenberg, Gossler & Co. KG, BofA Securities Europe SA, Landesbank Baden-Württemberg.
"BEV"	means battery-electric vehicle.
"BFDA"	means Beijing Foton Daimler Automotive Co., Ltd.
"BNP PARIBAS"	means BNP PARIBAS S.A., 16, boulevard des Italiens, 75009 Paris, France.
"Bond Offerings"	means the Group's intention to offer, through finance subsidiaries, senior unsecured notes guaranteed by Daimler Truck Holding AG and Daimler Truck AG and denominated in U.S. dollars, Canadian dollars and/or Euros across a market standard range of maturities in an aggregate principal amount of up to approximately the amount of the Bridge Facility.
"BP"	means BP Advanced Mobility Limited.

"Bridge Facility"	means the EUR 13 billion term loan facility included in the EUR 18 Billion Credit Facilities Agreement.
"CAD"	means the legal currency of Canada.
"Capital Increase Against Contribution in Kind I"	means the capital increase against contribution in kind of Daimler Truck Holding AG for the purpose of implementing the Spin-off.
"Capital Increase Against Contribution in Kind II"	means the capital increase against contribution in kind of Daimler Truck Holding AG for the purpose of implementing the Hive-down.
"Capital Increase Against Contribution in Kind III"	means the capital increase against contribution in kind of Daimler Truck Holding AG.
"CASE"	means Connectivity (networking), Autonomous (autonomous driving), Shared & Services (flexible usage) and Electric (electric mobility).
"CATL"	means Contemporary Amperex Technology Co. Limited.
"cellcentric"	means cellcentric GmbH & Co. KG.
"Citigroup"	means Citigroup Global Markets Europe AG, Reuterweg 16, 60323 Frankfurt am Main, Germany.
"CKD"	means Completely Knocked Down.
"CMS"	means Compliance Management System.
"CMVSS"	means the Canadian Motor Vehicle Safety Standards.
"Code"	means German Corporate Governance Code.
"Combined Financial Statements"	means Audited Combined Financial Statements and Unaudited Condensed Interim Combined Financial Statements.
"Company"	means Daimler Truck Holding AG.
"Company Internal Analysis"	means Group's own analysis and adjustment or supplementation where necessary of a combination of publicly available and non-public data, including some of which was independently commissioned.
"Contribution Margin"	means the marginal profit, calculated as revenue minus variable cost.
"Covid-19"	means the global outbreak of the SARS-CoV-2 coronavirus.
"Cummins"	means Cummins Inc.
"D&O"	means director and officer.
"Daimler" or "Daimler Group"	means Daimler AG, together with its consolidated subsidiaries.
"Daimler AG" or "Existing Shareholder"	means Daimler AG, Stuttgart.
"Daimler Division"	means companies of the Daimler Group and the activities conducted by them which are subject to change from time to time.
"Daimler Grund"	means Daimler Verwaltungsgesellschaft für Grundbesitz mbH, Schönefeld.
"Daimler Kamaz"	means the joint venture named DAIMLER KAMAZ RUS OOO established by the agreement of 2009 between Daimler AG and Russian automotive manufacturer KAMAZ.

