DAIMLER

Annual Report 2020

Key Figures for the Daimler Group

	2020	2019	2020/2019
€ amounts in millions			% change
Unit sales	**2,840,402**	3,344,951	-15
Revenue	**154,309**	172,745	-11 [1]
EBIT	**6,603**	4,313	+53
Adjusted EBIT	**8,641**	10,276	-16
Net profit	**4,009**	2,709	+48
Earnings per share (in €)	**3.39**	2.22	+53
Dividend per share (in €)	**1.35**	0.90	+50
Free cash flow of the industrial business	**8,259**	1,368	+504
Adjusted free cash flow of the industrial business	**9,155**	2,709	+238
Net liquidity of the industrial business (December 31)	**17,855**	10,997	+62
Investment in property, plant and equipment	**5,741**	7,199	-20
Research and development expenditure	**8,614**	9,662	-11
Employees (December 31)	**288,481**	298,655	-3

1 Adjusted for the effects of currency translation, revenue decreased by 9%.

Key Figures for the Divisions

	2020	2019	2020/2019
€ amounts in millions			% change
Mercedes-Benz Cars & Vans			
Unit sales	2,461,884	2,823,818	-13
Revenue	98,576	106,897	-8
EBIT	5,172	-109	.
Adjusted EBIT	6,802	6,151	+11
Return on sales (in %)	5.2	-0.1	.
Adjusted return on sales (in %)	6.9	5.8	.
CFBIT	7,048	598	.
Adjusted CFBIT	7,917	1,939	+308
Adjusted cash conversion rate [1]	1.2	0.3	.
Investment in property, plant and equipment	4,862	5,869	-17
Research and development expenditure	7,199	8,061	-11
thereof capitalized	2,391	3,000	-20
CO_2 emissions of our total passenger new car fleet in Europe	104	137	-24
Employees (December 31)	170.515	177,187	-4
Daimler Trucks & Buses			
Unit sales	378,518	521,133	-27
Revenue	34,671	44,429	-22
EBIT	525	2,672	-80
Adjusted EBIT	678	2,672	-75
Return on sales (in %)	1.5	6.0	.
Adjusted return on sales (in %)	2.0	6.0	.
CFBIT	2,513	2,654	-5
Adjusted CFBIT	2,513	2,654	-5
Adjusted cash conversion rate [1]	3.7	1.0	.
Investment in property, plant and equipment	789	1,105	-29
Research and development expenditure	1,488	1,689	-12
thereof capitalized	107	76	+41
Employees (December 31)	99,640	101,639	-2
Daimler Mobility			
Revenue	27,699	28,646	-3
EBIT	1,436	2,140	-33
Adjusted EBIT	1,595	1,827	-13
Return on equity (in %)	9.8	15.3	.
Adjusted return on equity (in %)	10.9	13.1	.
New business	67,786	74,377	-9
Contract volume (December 31)	150,553	162,843	-8
Investment in property, plant and equipment	39	87	-55
Employees (December 31)	11,650	12,680	-8

1 The adjusted cash conversion rate is the ratio of adjusted CFBIT to adjusted EBIT.

Our Brands

AMG

MAYBACH

MERCEDES-EQ

Mercedes me

FREIGHTLINER

FUSO

WESTERN STAR

Thomas BUILT BUSES

BHARATBENZ

SETRA

Mercedes-Benz Bank

Mercedes-Benz Financial Services

Daimler Truck Financial

ATHLON

Daimler AG is one of the world's most successful automotive companies. With its Mercedes-Benz Cars & Vans, Daimler Trucks & Buses and Daimler Mobility divisions, the Group is one of the leading global suppliers of premium and luxury cars and one of the world's largest manufacturer of commercial vehicles. Daimler Mobility offers financing, leasing, fleet management, investments and insurance brokerage, as well as innovative mobility services.

For more information: www.daimler.com

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Cover photo
Visually impressive, radically easy to operate and extremely eager to learn: The MBUX Hyperscreen is one of the highlights of the EQS. It epitomizes the emotional intelligence of the all-electric luxury-class model. The large, curved display unit sweeps across almost the entire width between the two A-pillars. This aesthetic, high-tech appeal is the emotional dimension of the MBUX Hyperscreen. Supported by artificial intelligence (AI) and adaptive software, the display and operating concept completely adapts to its user and makes personalized suggestions for numerous functions.

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To Our Shareholders

“We will build the world’s most desirable cars.”

Ola Källenius,
Chairman of the Board of Management
of Daimler AG

Dear Shareholders,

We have an extraordinary year behind us. The global pandemic had a considerable impact on society, politics and the world economy, and thus also on Daimler. We responded at an early stage at all our sites and took a number of effective counter-measures. Our top priority was, and still is, to protect people's health. At the same time, we secured our liquidity, continued to push forward with future projects, and set the course for our long-term development. Our financial results significantly exceeded expectations in 2020, due in particular to a strong fourth quarter. Overall, we successfully steered Daimler through difficult waters. I would like to thank my colleagues for this – for their tireless commitment, their great flexibility, and their strong cohesion.

In 2020, a total of 2.8 million customers chose to buy a vehicle from Daimler. Our revenue amounted to 154.3 billion euros. EBIT increased by 53 percent to 6.6 billion euros. Our net liquidity in the industrial business was 17.9 billion euros at the end of the year. The bottom line was a net profit of 4 billion euros. At the Annual Shareholders' Meeting, the Board of Management and the Supervisory Board will propose the payment of a dividend of one euro and 35 cents per share.

How did the individual divisions contribute to these results?

Mercedes-Benz AG sold 2.5 million cars and vans in 2020. In view of the challenging environment, we are satisfied with that. Mercedes-Benz maintained its position as the world's leading premium manufacturer. Our sustainable business strategy is increasingly reflected by our unit sales. We tripled the sales of our cars with alternative drive systems in 2020 and thus achieved the ambitious CO_2 limits in Europe. China continues to be our biggest market. With a twelve percent increase, we posted record unit sales there in 2020. The most important new product of the past year was the new S-Class. Demand for our flagship is at a high level. The new model drives off the assembly line in Factory 56. What has long been regarded as the production of the future is already a reality in this new factory, which combines flexibility, efficiency, digitization and sustainability. It is a flagship of the newly defined strategy of Mercedes-Benz. Our aspiration: We will build the world's most desirable cars.

Sales of our electric vans also developed positively. In Europe, we are the market leader in the segments of mid-size and large electric vans, each with a market share of more than one third.

Economic uncertainties are particularly noticeable in the commercial-vehicle markets. Compared with record year 2019, unit sales at **Daimler Truck AG** were down by more than a quarter in 2020. However, demand in our important US market picked up again. We were able to extend our market leadership in almost all of our core markets. At the same time, we set some important strategic markers: We will produce Mercedes-Benz trucks in China in a few years' time, enabling us to make even better use of that market's great potential. We are working with Volvo in a joint venture to bring hydrogen technology to production maturity even faster. And we have realigned our strategy for autonomous driving.

The development of automotive markets also had an impact on the business of **Daimler Mobility AG**. Contract volume decreased, but we continue to finance or lease half of the vehicles we sell.

Across all our divisions, we made significant progress with efficiency in 2020. We will continue along this path with the same discipline. The pandemic has once again made it clear that efficiency is a prerequisite for the ability to act effectively.

Looking ahead, we are pursuing two main strategic priorities: digitization and electrification. We are cooperating with strong partners in both fields. In this way, we are not only accelerating technological developments, we are also sharing the costs.

In terms of **digitization**, the latest generation of our MBUX infotainment system was launched in 2020. It will be followed this year by the next milestone, the MBUX Hyperscreen, a display that extends across almost the entire width of the cockpit. This allows us to combine design, technology and interaction in the vehicle in a way that is currently unique. Thanks to artificial intelligence, the system gets to know the customer better and better and delivers a personalized infotainment offering adapted to each situation.

At the same time, we are developing one of the most intelligent computer architectures for automated driving functions ever seen in a vehicle. We will roll it out across our car fleet from 2024 onwards. Customers will then always be able to access the latest software, the latest driver assistance systems or the latest generation of digital services long after they have bought their car. The idea is that the purchase of a car is no longer the high point between the customer and us, but rather a starting point.

We took the next step in **electrification** at the beginning of the year with the new EQA, the first all-electric Mercedes-EQ model in the compact segment. We will continue in the spring with the EQS: Our electric flagship in the S-Class segment has a range of around 700 kilometers (WLTP) on a single battery charge. The EQS will also change the way we think about cars. It is the first all-electric Mercedes-Benz that we have developed as an electric car right from the start. This opens up new possibilities, in vehicle design, for example. Next year, our portfolio will include eight all-electric Mercedes-EQ models. Production at our own car plants will then be completely CO_2-neutral.

With the vans, we have developed a new platform for the next generation of the eSprinter. This gives us maximum flexibility, to implement numerous body variants, for example. Because whether combustion engine or electric drive, the individual needs of our customers are at the heart of everything we do.

We are also systematically expanding our range of CO_2-neutral options for trucks. We are pursuing a twin-track strategy here. Series production of the battery-electric eActros starts this year. In parallel, we are developing fuel-cell trucks for long distances and heavier loads. We have provided a glimpse of the future with our Gen H2 concept truck. This is a heavy-duty truck with a range of up to 1,000 kilometers, equivalent to that of a diesel truck. We are leveraging synergies and systematically implementing our electrification strategy also at the Freightliner and FUSO brands.

All of these examples show that market environment and customer requirements as well as approaches to technologies and partnerships differ between cars and trucks. The ongoing transformation is increasingly intensifying these differences. To shape change successfully, we need speed, agility and full focus on innovation more than ever. This is why we intend to propose to you, at an Extraordinary Shareholders' Meeting in the fall, that a significant majority interest in Daimler Truck be transferred to the Daimler shareholders by way of a spin-off. In this case, it is planned that the transaction and the stock-exchange listing of Daimler Truck will be completed by the end of 2021.

In this way, we want to give our trucks and buses division full entrepreneurial freedom – and thus the opportunity to leverage economies of scale even more effectively, to further increase profitability, and to make even faster progress on the road to zero-emission goods transport. At the same time, we want to further sharpen the profile of Mercedes-Benz: as one of the leading suppliers of luxury cars and premium vans, with a strong brand, and with a clear strategic course towards technology leadership, especially for electric mobility and vehicle software. With independence comes maximum customer focus and even greater entrepreneurial responsibility. These are the best possible ingredients for creating added value for you, the shareholders, and for unleashing the full potential of the companies.

For the two companies, the future of mobility will be decarbonization and digitization. We set the strategic course for this long ago. The results can be experienced on the road today and will become even more visible this year. At the same time, we are confident that, given stable conditions, we will be able to continue the positive trend from last year in our business development. Because we are convinced that our future will be sustainably fascinating, sustainably climate-neutral, and, last but not least, sustainably profitable. We are shaping this change with courage, passion and responsibility. I look forward to you continuing to accompany us on this path.

Sincerely yours,

Ola Källenius

The Board of Management

Ola Källenius
Chairman of the Board of Management of Daimler AG/
Mercedes-Benz Cars & Vans
Appointed until May 2024

Martin Daum
Daimler Trucks & Buses
Appointed until February 2022

Renata Jungo Brüngger
Integrity and Legal Affairs
Appointed until December 2023

Wilfried Porth
Human Resources and Director of Labor Relations
Appointed until April 2022

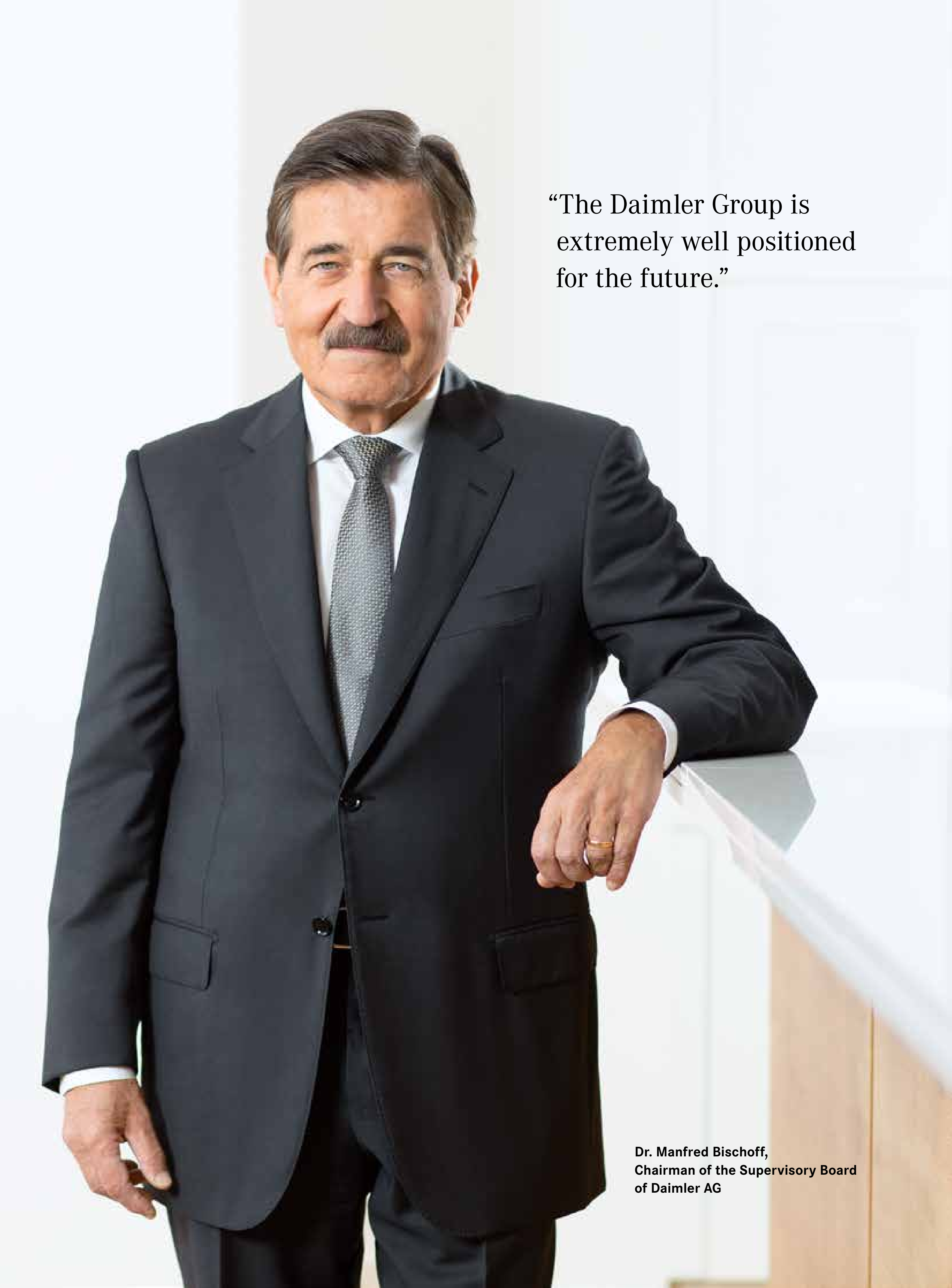
Markus Schäfer
Group Research and Mercedes-Benz Cars Chief Operating
Officer (COO)
Appointed until May 2024

Britta Seeger
Mercedes-Benz Cars Marketing and Sales
Appointed until December 2024

Hubertus Troska
Greater China
Appointed until December 2025

Harald Wilhelm
Finance & Controlling/Daimler Mobility
Appointed until March 2022

Further information on the individual members of the Board of Management of Daimler AG



"The Daimler Group is extremely well positioned for the future."

Dr. Manfred Bischoff,
Chairman of the Supervisory Board
of Daimler AG

Report of the Supervisory Board

Dear Shareholders,

The year 2020 was the most challenging for our Company during my period of office as Chairman of the Supervisory Board. In addition to the challenges posed by the global covid-19 pandemic, the transformation towards sustainable emission-free mobility with the main aspects of electrification and digitization had to be pushed forward at full speed. In addition, expectations for growth rates in the automotive sector weakened. At the same time, it was necessary to keep an eye on risks from political conflicts concerning the free movement of goods. Daimler had to revise and, in some cases, redefine the main points of its strategy. In close consultation with the Supervisory Board, the Board of Management took timely measures to safeguard liquidity, reduce costs and restructure the Group, without losing its focus on the technological fields of the future. We therefore have many good reasons to be confident that our Company will emerge strengthened for the future years as a result of the measures initiated.

Supervisory and advisory activities of the Supervisory Board

The Supervisory Board of Daimler AG fully performed its tasks as defined by the law, the Company's Articles of Incorporation and its own rules of procedure once again in the year 2020.

The Supervisory Board continually advised and supervised the Board of Management in the management of the Company and provided support with strategically important issues relating to the Group's further development.

The Supervisory Board examined whether the annual company and consolidated financial statements, the combined management report including the non-financial declaration (2020), and the other financial reporting, as well as the non-financial report (2019) for Daimler AG and the Daimler Group, were in conformance with the applicable requirements.

In addition, it approved numerous business matters for which its consent was required following careful reviews and consultations. As well as the finance and investment planning, this also included cooperation plans, major equity measures at companies of the Group, and the conclusion of contracts with particular importance for the Group. The Board of Management informed the Supervisory Board about a large number of further measures and business matters, and discussed them with it intensively and in detail, such as the impact on the Group of the covid-19 pandemic and the countermeasures taken.

The Board of Management regularly informed the Supervisory Board about all significant economic developments of the Group and the divisions. It continually provided information to it on all fundamental questions of corporate planning, including finance, investment, sales and personnel planning, current developments at the companies of the Group, the development of revenue, the situation of the Company and the divisions, and the economic and political environment, as well as on the current status and assessment of significant legal proceedings. Furthermore, the Board of Management reported to the Supervisory Board continually on profitability and the Group's liquidity situation, the development of sales and procurement markets, the overall economic situation, and developments in the capital markets and the area of financial services. Additional topics included the further development of the product portfolio, securing the Group's long-term competitiveness, and the ongoing implementation of measures for safeguarding sustainable and future-oriented mobility. The Supervisory Board also dealt in detail with political developments and conflicts in the main sales markets, the shareholder structure, the development of the share price and the related background, and the expected impact of strategic projects on the share price.

Working culture and areas of Supervisory Board activity

In the year 2020, the Supervisory Board convened for nine meetings, some of which took place by telephone or as video conferences due to the pandemic. Participation in the meetings by the members of the Supervisory Board was at a very high level once again, as shown in the detailed overview at the end of this report. The work of the Supervisory Board featured open and intensive exchanges of information and opinions. The members of the Supervisory Board regularly prepared for upcoming resolutions with the aid of documentation provided in advance by the Board of Management. Furthermore, the members representing the employees and the members representing the shareholders regularly prepared the Supervisory Board meetings in separate discussions, which were also attended by members of the Board of Management. The Supervisory Board was also intensively supported by its committees. In the meetings of the Supervisory Board, its members discussed in detail with the Board of Management the measures and business matters to be decided upon. Executive sessions were regularly arranged for the meetings so that topics could be discussed also in the absence of the Board of Management.

Outside the regular meetings, the Supervisory Board was informed about special matters. In addition, the members of the Supervisory Board and of the Board of Management came together for bilateral exchanges of opinions. The Board of Management informed the Supervisory Board also with written reports about the most important indicators of business development and existing risks, in particular in the spring of 2020 during the first peak phase of the covid-19 pandemic. The Supervisory Board received weekly reports on its impact as well as on the status of mitigating measures taken.

The members of the Supervisory Board independently attend such courses of training and further training regarded as necessary for the performance of their tasks, relating for example to changes in the legal framework and new, future-oriented technologies, in which they are supported by the Company. During the reporting period, the Company held information events on the expansion of the technical compliance management system and, together with the external auditors, on risk-oriented auditing. Furthermore, in a special onboarding program, new members of the Supervisory Board have the opportunity to meet the members of the Board of Management and senior executives with specialist responsibility for a bilateral exchange of opinions and information on fundamental and current topics of the various Board of Management areas, allowing them to gain an overview of the topics relevant to the Daimler Group and of its governance structure.

In its meeting on February 10, 2020, which was attended by the external auditors, the Supervisory Board discussed, took note of and approved the preliminary key figures of the annual company and consolidated financial statements for 2019 and the dividend proposal to be made at the 2020 Annual Shareholders' Meeting. The Supervisory Board determined that no objections were to be raised to their publication. The preliminary key figures for the year 2019 and the proposal on the appropriation of profit were announced at the Annual Press Conference on February 11, 2020.

In the Supervisory Board meeting held on February 19, 2020, the Supervisory Board decided to appoint Hubertus Troska as a member of the Board of Management of Daimler AG for a period of a further five years as of January 1, 2021, with responsibility for Greater China.

Subsequently, it dealt with the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group for the year 2019, each of which had been issued with an unqualified audit opinion by the external auditors, as well as with the reports of the Audit Committee and the Supervisory Board, the declaration on corporate governance combined with the corporate governance report, the remuneration report, the nonfinancial report, which was issued with the independent auditor's limited assurance in accordance with ISAE 3000, and the proposal on the appropriation of profit. In preparation, the members of the Supervisory Board had been provided with comprehensive documentation.

The Audit Committee and the Supervisory Board dealt with those documents in detail and discussed them intensively in the presence of the independent auditors. The independent auditors reported on the results of their audit and on the key audit matters and the respective audit procedure, including the conclusions drawn, as well as on the voluntary review of the non-financial report within the framework of a limited assurance engagement, and were available to answer questions and to provide further information. Following the final results of the review by the Audit Committee and its own review, the Supervisory Board declared its agreement with the results of the audit carried out by the external auditors. It determined that no objections were to be raised, approved the financial statements and the combined management report as presented by the Board of Management, and thus adopted the financial statements of Daimler AG for the year 2019. On this basis, the Supervisory Board consented to the proposal made by the Board of Management on the appropriation of distributable profit. In addition, the Supervisory Board approved the non-financial report, the report of the Supervisory Board, the corporate government statement combined with the corporate governance report, and the remuneration report.

In its meeting on February 19, 2020, the Supervisory Board also decided on its proposed resolutions for the agenda of the 2020 Annual Shareholders' Meeting, which at that time was still planned to be held on April 1, 2020, including the proposals for election as described in this report. The Supervisory Board also dealt with matters pertaining to the remuneration of the members of the Board of Management and, in connection with the item of the agenda on corporate governance, approved the memberships of other boards and further external secondary activities of the members of the Board of Management that were presented in the meeting. In addition, the Supervisory Board decided to have a voluntary review of the contents of the 2020 non-financial report conducted by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, in the form of a limited assurance. Another matter dealt with in the meeting was the court proceedings in connection with diesel exhaust emissions. Following careful and intensive discussion of the relevant aspects and consideration of the relevant reasons, while taking into account the best interests of the Company and a corresponding positive recommendation on a resolution by the Supervisory Board's Committee for Legal Affairs, the Supervisory Board approved the Board of Management's decision on the settlement of a securities class action relating to diesel exhaust emissions in the United States. In preparation for its decision, the Supervisory Board had obtained an expert opinion from an independent law firm. Both the Supervisory Board and the Executive Board are of the opinion that the settlement was in the interests of the Company. Once again, the question of possible claims for compensation against former or present members of the Board of Management in connection with antitrust issues, in particular with regard to the European Commission's concluded antitrust proceedings against truck manufacturers, and the ongoing investigations relating to the antitrust proceedings of the European Commission concerning possible restrictions of competition with exhaust-gas cleaning technologies was dealt with. On the basis of the reviews carried out so far and repeatedly updated by an independent law firm, a further review by an independent legal academic, as well as detailed discussions in the Supervisory Board taking into account the welfare of the Company, as well as in the context of further deliberations on these issues in the meetings on July 23 and December 3, 2020 (in accordance with corresponding recommendations of the Supervisory Board Committee for Legal Affairs), the Supervisory Board maintained its previous resolution, based on the information available, that no such claims were to be made at the present time. In this context, it dealt with possible risks arising from the statute of limitations and arranged for appropriate precautions to be taken. Finally, the Supervisory Board received reports on the external certification of selected partial areas of the compliance management system.

In the Supervisory Board meeting held on April 29, 2020, the Board of Management first reported on the measures taken in connection with the covid-19 pandemic. The Supervisory Board then approved the release of funds for a number of vehicle projects. The agenda also included the MOVE transformation program and the measures initiated to reduce product-related complexity at Mercedes-Benz Cars. In addition, the Supervisory Board dealt with the strategic alignment of the Daimler Mobility division, focusing in particular on mobility services. The Supervisory Board also received reports on current legal issues. This related in particular to requests for information, inquiries, investigations, administrative orders and proceedings in connection with diesel exhaust emissions. Finally, the meeting dealt with the resolutions required for holding a virtual Annual Shareholders' Meeting.

During the virtual Annual Shareholders' Meeting on July 8, 2020, the candidate proposed by the Supervisory Board, Timotheus Höttges, was elected as a member of the Supervisory Board representing the shareholders. In the Supervisory Board meeting held the next day, July 9, 2020, the representatives of the shareholders elected Dr. Bernd Pischetsrieder as a member of the Nomination Committee as successor to Dr. Paul Achleitner, who had stepped down from the Supervisory Board.

The Supervisory Board convened for another meeting in late July 2020. One focus of this meeting was the ongoing electrification of the product portfolio. In particular, the Supervisory Board confirmed the Mercedes modular architecture, which implements the »electric-first policy«. Furthermore, the Supervisory Board discussed in detail with the Board of Management the course of business and the results for the first half of the year, which exceeded market expectations. The Board of Management also provided updates on urban mobility solutions and the strategy of Daimler Trucks & Buses, which was further enhanced in view of the transformation of the industry and with regard to the overarching area of action of creating added value for the customers.

Within the context of an integrity update, the Supervisory Board received a report on the activities for the further development of the integrity culture in the various areas of the Group. Finally, the Supervisory Board dealt once again with the antitrust-related proceedings and received a detailed report on the requests for information, inquiries, investigations, administrative orders and proceedings relating to diesel exhaust emissions.

In an extraordinary meeting held on August 13, 2020, following careful and intensive discussion of the relevant aspects and consideration of the relevant reasons, while taking into account the best interests of the Company and a corresponding positive recommendation on a resolution by the Supervisory Board's Committee for Legal Affairs, the Supervisory Board approved the Board of Management's decision on the settlement of governmental and civil-law proceedings in the United States relating to diesel exhaust emissions. In preparation for its decision, the Supervisory Board was provided with several expert opinions from several independent law firms. Both the Supervisory Board and the Board of Management are of the opinion that the settlements were in the interests of the Company.

Strategy meeting of the Supervisory Board

At the beginning of the two-day strategy workshop in Sindelfingen in late September, the Supervisory Board granted its consent to cooperation with the Zhejiang Geely Holding Group on the development of a highly efficient next-generation drive system for hybrid applications, as well as to a capital measure to be taken at a company of the Group.

The focus of the meeting was on dealing with the strategies of the individual divisions. At Mercedes-Benz AG, the focus was on setting the strategic course for profitable growth in the luxury segment and on efforts to become a leader for electric drive systems and vehicle software. At Daimler Truck AG, the strategic focus was on electric mobility, vehicle connectivity and autonomous driving. At Daimler Mobility AG, the focus was on financing, leasing, and insurance offerings in close interaction with the mobility offerings. The Supervisory Board discussed in detail the goals and the strategic areas for action of the individual divisions. With the involvement of the executives responsible for the topics presented, the members of the Supervisory Board and the Board of Management discussed in a constructive and open dialog how Daimler will prepare for new challenges and which further developments lie ahead. The discussion included the geopolitical situation with regard to tensions between China and the United States, possible political developments and their effects on Daimler. The Supervisory Board also discussed the key financial figures and the targets for the Group and the divisions. Another item on the agenda was the Company's involvement in Formula 1 racing. The Supervisory Board also received information on current legal issues, including the procedural steps taken with regard to the settlement of regulatory and civil proceedings in the United States in connection with diesel exhaust emissions.

At an extraordinary meeting on November 4, 2020, the Supervisory Board dealt with M&A, cooperation and battery and transmission projects. It approved the related funding requirements and approved the sale of the car plant in Hambach, France, by transferring all shares in smart France S.A.S. to INEOS Automotive.

Meeting on Daimler's business planning

In the meeting held on December 3, 2020, the Supervisory Board first decided on the proposals for election to be made at the 2021 Annual Shareholders' Meeting described in this report. The Supervisory Board agreed to propose at the meeting of the newly constituted Supervisory Board after the 2021 Annual Shareholders' Meeting that Dr. Bernd Pischetsrieder be elected as Chairman of the Supervisory Board. In the further course of the meeting, the Supervisory Board approved a number of measures requiring its consent and dealt with the report of the Board of Management on the development of current and completed acquisitions and cooperations. Furthermore, the Supervisory Board discussed and approved Daimler's business planning on the basis of comprehensive documentation and, in this context, discussed existing opportunities and risks. It also approved the establishment of a transformation fund with a volume of up to €1 billion. On the basis of the Board of Management's decision to integrate the non-financial report into the management report, the Supervisory Board also decided, on the recommendation of the Audit Committee, to extend the external audit of the consolidated financial statements and combined management report accordingly.

The Supervisory Board also received information on current legal issues, including requests for information, inquiries, investigations, official orders and proceedings in connection with diesel exhaust emissions. At the meeting, the Supervisory Board received reports from its legal advisers on the progress of the investigation into responsibilities in connection with diesel emissions. The question of possible claims for damages against former or current Board of Management members in connection with the antitrust issues was also dealt with once again. The Supervisory Board decided to discuss the further course of action in the antitrust matters again, taking further developments into account. In this context, the Supervisory Board dealt with any risks relating to the statute of limitations and initiated appropriate precautions.

Other items on the agenda included matters of corporate governance, in particular the declaration of compliance with the German Corporate Governance Code, the setting of a target for the proportion of women in the Board of Management, and the adjustment of the requirements profiles for the Board of Management and the Supervisory Board. The Supervisory Board also looked ahead to key topics for the 2021 financial year. Finally, based on preparations by the Presidential Committee, it dealt with the further development of the system of Board of Management remuneration. Details of the system of Board of Management remuneration and the adjustments to the annual bonus are explained in the Remuneration Report.

Fundamental change in the corporate structure

At an extraordinary meeting on February 3, 2021, the Supervisory Board granted its approval, after detailed prior discussion, to evaluate a spin-off of the Truck & Bus business and to begin preparations for a separate stock-exchange listing of Daimler Truck. As a result of the spin-off, which requires the approval of the Annual Shareholders' Meeting, a substantial majority shareholding in Daimler Truck is to be transferred to Daimler shareholders.

Corporate governance and declaration of compliance

During the year 2020, the Supervisory Board was continually occupied with standards of good corporate governance.

In its meeting in December 2020, the Supervisory Board approved the 2020 declaration of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG). With the exceptions explained there, all recommendations of the Code have been and continue to be complied with.

In accordance with good corporate governance, the members of the Supervisory Board of Daimler AG are obliged to disclose conflicts of interest – especially those that might arise due to an advisory or board function for a customer, supplier or creditor of Daimler, or for other third parties – to the entire Supervisory Board.

In order to avoid the appearance of potential conflicts of interest arising from specific situations, some members of the Supervisory Board did not participate in discussions of certain items of the agendas in the year 2020. This was the case with Sari Baldauf in connection with the patent disputes between Daimler and Nokia. Furthermore, as a highly precautionary measure to avoid potential conflicts of interest, Dr. Bernd Pischetsrieder and Dr. Jürgen Hambrecht refrained from participating in several meetings when legal proceedings in connection with diesel exhaust emissions were being dealt with. The Supervisory Board conducted an externally moderated self-assessment in 2020. It covered all key aspects of the work of the Supervisory Board including its committees by means of an online questionnaire and supplementary interviews. The results of the review, which the Supervisory Board dealt with in depth at its meeting on February 17, 2021, confirm the professional, very good cooperation within the Supervisory Board and with the Board of Management characterized by a high degree of trust. No fundamental need for change was shown.

Independently of the Supervisory Board's self-assessment, the Audit Committee again carried out a self-assessment of its activities in 2020 on the basis of a comprehensive Group-specific questionnaire. The results of this self-assessment, which were again very positive, were presented and discussed in the meeting of the Audit Committee on February 17, 2021. No need for change was identified.

Law for the equal participation of women and men in management positions

For supervisory boards of listed companies subject to parity codetermination, like that of Daimler AG, the German Stock Corporation Act prescribes a binding gender ratio of at least 30% women. The ratio is to apply to the entire supervisory board. If the side of the supervisory board representing the shareholders or the side representing the employees objects to the chairman of the supervisory board before the election about the application of the ratio to the entire supervisory board, the minimum ratio is to apply separately to the shareholders' side and to the employees' side for that election.

As of December 31, 2020, the shareholders' side of the Supervisory Board of Daimler AG is composed of 30% women (the members Sari Baldauf, Petraea Heynike and Marie Wieck) and 70% men. On the employees' side, the proportions as of that date are 30% women (the members Elke Tönjes-Werner, Sibylle Wankel and Dr. Sabine Zimmer) and 70% men. The Supervisory Board as a whole therefore also fulfills the statutory quota.

In its meeting on December 3, 2020, the Supervisory Board discussed the specific proposals for the candidates to be elected at the 2021 Annual Shareholders' Meeting and decided, upon the recommendation of the Nomination Committee, to propose at the 2021 Annual Shareholders' Meeting that Elizabeth Centoni, Ben Van Beurden and Dr. Martin Brudermüller be elected to the Supervisory Board for the first time. If the proposed candidates are elected, the statutory quota for women will remain fulfilled both on the shareholder side and for the Supervisory Board as a whole, provided there are no other changes.

For the composition of the Board of Management, the Supervisory Board set the target in December 2016 of at least 12.5% women, to be achieved by December 31, 2020. As of December 31, 2020, two women are members of the Board of Management: Renata Jungo Brüngger and Britta Seeger; the proportion of women is therefore 25% as of that date. The target was thus exceeded.

In its meeting on December 3, 2020, the Supervisory Board set a new target of a proportion of at least 25% women as members of the Board of Management, to be achieved by December 31, 2025.

Corporate governance at Daimler is described in detail in the Declaration on Corporate Governance and in the Remuneration Report.

The work of the committees

The **Presidential Committee** convened in the past financial year for three meetings. It dealt in particular with personnel matters and succession planning for the composition of the Board of Management. In addition, the Presidential Committee dealt with the acceptance by members of the Board of Management of board positions at other companies and institutions, corporate governance topics, D&O insurance and matters of remuneration. Details of the remuneration of the Board of Management are presented in the Remuneration Report.

The **Audit Committee** met six times in 2020. Details of those meetings are provided in the Report of the Audit Committee.

The **Committee for Legal Affairs** held five meetings in 2020. At these meetings, it received detailed information on legal matters concerning emissions and antitrust law, as well as the related further development of the compliance system, and discussed those matters in the presence of the Supervisory Board's legal advisors. The Committee received reports from the legal advisors commissioned by the Supervisory Board on the progress of the examination of responsibilities in connection with diesel exhaust emissions. The Committee regularly reported to the Supervisory Board on its work and, after discussing and considering the relevant aspects and taking into account the best interests of the Company, made recommendations for resolutions by the Supervisory Board. In particular, this concerned the resolution of the Supervisory Board of February 19, 2020, to approve the decision of the Board of Management on the settlement of a securities class-action lawsuit in the United States in connection with diesel exhaust emissions, and the Supervisory Board's resolution of August 13, 2020, to approve the decision of the Board of Management on the settlement of regulatory and civil proceedings in the United States in connection with diesel emissions. Within the framework of the agreement in principle reached with various US authorities during the reporting period to end regulatory proceedings for alleged violations of US and Californian environmental laws in connection with diesel exhaust emissions, the Committee was given further tasks and decision-making authority with regard to fulfilling the obligations accepted in the agreement in principle. In several meetings, these obligations and working with the Post Settlement Audit Team (PSAT) were explained to the Committee. The PSAT was set up in the reporting year on the basis of the settlement with the US authorities and audits the company's compliance with the settlement and environmental regulations within a certain scope.

In addition, the Committee for Legal Affairs dealt intensively with the antitrust matters that were a subject of the Supervisory Board meetings on February 19, July 23, and December 3, 2020, and - in each case after detailed discussion, also with the legal advisors - made corresponding recommendations for resolutions, each of which were the subject of further discussions in the Supervisory Board.

The **Nomination Committee** convened for four meetings in 2020. The Committee dealt in particular with the recommendation for the Supervisory Board's proposals to be made at the Annual Shareholders' Meeting in 2021 on the candidates for election to the Supervisory Board. Among other things, and taking into consideration all circumstances of each individual case, the proposal is oriented towards the Daimler Group's interests and aims to fulfill the overall qualification profile for the entire Supervisory Board, including expertise profile and diversity concept. In addition, the Committee dealt with the succession, due in 2021, to the position of Chairman of the Supervisory Board.

There was no occasion to convene the **Mediation Committee** during the reporting period.

Changes in the Supervisory Board and the Board of Management

In the Supervisory Board meeting on February 19, 2020, Hubertus Troska was appointed to the Board of Management of Daimler AG, responsible for Greater China, for a further period of five years with effect as of January 1, 2021.

Following the proposal of the Supervisory Board, the Annual Shareholders' Meeting on July 8, 2020 elected Timotheus Höttges as a member of the Supervisory Board representing the shareholders for the period until the end of the Annual Shareholders' Meeting that decides on ratification of board members' actions for financial year 2024.

In the Supervisory Board meeting on December 3, 2020, on the basis of a recommendation by the Nomination Committee, the members representing the shareholders resolved to propose to the 2021 Annual Shareholders' Meeting that Elizabeth Centoni, Ben Van Beurden and Dr. Martin Brudermüller be elected to the Supervisory Board. At its meeting on December 3, 2020, the Supervisory Board of Daimler AG also agreed to propose to the newly constituted Supervisory Board at its meeting following the Annual Shareholders' Meeting on March 31, 2021 that Dr. Bernd Pischetsrieder be elected as Chairman of the Supervisory Board.

Audit of the company and consolidated financial statements

The financial statements of Daimler AG and the combined management report for the Company and the Group for 2020 were duly audited by KPMG AG, Wirtschaftsprüfungsgesellschaft, Berlin, and were given an unqualified audit opinion. The same applies to the consolidated financial statements for 2020 prepared according to IFRS.

In the meeting held on February 17, 2021, the Supervisory Board dealt with the annual company financial statements, the annual consolidated financial statements and the combined management report including the non-financial declaration for Daimler AG and the Daimler Group, each of which had been issued with an unqualified audit opinion by the independent auditors, as well as the declaration on corporate governance, the remuneration report and the proposal on the appropriation of profit. In preparation, the members of the Supervisory Board had been provided with comprehensive documentation including the Annual Report with the consolidated financial statements according to IFRS, the combined management report including the non-financial declaration for Daimler AG and the Daimler Group, as well as the declaration on corporate governance, the remuneration report, the annual company financial statements of Daimler AG, the proposal of the Board of Management on the appropriation of profit, the audit reports of KPMG AG Wirtschaftsprüfungsgesellschaft on the annual company financial statements of Daimler AG and the consolidated financial statements, each including the combined management report, and the internal control system, as well as drafts of the reports of the Supervisory Board and of the Audit Committee.

The Audit Committee and the Supervisory Board dealt with those documents in detail and discussed them intensively in the presence of the independent auditors, who reported on the results of their audit and in particular on the key audit matters and the respective audit procedure including the conclusions drawn, and who were available to answer supplementary questions and to provide additional information. Following the final results of the review by the Audit Committee and its own review, the Supervisory Board declared its agreement with the results of the audit by the external auditors. It determined that no objections were to be raised and approved the financial statements and the combined management report as presented by the Board of Management, including the non-financial declaration. The company financial statements of Daimler AG for the year 2020 were thereby adopted. On this basis, the Supervisory Board consented to the proposal made by the Board of Management on the appropriation of distributable profit. Furthermore, the Supervisory Board approved the report of the Supervisory Board, the declaration on corporate governance and the remuneration report, as well as its proposed resolutions on the items of the agenda for the 2021 Annual Shareholders' Meeting.

Appreciation

The Supervisory Board thanks all the employees and the management of the Daimler Group for their commitment and contributions in a financial year 2020 marked by the covid-19 pandemic.

The Supervisory Board also thanks Dr. Paul Achleitner, who closely accompanied the Company through his dedicated work in the Supervisory Board and stepped down from the Supervisory Board last year.

Stuttgart, February 2021

The Supervisory Board

Dr. Manfred Bischoff
Chairman

A.01

Individualized disclosure of participation in meetings by the members of the Supervisory Board of Daimler AG in the 2020 financial year

2020	Participation	Presence (%)
Supervisory Board		
Dr. Manfred Bischoff (Chairman)	9/9	100
Dr. Paul Achleitner (until July 8, 2020)	3/3	100
Bader M. Al Saad	9/9	100
Sari Baldauf	8/9	89
Michael Bettag	9/9	100
Dr. Clemens Börsig	9/9	100
Michael Brecht	9/9	100
Raymond Curry	9/9	100
Michael Häberle	9/9	100
Dr. Jürgen Hambrecht	8/9	89
Petraea Heynike	9/9	100
Timotheus Höttges (since July 8, 2020)	6/6	100
Joe Kaeser	9/9	100
Ergun Lümali	9/9	100
Dr. Bernd Pischetsrieder	8/9	89
Elke Tönjes-Werner	9/9	100
Sibylle Wankel	9/9	100
Dr. Frank Weber	9/9	100
Marie Wieck	9/9	100
Dr. Sabine Zimmer	9/9	100
Roman Zitzelsberger	9/9	100
Presidential Committee		
Dr. Manfred Bischoff (Chairman)	3/3	100
Michael Brecht	3/3	100
Dr. Jürgen Hambrecht	2/3	67
Roman Zitzelsberger	3/3	100
Audit Committee		
Dr. Clemens Börsig (Chairman)	6/6	100
Michael Brecht	6/6	100
Joe Kaeser	6/6	100
Ergun Lümali	6/6	100
Nomination Committee		
Dr. Manfred Bischoff (Chairman)	4/4	100
Dr. Paul Achleitner (until July 8, 2020)	2/2	100
Sari Baldauf	4/4	100
Dr. Bernd Pischetsrieder (since July 9, 2020)	2/2	100
Committee for Legal Affairs		
Dr. Clemens Börsig (Chairman)	5/5	100
Dr. Manfred Bischoff	5/5	100
Michael Brecht	5/5	100
Michael Häberle	5/5	100
Sibylle Wankel	5/5	100
Marie Wieck	5/5	100

The Supervisory Board

Dr. Manfred Bischoff
Chairman of the Supervisory Board of Daimler AG
Elected until 2021

Michael Brecht*
Deputy Chairman of the Supervisory Board of Daimler AG;
Chairman of the General Works Council, Daimler Group;
Chairman of the General Works Council, Daimler AG;
Chairman of the Works Council, Mercedes-Benz Plant Gaggenau
Elected until 2023

Dr. Paul Achleitner
Chairman of the Supervisory Board of Deutsche Bank AG
Stepped down on July 8, 2020

Bader M. Al Saad
Member of the Executive Committee of the Board of Directors of Kuwait Investment Authority
Elected until 2022

Sari Baldauf
Former Executive Vice President and General Manager of the Networks Business Group of Nokia Corporation
Elected until 2023

Michael Bettag*
Chairman of the Works Council, Mercedes-Benz AG Dealership Nürnberg
Elected until 2023

Dr. Clemens Börsig
Former Chairman of the Supervisory Board of Deutsche Bank AG
Elected until 2022

Raymond Curry*
Secretary-Treasurer, United Auto Workers (UAW)
Elected until 2023

Dr. Jürgen Hambrecht
Former Chairman of the Supervisory Board of BASF SE
Elected until 2023

Michael Häberle*
Chairman of the Works Council, Mercedes-Benz Plant Untertürkheim
Elected until 2023

Petraea Heynike
Former Executive Vice President of the Executive Board of Nestlé S. A.
Elected until 2021

Timotheus Höttges
Chief Executive Officer of Deutsche Telekom AG
Elected until 2025
(since July 8, 2020)

Joe Kaeser
Chairman of the Supervisory Board of Siemens Energy AG
Elected until 2024

Ergun Lümali*
Deputy Chairman of the General Works Council, Daimler Group;
Deputy Chairman of the General Works Council, Daimler AG;
Chairman of the Works Council, Mercedes-Benz Plant Sindelfingen
Elected until 2023

Dr. Bernd Pischetsrieder
Former Chairman of the Supervisory Board of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München
Elected until 2024

Elke Tönjes-Werner*
Deputy Chairwoman of the Works Council, Mercedes- Benz Plant Bremen
Elected until 2023

Sibylle Wankel*
General Legal Counsel of the German Metalworkers' Union (IG Metall)
Elected until 2023

Dr. Frank Weber*
Center Manager BodyTEC, Mercedes-Benz AG;
Chairman of the Management Representative Committee, Daimler Group
Elected until 2023

Marie Wieck
Former General Manager of IBM Blockchain
Elected until 2023

Dr. Sabine Zimmer*
Manager Vocational Training Policies Germany, Daimler Group
Elected until 2023

Roman Zitzelsberger*
District Manager Baden-Württemberg, German Metalworkers' Union (IG Metall)
Elected until 2023

* Employee representatives

Detailed information on the members of the Supervisory Board, their positions in other supervisory boards or comparable monitoring boards and their curriculum vitae, and on the committees of the Supervisory Board, can be found on the Internet at:
daimler.com/company/corporate-governance/supervisory-board/

Further information on the individual members of the Supervisory Board of Daimler AG

Daimler and the Capital Market

Global stock markets were marked by a high level of volatility due to uncertainties relating to the covid-19 pandemic. The Daimler share was also subject to sharp fluctuations in 2020, but nevertheless increased by 17% over the course of the year. During the year under review, we continued to inform institutional investors, sustainability-focused investors, analysts, rating agencies and private investors by means of a wide range of investor relations activities and comprehensive reporting on the Group's business development and prospects. The Board of Management and the Supervisory Board will propose to the Annual Shareholders' Meeting that a dividend of €1.35 (2019: €0.90) per share be paid for 2020.