"Daimler Truck AG"	means Daimler Truck AG, Stuttgart.
"Daimler Truck Business"	means the legal entities and operations of Daimler Trucks & Buses and Daimler Truck Financial Services which are subject to the Phase 1 Transactions.
"Daimler Truck Division"	means the respective companies of the Daimler Truck Group and the activities conducted by them which are subject to change from time to time.
"Daimler Truck Financial Services"	means the Daimler financial services business related to the Daimler trucks and buses business.
"Daimler Trucks & Buses"	means the Daimler trucks and buses business.
"DB"	means Daimler Buses.
"Deconsolidation Agreement"	means the deconsolidation agreement entered on August 6, 2021 by Daimler AG, Daimler Grund and the Company in notarized form.
"Demerger and Hive-down Agreement"	means the spin-off and hive-down agreement (*Abspaltungs- und Ausgliederungsvertrag*) relating to the Spin-off and the Hive-down between the Company and Daimler AG and entered into in notarized form on August 6, 2021.
"Demerger Transactions"	means the Spin-off, Hive-down and Capital Increase Against Contribution in Kind III considered together.
"Demerger Transactions Effective Date"	means the date each of the Demerger Transactions will become effective upon registration with the relevant commercial register, which is expected to occur on or about December 9, 2021.
"Detroit Diesel"	means Detroit Diesel Corporation.
"Deutsche Bank"	means Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Germany.
"DICV"	means Daimler India Commercial Vehicles Private Limited.
"Disposal"	means, regardless of whether directly or indirectly, any sale, any transfer, any obligation to transfer, any pledge or any other encumbrance, any disposition (whether in whole or in part, for instance with regard to the voting rights or the commercial opportunities and risks, and whether legally or economically, in rem or under the law of obligations) and any other conduct (act, toleration or omission) by Daimler AG which is economically comparable to one or more of the above activities.
"DSN"	means Daimler Supplier Network.
"DTBC"	means Daimler Trucks and Buses (China) Ltd.
"DTC"	means Daimler Truck China Limited.
"D&O"	means directors & officers.
"ENGIE"	means ENGIE S.A.
"EPA"	means the U.S. Environmental Protection Agency.
"ESG"	means Environmental, Social and Governance.
"ESP"	means Electronic Stability Program.
"EU Short Selling Regulation"	means Regulation (EU) No. 236/2012 of the European Parliament and of the Council of March 14, 2012 on short selling and certain aspects of credit default swaps.
"EU30"	means the member states of the European Union along with the United Kingdom, Switzerland and Norway.

"EUR or Euro" . . . . means EUR or Euro refers to the legal currency of Germany as (an accounting currency) from January 1, 1999, and (as a circulation currency) from January 1, 2002.

"EUR 18 Billion Credit Facilities Agreement" . . . . means the EUR 18 billion credit facilities agreement concluded on August 6, 2021 by Daimler Truck Holding AG and Daimler Truck AG and further subsidiaries of the Group with BNP PARIBAS, Citibank N.A. London Branch, Deutsche Bank AG Luxembourg Branch and JPMorgan Chase Bank N.A. London Branch acting as underwriters, and BNP PARIBAS, Citibank N.A. London Branch, Deutsche Bank AG and J.P. Morgan AG acting as coordinators, bookrunners and mandated lead arrangers, with Deutsche Bank Luxembourg S.A. acting as facility agent, and Deutsche Bank Trust Company Americas acting as swingline agent for the Canadian currency and the U.S. currency.

"EVBox" . . . . means EVBox B.V.

"Existing Shares" . . . . means 50,000 existing ordinary registered shares with no-par value (*auf den Namen lautende Stückaktien*) of the Company.

"FCCC" . . . . means Freightliner Custom Chassis Corporation.

"FCEV" . . . . means fuel-cell electric vehicle.

"Financial Services" or **"Financial Services Business"** . . . . means the Group's Financial Services reporting segment.

"Financial Services Carve-out" . . . . . . means the ongoing carve-out process in relation to the financial services solutions.

"FMVSS" . . . . means the U.S. Federal Motor Vehicle Safety Standards.

"Foton" . . . . means Beiqi Foton Motor Co., Ltd.

"FTT" . . . . means Financial Transaction Tax.

"Gamma Partnerships" . . . . means Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 1 OHG, Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 2 OHG, Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 3 OHG and Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 4 OHG, each with its registered office in Schönefeld, Germany.

"GDPR" . . . . means the European Union's General Data Protection Regulation.

"GDs" . . . . means General Distributors.

"GHG" . . . . means greenhouse gases.

"Goldman Sachs Bank Europe SE" . . . means Goldman Sachs Bank Europe SE, Taunusanlage 9-10, 60329 Frankfurt am Main, Germany.

"GRMC" . . . . means Group's Risk Management Committee.

"Group", "Daimler Truck Group" or "Daimler Truck" . . . . means (i) in case of statements or information relating to the time prior to the Demerger Transactions Effective Date (including for the purpose of the historical financial information presented in this Prospectus), the Daimler Truck Business; and (ii) in case of statements or information relating to the time upon and after the Demerger Transactions Effective Date, the Company and its consolidated subsidiaries.