A.02

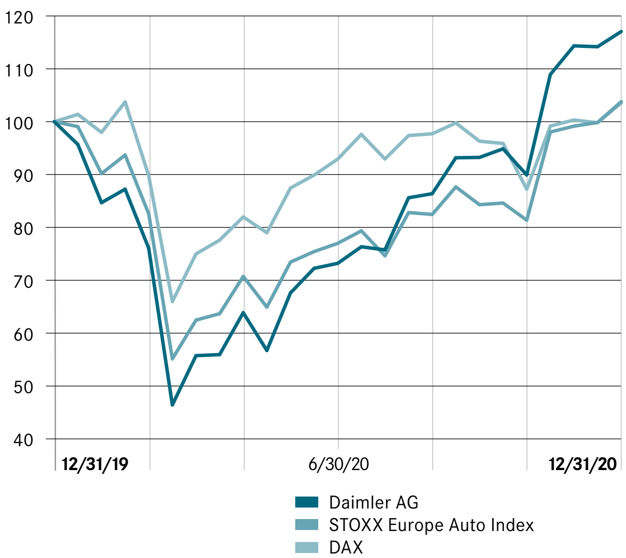
Development of Daimler's share price and of major indices

	End of 2020	End of 2019	20/19 % change
Daimler share price (in euros)	57.79	49.37	+17
Highest[1]	58.77	59.31	-1
Lowest[1]	21.84	40.53	-46
DAX 30	13,719	13,249	+4
Euro STOXX 50	3,553	3,745	-5
STOXX Europe Auto Index	528	509	+4

1 Closing prices

A.03

Share price index



Daimler share price rises 17% over the year

In view of the ongoing transformation of the automotive industry, investors maintained a reserved position with regard to automotive stocks up until mid-February. After that, developments were impacted by growing concerns relating to the coronavirus, with the mood on stock markets deteriorating dramatically as a result. Just a few days after we announced that due to the expanding scope of the covid-19 pandemic we would be suspending most of our production operations and the activities in selected administrative departments in Europe for an initial period of two weeks, the Daimler share price dropped to its lowest point of the year in a very weak stock-market environment, falling to €21.84 on March 19.

Stock prices then began rising significantly, mainly as a response to the implementation of various monetary and fiscal policy measures. The Daimler share price also recorded a significant increase during this period. This positive development was also due to the Daimler management team's rapid response to the crisis in the form of immediate measures taken to safeguard liquidity, optimize costs, adjust production operations and ensure a stronger focus on cash flow. Investors were also encouraged by positive developments on the Chinese automotive market. This momentum was reinforced by various other strategic initiatives in addition to the announcement that Daimler Truck AG and the Volvo Group would be establishing a joint venture for series production of fuel cells, in part to support the European Green Deal.

Following a brief consolidation phase around the middle of the year, automotive stocks, which had come under strong pressure throughout the previous course of the year, were able to rally and post significant gains once again. The Daimler share benefited here initially from the release of our financial figures for the second quarter of 2020, which turned out to be more favorable than most analysts had expected. The announcement of measures for optimizing fixed costs also played a role in the positive development of the share price. In addition, agreements in principle regarding the settlement of government and civil legal actions in the United States in connection with diesel emissions, as well as the positive sales figures recorded by Mercedes-Benz Cars and the presentation of the new S-Class, led to increased investment in our company.

During the Mercedes-Benz Strategy Update online investor and analyst conference at the beginning of October, management explained the strategy for the Mercedes-Benz Cars business. Our objectives and plans were very well received by analysts and investors. Such plans include enhancing the Mercedes-Benz brand's status in the luxury segment and the implementation of measures for achieving further growth for our Mercedes-AMG, Mercedes-Maybach and Mercedes-EQ sub-brands. Core elements of these plans include accelerating the development of electric drive systems and vehicle software for the electrification of the entire product portfolio and our intention to make all of our business operations completely CO_2-neutral, as set out in the Ambition 2039 strategy. We also have further plans for reducing costs and pursuing more ambitious financial targets, which are intended to accompany a lowering of our break-even point. Solid business development at the Group in the third quarter, including free cash flow that was significantly higher than market expectations, had a positive effect on the development of our share price. Hopes regarding the rapid availability of a covid-19 vaccine, as well as the continued recovery of the Chinese economy and rising automotive sales in that country, generated renewed momentum for automotive stocks toward the end of the year. On December 16, the Daimler share price reached €58.77, which was the highest price for the year.

The Daimler share then closed at €57.79 on December 30. At the end of the year, Daimler had a market capitalization of €61.8 billion (2019: €52.8 billion). With a total increase of 17% in 2020, the development of Daimler's share price was thus better than that of the DAX (+4%) and the STOXX Europe Auto Index (+4%). When the dividend payout of €0.90 per share is included, our shareholders saw the value of their investment increase by 19%. The index of the most important equities in the euro zone, the Euro STOXX 50, decreased by 5% in 2020.

Broad shareholder structure

Daimler continues to have a broad shareholder base of approximately 1.0 million shareholders (2019: 1.0 million). Tenaciou3 Prospect Investment Limited, a company controlled by the Chinese entrepreneur Li Shufu, who is also the founder and CEO of Geely, became Daimler AG's largest individual shareholder in 2018. Tenaciou3 Prospect Investment Limited currently owns 9.7% of the company's shares. The Kuwait Investment Authority (KIA) currently owns 6.8% of the company's stock, making it Daimler AG's second-largest single shareholder. The Chinese BAIC Group acquired an interest in Daimler AG in 2019 via its wholly owned subsidiary Investment Global Co. Ltd. With approximately 5% of Daimler's equity capital, the BAIC Group is Daimler AG's third-largest single shareholder. The Renault-Nissan Alliance holds 3.1% of Daimler's shares.

Voting-rights notifications are published on the Internet at
daimler.com/investors/share/voting-rights

Institutional investors hold a total of 54% of our equity capital, while private investors own 21%. Approximately 60% of our capital is in the hands of European investors and around 13% is held by US investors. Investors from Asia hold around 16% of our equity capital.

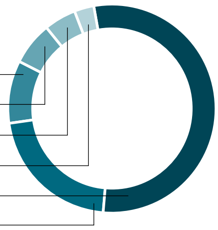
With a weighting of 4.49% (2019: 3.95%), Daimler was ranked seventh in the German share index DAX 30 at the end of 2020. In the Euro STOXX 50 index, our shares had a weighting of 1.88% (2019: 1.55%), which put Daimler in 21st place. Daimler shares are listed on the regulated market at the stock exchanges in Frankfurt and Stuttgart. A total volume of 1,487 million shares were traded in Germany in 2020 (2019: 1,108 million). A substantial number of Daimler shares are now also traded on multilateral trading platforms and in the over-the-counter market.

A.04
Key figures for Daimler shares

Amounts in euros	End of 2020	End of 2019	20/19 % change
Number of shareholders (in millions)	**1.0**	1.0	0
Number of shares (in millions)	**1,069.8**	1,069.8	0
Market capitalization (in billions of euros)	**61.8**	52.8	+17
Equity per share (Dec. 31)	**56.73**	57.34	-1
Net profit per share	**3.39**	2.22	+53
Dividend per share	**1.35**	0.90	+50

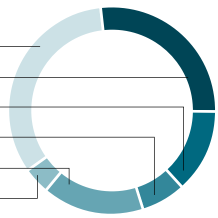
A.05
Shareholder structure as of December 31, 2020
By type of shareholder

Tenaciou3 Prospect Investment Limited	9.7%
Kuwait Investment Authority	6.8%
BAIC Group	5.0%
Renault-Nissan	3.1%
Institutional investors	54.1%
Retail investors	21.3%



A.06
Shareholder structure as of December 31, 2020
By region

Germany	33.1%
Europe, excluding Germany	27.0%
USA	13.2%
Kuwait	6.8%
Asia	16.0%
Rest of the world	3.9%



Employee stock purchase plan implemented once again
Staff members entitled to purchase employee stock were able to do so once again in March 2020. As was the case in the previous year, price-reduced shares as well as bonus shares were offered. At 28.9%, the participation rate in the year under review was once again significantly higher than in the previous years (2019: 25.5%). A total of 52,500 employees took part in the program (2019: 45,700), which is the highest number since the program was launched. The total number of shares purchased by employees also increased substantially once again, from 811,000 in 2019 to approximately 1,038,000, of which just under 93,900 were bonus shares (2019: 73,200) in the year under review. In connection with the attendance bonus program, approximately 14,400 shares were additionally purchased and transferred to the beneficiaries (2019: 15,600).

First virtual Daimler AG Annual Shareholders' Meeting
The covid-19 pandemic forced us to postpone our Annual Shareholders' Meeting, which had been scheduled to take place as a meeting in person on April 1, 2020. The first virtual Annual Shareholders' Meeting of Daimler AG took place on July 8, 2020 on the basis of a law passed by the legislators at short notice allowing annual shareholders' meetings to be held without shareholders or proxies having to be present in person (virtual Annual Shareholders' Meeting). It was broadcast on the Internet from a studio in Stuttgart for the shareholders, around 12,000 of whom followed the event. A total of 53.28% (2019: 52.91%) of the equity capital was represented at the meeting.

A large majority of the shareholders approved each of the agenda points proposed by the company's management. The majority of shareholders approved the resolution on the ratification of Board of Management and Supervisory Board members' actions in the 2019 financial year. The Annual Shareholders' Meeting approved a dividend payout of €0.90 per share (2019: €3.25), which means the total dividend amounted to €1.0 billion. The remuneration system for the Board of Management members was approved by a large majority (95.33%). Information on the remuneration system can be found in the chapter Remuneration report.

In addition, the Annual Shareholders' Meeting elected Timotheus Höttges, Chief Executive Officer of Deutsche Telekom AG, Bonn, to the Supervisory Board as a shareholder representative. Mr. Höttges succeeds Dr. Paul Achleitner, who had been a member of Daimler's Supervisory Board since 2010 and whose term of office ended at the end of the 2020 Annual Shareholders' Meeting. The term of Timotheus Höttges will end when the Annual Shareholders' Meeting is held in 2025.

Furthermore, the Annual Shareholders' Meeting authorized the Board of Management to take various financing measures such as the acquisition and sale of the company's own shares. Against the background of the covid-19 pandemic, the Annual Shareholders' Meeting also resolved amendments to the Articles of Incorporation which, for example, also permit the transmission of audio and video of the Annual Shareholders' Meeting and enable electronic participation by shareholders in the Annual Shareholders' Meeting in the future.

The convening and the voting results of the Annual Shareholders' Meeting 2020 are available on the Internet at
daimler.com/ir/am2020

Our e-service for shareholders, which we have been offering as a personalized service for many years now, ensured that we were very well prepared for the first virtual Annual Shareholders' Meeting. Due to the new requirements, such as transmitting video and audio feeds of the entire Annual Shareholders' Meeting via the Internet for the shareholders and the facility to submit questions electronically in the run-up to the Annual Shareholders' Meeting, it was necessary to develop new components and application functions at short notice. With their agreement, a total of 210,000 (2019: 220,000) shareholders received the invitation and the agenda for the Daimler Annual Shareholders' Meeting by e-mail rather than by post in 2020. We would like to thank those shareholders for helping to protect the environment and cut costs. Our shareholders continued to make good use of our range of personalized electronic information and communication during the reporting year.

Access to the e-service for shareholders and additional information can be found on the internet at
https://register.daimler.com

Refinancing and rating
Details of our refinancing activities and the development of our credit ratings in the course of the financial year 2020 can be found in the Liquidity and Capital Resources section on Financial Position.

Objectives and Strategy

For more than 130 years we have been moving people and goods all over the world – safely, efficiently and with innovative technologies. Our industry is currently in the midst of its biggest transformation in history. Sustainability (especially climate protection) as well as digitalization, shifts in global trade, and the impact of the covid-19 pandemic are changing our business and our company. As the inventor of the automobile, it is in our DNA to repeatedly take the lead in automotive engineering with new technologies. In addition, we will strive to set standards for sustainable mobility and transport in the future.

The role of Daimler AG

The transformation of our industry is requiring us to take quick, agile and customer-focused action. Our implementation of "Project Future" turned our previous divisions into three legally separate units (Mercedes-Benz AG, Daimler Truck AG and Daimler Mobility AG) under the roof of Daimler AG, which is listed on the stock exchange. In this way, we have strengthened our entrepreneurial freedom, intensified our market and customer orientation, and made it easier for the new divisions to enter into partnerships. In this new role, Daimler AG serves as an operational and strategic management holding that performs the governance and steering functions and thus creates the framework for the new divisions. Some organizations will be retained at this central level, especially the higher-level units in the functions Finance and Controlling, Human Resources, and Integrity and Legal. In this way, Daimler AG ensures a uniform and centrally managed corporate finance system, sets the scope for the long-term return and growth targets, and determines how funds will be allocated. The aim is to boost the company's value on a sustained basis.

Sustainability as an integral part of our corporate strategy

Sustainability means harmonizing economic, ecological and social objectives. Daimler is committed to the United Nations' Sustainable Development Goals and to the Paris Agreement on climate change. For our company, sustainability means permanently creating value for all stakeholders: customers, employees, investors, business partners and society as a whole. For us, sustainability is not an isolated area where we take action, but an integral part of our corporate strategy. In line with this approach, we work to achieve CO_2-neutral mobility by 2039, reduce our resource consumption despite growth, implement measures that increase safety on the road, continue to utilize data responsibly, and assume responsibility for upholding human rights along the entire value chain.

Achieving success in our areas of action requires a clear commitment to a culture of integrity, as well as future-oriented cooperation with our workforce and our partners in industry, government and society at large. A central sustainability management system enables the effective planning of ambitious goals and their implementation.

Our "Ambition 2039" strategy for **Mercedes-Benz Cars** clearly demonstrates our commitment to climate protection. Our goal here is to become CO_2-neutral by 2039. More specifically, this means we plan to achieve CO_2-neutral production at our own car plants from 2022, have plug-in hybrids and all-electric drive systems account for more than 50% of our portfolio by 2030, and offer a CO_2-neutral new car fleet to our customers within less than three product life cycles. An example of this is the new Factory 56 at the Sindelfingen plant. This facility, whose first series-production model is the new S-Class, consumes less energy than previous vehicle assembly operations for comparable model series and has a CO_2-neutral footprint. Among other things, this is made possible by the facility's energy concept, which includes a photovoltaic system, a direct-current network, and energy storage devices made of reused vehicle batteries. A holistic view of the CO_2-reduction issue also needs to take the recycling of raw materials into account. After all, we also want to drive forward the implementation of our climate neutrality objective at our suppliers and partners.

At **Mercedes-Benz Vans** we have set ourselves the goal of making the new vehicle fleet of our vans for private use CO_2-neutral for their entire life cycle by 2039. For commercially used vans, the goal is to offer only new vehicles that are CO_2-neutral in driving operation (“tank-to-wheel”) in the triad markets of Europe, Japan and North America by 2039. Production operations at the Mercedes-Benz Vans plants are scheduled to become CO_2-neutral by 2022.

On its path to achieving CO_2-neutral transportation, **Daimler Trucks & Buses** aims to offer only new vehicles that are CO_2-neutral in driving operation (“tank-to-wheel”) in the triad markets of Europe, Japan and North America by 2039. We intend to offer series-produced trucks and buses with battery-electric drive systems in the main sales regions Europe, the United States and Japan by 2022. In the second half of the 2020s, Daimler Trucks & Buses intends to supplement its portfolio of series-produced vehicles by adding fuel cell-powered electric trucks. In cooperation with the Volvo Group we will 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. Plans also call for all Daimler Trucks & Buses plants in Europe to be CO_2-neutral by 2022.

Daimler Mobility’s sustainability efforts are focusing on avoiding and reducing CO_2 emissions as well as on collecting knowledge and promoting employee involvement. The aim is to become climate-neutral by the end of 2022 – not only in administrative departments but at all locations. New leasing and financing offers will explicitly serve to promote the sale of electric vehicles at the divisions.

The issue of the first green bond has further accelerated our development of CO_2-neutral technologies and services. The proceeds from this bond are used exclusively to fund green projects. In this way, our financing activities are also helping to transform us into a carbon-free company and make our industry CO_2-neutral.

Integrity as a guiding principle

We are firmly convinced that we can only be successful over the long term if we fulfill not only our economic and environmental responsibilities but also our responsibility to society. In times of change and upheaval especially, we need to have values that provide us with orientation. For us, this involves more than just obeying laws, as we also seek to align our activities with shared principles and values. For Daimler, integrity means doing the right thing by acting on our values. New technologies and business models offer tremendous opportunities, but at the same time they pose questions – for example, with regard to ethical and legal topics. Our inner values and attitudes are put to the test when such issues arise. By means of our technical Compliance Management System, or tCMS for short, we want to ensure that our products conform with regulations and legal requirements. Our Data Compliance Management System enables us to support new topics from the beginning, provide the maximum possible clarity and avoid mistakes. The responsible use of data has top priority in these efforts.

All of the divisions have formulated strategies or intensified existing ones on the basis of their earnings and growth targets, our commitment to sustainability, and CO_2-neutral mobility and integrity as guiding principles.

Mercedes-Benz Cars strategy

The basis of our car strategy is our purpose – the spirit and aspiration that guides all of our decisions and actions. What makes us who we are, why are we present on the market as a company? The answer to this question is our purpose: “First Move the World.” We invented the automobile, and we also want to take a leading role in its reinvention.

Our company’s successful transformation to electric mobility and comprehensive digitalization is crucial for our future competitive position. At Mercedes-Benz, we focus on our strengths. Our brand originated in the luxury segment, where we continue to be anchored and outstanding. We will continue to concentrate on this segment in the future and we think that it provides us with the greatest growth opportunities. Our goal is to build the world’s most desirable cars.

The Mercedes-Benz strategy encompasses six pillars. The core aim is to increase structural profitability and enable us to outpace our competitors in the transformation to electric mobility and comprehensive digitalization. Sustainability is a key guiding principle of the Mercedes-Benz strategy and an integral part of it. Our highly qualified and motivated team forms the basis for our new strategy’s success.

Think and act like a luxury brand
Luxury has always been part of Mercedes-Benz’ DNA. However, the brand will focus even more strongly on luxury in the future. It will be an integral part of all products, customer interactions and digital technologies. Mercedes-Benz will concentrate its product portfolio, brand communication and sales network even more strongly on luxury so as to create a thoroughly luxurious experience – luxury that is to be holistic, intuitive and sustainable.

The new S-Class exemplifies our already outstanding range of products in the luxury segment. To name just a few examples, it is made more intuitive and smarter by MBUX and a new augmented reality head-up display, safer thanks to 16 airbags and optional E-ACTIVE BODY CONTROL, and more comfortable and agile in its suspension and steering system. The new S-Class will also set a new milestone on our road to automated driving. Beginning in the second half of 2021, we expect S-Class cars that are equipped with the new DRIVE PILOT to drive with conditional automation (SAE Level 3) in Germany under certain preconditions and at speeds of up to the permitted 60 km/h. This will give drivers more time, comfort and safety.

Focus on profitable growth
We want to grow wherever we can achieve the best results. To do so, we will initiate measures that will realign our market strategy. The focus on an optimal balance between sales volume, price and sales channel mix will help to ensure higher contribution margins for our current and future product portfolios. At the same time, development resources and funding will flow into the most profitable market segments in order to achieve higher structural profitability.

Expand customer base by growing sub-brands
According to Interbrand, Mercedes-Benz is the world’s most valuable luxury automobile brand. This brand will always take center stage in our array of car brands. In addition, Mercedes-Benz includes several extraordinary sub-brands: Mercedes-AMG, Mercedes-Maybach and Mercedes-EQ as well as the G-Class. We will further strengthen these brands so that we can address customer groups in an even more targeted manner and thereby contribute substantially to our growth and earnings. Mercedes-AMG is ready for the next stage, when it will begin to electrify its portfolio in 2021.

The sub-brand Mercedes-AMG’s link with Formula 1 will be intensified further next year in order to reinforce its identity as a high-performance brand. Mercedes-Maybach is focusing on global growth opportunities, intending to double its sales volume and also to offer electric models.

Mercedes-Benz Cars strategy

We want to build the world’s most desirable cars

Think	Focus	Expand	Embrace	Lead	Lower
and act like a luxury brand	on profitable growth	customer base by growing sub-brands	customers and grow recurrent revenues	in electric drive and car software	cost base and improve industrial footprint

Sustainability as a guiding principle

Driven by a highly qualified and motivated team

Demand for the legendary G-Class currently exceeds the available production capacity. We also want this model series to grow and be electrified. The Mercedes-EQ sub-brand is using new high-tech products to address new customer groups.

Embrace customers and grow recurrent revenues
Mercedes-Benz wants to intensify and reinforce its long-term customer relationships. Stronger customer loyalty enables us to generate recurring revenue by means of services and spare parts, for example, as well as with increasing numbers of over-the-air updates (OTAs) and digital service subscriptions. We expect this to open up considerable revenue potential because the Mercedes-Benz car fleet shall encompass a total of 20 million interconnected vehicles by 2025.

Lead in electric drive and car software
Mercedes-Benz wants to become the leader for electric mobility and vehicle software. To this end, we have defined ambitious product development targets and decided to accelerate the market launch of new technologies. This means that whenever we develop a new vehicle architecture, we will first design the automobile as an all-electric vehicle. We will then plan modifications such as plug-in hybrid drive systems. Within the framework of this Electric First strategy, we will begin in 2021 to introduce four new electric models. These will be based on the Electric Vehicle Architecture (EVA), which is designed exclusively for battery-electric drive systems. The EQS luxury sedan will be the first model on this independent new platform and be launched on the market in 2021. It will be followed by the EQE, the EQS SUV and the EQE SUV. In addition, Mercedes-AMG, Mercedes-Maybach and the G-Class will also be electrified. Other models will round out the electric vehicle portfolio beginning in 2025. Both the new S-Class and the C-Class will get a plug-in hybrid drive that is expected to have purely electric ranges of around 100 kilometers (WLTP) as early as 2021. Compact-class customers can look forward to two all-electric compact SUVs in 2021 – the EQA (combined electricity consumption: 15.7 kWh/100 km; combined CO_2 emissions: 0 g/km)[1] and the EQB. As a result, we will already offer our customers more than 25 plug-in hybrids and purely battery-electric models in 2021. This portfolio will be successively expanded over various segments by the addition of further attractive electrified models. In this way we plan to offer more than 40 plug-in hybrid and purely battery-electric models by 2030.

Mercedes-Benz will shift even more resources into product development and the accumulation of electric drive system expertise as well as investing in new technologies and concepts for improving range and efficiency. The next generation of electric motors is being developed independently by the brand and will include advanced inverter and high-voltage technologies. The company is making big leaps in battery technology by means of its own research and development work as well as in strategic partnerships with partners such as CATL, Farasis and Sila Nano. Our goal is to own the entire battery technology chain and rely on partnerships where we think it is beneficial.

While plug-in hybrids and purely battery-electric vehicles are expected to account for more than 50% of global sales in 2030, we plan to reduce our investments in combustion engines, cut the number of variants by 70% between now and 2030 and cease offering manual transmissions in our car portfolio in the medium term. The elimination of manual transmissions is to take place in the context of a successive adaptation as we move to new vehicle generations in the course of specific models.

In the vehicle software segment, Mercedes-Benz is relying on a proprietary operating system. It is being developed by us and is scheduled for market launch in 2024. It will enable us to respond flexibly and quickly to new customer requirements. We see this as an important precondition for increasing customer utility across a vehicle's entire life cycle and for developing new digital business models. This software is being developed for all scalable platforms in order to make development more cost-efficient.

Lower cost base and improve industrial footprint
Mercedes-Benz intends to further improve its profitability and cash flow and at the same time safeguard its investments in the future as well as the accelerated transition to electric drive systems. To do that, we want to lower the break-even point, further reduce the cost base, and continue to improve the industrial footprint between now and 2025.

By 2025, capacity adjustments and lower personnel expenses are expected to reduce fixed costs by a total of more than 20% overall compared to the values for 2019. By 2025, we also plan to reduce capital expenditures and investments in research and development by more than 20% compared to 2019. Plans call for the variable costs relative to 2019 to be reduced by 1% per year until 2025.

As a result of its realignment, the Mercedes-Benz strategy aims to improve profitability by creating a more advantageous product mix, improving pricing, enhancing the product portfolio and boosting the amount of recurring revenue. By 2025, Mercedes-Benz AG intends to achieve a return on sales of at least between a mid-level and a high single-digit percentage. However, the company's long-term goal is to achieve a double-digit return on sales in a competitive market environment.

Our actions are based on our values and principles as well as on our view of how and with what attitude we want to operate as a company. We provide orientation even in times of change with our Leadership 20X program, which defines our leadership and partnership principles, and with integrity as our main corporate value.

1 Electricity consumption and range have been calculated on the basis of Commission Regulation (EC) No. 692/2008. Electricity consumption and range depend on the vehicle configuration. The actual range also depends on the individual driving style, road and traffic conditions, outside temperature, use of air conditioning/heating etc., and may vary.

Mercedes-Benz Vans strategy

“Moving transportation to the next level” expresses the core value and the fundamental attitude of Mercedes-Benz Vans. The word “moving” expresses our personal motivation to take the lead in the competitive environment, while “transportation” refers to the core element of our business: the transport of passengers and goods. Our striving for continuous improvement and further development for boosting the customer utility is expressed by the words “to the next level.”

Our aim is “to exceed customers’ expectations by offering them the most desirable vans and services.” Mercedes-Benz Vans produces premium vehicles that customers consider to be far more than just capital goods. We want to safeguard this position and focus our activities on thrilling customers and making their business more efficient on a lasting basis.

The Mercedes-Benz Vans strategy consists of five pillars:

Target premium segments
Mercedes-Benz Vans is proud to have greatly shaped the vans market worldwide since the very beginning and to be part of the Mercedes-Benz brand family. With our strategic realignment, we are enhancing our profile as premium suppliers of future-oriented transport solutions for commercial and private customers. The V-Class and the EQV (combined electricity consumption: 26.4-26.3 kWh/100 km; combined CO_2 emissions: 0 g/km; range: 417–418 km)[1] are already successfully established in the market for privately used vans. In the future, Mercedes-Benz Vans will offer the T-Class and its electric variant to private customers for families and leisure activities. For commercial customers, the Sprinter, the Vito and the Citan are premium vans that cover all van segments. In both the commercial and the private sectors, Mercedes-Benz Vans stands for the highest levels of quality, reliability and sustainability.

Focus on profitable growth
Another key element of the strategy is the increased focus on high-sales and high-margin markets. In parallel with the expansion of our activities in Europe, we also intend to further intensify our efforts in China, the United States and Canada, and align our portfolio even more closely with the respective market requirements. Among the various important new target groups that we have identified are up-and-coming sectors with great future potential such as camper vans. Here we are focusing on reducing complexity, a strategy that includes the continuous review of our product portfolio.

Embrace customers and grow recurrent revenues
Mercedes-Benz Vans will further intensify its cooperation with customers in order to strengthen and expand its long-term customer relationships. In order to increase our customers’ satisfaction and loyalty on a lasting basis, we aim to tailor our products and services precisely to their needs. A focus is here on co-creation – the joint development of segment-specific and user-specific solutions so that we can retain customers over the long term and generate potential revenue throughout the customer life cycle.

1 Electricity consumption and range have been calculated on the basis of Commission Regulation (EC) No. 692/2008. Electricity consumption and range depend on the vehicle configuration. The actual range also depends on the individual driving style, road and traffic conditions, outside temperature, use of air conditioning/heating etc., and may vary.

Mercedes-Benz Vans strategy

We want to exceed customers’ expectations with the most desirable vans and services

Target	Focus	Embrace	Lead	Lower
premium segments	on profitable growth	customers and grow recurrent revenues	in electric drive and digital solutions	operating costs

Sustainability as a guiding principle

Driven by a highly qualified and motivated team

Lead in electric drive and digital solutions

We intend to set new standards for sustainable electric mobility and digital solutions. Our portfolio is now almost completely electrified. The successful launch of the eVito (combined electricity consumption: 26.2 kWh/100 km; combined CO_2 emissions: 0 g/km; range: 421 km)[1], eSprinter (combined electricity consumption: 37.1–32.5 kWh/100 km; combined CO_2 emissions: 0 g/km; range: 120–168 km)[1] and EQV (combined electricity consumption: 26.4–26.3 kWh/100 km; combined CO_2 emissions: 0 g/km; range: 417–418 km)[1] shows that we are on the right track. The successor of the Citan is rounding out the electrification of all of our van model series. In order to make our portfolio sustainable and future-proof, we are intensively studying new vehicle concepts. In doing so, we are focusing on the consistent further development of high-performing electrified variants. We already have a strong position when it comes to customer-oriented digital services and we want to further strengthen this position. We offer Mercedes me connect services for individual private use and the service platform Mercedes PRO for commercial customers. This platform features an extensive range of connectivity and vehicle-related services. In addition, we are continuing to work systematically on completely networking our vehicles and are creating innovative hardware and software solutions to this end.

Lower operating costs

We also want to substantially reduce costs at Mercedes-Benz Vans. We intend to continue to improve our processes, increase flexibility, reduce fixed costs and variable expenditures, and exploit the digitalization opportunities for improving efficiency and customer orientation. Digitalization also means connecting the digital services with Mercedes-Benz Cars, strengthening digital sales activities, and consolidating all digital customer contacts into a digital customer experience. In order to safeguard our competitiveness, we are systematically examining all of our expenditures so that we can significantly reduce our fixed costs in the long run.

Mercedes-Benz Vans is also committed to the sustainability targets and has firmly anchored them in the strategy.

Having highly motivated and committed employees is more important that ever in times of great change. By means of the program Leadership 20X, Mercedes-Benz Vans wants to increase the employees' motivation and individual responsibility and offer them qualification measures that will make them fit for the transformation toward electric mobility and extensive digitalization.

1 Electricity consumption and range have been calculated on the basis of Commission Regulation (EC) No. 692/2008. Electricity consumption and range depend on the vehicle configuration. The actual range also depends on the individual driving style, road and traffic conditions, outside temperature, use of air conditioning/heating etc., and may vary.

Daimler Trucks & Buses strategy 2030

Our goals and strategy are determined by the company's purpose, which defines our obligation to our customers and to society at large. We're working for "everyone that's moving the world." Together with our customers, we contribute to prosperity and growth.

In view of the fact that our environment is currently undergoing a profound change, we have decided to further enhance the strategy of Daimler Trucks & Buses.

Add value for customers

Customers have top priority. People will only choose our products and services if we create added value for our customers and if our products and new technologies enable them to make money, improve their processes or boost their productivity. In this respect, it's crucial that we know exactly what our customers' needs are and that we develop products that are tailored to these requirements. The new model series of Western Star offers a current example of how this works in practice. The new truck for the vocational segment – i.e. commercial vehicles for construction and special applications – enables us to not only boost our customers' productivity but also to lower their operating costs.

Lead globally

For us, global leadership is not an end in itself. We need to have a global presence in order to exploit economies of scale and to enable more cost-efficient development. Our high development expenditures on new technologies in areas such as electric drive systems, autonomous driving and digitalization can only be kept as low as possible per vehicle if we develop our innovations on the basis of universal platforms and utilize them in as many markets and vehicles as possible. By maintaining a global presence we make these new technologies available to customers faster and in a more tried and tested manner. Finally, our global setup enables us to more easily offset regional market cycles.

Grow services

In order to increase our profitability on a lasting basis, we intend to exploit the potential of our service business in a more targeted manner. To this end, we are expanding our existing range of aftersales products and creating new services. One example of this is the introduction of 3D printing for spare parts at Daimler Buses.

To supplement this traditional portfolio of services, we will establish other services based on software and digitalization. The aim here is to generate real added value for our customers, to enable them to operate our trucks and buses more efficiently, and to cut their total transport costs. We are already achieving this today with digital services such as Fleetboard, Mercedes-Benz Uptime, Detroit Connect and TruckConnect at Daimler Trucks, as well as with digital services on the Omniplus ON platform at Daimler Buses. Our new Connectivity Services Group is now working on developing promising services for trucks and buses along our customers' value chains.

Differentiate by technologies

We want to set ourselves apart with technologies that generate real added value for our customers and society at large. As a result, we began early on to focus on ways to reduce the diesel consumption of our commercial vehicles. We have repeatedly developed innovations for this purpose in order to differentiate us from the competition.

Looking ahead, we can state that we are committed to the Paris Agreement on climate change and wish to play a major role in shaping the development of CO_2-neutral transportation. To make this possible, we are focusing on two technologies: batteries and hydrogen-powered fuel cells. Our Group has more than 25 years of experience with fuel cells. Thanks to this experience, we want to offer our customers a truck for flexible and demanding applications that can compare with diesel-powered ones as regards traction, range and performance. Exactly which solution a customer will use will depend on the case in question. To this end, we are planning to achieve the following product milestones: By 2022, we want our vehicle

Daimler Trucks & Buses strategy 2030

Add value for customers

Lead globally	Grow services	Differentiate by technologies	Focus on core business
Lean organization	People & culture	Partnerships	

portfolio to include series-produced trucks and buses with battery-electric drive systems in the main sales regions Europe, the United States and Japan. In the second half of the 2020s, we will supplement our portfolio of series-produced vehicles by adding fuel cell-powered electric trucks.

Daimler Buses is already making an important contribution to accelerating the mobility revolution in urban passenger transportation and thus making cities more livable. The clear objective here is to ensure sustainable CO_2-neutral public passenger transport. Our Mercedes-Benz eCitaro city bus was put into mass production in 2018 and it has also been offered with a solid-state battery since 2020. Due to its greater range, this bus can easily serve most of the usual urban routes. In addition, the solid-state batteries have a long service life and do not contain cobalt or manganese.

We also have a clear vision with regard to traffic safety: accident-free driving. We will achieve this by means of our safety assistance systems, which help drivers perform their tasks and can thereby protect all road users. We want to see important systems such as the fully integrated Mercedes-Benz Sideguard Assist S1R for retrofitting heavy-duty trucks in as many vehicles on the road as possible. In 2020, we therefore began to offer this system as a retrofit solution for many of the common models of the Actros, Arocs and Econic of model year 2017 and later. Moreover, we are continuously enhancing existing systems. Active Sideguard Assist no longer just warns the driver of cyclists and pedestrians standing or moving alongside the front-passenger side of the vehicle, but also initiates automatic braking at turning speeds of up to 20 km/h in order to bring the vehicle to a standstill if the driver fails to respond to the acoustic alert. Mercedes-Benz Trucks is the world's first truck manufacturer to offer such a system. We are also a pioneer at our bus brands Mercedes-Benz and Setra, making us the first manufacturer to offer such systems as the turning assistant Sideguard Assist (including pedestrian detection) and Preventive Brake Assist.

We are also developing completely new business models for Daimler Trucks when it comes to autonomous driving. In doing so, we are pursuing our dual strategy by working together with two strong partners in order to offer customers the best possible integrated fully automated SAE Level 4 solutions. To this end, Torc Robotics became part of the Autonomous Technology Group at Daimler Trucks in September 2019. With Torc, we are focusing on the development of our own SAE Level 4 solution for operations between two logistics centers (hub-to-hub operations). As part of the partnership with Waymo we are developing a variant of the Freightliner Cascadia truck model that is especially designed for the Level 4 operation of Waymo technology. This variant will first hit the road in the United States. North America provides ideal conditions for the testing and subsequent use of highly automated trucks (SAE Level 4).

Focus on core business
We know what provides our customers with added value. We are correspondingly prioritizing the topics into which our engineering abilities and financial resources are flowing. Besides customer utility, whether an existing or new product or service makes a positive long-term contribution to our earnings is another decision criterion.

Lean organization
We need a powerful organization that enables us to implement our strategy as effectively as possible. For this reason, we promote personal responsibility, initiative, agile thinking and efficient action. Moreover, we are continuously optimizing our processes and structures, for example by increasingly exploiting the possibilities of digitalization. The improvement of our cost structures is another one of our continuous tasks.

People and culture
We can only achieve our goals if we work together successfully. The basis for this is formed by our shared values, such as trust and integrity, as well as shared principles such as the way we operate. We listen carefully to our customers and want to understand them, because this is the only way we can develop technologies that really solve problems. We also know that we will reach our goal faster if we pull together. We don't just pay lip service to the concept of team work, as it is a part of our daily life. We learn from one another and work together to develop new technologies for multiple brands and sectors.

Partnerships
We're proud of the things that we've achieved as a company over the past several years and decades. Looking forward, the transformation of our sector, our products and our company requires a substantial input in terms of resources. For this reason we are expressly open to strategically beneficial partnerships. By working together with a suitable partner, we can achieve more in less time, especially when it comes to new technologies. We want to continue forging ahead with the electrification of commercial vehicles by means of the strategic partnership with the American company Proterra Inc. Another good example of this is the fuel-cell partnership that we have agreed upon with the Volvo Group. Its goal is to fully develop, produce and market fuel-cell systems. The focus is on use in heavy-duty trucks; the systems will also be offered for other applications. Daimler Truck AG plans to consolidate all of its current fuel-cell activities, which are combined in Daimler Truck Fuel Cell GmbH & Co. KG, in the new joint venture.

We have recently increased our strength in the area of highly automated driving (SAE Level 4) by means of a partnership with Waymo in the United States in addition to the purchase of a majority holding in Torc Robotics.

The cooperation with Luminar Technologies, Inc., a leading supplier of lidar hardware and software technology, is a further milestone.

In order to strengthen its market position in China, Daimler Trucks plans to produce heavy-duty semitrailer trucks in China in the future and tailor them to the requirements of Chinese customers. These trucks will be produced with the Chinese partner Beiqi Foton Motor Co., Ltd. in the context of the joint venture Beijing Foton Daimler Automotive (BFDA).

At Daimler Buses we are working together with companies such as IVU Traffic Technologies AG to offer digital services in the area of electric mobility.

We want our strategy to successfully shape the transformation of our sector and strengthen the competitiveness of our company.

Daimler Mobility strategy 2025

The strategic foundation of Daimler Mobility is our ambition to inspire our customers with best-in-class financial and mobility services that are intuitive, flexible and digital. No matter whether we offer financing and leasing services, insurance or fleet management, our private and commercial customers should be able to rely on the fact that our products are simple and self-evident, that they are ideally suitable for their living conditions or business model, and that they can be accessed everywhere and at all times by means of smartphones, tablets or desktop computers.

Our Daimler Mobility 2025 strategy concentrates our activities on our core business in the areas of financing, leasing and insurance. Fleet management, rental and subscription solutions, and mobility investments remain important additions to our portfolio.

Ensuring our customers' utmost satisfaction and loyalty is crucial for our business success. We want to be the best service provider in the captive leasing and financing business. As a marketing intermediary, our objective is to continue to finance or lease one in two of the vehicles sold by the Group. Moreover, we are striving to achieve additional growth with our services for the used-car and fleet business as well as for insurance. We will support the market success of our electric vehicles by customized leasing and financing products. In the field of digitalization, our goal is to fully digitize all customer interactions as well as the associated internal processes that they require.

To do so, we are focusing on four areas of action:

Drive transformation
We will consistently develop our online business and promote the transition to electric mobility and sustainability. Mercedes-Benz Cars aims to sell 25% of its vehicles online by 2025. We want to support it in the achievement of this goal and provide a smooth digital customer experience from a single source. Among other things, we want to make sure that Daimler Mobility is climate-neutral by the end of 2022. We are offering an uncomplicated and flexible entry into the world of electric mobility in the form of our Mercedes-EQ subscriptions.

Increase efficiency
We will consistently digitize, automate and consolidate the procedures and loan approval processes throughout the company. To do so, we will radically reduce the diversity of our products. We will systematically streamline our organization and thus make it faster and more powerful.

Enhance core business
We want to defend and increase our market share of Daimler's vehicle sales by, for example, expanding the pre-owned vehicle financing and fleet management activities and by clearly focusing on customer loyalty.

Strengthen corporate culture
For us, the focus is on our employees and their qualifications as well as on our management culture and the corporate values they're based on. That's because in the final analysis you can only have the best products, leanest processes and most satisfied customers if you have the best and most highly motivated team. We will therefore continue to strive to be a top employer in the future.

We intend to use our divisional strategies to shape the transformation of the automotive industry from a position of leadership in a sustainable, customer-focused, innovative and efficient manner.

Daimler Mobility strategy 2025

WE MOVE YOU! We inspire our customers with best-in-class financial and mobility services - intuitive, flexible and fully digital

Drive transformation	Increase efficiency
Establish online sales Offer flexible products Speed up e-mobility and sustainability	Automate and bundle ops Simplify product range Create lean organization
Enhance core business	**Strengthen corporate culture**
Push penetration Accelerate retention Grow user-car portfolio	Ensure people focus Safeguard best skills Live core values

Combined Management Report with Non-Financial Statement

B | Combined Management Report with Non-Financial Statement

Corporate Profile

Business model

Daimler can look back on a tradition covering more than 130 years – a tradition that goes back to Gottlieb Daimler and Carl Benz, the inventors of the automobile, and features pioneering achievements in automotive engineering. Today, the Daimler Group is a vehicle manufacturer with an outstanding range of premium cars, trucks, vans and buses. Its product portfolio is rounded out by a range of customized financial services and mobility services. Daimler's goal is to continue playing a leading role in the development of products and services for the future of mobility. The automotive industry is in the process of a fundamental transformation, and we intend to play a major role in actively shaping that change. Daimler AG is the parent company of the Daimler Group and its headquarters are in Stuttgart. As of January 1, 2020 the operational business activities of the Group have been managed in the business divisions Mercedes-Benz Cars, Mercedes-Benz Vans, Daimler Trucks & Buses and Daimler Mobility. For the purposes of external reporting, the segments Mercedes-Benz Cars and Mercedes-Benz Vans have been combined into the reportable segment Mercedes-Benz Cars & Vans. Daimler Financial Services AG, which had already been legally independent for many years, was renamed as Daimler Mobility AG in July 2019; this was accompanied by the renaming of the Daimler Financial Services division as Daimler Mobility.

With the new structure, Daimler AG carries out the functions of controlling and governance and provides services for the companies of the Group. As the parent company, it also defines the Group's strategy, makes key decisions for business operations, and ensures the effectiveness of organizational, legal, and compliance-related functions throughout the Group. Mercedes-Benz AG is responsible for the business of Mercedes-Benz Cars & Vans, and Daimler Truck AG combines the activities of Daimler Trucks & Buses. Daimler Mobility AG is responsible for the Group's financing and leasing products.

We have used the new reporting structure with three divisions in this report for financial year 2020, analogously to the reports for the first three quarters of the year.

The management reports for Daimler AG and for the Group are combined within this annual report. We have expanded the combined management report for the Group with the combined non-financial declaration of Daimler AG and the Group.

With its strong brands, Daimler is active in nearly all the countries of the world. The Group has production facilities in Europe, North and South America, Asia and Africa. The global networking of research and development activities as well as of production and sales locations gives Daimler advantages in the international competitive field and also offers additional growth opportunities.

In 2020, the revenue of the Daimler Group decreased by 11% to €154.3 billion. Further information on the development of revenue and the respective share of the divisions can be found in the chapter Profitability. At the end of 2020, Daimler employed a total workforce of around 288,500 people worldwide.

The products supplied by Mercedes-Benz Cars comprise an exclusive offer per segment, ranging from the family of compact models to a highly varied portfolio of C-Class and E-Class models, G-Class, SUVs, roadsters, coupes and convertibles, and S-Class luxury sedans. The Mercedes-Benz umbrella brand is supplemented by the sub-brands Mercedes-EQ, Mercedes-AMG and Mercedes-Maybach, which are able to meet individual customer requirements even more precisely. The product range is rounded out by the Mercedes me brand for personalized services and connectivity and the high-quality small cars of the smart brand for an urban environment. The most important markets for Mercedes-Benz Cars in 2020 were China with 36% of unit sales, Germany (14%), the other European markets (24%), the United States (12%), South Korea (4%) and Japan (2%). Mercedes-Benz Cars is continuously refining its flexible production network. For example, we are systematically preparing to meet the requirements of electric mobility, digitalization and CO_2-neutral vehicle production.

Mercedes-Benz Vans is a global supplier of a complete portfolio of vans and related services. The models offered in the commercial segment comprise the Sprinter large van, the Vito mid-size van (marketed as the "Metris" in the United States) and the Citan urban delivery van. In the private customer segment, Mercedes-Benz Vans offers the V-Class full-size MPV and Marco Polo camper vans and recreational vehicles. Within the framework of its eDrive@VANS activities, Mercedes-Benz Vans is also demonstrating just how systematically it is moving forward with the electrification of the van model segment with the eVito, the eVito Tourer (combined electricity consumption: 26.2 kWh/100 km; combined CO_2 emissions: 0 g/km)[1], the eSprinter and the first all-electric full-size MPV from Mercedes-Benz – the EQV (combined electricity consumption: 26.4 - 26.3 kWh/100 km; combined CO_2 emissions: 0 g/km)[1]. The division has manufacturing facilities in Germany, Spain, the United States and Argentina and also produces vehicles in the Fujian Benz Automotive Co. Ltd. joint venture in China. Production of the Citan is part of the strategic alliance with Renault-Nissan-Mitsubishi. The most important markets for vans are the EU30 region (European Union, United Kingdom, Switzerland, Norway), which accounted for 65% of unit sales in the year under review, North America (15%) and Asia (10%).

Daimler Trucks & Buses is one of the world's largest manufacturer of trucks above 6 metric tons gross vehicle weight. Daimler Trucks & Buses operates a global network in which it produces trucks under the brands Mercedes-Benz, Freightliner, Western Star, FUSO and BharatBenz and buses under the brands Mercedes-Benz, Setra, Thomas Built Buses and FUSO. Daimler Trucks & Buses has more than 40 production facilities that are located in North America, Europe, Asia and Latin America. In China, Beijing Foton Daimler Automotive Co., Ltd. (BFDA), a joint venture with our Chinese partner Beiqi Foton Motor Co., Ltd., has been producing trucks under the Auman brand name since 2012. Daimler Trucks' product range includes light-, medium- and heavy-duty trucks for long-distance, distribution and construction-site haulage, as well as special vehicles that are used mainly in municipal applications. Due to close links in terms of production technology, the product range of Daimler Trucks also includes buses of the Thomas Built Buses and FUSO brands. Daimler Trucks' most important sales markets in 2020 were North America with 39% of unit sales, Asia with 27% and the EU30 region with 17%. The Daimler Buses product range comprises city and inter-city buses, touring coaches and bus chassis. Whereas we mainly sell complete buses in Europe, our business in Latin America, Mexico, Africa and Asia focuses on the production and distribution of bus chassis. Daimler Buses' most important sales markets in 2020 were the EU30 region with 37% and Latin America with 38% of unit sales.

The Daimler Mobility division supports the sales of the Daimler Group's automotive brands worldwide with tailored mobility and financial services. These services range from customized leasing and financing packages and insurance solutions to flexible subscription and rental models and fleet management services for business customers. Daimler Mobility has more than five million leased and financed vehicles in 39 markets for its financing, leasing and insurance business alone, which offers clear proof of its ability to offer outstanding services that meet a wide range of requirements. The mobility ecosystem is rounded out by flexible-use services such as Mercedes-Benz Rent (rental vehicles) as well as investments in companies that offer mobility services. Along with the services offered by the YOUR NOW joint ventures, Daimler Mobility also provides premium ride-hailing services with luxury vehicles via StarRides and Blacklane. During the year under review, Daimler Mobility financed or leased approximately 50% of the vehicles sold by Daimler.

1 Electricity consumption and range have been calculated on the basis of Commission Regulation (EC) No. 692/2008. Electricity consumption and range depend on the vehicle configuration. The actual range also depends on the individual driving style, road and traffic conditions, outside temperature, use of air conditioning/heating etc., and may vary.

B.01
Daimler Group structure

Mercedes-Benz Cars & Vans	Daimler Trucks & Buses	Daimler Mobility
Revenue: €98.6 billion **Employees: 170,515**	**Revenue: €34.7 billion** **Employees: 99,640**	**Revenue: €27.7 billion** **Employees: 11,650**
AMG MAYBACH MERCEDES-EQ Mercedes me FREIGHTLINER	FREIGHTLINER FUSO WESTERN STAR Thomas BUILT BUSES BHARATBENZ SETRA	Mercedes-Benz Bank Mercedes-Benz Financial Services Daimler Truck Financial ATHLON

Important events

Daimler once again set a strong strategic course in 2020, strengthened its core business, and exploited additional growth potential. This was accomplished by means of the Group's personnel decisions, the resolutions adopted by the Annual Shareholders' Meeting, the Supervisory Board, the Works Council and Group management, the targeted expansion of the product portfolio and the establishment of new partnerships. The following is an overview of the most important events and occurrences at the Group.

Reappointment of Board of Management member Hubertus Troska

On February 19, 2020, the Supervisory Board decided to appoint Hubertus Troska to the Board of Management of Daimler AG, with responsibility for Greater China, for another five years, effective January 1, 2021. As CEO and Chairman of Daimler Greater China Ltd., Hubertus Troska is responsible for all of Daimler's strategic and operational activities in China. China will remain the world's biggest growth region over the medium term, as well as the most important market by far for Mercedes-Benz passenger cars and an essential market for our truck and van businesses as well. We also plan to further strengthen our local activities in China in the areas of research and development, production and procurement. With his great dedication, expertise, and effective network, Hubertus Troska plays a key role in this regard.

Daimler streamlines its organizational structure

On February 20, 2020, Daimler AG announced that effective April 1, it would begin further developing its organizational structure with the goal of optimizing development and production processes. One of the measures involved the creation of a new position for Product Strategy and Controlling at Mercedes-Benz Cars. Ola Källenius, Chairman of the Board of Management of Daimler AG and Mercedes-Benz AG, also assumed responsibility for Mercedes-Benz Vans. Markus Schäfer, member of the Board of Management of both Daimler AG and Mercedes-Benz AG, with responsibility for Group Research and Mercedes-Benz Cars Development, Procurement and Supplier Quality, serves as COO, in which capacity he is additionally responsible for the technical value creation process at Mercedes-Benz Cars. Harald Wilhelm, the Daimler AG Board of Management member responsible for Finance & Controlling and Daimler Mobility, now also serves as Chief Financial Officer of Mercedes-Benz AG.

Daimler postpones Annual Shareholders' Meeting

The Board of Management of Daimler AG decided on March 13, 2020, to postpone the Annual Shareholders' Meeting that was scheduled to take place on April 1. Our decision was taken in order to safeguard the health of all participants and comply with the covid-19 orders issued by the responsible health department. The rescheduling of the meeting also led to a postponement of the resolution on the allocation of profit and the dividend payment.

As many as 12,000 people watch the first virtual Daimler Annual Shareholders' Meeting on the Internet.

On short notice, the legislator created the opportunity to hold the meeting without requiring the shareholders or their proxies to be physically present. On this basis, we held the first virtual Annual Shareholders' Meeting of Daimler AG on July 8. A large majority of our shareholders approved all agenda items that were up for vote. The Annual Shareholders' Meeting elected Timotheus Höttges to the Supervisory Board as a shareholder representative. He succeeds Dr. Paul Achleitner, who did not run again after his term of office expired. Mr. Höttges is Chief Executive Officer of Deutsche Telekom AG and an expert on the digitalization of telecommunications systems. These qualifications make him a perfect addition to the Supervisory Board of Daimler AG.

Proposals for new appointments to the Supervisory Board and for its chair

The Supervisory Board of Daimler AG announced after its meeting on December 3, 2020, that it would be making significant personnel changes. The term of office of Dr. Manfred Bischoff will expire as scheduled at the end of the Annual Shareholders' Meeting on March 31, 2021, when the long-serving Chairman of the Supervisory Board will step down. Petraea Heynike and Jürgen Hambrecht will also step down from the Supervisory Board at this time. The Supervisory Board will propose to the 2021 Annual Shareholders' Meeting the election of the following candidates: Elizabeth Centoni, Senior Vice President Cisco Strategy and Emerging Technology, who has held senior management positions at the IT company for many years; Ben van Beurden, CEO of Royal Dutch Shell Plc, and head of this multinational corporation since 2014; and Dr. Martin Brudermüller, Chairman of the Board of Management of BASF SE, Ludwigshafen, since 2018. During the first Supervisory Board meeting after the Annual Shareholders' Meeting of 2021, a proposal will also be submitted to elect Dr. Bernd Pischetsrieder as Chairman of the Supervisory Board. Bernd Pischetsrieder is an internationally recognized automotive expert whose expertise is of outstanding importance for Daimler. He has closely supported decision-making relating to the digitalization of the Group and the electrification of the product portfolio.

Daimler and Geely Holding establish a global joint venture for the further development of smart

On January 8, 2020, Mercedes-Benz AG and Zhejiang Geely Holding Group announced the establishment of a 50-50 joint venture for the smart brand. Our goals here are to further develop smart into a leading supplier of intelligent premium electric vehicles and extend the smart portfolio into the fast-growing B-segment. The new generation of smart vehicles will be designed in the Mercedes-Benz Design network, developed in the Geely engineering network and manufactured at a new electric-vehicle plant in China. Global sales of the first model of the next-generation smart, an electric SUV, are scheduled to begin in 2022. All of the sales, marketing and aftersales activities for Europe of the next smart generation will be managed by smart Europe GmbH, which is based in the Stuttgart area and was established on July 27, 2020.

Daimler Trucks ready to launch all-electric Mercedes-Benz eEconic

As was announced on January 16, 2020, Daimler Trucks has taken a further step in truck electrification with the battery-electric eEconic. The low-floor truck is intended as a milestone in terms of sustainable municipal logistics – an urban waste collection vehicle that is equipped with an environmentally friendly and efficient electric drive system. Selected customers will be able to test the truck's suitability for everyday use in actual operations starting in 2021. The experience gained will flow into the series production, which is scheduled to begin in 2022. Daimler Trucks & Buses plans to offer all new trucks and buses in its main sales regions as CO_2-neutral vehicles in terms of driving operation (“tank-to-wheel”) by 2039. The global platform strategy can accelerate the development of this process. The eEconic, for example, is based on the eActros, which is already in practical use and will go into series production in 2021.

Daimler and Volvo establish a joint venture for series production of fuel cells
Daimler Truck AG and the Volvo Group share the Green Deal vision of sustainable transport and a CO_2-neutral Europe by 2050. This was announced by the partners on April 21, 2020. On November 2, 2020, they signed a binding agreement regarding the joint venture’s creation. Volvo Group will purchase 50% of the shares of Daimler Truck Fuel Cell GmbH & Co. KG for about €0.6 billion on a cash and debt-free basis. The merger control clearances have been granted, meanwhile. This transaction is scheduled to be completed in the first half of 2021. The goal is to develop, manufacture and market fuel cell systems for heavy-duty commercial vehicle applications and other areas of application. The concentration of capacities and expertise will reduce development costs for both companies and speed up the market launch of fuel cell systems. Daimler plans to consolidate all of its Group-wide fuel cell activities in the 50-50 joint venture, which will operate as an independent autonomous unit.

Daimler Buses presents new all-electric eCitaro articulated bus for CO_2-neutral public transportation
In May 2020 Daimler Buses presented the new Mercedes-Benz eCitaro articulated bus with new battery technology. This large-bodied articulated bus offers lots of room to transport up to 146 passengers. The new solid-state batteries have an especially high energy density and a total energy capacity of 441 kWh. Due to its greater range, this bus can easily serve most of the usual urban routes.

Daimler and Rolls-Royce plan cooperation on stationary fuel cell systems
On May 26, 2020, Daimler Truck AG announced plans to cooperate with the British technology company Rolls-Royce plc. The goal of the partnership is to supply stationary fuel cell generators as CO_2-neutral emergency power generators for safety-critical facilities such as data centers. They will offer 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 wants to equip its emergency power generators with fuel cell systems supplied by the planned joint venture between Daimler Truck AG and the Volvo Group.

Mercedes-Benz and NVIDIA plan to create a software platform for automated driving
On June 23, 2020, Daimler AG announced plans by Mercedes-Benz and NVIDIA to establish a development partnership for an in-vehicle computing system and an AI computing infrastructure. NVIDIA is the global leader in GPU-accelerated computing. The goal of the planned partnership is to develop one of the most intelligent and advanced computing architectures in the automotive industry for use in all Mercedes-Benz model series. Starting in 2024, it will be introduced in all future vehicles as a standard feature that will enable them to be equipped with upgradable automated driving functions. The AI computing architecture is intended to further accelerate our journey toward autonomous driving applications, and the AI and software tools will enable us to continuously further develop and improve all of our vehicles.

Mercedes-Benz announces strategic partnership with battery cell manufacturer Farasis
On July 3, 2020, we announced that we had launched a strategic partnership with the Chinese battery cell manufacturer Farasis Energy that will include an equity stake. The partnership marks another important step toward CO_2 neutrality within the framework of the “Ambition 2039” program. Key elements of the agreement include the development and industrialization of battery cell technologies, as well as measures relating to cost competitiveness. The agreement expands the supplier set of Mercedes-Benz AG for the supply of battery cells for the “Electric First” electrification offensive, while also providing Farasis with planning security for the expansion of its production capacity.

Company management and General Works Council agree on basic points relating to job security and profitability
On July 28, 2020, Daimler AG announced an agreement on key points for reducing personnel costs in Germany. The additional temporary measures that were agreed on aim to take the special economic burden of the covid-19 pandemic into account and also safeguard employment even further. Back in December 2019, Daimler and the General Works Council agreed on measures to cut costs and reduce jobs in a socially responsible manner in order to streamline the corporate structure and increase efficiency and flexibility.

Mercedes-Benz and CATL expand battery technology partnership
On August 5, 2020, Daimler AG announced that Mercedes-Benz and CATL (Contemporary Amperex Technology) planned to enter the next stage of their strategic partnership and begin developing innovative battery technologies. The agreement relates to the provision of battery cells, modules for Mercedes-Benz Cars and complete batteries for Mercedes-Benz Vans, all of which will be manufactured in a CO_2-neutral manner. CATL is a technology leader in the production of lithium-ion batteries. Our goal with this partnership is to promote the industrialization of lithium-ion batteries in Germany and accelerate the electrification of our model portfolio. Plans also call for the launch of the Mercedes-Benz EQS electric luxury sedan in 2021, which will be equipped with CATL modules.

US authorities approve settlement in civil proceedings regarding diesel emissions
Daimler AG and Mercedes-Benz USA LLC took another step toward resolving legal issues relating to diesel emissions on September 14, 2020, when the US regulatory authorities approved a settlement of civil and environmental claims. This ended the regulatory proceedings regarding the emission control systems of approximately 250,000 diesel vehicles in the United States. More specifically, US authorities filed the settlement agreements with the United States District Court for the District of Columbia – a federal court – for final approval. We also agreed with plaintiff attorneys to amicably settle the consumer class action “In re Mercedes-Benz Emissions Litigation.” By reaching these agreements, Daimler has avoided lengthy litigation and the associated legal and financial risks. In addition to the payment of civil penalties in the amount of USD 875 million, the settlement with the US authorities provides for Daimler to further strengthen its technical compliance management system, offer servicing measures for affected vehi-

cles, conduct a nationwide emission mitigation program for reducing nitrogen oxide in the environment, and provide funding for additional projects in the state of California.

Daimler presents fuel-cell concept truck: The GenH2 Truck
On September 16, 2020, Daimler Trucks presented its technology strategy for the electrification of our trucks. The presentation focused on hydrogen-based fuel-cell trucks for the long-haul transport segment and also featured the world premiere of the Mercedes-Benz GenH2 Truck concept vehicle. Customer trials of the GenH2 Truck, whose key attributes are oriented to those of conventional long-haul trucks, are set to begin in 2023. Series production is scheduled to start in the second half of the decade. We are benefiting from our experts' extensive experience as we continue to develop the fuel cell truck.

Mercedes-Benz Wörth plant will begin series production of the eActros in 2021
On September 23, 2020, Mercedes-Benz Trucks presented new products at the Wörth plant under the motto "Now & Next" and also offered a preview of the future of sustainable mobility. Among other things, this consisted of a near-series prototype of the battery-electric Mercedes-Benz eActros for heavy-duty distribution transportation. Series production of this truck is scheduled to begin in Wörth in 2021. Electric truck models are to be manufactured flexibly alongside trucks with conventional drive systems on a single production line at the Wörth plant. The plant is being extensively prepared for this task. The start of series production will mark an important milestone for the Wörth plant and the region, as the expansion of the plant's portfolio in line with our goals relating to CO_2-neutral transport will safeguard jobs and create opportunities in the form of new tasks and job profiles.

Mercedes-Benz introduces new strategy for increasing profitability
The Mercedes-Benz Strategy Update online investor and analyst conference was held on October 6, 2020. Ola Källenius, Chairman of the Board of Management of Daimler AG and Mercedes-Benz AG, presented the new strategy for achieving profitable and sustainable growth. The comprehensive program is designed to significantly improve the company's technological and financial performance, and is based on six pillars: strengthening of the Mercedes-Benz brand in the luxury segment, a higher-quality product portfolio, a more favorable product mix, the achievement of significant growth for the Mercedes-AMG, Mercedes-Maybach and Mercedes-EQ subbrands, and accelerated development of electric drive systems and vehicle software. Additional plans have also been developed to lower costs by reducing investments in property, plant and equipment, expenditure on research and development, and fixed costs, and to improve the brand's industrial footprint.

Daimler and Waymo cooperating on the development of highly automated trucks
On October 27, 2020, Daimler AG announced that Daimler Trucks and Waymo had signed an agreement to establish an extensive global strategic partnership in the field of autonomous driving technology (SAE Level 4). In the initial phase of cooperation, Waymo's technology will be installed in a variant of Daimler's Freightliner Cascadia truck that was developed especially for this application. Our aim with this highly automated truck (SAE Level 4) is to enhance road safety for our fleet customers and help them increase their productivity. The Freightliner Cascadia truck equipped with the Waymo Driver system is to be made available in the United States in the next few years.

Daimler and Torc establish a strategic partnership with Luminar for highly automated trucks
On October 30, 2020, Daimler Truck AG and Luminar, the leading global supplier of lidar hardware and software technology, announced that they would be collaborating in a future project. Experts from Daimler Trucks, its Daimler Trucks North America subsidiary, and Torc Robotics plan to work closely together with specialists from Luminar to further develop lidar technology in order to enable its use at high speeds. Daimler Trucks has also acquired a minority stake in Luminar in order to strengthen the partnership.

Daimler and Geely cooperating on drive systems for hybrid vehicle applications
On November 20, 2020, Daimler AG announced it would be establishing another partnership with the Geely Holding Group and its subsidiary brands. Our goal here is to work together with Geely on hybrid powertrain solutions in order to strengthen our global competitiveness and benefit from economies of scale. The highly efficient next-generation gasoline engine designed for hybrid applications will be developed in the global research and development networks operated by Daimler and Geely and then manufactured at the companies' own drivetrain plants in Europe and China. Plans call for the engine to be used by Mercedes-Benz AG together with its established partners in China and in the Geely Holding Group's wide-ranging portfolio of brands, which also includes Volvo Cars. We are already working together with Geely to further develop the smart brand on a global scale and provide premium ride-hailing services in the Chinese market.

Daimler and Foton launch production of Mercedes-Benz trucks in China for China
On December 2, 2020, Daimler Truck AG and Beiqi Foton Motor Co., Ltd. announced plans to jointly manufacture tractor units from the Mercedes-Benz brand for the upper-range market segment in China. China is the world's largest truck market and is therefore extremely important for Daimler Trucks as one of its key markets for future growth. The Beijing Foton Daimler Automotive (BFDA) joint venture is to manufacture the heavy-duty trucks locally in order to fully exploit the market's potential. The trucks will be based on the global Daimler Trucks platform strategy and will be adapted to the requirements of Chinese customers. Production is scheduled to begin in two years at the new truck plant near Beijing. In addition to selling imported Mercedes-Benz trucks for special applications and locally produced Auman trucks for the price-sensitive market segment, BFDA will thus significantly expand the portfolio in China.

Daimler Supervisory Board approves business plans for 2021 to 2025

In its meeting on December 3, 2020, the Supervisory Board of Daimler AG confirmed its support of the company's strategic alignment, the associated business plans for the period 2021 to 2025, and the resulting measures for attaining the profitability target. As one component of this, the Board also approved the investment plan for the further transformation of the Company toward electrification and digitalization. From 2021 to 2025, we expect to invest more than €70 billion in research and development as well as in property, plant and equipment. According to our plans, most of the investments will be made in Mercedes-Benz Cars & Vans.

Mercedes-Benz sells Hambach car plant to INEOS Automotive

Mercedes-Benz AG is investing extensively in its electric mobility offensive and digitalization measures. Such investment also requires the achievement of efficiency gains. The optimization of the global production network and the sale of the car plant in Hambach mark important steps in this direction. With regard to the latter, Mercedes-Benz announced on December 8, 2020, that it had signed an agreement to sell the Hambach plant to INEOS Automotive. INEOS will acquire all shares in smart France S.A.S. and it took over the Hambach plant in early 2021. Mercedes-Benz AG, INEOS Automotive, and employee and government representatives all agree that the common goal here was to safeguard employment at the plant. Production of the current two-seat smart EQ fortwo electric vehicle is to continue at the Hambach plant. The new generation of smart electric vehicles will be manufactured by a Mercedes-Benz/Geely joint venture in China.

Daimler announces next generation of the eSprinter

On December 9, 2020, Mercedes-Benz Vans presented the newly developed Electric Versatility Platform. It serves as the basis for the next-generation eSprinter, whose specifications were defined in close cooperation with customers. It also offers the right products for markets in the United States and Canada. Thanks to its three battery variants and numerous body variants (ranging from a panel van to a people mover) as well as a chassis for box bodies, the next-generation eSprinter will ensure reliable locally emission-free freight transport in nearly every business while also optimizing the total cost of ownership. The upcoming generation of the eSprinter will enable Mercedes-Benz Vans to consistently forge ahead with its electrification strategy. Mercedes-Benz Vans is investing around €350 million in its Electric Versatility Platform. The next generation of the eSprinter will be produced in a CO_2-neutral manner.

Performance measurement system

Value-based management
The performance measurement system used at Daimler is designed to ensure that our investors' interests and expectations are taken into account within the framework of a value-based management system. Value added shows the extent to which the Group and its divisions achieve or exceed the return requirements of the investors, thus creating additional value.

Value added is derived from financial value drivers which, due to their direct relationship to ongoing business operations, are utilized as financial performance indicators for the periodic assessment of the performance of the Group and its divisions.

In this sense, value added can be calculated as the difference between the measure of operating profit (EBIT or net operating profit) and the cost of capital of the average net assets.
↗ B.02

The return on net assets (RONA) is calculated from the ratio of EBIT to net assets. Value is created for our shareholders when RONA exceeds the cost of capital. The required rate of return on net assets, and hence the cost of capital rate, is derived from the minimum rates of return that equity investors and lenders expect on their invested capital. During the year under review, the cost of capital rate of the Group remained unchanged at 8% after taxes. For the automotive divisions, the cost of capital rate remained at 12% before taxes; for Daimler Mobility, a cost of equity of 12% before taxes was applied (2019: 13%). ↗ B.03

The quantitative development of value added and the related financial performance measures is explained in the chapter Profitability.

B.02
Calculation of value added

Value added	=	Profit measure	–	Net assets	×	Cost of capital (%)
				Cost of capital		

Financial performance measures

Profit measure
The measure of operating profit at the divisional level is EBIT (earnings before interest and income taxes). EBIT thus reflects the divisions' responsibility for profit and loss. EBIT that is calculated at the Group level takes into account centrally managed matters and eliminations. In order to provide a more transparent presentation of our ongoing business, we additionally calculate and report adjusted EBIT for both the Group and the divisions. The adjustments include individual items if they lead to material effects in a reporting year. These individual items can relate in particular to legal proceedings and related measures, restructuring measures and M&A transactions. Group EBIT minus the centrally managed income taxes equals net operating profit. ↗ B.18 in chapter Profitability

Return on sales
As one of the main factors influencing value added, return on sales is of particular importance for assessing the automotive divisions' profitability. Return on sales is the ratio of EBIT to revenue, whereby unit sales are the primary source of revenue. The measure of profitability for Daimler Mobility is not return on sales but return on equity (the ratio of EBIT to average equity on a quarterly basis). On the basis of adjusted EBIT, we report an adjusted return on sales (ROS) for the automotive divisions and an adjusted return on equity (ROE) for Daimler Mobility.

Net assets
All assets, liabilities and provisions for which the automotive divisions are responsible in day-to-day operations are allocated to those divisions. Performance measurement at Daimler Mobility is implemented on an equity basis. Net assets at the Group level include the net operating assets of the automotive divisions and the equity of Daimler Mobility, as well as assets and liabilities from income taxes and other reconciliation items which cannot be allocated to the divisions. Average annual net assets are calculated on the basis of average quarterly net assets. Profitability

Cash flow

A change in net assets – for example as a result of investments – generally leads to the application or release of liquid funds. Along with earnings, net assets thus also have a direct effect on the cash flow. Of outstanding importance for the financial strength of the Daimler Group is the free cash flow of the industrial business, which comprises the cash flows at the automotive divisions and the cash flows from interest, taxes and other reconciliation items that cannot be allocated to the divisions. The operating cash flow before interest and taxes (CFBIT) for the automotive divisions is derived from EBIT and the change in net assets. The cash conversion rate (CCR) is the ratio of CFBIT to EBIT over a period of time and is an important measure for cash-flow management. In order to provide a more transparent presentation of our ongoing business, we additionally calculate and report the adjusted free cash flow of the industrial business and the adjusted CFBIT of the automotive divisions.

The adjustments include individual items if they lead to material effects in a reporting period. These individual items can relate in particular to legal proceedings and related measures, restructuring measures and M&A transactions. On the basis of adjusted CFBIT and adjusted EBIT, we report an adjusted cash conversion rate (adjusted CCR) for the automotive divisions.

Key performance indicators

The key financial indicators for measuring the operating financial performance of the Daimler Group, in addition to EBIT and revenue, are the free cash flow of the industrial business, investment in property, plant and equipment, and expenditure for research and development. In addition, adjusted return on equity and new business are the key performance indicators for Daimler Mobility.

In addition to the financial indicators, we use various non-financial indicators to help us manage the Group. Of particular importance in this respect are the **unit sales** of our automotive divisions, which we use as the basis for our capacity and human resources planning. In 2021, we will also begin using the **CO_2 emissions of our total passenger new car fleet in Europe** (European Union, Norway and Iceland) as a key performance indicator in order to take the increased importance of the indicator – in particular with respect to sustainability – into account in the controlling of the Group.

Details of the development of non-financial performance indicators can be found in the chapters Economic Conditions and Business Development and Non-Financial Declaration.

B.03
Cost of capital

	2020	2019
In percent		
Group, after taxes	**8**	8
Industrial businesses, before taxes	**12**	12
Daimler Mobility, before taxes	**12**	13

Declaration on Corporate Governance

The Declaration on Corporate Governance combined for the Company and the Group in accordance with Section 289f and Section 315d of the German Commercial Code can be found in the chapter Declaration on Corporate Governance and can also be viewed on the Internet at daimler.com/corpgov/en. Pursuant to Section 317 Subsection 2 Sentence 6 of the German Commercial Code (HGB), the purpose of the audit of the statements pursuant to Section 289f Subsections 2 and 5 and Section 315d of the HGB by the auditors is limited to determining whether such statements have actually been provided.

Economic Conditions and Business Development

The world economy

During the year under review, the covid-19 pandemic and especially the measures that were implemented to combat it caused the global economy to contract by around 4.0% in real terms, thus leading to the most severe recession since the end of World War II. As a result, the global gross domestic product shrank at more than twice the rate as in the financial crisis of 2008/2009. Central banks and governments around the world have implemented extensive and unusually expansive measures in order to cushion the impact of this huge drop in economic activity on companies and jobs. Thanks to this support, last year's trough of the crisis was already reached in the second quarter, globally, when national lockdowns greatly restricted large areas of economic activity in almost all of the world's major economies. The subsequent gradual easing of these measures initially caused a strong rebound, which, however, lost considerable momentum in some regions toward the end of the year due to a renewed rapid rise in the number of infections. The recession and the pandemic-related restrictions also caused global trade to contract substantially, which hampered growth further, particularly in export-dependent economies.

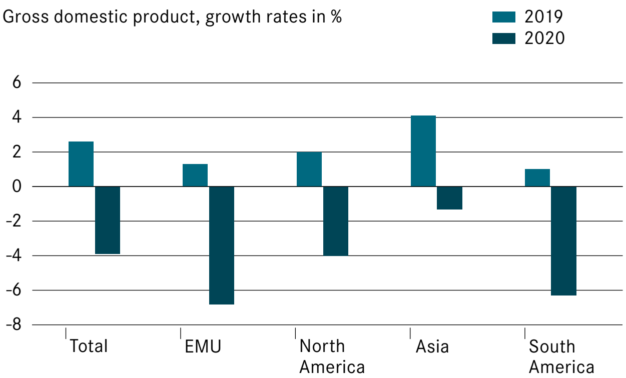
The pandemic hit the economies of the industrialized countries very hard. This was also the case in the United States, where the economy suffered a major drop in the first half of the year, accompanied by a huge increase in unemployment. Thanks to numerous monetary and fiscal measures, as well as the comparatively moderate governmental restrictions despite continuously high infection rates, the economy recovered very dynamically in the second half of the year. Nonetheless, the country's economic output decreased by 3.5% during the year as a whole, compared to 2019. In the first half of the year, the covid-19 pandemic and the associated containment measures also caused the eurozone to plunge into a deep recession that affected the manufacturing and services sectors equally. However, this drop varied greatly among the different member states and was determined not only by the intensity of the pandemic but also by a country's dependence on sectors such as tourism and hospitality, which were particularly hard hit by the crisis. During the summer, economic activity in Europe also recovered considerably amid the easing of restrictions. However, renewed restrictions as a result of an intense second wave of infections that began in the fall affected the economy once again and led to a decrease of about 7.0% for the year as a whole. The impact on the job market was at least mitigated somewhat by short-time work and other employment-protection measures. Within this context, the German economy shrank by an estimated 5.0%.

Although China was the first country to be affected by the pandemic, it was also the first to contain the spread of the virus and return to its pre-crisis level already in the course of the year despite suffering a major slump in the first quarter. China was the only major economy in the world to achieve positive growth in the year as a whole, expanding by 2.3%. The other Asian economies were also affected by the pandemic to various extents, but in some cases were able to benefit from China's quick recovery. However, the economic downturn was especially pronounced in India, which had, in absolute terms, one of the highest numbers of infections worldwide. As a result, its gross domestic product dropped by around 7.5%.

B.04

Economic growth

Gross domestic product, growth rates in %



Source: IHS Markit, own calculations

The South American economies were particularly hard hit by the pandemic. Government budgets and currencies were already reeling before the crisis occurred, so that the large numbers of infections and long lockdown measures caused economic output to drop sharply and recover at only a slow pace. The decrease was also pronounced in Central and Eastern Europe, due to large numbers of infections, disrupted industrial supply chains, and the region's economic dependence on the eurozone. In addition to the pandemic, the economies of the Middle East were affected by the low oil price, which temporarily dropped to below US$20 per barrel during the second quarter and, despite recovering somewhat later in the year to around US$40 per barrel, was significantly below the previous year's level. The total economic output of the emerging markets decreased by around 2.0%.

Currency exchange rates were volatile in this recession-impacted environment. Against the US dollar, the euro moved between $1.070 and $1.228 during the year. At the end of the year, the euro was around 9% stronger than at the end of 2019. The range of fluctuation of the Japanese yen against the euro was 114.6 to 127.2. Year-on-year, at the end of 2020, the euro had appreciated by about 4% against the yen. At the end of 2020, the value of the British pound compared to the euro was about 6% lower than at the end of the previous year. The euro rose by almost 40% against the Brazilian real and by around 35% against the Turkish lira. The euro rose considerably against the ruble, gaining around 30% of its relative value.

Automotive markets

The development of the **global car market** was also affected by the covid-19 pandemic during the year under review. Even though demand already reached its low point in the second quarter and recovered gradually thereafter, the global market nevertheless contracted substantially by around 15% during the year as a whole. ↗ B.05

The Chinese market, which was the first big sales market to be affected by the pandemic, decreased slightly. However, at around 6%, this drop was less severe than initially expected. The US light vehicle market also developed somewhat better than feared during the early stage of the pandemic. However, at around 15%, the drop in demand was still very pronounced.

By contrast, the covid-19 pandemic had an especially severe impact on the European market. Overall car demand decreased by more than 20% in Europe. Of Europe's three biggest individual markets, Germany developed best, registering a decrease of around 19%, while the markets in France and the UK suffered even greater decreases of around 25% and almost 30% respectively.

The economic impact of the covid-19 pandemic also had a noticeable effect on **demand for vans**. In the EU30 region (European Union, United Kingdom, Norway and Switzerland), the market was significantly lower than in the previous year. The market volume for mid-size and large vans was 12% below that of the prior year, while the decrease in the small van segment was even more severe, at more than 25%. The US market for large vans was also substantially lower than in the prior year, declining by 19%. The demand for large vans also decreased considerably in Brazil. In China, however, the market for mid-size vans was significantly above the level of the prior year.

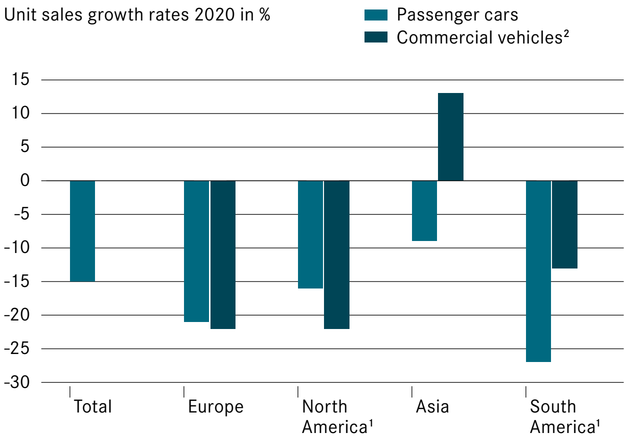
The severe economic crisis caused the **demand for heavy-duty trucks** to decrease sharply in many of Daimler's key sales markets. The North American market contracted by 30%. Demand for heavy-duty trucks also dropped substantially in the EU30 region, where it decreased by around 28%, according to latest estimates. By contrast, the decrease in Brazil was less pronounced than initially expected and amounted to some 10%. The Japanese market also did better than expected, declining by around 7%.

The **bus markets** were also affected by the covid-19 crisis. Bus demand in the EU30 region was significantly below the previous year's level and the market also contracted considerably in Brazil.

B.05

Global automotive markets

Unit sales growth rates 2020 in %



1 Cars segment includes light trucks
2 Medium- and heavy-duty trucks

Source: German Association of the Automotive Industry (VDA), various institutions

Business development

Unit sales

Daimler sold a total of 2.84 million vehicles in 2020 (2019: 3.34 million). The expectation formulated at the beginning of the year that unit sales in 2020 would be only slightly lower than in the prior year thus could not be fulfilled. However, we had already adjusted our sales forecast correspondingly during the year in response to the effects of the covid-19 pandemic. Unit sales were substantially lower than expected at Mercedes-Benz Cars (-13%), Mercedes-Benz Vans (-15%), Daimler Trucks (-27%) and Daimler Buses (-38%).

Against the backdrop of the covid-19 pandemic, **Mercedes-Benz Cars** unit sales nonetheless surpassed the two million mark in 2020, totaling 2,087,200 vehicles (2019: 2,385,400). With unit sales of 2,052,000 (2019: 2,278,300) vehicles, Mercedes-Benz was once again the strongest-selling luxury brand in the automobile industry. We remain number one in the premium segment in Germany and some other key European markets, as well as in South Korea, Canada, South Africa and Japan. In addition, we delivered more exclusive vehicles than any other luxury brand in China, where we once again set a sales record.

The A-Class and B-Class models, including the CLA and CLA Shooting Brake, attained unit sales of 449,000 vehicles (-15%). Sales of C-Class vehicles decreased by 30% to 309,300 sedans, wagons, coupes and convertibles. A total of 332,400 vehicles of the E-Class were delivered to customers (-21%). Although unit sales decreased to 53,800 vehicles in 2020, the S-Class sedan continues to be the world's best-selling luxury sedan. Our unit sales in this market segment dropped to a total of 56,000 vehicles (2019: 75,400).

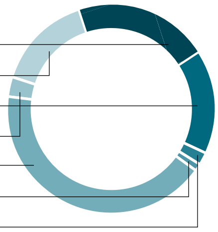
The SUV segment developed especially favorably, with unit sales rising by 12% to 887,500 vehicles. Unit sales of our sports cars amounted to 17,800 vehicles and were thus 37% lower than in the previous year.

In Europe, Mercedes-Benz Cars sold 783,800 vehicles, or 21% less than in 2019. As a result, the drop in sales at Mercedes-Benz Cars was at least not as pronounced as that of the European market as a whole. However, we registered major decreases in Germany (-16%), the UK (-35%) and France (-23%). Mercedes-Benz Cars was once again very successful in China, where unit sales built on the growth of the previous years by rising by 9% to 758,100 vehicles. At 286,800 vehicles, unit sales in North America did not reach the high level of the prior year (2019: 368.900). Sales decreased in the United States, our main market there, by 21% to 248.800 units.

B.06

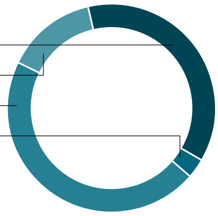
Unit sales structure of Mercedes-Benz Cars

A-/B-Class	21%
C-Class	15%
E-Class	16%
S-Class	3%
SUVs*	42%
Sports Cars	1%
smart	2%



* including GLA and GLB

Europe	37%
North America	14%
Asia	46%
Other markets	3%

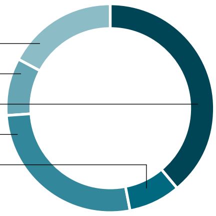


The smart brand sold 35,200 fortwo and forfour vehicles worldwide (2019: 107,100). This decrease was influenced by the complete switchover of the models to all-electric drive systems.

Mercedes-Benz Vans finished the 2020 financial year with unit sales of 374,700 vehicles worldwide (2019: 438,400). This substantial decrease of 15% was largely due to the consequences of the covid-19 pandemic. At 245,200 units (2019: 298,100), sales in the core region of EU30 were lower than in the previous year. We sold 109,500 vehicles in Germany during this period (2019: 121,300). Unit sales also decreased in North America, where they dropped to 54,400 vehicles (2019: 56,500). However, we achieved a new record of 47,500 vehicles in the United States (2019: 45,700). In Latin America, our sales decreased to 12,000 vehicles (2019: 18,600). We achieved a new record in China, with 30,500 units (2019: 29,500).

B.07
Unit sales structure of Daimler Trucks

EU30	17%
Latin America	9%
North America	39%
Asia	27%
Other markets	8%



B.08
Market share[1]

in %	2020	2019	20/19 Change in % points
Mercedes-Benz Cars			
European Union	**6.3**	6.4	-0.1
thereof Germany	**10.9**	10.8	+0.1
USA	**1.9**	1.9	0.0
China	**3.9**	3.3	+0.6
South Korea	**4.7**	5.1	-0.4
Japan	**1.5**	1.6	-0.1
Mercedes-Benz Vans			
Mid-size and large vans EU30	**17.1**	16.8	+0.3
thereof Germany	**27.0**	27.0	0.0
Small vans EU30	**2.2**	2.4	-0.2
Large vans United States	**10.5**	8.8	+1.7
Daimler Trucks			
Heavy- and medium-duty trucks EU30	**19.5**	20.0	-0.5
thereof Germany	**36.5**	35.2	+1.3
Heavy-duty trucks North America (Class 8)	**40.0**	38.8	+1.2
Medium-duty trucks North America (Classes 6 and 7)	**32.4**	32.9	-0.5
Heavy- and medium-duty trucks Brazil	**31.8**	29.2	+2.6
Trucks Japan	**20.4**	18.8	+1.6
Trucks Indonesia	**49.0**	44.2	+4.8
Heavy- and medium-duty trucks India	**9.1**	5.8	+3.3
Daimler Buses			
Buses over 8 tons EU30	**27.6**	27.5	+0.1
thereof Germany	**49.0**	50.8	-1.8
Buses over 8 tons Brazil	**46.7**	53.8	-7.1

1 Based on estimates in certain markets.

In 2020, unit sales by **Daimler Trucks** were substantially lower than in the previous year. This development was largely due to the strong contraction of our global core markets as a result of the covid-19 pandemic. The impact was especially severe during the first half of the year; markets began to recover in the second half. In total, we delivered 358,300 heavy-, medium- and light-duty trucks as well as buses of the Thomas Built Buses and FUSO brands in the year under review (2019: 488,500). Our sales in North America amounted to 139,400 units (2019: 201,100). Following the high sales figures of the previous years, this market had been expected to normalize. The covid-19 pandemic caused demand to decrease somewhat more than expected. Our sales in the EU30 region amounted to 60,600 trucks (2019: 79,800).

Unit sales also decreased in Latin America, where they dropped to 33,200 trucks (2019: 42,600). Even though the decrease in our main Latin American market of Brazil was somewhat less pronounced than in Latin America as a whole, it was nevertheless significant, with unit sales dropping to 25,300 trucks (2019: 29,700).

Our sales also decreased in Asia, where they amounted to a total of 98,200 units (2019: 135,200). The decreases were especially strong in Indonesia and India. In Indonesia, our sales sank by 50% to 19,500 units, while they decreased by 34% to 9,600 vehicles in India. The decrease was much less in our third core market in Asia, Japan. However, our sales of 39,100 units were slightly lower than in the previous year here as well (2019: 42,200).

Due to the strong rise in demand on the Chinese truck market, sales of **Auman** trucks, which we produce in China at our joint venture Beijing Foton Daimler Automotive Co., Ltd. (BFDA), were significantly higher than in the prior year, at 126,400 units (2019: 86,200).