"Group Separation Agreement"	means the group separation agreement entered into on August 6, 2021 by Daimler AG and the Company in notarized form.
"GSA Lock-Up Period"	means the period until the end of the day that is 36 months after the first day on which the Shares in the Company are traded on the Frankfurt Stock Exchange during which Daimler AG may not dispose any of the shares it holds directly or indirectly in the Company at the time of the consummation of the Demerger and Hive-down Agreement without the prior consent of the Company.
"GVWR"	means gross vehicle weight rating.
"H2Accelerate"	means the commitment of the Company, commercial vehicle manufacturer IVECO/CNH Industrial, chemical producer OMV, Shell and Volvo to work together in a consortium, as announced on December 15, 2020.
"HDT"	means heavy-duty trucks.
"HMI"	means human-machine interface.
"ICE"	means internal combustion engine.
"IFRS"	means International Financial Reporting Standards.
"IHS Markit"	means IHS Markit, "*Medium Heavy Commercial Vehicle Industry Forecast*," dated August 2021.
"Industrial Business"	means the Automotive Segments together with Reconciliation.
"IP"	means intellectual property.
"ISIN"	means International Securities Identification Number.
"IT"	means information technology.
"J.P. Morgan"	means J.P. Morgan AG, Taunustor 1, TaunusTurm, 60310 Frankfurt am Main, Germany.
"JPY"	means the legal currency of Japan.
"KPMG"	means KPMG AG Wirtschaftsprüfungsgesellschaft, Klingelhöferstraße 18, 10785 Berlin.
"kWh"	means kilowatt hours.
"LDT"	means light-duty segment.
"LDWS"	means Lane Departure Warning System.
"LEI"	means Legal Entity Identifier.
"License Agreements"	means license agreements with Daimler AG.
"lidar"	means Light Detection and Ranging.
"Linde"	means Linde Hydrogen FuelTech GmbH.
"Listing Agents"	means BNP PARIBAS, Citigroup and Goldman Sachs Bank Europe SE.
"Listing Agreement"	means the listing agreement of November 26, 2021 between the Company, the Existing Shareholder and the Banks in connection with the Admission to Trading.
"Local Separation Transactions"	means the separation of the trucks and buses business from the cars and vans business in the relevant jurisdictions and the necessary transfer of the shares in companies or assets attributable to the trucks and buses business from Mercedes-Benz AG or its subsidiaries to Daimler Truck AG or its subsidiaries, or vice versa, by way of various transactions,

including but not limited to, asset deals, share deals and divestitures to external parties.

"Lock-up Period"	means the agreement pursuant to which Daimler AG undertakes vis-à-vis the Company not to dispose of any of the shares in the Company held directly or indirectly by Daimler AG at the time of the consummation of the Demerger and Hive-down Agreement without the prior consent of the Company until the end of the day that is 36 months after the first day on which the shares in the Company are traded on the Frankfurt Stock Exchange.
"Luminar"	means Luminar Technologies, Inc.
"Management Board"	means the Company's management board.
"Manufacturer"	means manufacturer for the purposes of the MiFID II Product Governance Requirements.
"MB"	means the Mercedes-Benz segment.
"MDT"	means medium-duty trucks.
"Mercedes-Benz Bus"	means the Mercedes-Benz bus brand.
"MFTBC"	means Mitsubishi Fuso Truck and Bus Corporation.
"MiFID II Product Governance Requirements"	means (a) MiFID II; (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures, collectively.
"MTSA"	means Master Agreement for Transitional Services entered into by Daimler AG and Daimler Truck AG on September 20, 2021.
"Multi-Use IP Rights"	means some IP Rights that have been used by several divisions at the same time or could have been used at the same time in the future by the current Daimler Group.
"MW"	means megawatt.
"New FTT"	means the final proposal announced by the German Federal Finance Minister on December 9, 2019 for a Directive for a financial transaction tax implemented by way of the enhanced cooperation mechanism to nine other participating EU member states.
"New Shares"	means 822,901,882 newly issued ordinary registered shares with no-par value (*auf den Namen lautende Stückaktien*) from capital increases against contribution in kind resolved upon by an extraordinary general meeting of the Company on November 5, 2021.
"NHTSA"	means National Highway Traffic Safety Administration.
"NMC"	means nickel manganese cobalt oxide.
"North America"	means the United States, Canada and Mexico.
"OEMs"	means original equipment manufacturers.
"OFAC"	means the Office of Foreign Asset Control.
"OTA"	means over-the-air.
"Paris Agreement"	means the international climate agreement.
"Phase 1 Transactions"	means the first phase which includes reorganization measures and transfers of certain legal entities and operations of Daimler Trucks & Buses and Daimler Truck Financial Services to