Daimler Buses sold 20,200 buses and chassis worldwide in financial year 2020 (2019: 32,600). The marked decrease was mainly influenced by the global effects of the covid-19 pandemic. In the EU30 region, Daimler Buses sold 7,500 fully equipped buses and chassis of the Mercedes-Benz and Setra brands. This was 19% less than in the previous year. Unit sales decreased especially strongly in the touring coach segment. At 3,000 (2019: 3,000) units, sales in Germany were at the prior-year level. Our sales dropped substantially in Mexico, where they decreased to 1,500 units (-43%). We sold 5,600 chassis in Brazil, which is our main market in Latin America. This represents a decrease of 50%. Our bus sales in India also dropped considerably to 500 units (2019: 1,600).

At the end of 2020, the **Daimler Mobility** division had a contract volume of €150.6 billion (-8%). Adjusted for the effects of currency translation, contract volume decreased by 3%. The economic effects of the covid-19 pandemic caused new business to decrease considerably in the first half of the year, although it stabilized in the second half. Daimler Mobility concluded 1.8 million new financing and leasing contracts worth a total of €67.8 billion in 2020. The total value of all new contracts was therefore significantly below the prior-year level (-9%, adjusted for exchange-rate effects -7%). As a result of the pandemic, we were thus unable to meet our original forecast of a slight decrease in new business. New business decreased in almost all countries of Europe. In Germany, Mercedes-Benz Bank's new business decreased to €11.7 billion (-12%). New business in Europe totaled €27.4 billion, which was significantly below the prior year's level. As a result, Daimler Mobility's contract volume in Europe dropped by 4% to €64.8 billion. The fleet business, consisting of the brands Athlon and Daimler Fleet Management, had a total of 402,000 contracts at the end of the year (-6%). This corresponds to a contract volume of €6.6 billion (-5%).

Daimler Mobility concluded new financing and leasing contracts worth €21.7 billion in the Americas in 2020 (-11%). New business decreased substantially in the two biggest countries of the region, the United States (-7%) and Canada (-14%). Contract volume in the Americas region amounted to €51.2 billion at the end of December and was thus 14% lower than at the end of 2019.

At €6.8 billion, new business in the Africa & Asia-Pacific region (excluding China) was also much lower than the prior-year level (-19%). At the end of 2020, contract volume in this region amounted to €16.8 billion, which was 14% lower than in the previous year. By contrast, new business increased significantly in China, where we concluded new leasing and financing contracts worth €11.9 billion (+29%) in 2020. At the end of 2020, contract volume in China amounted to €17.7 billion – an increase of 8% compared with the end of the previous year.

Around 2.3 million policies were brokered in the insurance business. This corresponds to a decrease of 2%. Following the covid-19-related decrease in the first half of the year, the number of transactions at the mobility services of the YOUR NOW joint ventures FREE NOW & REACH NOW, SHARE NOW, and PARK NOW & CHARGE NOW stabilized. Since the beginning of the second covid-19-wave mid of October the transactions slightly declined again. At the same time, the joint ventures consistently expanded their offerings in 2020.

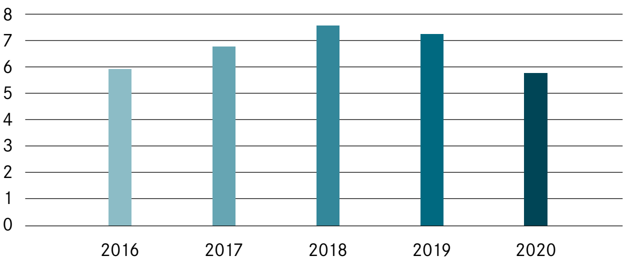
Order situation

The Mercedes-Benz Cars, Mercedes-Benz Vans and Daimler Trucks & Buses divisions produce both preconfigured vehicles and vehicles built to order, in accordance with customers' specifications. While doing so, we flexibly adjust the production capacities for the individual models to changing levels of demand. Largely due to the demand in China and the positive development of the European and North American markets, the number of incoming orders at Mercedes-Benz Cars recovered more quickly than expected during the reporting year, despite the big drop caused by the covid-19 pandemic in March and April. This was driven on the product side primarily by the A-Class and B-Class models and the E-Class, as well as by the continued strong success of our off-road vehicles. Mercedes-Benz Vans also experienced a sharp drop in the number of new orders in March and April as a result of the covid-19 pandemic. The order situation recovered in the following months, especially due to the high demand in the United States and the positive development in China and many European markets. This recovery was mainly due to the sales incentives that we initiated as well as to the availability of a broad range of products and variants, a great demand for the Sprinter and the positive development of the Vito and the V-Class during the year as a whole. At the end of 2020, total orders at Daimler Trucks & Buses were at the same level as in the previous year. In fact, the order backlog was considerably higher than at the end of 2019. The main reason for this was the substantially higher number of orders in North America.

B.09

Investment in property, plant and equipment

In billions of euros



B.10

Investments in property, plant and equipment by division

In millions of euros	2020	2019	20/19 % change
Daimler Group	**5,741**	7,199	-20
in % of revenue	**3.7**	4.2	
Mercedes-Benz Cars & Vans	**4,862**	5,869	-17
in % of revenue	**4.9**	5.5	
Daimler Trucks & Buses	**789**	1,105	-29
in % of revenue	**2.3**	2.5	
Daimler Mobility	**39**	87	-55
in % of revenue	**0.1**	0.3	

Investment and research activities

Investments in property, plant and equipment

We intend to use our divisional strategies to shape the transformation of the automotive industry from a position of leadership in a sustainable, customer-focused, innovative and efficient manner. In view of this situation, sustainability and in particular the electrification of our product range are especially important, as is the digital networking of our products and processes along all stages of the value chain. To this end, we will have to continue to invest extensively in our global production network. In doing so, we are prioritizing the projects in all of our divisions in which we will invest in the future. Mercedes-Benz Cars, for example, plans to reduce investments in property, plant and equipment by more than 20% relative to 2019 by 2025. This focus and the many other measures throughout our company aim to sustainably reduce our cost base and to improve our industrial footprint.

During the year under review our investments in property, plant and equipment deviated from the forecast in the Annual Report 2019. They amounted to €5.7 billion (2019: €7.2 billion) and were thus much lower than in the previous year. This drop and the associated deviation from the forecast were mainly due to our measures for cutting costs and safeguarding liquidity, which we implemented in response to the exceptional financial burdens caused by the unexpected covid-19 pandemic.

In 2020 the investments in property, plant and equipment at **Mercedes-Benz Cars & Vans** focused on production preparations for the new S-Class and the successor models of the compact vehicles as well as the preparations for the launch of the new C-Class. In addition, we continued to invest considerable funds in battery production. At €4.9 billion, investments in property, plant and equipment in 2020 were 17% lower than the high level of the prior year.

Investments in property, plant and equipment at **Daimler Trucks & Buses** amounted to €0.8 billion in 2020 (2019: €1.1 billion). Of this amount, about 55% was dedicated to the optimization of the sales network and to investments in other infrastructure projects. This high share of non-product projects is due to a covid-19-related reduction of the product projects. Despite the efficiency and capacity measures intensified by the covid-19 pandemic, we retained our key strategic goals: investments in future-oriented technologies such as electric mobility and automated driving. Another focus was on global powertrain projects concerning emission standards and fuel efficiency, the successor generations of existing products, and tailored products for key growth markets.

Research and development

Our expenditures for research and development are also guided by our customers' demands. To enable us to significantly play a part in shaping tomorrow's individual mobility and transportation, we will continue to devote our engineering skills to the creation of pioneering products and innovations. As is the case with our investments in property, plant and equipment, we also want to prioritize our research and development costs more strongly in the future in order to boost our profitability on a lasting basis.

We significantly decreased our expenditures for research and development to €8.6 billion in 2020 (2019: €9.7 billion). This sum includes both measures to reduce costs on account of the covid-19 pandemic and the conclusion of individual development projects. At the beginning of 2020 we assumed that development would remain at the same level as in the previous year.

€2.5 billion (2019: €3.1 billion) of the development costs were capitalized, which represents a capitalization rate of 29% (2019: 32%). The amortization of capitalized research and development expenditure totaled €1.9 billion during the year under review (2019: €1.8 billion).

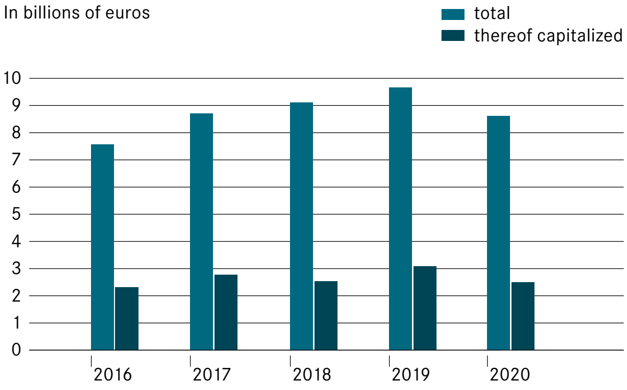
With a rate of 5.6% (2019: 5.6%), research and development expenditure remained at a high level in comparison with revenue. Along with the production launches, research in the year under review focused on the further development of our platforms and electric and conventional drivetrains. Other topic areas were digitalization and automated driving.

Mercedes-Benz Cars & Vans had research and development expenditures of €7.2 billion (2019: €8.1 billion). The focus was on topics such as the next generation of electric vehicles and battery production. In addition, we intensified our research and development expenditures for digitalization and automated driving.

In 2020 research and development expenditures at **Daimler Trucks & Buses** amounted to €1.5 billion (2019: €1.7 billion). Despite the covid-19-related reductions of the development budget, the topics of automated driving, electric mobility (including the eActros) and connectivity played an important role. The subsequent generations of existing products, fuel efficiency and emissions reduction were further focal points, along with customized products and technologies for key growth markets.

B.11

Research and development expenditure



B.12

Research and development expenditure by division

In millions of euros	2020	2019	20/19 % change
Daimler Group	**8,614**	9,662	-11
thereof capitalized	**2,498**	3,076	-19
Mercedes-Benz Cars & Vans	**7,199**	8,061	-11
thereof capitalized	**2,391**	3,000	-20
Daimler Trucks & Buses	**1,488**	1,689	-12
thereof capitalized	**107**	76	+41

Profitability, Liquidity and Capital Resources, Financial Position

To provide a better insight into the Group's profitability, liquidity and capital resources, and financial position, the condensed statement of income, the condensed statement of cash flows and the condensed statement of financial position are shown for the Daimler Group as well as for the "Industrial Business" and "Daimler Mobility." The industrial business and Daimler Mobility columns represent a business point of view. The industrial business comprises the vehicle segments Mercedes-Benz Cars & Vans and Daimler Trucks & Buses. Daimler Mobility is identical to the Daimler Mobility segment. Intra-Group eliminations between the industrial business and Daimler Mobility are generally allocated to the industrial business.

Change in the internal management and reporting structure as of January 1, 2020
Until December 31, 2019, the Group's **reportable segments** were Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans, Daimler Buses and Daimler Mobility. Since January 1, 2020, the Group's activities are divided into the segments Mercedes-Benz Cars, Mercedes-Benz Vans, Daimler Trucks & Buses and Daimler Mobility. The Mercedes-Benz Cars and Mercedes-Benz Vans segments are aggregated due to their comparable long-term average return on sales as well as their comparable revenue development and capital intensity. In addition, both segments are comparable with regard to the nature of the products and services offered as well as their brands, sales channels and customer profiles.

In order to provide a more transparent presentation of the ongoing business, adjusted figures for both the Group and the segments are also calculated and reported since December 31, 2019. The **adjustments** include individual items where they lead to material effects in a reporting year. These individual items may relate in particular to legal proceedings and associated measures, restructuring measures and M&A transactions. Further information on the management system can be found in the chapter Corporate Profile section of the Combined Management Report.

Adjustment of prior-year figures
In order to ensure that the figures for 2020 are comparable with the prior-year figures, the figures for 2019 have been adjusted to the new segment structure. Internal supply relationships within the new segments have been taken into account. Furthermore, in the figures for the previous year, the effects of certain legal issues and equity investments not previously allocated to the segments have been reclassified from the reconciliation to the vehicle segments.

As of the 2020 financial year, the effects of capitalized borrowing costs are recognized in EBIT and in the Group's assets and the assets of the segments. As a result, EBIT is reported as an accounting parameter in the consolidated statement of income from the 2020 financial year onwards. In order to ensure comparability of the figures for the 2020 financial year with those of the previous year, the reported figures for 2019 have been adjusted accordingly.

Profitability

Statement of income of the Daimler Group
The Daimler Group's **revenue** of €154.3 billion in 2020 was significantly below the prior-year figure (2019: €172.7 billion). Also adjusted for negative exchange rate effects, it was significantly lower than in 2019. ↗ B.13 ↗ B.14

In the 2019 Management Report, we had forecasted revenue at the prior-year level for the Daimler Group. Due to the major impact of the covid-19 pandemic in the automotive segments, we adjusted this forecast in the context of our capital market reporting during 2020 to an expectation of revenue significantly below the prior-year level.

Cost of sales amounted to €128.7 billion in 2020, decreasing by 10.3% compared with the previous year. The decrease in cost of sales was caused by production and cost adjustments in response to the covid-19 pandemic. On the other hand, expenses in connection with the adjustment and realignment of capacities within the global production network at the Mercedes-Benz Cars & Vans segment adversely affected cost of sales. Cost of sales increased at the Daimler Mobility segment due to higher expenses for credit-risk provisions and the impairment of software in the context of streamlining the IT-architecture.

In the prior-year period, a reassessment of risks in connection with ongoing governmental and court proceedings and measures taken with regard to Mercedes-Benz diesel vehicles in various regions had significant negative effects on earnings through cost of sales. Furthermore, expenses connected with an updated risk assessment for an expanded recall of Takata airbags in Europe and other markets and expenses in connection with terminating production of the X-Class had a negative impact on cost of sales in the previous year. ↗ B.14

B.13
Revenue by segment and region

	2020	2019	20/19
In millions of euros			% change
Daimler Group	154,309	172,745	-11
Segments			
Mercedes-Benz Cars & Vans	98,576	106,897	-8
Daimler Trucks & Buses	34,671	44,429	-22
Daimler Mobility	27,699	28,646	-3
Reconciliation	-6,637	-7,227	8
Regions			
Europe	64,226	69,541	-8
thereof Germany	25,262	26,339	-4
North America	42,937	52,196	-18
thereof United States	37,801	45,422	-17
Asia	39,944	40,657	-2
thereof China	21,343	18,954	13
Other markets	7,202	10,351	-30

B.14
Condensed statement of income

	Consolidated		Industrial Business		Daimler Mobility	
	2020	2019	2020	2019	2020	2019
In millions of euros						
Revenue	154,309	172,745	126,610	144,099	27,699	28,646
Cost of sales	-128,721	-143,580	-104,153	-118,626	-24,568	-24,954
Gross profit	25,588	29,165	22,457	25,473	3,131	3,692
Selling expenses	-11,058	-12,801	-10,375	-12,038	-683	-763
General administrative expenses	-3,534	-4,050	-2,752	-3,139	-782	-911
Research and non-capitalized development costs	-6,116	-6,586	-6,116	-6,586	–	–
Other operating income/expense	1,280	-1,632	1,119	-2,517	161	885
Profit/loss on equity-method investments, net	797	479	1,157	1,245	-360	-766
Other financial income/expense, net	-354	-262	-323	-265	-31	3
EBIT	6,603	4,313	5,167	2,173	1,436	2,140
Interest income/expense	-264	-483	-254	-474	-10	-9
Profit before income taxes	6,339	3,830	4,913	1,699	1,426	2,131
Income taxes	-2,330	-1,121	-1,817	-505	-513	-616
Net profit	4,009	2,709	3,096	1,194	913	1,515
thereof attributable to non-controlling interests	382	332				
thereof attributable to shareholders of Daimler AG	3,627	2,377				
Earnings per share (in euros) for profit attributable to shareholders of Daimler AG						
Basic	3.39	2.22				
Diluted	3.39	2.22				

Overall, **gross profit in relation to revenue** decreased from 16.9% to 16.6%.

The effects of the covid-19 pandemic and the measures taken in response led to cost reductions also in other functional-cost areas.

Selling expenses decreased by €1.7 billion to €11.1 billion. As a percentage of revenue, selling expenses decreased from 7.4% to 7.2%. ↗ B.14

At €3.5 billion, **general administrative expenses** decreased by €0.5 billion. As a percentage of revenue, general administrative expenses remained at the prior-year level of 2.3% (2019: 2.3%). ↗ B.14

Research and non-capitalized development expenditure of €6.1 billion in 2020 was below the prior-year level (2019: €6.6 billion). It is mainly related to the development of new models, advance expenditure for the renewal of existing models, and the further development of fuel-efficient and environmentally friendly drive systems as well as safety technologies, automated and autonomous driving and the digital connectivity of our products. As a proportion of revenue, research and non-capitalized development costs increased from 3.8% to 4.0%. Further information on the Group's research and development is provided in the chapter Investment and research activities of this Combined Management Report. ↗ B.14

Other operating income of €1.3 billion was above the level of the previous year (2019: expense of €1.6 billion). In 2019, it included significantly higher expenses in connection with ongoing governmental and court proceedings and measures relating to Mercedes-Benz diesel vehicles in various regions. Furthermore, the previous year included income of €0.7 billion from the merger of the business units for mobility services of the Daimler Group and the BMW Group. ↗ B.14

In 2020, **profit from equity-method investments** of €0.8 billion was above the prior-year level (2019: €0.5 billion). Earnings were boosted by a €0.5 billion reduction in the negative impact on earnings from the mobility services of the YOUR NOW group and a €0.2 billion increase in earnings from There Holding B. V. This was partially offset by an impairment loss of €0.3 billion on the equity interest in BAIC Motor Corporation Ltd. (BAIC Motor) in 2020. ↗ B.14

Other financial expense worsened from €0.3 billion to €0.4 billion. ↗ B.14

The Daimler Group achieved **earnings before interest and taxes (EBIT)** of €6.6 billion in 2020, which is significantly higher than in the previous year (2019: €4.3 billion). The Daimler Group's adjusted EBIT amounted to €8.6 billion (2019: €10.3 billion). Net exchange rate effects had a positive impact on operating profit. ↗ B.14

The reconciliation from EBIT to adjusted EBIT is shown in table ↗ B.16.

We had originally forecasted a significant increase in the EBIT of the Daimler Group. Due to the ongoing covid-19 pandemic, we adjusted this forecast in the context of our capital market reporting during 2020 to an expectation of EBIT at the prior-year level. Despite the difficult conditions, the Daimler Group was able to significantly exceed this expectation due to a strong fourth quarter.

Net interest expense improved by €0.2 billion to €0.3 billion (2019: €0.5 billion). ↗ B.14

The **tax expense** of €2.3 billion (2019: €1.1 billion) stated under income taxes increased mainly due to the increased profit before income taxes. The effective tax rate for 2020 was 36.8% (2019: 29.3%). In 2020, the impairment of deferred tax assets as well as non-tax-deductible expenses, mainly in connection with our shareholdings, led to an increase in the effective tax rate. ↗ B.14

Net profit of €4.0 billion is significantly above the prior-year figure (2019: €2.7 billion). Net profit of €0.4 billion is **attributable to non-controlling interests** (2019: €0.3 billion). Net profit **attributable to the shareholders of Daimler AG** amounts to €3.6 billion (2019: €2.4 billion), representing an increase in **earnings per share** to €3.39 (2019: €2.22). ↗ B.14

The calculation of earnings per share is based on an unchanged average number of outstanding shares of 1,069.8 million.

Further information on the individual items of the statement of income is provided in Notes 4 ff. of the Notes to the Consolidated Financial Statements.

Revenue and EBIT by segment
Due to the significant decrease in unit sales caused by the worldwide covid-19 pandemic, the revenue of the **Mercedes-Benz Cars & Vans** segment in the year 2020 fell by 8% to €98,576 million (2019: €106,897 million). The segment's revenue was therefore significantly lower than in the previous year, in line with our forecast as adjusted during 2020; in the 2019 Management Report, we had originally forecasted revenue at the prior-year level.

The decline in unit sales, particularly in Europe and North America, had a major negative impact on gross profit. On the other hand, there was a positive effect from a more favorable sales structure and improved pricing. Expenses for enhanced vehicle equipment and a higher level of depreciation reduced gross profit in relation to revenue, but this was offset by the efficiency measures introduced as a consequence of the covid-19 pandemic. As a result, gross profit in relation to revenue rose from 16.5% to 17.6%. In addition, the measures introduced, including the use of short-time working in Germany and continued successful cost discipline, led to cost reductions in the other functional cost areas.

The segment's earnings were also reduced by restructuring expenses of €1,476 million. This includes expenses of €871 million for the adjustment and realignment of capacities within the global production network in connection with the intended sale of the car plant in Hambach (France) as well as capacity adjustments at the plants in Aguascalientes (Mexico), Tuscaloosa (USA) and Iracemápolis (Brazil). The restructuring expenses also included €605 million for personnel-cost optimization programs. Effects from ongoing governmental and court proceedings and measures taken relating to Mercedes-Benz diesel vehicles led to a reduction in earnings of €154 million. Earnings in the previous year were reduced primarily by individual items relating to ongoing governmental and court proceedings and measures taken relating to Mercedes-Benz diesel vehicles (€4,491 million) as well as expenses connected with an updated risk assessment for an expanded recall of Takata airbags (€941 million). Earnings in 2019 were also reduced by restructuring expenses in connection with terminating production of the X-Class (€828 million).

EBIT amounted to €5,172 million (2019: minus €109 million) and adjusted EBIT amounted to €6,802 million (2019: €6,151 million). The adjusted return on sales of 6.9% was above the adjusted prior-year figure of 5.8%. In the Management Report on the year 2019, an adjusted return on sales of between 4% and 5% was forecasted for the segment. Within the framework of our capital market reporting during 2020, we adjusted this forecast to the expectation of an adjusted return on sales of 4.5% to 5.5%. Due to a strong fourth quarter, the Mercedes-Benz Cars & Vans segment significantly exceeded this expectation. ↗ B.15

Due to the strong decrease in unit sales, the revenue of the **Daimler Trucks & Buses** segment decreased in the year 2020 by 22% to €34,671 million (2019: €44,429 million). The segment achieved revenue significantly below the prior-year figure, thus confirming the forecast we made at the beginning of the year.

The development of revenue in 2020 was substantially adversely affected by declining unit sales in all regions, primarily due to contracting markets caused by the expected cycle as well as the covid-19 pandemic. There was a negative impact from a smaller contribution from the aftersales business due to weaker demand. Cost of sales was therefore significantly lower than in the previous year, and was also affected by additions to provisions for warranty claims. Gross profit in relation to revenue decreased from 18.5% to 15.2%. The measures initiated to adjust costs and capacities in response to the covid-19 pandemic, including the use of short-time working in Germany, led to cost reductions in all functional cost areas. In particular, there was a positive impact from a significant reduction in fixed costs, which was achieved through strict cost controls and the gradual implementation of restructuring measures. There was an opposing effect from expenses of €153 million for the optimization of personnel costs in all functional-cost areas.

EBIT amounted to €525 million (adjusted €678 million; 2019: €2,672 million). The segment's adjusted return on sales was below the prior-year figure at 2.0% (2019: 6.0%). Daimler Trucks & Buses therefore confirmed the forecast as adjusted during the year in the context of our capital-market reporting due to the covid-19 pandemic of an adjusted return on sales of between 1% and 2%. In the Management Report on the year 2019, we had originally anticipated an adjusted return on sales for the segment of 5%. ↗ B.15

B.15
EBIT of Industrial Business

	Industrial Business		Mercedes-Benz Cars & Vans		Daimler Trucks & Buses		Reconciliation	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
In millions of euros								
Revenue	**126,610**	144,099	**98,576**	106,897	**34,671**	44,429	**-6,637**	-7,227
Cost of sales	**-104,153**	-118,626	**-81,194**	-89,266	**-29,400**	-36,198	**6,441**	6,838
Gross profit	**22,457**	25,473	**17,382**	17,631	**5,271**	8,231	**-196**	-389
Selling expenses	**-10,375**	-12,038	**-8,539**	-9,963	**-2,520**	-2,897	**684**	822
General administrative expenses	**-2,752**	-3,139	**-1,458**	-1,575	**-1,351**	-1,479	**57**	-85
Research and non-capitalized development costs	**-6,116**	-6,586	**-4,808**	-5,061	**-1,381**	-1,613	**73**	88
Other income/expense	**1,953**	-1,537	**2,595**	-1,141	**506**	430	**-1,148**	-826
EBIT	**5,167**	2,173	**5,172**	-109	**525**	2,672	**-530**	-390

The business development of the **Daimler Mobility** segment stabilized towards the end of the year despite the difficult market environment. However, new business was below the prior-year level and contract volume was therefore also lower than in 2019. The revenue generated by Daimler Mobility was also slightly lower than in the previous year and thus reached the level we forecasted after adjusting for the lower contract volume as a consequence of the covid-19 pandemic; we had originally forecasted revenue at the prior-year level.

Gross profit in relation to revenue was mainly impacted by an increase in the allowance for credit defaults against the backdrop of the economic development in connection with the covid-19 pandemic, as well as an impairment loss on capitalized software development costs in the context of optimizing the IT architecture. Although functional costs were affected by expenses of €67 million in connection with personnel cost optimization programs, positive effects occurred overall in all functional cost areas as a result of the measures initiated to improve the cost position. The decrease in other operating income was due to a positive effect of €718 million in 2019 from the merger of the mobility services of the Daimler Group and the BMW Group. Income from investments accounted for using the equity method included in particular the earnings of YOUR NOW Holding GmbH. Compared with the previous year, however, there was a €313 million lower adverse effect on earnings from restructuring measures in 2020.

EBIT amounted to €1,436 million in 2020 (2019: €2,140 million) and adjusted EBIT amounted to €1,595 million (2019: €1,827 million). Adjusted return on equity of 10.9% was below the adjusted prior-year figure of 13.1%. At the beginning of the year, we forecasted an adjusted return on equity of 12%. We adjusted this during 2020 in the context of our capital-market reporting to the expectation of an adjusted return on equity of 9% to 10%. The Daimler Mobility segment exceeded this expectation.

The **reconciliation** of the divisions' EBIT to Group EBIT comprises gains and/or losses at the corporate level and the effects on earnings of eliminating intra-Group transactions between the divisions.

Items at the corporate level resulted in expenses of €652 million (2019: €361 million), including the impairment of Daimler's equity investment in BAIC Motor. Furthermore, expenses of €86 million in connection with cost-optimization programs are included. In the previous year, mainly expenses in connection with "Project Future" had a negative impact on EBIT.

The elimination of intra-Group transactions resulted in earnings of €122 million in 2020 (2019: expenses of €29 million).

The reconciliation from EBIT to adjusted EBIT is shown in table ↗ B.16.

B.16
Reconciliation EBIT to adjusted EBIT

	Mercedes-Benz Cars & Vans	Daimler Trucks & Buses	Daimler Mobility	Reconciliation	Daimler Group
In millions of euros					
2020					
EBIT	**5,172**	**525**	**1,436**	**-530**	**6,603**
Legal proceedings (and related measures)	**154**	**–**	**–**	**10**	**164**
Restructuring measures	**1,476**	**153**	**159**	**86**	**1,874**
M&A transactions	**–**	**–**	**–**	**–**	**–**
Adjusted EBIT	**6,802**	**678**	**1,595**	**-434**	**8,641**
Return on sales/return on equity (in %)	**5.2**	**1.5**	**9.8**		
Adjusted return on sales/return on equity (in %)[1]	**6.9**	**2.0**	**10.9**		
2019					
EBIT	-109	2,672	2,140	-390	4,313
Legal proceedings (and related measures) as well as Takata	5,432	–	–	16	5,448
Restructuring measures	828	–	405	–	1,233
M&A transactions	–	–	-718	–	-718
Adjusted EBIT	6,151	2,672	1,827	-374	10,276
Return on sales/return on equity (in %)	-0.1	6.0	15.3		
Adjusted return on sales/return on equity (in %)[1]	5.8	6.0	13.1		

1 Return on sales adjusted is calculated as the ratio of adjusted EBIT to revenue. Adjusted return on equity is determined as the ratio of adjusted EBIT to average quarterly equity.

Value added

As described in the chapter Performance Measurement System in chart ↗ **B.03**, value added is calculated as the difference between the measure of earnings and the cost of capital. The measure of earnings for the reportable segments is EBIT and for the Group is net operating profit, which also includes earnings effects for which the segments are not accountable, such as income taxes and other reconciliation items. The cost of capital used in the calculation of value added is based on average net assets multiplied by the cost-of-capital rate.

Table ↗ **B.17** shows value added for the Group and for the individual segments. The reconciliation of the segments' EBIT to net operating profit as well as the average net assets are shown in tables ↗ **B.18** and ↗ **B.19**. Table ↗ **B.20** shows how net assets are derived from the consolidated statement of financial position.

The Daimler **Group's value added** increased by €1.5 billion in 2020 but remained negative at minus €0.6 billion, representing a return on net assets of 7.0% (2019: 4.8%). The Group's cost-of-capital rate of 8% was therefore not achieved. The positive development of value added was mainly due to the increase in the segments' EBIT by €2.4 billion. In addition, the decrease of €3.9 billion in average net assets as a result of lower average inventories and higher average provisions for other risks positively impacted value added, but was partly offset by increased capitalized development costs.

At the **Mercedes-Benz Cars & Vans** segment, value added of €1.2 billion was significantly higher than the prior-year amount of minus €4.3 billion. This was primarily due to the positive earnings development. An additional positive impact on value added resulted from the decrease in average net assets by €2.3 billion, which was mainly caused by lower average inventories and higher average provisions for other risks. This was partly offset by the increased capitalized development costs.

Value added a**t Daimler Trucks & Buses** fell sharply by €2.0 billion to minus €0.6 billion as a result of the EBIT development. This development was slightly offset by the significant decrease in average net assets to €9.5 billion, which was primarily the result of lower average inventories.

At the **Daimler Mobility** segment, value added of minus €0.3 billion was significantly below the prior-year level of plus €0.3 billion. The segment's return on equity amounted to 9.8% (2019: 15.3%). The development of value added primarily reflects the decrease in earnings of €0.7 billion.

B.17
Value added

In millions of euros	2020	2019	20/19 Change
Daimler Group	**-591**	-2,046	+1,455
Mercedes-Benz Cars & Vans	**1,239**	-4,317	+5,556
Daimler Trucks & Buses	**-616**	1,361	-1,977
Daimler Mobility	**-316**	325	-641

B.18
Reconciliation to net operating profit

In millions of euros	2020	2019	20/19 Change
Mercedes-Benz Cars & Vans	**5,172**	-109	+5,281
Daimler Trucks & Buses	**525**	2,672	-2,147
Daimler Mobility	**1,436**	2,140	-704
EBIT of the segments	**7,133**	4,703	+2,430
Income taxes[1]	**-2,404**	-1,256	-1,148
Other reconciliation	**-530**	-390	-140
Net operating profit	**4,199**	3,057	+1,142

1 Adjusted for tax effects on interest income/expense.

B.19
Net assets (average)

In millions of euros	2020	2019	20/19 % change
Mercedes-Benz Cars & Vans	**32,768**	35,070	-7
Daimler Trucks & Buses	**9,513**	10,921	-13
Daimler Mobility[1]	**14,601**	13,961	+5
Net assets of the segments	**56,882**	59,952	-5
Equity-method investments[2]	**463**	662	-30
Assets and liabilities from income taxes[3]	**2,088**	2,720	-23
Other reconciliation[3]	**436**	448	-3
Daimler Group	**59,869**	63,782	-6

1 Total equity.
2 To the extent not allocated to the segments.
3 To the extent not allocated to Daimler Mobility.

B.20

Net assets of the Daimler Group at year-end

	2020	2019	20/19
In millions of euros			% change
Net assets[1]			
Intangible assets	15,686	15,077	+4
Property, plant and equipment	34,904	36,782	-5
Leased assets	17,949	18,799	-5
Inventories	25,298	28,420	-11
Trade receivables	9,929	11,045	-10
Less provisions for other risks	-19,396	-19,865	-2
Less trade payables	-11,605	-11,896	-2
Less other assets and liabilities	-33,092	-33,624	-2
Assets and liabilities from income taxes[1]	2,116	2,559	-17
Total equity of Daimler Mobility	14,315	14,983	-4
Daimler Group	56,104	62,280	-10

1 To the extent not allocated to Daimler Mobility.

Liquidity and capital resources

Principles and objectives of financial management
Financial management at the Daimler Group consists of capital structure management, cash and liquidity management, market-price risk management (foreign exchange rates, interest rates and commodity prices), as well as pension-asset management, and credit and country risk management. Worldwide financial management is performed within the framework of legal requirements consistently for all Group entities by the Treasury department of the Daimler Group. Financial management operates within a framework of guidelines, limits and benchmarks, and on the operational level is organizationally separate from other financial functions such as settlement, financial controlling, reporting and accounting.

Capital structure management designs the capital structure of the Group and its subsidiaries. Decisions regarding the capitalization of Daimler's mobility, production, sales or financing companies are based on the principles of cost-optimized and risk-optimized liquidity and capital resources.

The purpose of **liquidity management** is to enable the Group to meet its payment obligations at any time. For this purpose, the Group records the cash flows from operating and financial activities in a rolling plan. The resulting financial requirements are covered by the use of appropriate instruments for liquidity management (e.g., bank credit, commercial paper and notes); liquidity surpluses are invested in the money market or the capital market taking into account risk and return expectations. Our goal is to ensure the level of liquidity regarded as necessary at optimal costs. Besides operational liquidity, the Daimler Group maintains additional liquidity reserves which are available in the short term. Those additional financial resources include a pool of receivables from the financial services business which are available for securitization in the capital market, a contractually confirmed syndicated credit facility, as well as a credit facility additionally agreed in 2020 in the event that capital market transactions cannot be carried out (bridge facility).

Cash management centrally determines the cash requirements and surpluses. By means of cash-pooling procedures, liquidity is centrally concentrated on bank accounts of the Daimler Group in various currencies. Most of the payments between Group companies are made through internal clearing accounts so that the number of external cash flows is reduced to a minimum. The Daimler Group has established standardized processes and systems to manage its bank accounts and internal cash-clearing accounts, and to execute automated payment transactions.

Management of market-price risks aims to minimize the impact of fluctuations in foreign exchange rates, interest rates and commodity prices on the earnings of the divisions and the Group. The Group's overall exposure to these market-price risks is determined to provide a basis for hedging decisions, which include the definition of hedging volumes and corresponding periods, as well as the selection of hedging instruments. The hedging strategy is specified at Group level and uniformly implemented in the segments. Decisions regarding the management of risks resulting from fluctuations in foreign exchange rates and commodity prices, as well as decisions on asset/liability management (liquidity and interest rates), are regularly made by the relevant internal committees.

Management of pension assets (plan assets) includes the investment of the assets to cover the corresponding pension obligations. The plan assets are legally separated from the Group's assets and are invested primarily in funds; they are not available for general business purposes. The plan assets are spread across various investment categories such as equities, fixed-interest securities, alternative investments and real estate, depending on the expected development of pension obligations and with the help of risk-return optimization. The performance of asset management is measured by comparison with defined reference indices. The investment risks are limited via a Group-wide guideline. In addition, there are local regulations for risk management for the individual plan assets. Additional information on pension plans and similar obligations is provided in Note 22 of the Notes to the Consolidated Financial Statements.

The risk volume that is subject to **credit risk management** includes all of the Daimler Group's worldwide creditor positions with financial institutions, issuers of securities, and customers in the financial services business and the automotive business. Credit risks with financial institutions and issuers of securities arise primarily from investments executed as part of our liquidity management and from the application of derivative financial instruments. The management of these credit risks is mainly based on an internal limit system that reflects the creditworthiness of the respective financial institution or issuer. The credit risk with customers of our automotive business results from relationships with contracted dealerships and general agencies, other corporate customers and retail customers. In connection with the export business, general agencies that according to our creditworthiness analyses are not sufficiently creditworthy are generally required to provide collaterals such as first-class bank guarantees. The credit risk with end-customers in the financial services business is managed by Daimler Mobility on the basis of a standardized risk management process. In this process, minimum requirements are defined for the sales-financing and leasing business and standards are set for credit processes, as well as for the identification, measurement and management of risks. Key elements for the management of credit risks are appropriate creditworthiness assessments supported by statistical risk-classification methods, as well as structured portfolio analysis and portfolio monitoring.

Financial country risk management includes various aspects: the risk from investments in subsidiaries and joint ventures, the risk from the cross-border financing of Group companies in risk countries, and the risk from direct sales to customers in those countries. The Daimler Group has an internal rating system that assigns all countries in which it operates to risk categories. Risks from cross-border receivables are partially protected with the use of export-credit insurance, letters of credit and bank guarantees in favor of Daimler AG and other Group companies. In addition, an internal committee sets and restricts the level of hard-currency credits granted to Daimler Mobility companies in risk countries.

Further information on the management of market-price risk, credit risk and liquidity risk is provided in Note 33 of the Notes to the Consolidated Financial Statements.

Cash flows

Cash provided by operating activities ↗ B.21 amounted to €22.3 billion in 2020 (2019: €7.9 billion) and was particularly affected by the worldwide consequences of the covid-19 pandemic. Whereas in the prior-year period, the growth of the leasing and sales-financing portfolio negatively affected cash provided by operating activities, the current year saw a significantly positive cash-flow effect due to the decrease in the sales-financing business caused by the corona crisis. Temporary suspensions of production during the second quarter of 2020, a renewed increase in customer demand during the second half of the year and active working capital management were the main factors influencing the development of working capital. Compared with the previous year, there were positive effects in all automotive segments. Furthermore, cash provided by operating activities was affected by increased cash inflows from dividends received from Beijing Benz Automotive Co., Ltd., as well as by lower payments than in 2019 in connection with ongoing governmental and court proceedings and related measures taken with regard to Mercedes-Benz diesel vehicles. The prior year was mainly affected by the fine of €870 million paid in conclusion of the administrative offense proceedings against Daimler AG.

Opposing effects resulted from the change in cash earnings before taxes, as the positive business performance in the second half of the year could not fully offset the negative consequences of the covid-19 pandemic. Additional effects resulted from the payments made in the context of reviewing and prioritizing the product portfolio for the planned discontinuation of the X-Class production in the first quarter of 2020.

Cash used for investing activities ↗ B.21 amounted to €6.4 billion (2019: €10.6 billion). The decrease resulted in particular from lower investments in property, plant and equipment and intangible assets compared with the previous year, following the implemented cost-cutting measures. However, positive effects resulted from the acquisition and sale of marketable debt securities and similar investments conducted in the context of liquidity management. Compared to the previous year, there were higher total cash inflows (net) in 2020. Furthermore, cash used for investing activities during the first quarter of 2019 had been affected by the merger of the mobility services of the Daimler Group and the BMW Group, which resulted in cash outflows (net) of €0.7 billion. This was mainly due to capital increases at the joint ventures.

Cash used for/provided by financing activities ↗ B.21 amounted to a cash outflow of €10.7 billion (2019: cash inflow of €5.6 billion). The decrease mainly resulted from the change in financing liabilities, especially in the context of refinancing the leasing and sales-financing business. Positive effects resulted from the lower dividend payment made to the shareholders of Daimler AG than in the previous year.

Cash and cash equivalents increased by €4.2 billion compared with December 31, 2019, after taking currency-translation effects into account. Total liquidity, which also includes marketable debt securities and similar investments, increased by €1.9 billion to €29.4 billion.

B.21

Condensed statement of cash flows

	Consolidated		Industrial Business		Daimler Mobility	
	2020	2019	2020	2019	2020	2019
In millions of euros						
Cash and cash equivalents at beginning of period	**18,883**	15,853	**16,152**	12,799	**2,731**	3,054
Profit before income taxes	**6,339**	3,830	**4,913**	1,699	**1,426**	2,131
Depreciation and amortization/impairments	**8,957**	7,751	**8,653**	7,597	**304**	154
Other non-cash expense and income and gains/losses on disposals of assets	**-705**	-737	**-1,147**	-824	**442**	87
Change in operating assets and liabilities						
Inventories	**2,039**	99	**1,941**	1	**98**	98
Trade receivables	**1,339**	-346	**901**	-410	**438**	64
Trade payables	**-299**	-1,625	**-285**	-1,651	**-14**	26
Receivables from financial services	**2,397**	-4,664	**-41**	-8	**2,438**	-4,656
Vehicles on operating leases	**1,822**	-1,156	**-122**	550	**1,944**	-1,706
Other operating assets and liabilities	**653**	5,641	**1,227**	5,789	**-574**	-148
Dividends received from equity-method investments	**1,783**	1,202	**1,782**	1,201	**1**	1
Income taxes paid	**-1,993**	-2,107	**-806**	-959	**-1,187**	-1,148
Cash used for/provided by operating activities	**22,332**	7,888	**17,016**	12,985	**5,316**	-5,097
Additions to property, plant and equipment and intangible assets	**-8,560**	-10,835	**-8,472**	-10,645	**-88**	-190
Investments in and proceeds from disposals of shareholdings	**-402**	-1,225	**-404**	-582	**2**	-643
Acquisitions and sales of marketable debt securities and similar investments	**2,149**	1,054	**1,929**	883	**220**	171
Other	**392**	399	**338**	358	**54**	41
Cash used for/provided by investing activities	**-6,421**	-10,607	**-6,609**	-9,986	**188**	-621
Change in financing liabilities	**-9,503**	9,404	**-12,045**	6,760	**2,542**	2,644
Dividends paid	**-1,245**	-3,740	**-1,231**	-3,725	**-14**	-15
Other transactions with shareholders	**1**	-36	**-12**	-26	**13**	-10
Internal equity and financing transactions	**–**	–	**7,966**	-2,767	**-7,966**	2,767
Cash used for/provided by financing activities	**-10,747**	5,628	**-5,322**	242	**-5,425**	5,386
Effect of foreign exchange rate changes on cash and cash equivalents	**-999**	121	**-893**	112	**-106**	9
Cash and cash equivalents at end of period	**23,048**	18,883	**20,344**	16,152	**2,704**	2,731

The parameter used by Daimler to measure the financial capability of the Group's industrial business is the **free cash flow of the industrial business** ↗ **B.22**, which is derived from the reported cash flows from operating and investing activities. 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 and changes in them are thus not a part of the free cash flow of the industrial business. 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 in the free cash flow of the industrial business.

Other adjustments relate to effects from the financing of the Group's own dealerships and effects from internal deposits within the Group. In addition, the calculation of the free cash flow includes the cash flows to be shown under cash used for/provided by financing activities in connection with the acquisition or disposal of shares in subsidiaries without loss of control. The previous year included effects from acquisitions and disposals of shareholdings within the Group resulting from "Project Future." These were included in cash used for/provided by investing activities and were reversed in the free cash flow of the industrial business.

The **free cash flow of the industrial business** amounted to €8.3 billion in 2020 and was significantly higher than the prior-year figure of €1.4 billion. The free cash flow of the industrial business was thus in line with the forecast made in the Outlook section of the 2019 Annual Report.

The increase of €6.9 billion to €8.3 billion in the free cash flow of the industrial business was particularly affected by the worldwide consequences of the covid-19 pandemic. The temporary suspension of production during the second quarter of 2020 and the recovery of customer demand in the second half of the year, as well as active working-capital management, were the main drivers of the development of working capital. Compared with the prior year, the development of working capital was positive in all automotive segments. Furthermore, the implemented cost-cutting measures had an impact and resulted in lower investments in property, plant and equipment and intangible assets. Positive effects resulted from increased cash inflows from dividends received from Beijing Benz Automotive Co., Ltd., as well as from lower payments than in 2019 in connection with ongoing governmental and court proceedings and related measures taken with regard to Mercedes-Benz diesel vehicles. The previous year was mainly affected by the fine of €870 million paid in conclusion of the administrative offense proceedings against Daimler AG.

B.22
Free cash flow of the industrial business

In millions of euros	2020	2019	20/19 Change
Cash provided by operating activities	17,016	12,985	+4,031
Cash used for investing activities	-6,609	-9,986	+3,377
Change in marketable debt securities and similar investments	-1,929	-883	-1,046
Right-of-use assets	-351	-987	+636
Other adjustments	132	239	-107
Free cash flow of the industrial business	8,259	1,368	+6,891
Legal proceedings (and related measures)	595	1,341	-746
Restructuring measures	301	–	+301
M&A transactions	–	–	–
Free cash flow of the industrial business adjusted	9,155	2,709	+6,446

Opposing effects resulted from the change in cash earnings before taxes, as the positive business performance in the second half of the year could not fully offset the negative consequences of the covid-19 pandemic. Additional effects resulted from the payments made in the context of reviewing and prioritizing the product portfolio for the planned discontinuation of X-Class production in the first quarter of 2020.

In the interest of greater transparency in reporting on the ongoing business, starting with the first quarter of 2020, we also report an **adjusted free cash flow of the industrial business** ↗ **B.22**. The adjustments for legal proceedings include payments by the automotive segments in connection with ongoing governmental and legal proceedings and related measures taken with regard to Mercedes-Benz diesel vehicles. The adjustments for restructuring measures include payments made in connection with the review and prioritization of the product portfolio. The adjusted free cash flow of the industrial business led to a cash inflow of €9.2 billion (2019: €2.7 billion).

In 2020, the **free cash flow of the Daimler Group** resulted in a cash inflow of €13.4 billion (2019: cash outflow of €4.8 billion). Besides the effects of the free cash flow of the industrial business, the free cash flow of the Daimler Group is mainly affected by the leasing and sales-financing business of Daimler Mobility. Additional effects in 2019 resulted from the cash outflows (net) relating to the merger of the mobility services of the Daimler Group and the BMW Group.

B.23

Reconciliation from CFBIT to the free cash flow of the industrial business

	2020	2019
In millions of euros		
CFBIT Mercedes-Benz Cars & Vans	7,048	598
CFBIT Daimler Trucks & Buses	2,513	2,654
Income taxes paid/refunded	-806	-959
Interest paid/received	21	-388
Other reconciling items	-517	-537
Free cash flow of the industrial business	8,259	1,368

As well as being calculated on the basis of the disclosed cash flows from operating and investing activities, the **free cash flow of the industrial business** can also be calculated on the basis of the cash flows before interest and taxes (CFBIT) of the automotive segments. The reconciliation from the CFBIT of Mercedes-Benz Cars & Vans and Daimler Trucks & Buses to the free cash flow of the industrial business also includes payments of interest and taxes. The other reconciliation items primarily comprise eliminations between the segments and items that are allocated to the industrial business but for which the automotive segments are not responsible. Table ↗ B.23 shows the reconciliation of the CFBIT of the automotive segments to the free cash flow of the industrial business.

The **CFBIT of the automotive segments** is derived from EBIT and the change in net assets, and also includes additions to right-of-use assets. Table ↗ B.24 shows the composition of CFBIT for Mercedes-Benz Cars & Vans and Daimler Trucks & Buses. Table ↗ B.25 shows the reconciliation from CFBIT to **adjusted CFBIT** and the **adjusted cash conversion rate** for the automotive segments. While the adjusted cash conversion rate for Mercedes-Benz Cars & Vans of 1.2 was in line with the adjusted forecast of 1 as set on September 30, 2020, the adjusted cash conversion rate for Daimler Trucks & Buses of 3.7 significantly surpassed the improved target of 2 as set on September 30, 2020. In the Management Report as of December 31, 2019, adjusted cash conversion rates were originally forecasted for Mercedes-Benz Cars & Vans of 0.7 to 0.9 and for Daimler Trucks & Buses of 0.8 to 1.0.

B.24

CFBIT

	Mercedes-Benz Cars & Vans		Daimler Trucks & Buses	
	2020	2019	2020	2019
In millions of euros				
EBIT	5,172	-109	525	2,672
Change in working capital	1,560	-1,916	980	-149
Net financial investments	-301	-314	-77	-138
Net investments in property, plant and equipment and intangible assets	-7,567	-9,834	-888	-1,334
Depreciation and amortization/impairments	7,303	6,289	1,349	1,315
Other	881	6,482	624	288
CFBIT	7,048	598	2,513	2,654

B.25

Reconciliation to CFBIT adjusted

	Mercedes-Benz Cars & Vans		Daimler Trucks & Buses	
	2020	2019	2020	2019
In millions of euros				
CFBIT	7,048	598	2,513	2,654
Legal proceedings (and related measures)	568	1,341	–	–
Restructuring measures	301	–	–	–
M&A transactions	–	–	–	–
CFBIT adjusted	7,917	1,939	2,513	2,654
EBIT adjusted	6,802	6,151	678	2,672
Cash conversion rate adjusted[1]	1.2	0.3	3.7	1.0

1 Cash conversion rate adjusted is the relationship of CFBIT adjusted to EBIT adjusted.

The **net liquidity of the industrial business** ↗ B.26 is calculated as the total amount as shown in the statement of financial position of cash, cash equivalents and the marketable debt securities and similar investments included in liquidity management, less the currency-hedged nominal amounts of financing liabilities. To the extent that the Group's internal refinancing of the financial services business is provided by the companies of the industrial business, this amount is deducted in the calculation of the net debt of the industrial business.

Compared with December 31, 2019, the net liquidity of the industrial business increased by €6.9 billion to €17.9 billion. The increase is mainly due to the positive free cash flow of the industrial business, which was partially offset by the dividend payment made to the shareholders of Daimler AG.

Net debt at Group level, which primarily results from refinancing the leasing and sales-financing business, decreased compared with December 31, 2019 by €18.5 billion to €115.2 billion. ↗ B.27.

Contingent liabilities and other financial obligations
At December 31, 2020, the best estimate for potential obligations from contingent liabilities is €2.8 billion (2019: €1.6 billion).

In the context of its ordinary business operations, the Group has also entered into **other financial obligations** in addition to the liabilities shown in the consolidated statement of financial position at December 31, 2020. These financial obligations result from contractual commitments to acquire intangible assets, property, plant and equipment, and leased property, as well as irrevocable loan commitments.

Detailed information on contingent liabilities and other financial obligations is provided in Note 31 of the Notes to the Consolidated Financial Statements.

Refinancing
The funds raised by Daimler in the year 2020 primarily served to refinance the leasing and sales-financing business. For that purpose, Daimler made use of a broad spectrum of various financing instruments in various currencies and markets. They include bank loans, commercial paper in the money market, bonds with medium and long maturities, promissory-note loans, customer deposits at Mercedes-Benz Bank, and the securitization of receivables from customers in the financial services business (asset-backed securities).

B.26
Net liquidity of the industrial business

In millions of euros	Dec. 31, 2020	Dec. 31, 2019	20/19 Change
Cash and cash equivalents	20,344	16,152	+4,192
Marketable debt securities and similar investments	5,468	7,522	-2,054
Liquidity	25,812	23,674	+2,138
Financing liabilities	-9,168	-13,289	+4,121
Market valuation and currency hedges for financing liabilities	1,211	612	+599
Financing liabilities (nominal)	-7,957	-12,677	+4,720
Net liquidity	17,855	10,997	+6,858

B.27
Net debt of the Daimler Group

In millions of euros	Dec. 31, 2020	Dec. 31, 2019	20/19 Change
Cash and cash equivalents	23,048	18,883	+4,165
Marketable debt securities and similar investments	6,397	8,655	-2,258
Liquidity	29,445	27,538	+1,907
Financing liabilities	-145,842	-161,780	+15,938
Market valuation and currency hedges for financing liabilities	1,224	579	+645
Financing liabilities (nominal)	-144,618	-161,201	+16,583
Net debt	-115,173	-133,663	+18,490

Various issuance programs are available for raising longer-term funds in the capital market. They include the Euro Medium Term Note program (EMTN) with a total volume of €70 billion, under which Daimler AG and several subsidiaries can issue **bonds** in various currencies. Other local capital-market programs exist, which are significantly smaller than the EMTN program. Capital-market programs allow flexible, repeated access to the capital markets.

The situation in the bond markets was significantly influenced by the covid-19 pandemic in the reporting year. The supporting measures taken by governments and central banks meant that risk premiums for companies with an investment-grade rating returned to a moderate level in the second half of the year.

B.28
Benchmark issuances

Issuer	Volume	Month of emission	Maturity
Daimler Finance North America LLC	US$1,250 million	Mar. 2020	Mar. 2023
Daimler Finance North America LLC	US$450 million	Mar. 2020	Mar. 2025
Daimler Finance North America LLC	US$450 million	Mar. 2020	Mar. 2030
Daimler AG	€1,500 million	Apr. 2020	Apr. 2025
Daimler AG	€1,000 million	May 2020	Aug. 2023
Daimler AG	€1,250 million	May 2020	Aug. 2026
Daimler AG	€750 million	May 2020	May 2030
Daimler AG	€1,000 million	Sep. 2020	Sep. 2030

B.29
Refinancing instruments

	Average interest rates		Carrying values	
	Dec. 31, 2020	Dec. 31, 2019	**Dec. 31, 2020**	Dec. 31, 2019
		in %		In millions of euros
Notes/bonds and liabilities from ABS transactions	**1.60**	2.03	**93,230**	99,557
Liabilities to financial institutions	**2.25**	2.68	**32,391**	39,811
Deposits in the direct banking business	**0.40**	0.50	**14,516**	13,119

In the year under review, the Group covered its refinancing requirements mainly through the issuance of bonds. A large proportion of those bonds were placed in the form of so-called benchmark issuances (bonds with high nominal volumes) by Daimler AG in the euro market and by Daimler Finance North America LLC in the US-dollar area. This includes a "green bond" with a volume of €1.0 billion. Further information on this bond can be found in the chapter Sustainability at Daimler. ↗ B.28

In the Chinese market, Daimler International Finance B.V. placed three so-called panda bonds with a total volume of CNY 6.0 billion. In addition, a large number of smaller bonds were issued in various currencies and markets.

Daimler also issued small volumes of **commercial paper** in 2020.

In the reporting year, **asset-backed securities (ABS)** were issued in eight countries worldwide. In the United States, a total refinancing volume of USD 8.8 billion was generated in seven transactions. In addition, two ABS bonds with a refinancing volume of €2.4 billion were issued in Germany, of which €1.3 billion was placed on the market. The remaining €1.1 billion was acquired by Mercedes-Benz Bank AG itself (retained interests). The securities can be used as collateral for open-market transactions with the Deutsche Bundesbank. In 2020, Mercedes-Benz Bank AG received €0.9 billion from these open market transactions. Furthermore, three ABS transactions with a total volume of CNY 15.5 billion were placed in China. ABS transactions were also successfully placed with investors in Canada, Australia, the United Kingdom, France and South Korea.

Bank credit was another important source of refinancing in 2020. Loans were provided by globally active banks as well as by banks operating nationally. The lenders also included supranational banks such as the European Investment Bank and the Brazilian Development Bank.

Since July 2018, Daimler has had at its disposal a syndicated **credit facility** with a volume of €11 billion from a consortium of international banks. Following the exercise of an extension option of one further year, it grants Daimler additional financial flexibility until 2025. Daimler does not intend to utilize the credit line.

Furthermore, an additional agreed credit facility has been available to Daimler since the beginning of April 2020 (a bridge facility). After capital-market transactions were carried out in 2020, the originally agreed amount decreased from €12.0 billion to €8.8 billion. At December 31, 2020, the credit line was still available but had not been utilized.

The carrying values of the main refinancing instruments and the weighted average interest rates are shown in table ↗ **B.29**. At December 31, 2020, they are mainly denominated in the following currencies: 46% in euros, 24% in US dollars, 10% in Chinese renminbi, 3% in British pounds, 3% in Canadian dollars and 3% in Japanese yen.

At December 31, 2020, the total of financing liabilities shown in the consolidated statement of financial position amounted to €145.8 billion (2019: €161.8 billion).

Detailed information on the amounts and terms of the main items of financing liabilities is provided in Notes 24 and 33 of the Notes to the Consolidated Financial Statements. Note 33 also provides information on the maturities of the other financial liabilities.

Credit ratings

The credit ratings of Daimler AG changed in 2020 with three of the agencies we have engaged to provide ratings. Fitch Ratings and S&P Global Ratings downgraded their long-term ratings by one notch. DBRS downgraded its long-term rating by two notches and lowered its short-term rating from R-1 (low) to R-2 (high). The long-term and short-term credit ratings for Daimler AG and its finance companies provided by Moody's Investors Service and Scope Ratings remained unchanged in 2020. ↗ B.30

On March 26, 2020, **S&P Global Ratings** (S&P) lowered its long-term rating for Daimler AG from A- to BBB+ and affirmed its short-term rating of A-2. The outlook was unchanged at "negative." S&P justified these measures primarily with the impact of the covid-19 pandemic on Daimler's sales volumes, which will be lower than originally anticipated. In addition, production shutdowns will reduce the Group's revenue and cash flow in 2020.

On January 21, 2021, S&P changed its outlook for our long-term credit rating from "negative" to "stable." S&P expects Daimler to increasingly benefit from a stabilization of demand, cost-cutting measures and a more favorable model mix. Overall, S&P assumes that these factors will have a positive impact on profitability and the free cash flow of the industrial business.

On April 14, 2020, **Fitch Ratings** (Fitch) downgraded Daimler's long-term issuer default rating from A- to BBB+ with a stable outlook. Its short-term rating remained unchanged at F1. Fitch stated that the downgrade reflects the deterioration of the Group's financial profile. Fitch anticipates only a slow recovery. Furthermore, Fitch expects a sustained weakened economic environment and its effect on sales of new cars and heavy trucks in the next one to two years to exacerbate the underlying fundamental challenges facing the Group.

The Canadian agency **DBRS** downgraded its long-term rating for Daimler AG and its rated subsidiaries from A to BBB (high) on August 11, 2020. At the same time, DBRS lowered its short-term rating from R-1 (low) to R-2 (high). However, the trend was lifted from "negative" to "stable." DBRS justified the downgrades with the structural headwinds that have been considerably exacerbated by the global escalation of the covid-19 pandemic. This reflects in particular the electrification of Daimler's product portfolio, ongoing investments in self-driving technologies and the related expenses at Mercedes-Benz Cars.

B.30
Credit ratings

	End of 2020	End of 2019
Long-term credit rating		
S&P	BBB+	A-
Moody's	A3	A3
Fitch	BBB+	A-
Scope	A	A
DBRS	BBB (high)	A
Short-term credit rating		
S&P	A-2	A-2
Moody's	P-2	P-2
Fitch	F1	F1
Scope	S-1	S-1
DBRS	R-2 (high)	R-1 (low)

Financial position

The **balance sheet total** decreased compared with December 31, 2019 from €302.4 billion to €285.7 billion. The reduction includes negative effects from currency translation of €12.5 billion; adjusted for these exchange rate effects, there was a decrease of €4.2 billion. Daimler Mobility accounts for €161.3 billion of the balance sheet total (2019: €174.8 billion), equivalent to 56% of the Daimler Group's total assets (2019: 58%).

The global impact of the covid-19 pandemic affected balance sheet items to varying degrees as of December 31, 2020. The decrease in total assets primarily reflects the reduced volume of the financial services business, lower inventories and lower property, plant and equipment due to, among other things, the adjustment and realignment of capacities within the global production network. Opposing effects came from significantly higher cash and cash equivalents. On the liabilities side of the balance sheet, there were decreases in financing liabilities while provisions for pensions and similar obligations were above the prior-year level. Table ↗ B.31 shows the condensed statement of financial position for the Group as well as for the industrial business and Daimler Mobility.

Current assets account for 40% of the balance sheet total, which is below the prior-year level (2019: 42%). Current liabilities amount to 35% of total equity and liabilities, which is at the prior-year level. Table ↗ B.32 shows the structure of the balance sheet by maturity.

Intangible assets of €16.4 billion (2019: €16.0 billion) include €13.1 billion of capitalized development costs (2019: €12.5 billion), €1.6 billion of franchises, industrial property and similar rights (2019: €1.7 billion) and €1.2 billion of goodwill (2019: €1.2 billion). The Mercedes-Benz Cars & Vans segment accounts for 94% (2019: 93%) of the development costs and the Daimler Trucks & Buses segment accounts for 6% (2019: 7%). Capitalized development costs amounted to €2.5 billion in 2020 (2019: €3.1 billion) and accounted for 29% of the Group's total research and development expenditure (2019: 32%).

Property, plant and equipment decreased to €35.2 billion due to, among other things, the adjustment and realignment of capacities within the global production network (2019: €37.1 billion). In 2020, €5.7 billion was invested worldwide (2019: €7.2 billion), primarily at our production and assembly sites for innovative products and new technologies, as well as for the modernization of the worldwide production network.

B.31
Condensed statement of financial position

	Consolidated		Industrial Business		Daimler Mobility	
	At December 31,		At December 31,		At December 31,	
	2020	2019	**2020**	2019	**2020**	2019
In millions of euros						
Assets						
Intangible assets	**16,399**	15,978	**15,686**	15,077	**713**	901
Property, plant and equipment	**35,246**	37,143	**34,904**	36,782	**342**	361
Equipment on operating leases	**47,552**	51,482	**17,949**	18,799	**29,603**	32,683
Receivables from financial services	**96,185**	103,661	**-83**	-88	**96,268**	103,749
Equity-method investments	**5,189**	5,949	**4,443**	4,842	**746**	1,107
Inventories	**26,444**	29,757	**25,298**	28,420	**1,146**	1,337
Trade receivables	**10,649**	12,332	**9,929**	11,045	**720**	1,287
Cash and cash equivalents	**23,048**	18,883	**20,344**	16,152	**2,704**	2,731
Marketable debt securities and similar investments	**6,397**	8,655	**5,468**	7,522	**929**	1,133
thereof current	**5,356**	7,885	**5,165**	7,420	**191**	465
thereof non-current	**1,041**	770	**303**	102	**738**	668
Other financial assets	**6,924**	6,083	**-10,862**	-13,283	**17,786**	19,366
Other assets	**11,704**	12,515	**1,396**	2,349	**10,308**	10,166
Total assets	**285,737**	302,438	**124,472**	127,617	**161,265**	174,821
Equity and liabilities						
Equity	**62,248**	62,841	**47,933**	47,858	**14,315**	14,983
Provisions	**32,520**	30,652	**31,323**	29,473	**1,197**	1,179
Financing liabilities	**145,842**	161,780	**9,168**	13,289	**136,674**	148,491
thereof current	**59,303**	62,601	**-18,717**	-21,218	**78,020**	83,819
thereof non-current	**86,539**	99,179	**27,885**	34,507	**58,654**	64,672
Trade payables	**12,378**	12,707	**11,605**	11,896	**773**	811
Other financial liabilities	**8,598**	9,864	**5,532**	6,224	**3,066**	3,640
Contract and refund liabilities	**12,956**	13,631	**12,598**	13,239	**358**	392
Other liabilities	**11,195**	10,963	**6,313**	5,638	**4,882**	5,325
Total equity and liabilities	**285,737**	302,438	**124,472**	127,617	**161,265**	174,821

The decrease was partially due to our measures to reduce costs and ensure liquidity in response to the unexpected covid-19 pandemic. The sites in Germany accounted for €3.7 billion of the capital expenditure (2019: €4.4 billion).

Equipment on operating leases and receivables from financial services decreased to a total of €143.7 billion (2019: €155.1 billion). The decrease adjusted for the effects of currency translation was €4.1 billion. Although new business stabilized in the second half of the year, contract volume was below the prior-year level, mainly due to lower customer demand caused by the corona crisis. The leasing and sales-financing business as a proportion of 50% of total assets was lower than in the previous year (2019: 51%).

Equity-method investments decreased to €5.2 billion (2019: €5.9 billion). They mainly comprise the carrying amounts of our equity interests in Beijing Benz Automotive Co., Ltd., BAIC Motor Corporation Ltd. (BAIC Motor), There Holding B.V. and YOUR NOW Holding GmbH (YOUR NOW). The decrease came primarily from the interests in BAIC Motor and YOUR NOW.

Inventories decreased from €29.8 billion to €26.4 billion; also as a proportion of total assets, they were below the prior-year level at 9% (2019: 10%). The decrease of €2.1 billion, adjusted for exchange rate effects, mainly came from the two automotive segments, and, among other things, is due to the lower business volume in 2020 resulting from the covid-19 pandemic and the measures taken for active working-capital management.

Trade receivables of €10.6 billion are below the prior-year level of €12.3 billion. The decrease was partially due to the sales development and the stronger focus on working capital. The Mercedes-Benz Cars & Vans segment accounts for 64% of these receivables (2019: 61%) and the Daimler Trucks & Buses segment accounts for 29% (2019: 28%).

Cash and cash equivalents increased compared with the end of 2019 by €4.2 billion to €23.0 billion.

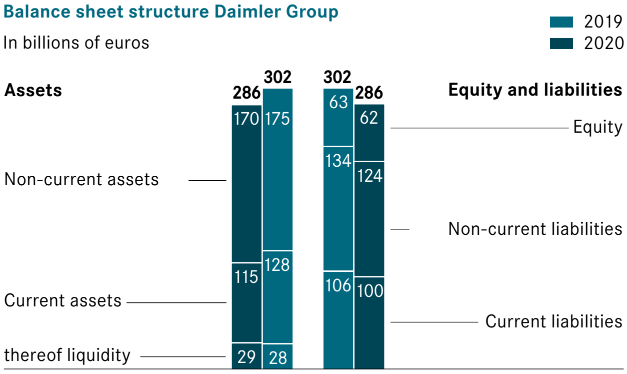
Marketable debt securities and similar investments decreased compared with December 31, 2019 from €8.7 billion to €6.4 billion. Those assets include the debt instruments that are allocated to liquidity, most of which are traded in active markets. They generally have an external rating of A or better.

Other financial assets of €6.9 billion are above the prior-year level (2019: €6.1 billion). They primarily consist of derivative financial instruments, equity and debt instruments, investments in non-consolidated subsidiaries, and loans and other receivables due from third parties. The increase is mainly attributable to higher positive fair values of derivative financial instruments.

B.32

Balance sheet structure Daimler Group

In billions of euros



Other assets of €11.7 billion (2019: €12.5 billion) primarily comprise deferred tax assets and tax refund claims. The main effect here was from lower refund claims in connection with value added taxes.

The Group's **equity** decreased compared with December 31, 2019 from €62.8 billion to €62.2 billion. Positive effects on equity resulted from the net profit of €4.0 billion and from the remeasurement of derivative financial instruments not recognized in profit or loss (€0.8 billion). This was offset by the effects of currency translation of €2.5 billion, actuarial losses from defined-benefit pension plans recognized in retained earnings of €1.9 billion and the dividend of €1.0 billion paid out to Daimler's shareholders. Equity attributable to the shareholders of Daimler AG decreased accordingly to €60.7 billion (2019: €61.3 billion).

While the balance sheet total decreased by 6%, equity decreased by 1% compared with the previous year. The Group's **equity ratio** of 21.3% was therefore above the level at the end of 2019 (20.5%); the equity ratio for the industrial business was 37.3% (2019: 36.7%). It is necessary to consider the fact that the equity ratios at the end of 2019 and 2020 are adjusted for the paid and proposed dividend payments.

Provisions increased from €30.7 billion to €32.5 billion; as a proportion of the balance sheet total, they were also above the prior-year level at 11% (2019: 10%). Provisions for pensions and similar obligations increased to €12.1 billion (2019: €9.7 billion). Opposing the significant increase in the present value of defined-benefit pension obligations to €39.9 billion (2019: €36.2 billion) was the fair value of the pension-plan assets applied to finance those obligations of €28.9 billion (2019: €27.8 billion). Especially the further decrease in discount rates led to an increase in the present value of defined-benefit pension obligations. This effect was only partially offset by positive income from the plan assets. Provisions also relate to liabilities from product warranties of €8.5 billion (2019: €8.7 billion), from personnel and social costs of €4.6 billion (2019: €4.2 billion) and from liability and litigation risks and regulatory proceedings of €4.6 billion (2019: €4.9 billion), as well as provisions for other risks of €2.7 billion (2019: €3.1 billion).

Financing liabilities of €145.8 billion were significantly below the level of the previous year (2019: €161.8 billion). Adjusted for exchange rate effects, the decrease of €8.9 billion was primarily due to the lower refinancing requirement of the leasing and sales-financing business. 53% of the financing liabilities were accounted for by bonds, 22% by liabilities to financial institutions, 11% by liabilities from ABS transactions and 10% by deposits in the direct banking business.

Trade payables decreased compared with December 31, 2019 by €0.3 billion to €12.4 billion. The Mercedes-Benz Cars & Vans segment accounts for 71% (2019: 71%) of those payables and the Daimler Trucks & Buses segment accounts for 23% (2019: 22%).

Other financial liabilities amounted to €8.6 billion (2019: €9.9 billion) and mainly consist of liabilities from residual-value guarantees, wages and salaries, derivative financial instruments, deposits received and accrued interest on financing liabilities. The decrease is partially attributable to lower negative fair values of derivative financial instruments.

Contract and refund liabilities of €13.0 billion are lower than a year earlier (2019: €13.6 billion). They mainly comprise deferred revenue from service and maintenance contracts as well as extended warranties and obligations from sales in the scope of IFRS 15.

Other liabilities of €11.2 billion (2019: €11.0 billion) primarily comprise deferred taxes, tax liabilities and deferred income.

Further information on the assets presented in the statement of financial position and on the Group's equity and liabilities is provided in the Consolidated Statement of Financial Position ↗ **D.03**, the Consolidated Statement of Changes in Equity ↗ **D.05** and the related notes in the Notes to the Consolidated Financial Statements.

Table ↗ **B.33** shows the derivation of net assets for the automotive segments. They relate to the operating assets and liabilities for which the divisions are responsible.

B.33
Net Assets of the automotive segments

	Mercedes-Benz Cars & Vans		Daimler Trucks & Buses	
	At December 31,		At December 31,	
	2020	2019	**2020**	2019
In millions of euros				
Intangible assets	**13,991**	13,234	**1,681**	1,828
Property, plant and equipment	**26,661**	27,933	**7,905**	8,569
Inventories	**19,117**	20,959	**6,307**	7,615
Trade receivables	**6,839**	7,556	**3,090**	3,469
Other segment assets	**24,752**	24,808	**5,847**	6,497
Segment assets	**91,360**	94,490	**24,830**	27,978
Trade payables	**8,752**	9,042	**2,824**	2,847
Other segment liabilities	**51,416**	52,150	**14,176**	14,706
Segment liabilities	**60,168**	61,192	**17,000**	17,553
Net assets	**31,192**	33,298	**7,830**	10,425

Daimler AG

Condensed version in accordance with the German Commercial Code (HGB)

In addition to reporting on the Daimler Group, the development of Daimler AG is also described in this section.

Daimler AG is the parent company of the Daimler Group and its headquarters are in Stuttgart.

Daimler AG acts as an operational and strategic management holding company and provides services to the companies of the Group. As the parent company, it also decides on the Group's strategy, decides on matters of major importance for business operations, and ensures regulatory, legal, and compliance functions throughout the Group.

The annual financial statements of Daimler AG are prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). This results in some differences with regard to recognition and measurement, primarily in connection with provisions, financial instruments, the leasing business and deferred taxes.

For Daimler AG as an operational and strategic management holding company, net profit or loss is the main performance indicator.

Profitability

The **profitability** of Daimler AG in the 2020 financial year was affected by significantly higher financial income and improved operating profit. ↗ B.34

Daimler AG generated **revenue** of €1.7 billion primarily from the provision of services to companies of the Group (2019: €2.0 billion). The decrease in revenue was the result of providing a lower volume of services to the companies of the Group, due to short-time working and efficiency measures.

Cost of sales decreased to €1.6 billion (2019: €2.0 billion) and primarily comprises expenses incurred for the generation of revenue from services provided to companies of the Group.

General administrative expenses amounted to €0.9 billion (2019: €1.0 billion), including expenses of €0.1 billion from ongoing programs for the optimization of personnel costs. The prior-year figure takes into consideration costs in connection with "Project Future" of €0.2 billion.

Other operating income amounted to €0.3 billion (2019: expense of €0.3 billion) and primarily comprises income from the sale of patents in connection with combining the Group-wide fuel-cell activities and relating to Group-internal derivatives of the vehicle business.

Financial income increased by €3.4 billion to €2.9 billion, primarily due to higher income from investments in subsidiaries and associated companies. This was the result of a positive development with profit transfers from subsidiaries.

The **income tax expense** amounted to €0.1 billion (2019: €0.0 billion).

Net profit amounts to €2.1 billion (2019: net loss of €1.7 billion) and is thus in line with the expectation stated in the Outlook chapter of Annual Report 2019.

The **economic situation** of Daimler AG in its function as a management holding company mainly depends on the development of its subsidiaries. Daimler AG participates in the operating results of its subsidiaries through dividend distributions and profit-and-loss transfers. Its economic situation therefore corresponds with that of the Daimler Group, which is described in the chapter Overall Assessment of the Economic Situation.

B.34

Condensed income statement of Daimler AG

	2020	2019
In millions of euros		
Revenue	1,685	2,019
Cost of sales	-1,641	-1,959
General administrative expenses	-928	-964
Other operating income/expense	280	-272
Operating profit	-604	-1,176
Financial income/expense	2,878	-546
Income taxes	-141	44
Net profit/loss	2,133	-1,678
Transfer to/from retained earnings	-689	2,641
Distributable profit	1,444	963

Financial position, liquidity and capital resources

The **balance sheet total** of €92.6 billion is €6.7 billion lower than at the end of 2019.

Non-current assets decreased during the year 2020 by €1.0 billion to €56.2 billion, caused by the €1.0 billion decrease in financial assets, which resulted in particular from a decrease in loans granted.

Receivables, securities and other assets decreased compared with December 31, 2019 by €10.4 billion to €28.5 billion. This development mainly reflects a decrease in receivables due from subsidiaries of €8.5 billion as a result of lower financial receivables within the Group, as well as a decrease in receivables from profit-and-loss-transfer agreements. Furthermore, lower tax-refund claims in particular led to a decrease in other assets of €0.6 billion.

Cash and cash equivalents increased from €2.9 billion to €7.7 billion.

Gross liquidity – defined as cash and cash equivalents and other marketable securities recognized as current assets, as well as fixed-term deposits presented under other assets – increased by €3.4 billion to €13.0 billion on the balance sheet date. The increase in gross liquidity is primarily due to the increase in cash and cash equivalents of €4.8 billion. There was an opposing effect from a decrease of €1.3 billion in other securities held as current assets.

B.35
Balance sheet structure of Daimler AG

	Dec. 31, 2020	Dec. 31, 2019
In millions of euros		
Assets		
Non-current assets	56,161	57,214
Receivables, securities and other assets	28,471	38,925
Cash and cash equivalents	7,658	2,942
Current assets	36,129	41,867
Prepaid expenses	341	285
	92,631	99,366
Equity and liabilities		
Share capital	3,070	3,070
(conditional capital €500 million)		
Capital reserve	11,480	11,480
Retained earnings	23,230	22,541
Distributable profit	1,444	963
Equity	39,224	38,054
Provisions for pensions and similar obligations	193	94
Other provisions	1,550	1,511
Provisions	1,743	1,605
Trade payables	140	227
Other liabilities	51,487	59,474
Liabilities	51,627	59,701
Deferred income	37	6
	92,631	99,366

Cash provided by operating activities amounted to €2.6 billion in 2020 (2019: €6.8 billion). The decrease resulted in particular from lower dividend distributions from subsidiaries. There was an opposing, positive effect on cash provided by operating activities from the improved operating profit.

Cash flows from investing activities resulted in a net cash inflow of €2.3 billion in 2020 (2019: outflow of €7.6 billion). Compared with the previous year, there were lower cash outflows in the area of financial assets from the corporate restructuring within the framework of “Project Future.” In addition, there was an effect in 2020 from a capital repayment by the subsidiary Daimler Nederland B.V. to Daimler AG. There was a net cash inflow of €1.3 billion from acquisitions and disposals of securities held as current assets conducted in the context of liquidity management.

Cash flows from financing activities resulted in a net cash outflow of €0.1 billion (2019: €2.6 billion). The change is explained on the one hand by a lower dividend payment to the Daimler shareholders. On the other hand, the change is due to the net positive development of receivables from and liabilities to subsidiaries from intra-Group transactions in connection with central financial and liquidity management. The repayment of external financing liabilities resulted in a cash outflow in 2020, whereas proceeds from financing liabilities resulted in a cash inflow in the previous year.

Equity increased in 2020 by €1.2 billion to €39.2 billion, primarily as a result of the net profit for 2020, of which €0.7 billion was transferred to retained earnings pursuant to Section 58 Subsection 2 of the German Stock Corporation Act (AktG). The equity ratio at December 31, 2020 was 42.3% (December 31, 2019: 38.3%). Daimler AG holds no treasury shares at December 31, 2020.

Provisions increased compared with December 31, 2019 by €0.1 billion to €1.7 billion.

Liabilities decreased by €8.1 billion to €51.6 billion. This was mainly because of the decrease of €3.5 billion in liabilities to subsidiaries, which mainly reflects lower losses transferred from subsidiaries. In addition, bonds and notes of €3.1 billion were redeemed and liabilities to banks of €1.5 billion were repaid.

Risks and opportunities

The business development of Daimler AG as the operational and strategic management holding company mainly depends on the development of its worldwide subsidiaries and is therefore – through the profit and loss contributions from subsidiaries and associated companies – fundamentally subject to the same risks and opportunities as the Daimler Group. Daimler AG generally participates in the risks of its subsidiaries and associated companies in line with the percentage of its respective equity interest. The risks and opportunities are described in the Risk and Opportunity Report. Risks may additionally arise from relations with subsidiaries and associated companies in connection with statutory or contractual obligations (in particular with regard to financing), as well as from the impairment of investments in subsidiaries and associated companies. Based on the criteria stated in the Risk and Opportunity Report, the possible impact and probability of occurrence of the risks are assessed as medium.

Furthermore, pursuant to Section 133 Subsections 1 and 3 of the German Transformation Act (UmwG), Daimler AG is jointly and severally liable for liabilities of €14.3 billion that were transferred to Mercedes-Benz AG and Daimler Truck AG within the framework of "Project Future." According to the current appraisal, due to the assessment of the creditworthiness of Mercedes-Benz AG and Daimler Truck AG, an actual cash outflow for Daimler AG is considered to be unlikely.

Outlook

The financial position, cash flows and profitability of Daimler AG depend on the business development and performance of its operating subsidiaries, in whose development it participates through profit-and-loss-transfer agreements and dividend distributions.

For the year 2021, we expect Daimler AG to post a significantly higher net profit than for the year 2020. In particular, we anticipate improved financial income resulting from higher dividend distributions and profit transfers from major subsidiaries. Possible effects from the Daimler Truck spin-off are not included in the outlook.

In addition, due to the interrelations between Daimler AG and its subsidiaries, we refer to the statements in the chapter Outlook, which largely reflect our expectations also for the parent company.

Non-Financial Declaration

We publish the non-financial declaration in accordance with the provisions of the German Commercial Code (HGB). They apply to Daimler AG (Sections 289b–289e HGB) and the Daimler Group (Sections 315b, 315c HGB). The non-financial declaration contains the main information on the aspects of environmental, employee and social matters, combating corruption and bribery, and respect for human rights. The information provided in this declaration is presented in conformity with the GRI Standards of the Global Reporting Initiative, insofar as this complies with applicable law. Some aspects are presented in accordance with internal guidelines and definitions. You can find additional information about our business model in the chapter Business Model, while the risks connected with the aspects in this report can be found in the Risk and Opportunity Report.

Sustainability at Daimler

At Daimler, sustainability means generating sustainable economic, environmental and social value added for all of our stakeholders: i.e. our customers, investors, employees, business partners, and society as a whole. We therefore design the solutions we offer today to be central components of mobility systems that will be climate-neutral and sustainable tomorrow. Together with players from industry, government and society we thus create value added for all of society while also laying the foundation for our future business success. This holistic strategic approach applies not only to our own products and manufacturing locations but also to our entire upstream and downstream value chain.

Our sustainable business strategy

The foundation for our approach here is provided by the sustainable business strategies of our divisions, which were adopted by the Board of Management in 2019. Since that time, our sustainability and business strategies have merged and there is no longer any distinction between them. This means that rather than being a supplement to our business strategies, sustainability issues are instead an integral component of them. Just as relevant as promising business targets are the ambitions, goals and measures that we are implementing so that Daimler can increase the positive impact it is having on society and the environment.

Among other things, we focused extensively on the 17 Sustainable Development Goals (SDGs) defined by the United Nations when we formulated our strategic goals, with special emphasis placed on SDGs 8, 9 and 11–13.

We also orient ourselves on international frameworks, the needs of our external and internal stakeholders and global trends. We used these points of reference to derive Group-wide areas of action and to define areas of responsibility as well as business-specific targets, processes and measures.

More specifically, our strategic objectives involve the following six areas of action:

- Climate protection and air quality: Plans call for our new vehicle fleet to be CO_2-neutral by 2039, when it should no longer have any relevant impact on air quality in inner cities.
- Resource conservation: We want to decouple resource consumption from business volume growth.
- Livable cities: We are improving the quality of life in cities through our leading mobility and transport solutions.
- Traffic safety: We are working to make our vision of accident-free driving a reality as we develop automated driving systems while also taking social and ethical issues into account.
- Data responsibility: Our future will consist of sustainable, data-based business models. They will enable us to focus on our customers' needs and handle all data responsibly.
- Human rights: We have assumed responsibility for respecting and upholding human rights along our automotive value chain.

We work closely together with our partners in industry, government and society at large in order to achieve our objectives. We also rely on the dedication and commitment of our employees, who are helping to shape the transformation. We have defined three enablers, or principles, that are crucial for achieving success in the six areas of action: integrity, people and partnerships.

More detailed information on "Sustainability at Daimler" can also be found in the new Daimler Sustainability Report for financial year 2020, which will be available on the Group's website from the end of March 2021. daimler.com/sustainability

Materiality
We conducted a comprehensive materiality analysis in 2020 in order to determine which sustainability issues are particularly relevant for Daimler and its stakeholders. The analysis addressed both existing strategic areas of action and fundamentals, as well as further potential significant sustainability issues and trends. The analysis consisted of four components: a document analysis, a large-scale online stakeholder survey, interviews with experts and an SDG impact assessment.

In a subsequent step, the sustainability issues that resulted from this analysis were assessed with regard to assets, financial position, profitability and business development in order to define the topics for this non-financial declaration.

Sustainable corporate governance
In accordance with our sustainable business strategies, we are managing our activities in the six areas of action by means of an internal reporting process that uses detailed scorecards. Our management and organizational structures support this process by means of clear lines of responsibility in all business divisions.

The Group Sustainability Board (GSB) is our central management body for all sustainability issues and reports to the Board of Management. The GSB is headed by Renata Jungo Brüngger (the Board of Management member responsible for Integrity and Legal Affairs) and Markus Schäfer (the Board of Management member responsible for Group Research; also Mercedes-Benz Cars Chief Operating Officer). Besides performing its other tasks, the GSB also monitors the progress made in the six areas of action defined in the sustainable business strategies. This progress is reported in the form of detailed scorecards that the GSB receives at least once a year. The operational work is done by the Sustainability Competence Office, which consists of representatives from the units managed by the two Co-chairs as well as additional representatives from Corporate Strategy and Corporate Communications.

We also use the ten principles of the UN Global Compact as a fundamental guide for our business operations. As a founding member and part of its LEAD group, we are strongly committed to the UN Global Compact. Our internal principles and policies are founded on this international frame of reference and other international principles, including the Core Labor Standards of the International Labour Organization (ILO), the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights.

The short-term and medium-term components of the remuneration – the Daimler Company Bonus – have been further developed for the Board of Management and Level 1–3 managers, with effect as of January 1, 2020. These components are linked not only to financial targets but also to sustainability-related transformation targets and non-financial targets that focus on employees, customers, integrity and diversity. Further information can be found in the Remuneration Report.

Sustainable investment
The volume of managed assets relating to investments made on the basis of sustainability criteria (ESG criteria) has been increasing steadily over the last few years. This trend is also reflected by the increasing number of investors who have committed themselves to the UN Principles for Responsible Investment (PRI).

Our sustainable business strategies, with their "Ambition 2039" component for Mercedes-Benz Cars, for example, are the reason why Daimler is viewed as a sustainable investment object on the capital market. In 2020 we published a reference table for climate-related reporting for the first time. Our approach here corresponds to the recommendations issued by the Task Force on Climate-related Financial Disclosure (TCFD). Further information can be found at our website. daimler.com/documents/investors/presentations/daimler-ir-tcfd-en-20200307.pdf

In 2020, we developed a Group-wide Green Finance Framework in order to more effectively position Daimler as a sustainable investment object and enable us to exploit the opportunities sustainable financing offers for corporate development. The Green Finance Framework makes it possible for us to finance investment in sustainable technologies through bonds and loans, for example. On the basis of the Green Finance Framework, Daimler issued a green bond with a volume of €1 billion at the beginning of September 2020. The framework is also based on the International Capital Market Association's (ICMA) voluntary process guidelines – the Green Bond Principles. The Green Finance Framework was presented in a virtual roadshow and has attracted a great deal of interest among investors. The framework has also received certification with the highest rating – "Dark Green" – from the Center for International Climate and Environmental Research (CICERO).

Tax information
Daimler views itself as a responsible company that endeavors to meet all global tax obligations while taking into account its corporate values and its social and ethical responsibility.

Within the framework of our corporate tax strategy, we especially pursue the following principles:

- We ensure that Group companies meet all of their tax obligations and integrity standards through the use of suitable measures such as efficient, high-quality and reliable expertise, processes, systems, methods and controls.
- Establishment of an active risk management system for the Daimler Group and its relevant employees through the application of an adequate Tax Compliance Management System (Tax CMS).
- In line with the principle of being a "good corporate tax citizen", we conduct legal and proactive, but non-aggressive, tax planning activities on the basis of economic considerations ("tax follows business"). We also strive to work cooperatively, transparently and constructively with the tax authorities, whereby we maintain our legal standpoints and defend our interests wherever we believe such actions are appropriate and legitimate.

The corporate tax strategy defines the limits of our actions here, and this strategy is further specified and implemented by means of organizational and content-related policies, provisions and instructions.

The tax policies define responsibilities, tasks and obligations and also contain specific provisions for ensuring that legal requirements are met and thus raise the awareness within the Daimler Group for tax issues. Our Code of Conduct stipulates that all intentional violations of internal or external tax provisions, as well as any failure to make corrections to procedures performed in an erroneous manner, are to be reported and investigated in line with our internally valid rule violation policies. For further information also see the chapter Integrity and Compliance.

The corporate tax department has established a Tax CMS in order to ensure tax compliance. A Tax CMS is a separate subunit of the Compliance Management System. The Tax CMS also operates an active tax-risk management system and monitors and checks the fulfillment of tax obligations. The goal of this consistent Group-wide risk management system is to effectively identify and reduce tax risks at the Daimler Group, and thus the associated personal risks that may be faced by the employees active in this area. This comprises numerous measures that include a tax risk review and the incorporation of tax risk issues into the internal control system (ICS) and the Group-wide risk management process in line with our risk management policies. We did not become aware of any material violations of tax laws during the reporting year.

Risk and opportunity management

Risk and opportunity management is a firm component of the Group-wide planning, controlling and reporting process. It is designed to support the sustained achievement of corporate targets and to ensure risk awareness at the Group. Sustainability aspects are integrated into the Group-wide risk management process at Daimler. They are understood as conditions, events or developments involving environmental, social or governance factors (ESG), the occurrence of which may have an actual or potential impact on the Daimler Group's profitability, cash flows and financial position, as well as on its reputation.

ESG-related risks and opportunities in accordance with the CSR Directive Implementation Act (CSR-RUG) can be found in the respective categories of the Risk and Opportunity Report according to their cause. In addition, legal risks or social violations by partners and suppliers can have a negative influence on the reputation of the Daimler Group, on the environment and on the employees of partner companies and suppliers. As one of the basic principles of corporate activity, Daimler therefore pays particular attention to compliance with legal and ethical rules – also when selecting partners and suppliers. Further information can be found in the Risk and Opportunity Report.