	Daimler Truck AG and to subsidiaries of Daimler Truck AG which have already occurred prior to the date of this Prospectus or will have been completed by December 1, 2021.
"Phase 2 Transactions"	means the second phase which includes reorganization measures and transfers of certain remaining legal entities and operations of Daimler Trucks & Buses and Daimler Truck Financial Services to the Group that will be implemented in 2022 (*i.e.*, after the Demerger Transactions Effective Date).
"Power Electronics"	means Power Electronics USA, Inc.
"PP&E"	means property, plant and equipment.
"Proterra"	means Proterra Inc.
"Reconciliation"	means the segment in which other business activities and investments, in particular in the area of autonomous driving, as well as functions and services provided by the Group's headquarters and other Group companies that are not allocated to the segments and projects managed by headquarters are recorded. In 2021, Volvo and Daimler Truck AG entered into a 50-50 joint venture called cellcentric GmbH & Co. KG for the development, manufacture and marketing of hydrogen fuel cells and systems, which is also included in Reconciliation.
"Registerable IP Rights"	means the technical and non-technical property rights eligible for registration, in particular, trademarks, domain names, designs and technical property rights.
"Revolving Credit Facility"	means the EUR 5 billion multicurrency revolving credit facility included in the EUR 18 Billion Credit Facilities Agreement.
"Rolls-Royce"	means Rolls-Royce plc.
"SAE Level 4"	means autonomous driving with the goal of commercializing integrated fully automated, correction-capable driving solutions.
"Service Share of Revenue"	means the percentage of revenue from services of the Industrial Business and Financial Services plus leasing installments from finance leases (numerator) divided by the total of a) new vehicle revenues from the Industrial Business minus b) additions to Financial Services finance and operating leases plus c) the numerator.
"Shares"	means the Existing Shares and the New Shares.
"Shell"	means Shell New Energies NL B.V.
"Siemens"	means Siemens AG.
"Supervisory Board"	means the Company's supervisory board.
"TA"	means Trucks Asia.
"TaaS"	means transportation as a service.
"Target Market Assessment"	means Shares have been subject to a product approval process, which has determined that the Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II.
"TCO"	means total cost of ownership.
"TOCs"	means Truck Operating Centers.
"Torc"	means Torc Robotics, Inc.

"TotalEnergies"	means TotalEnergies Marketing Services S.A.S.
"TN"	means Trucks North America.
"Trademark Licensing and Domain Usage Agreement Mercedes-Benz"	means the trademark licensing and domain usage agreement concluded on September 27, 2021 between Daimler Brand & IP Management GmbH & Co. KG as licensor and Daimler Truck AG as licensee for the licensing of the "Mercedes-Benz" and "Mercedes-Benz Star" trademarks as well as for the use of certain domain names belonging to the business segment of Daimler Truck AG that comprise the component "Mercedes-Benz".
"TRATON"	means TRATON SE.
"Treasury Shares"	means the shares in the Company that are acquired and used by the Company.
"TSAs"	mean agreements for transitional services.
"TT"	means Truck Technology Group.
"Unaudited Condensed Interim Combined Financial Statements"	means the unaudited condensed interim combined financial statements of the Daimler Truck Business as of and for the nine months ended September 30, 2021.
"United States", "US" and "U.S."	means the United States of America.
"USD", "$" or "US dollar"	means the legal currency of the United States.
"Volvo"	means Aktiebolaget Volvo (publ).
"Waymo"	means Waymo LLC.
"ZEV"	means zero-emission vehicle.

22 RECENT DEVELOPMENTS AND OUTLOOK

22.1 Recent Developments

On October 28, 2021, S&P Global Ratings assigned a long-term issuer credit rating of BBB+ (outlook stable) to Daimler Truck AG, and on October 28, 2021, Moody's assigned a long-term issuer credit rating of A3 (outlook stable) to Daimler Truck AG.

On November 5, 2021, the Company's general meeting resolved to increase the Company's share capital in connection with the Demerger Transactions by way of each of the Capital Increase Against Contributions in Kind I, II and III, respectively, as follows:

- For the purpose of the Spin-off and the Capital Increase Against Contribution in Kind I, the Company's general meeting resolved to increase the Company's share capital from EUR 50,000 by EUR 534,918,723 to EUR 534,968,723;
- For the purpose of the Hive-down and the Capital Increase Against Contribution in Kind II, the Company's general meeting resolved to increase the Company's share capital from EUR 534,968,723 by EUR 233,936,002 to EUR 768,904,725; and
- For the purpose of the Capital Increase Against Contribution in Kind III, the Company's general meeting resolved to increase the Company's share capital from EUR 768,904,725 by EUR 54,047,157 to EUR 822,951,882.