Sustainability in the supply chain

Investors and analysts – and governments and societies as well – are increasingly calling on the automotive industry to ensure greater sustainability throughout the entire supply chain. Daimler is convinced that companies that want to be sustainable must also focus on their supply chain. That's because we procure raw materials indirectly, and components and services directly, from all over the world. Our goal is to combine achieving business success with acting responsibly toward the environment, people and society – and doing so along the entire value chain. We correspondingly expect our direct suppliers to display the same sense of responsibility by complying with environmental and social standards.

Our vehicles generally contain several thousand parts and components, and our supply chain is therefore complex. It comprises around 60,000 direct 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 sub-levels, with additional sub-suppliers on each level. With every innovation and every market development, the supply chain dynamically develops further – and this also occurred during the reporting period.

We use a variety of measures and concepts in order to ensure the sustainable management of our supply chain. These include supplier screenings, audits, risk-based due diligence analyses, qualification modules for production material suppliers and workshops with selected service providers. Our goal here is to ensure compliance with social standards and environmental regulations on the one hand and greater transparency in the supply chain on the other.

Our three procurement units – Mercedes-Benz Cars Procurement and Supplier Quality, Global Procurement Trucks and Buses, and International Procurement Services – work together to ensure responsible procurement of materials and services.

The Daimler Supplier Sustainability Standards serve as the guideline for our sustainable supply chain management system. The Supplier Sustainability Standards define our requirements for working conditions, respecting and upholding human rights, environmental protection, safety, business ethics and compliance. We demand that our direct suppliers recognize these sustainability standards and communicate them to their employees and to their upstream value chains. We also expect them to check that the standards are complied with. supplier-portal.daimler.com/docs/DOC-1458

During the year under review, we tightened our sustainability requirements for suppliers even further and revised our contractual terms accordingly. For example, we now require our direct suppliers to establish processes that ensure the fulfillment of human rights due diligence obligations in accordance with the provisions of the UN Guiding Principles on Business and Human Rights and the relevant OECD guidelines and principles. We also reserve the right to examine and audit these processes. In addition, suppliers are required to inform us of any human rights risks and countermeasures identified. They must also disclose to us upon request any risk hotspots that exist along their supply chain. We have also revised our contractual terms with regard to our specific environmental requirements. For example, direct suppliers that provide production materials to the Mercedes-Benz Cars and Vans division must now disclose certain environmental figures – including their CO_2 emissions, energy and water consumption, and the amount of waste they produce, for example.

In 2020 a total of 658 on-site inspections were conducted at suppliers of production materials. By way of exception, virtual audits were also made, due to the covid-19 pandemic. For further information also see the chapter Integrity and Compliance.

In addition, we examine our existing direct suppliers within the framework of risk analyses conducted on a regular basis. Among other things, we conduct annual database research to identify any violations of our sustainability and compliance rules. This is part of our supplier screening process.

Our complaint management process enables individuals to draw attention to possible human rights violations at suppliers. In this context, we work together closely with the World Employee Committee. We also investigate specific cases that NGOs bring to our attention.

We systematically follow up on all reports of violations and suspected violations in the supply chain. In cases where we identify a need to take action, we implement the necessary measures. If we become aware of a suspected violation, we first bring together all the available information and ask the suppliers to respond to the allegations. We then assess the facts of each case and take any necessary measures. This may mean that we will work with the supplier in question to solve the problem. However, it may also mean that we will terminate the business relationship with that supplier.

During the year under review, our on-site inspections at direct suppliers to Mercedes-Benz Cars & Vans, Daimler Trucks & Buses and our International Procurement Services unit uncovered no specific suspected cases of child labor or forced labor, nor were there any indications of violations against the right to collective bargaining or freedom of association. See the chapter Integrity and Compliance.

Since 2018, we have been cooperating with the "Drive Sustainability" initiative on the implementation of measures to make suppliers in various focus countries such as India and Argentina more aware of the importance of sustainability, and we also provide such suppliers with helpful information on this issue. We select the focus countries jointly with the initiative. However, due to the covid-19 pandemic, no physical training modules took place in 2020. Instead, we developed a concept for a new e-learning program.

In the area of services, we implement additional measures to raise awareness of human rights issues in particular. For example, a cross-functional team from our procurement units meets with suppliers in Good Practice Sharing Workshops, which have also been held online since the spring of 2020. The workshops promote an open and constructive exchange of ideas and experiences among the participants, and they also provide information on what we expect from our business partners.
For further information on supplier management, see the Daimler Sustainability Report, which will be published at the end of March 2021.

Environmental issues

Approximately one fifth of all greenhouse gas emissions in Europe are produced as a result of the transport of people and goods on streets and roads – and that share is rising. We are taking deliberate measures to counteract this trend and have made climate protection a core element of our business strategy.

For us, the Paris Agreement represents more than just an obligation, as our commitment to its targets stems from our fundamental convictions. We therefore believe that it is our mission to develop technical innovations that will lead to CO_2-neutral mobility around the world.

Our goal for Mercedes-Benz Cars & Vans is to make our entire new car fleet CO_2-neutral by 2039. We plan to achieve this goal using a holistic approach that includes ambitious targets for all stages of automotive value creation – from the supply chain to production, the vehicle use phase, and vehicle disposal and recycling. We plan to offer our customers several electric variants in all Mercedes-Benz car segments (from the smart to large SUVs) by 2022 and to have plug-in hybrids or all-electric vehicles account for more than 50% of our car sales by 2030. By 2030, we also plan to reduce the greenhouse gas emissions of the new vehicle fleet during the vehicle use phase ("well-to-wheel") by more than 40% as compared to 2018. This target has been confirmed by the Science Based Targets Initiative.

We have set ourselves the goal of making our fleet of new commercial vans in Europe, Japan and North America CO_2-neutral by 2039. This relates to CO_2 emissions in driving operation ("tank-to-wheel").

The ultimate goal at Daimler Trucks & Buses is to achieve CO_2-neutral transport on the road by 2050. As early as 2022, we want our vehicle portfolio to additionally include series-produced vehicles with battery-electric drive systems in the main sales regions Europe, the United States and Japan. In the second half of the decade, we plan to augment our vehicle portfolio with series-produced fuel cell vehicles that run on hydrogen. As it will take about ten years to completely renew a fleet by 2050, another of our goals is to only offer new vehicles that are CO_2-neutral in driving operation ("tank-to-wheel") in Europe, Japan and North America by 2039. Daimler's management is responsible for setting strategic goals, including targets for reducing our CO_2 emissions, and for monitoring the progress made in achieving these goals.

We are developing all-electric and electrified model variants for all of our vehicle models – from cars and vans to trucks and buses. Our development focus is battery-electric mobility for cars and all-electric drive systems with batteries or fuel cells for trucks and buses. The Product Steering Board (PSB) is responsible for monitoring the development of the CO_2 emissions of the car fleet in markets in which such emissions are regulated. It is also responsible for providing forecasts. In its evaluations, the PSB takes into account the increasing degree of vehicle electrification and the changes that have been made to legal requirements, for example those related to the introduction of the new WLTP (Worldwide Harmonized Light Vehicles Test Procedure). The Board of Management then decides which measures need to be implemented. On the market side of the equation, price and volume control measures can also affect our ability to achieve our targets over the short term. For this reason, such measures are discussed with the Board of Management within the framework of its regular reporting on the current state of CO_2 fleet compliance.

In the reporting year, the average CO_2 emissions of our total passenger car fleet in Europe (European Union, United Kingdom, Norway and Iceland) decreased to an estimated 104 g/km as measured on the basis of legal regulations (NEDC, including vans that are registered as passenger cars). This means that we achieved the CO_2 targets in Europe (European Union, United Kingdom, Norway and Iceland) in 2020. Whereas the CO_2 fleet targets were determined on the basis of the NEDC in 2020, they will be based on the WLTP values in 2021, in accordance with the regulatory requirements. This will lead to an adjustment of the fuel consumption targets and an increase of the certification values. Due to their greater relevance, we have for the first time defined the CO_2 emissions of our total passenger new car fleet in Europe as "the most important" non-financial performance indicator in the reporting year 2020. For more information on how we expect the CO_2 emissions of our car fleet in Europe to develop, see the chapter Outlook.

In the United States, fleet values are regulated by two co-regulating standards for limiting greenhouse gases and fuel consumption in vehicle fleets: the Greenhouse Gas Standard (GHG) and the Corporate Average Fuel Economy (CAFE) standards. The GHG fleet figures for the CO_2 emissions of Daimler vehicles in the United States have improved over the last few years. For the 2020 model year, these figures are 256 g CO_2/mi for the passenger car fleet and 289 g CO_2/mi for light trucks (on the basis of the most recent forecast). Nevertheless, we were unable to achieve our average fleet targets of 196 g CO_2/mi for the car fleet and 265 g CO_2/mi for light trucks. However, we were able to close the remaining gap by taking advantage of the flexibility measures specified in the legislation (including the purchase of external credits).

In China, domestic and imported cars are reported separately and according to fleet consumption values, unlike in Europe and the United States. This means the figures for the imported fleet are the relevant figures for our wholly owned subsidiary Mercedes-Benz China (MBCL). The target was 6.27 l/100 km; the figure that was actually achieved was 8.02 l/100 km (preliminary fleet consumption value – the final fleet consumption value might be better if off-cycle technologies are included). We will purchase external credits at short notice in order to close consumption gaps in the fleet's achievement of the target. We aim to achieve our emission targets in China in the medium term with our joint venture partner Beijing Benz Automotive (BBAC) by expanding our range of all-electric vehicles and plug-in hybrids.

The EU has stipulated a 15 percent reduction of the CO_2 emissions of new heavy-duty trucks (>16 t) by 2025 and a 30 percent reduction by 2030 (as compared to 2019/2020). To this end, the European Commission worked with automakers, scientists and other experts to develop a standardized simulation program known as VECTO (Vehicle Energy Consumption Calculation Tool) for all of Europe. VECTO also includes associated procedures for testing and measuring CO_2 emissions and fuel consumption. Data will be collected from all over Europe and will be made transparent. We have defined a clear technology roadmap to enable us to meet the EU's requirements.

Additional information on climate protection, air quality and resource conservation can be found in the Daimler Sustainability Report, which will be made available at the end of March 2021, on our website: sustainabilityreport.daimler.com

Employee issues

Electrification, autonomous driving, connected urban mobility: It's not just our products that are changing fast – lots of things in the company are changing too. We are digitalizing our value creation processes – and thus our work. Our employees will need to be able to successfully address a variety of challenges in the digital world of the future, and it is our stated goal to ensure they will be able to do so. An open attitude regarding the digital transformation and digital skills, along with a diverse and inclusive corporate culture, form the basis for achieving this goal. That's because only in a culture marked by respect and trust can all employees unlock their full potential – and that is the prerequisite for a sustainable digital transformation.

Our employees are the key to our Group's success. Around 288,500 people promote this success worldwide by contributing their expertise and ideas to our work processes and by helping to make improvements and create innovations. Particularly in times of change as we are experiencing it today, respectful and trusting cooperation between the workforce and management is extremely important. This process of transformation is affecting not only our products but also our workplaces. In order to ensure that we remain competitive over the long term, we want to equip our employees with the skills they need and help them address the challenges associated with the transformation.

Our Group-wide employee survey is a key indicator of where we currently stand from the point of view of our employees and what we need to do to improve the company in the future. We conduct the survey every two years, most recently in 2018 after it had been fundamentally reworked. We were unable to carry out the employee survey in 2020 due to the covid-19 pandemic, but we plan it in 2021.

Codetermination

We structure our decision-making processes in a manner that ensures transparency for our employees, and we also enable our employees to participate in decision-making processes. We work together with our employees as partners, respect their interests, and get them actively involved in the company. Our policies and company agreements establish rules for how we take on responsibility in our employee relationships.

We have issued our own Group-wide Principles of Social Responsibility, which are based on the International Labour Organization's (ILO) work and social standards. We established our whistleblower sytem BPO (Business Practices Office) a number of years ago in order to ensure that we can employ a fair and adequate approach to investigating reports on incidents, especially those that pose a high risk to the company and its employees. The BPO receives reports of suspicious cases and directs the subsequent investigations. High-risk rule violations include, for example, offenses relating to corruption, breaches of antitrust law, and violations of Anti-Money Laundering regulations, as well as violations of binding technical provisions and environmental protection laws. See Integrity and Compliance.

Furthermore, Daimler recognizes its social responsibilities and the ten principles on which the UN Global Compact (UNGC) is based. As a participant in the UNGC, we commit ourselves, among other things, to respecting key employee rights ranging from the provision of equal opportunities to the right to receive equal pay for equal work.

Corporate management and the employees' association maintain an ongoing dialog. The rights of our employees are defined in a number of plant and company-wide agreements. These agreements address topics such as mobile working, family leave and home health care.

For example, employees at Daimler AG, Mercedes-Benz AG, Daimler Truck AG and Daimler Brand & IP Management GmbH & Co. KG have been given a job-security guarantee for the period until 2029. In addition to this agreement, corporate management and the employees' association concluded a company-wide agreement in July 2020 that will make it possible to reduce labor costs in the period until the end of December 2021. This agreement was concluded in response to the various challenges associated with both the transformation of the automotive industry and the covid-19 pandemic. The company-wide agreement applies to all employees at Daimler AG, Mercedes-Benz AG, Daimler Truck AG and Daimler Brand & IP Management GmbH & Co. KG, as well as to staff at Daimler Gastronomie GmbH in Germany. Further information on the company-wide agreement can be found at daimler.com/investors/reports-news/financial-news/20200728-secure-employment-and-profitability.html

Our employees have the right to organize themselves in labor unions – irrespective the freedom of association is not legally protected. In this regard, we work together constructively with the employee representatives and the trade unions. Important partners here include the local works councils, the European Works Council and the World Employee Committee (WEC). Collective bargaining agreements exist for the majority of our employees throughout the Group. Such agreements apply for all of the non-exempt employees at Daimler AG, Mercedes-Benz AG, Daimler Truck AG and other units at the Group.

Appropriate remuneration

We remunerate work in accordance with the same principles at all Group companies around the world. Our Corporate Compensation Policy, which is valid for all groups of employees, establishes the framework conditions and minimum requirements for the design of the remuneration systems. Among other things, it stipulates that the amount of the remuneration is determined on the basis of the requirements of the job profile in question (taking into account, for example, the person's knowledge, expertise, responsibilities and decision-making authority) and where appropriate performance. It does not take account of gender, origin or other personal characteristics. During internal audits, we make random annual checks of selected aspects of the policy and compliance with them. In doing so, we also take into consideration local market conditions, because we want to offer our employees salaries and benefits that are customary in the industry and the respective markets. We did not become aware of any material violations of the Corporate Compensation Policy during the year under review.

In 2020 for its employees around the world the Group spent:

- €17.622 billion on wages and salaries
- €3.523 billion on social welfare services, and
- €0.703 billion on retirement benefits for a workforce numbering 293,138 on average.

Training and professional development
Due to electric mobility and digitalization we are currently experiencing the greatest ever structural change in the history of the automotive industry. Associated with it is the far-reaching transformation of our company. Job descriptions, tasks and requirements profiles are also changing as a result. This is transforming the qualifications required for many positions, affecting employees as well as managers.

The knowledge and skills of our employees are the foundation of Daimler's worldwide success. That's why we invest to a large extent in their training and professional development and continue to enhance our HR development program. How will our workforce develop over the next ten years – and what workforce structures will we need to have in the future? These are important questions that we are addressing within the framework of our "Strategic Resource Management" HR planning program at Mercedes-Benz AG and Daimler Truck AG.

For example, Daimler AG, Mercedes-Benz AG, Daimler Truck AG and Daimler Brand & IP Management GmbH & Co. KG in Germany control training and qualification processes through an overarching set of rules and regulations. From the Board of Management to our training and qualification units and the trainers at the plant level, we pursue the goal of safeguarding our competitiveness throughout the company.

Our Group's digital transformation is changing the requirements profiles of many jobs and making it necessary for staff in many positions to gain new expertise. We are addressing this issue by expanding the range of professions in which we offer training, increasing the number of programs offered by our dual study programs, and recruiting young talent with extensive digital expertise.

During the year under review, for example, we offered dual work-study programs and commercial and technical training programs in Germany for more than 30 different professions. We continuously update the programs in order to take into account future requirements and technological innovations in each profession.

We support change processes such as the company's digital transformation by offering suitable qualification measures for the entire workforce. In 2020 the focus was on IT skills and professions, high-voltage and battery technology, and the development and offer of digital learning formats. Among other things, we implemented a global digitalization qualification campaign for our IT specialists in 2019 and 2020. In addition, we prepared the Digital Readiness Program that will be used to launch a comprehensive range of digital professional training measures worldwide beginning in January 2021. Among other things, the Digital Readiness Program covers methodological, technical and cultural aspects of digitalization.

Diversity and equal opportunity
Our workforce is as diverse as our customers, and Daimler is convinced that diversity makes us more successful as a company. That's because diversity helps us to find new viewpoints and acts as a driving force behind creative ideas and innovations. We promote a working environment in which all of our employees can develop and make full use of their talent – regardless of their age, gender, sexual orientation or any other characteristic that relates to diversity. We therefore need to be tolerant of one another and remain open-minded, which means there is no place for discrimination in the workplace.

We expect all of our employees to treat each other in a respectful, open and fair manner. Managers serve as role models here and thus have a special responsibility for ensuring a corporate culture marked by fairness.

The Integrity and Diversity units at Daimler design the framework and processes for such a culture. The Global Diversity Office is a corporate function that is part of the Group Human Resources organization. This office defines strategic targets and areas of action in cooperation with the business units and initiates Group-wide projects, training programs and measures to increase awareness of the importance of diversity. For example, Daimler Diversity Day was once again held in 2020. Activities were held at various locations worldwide in line with the motto "Link perspectives – bring the mix alive." As a result of the covid-19 pandemic, many locations primarily focused on digital communication offers such as virtual workshops and discussion rounds.

Our goal is to attract the most highly qualified specialists and managers to our company and support their professional development, regardless of their age, ethnicity, gender, sexual orientation and identity, and any physical limitations they may have.

The Daimler AG Supervisory Board is legally required to have a gender ratio of at least 30% women. The Supervisory Board fulfills this requirement as a whole and also in terms of the side of the Supervisory Board representing the shareholders and the side representing the employees. At the end of 2020, 25% of the members of the Board of Management were women. This means we exceeded the target of 12.5% for the proportion of women on the Board of Management that the Supervisory Board defined and whose deadline for achievement was December 2020. As early as 2006, we had agreed to increase the share of women in management positions, and we regularly check to see how we are progressing with regard to our goals. Additional information about the targets and results can be found in the chapter Corporate Governance.

Occupational health and safety
Ensuring the health and safety of our employees is a very high priority at Daimler. For example, we design our workplaces in line with ergonomic criteria and offer health maintenance programs and occupational safety training. In everything we do, we focus on the health and safety of our employees. Our overarching goal is to prevent health risks and maintain the health of all Daimler employees over the long term.

The current covid-19 pandemic isn't the only reason why it's so important to have a sustainable health and occupational safety management system in place, as the demographic transformation and advances in technology are also leading to new challenges. As a responsible employer, we seek to ensure that our employees can work in a safe and healthy environment. We utilize a holistic health and occupational safety management system in order to prevent work accidents and work-related illnesses. The focus here is mainly on preventive measures that we continuously review and develop further.

Our occupational safety strategy sets high standards for the design of workplaces and work processes. Moreover, we are systematically striving to reduce occupational and health-related risks. The Daimler Group operates on the basis of globally uniform guidelines for risk prevention. Our occupational health and safety policy and our occupational health and safety guidelines serve as overarching, internationally valid Group regulations. They are based on international standards and national laws and emphasize the managers' obligation to act responsibly. However, they also underscore the employees' own responsibility. We use internal due diligence audits to generally check every five years whether safety standards are met at our production locations. The audits didn't take place during the reporting year, due to the covid-19 pandemic. Various locations have their occupational safety and health management systems certified independently by external certification agencies in accordance with the ISO 45001 (formerly OHSAS 18001) standard in addition to the safety due diligence audits. Approximately 40% of our employees at production locations (about 100,000 employees) work with an occupational safety management system certified according to ISO 45001/OHSAS 18001.

Since 2019 Daimler has also been committed to achieving Vision Zero. This global campaign aims to prevent job-related accidents and illnesses while also promoting employees' health, safety and well-being. In the reporting year 2020 we introduced a global accident documentation system, for example. This system includes an integrated international digital reporting process that enables the rapid documentation of all covid-19 cases among the employees and thus the rapid follow-up of possible contacts by the plant medical service. We also derive standardized accident statistics from our production sites while taking all applicable data protection regulations into account. These statistics are regularly reported.

Occupational health and safety issues throughout the Group are managed by the Health & Safety unit, which is part of Human Resources and under the direction of the Chief Group Physician of Daimler AG, Mercedes-Benz AG and Daimler Truck AG. All key occupational health and safety issues are discussed on a regular basis with works council representatives and management representatives at all levels of the company. All decisions resulting from such discussions are made jointly.

The covid-19 pandemic

This Annual Report is being released at a time when people around the world continue to struggle with the covid-19 pandemic. During the reporting year, we at the Daimler Group implemented numerous measures to slow the spread of the virus and protect our employees.

In a first step, the Daimler Group had decided to suspend the majority of its production in Europe, as well as work in selected administrative departments, for an initial period of two weeks (23th of March until April 3rd, 2020). As the covid-19 pandemic worsened, short-time work was then introduced in Germany on April 6. The Group took this step in response to the wide-ranging effects of the coronavirus and the increasingly negative impact the pandemic was having on the economy and society.

We also developed new workplace rules that include preventive hygiene and safety measures for production units and offices, company restaurants, and areas in which staff need to meet with customers. Business travel that was not absolutely necessary was also reduced to a minimum until the end of 2020. We expanded our IT infrastructure in order to enable mobile working and ensure the technical functioning of digital formats such as conference calls and video conferences. Even after most short-time work arrangements ended at the beginning of July, we encouraged our employees to keep working from home if at all possible, and we continue to recommend that they do so. We have also implemented new shift concepts for departments and units where a physical presence in the office remains necessary.

The global covid-19 pandemic presented companies and employees with many challenges last year, and it continues to do so. With this in mind, the Board of Management, in consultation with the General Works Council, decided to issue a special one-time "coronavirus bonus" to non-exempt employees and team leaders of Daimler AG, Mercedes-Benz AG, Daimler Truck AG, the Daimler Mobility division, and all subsidiaries in Germany. This special payment is meant to mitigate financial and personal hardship and honor the great dedication and flexibility displayed by the workforce during the crisis. In some cases an appreciation bonus was paid to employees outside Germany.

Social issues

As a global automotive company, we operate in an environment that is subject to a variety of societal, social and political influencing factors. In order to ensure that we can continue to operate effectively in the future, we need to make our company's interests understandable to governments and society and also address the concerns of groups within society. We therefore regularly share information with our stakeholders and communicate our interests in an open and fair dialog with governments and political representatives.

Human beings can only overcome the major social and environmental challenges we face, such as climate change and increasing urbanization, by working together. We at Daimler strive to achieve such cooperation by contributing our expertise to the social dialog and by working together with others to create solutions. We are guided by the vision of utilizing exemplary formats for political dialog that allow us to establish ourselves as a leading corporate citizen in the automotive industry. The overarching goal of our approach is to harmonize the company's interests with the interests of society at large. The specific aim of our discussions with political decision-makers is to achieve greater planning security for Daimler.

Daimler has defined its own principles for political dialog and the responsible communication of our interests. Among other things, we maintain political restraint, balance and neutrality in our dealings with political parties, members of parliament and government officials. Our central coordinating body for political dialog at the national and international levels is the External Affairs and Public Policy unit.

We use various instruments to ensure that our political lobbying is carried out in accordance with applicable regulations and ethical standards. In our work as a member of sector associations and in our cooperation with other companies, we pay particular attention to antitrust regulations. We have also defined internally binding requirements that are laid down in various documents including a worldwide policy and the Group's Integrity Code. In addition, our policy for "Lobbying and Political Donations" governs grants, donations to political parties, and the use of other instruments for representing our interests in the political realm. Our employees can find these policies in the policy database on the intranet. Daimler is also listed in the transparency register of the European Union and accepts the register's Code of Conduct.

The policies mentioned above also define how we intend to address risks in connection with the political representation of our interests. These risks are also addressed through firmly established Group-wide compliance processes. Complaints and information relating to our lobbying activities can be addressed to our whistleblower system BPO (Business Practices Office) see the chapter Integrity and Compliance.

In accordance with the legal requirements and our in-house policies, we also regularly conduct training courses. We train not only employees at Daimler Group companies but also other employees at Daimler AG who represent our interests and who are not organizationally under the direction of the External Affairs unit.

Incorporation of stakeholders
We consider it important to engage in a continuous dialog with all of our interest groups. This allows us to consider various perspectives on our involvement with sustainability issues, identify and address new trends, and share experiences. We also want to engage in constructive discussions of controversial themes at a very early stage. We always focus on conducting a dialog that is fruitful and productive for all parties involved. Our primary stakeholders are our customers, investors, employees and suppliers. However, we also communicate regularly with civil groups such as NGOs, as well as associations, trade unions, the media, analysts, municipalities, residents in the communities where we operate, and representatives of science and government.

We utilize various instruments to engage in a dialog with our relevant stakeholders. On the one hand, we use our own dialog formats, which include the Daimler Sustainability Dialogue and the virtual Mobility Lab dialog series. We also conduct stakeholder surveys, specialist conferences and thematic dialog sessions that can also take the form of workshops or are held by our Advisory Board for Integrity and Corporate Responsibility. On the other hand, we keep ourselves up to date on the latest discussions and the associated expectations by participating in industry-specific and cross-industry networks and initiatives. We also evaluate studies and other scientific publications and conduct our own media analyses. These measures help us to identify developments and the associated expectations in areas beyond the dialog events we have initiated.

Dialog at the Group level
One essential tool of the dialog with our stakeholders is the Daimler Sustainability Dialogue, which has been held annually in Stuttgart since 2008 and brings various stakeholder groups together with members of the Daimler Board of Management and executive management. The participants attend a range of workshops, where they discuss issues related to sustainability and work together to further develop their approaches. Our personnel responsible for specific themes take up the impulses generated by the participants and work together with the stakeholders to incorporate these ideas into their work. They then report at the event in the following year on the progress made in the interim. Due to the covid-19 pandemic, we held our Daimler Sustainability Dialogue via a digital meeting platform for the first time in 2020. More than 200 external and Daimler participants split up into working groups to discuss themes such as human rights, environmental protection, livable cities and the topic of "Employees and Integrity." Further information on the Daimler Sustainability Dialogue and the results from the working groups is available at daimler.com/documents/sustainability/other/sd2020-overall-plenary-reports-working-groups-en.pdf

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Examples of instruments of stakeholder dialog

Information	Dialog	Participation
- Daimler Sustainability Report as well as regional reports (such as the Daimler China Sustainability Report) - Environmental declarations by the plants - Press and public-relations work - Corporate website - Blogs and social media - Social intranet and internal communication - Plant tours, receptions, Mercedes-Benz Museum	- Annual "Daimler Sustainability Dialogue" (Germany/regions) - Local dialog with residents and municipalities - Internal dialog sessions on integrity and compliance - Daimler Supplier Portal - Membership of sustainability initiatives and networks - Collaboration in the BDI workgroup on artificial intelligence - Specialist conferences on societal topics and debates - Topic- and project-related discussions - Dialog formats on future-oriented questions: think tanks, hackathons, ideation challenge	- Stakeholder consultation in topic-related working groups - Advisory Board for Integrity and Corporate Responsibility - Peer review within the framework of sustainability initiatives such as the UN Global Compact

As a global company, we have set ourselves the goal of ensuring sustainability at our business units and specialist units around the world. For this reason, we organize Daimler Sustainability Dialogue events in other countries and regions as well. During the reporting year, more than 300 stakeholders attended the eighth Daimler Sustainability Dialogue in China, which was virtual for the first time as well. At the event, they discussed topics such as green manufacturing, urban mobility and social responsibility.

In 2020, we established the Daimler Mobility Lab (DML) in Berlin. This is a new platform for a public dialog with citizens, government, business and industry, and NGOs. At the DML, we discussed current issues with stakeholders and worked with them to find answers to social and environmental questions. The focus was on sustainability, electric mobility, digitalization and urbanization, and the impact these issues have on society. Various formats were utilized at different locations in Berlin. These included an internal series of talks on the topic of "Transformation in the New Normal," as well as panel discussions on "The Future of Urban Mobility in the New Normal."

The Advisory Board for Integrity and Corporate Responsibility has been an important source of input for sustainability activities at Daimler since 2012. The board's members – independent external experts from the fields of science and business, as well as from civic organizations – offer us constructive criticism in questions related to integrity and corporate responsibility at Daimler. The board meets at regular intervals and also holds discussions with members of the Board of Management and responsible personnel from the specialist units. During the year under review, the Advisory Board also held a joint meeting with representatives from the Supervisory Board. The Advisory Board's members have extensive experience and possess diverse specialized knowledge regarding environmental and social policy, various human rights and ethical issues, and the development of transport, traffic and mobility. During the reporting year, the Advisory Board focused in particular on the transformation of the automotive industry, the further development of Daimler's sustainable business strategies and the handling of the covid-19 pandemic.

Daimler also maintains regular contact with representatives from civic organizations and other companies. In addition to the dialogs we initiate, we also participate in various associations, committees and sustainability initiatives. Some of the most important initiatives here are the UN Global Compact, econsense – German Business Forum for Sustainable Development, and the World Business Council for Sustainable Development. Further information on our memberships in various organizations can be found here: sustainabilityreport.daimler.com/2019/servicepages/downloads/files/daimler_2019_memberships.pdf

Political dialog and representation of interests

The specific aim of our discussions with political decision-makers is to achieve greater planning security for Daimler. During the reporting year, we focused on the following issues in particular:

- Achieving climate targets and improving air quality
- Making cities more livable places
- Improving traffic safety
- Establishing standards for human rights due diligence
- Creating transparency with regard to sustainable financing
- Solving location-specific issues through discussions
- Promoting free and fair trade
- Modernizing labor laws

Daimler did not make any financial or non-financial contributions to political parties during the reporting year. This decision was not based on current political or economic events.

Traffic safety

Accident-free driving – this vision drives us and is a firm component of our sustainable business strategies. Our innovative driving assistance systems already offer drivers and passengers a high level of safety and comfort today. These systems can help drivers avoid or safely manage critical situations on the road in order to protect vehicle occupants and other road users. System warnings and active brake applications are now increasingly mitigating the consequences of accidents or even preventing them altogether.

We have set ourselves ambitious goals as we continue on our road to accident-free driving, and we are systematically moving ahead to achieve them. We are aiming to:

- Further improve our accident-prevention systems – for example with Active Brake Assist.
- Make our vehicles even safer for vehicle occupants both during and after an accident – for example with appropriate vehicle structures, effective restraint systems, and systems that can engage after an accident.
- Make our vehicles safer for others – for example with pedestrian recognition systems and systems that protect other road users.
- Increase traffic safety in general – for example through CSR safety initiatives such as SAFE ROADS and Mobile Kids.
- Contribute to ensuring safety for all road users by sharing data – for example within the framework of the pilot project in the Zollernalb district in Baden-Württemberg.

We utilize our holistic “Integral Safety” concept in our vehicle development activities. We first used this concept in the late 1990s to describe how we had divided the utilization of safety systems into four phases: “Driving Safely,” “Dangerous Situations,” “In the Event of an Accident” and “After an Accident.”

Our safety measures establish a bridge between active and passive safety within these four phases – i.e. between accident prevention (phases 1 and 2) and protection when an accident occurs (phases 3 and 4).

The models from Mercedes-Benz Cars repeatedly earn top marks in safety tests conducted by independent institutes. Of particular note in this regard are the marks Mercedes-Benz regularly receives from the American Insurance Institute for Highway Safety (IIHS). The IIHS rating assesses crash safety and accident-prevention and lighting systems. The Mercedes-Benz C-Class and the GLE received the IIHS “2020 TOP SAFETY PICK+” award for the 2020 model year.

During the reporting year, the European New Car Assessment Programme (Euro NCAP) issued ratings for driving assistance systems in a comparison of various vehicle models for the first time. The current GLE with its driver assistance package received a rating of “very good.” This means that the experts at Euro NCAP believe that among the vehicles in the competitive field the GLE offers the system that displays the greatest balance as well as a very high degree of effectiveness.

Our expenditure of € 8.6 billion on research and development includes, among other things, R&D expenditure for our safety measures and concepts.

Integrity and compliance

We are convinced that companies stay successful in the long term only if their actions are ethical and legally responsible. That is especially the case during times of turmoil and transformation such as those we are experiencing today. That’s why integrity and compliance are top priorities at Daimler.

Integrity management
The automotive industry is in a state of radical change. New fields of business are developing, and they are requiring companies to reorient themselves. Meanwhile, new technologies are raising new questions – ethical as well as legal ones. Moreover, the covid-19 pandemic has led to profound transformations all over the world. In such times of change and uncertainty, value-based action matters more than ever.

We are always striving to be the best. Our goals are to develop progressive technologies, build outstanding vehicles and offer smart mobility solutions. This commitment to excellence also applies to the way we deal with one another, with our customers and with our business partners. We also want to live up to our social responsibilities in ways that set benchmarks.

That’s why integrity is a central element of our corporate culture. For us, this involves more than just obeying laws. We also align our actions with a shared system of values, which include fairness, responsibility, respect, openness and transparency as key elements.

How we make integrity part of our daily business activities
Integrity, compliance and legal affairs are combined in a single executive division at Daimler. The Integrity and Legal Affairs division supports all of our corporate units in their efforts to embed these topics in our daily business activities.

Our Group-wide Integrity Code is our shared standard of values and defines the guidelines for acting with integrity. It is binding on all employees of Daimler AG and our controlled Group companies. Employees from a variety of corporate units all over the world have helped to formulate the Integrity Code. It is available in ten languages and includes, among other things, regulations concerning anti-corruption measures, data management, product safety and compliance with technical regulations. We most recently updated our Integrity Code in 2019. Our employees can find all the important information related to the Integrity Code – such as FAQs, points of contact and contact persons – on the intranet. The main principles and practices of corporate governance

In our Integrity Code we have also formulated a special set of requirements for our managers: We expect them in particular to serve as role models through their ethical behavior and thus offer guidance for our employees.

Our Integrity Management unit is responsible for promoting and enhancing integrity within our company and creating a shared understanding of integrity. The goal is to avoid possible risks due to unethical behavior and thus contribute to our company’s long-term success.

The Infopoint Integrity is the central point of contact for employees of Daimler AG and the Group companies when they have questions concerning integrity. The Infopoint works together with experts for legal and HR issues, data protection, compliance, as well as diversity or sustainability. It either provides direct support or connects employees with the appropriate contact partner.

A worldwide network of local contact persons for inquiries regarding integrity, compliance and legal issues is also available to our employees. The network evaluates the inquiries that are raised and, if necessary, initiates the appropriate measures.

In addition, we expanded the Integrity Network during the reporting year. The Integrity Network consists of employees from the individual companies, divisions and functional divisions of the Daimler Group. Its members regularly share information and develop and implement concrete measures in order to embed integrity even more firmly in our daily business activities.

In 2020 we once again initiated a variety of measures related to integrity. The starting point was the findings of the online employee survey "Big Picture Integrity," which we had conducted throughout the Group in 2019. The findings showed that we have laid a good foundation for a culture of integrity at Daimler. The survey results have a direct influence on the remuneration of the management.

To gain an impression of current attitudes toward the culture of integrity at our company, we conducted an "Integrity and Compliance Pulse Check" in 2020 as a Group-wide random sample survey providing representative results. The results, which were positive on the whole, show that we have once again made progress in the ongoing development of our culture of integrity.

Communication at all levels
We conduct ongoing knowledge sharing and an open dialog with our employees to ensure that integrity will remain embedded in our company's daily business over the long term. For example, during the reporting year we continued to regularly inform employees about our Integrity Code and its significance for our daily business activities. We have also continually addressed the topics of integrity, compliance and legal affairs in our internal media, such as brochures and films.

Our employees can also access the Integrity Toolkit via the Daimler Social Intranet. The Toolkit contains formats for dialog events, tools for self-reflection, case studies and further information about the topic of integrity.

In 2020 we particularly focused on direct discussions and once again conducted a variety of dialog events with employees at all levels of the hierarchy and with external stakeholders. We conducted all of these events virtually because of the protective measures in force due to the covid-19 pandemic.

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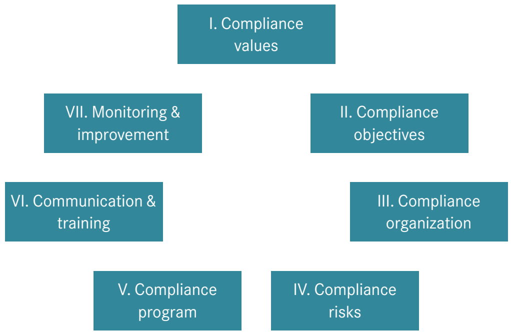
The Daimler Compliance Management System



Our Compliance Management System (CMS)
Value-based compliance is an indispensable part of our daily business activities at Daimler, and it is firmly embedded in our corporate culture. Daimler is strongly committed to responsible and lawful conduct. We expect our employees to comply with the laws and regulations as well as voluntary self-commitments and to put our values into practice. We have defined these expectations in a binding form in our Integrity Code.
The main principles and practices of corporate governance

Compliance values and objectives
The central objectives of our 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 our products with technical and regulatory requirements, adherence to data protection laws, compliance with sanctions and the prevention of money laundering.

Through our CMS we aim to promote compliance with the laws and policies in these areas at our company, to prevent misconduct and to respond appropriately to any violations. The corresponding measures are defined by our compliance and legal affairs organizations in a process that appropriately takes our business requirements into account.

Compliance organization
Our compliance and legal affairs organizations are structured divisionally, regionally and along the value chain. As a result, they can provide effective support – for example, by means of guidelines and advice. Contact persons are available to each function, division and region. In addition, a global network of local contact persons makes sure that our compliance standards are met. The contact persons also help the management at the Group companies implement our compliance program at their respective sites.

The Daimler Compliance Board provides guidance regarding overarching compliance topics and monitors activities to see whether our 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 CMS. The Compliance Board consists of representatives of the compliance and legal affairs departments. It generally meets four times a year with additional meetings for cause and is chaired by the Chief Compliance Officer.

Involvement of company management
The Chief Compliance Officer, the Vice President & Group General Counsel and the Vice President Legal Product & Technical Compliance report directly to the Member of the Board of Management for Integrity and Legal Affairs and to the Audit Committee of the Supervisory Board. They also report regularly to the Board of Management of Daimler AG on matters such as the status of the CMS and its further development, as well as the whistleblower system BPO.

In addition, the Vice President & Group General Counsel regularly reports to the Antitrust Steering Committee and the Group Risk Management Committee. The Chief Compliance Officer and the Vice President Legal Product & Technical Compliance also report to the Group Risk Management Committee.

The structure of the reporting lines safeguards the compliance officers' independence from the business divisions.

Compliance risks
We examine and evaluate our Group companies and corporate departments systematically each year in order to minimize compliance risks. In this process we use, for example, centrally available information about the Group companies and corporate departments, such as revenue, business models and relations with business partners. If necessary, other locally sourced information is supplemented. The results of these analyses are the foundation of our compliance risk control.

Compliance program
Our compliance program comprises principles and measures that are designed to minimize compliance risks and prevent violations of laws and regulations. The individual measures are based on the knowledge gained through our systematic compliance risk analysis. We focus, among other things, on the following aspects: the continuous raising of awareness of compliance issues, the systematic tracking of information received regarding misconduct and the formulation of clear standards for the behavior of our business partners. We address all of these points in greater detail in a later section.

The whistleblower system BPO
The Business Practices Office (BPO) whistleblower system enables all employees, business partners and external whistleblowers to report misconduct anywhere in the world. The BPO is available around the clock to receive information, which can be sent by e-mail or normal mail or by filling out a special online form. External toll-free hotlines are also available in Brazil, Japan, South Africa and the United States. Reports can also be submitted anonymously if local laws permit this. In Germany, whistleblower reports can also be submitted to an external neutral intermediary in addition to the BPO. The information provided to the whistleblower system BPO enables us to learn about potential risks to the company and its employees and thus to prevent damage to the company and its reputation. A globally valid corporate policy defines BPO procedures and the corresponding responsibilities. This policy aims to ensure a fair and transparent process that takes into account the principle of proportionality for the affected parties, while also giving protection to whistleblowers. It also defines a standard for evaluating incidents of misconduct and making decisions about their consequences. If the initial assessment of an incident categorizes it as a low-risk rule violation, the BPO hands the case over to the responsible unit – for example, the HR department, Corporate Security or Group Data Protection. The respective unit investigates the incident and deals with the case on its own authority. Examples of low-risk rule violations include theft, breach of trust, and undue enrichment valued at less than €100,000 – if the violation does not fall into the category of corruption.

If the BPO's risk-based initial assessment categorizes an incident as a high-risk rule violation, the BPO hands the case over to an investigation unit. The BPO provides support for the subsequent investigation until the case is closed. Examples of high-risk rule violations include offenses related to corruption, breaches of antitrust law and violations of anti-money laundering regulations, as well as infringements of binding technical provisions or environmental protection regulations. In an effort to constantly increase trust in our whistleblower system and make it even better known to our employees, we use a variety of communication measures. For example, we provide informational materials such as country-specific information cards, pocket guides and an instructional video. We also regularly inform employees about the type and number of reported violations and make case studies available on a quarterly basis.

A total of 53 new cases were opened in 2020. Overall, 42 cases, in which 66 individuals were involved, were closed "with merit." In these cases, the initial suspicion was confirmed. Of these cases, six were in the category "Corruption," two were in the category "technical Compliance" and eight were in the category "Reputational Damage." In 11 cases, accusations of inappropriate behavior of employees toward third parties were confirmed. Seven cases were categorized as "Damage over 100,000 €" The remaining cases fell into other categories. With regard to those cases that are closed "with merit," the company decides on appropriate response measures in line with the principles of proportionality and fairness. The personnel measures taken in the reporting year 2020 included (written) warnings, separation agreements and (extraordinary) terminations.

Compliance on the part of our business partners
We expect not only our employees to comply with laws and regulations. We also require our sales partners and suppliers to adhere to clear compliance requirements, because we regard integrity and conformity with regulations as a precondition for trusting cooperation. In the selection of our direct sales partners and in our existing sales partnerships, we therefore ensure that our partners comply with laws and regulations and observe ethical principles. In financial year 2020, we refined and made full use of our globally standardized process for the effective and efficient assessment of all new sales partners and the step-by-step re-evaluation of our existing sales partners (Sales Business Partner Due Diligence Process). Our continuous monitoring in this area is designed to ensure that we can identify possible integrity violations by our sales partners. We also reserve the right to terminate cooperation with, or terminate the selection process for, any sales partner who fails to comply with our standards. In addition, we work with our procurement units to continuously improve our processes for selecting and cooperating with suppliers.

Our global Daimler Sustainability Standards apply in this area. On the basis of these standards and our Integrity Code, we make available to each of our suppliers and sales partners a specific Compliance Awareness Module developed with their activities in mind. This module is intended to sensitize them to current integrity and compliance requirements such as those related to anti-corruption measures and technical Compliance. Through these measures we also offer our business partners assistance for dealing with possible compliance risks.

Communication and training
We offer extensive compliance training courses that are based on our Integrity Code – for example, courses for employees in administrative units and in the compliance and legal affairs departments as well as for members of the Supervisory Board and the executive management. The contents and topics of the training courses are tailored to the roles and functions of the respective target group. We regularly analyze the need for our training program, expand or adapt it as necessary and conduct evaluations.

Monitoring and improvements
We monitor the processes and measures of our CMS annually and conduct analyses to find out whether our measures are appropriate and effective. For these activities, we rely on information about the Group companies as well as additional locally gathered information. We also monitor our processes regularly on the basis of key performance indicators such as the duration and quality of individual processes. To determine these indicators, we check, among other things, whether formal requirements are being met and whether the content is complete. We also take into account the knowledge gained through internal as well as independent external assessments.

If changed risks or new legal requirements call for adjustments, we adapt our CMS accordingly. The Group companies implement the respective improvement measures on their own authority. They also regularly monitor these measures to determine their effectiveness and continually inform the responsible management committees about the results of their monitoring process.