The effectiveness of each of the Capital Increase Against Contributions in Kind I, II and III, respectively, upon registration with the relevant commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Stuttgart, Germany, is expected to be on or about December 9, 2021. The issuance of the new shares following each of the Capital Increase Against Contributions in Kind I, II and III will become effective simultaneously with the effectiveness of each of the Capital Increase Against Contributions in Kind I, II and III, respectively.

In November 2021, Daimler AG effected payments to Daimler Truck AG for the capital and liquidity funding measures prior to the consummation of the Demerger Transactions comprising (i) a EUR 1,987 million contribution to equity (capital reserves) to enable Daimler Truck AG (or its subsidiaries) to acquire and build up the commercial vehicle-related financial services business and to acquire companies, business activities and economic goods (including rights to use trademarks and patents) attributable to the trucks and buses division, (ii) a EUR 250 million contribution to equity (capital reserves) to strengthen the assets held to cover Daimler Truck Group's pension obligations, and (iii) a EUR 3,143 million contribution to equity (capital reserves) to ensure that Daimler Truck AG has an adequate equity base.

In order to finalize the planned reorganization process ahead of the Demerger Transactions Effective Date, since September 30, 2021, the remaining Phase 1 Transactions and other reorganization measures have either been completed prior to the date of this Prospectus or will have been completed by December 1, 2021. For further information, see "*3. Separation, Demerger Transactions and Admission to Trading*".

For further information regarding the effects of the capital and liquidity funding measures, the remaining Phase 1 Transactions and certain other measures on the capitalization and indebtedness of the Daimler Truck Group, all taken or to be taken prior to the consummation of the Demerger Transactions, see "*6. Capitalization, Indebtedness and Statement on Working Capital*".

John O'Leary, Karin Rådström, Dr. Andreas Gorbach, Jürgen Hartwig, Stephan Unger and Karl Deppen were appointed as members of the Management Board with the appointment taking effect on or about December 1, 2021. On December 2, 2021, twenty new members of the Supervisory Board will be elected by the Company's general meeting under the condition precedent that their election shall become effective upon the Amended Articles Effective Date, which is expect to occur on or about December 9, 2021.

The Group also intends to offer, through finance subsidiaries, senior unsecured notes guaranteed by Daimler Truck Holding AG and Daimler Truck AG and denominated in U.S. dollars, Canadian dollars and/or Euros across a market standard range of maturities in an aggregate principal amount of approximately up to the amount of the Bridge Facility. The Bond Offerings may be launched, subject to market conditions, at any time, including before or after the Demerger Transactions Effective Date. The Bond Offerings are independent of the Demerger Transactions, are not conditional upon one another and may be consummated at different times. To the extent the Bond Offerings are successfully completed, the Bridge Facility will either be mandatorily prepaid or cancelled in an amount equal to 90% of the available net proceeds received from the Bond Offerings by the Group.

22.2 Outlook

The Group expects underlying market demand for trucks and buses to be very strong in 2021 and 2022, but for 2022 to be subject to ongoing supply constraints. In the market for heavy-duty trucks, the Company assumes a significant increase in EU30 market volume for 2021 and assumes that this market will stay on the same level for 2022. In North America, the Company assumes a significant increase in the market volume for trucks of class 8 for 2021 and assumes that this market will also stay on the same level for 2022.

For the period from January 1, 2021 to December 31, 2021, the Company expects EBIT of the Group to be between EUR 3.4 billion and 3.8 billion. However, the Company expects Adj. EBIT of the Group to be between EUR 2.3 billion and EUR 2.7 billion.

For the period from January 1, 2022 to December 31, 2022, the Company expects EBIT of the Group to decrease slightly compared to 2021. However, the Company expects Adj. EBIT of the Group to significantly increase compared to 2021.

For additional information and especially the underlying assumptions, see "*8 Profit Forecast*."

In addition, the Group expects Investments in PP&E to be between EUR 0.9 and billion EUR 1.0 billion in 2021 and to stay on the same level in 2022. The Group further expects FCF for the Industrial Business to be between EUR 1.5 billion and EUR 2.0 billion in 2021 and to decrease slightly in 2022 compared to 2021.