Anti-corruption compliance
Daimler has committed itself to fighting corruption – because corruption is harmful to fair competition, society and our Group. Our anti-corruption measures extend beyond compliance with national laws. We also adhere to the rules of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997) and the United Nations Convention against Corruption (2003). Our anti-corruption compliance program is based on our Group-wide CMS. The CMS Anti-corruption was audited in accordance with the 980 standard of the Institute of Public Auditors in Germany by KPMG AG Wirtschaftsprufungsgesellschaft. This audit, which was based on the principles of appropriateness, implementation and effectiveness was successfully completed at the end of 2019.

Antitrust compliance
In order to ensure an independent external assessment of our Antitrust Compliance Program, KPMG AG Wirtschaftsprüfungsgesellschaft audited the Compliance Management System for antitrust law in accordance with the 980 standard of the Institute of Public Auditors in Germany. This audit for antitrust law, which was based on the principles of appropriateness, implementation, and effectiveness, was successfully completed at the end of 2016. This program is oriented to national and international standards as well as the regulations and the constant evolution of legal practice for ensuring fair competition. The program establishes a binding, globally valid Daimler standard that defines how matters of antitrust law are to be assessed and how compliance with all of the local and international antitrust laws in force can be ensured. By means of a variety of communication and training measures, a central advisory hotline, guidelines and practical support as well as local legal advisors, we help our employees around the world to recognize situations that might be critical from an antitrust perspective and to act in compliance with all regulations. The results of our annual compliance risk analysis serve as the basis for the formulation of measures that address antitrust risks. In addition to monitoring the management activities that fall within the framework of Group management duties, the legal department conducts corporate audit monitoring measures in order to assess and safeguard the implementation of each respective measure. The assessments make it possible to continuously improve our Antitrust Compliance Program.

Technical Compliance
For us, technical Compliance means adhering to technical and regulatory requirements, standards and laws. In doing so, we take into account the fundamental spirit of these laws and regulations and we adhere to internal development requirements and processes. Our objective is to identify risks within the product creation process (product development and certification) at an early stage and to implement preventive measures. For this purpose we have established a technical Compliance Management System (tCMS) in our automotive divisions. Its objective is to safeguard compliance with all legal and regulatory requirements throughout the entire product development and certification process. The tCMS defines values, principles, structures and processes in order to provide our employees with guidance and orientation especially with regard to challenging questions on how to interpret technical regulations. Measures such as the Integrity Code, supportive points of contact and the "Speak Up" and "Judgement Calls" commitment statements that have been specially defined for the development units offer support in this area. The commitment statements provide employees with a basis for a common understanding of responsible behavior in the product creation process.

In order to ensure an independent external assessment of our tCMS, KPMG AG Wirtschaftsprüfungsgesellschaft audited the tCMS with focus on emissions in accordance with the 980 standard of the Institute of Public Auditors in Germany. This audit with focus on emissions was based on the principles of appropriateness, implementation and effectiveness, and was successfully completed at the end of 2020.

Data compliance
Connectivity and digitalization will have a major impact on mobility in the future. The responsible handling and protection of data that is created and stored by these digital systems is a top priority at Daimler.

The regulatory requirements relating to data protection have become significantly more stringent in recent years. The strict requirements of the General Data Protection Regulation (GDPR) are valid not only in the European Union but also beyond it. Meanwhile, many countries all over the world that are relevant to Daimler's business operations have tightened up their local data protection laws. We are addressing the increased regulatory requirements by means of our Group-wide Data Compliance Management System (Data CMS), which along with our Data Vision and our Data Culture is a fundamental component of our overarching Data Governance System.

The Data CMS, which combines all Group-wide measures, processes and systems for ensuring data compliance, is based on the existing Daimler CMS. The Data CMS supports the systematic planning, implementation and monitoring of compliance with data protection requirements.

Anti-financial crime compliance
Money laundering and the financing of terrorism cause tremendous damage – to the economy and society in equal measure. Even an accusation of money laundering can compromise our reputation and have financial consequences for us as well as our shareholders and stakeholders. For this reason, the prevention of money laundering and the implementation of anti-money laundering measures have been defined as central compliance goals in our Integrity Code. To this end, we employ an integrated compliance approach. Before we implement measures to prevent money laundering, we check against current sanctions lists. On the one hand, through these measures we prevent criminals from evading supranational and national sanctions; on the other, we enhance the effectiveness of our measures to prevent money laundering, the financing of terrorism, organized crime and other types of corporate crime.

Social compliance
As an internationally operating company, we too bear responsibility for ensuring respect for and safeguarding of human rights along our entire value chain. We actively proceed here and conduct risk-based and systematic monitoring to ensure that human rights are upheld at our own companies and our suppliers. In order to procure raw materials in a responsible manner, we also work together with associations, organizations and other companies in multiple various projects and initiatives.

To ensure that human rights are respected and safeguarded, we have developed an in-house due diligence approach called the Human Rights Respect System (HRRS). We use this system to monitor human rights risks within our own Group companies, at our direct suppliers (Tier 1) and at suppliers beyond the Tier 1 level on the basis of potential risks.

The HRRS encompasses four steps: risk assessment, program implementation, monitoring and reporting. It is designed to systematically identify and avoid risks and possible negative effects of our business activities on human rights early on, to avoid them and, if necessary, to initiate adequate measures. In addition to protecting the company, the HRRS thus also primarily protects third parties, the so-called rights holders.. External stakeholders are regularly involved as we continue to expand the HRRS step by step. Among other things, we hold talks with international NGOs concerning the human rights risks arising from the extraction of certain raw materials, and we also organize the annual Daimler Sustainability Dialogue (daimler.com/documents/sustainability/other/sd2020-overall-plenary-reports-working-groups-en.pdf). At this event, we annually discuss and evaluate our progress as well as the challenges that arise during the implementation of our management approach. The respective departments then evaluate the results and the ideas provided by the stakeholders and incorporate them into their work processes.

As part of the integration of the HRRS into the Group-wide Compliance Management System, the Group companies in which Daimler has a majority share are examined for possible human rights-related risks, analogously to other compliance fields such as anti-corruption. In the first step, we classify the Group companies according to fixed criteria, including country-specific and business-specific risks. The focus is on the most important human rights issues that have been identified for the Group companies, including employee rights, diversity and safety. In the process, we take into account fundamental human rights standards such as those defined in the Universal Declaration of Human Rights and those of the International Labour Organization (ILO). On this basis we conduct a more thorough analysis every year with the help of a survey regarding human rights and use the findings to derive packages of risk-specific measures.

During the reporting period, this newly developed method was used for the first time at high-risk Group companies. The local compliance officers, who are part of our global compliance network, provide assistance for the human rights survey at the Group companies. In order to obtain useful insights from the survey, the compliance experts were trained in advance in an in-depth online training that was tailored to their needs. This training enabled them to recognize the human rights risks of our focal areas. It allowed us to identify the specific local risks and explore them further in discussions with the compliance officers of the respective Group companies. The results of this more in-depth risk analysis are correspondingly documented and incorporated into the development of targeted measures for minimizing human rights risks. We plan to continuously refine this analysis in the years ahead and to expand it to all Group companies in which we have a majority stake. Coupled with this is the development of risk-specific packages of measures that we will supply to the respective Group companies in line with their risk classification. They provide a systematic means of preventing human rights risks.

We pay special attention to our upstream supply chain of production materials. Here it is especially important to identify and avoid potential human rights risks and negative effects early on.

The key human rights risks that we have identified for the supply chain are reflected in the standards for our suppliers (Daimler Supplier Sustainability Standards) and, among other things, encompass child labor, forced labor and employee rights. In a more in-depth risk analysis, we also further specify and delimit raw material-specific focal topics. The specific risks can differ, depending on a product's processing stage within the supply chain (e.g. mine, refinery, processing plant or plantation). For example, we have identified child labor, health and safety as the most urgent human rights risks for cobalt, while the risks associated with the procurement and processing of lithium are largely related to rights that are affected by the extensive use of water at the procurement locations. We are also closely cooperating with relevant stakeholders in raw material supply chains in order to help improve working conditions and prevent human rights violations in raw material mining operations. Important platforms here include raw material initiatives such as the Initiative for Responsible Mining Assurance (IRMA), which we joined during the reporting year. They provide cross-sector mechanisms such as auditing standards and certification systems that help, among other things, to make it possible to trace the origins of materials such as cobalt, iron ore and bauxite, which is necessary for producing aluminum.

We want to continue to make recognizable progress on this important topic. Respect for and protection of human rights is therefore one of the focal topics of our sustainable business strategies. We have set measurable goals that we consistently pursue.

Within the framework of an advanced risk assessment, we have identified 27 service areas and 24 raw materials whose use, extraction and further processing pose potentially critical human rights risks. Our objective for the period through 2028 is to define and implement appropriate measures for addressing 100% of our production raw materials that harbor a higher risk of human rights violations. By the end of 2020, we had planned to assess 20 percent of all highest-risk raw materials. This figure is set to rise to 70 percent by 2025. Improving the transparency and traceability within our supply chains is fundamental to these efforts. Through these improvements we aim to identify potential risks and negative effects early on. Our assessment process basically consists of three steps. We want to:

1. Create transparency along the raw materials supply chains for certain focus components, such as battery cells,

2. Identify risk hotspots in these supply chains, and

3. Define and implement measures that address the risk hotspots.

By the end of 2020 we had assessed 24% of all high-risk raw materials.

These are our long-term goals:

- In the first step regarding our services supply chains, our goal is to conduct an initial review in the period through 2021 of 100% of our service product groups that pose a high risk of human rights violations.

- Our objective for the period through 2025 is to review 70% of all the high-risk production raw materials we use that pose a high risk of human rights violations and to define any necessary improvement measures.

- Our objective for the period through 2028 is to define and implement appropriate measures for addressing 100% of our production raw materials that harbor a higher risk of human rights violations.

Further information can be found in the Daimler Sustainability Report 2020, available from the end of March 2021 at sustainabilityreport.daimler.com

Overall Assessment of the Economic Situation

The 2020 financial year held special challenges for the Daimler Group.

In addition to the demanding transformation processes that we have to master in the automotive industry, the development of our profitability, cash flows and financial position also reflected the adverse effects of the covid-19 pandemic.

With the help of our active operational and financial countermeasures, we succeeded in meeting the adjusted expectations for the development of business in the past year.

We are confident for the 2021 financial year. This confidence, however, is based on the assumption that the covid-19 pandemic will be gradually contained in our most important markets and that further setbacks for global economic development will be avoided.

Events after the Reporting Period

On February 3, 2021, the Board of Management of Daimler AG decided, with the consent of the Supervisory Board, to evaluate a spin-off of Daimler Trucks & Buses including significant parts of the related financial services business (Daimler Truck), and to begin preparations for a separate listing of Daimler Truck before the end of 2021. Within the framework of the proposed transaction, Daimler intends to transfer a majority interest in Daimler Truck to its shareholders. Shareholder approval could be granted at an Extraordinary Shareholders' Meeting of Daimler AG at the end of the third quarter of 2021. Daimler intends to maintain a minority interest in Daimler Truck.

Remuneration Report

Principles of Board of Management remuneration

Goals

The remuneration system for the Board of Management members that was approved by 95.33% of the votes at the 2020 Annual Shareholders' Meeting aims to promote the Company's business strategy and its sustainable long-term development. When determining the total remuneration of the individual Board of Management members on the basis of the remuneration system that was approved by the Annual Shareholders' Meeting, Daimler takes the condition of the Company into account as well as the members' areas of activity and responsibility. This is done in line with legal requirements and with a clear focus on the competition. A balanced combination of non-performance-related (fixed) and performance-related (variable) components of remuneration that also takes into account suitably ambitious performance parameters and performance indicators provides the Board of Management with an incentive to implement the corporate strategy and ensure the Group's sustained success. In this way, Daimler reconciles the interests of all stakeholders, in particular those of the shareholders as the owners of the Company and those of the employees.

In addition to ensuring the appropriateness of the remuneration with regard to performance and market conformance while taking the size, complexity and economic situation of the Group into account, Daimler strongly focuses on making the remuneration system of the Board of Management consistent with that of the management team. The latter aspect ensures that all of the decision-makers pursue uniform goals while taking the same financial and sustainability/Environment Social Governance (ESG) aspects into account and promoting Daimler's cultural and organizational realignment. Further information about the remuneration system that was approved by the Annual Shareholders' Meeting is available on the company's website at daimler.com/company/corporate-governance/board-of-management/compensation.

Practical implementation

For each upcoming financial year, the Presidential Committee at first prepares a review by the Supervisory Board of the remuneration system and the level of remuneration and where necessary prepares suggestions for changes. In the process, the Presidential Committee and the Supervisory Board can avail themselves of the advice of external remuneration experts. This was also done in the year under review.

The remuneration system agreed upon by the Supervisory Board is presented to the Annual Shareholders' Meeting for its approval. The Supervisory Board regularly reviews the Board of Management remuneration system on the basis of the preparations and recommendations made by the Presidential Committee. The Supervisory Board makes any changes that are deemed necessary. If major changes are made to the remuneration system, or at least at intervals of four years, it is presented to the Annual Shareholders' Meeting for approval. If the Annual Shareholders' Meeting does not approve the remuneration system, a revised remuneration system has to be submitted for approval to the next ordinary Annual Shareholders' Meeting at the very latest.

On the basis of the approved remuneration system, the Supervisory Board determines the amount of the target total remuneration of the individual Board of Management members for the upcoming financial year. It is set in an appropriate relationship to the responsibilities and performance of each Board of Management member and to the situation of the Group. In addition, the Supervisory Board makes sure that the target total remuneration is appropriate to the market. To do this, it makes both a horizontal and a vertical comparison.

Taking into account Daimler's market position (especially with regard to sector, size and country), the horizontal (external) comparison of the target total remuneration draws on a suitable group of companies from the DAX and comparable companies in Germany along with a group of international competitors consisting of listed automotive manufacturers. The following aspects are given particular attention:

- the effects of the individual fixed and variable components, that is, the methods behind them and their performance parameters;
- the relative weighting of the components, that is, the relationship between the fixed base salary and the short, medium and long-term variable components;
- and the amount of the target remuneration consisting of a fixed base remuneration, an annual bonus as a short and medium-term variable component, and a long-term variable remuneration, also with consideration of entitlement to a retirement pension and fringe benefits.

In addition to the horizontal comparison, the Supervisory Board takes into account the development of the Board of Management remuneration in a vertical – internal – comparison with the remuneration of the senior executives and the total workforce (non-exempt and exempt employees, including senior executives) of the Daimler Group in Germany. This is done by comparing the Board of Management remuneration with the remuneration of the defined group of persons. In addition, it compares the Board of Management remuneration with that of the total workforce, including those of companies listed in the DAX and comparable companies.

The Supervisory Board has defined the group of senior executives as follows: It consists of the two management levels below the Board of Management at Daimler AG within the Daimler Group in Germany.

In the event of significant changes in the relationship between the remuneration of the Board of Management and the horizontal and vertical comparison groups the Supervisory Board establishes the causes and in the absence of objective reasons for the deviations adjusts the remuneration of the Board of Management as necessary.

The remuneration system enables the Supervisory Board to take into consideration the function and area of responsibility of the individual Board of Management member when determining the amount of the target total remuneration while also taking into account criteria such as international workplace and experience as well as the duration of membership of the Board of Management.

The remuneration system fundamentally consists of fixed non-performance-related and variable performance-related remuneration components, the sum of which determines the remuneration a Board of Management member receives in total.

The fixed non-performance-related remuneration consists of the base salary, the fringe benefits (the amount of which can change each year for each individual and as a result of certain events) and the retirement benefit commitments of each Board of Management member. The annual contribution for the retirement pension commitments is determined on the basis of the sum of the base salary and the total annual bonus as determined at the end of the reporting period.

The variable performance-related remuneration, in turn, is split into a short and medium-term variable remuneration (annual bonus) and a long-term variable remuneration (Performance Phantom Share Plan (PPSP)). For each financial year, the Supervisory Board links the variable remuneration components to targets derived from the strategy. The degree to which these targets are achieved determines how high the payments actually are.

For each financial year, the Supervisory Board also specifies a target bonus for the annual bonus if target achievement amounts to 100%. In addition, it sets an amount that is granted for the PPSP.

It also decides on the relevant financial performance parameters and the respective targets that are to be used in the bonus calculations (the short and medium-term variable remuneration components) for the upcoming financial year. Furthermore, sustainability-based non-financial targets are drawn up for the Board of Management as a whole, as are transformation targets oriented toward the implementation of future-focused measures for the Group's technological and sustainable realignment. Since the 2019 financial year, the annual bonus for the Board of Management and for managers has been calculated according to uniform goals/criteria and a uniform system.

For the long-term variable component of remuneration (PPSP) the Supervisory Board sets an amount to be granted for the upcoming financial year in the form of an absolute amount in euros and sets the respective performance targets. The uniform approach for the targets/criteria and the PPSP system has been in force for the Board of Management and for managers since it was introduced in 2005.

After the end of each financial year, the amount of the annual bonus is determined by measuring the achievement of the financial, non-financial and transformation targets by the Board of Management as a whole. The Presidential Committee then calculates the annual bonus and submits its proposal to the Supervisory Board for its approval.

The amount to be paid out for the long-term variable remuneration component (PPSP) is determined at the end of the four-year plan period and approved for payment after the Presidential Committee and the Supervisory Board have been informed.

The system of Board of Management remuneration in 2020
The fixed base salary and the annual bonus each comprise approximately 30% of the target remuneration (without the retirement pension commitments and fringe benefits), while the variable component of remuneration with a long-term incentive effect (PPSP) makes up approximately 40% of the target remuneration. ↗ B.38

Additional components of the non-performance-related remuneration are the retirement pension commitments and the fringe benefits (non-cash benefits in kind: mainly expenses for security precautions that are borne by the Company and the provision of company cars). The contribution to the pension plan is currently 15% of the sum of the base salary and the total annual bonus as determined at the end of the reporting period. As a rule and on average, the fringe benefits have generally amounted to 25% of the base salary over the past three years.

As before, only 50% of the annual bonus is paid out in the March of the following financial year. The other 50% is paid out a year later (deferral) with the application of a bonus-malus rule, depending on the development of the Daimler share price compared with an automotive index (STOXX Europe Auto Index) Daimler and the Capital Market, which Daimler AG uses as a benchmark for the relative share-price development. Both the delayed payout of the portion of the annual bonus (with the use of the bonus-malus rule) and the variable component of remuneration from the PPSP with its link to additional, ambitious comparative parameters and to the share price reflect the recommendations of the German Corporate Governance Code as amended on December 16, 2019, which stipulates that the variable remuneration that results from the achievement of long-term objectives should exceed that from short-term objectives.

The maximum amounts of remuneration of Board of Management members are limited, not only with regard to the variable components but also by a maximum amount for the cash payment and a maximum total remuneration pursuant to Section 87a Subsection 1 Sentence 2 No. 1 of the German Stock Corporation Act (AktG).

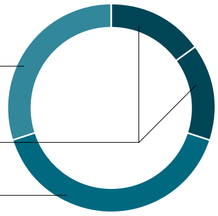
The maximum amounts of the cash payments to the members of the Board of Management were set at 1.9 times the sum of the base salary, the target annual bonus, and the value when granted of the PPSP for its members. It is 1.7 times for the Chairman of the Board of Management. The possible cap on the amount exceeding the maximum limit of the cash payments takes place with the payment of the PPSP issued in the relevant financial year, i.e. for the year 2020, with payment of the PPSP 2020 in 2024. ↗ B.39

B.38

Remuneration structure

Target remuneration consists of non-performance-related and performance-related components:

base salary (non-performance-related)	approx. 30%
short- and medium-term performance-related components	approx. 30%
long-term performance-related components	approx. 40%



B.39

Calculation of the maximum amount of remuneration (cash flow cap) and maximum total remuneration 2020

Base salary		Annual bonus		Performance Phantom Share Plan
Sum of the monthly payments	+	Target bonus (= 100% of the base salary)	+	Value when granted

= Target remuneration

× 1.7 (Chairman of the Board of Management) | × 1.9 (Ordinary members of the Board of Management)

=

Maximum amount of remuneration (cash flow cap)

+

Fringe benefits + **Retirement pension commitment**

=

Maximum total remuneration pursuant to Section 87a Subsection 1 Sentence 2 No. 1 German Stock Corporation Act (AktG)

Base salary in 2020
\+ Annual bonus in 2020 (50% paid out in 2021 + 50% paid out in 2022)
\+ PPSP payment for 2020 (in 2024) incl. dividend equivalent payments

Total cash payments[1] 2020
\+ Fringe benefits 2020
\+ Retirement pension commitment 2020

Total remuneration[2] in 2020

The possible cap on the amount exceeding the maximum amount of remuneration[1] and/or the maximum total remuneration[2] takes place with the payment of the PPSP for 2020 in 2024.

Pursuant to Section 87a Subsection 1 Sentence 2 No. 1 of the German Stock Corporation Act (AktG), the Supervisory Board has also set a maximum remuneration that was analyzed with regard to its appropriateness. This remuneration includes fringe benefits (non-cash benefits: expenses for security precautions that are mainly borne by the Company and the provision of company cars) as well as the maximum generally determined amounts of the retirement pension expense. The maximum remuneration for one financial year amounts to €12,000,000 for the Chairman of the Board of Management and €7,200,000 for an ordinary member of the Board of Management. The possible cap on the amount exceeding the maximum total remuneration also takes place with the payment of the PPSP issued in the relevant financial year.

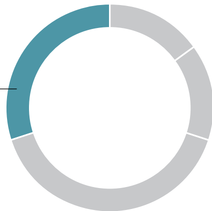
The individual components of the remuneration system are as follows:

B.40

Base salary – fixed

base salary – fixed – oriented towards the area of responsibility

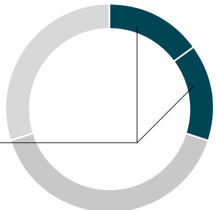
base salary (non-performance-related) paid out in twelve monthly installments approx. 30%



B.41

Annual bonus – short- and medium-term performance-related remuneration

short- and medium-term performance-related components approx. 30%



annual bonus 2020 = **target bonus** × **overall target achievement**

target bonus = 100% of base salary 2020

target achievement 50% EBIT / 50% FCF IB
+/- target achievement for the non-financial targets
+/- target achievement for the transformation targets

overall target achievement (max 200%)

time of payment of annual bonus 2020

50% of annual bonus	= in March of the year after the reporting year (2021)
50% of annual bonus (deferral)	= in March of the second year after the reporting year (2022)
amount paid out deferral	= 50% of annual bonus × “relative share performance”[1]

1 Depending on the development of the Daimler share price compared with the STOXX Europe Auto Index.

Fixed remuneration components

The **base salary** is fixed remuneration relating to the entire year, oriented toward the area of responsibility and the experience of each Board of Management member and paid out in twelve monthly installments. For financial year 2020, the Board of Management members have voluntarily agreed to forgo 20% of their base salary from April 1 to December 31, 2020. ↗ B.40

Fringe benefits are an additional component of the fixed remuneration. These are mainly composed of expenses for security precautions and the provision of company cars. In addition, special location-based services can be provided for Board of Management members who work abroad. In exceptional cases, members who are newly appointed to the Board of Management can receive one-time payments to reimburse them for the loss of remuneration from their immediately previous employment.

The details of the retirement benefit commitments are described in a separate section in this chapter.

Variable remuneration components

The **annual bonus** is a short and medium-term variable remuneration that provides an incentive for the contribution made in the financial year to the operational implementation of our corporate strategy, in particular the future-proofing expansion of our business model as a vehicle manufacturer and a provider of mobility services. The financial performance criteria are based on the operating result of the Daimler Group (EBIT) and the free cash flow of the industrial business, each of which is weighted at 50%. In addition to revenue, EBIT and the free cash flow of the industrial business are the most important financial performance indicators for the Daimler Group’s operational financial performance. ↗ B.41

The annual bonus is also impacted by the transformation targets set by the Supervisory Board as well as by the sustainability-oriented non-financial targets for the Board of Management as a whole. These factors can raise or lower the annual bonus by up to 0% – +25% and +/-10%, respectively.

Amount with 100% target achievement (target annual bonus)

In 2020, this is equivalent to the respective base salary.

B.42

Overview of the determination of the annual bonus from January 1, 2020

Financial targets
Strategic objective for both financial targets

– EBIT targeted/actual comparison (50% weighting)
– Free cash flow of the industrial business targeted/actual comparison (50% weighting)

Non-financial targets
– Employee targets
– Customer targets
– Diversity targets
– Integrity targets

Transformation targets
– Sustainability
– Digitalization/connectivity/integrated services
– Electric driving/autonomous driving

– 50% payout after one year
– 50% deferral coupled with **share price performance compared to competitors**

0% – 200% + **-10% – +10%** + **0% – 25%** = **Maximally 200% (cap)**

Financial targets

The target value of EBIT for each financial year continues to be derived on the basis of the desired medium-term return, which is set by the Supervisory Board and is ambitious and oriented toward the competitive environment, and derived from the growth targets. The starting point of the calculation is the revenue of the previous year. The target value for the free cash flow of the industrial business in the respective financial year is based on the defined EBIT target of the segments of the automobile business as well as on a strategic target for the cash conversion rate. The cash conversion rate is the proportion of the period's result that is scheduled to flow into the Group's liquidity after the payments for the necessary investments in research, development, tangible fixed assets and working capital are taken into account as part of the strategic growth target. When comparing the target free cash flow of the industrial business to the actual one, adjustments are made for certain factors that were taken into account in the target achievement of the annual bonus in 2019 or earlier.

Reference parameters:
- 50% comparison of actual EBIT in 2020 with EBIT targeted for 2020
- 50% comparison of actual free cash flow of the industrial business in 2020 with free cash flow of the industrial business targeted for 2020

The range of possible target achievement for the two financial targets (EBIT and free cash flow of the industrial business) is between 0% and 200%. The lower limit of this range is 25% of the target value; the upper limit is 125% of the target value. If the actually achieved value is at or under the lower limit of the range, the target achievement degree is always 0%. The total absence of a bonus is therefore possible.

If the actually achieved value is at or above the upper limit of the range, the target achievement degree is 200%, which is the maximum it can reach. The degree of target achievement develops linearly within the range. ↗ B.43

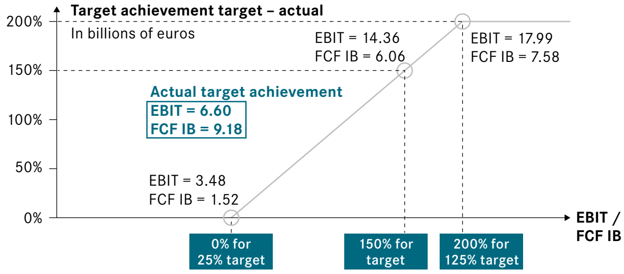
Non-financial targets

The non-financial targets, which are oriented toward sustainability and cultural aspects and have been uniform at all management levels since financial year 2019, are divided into four categories. Each category is weighted equally and receives an addition or a deduction of up to 2.5 percentage points to or from the degree of achievement of the financial target. After the end of the financial year, the degree of target achievement is calculated by comparing the target value and the actual value. On this basis, an addition to or a deduction from the degree of financial target achievement of up to a total amount of 10 percentage points is possible. The total of the addition or deduction resulting from the non-financial targets is rounded to two significant figures. For the financial year 2020 this results in an addition of +6% (rounded).

B.43

Financial targets:
EBIT and free cash flow of the industrial business (FCF IB)

Achievement of EBIT respectively FCF IB target results in 150% target achievement



B.44
Integrity

Degree of target achievement	Addition or deduction	Integrity indicator	+	Approval rate of any question
Excellent	2.5%	> 80%		> 74%
Good	2.0%	71–80%		65–74%
Average	1.0%	61–70%		60–64%
Low	-2.5%	≤ 60%		≤ 59%

B.45
Quality

Degree of target achievement	Addition or deduction	Quality KPIs of all divisions
Excellent	2.5%	The addition or deduction is dependent on the respective target value, which is defined for each specific division and product.
Good	2.0%	
Average	1.0%	
Low	-2.5%	

B.46
Employee engagement

Degree of target achievement	Addition or deduction	Employee engagement	+	Participation rate
Excellent	2.5%	> 35%		> 70%
Good	2.0%	31–35%		66–70%
Average	1.0%	25–30%		61–65%
Low	-2.5%	≤ 25%		≤ 60%

B.47
Diversity

Degree of target achievement	Addition or deduction	Gender Diversity Aspirational Guidelines
Excellent	2.5%	Target overachieved ≥ 10%
Good	2.0%	Target overachieved < 10%
Average	1.0%	Target achieved
Low	-2.5%	Target not achieved

Specifically:
Achievement of the Group-level targets regarding the further development and permanent establishment of integrity was measured on the basis of certain standardized questions in a global employee survey. This measurement was based on the achieved approval rate of any question and the average approval rate achieved across all questions (integrity indicator). This served as the basis for determining that +2.0% of the target was achieved at the Group level. ↗ B.44

Quality and/or customer satisfaction targets (quality KPIs of all divisions) were defined by the individual divisions for the financial year. With regard to vehicles, a comparison of the target number and the actual number of claims during a predefined period of time (MIS xx) was carried out. With regard to services, this comparison was carried out by means of a customer satisfaction index. The degree of target achievement at the Group level (+1.0%) was derived as a weighted average of the individual divisional degrees of target achievement. ↗ B.45

The degree of the employees' commitment to the Group (employee engagement) was calculated on the basis of their answers to certain standardized questions in our global employee survey. These answers, together with the participation rate achieved in the employee survey, were used to derive a +1.0% degree of target achievement at the Group level for the maintenance and enhancement of a high level of satisfaction and motivation among the employees. ↗ B.46

A target for the proportion of women in executive positions was defined at the Group level for a period of several years on the basis of Daimler's in-house guidelines for the proportion of women in management positions (Gender Diversity Aspirational Guidelines), which go beyond the legally obligatory targets. A +2.0% degree of target achievement was determined for this in a comparison of actual and target values that was conducted at the end of the financial year. ↗ B.47

Transformation targets

The transformation targets represent both quantitative and qualitative aspects. They can add up to 25 percentage points to the degree to which the financial targets have been achieved.

In order to take into account the implementation of the future-oriented measures for the technological and sustainable realignment of the Group, the divisions defined measurable key performance indicators and target values from the future-oriented fields at the beginning of financial year 2020. Here, as an integral part of our corporate strategy, sustainability/Environment Social Governance (ESG) aspects have an explicit significance for our business dealings.

After the conclusion of financial year 2020, a comparison of the actual and target values was conducted for the transformation targets of each division in the topic areas of Sustainability/Digitalization/Connectivity/Integrated Service/Electric Driving/Autonomous Driving. The Supervisory Board derived the Board of Management's shared degree of target achievement from the divisions' degree of target achievement as well as the strategic, organizational and structural contribution of the Board of Management as a whole, taking into account the economic environment and the competitive situation and positioning of the Group. For the financial year 2020 this leads to the addition of +20% to the degree to which the financial targets have been achieved.

B.48

Performance Phantom Share Plan (PPSP) – long-term performance-related remuneration

long-term performance-related remuneration approx. 40%

amount when granted in euros / price of Daimler shares when issued = **preliminary number of phantom shares (virtual shares)**
three-year dividend entitlement

after expiry of third plan year
preliminary number of phantom shares × performance factor
= **final number of phantom shares,** dividend entitlement in fourth year

after expiry of fourth plan year
final number of phantom shares × Daimler share price at end of plan
= **amount paid out**

Time of payment of Performance Phantom Share Plan 2020
in February of the year 2024

B.49

PPSP 2020

dependent upon	
Development of the performance factor	– 50% relates to the “return on sales” achieved in a three-year comparison with the defined group of competitors Bandwidth of possible target achievement: 0% – 200%[1] – 50% relates to “relative share performance,” i.e. the performance of Daimler’s share in a three-year comparison with the performance of the defined group of competitors (index). Bandwidth of possible target achievement: 0% – 200%
Development of the Daimler share price	Price when issued and price at the end of the plan period Bandwidth of possible price development: maximum of 2.5 times the issue price
Maximum performance development (total cap) 2.5 times the amount granted (including dividend equivalent payments throughout the plan period)	
Stock ownership guidelines Share purchase obligation of up to 25% of the gross remuneration until the defined number of shares (between 20,000 and 75,000) has been purchased (shares to be held until the end of the term of service)	

1 Maximum of 195% if, in the event of target achievement of 195% – 200%, the strategic return target has not been reached.

Limit for the annual bonus

The total amount to be paid out from the annual bonus is limited to 2 times the base salary of the respective financial year.

Malus/clawback

Agreements have been reached with all the members of the Board of Management allowing for the partial reduction or complete elimination of the annual bonus for any member who violates the duties of Section 93 of the German Stock Corporation Act (AktG) or in particular the principles laid down in the Company’s Integrity Code. If it is not possible to reduce a future bonus payment or a payment that has yet to be made, the Board of Management member in question will be required to pay back the amount of the bonus reduction. The Supervisory Board has the final decision on all such bonus reductions.

The **Performance Phantom Share Plan** (PPSP) is a variable element of remuneration with long-term incentive effects. At the beginning of the plan, the Supervisory Board specifies a grant value (absolute amount in euros) in the context of setting the individual annual target remuneration. This amount is divided by the relevant average price of Daimler shares calculated over a predefined long period of time, which results in the preliminary number of phantom shares allocated.

Also at the beginning of the plan, performance targets are set for a period of three years (performance period). Depending on the achievement of these performance targets with a possible range of 0% to 200%, after three years the phantom shares allocated at the beginning of the plan are converted into the final number of phantom shares allocated. After another plan year has elapsed (retention period), the amount to be paid out is calculated from this final number of phantom shares and the applicable share price at that time. The share price relevant for the payout under this plan is also relevant to allocating the preliminary number of phantom shares for the plan newly issued in the respective year. ↗ B.48 ↗ B.49

A dividend equivalent is applied for each phantom share held if a dividend is paid out for Daimler shares in the respective year. The amount of the dividend equivalent is based on the dividend that is paid out during the respective year for an actual share in the Company. During the performance period, it is granted for the preliminary number of phantom shares that have been allocated; in the year of the retention period, it is granted for the final number of phantom shares.

Value upon allocation

Determined annually by the Supervisory Board; for 2020, approximately 1.4 times the base salary.

Value of the phantom shares on payout
During the four-year period between the allocation of the preliminary phantom shares and the payout of the plan proceeds, the phantom shares earn a dividend equivalent in the amount of the actual dividend paid on ordinary Daimler shares.

The value of the phantom shares to be paid out after the conclusion of the plan period depends on target achievement measured according to the criteria described below and on the share price relevant for the payout. This share price is limited to 2.5 times the share price at the beginning of the plan. In addition, the amount to be paid out is limited to 2.5 times the absolute euro amount specified at the beginning of the plan, which is relevant for the preliminary number of phantom shares allocated. This maximum amount also includes the dividend equivalent paid out during the four-year plan period.

The value of the phantom shares to be paid out depends on target achievement measured according to the criteria described below and on the share price relevant for the payout. This final amount paid is limited to 2.5 times the value when granted at the beginning of the plan. This maximum amount also includes the dividend equivalent paid out during the four-year plan period.

The terms governing the PPSP include a provision that allows for the partial reduction or complete elimination of the annual bonus for any member of the Board of Management who clearly violates the principles laid down in the Company's Integrity Code or any other professional obligations, prior to the payout of the plan proceeds. The Supervisory Board has the final decision on all such bonus reductions.

Performance parameters for Plan 2020
- 50% relates to the Group's return on sales in a three-year comparison with a group of competitors comprising listed vehicle manufacturers with an automotive component of more than 70% by revenue and an investment-grade credit rating (BMW, GM, Honda, Hyundai, Isuzu, Kia, Mazda, Nissan, Paccar, PSA Peugeot Citroen, Renault, Subaru, Suzuki, Toyota, Volvo and Volkswagen). For the measurement of success, the competitors' average return on sales is calculated over a period of three years. Target achievement occurs to the extent to which Daimler's return on sales deviates by a maximum of +/-2 percentage points from 105% of the calculated average of the competitors.
  - Target achievement of 100% only occurs when the average return on sales of the Daimler Group reaches 105% of the revenue-weighted average return on sales of the group of competitors. Maximum target achievement of 200% occurs if Daimler's return on sales exceeds 105% of the revenue-weighted average of the competitors by 2 percentage points or more. An additional limitation was implemented starting with PPSP 2015: If a target achievement of between 195% and 200% occurs, the maximum target achievement calculated from the performance parameter of return on sales compared to the group of competitors will only be deemed to be 200% if the actual return on sales for Daimler's automotive business reaches at least the strategic target for return on sales in the third year of the performance period. Otherwise, target achievement will be limited to 195%.
  - Target achievement of 0% occurs if Daimler's return on sales is 2 percentage points or more lower. In the deviation range of +/- 2 percentage points, target achievement varies in proportion to the deviation.
- 50% relates to "relative share performance," i.e. the performance of Daimler's share in a three-year comparison with the performance of the defined group of competitors (index). If the performance of Daimler's share (in percent) is the same as that of the index (in percent), target achievement is deemed to be 100%. If the performance of Daimler's share price (in percent) is 50 percentage points or more below (above) the performance of the index, target achievement is deemed to be 0% (200%). In the deviation range of +/- 50 percentage points, target achievement varies in proportion to the deviation.

Range of possible target achievement
0 to 200%, that is, the plan has an upper limit. It may also be zero.

Policies for share ownership
As a supplement to these three components of remuneration, "Stock Ownership Policies" exist for the Board of Management. These policies require the members of the Board of Management to purchase Daimler shares over several years and to hold those shares until the end of their Board of Management membership. The number of shares to be held is set between 20,000 and 75,000. In fulfillment of the policies, up to 25% of the gross remuneration out of each Performance Phantom Share Plan is generally to be used to acquire ordinary shares in the Company, but the required shares can also be acquired in other ways.

Board of Management remuneration in financial year 2020

Board of Management remuneration in 2020 pursuant to Section 314 Subsection 1 No. 6 of the German Commercial Code (HGB)
The total remuneration granted by Group companies (excluding retirement benefit commitments) to the members of the Board of Management of Daimler AG is calculated as the total of the amounts of

- the base salary in 2020,
- the half of the annual bonus for 2020 payable in 2021 and measured as of the end of the reporting period,
- the half of the medium-term share-based component of the annual bonus for 2020 payable in 2022 with its value at the end of the reporting period (entitlement depending on the development of Daimler's share price compared with the STOXX Europe Auto Index),
- the value of the long-term share-based remuneration (PPSP) at the time when granted in 2020, and
- the taxable non-cash benefits in 2020.

For both of the share-based components – the second 50% of the annual bonus and the PPSP with a long-term orientation – the amounts actually paid out can deviate significantly from the values described depending on the development of the Daimler share price and on the achievement of the relevant target parameters. Upward deviation is possible only as far as the maximum limits described above. Both components can also be zero.

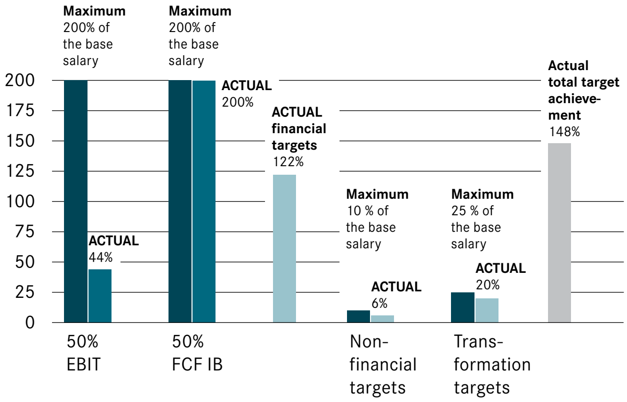
The possible upper limits with regard to the annual bonus and the PPSP are shown in tables ↗ **B.50** and ↗ **B.51**

Taking into account the voluntary agreement on the part of the Board of Management to forgo 20% of their base salary from April 1 to December 31, the total remuneration of the Board of Management for financial year 2020 amounts to €28.1 million (2019: €24.2 million). Of that total, €7.8 million was fixed, that is, non-performance-related remuneration (2019: €8.9 million), €11.1 million (2019: €2.0 million) was short-term and medium-term variable performance-related remuneration (annual bonus with deferral), and €9.2 million was variable performance-related remuneration granted in the financial year with a long-term incentive effect (2019: €13.3 million). ↗ **B.52**

The granting of non-cash benefits in kind, primarily expenses for security precautions and the provision of company cars, resulted in taxable benefits for the members of the Board of Management in 2020 as shown in table ↗ **B.53**.

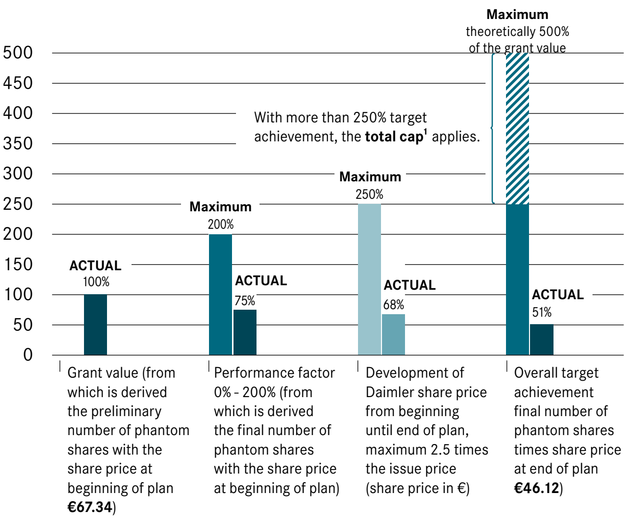
B.50

Annual bonus
(short- and medium-term variable remuneration of the Board of Management members active at year-end)



B.51

PPSP 2016 (paid in 2020)
(long-term variable remuneration ↗ B.55)



1 Amount paid out including dividend-equivalent payments of PPSP 2016.

B.52

Board of Management remuneration in 2020

		Base salary[1]	Short and medium-term variable remuneration (annual bonus)		Long-term variable remuneration (PPSP)		Total
			Short-term	Medium-term	Number	Value when granted (2020: at share price €42.73) (2019: at share price €50.00)	
In thousands of euros							
Ola Källenius[2]	**2020**	**1,415**	**1,232**	**1,232**	**47,702**	**2,038**	**5,917**
	2019	1,340	168	168	36,982	1,849	3,525
Martin Daum	**2020**	**707**	**616**	**616**	**23,851**	**1,019**	**2,958**
	2019	832	104	104	22,169	1,108	2,148
Renata Jungo Brüngger	**2020**	**707**	**616**	**616**	**23,851**	**1,019**	**2,958**
	2019	832	104	104	22,169	1,108	2,148
Wilfried Porth	**2020**	**707**	**616**	**616**	**24,935**	**1,065**	**3,004**
	2019	832	104	104	23,177	1,159	2,199
Markus Schäfer[3]	**2020**	**707**	**616**	**616**	**23,851**	**1,019**	**2,958**
	2019	508	64	64	17,735	887	1,523
Britta Seeger	**2020**	**707**	**616**	**616**	**23,851**	**1,019**	**2,958**
	2019	832	104	104	22,169	1,108	2,148
Hubertus Troska	**2020**	**707**	**616**	**616**	**23,851**	**1,019**	**2,958**
	2019	832	104	104	22,169	1,108	2,148
Harald Wilhelm[4]	**2020**	**723**	**629**	**629**	**23,851**	**1,019**	**3,000**
	2019	638	80	80	16,627	831	1,629
Bodo Uebber[5]	**2020**	**–**	**–**	**–**	**–**	**–**	**–**
	2019	379	47	47	26,502	1,325	1,798
Dr. Dieter Zetsche[5]	**2020**	**–**	**–**	**–**	**–**	**–**	**–**
	2019	804	101	101	56,429	2,822	3,828
Total	**2020**	**6,380**	**5,557**	**5,557**	**215,743**	**9,217**	**26,711**
	2019	7,829	980	980	266,128	13,305	23,094

1 Taking into account the voluntary agreement on the part of the Board of Management to forgo 20% of their base salary from April 1 to December 31, 2020.
2 2019: Board of Management remuneration paid as a member until May 21, 2019; as the Chairman from May 22, 2019.
3 2019: Board of Management remuneration paid from May 22, 2019.
4 2019: Board of Management remuneration paid from April 1, 2019.
5 2019: Board of Management remuneration paid until May 22, 2019.

B.53

Taxable non-cash benefits and other fringe benefits

	2020	2019
In thousands of euros		
Ola Källenius[1]	**72**	90
Martin Daum	**115**	120
Renata Jungo Brüngger	**96**	95
Wilfried Porth	**88**	87
Markus Schäfer[2]	**96**	57
Britta Seeger	**86**	94
Hubertus Troska[3]	**748**	394
Harald Wilhelm[4]	**77**	62
Bodo Uebber[5]	**–**	44
Dr. Dieter Zetsche[5]	**–**	65
Total	**1,378**	1,108

1 2019: Board of Management remuneration paid as a member until May 21, 2019; as the Chairman from May 22, 2019.
2 2019: Board of Management remuneration paid from May 22, 2019.
3 Hubertus Troska's foreign assignment caused deferred taxable benefits of €366,300 for the previous years. For the fulfillment of disclosure obligations pursuant to Section 285 No. 9a of the German Commercial Code (HGB), the total amount is reduced by €153,814 for the financial year 2020 (2019: €149,366). The corresponding fringe benefits were granted and borne by a subsidiary and are thus not included in the remuneration to be disclosed in the annual financial statements of the parent company, Daimler AG.
4 2019: Board of Management remuneration paid from April 1, 2019.
5 2019: Board of Management remuneration paid until May 22, 2019.

Further details of Board of Management remuneration in 2020

The following tables show for each individual member of the Board of Management on the one hand the benefits granted for the financial year and on the other hand the payments made in or for the reporting year and the retirement pension expense in or for the reporting year in comparison with the prior year. The tables are based on the previous recommendations of Clause 4.2.5 paragraph 3 of the German Corporate Governance Code as amended on February 7, 2017.

The total of “benefits granted” for financial year 2019 is calculated from

- the base salary in 2019,
- the taxable non-cash benefits and other fringe benefits in 2019,
- the half of the annual bonus paid in 2020 for 2019 at the value for target achievement of 100%,
- the half of the medium-term annual bonus payable in 2021 for 2019 at the value for target achievement of 100% (deferral),
- the value of the long-term share-based remuneration (PPSP) at the time when granted in 2019 (payable in 2023), and
- the retirement pension expense in 2019 (service costs in 2019).

The total of “benefits granted” for financial year 2020 is calculated from

- the base salary in 2020,
- the taxable non-cash benefits and other fringe benefits in 2020,
- the half of the annual bonus payable in 2021 for 2020 at the value for target achievement of 100%,
- the half of the medium-term annual bonus payable in 2022 for 2020 at the value for target achievement of 100% (deferral),
- the value of the long-term share-based remuneration (PPSP) at the time when granted in 2020 (payable in 2024), and
- the retirement pension expense in 2020 (service costs in 2020).

The total of “payments made” for financial year 2019 is calculated from

- the base salary in 2019,
- the taxable non-cash benefits and other fringe benefits in 2019,
- the half of the annual bonus paid in 2020 for 2019 at the value as of the end of the reporting period in financial year 2019,
- the half of the medium-term annual bonus paid in 2019 for 2017 (deferral),
- the value of the long-term share-based remuneration (PPSP 2015) paid in 2019,
- the dividend equivalent of the current PPSP (2016, 2017, 2018 and 2019) paid in 2019, and
- the retirement pension expense in 2019 (service costs in 2019).

The caps possible to ensure the total maximum amount shown in the table of benefits granted for financial year 2019 are implemented with the payout of PPSP 2019, which constitutes the last payment to be made of the components of remuneration granted in financial year 2019. For financial year 2019, therefore, the possible cap would take place in 2023, the year that PPSP 2019 is paid out.

The total of “payments made” for financial year 2020 is calculated from

- the base salary in 2020,
- the taxable non-cash benefits and other fringe benefits in 2020,
- the half of the annual bonus payable in 2021 for 2020 at the value as of the end of the reporting period,
- the half of the medium-term annual bonus paid in 2020 for 2018 (deferral),
- the value of the long-term share-based remuneration (PPSP 2016) paid in 2020,
- the dividend equivalent of the current PPSP (2017, 2018, 2019 and 2020) paid in 2020, and
- the retirement pension expense in 2020 (service costs in 2020).

The caps possible to ensure the total maximum amount shown in the table of benefits granted for reporting year 2020 are implemented with the payout of PPSP 2020, Which constitutes the last payment to be made of the components of remuneration granted in financial year 2020. For financial year 2020, therefore, the possible cap would take place in 2024, the year that PPSP 2020 is paid out.

B.54

Benefits granted

	Ola Källenius[3] Chairman of the Board of Management of Daimler AG/ Mercedes-Benz Cars & Vans				Martin Daum Daimler Trucks & Buses			
	Jan. 1 – Dec. 31		Jan. 1 – Dec. 31		Jan. 1 – Dec. 31		Jan. 1 – Dec. 31	
	2019	**2020**	min	max	2019	**2020**	min	max
In thousands of euros								
Base salary[1]	1,340	**1,415**	1,415	1,415	832	**707**	707	707
Taxable non-cash benefits and other fringe benefits	90	**72**	72	72	120	**115**	115	115
Total	1,430	**1,487**	1,487	1,487	952	**822**	822	822
Annual variable remuneration (50% of annual bonus, short-term)	670	**832**	0	1,664	416	**416**	0	832
Deferral (50% of annual bonus, medium-term)	670	**832**	0	1,664	416	**416**	0	832
Long-term variable remuneration (plan period of 4 years)	1,849	**2,038**	0	5,500	1,108	**1,019**	0	2,750
Total	3,189	**3,702**	0	8,828	1,940	**1,851**	0	4,414
Retirement pension expense (service costs)	261	**520**	520	520	250	**250**	250	250
Total remuneration	4,880	**5,709**	2,007	10,835	3,142	**2,923**	1,072	5,486
Total limit[2] for components of remuneration granted in the reporting year excluding: – Taxable non-cash benefits and other fringe benefits – Retirement pension expense (service costs)	7,878			9,399	5,252			5,252
Maximum total remuneration pursuant to Section 87a Subsection 1 Sentence 2 No. 1 German Stock Corporation Act (AktG)				12,000				7,200

1 Taking into account the voluntary agreement on the part of the Board of Management to forgo 20% of their base salary from April 1 to December 31, 2020.
2 Total limit = maximum amount of remuneration (cash flow cap) → 1.7 times for Ola Källenius (2019: 1.5 times for Dr. Dieter Zetsche) / 1.9 times target remuneration (base salary, target annual bonus, value when granted of PPSP, excluding fringe benefits and retirement pension commitments).
3 2019: Board of Management remuneration paid as a member until May 21, 2019; as the Chairman from May 22, 2019.

Benefits granted

	Renata Jungo Brüngger Integrity & Legal Affairs				Wilfried Porth HR and Labor Relations Director			
	Jan. 1 – Dec. 31		Jan. 1 – Dec. 31		Jan. 1 – Dec. 31		Jan. 1 – Dec. 31	
	2019	**2020**	min	max	2019	**2020**	min	max
In thousands of euros								
Base salary[1]	832	**707**	707	707	832	**707**	707	707
Taxable non-cash benefits and other fringe benefits	95	**96**	96	96	87	**88**	88	88
Total	927	**803**	803	803	919	**795**	795	795
Annual variable remuneration (50% of annual bonus, short-term)	416	**416**	0	832	416	**416**	0	832
Deferral (50% of annual bonus, medium-term)	416	**416**	0	832	416	**416**	0	832
Long-term variable remuneration (plan period of 4 years)	1,108	**1,019**	0	2,750	1,159	**1,065**	0	2,875
Total	1,940	**1,851**	0	4,414	1,991	**1,897**	0	4,539
Retirement pension expense (service costs)	254	**252**	252	252	0	**0**	0	0
Total remuneration	3,121	**2,906**	1,055	5,469	2,910	**2,692**	795	5,334
Total limit[2] for components of remuneration granted in the reporting year excluding: – Taxable non-cash benefits and other fringe benefits – Retirement pension expense (service costs)	5,252			5,252	5,347			5,347
Maximum total remuneration pursuant to Section 87a Subsection 1 Sentence 2 No. 1 German Stock Corporation Act (AktG)				7,200				7,200

1 Taking into account the voluntary agreement of the Board of Management to forgo 20% of the base salary from April 1 to December 31, 2020.
2 Total limit = maximum amount of remuneration (cash flow cap) → 1.7 times for Ola Källenius (2019: 1.5 times for Dr. Dieter Zetsche) / 1.9 times target remuneration (base salary, target annual bonus, value when granted of PPSP, excluding fringe benefits and retirement pension commitments).

Benefits granted

	Markus Schäfer Group Research and Mercedes-Benz Cars Chief Operating Officer				Britta Seeger Mercedes-Benz Cars Marketing & Sales			
	May 22 – Dec. 31		Jan. 1 – Dec. 31		Jan. 1 – Dec. 31		Jan. 1 – Dec. 31	
	2019	**2020**	min	max	2019	**2020**	min	max
In thousands of euros								
Base salary[1]	508	**707**	707	707	832	**707**	707	707
Taxable non-cash benefits and other fringe benefits	57	**96**	96	96	94	**86**	86	86
Total	565	**803**	803	803	926	**793**	793	793
Annual variable remuneration (50% of annual bonus, short-term)	254	**416**	0	832	416	**416**	0	832
Deferral (50% of annual bonus, medium-term)	254	**416**	0	832	416	**416**	0	832
Long-term variable remuneration (plan period of 4 years)	887	**1,019**	0	2,750	1,108	**1,019**	0	2,750
Total	1,395	**1,851**	0	4,414	1,940	**1,851**	0	4,414
Retirement pension expense (service costs)	155	**254**	254	254	254	**256**	256	256
Total remuneration	2,115	**2,908**	1,057	5,471	3,120	**2,900**	1,049	5,463
Total limit[2] for components of remuneration granted in the reporting year excluding: – Taxable non-cash benefits and other fringe benefits – Retirement pension expense (service costs)	3,602			5,252	5,252			5,252
Maximum total remuneration pursuant to Section 87a Subsection 1 Sentence 2 No. 1 German Stock Corporation Act (AktG)				7,200				7,200

1 Taking into account the voluntary agreement on the part of the Board of Management to forgo 20% of their base salary from April 1 to December 31, 2020.
2 Total limit = maximum amount of remuneration (cash flow cap) → 1.7 times for Ola Källenius (2019: 1.5 times for Dr. Dieter Zetsche) / 1.9 times target remuneration (base salary, target annual bonus, value when granted of PPSP, excluding fringe benefits and retirement pension commitments).

Benefits granted

	Hubertus Troska Greater China				Harald Wilhelm Finance & Controlling/ Daimler Mobility			
	Jan. 1 – Dec. 31		Jan. 1 – Dec. 31		April 1 – Dec. 31		Jan. 1 – Dec. 31	
	2019	**2020**	min	max	2019	**2020**	min	max
In thousands of euros								
Base salary[1]	832	**707**	707	707	638	**723**	723	723
Taxable non-cash benefits and other fringe benefits	394	**748**	748	748	62	**77**	77	77
Total	1,226	**1,455**	1,455	1,455	700	**800**	800	800
Annual variable remuneration (50% of annual bonus, short-term)	416	**416**	0	832	319	**425**	0	850
Deferral (50% of annual bonus, medium-term)	416	**416**	0	832	319	**425**	0	850
Long-term variable remuneration (plan period of 4 years)	1,108	**1,019**	0	2,750	831	**1,019**	0	2,750
Total	1,940	**1,851**	0	4,414	1,469	**1,869**	0	4,450
Retirement pension expense (service costs)	250	**250**	250	250	218	**291**	291	291
Total remuneration	3,416	**3,556**	1,705	6,119	2,387	**2,960**	1,091	5,541
Total limit[2] for components of remuneration granted in the reporting year excluding: – Taxable non-cash benefits and other fringe benefits – Retirement pension expense (service costs)	5,252			5,252	3,990			5,320
Maximum total remuneration pursuant to Section 87a Subsection 1 Sentence 2 No. 1 German Stock Corporation Act (AktG)				7,200				7,200

1 Taking into account the voluntary agreement on the part of the Board of Management to forgo 20% of their base salary from April 1 to December 31, 2020.
2 Total limit = maximum amount of remuneration (cash flow cap) → 1.7 times for Ola Källenius (2019: 1.5 times for Dr. Dieter Zetsche) / 1.9 times target remuneration (base salary, target annual bonus, value when granted of PPSP, excluding fringe benefits and retirement pension commitments).

Benefits granted

	Bodo Uebber Finance & Controlling, Daimler Financial Services				Dr. Dieter Zetsche Chairman of the Board of Management, Head of Mercedes-Benz Cars			
	Jan. 1 – May 22	Jan. 1 – Dec. 31			Jan. 1 – May 22	Jan. 1 – Dec. 31		
	2019	**2020**	min.	max.	2019	**2020**	min.	max.
In thousands of euros								
Base salary	379	–	–	–	804	–	–	–
Taxable non-cash benefits and other fringe benefits	44	–	–	–	65			
Total	423	–	–	–	869	–	–	–
Annual variable remuneration (50% of annual bonus, short-term)	190	–	–	–	402	–	–	–
Deferral (50% of annual bonus, medium-term)	190	–	–	–	402	–	–	–
Long-term variable remuneration (plan period of 4 years)	1,325	–	–	–	2,822	–	–	–
Total	1,705	–	–	–	3,626	–	–	–
Retirement pension expense (service costs)	362	–	–	–	0	–	–	–
Total remuneration	2,490	–	–	–	4,495	–	–	–
Total limit[1] for components of remuneration granted in the reporting year excluding: – Taxable non-cash benefits and other fringe benefits – Retirement pension expense (service costs)	3,940			–	6,612			–
Maximum total remuneration pursuant to Section 87a Subsection 1 Sentence 2 No. 1 German Stock Corporation Act (AktG)				–				–

1 Total limit = maximum amount of remuneration (cash flow cap) → 1.7 times for Ola Källenius (2019: 1.5 times for Dr. Dieter Zetsche) / 1.9 times target remuneration (base salary, target annual bonus, value when granted of PPSP, excluding fringe benefits and retirement pension commitments).

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Payments made

	Ola Källenius[2] Chairman of the Board of Management of Daimler AG/ Mercedes-Benz Cars & Vans		Martin Daum[3] Daimler Trucks & Buses	
	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31
	2019	**2020**	2019	**2020**
In thousands of euros				
Base salary[1]	1,340	**1,415**	832	**707**
Taxable non-cash benefits and other fringe benefits	90	**72**	120	**115**
Total	1,430	**1,487**	952	**822**
Annual variable remuneration (50% of annual bonus, short-term)	168	**1,232**	104	**616**
Deferral (50% of annual bonus, medium-term)	728	**242**	607	**242**
Long-term variable remuneration				
Payment of PPSP 2015	751	**–**	277	**–**
Payment of PPSP 2016	–	**565**	–	**225**
Dividend equivalent PPSP 2016	40	**–**	16	**–**
Dividend equivalent PPSP 2017	50	**8**	50	**8**
Dividend equivalent PPSP 2018	48	**13**	48	**13**
Dividend equivalent PPSP 2019	120	**33**	72	**20**
Dividend equivalent PPSP 2020	–	**43**	–	**21**
Total	1,905	**2,136**	1,174	**1,145**
Retirement pension expense (service costs)	261	**520**	250	**250**
Total remuneration[4]	3,596	**4,143**	2,376	**2,217**

1 Taking into account the voluntary agreement on the part of the Board of Management to forgo 20% of their base salary from April 1 to December 31, 2020.
2 2019: Payments as a Board of Management member made up to May 21, 2019; as the Chairman from May 22, 2019.
3 Payments from the long-term variable remuneration also include amounts granted before the Board of Management membership.
4 Amount actually paid during the financial year: (The difference pertains to the annual variable remuneration paid at the beginning of the following year compared to the non-cash benefits in kind that were not paid out and the retirement pension expense).

4 Amount actually paid during the financial year	3,337	**2,487**	2,162	**1,340**

Payments made

	Renata Jungo Brüngger[2] Integrity & Legal Affairs		Wilfried Porth HR and Labor Relations Director	
	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31
	2019	**2020**	2019	**2020**
In thousands of euros				
Base salary[1]	832	**707**	832	**707**
Taxable non-cash benefits and other fringe benefits	95	**96**	87	**88**
Total	927	**803**	919	**795**
Annual variable remuneration (50% of annual bonus, short-term)	104	**616**	104	**616**
Deferral (50% of annual bonus, medium-term)	728	**242**	728	**242**
Long-term variable remuneration				
Payment of PPSP 2015	120	**–**	785	**–**
Payment of PPSP 2016	–	**565**	–	**591**
Dividend equivalent PPSP 2016	40	**–**	42	**–**
Dividend equivalent PPSP 2017	50	**8**	52	**8**
Dividend equivalent PPSP 2018	48	**13**	51	**14**
Dividend equivalent PPSP 2019	72	**20**	75	**21**
Dividend equivalent PPSP 2020	–	**21**	–	**22**
Total	1,162	**1,485**	1,837	**1,514**
Retirement pension expense (service costs)	254	**252**	0	**0**
Total remuneration[3]	2,343	**2,540**	2,756	**2,309**
3 Amount actually paid out during the financial year: (The difference pertains to the annual variable remuneration paid at the beginning of the following year compared to the non-cash benefits in kind that were not paid out and the retirement pension expense).	2,150	**1,680**	2,825	**1,709**

1 Taking into account the voluntary agreement on the part of the Board of Management to forgo 20% of their base salary from April 1 to December 31, 2020.
2 Payments from the long-term variable remuneration also include amounts granted before the Board of Management membership.
3 Amount actually paid out during the financial year: (The difference pertains to the annual variable remuneration paid at the beginning of the following year compared to the non-cash benefits in kind that were not paid out and the retirement pension expense).

Payments made

	Markus Schäfer[2] Group Research and Mercedes-Benz Cars Chief Operating Officer		Britta Seeger[2] Mercedes-Benz Cars Marketing & Sales	
	May 22 – Dec. 31	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31
	2019	**2020**	2019	**2020**
In thousands of euros				
Base salary[1]	508	**707**	832	**707**
Taxable non-cash benefits and other fringe benefits	57	**96**	94	**86**
Total	565	**803**	926	**793**
Annual variable remuneration (50% of annual bonus, short-term)	64	**616**	104	**616**
Deferral (50% of annual bonus, medium-term)	–	**–**	728	**242**
Long-term variable remuneration				
Payment of PPSP 2015	–	**–**	37	**–**
Payment of PPSP 2016	–	**185**	–	**59**
Dividend equivalent PPSP 2016	13	**–**	4	**–**
Dividend equivalent PPSP 2017	17	**3**	50	**8**
Dividend equivalent PPSP 2018	19	**5**	48	**13**
Dividend equivalent PPSP 2019	58	**16**	72	**20**
Dividend equivalent PPSP 2020	–	**21**	–	**21**
Total	171	**846**	1,043	**979**
Retirement pension expense (service costs)	155	**254**	254	**256**
Total remuneration[3]	891	**1,903**	2,223	**2,028**
3 Amount actually paid out during the financial year: (The difference pertains to the annual variable remuneration paid at the beginning of the following year compared to the non-cash benefits in kind that were not paid out and the retirement pension expense).	615	**1,001**	2,031	**1,174**

1 Taking into account the voluntary agreement on the part of the Board of Management to forgo 20% of their base salary from April 1 to December 31, 2020.
2 Payments from the long-term variable remuneration also include amounts granted before the Board of Management membership.

Payments made

	Hubertus Troska Greater China		Harald Wilhelm Finance & Controlling/ Daimler Mobility	
	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	April 1 – Dec. 31	Jan. 1 – Dec. 31
	2019	**2020**	2019	**2020**
In thousands of euros				
Base salary[1]	832	**707**	638	**723**
Taxable non-cash benefits and other fringe benefits	394	**748**	62	**77**
Total	1,226	**1,455**	700	**800**
Annual variable remuneration (50% of annual bonus, short-term)	104	**616**	80	**629**
Deferral (50% of annual bonus, medium-term)	728	**242**	–	**–**
Long-term variable remuneration				
Payment of PPSP 2015	751	**–**	–	**–**
Payment of PPSP 2016	–	**565**	–	**–**
Dividend equivalent PPSP 2016	40	**–**	–	**–**
Dividend equivalent PPSP 2017	50	**8**	–	**–**
Dividend equivalent PPSP 2018	48	**13**	–	**–**
Dividend equivalent PPSP 2019	72	**20**	54	**15**
Dividend equivalent PPSP 2020	–	**21**	–	**21**
Total	1,793	**1,485**	134	**665**
Retirement pension expense (service costs)	250	**250**	218	**291**
Total remuneration[2]	3,269	**3,190**	1,052	**1,756**

1 Taking into account the voluntary agreement on the part of the Board of Management to forgo 20% of their base salary from April 1 to December 31, 2020.

2 Amount actually paid out during the financial year: (The difference pertains to the annual variable remuneration paid at the beginning of the following year compared to the non-cash benefits in kind that were not paid out and the retirement pension expense).	2,781	**1,680**	692	**839**

Payments made

	Bodo Uebber Finance & Controlling, Daimler Financial Services		Dr. Dieter Zetsche Chairman of the Board of Management, Head of Mercedes-Benz Cars	
	Jan. 1 – May 22	Jan. 1 – Dec. 31	Jan. 1 – May 22	Jan. 1 – Dec. 31
	2019	**2020**	2019	**2020**
In thousands of euros				
Base salary	379	**–**	804	**–**
Taxable non-cash benefits and other fringe benefits	44	**–**	65	**–**
Total	423	**–**	869	**–**
Annual variable remuneration (50% of annual bonus, short-term)	47	**–**	101	**–**
Deferral (50% of annual bonus, medium-term)	848	**–**	1,780	**–**
Long-term variable remuneration				
Payment of PPSP 2015	898	**–**	1,877	**–**
Payment of PPSP 2016	–	**–**	–	**–**
Dividend equivalent PPSP 2016	–	**–**	–	**–**
Dividend equivalent PPSP 2017	–	**–**	–	**–**
Dividend equivalent PPSP 2018	–	**–**	–	**–**
Dividend equivalent PPSP 2019	–	**–**	–	**–**
Dividend equivalent PPSP 2020	–	**–**	–	**–**
Total	1,793	**–**	3,758	**–**
Retirement pension expense (service costs)	362	**–**	0	**–**
Total remuneration[1]	2,578	**–**	4,627	**–**

1 Amount actually paid out during the financial year: (The difference pertains to the annual variable remuneration paid at the beginning of the following year compared to the non-cash benefits in kind that were not paid out and the retirement pension expense).	2,679	**–**	5,635	**–**

Commitments upon termination of service

Retirement provision

In 2012, Daimler introduced a new company retirement benefit plan for new entrants and new appointments for employees paid according to collective bargaining wage tariffs as well as for executives: the “Daimler Pensions Plan.” This retirement benefit system features the payment of annual contributions by Daimler and is oriented toward the capital market. Daimler merely makes a commitment to guarantee the total of contributions paid, which are invested in the capital market according to a precautionary investment concept.

The Supervisory Board of Daimler AG has approved the application of this system for all members of the Board of Management newly appointed since 2012. The amount of the annual contributions results from a fixed percentage of the base salary (2020: without taking into account the voluntary salary waiver) and the total annual bonus for the respective financial year calculated as of the balance sheet date. This percentage is currently 15%. This calculation takes into consideration the maximum level of retirement provision for each Board of Management member – also according to the period of membership – and the resulting annual and long-term expense for the Company. The contributions to the retirement provision are granted until the age of 62. The benefit from the Daimler Pensions Plan is payable in the committed amount (sum of the capital components credited including interest) to surviving Board of Management members at the earliest at the age of 62, irrespective of their age upon retirement. If a member of the Board of Management retires due to disability, the benefit is paid as a disability pension, even before the age of 62.

The Pension Capital system was used from the beginning of 2006 until the end of 2011. Existing pension agreements of active Board of Management members at the beginning of this period were adjusted correspondingly. All Board of Management members newly appointed during that period were subject exclusively to the Pension Capital system.

Under this system, each Board of Management member is credited with a capital component each year. This capital component comprises an amount equal to 15% of the sum of the Board of Management member’s fixed base salary and the total annual bonus for the respective financial year on the balance sheet date, multiplied by an age factor equivalent to a rate of return of 6% until 2015 and 5% from 2016 (Wilfried Porth: 5% for all years). These contributions to pension plans are granted only until the age of 60. The benefit from the pension capital is payable in the committed amount (sum of the capital components credited including interest) to surviving Board of Management members at the earliest at the age of 60, irrespective of their age upon retirement. If a member of the Board of Management retires due to disability, the benefit is paid as a disability pension, even before the age of 60.

Payments under the Pension Capital system and the Daimler Pensions Plan can be made in three ways:
- as a single amount;
- in twelve annual installments, whereby interest accrues on each partial amount from the time payments commence until the payout is complete (Pension Capital 6% or 5%; Daimler Pensions Plan in accordance with applicable law);
- as an annuity with annual increases (Pension Capital 3.5% or in accordance with applicable law; Daimler Pensions Plan in accordance with applicable law).

The contracts specify that if a Board of Management member passes away before retiring for reason of age, the spouse/registered civil partner or dependent children is/are entitled to the full committed amount in the case of the Pension Capital system, and to the credit amount reached plus an imputed amount until the age of 62 in the case of the Daimler Pensions Plan. If a Board of Management member passes away after retiring for reason of age, in the case of payment of twelve annual installments the heirs are entitled to the remaining present value. In the case of a pension with benefits for surviving dependents, the spouse/registered partner or dependent children is/are entitled to 60% of the discounted terminal value (Pension Capital), or the spouse/registered civil partner is entitled to 60% of the actual pension (Daimler Pensions Plan).

Until the end of 2005, the pension agreements of Board of Management members included a commitment to an annual retirement pension, calculated as a proportion of the former base salary and depending on the number of years of service; an analogous implementation of this commitment for the corresponding hierarchical level applied to Wilfried Porth for the period prior to his serving as a member of the Board of Management. Such pension claims remained in effect after the conversion to the Pension Capital system but were frozen at the level reached at the beginning of 2006.

Payments of these pension claims start upon request when the term of service ends at or after the age of 60, or are paid as disability pensions if the term of service ends before the age of 60 due to disability. The respective agreements provide for 3.5% annual increases starting when benefits are received (with the exception that Wilfried Porth’s benefits are adjusted in accordance with applicable law). The agreements guarantee the spouse/registered civil partner of a deceased Board of Management member 60% of that member’s pension.

That amount can increase by up to 30 percentage points depending on the number of dependent children.

Departing Board of Management members are also provided with a company car, in some cases for a defined period.

Service costs for pension obligations to Board of Management members in accordance with IFRS amounted to €2.1 million in financial year 2020 (2019: €2.0 million). The present value of the total defined benefit obligation according to IFRS amounted to €31.6 million as of December 31, 2020 (2019: €32.9 million). Taking age and period of service into account, the individual entitlements, service costs and present values are shown in the table. ↗ B.56

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Individual entitlements, service costs and present values for members of the Board of Management

In thousands of euros		Annual pension (as regulated until 2005) as of age 60	Service cost (for pension, pension capital and Daimler Pensions Plan)	Present value[1] of obligations (for pension, pension capital and Daimler Pensions Plan)
Ola Källenius	**2020**	**–**	**520**	**4,378**
	2019	–	261	4,062
Martin Daum	**2020**	**–**	**250**	**3,993**
	2019	–	250	3,738
Renata Jungo Brüngger	**2020**	**–**	**252**	**1,840**
	2019	–	254	1,655
Wilfried Porth	**2020**	**156**	**–**	**12,684**
	2019	156	–	12,130
Markus Schäfer[2]	**2020**	**–**	**254**	**2,720**
	2019	–	155	2,425
Britta Seeger	**2020**	**–**	**256**	**2,231**
	2019	–	254	1,995
Hubertus Troska	**2020**	**–**	**250**	**3,383**
	2019	–	250	6,028
Harald Wilhelm[3]	**2020**	**–**	**291**	**325**
	2019	–	218	134
Bodo Uebber[4]	**2020**	**–**	**–**	**–**
	2019	–	362	–
Dr. Dieter Zetsche	**2020**	**–**	**–**	**–**
	2019	–	–	–
Total	**2020**	**156**	**2,073**	**31,554**
	2019	156	2,004	32,167

1 The amounts of the present values are primarily due to the low level of the relevant discount rate.
2 2019: Markus Schäfer pro rata from May 22, 2019.
3 2019: Harald Wilhelm pro rata from April 1, 2019.
4 2019: Bodo Uebber pro rata until May 22, 2019.

Early termination of service

The durations of the contracts of service of the members of the Board of Management correspond to their terms of appointment. The Board of Management

In the case of unilateral early termination without an important reason, Board of Management service contracts include commitments to payment of the base salary and provision of a company car until the end of the original service period at a maximum. Such persons are only entitled to payment of the annual bonus pro rata for the period until the end of the membership in the Board of Management. Entitlement to payment of the performance-related components of remuneration with a long-term incentive effect (PPSP) that has already been allocated is defined by the conditions of the respective plans. To the extent that the payments described above are subject to the provisions of the severance cap of the German Corporate Governance Code as amended on December 16, 2019, their total including fringe benefits is limited to double the annual remuneration and may not exceed the total remuneration for the remaining period of the service contract.

In the event of an early termination of the service contract, both the short-term and the delayed medium-term component (deferral) of the annual bonus, and the proceeds from the long-term PPSP, are paid out not when the contract is terminated but instead at the points in time agreed upon in the service contract or in the terms and conditions of the PPSP plan. There are no assurances for cases in which membership in the Board of Management is terminated early because of a change of control or assurances for compensation in the case of dismissal.

Sideline activities of Board of Management members

The members of the Board of Management should accept management board or supervisory board positions and/or any other administrative or honorary functions outside the Group only to a limited extent. Furthermore, they require the consent of the Supervisory Board before commencing any sideline activities. This ensures that neither the time required nor the remuneration paid for such activities leads to any conflict with the members' duties to the Group. Insofar as such sideline activities are memberships of statutory supervisory boards or comparable boards of business enterprises, they are disclosed in the notes to the annual financial statements of Daimler AG, which are published on our website. In general, Board of Management members have no right to separate remuneration for board positions held at other companies of the Group.

Loans to members of the Board of Management

In 2020, no advances or loans were made or abated to members of the Board of Management of Daimler AG.

Payments made to former members of the Board of Management of Daimler AG and their survivors

Payments made in 2020 to former members of the Board of Management of Daimler AG and their survivors amounted to €26.0 million (2019: €19.5 million). Pension provisions according to IFRS for former members of the Board of Management and their survivors amounted to €362.5 million as of December 31, 2020 (2019: €355.8 million).

Remuneration of the Supervisory Board

Supervisory Board remuneration in 2020
The remuneration of the Supervisory Board is determined by the Annual Shareholders' Meeting of Daimler AG. It is regulated by Article 10 of the Articles of Incorporation of Daimler AG as a function-related fixed remuneration without performance bonus components and takes into account the responsibilities and scope of activity of the Supervisory Board members. The new regulations for Supervisory Board remuneration approved by the Annual Shareholders' Meeting in March 2017 and effective for the financial year beginning on January 1, 2017 specify that the members of the Supervisory Board receive fixed remuneration of €144,000 after the conclusion of the financial year. The Chairman of the Supervisory Board receives an additional €288,000 and the Deputy Chairman of the Supervisory Board receives an additional €144,000. The members of the Audit Committee are paid an additional €72,000, the members of the Presidential Committee are paid an additional €57,600 and the members of the other committees of the Supervisory Board are paid an additional €28,800; an exception is the Chairman of the Audit Committee, who is paid an additional €144,000. Additional payments are made for activities in a maximum of three committees; any persons who are members of more than three such committees receive additional payments for the three most highly paid functions. Members of a Supervisory Board committee are only entitled to remuneration for such membership in a financial year if the committee has actually convened to fulfill its duties in this period.

The members of the Supervisory Board and its committees receive a meeting fee of €1,100 for each Supervisory Board meeting and committee meeting that they attend. The meeting fee is paid only once if several meetings of the Supervisory Board and/or its committees are held on the same calendar day.

Furthermore the members of the Supervisory Board receive a refund of their expenses and the cost of any value added tax incurred by them in performance of their office.

The members of the Supervisory Board were also covered by consequential loss-liability insurance taken out by the company in its own interest in an appropriate amount for boards and specific managers. The company paid the premiums.

In connection with the remuneration adjustment in 2017, all members of the Supervisory Board have made a self-commitment to purchase Company shares in the amount of 20% of their gross annual salary (excluding committee remuneration and the meeting fee) every year and to hold these shares until the end of one year after they have left the Company's Supervisory Board (voluntary obligation in accordance with the "comply or explain" principle).

This does not apply to Supervisory Board members whose Supervisory Board remuneration is subject in a mandatory or voluntary manner to the guidelines of the German Trade Union Confederation on the transfer of supervisory board remuneration to the Hans Böckler Foundation, or to the same extent is subject to a transfer to the employer or claim to payment due to a service or employment contract. In the event that a lower amount of the Supervisory Board remuneration is transferred or credited, the voluntary commitment applies to 20% of the amount not transferred or credited. With this voluntary commitment, the members of the Supervisory Board are expressing their focus on and commitment to the long-term, sustainable success of the Company.

In financial year 2020, no remuneration was paid for services provided personally beyond the aforementioned board and committee activities, in particular for advisory or agency services, except for the remuneration paid to the members of the Supervisory Board representing the employees in accordance with their contracts of employment.

The individual remuneration of the members of the Supervisory Board is shown in the following table. ↗ B.57

Taking into account the voluntary agreement on the part of the Supervisory Board of Daimler AG to forgo 20% of their fixed remuneration and their meeting fees from April 1 to December 31, the total remuneration of all the activities of the members of the Supervisory Board of Daimler AG in the year 2020 was thus €5.5 million (2019: €4.6 million).

Pursuant to Section 113 Subsection 3 of the German Stock Corporation Act (AktG) in the revised version of the law for the implementation of the second shareholders rights directive (ARUG II) the Annual Shareholders' Meeting of a listed corporation shall approve the remuneration of the Supervisory Board members at least every four years, whereby a resolution confirming the remuneration is permissible. Such a resolution is planned for the ordinary Annual Shareholders' Meeting 2021. The remuneration of the Supervisory Board members according to Article 10 of the Articles of Incorporation are to be amended in the course of this so that the additional function-related remuneration for the Chair and membership of the Legal Affairs Committee are adjusted to €115,200 and €57,600 respectively.

Loans to members of the Supervisory Board
No advances or loans were made or abated to members of the Supervisory Board of Daimler AG in 2020.

B.57

Supervisory Board remuneration

Name	Function(s) remunerated	Total in 2020[4]	thereof remuneration from subsidiaries
In euros			
Dr. Manfred Bischoff[1]	Chairman of the Supervisory Board, the Presidential Committee and the Nomination Committee as well as member of the Legal Affairs Committee	741,948	261,577
Michael Brecht[1, 2]	Deputy Chairman of the Supervisory Board, the Presidential Committee, the Audit Committee and the Legal Affairs Committee	637,103	242,825
Dr. Paul Achleitner	Member of the Supervisory Board and the Nomination Committee (until July 8, 2020)	85,637	–
Bader M. Al Saad[1]	Member of the Supervisory Board	195,641	64,920
Sari Baldauf[1]	Member of the Supervisory Board and the Nomination Committee	221,873	63,820
Michael Bettag[2]	Member of the Supervisory Board	130,721	–
Dr. Clemens Börsig[1]	Member of the Supervisory Board and Chairman of the Audit Committee and the Legal Affairs Committee	347,094	64,920
Raymond Curry[3]	Member of the Supervisory Board	130,821	–
Michael Häberle[1, 2]	Member of the Supervisory Board and the Legal Affairs Committee	234,329	77,156
Dr. Jürgen Hambrecht[1]	Member of the Supervisory Board and the Presidential Committee	284,153	104,489
Petraea Heynike[1]	Member of the Supervisory Board	207,877	77,156
Timotheus Höttges	Member of the Supervisory Board (since July 8, 2020)	60,991	–
Joe Kaeser[1]	Member of the Supervisory Board and the Audit Committee	272,577	77,156
Ergun Lümali[1, 2]	Member of the Supervisory Board and the Audit Committee	448,502	253,081
Dr. Bernd Pischetsrieder[1]	Member of the Supervisory Board and the Nomination Committee (since July 9, 2020)	257,425	114,745
Elke Tönjes-Werner[2]	Member of the Supervisory Board	130,721	–
Sibylle Wankel[1, 2]	Member of the Supervisory Board and the Legal Affairs Committee	234,329	77,156
Dr. Frank Weber[1]	Member of the Supervisory Board	207,877	77,156
Marie Wieck[1]	Member of the Supervisory Board and the Legal Affairs Committee	234,329	77,156
Dr. Sabine Zimmer[2]	Member of the Supervisory Board	130,721	–
Roman Zitzelsberger[1, 2]	Member of the Supervisory Board and the Presidential Committee	286,133	104,489

1 Including remuneration as a member of the Supervisory Board of Daimler Truck AG and/or Mercedes-Benz AG.
2 The employee representatives have stated that their board remuneration is to be transferred to the Hans-Böckler Foundation, in accordance with the guidelines of the German Trade Union Federation.
3 Raymond Curry has directed that he receive no remuneration whatsoever and that his corresponding board remuneration is to be paid to the Hans-Böckler Foundation. His corresponding board remuneration is to be paid to the Hans-Böckler Foundation.
4 Taking into account the voluntary agreement on the part of the Supervisory Board to forgo 20% of their fixed remuneration and their meeting fees from April 1 to December 31, 2020.

Takeover-Relevant Information and Explanation

(Report pursuant to Sections 315a and 289a of the German Commercial Code (HGB))

Composition of share capital
The issued share capital of Daimler AG amounted to approximately €3,070 million at December 31, 2020. It is divided into 1,069,837,447 registered shares, each of which accounts for approximately €2.87 of the share capital. Pursuant to Section 67 Subsection 2 of the German Stock Corporation Act (AktG) in the version applicable as of December 31, 2020, rights and duties relating to the Company exist from the shares only for those persons and entities entered in the register of shareholders. With the exception of treasury shares, from which the Company does not have any rights, all shares confer equal rights to their holders. Each share confers the right to one vote and, with the possible exception of any new shares that are not yet entitled to a dividend, to an equal share of the profits in accordance with the dividend payout approved by the Annual Shareholders' Meeting. The rights and obligations arising from the shares are derived from the provisions of applicable law, in particular Sections 12, 53a ff., 118 ff. and 186 of the German Stock Corporation Act. There were no treasury shares at December 31, 2020.

Restrictions on voting rights and on the transfer of shares
The Company does not have any rights from treasury shares. In the cases described in Section 136 of the German Stock Corporation Act (AktG), the voting rights of treasury shares are nullified by law.

Shares acquired by employees within the context of the employee share program may not be disposed of until the end of the following year. Eligible participants in the Performance Phantom Share Plans (PPSPs) of Executive Level 1 and eligible members of the Board of Management are obliged by the Plans' terms and conditions and by the Stock Ownership Guidelines to acquire Daimler shares with a part of their Plan income or out of their own funds up to a defined target volume and to hold them for the duration of their employment at the Daimler Group. For the other persons eligible for PPSPs, this obligation no longer applies since payment of PPSP 2013 in February/March 2017.

Provisions of applicable law and of the Articles of Incorporation concerning the appointment and dismissal of members of the Board of Management and amendments to the Articles of Incorporation
Members of the Board of Management are appointed and dismissed on the basis of Sections 84 and 85 of the German Stock Corporation Act (AktG) and Section 31 of the German Codetermination Act (MitbestG). In accordance with Section 84 of the German Stock Corporation Act, the members of the Board of Management are appointed by the Supervisory Board for a maximum period of office of five years. Until December 31, 2020, the rules of procedure of the Supervisory Board of Daimler AG stipulated that the initial appointment of members of the Board of Management should generally be limited to three years. Since January 1, 2021, the rules of procedure stipulate a maximum period of three years for initial appointments. Reappointment or the extension of a period of office is permissible, in each case for a maximum of five years.

Pursuant to Section 31 Subsection 2 of the German Codetermination Act (MitbestG), the Supervisory Board appoints the members of the Board of Management with a majority comprising at least two thirds of its members' votes. If no such majority is obtained, the Mediation Committee of the Supervisory Board has to make a suggestion for the appointment within one month of the vote by the Supervisory Board in which the required majority was not reached. The Supervisory Board then appoints the members of the Board of Management with a majority of its members' votes. If no such majority is obtained, voting is repeated and the Chair of the Supervisory Board then has two votes. The same procedure applies for dismissals of members of the Board of Management.

In accordance with Article 5 of the Articles of Incorporation, the Board of Management has at least two members. The number of members is decided by the Supervisory Board. Pursuant to Section 84 Subsection 2 of the German Stock Corporation Act (AktG), the Supervisory Board can appoint a member of the Board of Management as its Chairperson. If a required member of the Board of Management is lacking, an affected party can apply in urgent cases for that member to be appointed by the court pursuant to Section 85 Subsection 1 of the German Stock Corporation Act (AktG). Pursuant to Section 84 Subsection 3 of the German Stock Corporation Act (AktG), the Supervisory Board can revoke the appointment of a member of the Board of Management and of the Chairperson of the Board of Management if there is an important reason to do so.

Pursuant to Section 179 of the German Stock Corporation Act (AktG), the Articles of Incorporation can only be amended by a resolution of an Annual Shareholders' Meeting. Unless otherwise required by the Stock Corporation Act or the Articles of Incorporation, resolutions of the Annual Shareholders' Meeting – with the exception of elections – are passed pursuant to Section 133 of the German Stock Corporation Act (AktG) and Article 16 Sentences 1 and 2 of the Articles of Incorporation with a simple majority of the votes cast and if required with a simple majority of the share capital represented. Pursuant to Article 16 Sentence 3 of the Articles of Incorporation, the dismissal of a member of the Supervisory Board requires a majority of at least three quarters of the votes cast. Pursuant to Section 179 Subsection 2 of the German Stock Corporation Act (AktG), any amendment to the purpose of the Company requires a three quarters majority of the share capital represented at the Shareholders' Meeting; no use is made in the Articles of Incorporation of the possibility to stipulate a larger majority of the share capital.

Authorization of the Board of Management to issue or buy back shares

The authorization granted by resolution of the Annual Shareholders' Meeting on April 1, 2015 to acquire and use the Company's own shares expired on March 31, 2020 without being utilized.

By resolution of the Annual Shareholders' Meeting on July 8, 2020, the Board of Management was once again authorized, with the consent of the Supervisory Board, to acquire the Company's own shares until July 7, 2025 for all legal purposes in a volume of up to 10% of the share capital at the time of the resolution of the Annual Shareholders' Meeting or – if this amount is lower – at the time when the authorization is exercised. With the consent of the Supervisory Board, the shares can be used, with the exclusion of shareholders' subscription rights, for, among other things, corporate mergers and acquisitions, or can be sold for cash to third parties at a price that is not significantly below the market price at the time of the sale. The shares can also be used to service debt on convertible bonds and/or bonds with warrants, or can be issued to employees of the Company and employees and members of executive bodies of affiliated companies pursuant to Section 15 ff. of the German Stock Corporation Act (AktG). The Company's own shares can also be canceled.

During the period of the authorization, the total of the Company's own shares used with the exclusion of shareholders' subscription rights may not exceed 10% of the share capital at the time when the authorization takes effect or - if this amount is lower - at the time when it is exercised. If, during the period of the authorization until it is exercised, use is made of other authorizations to issue or sell shares in the Company or to issue rights enabling or requiring subscription to shares in the Company and subscription rights are excluded, this is to be counted towards the aforementioned 10% limit.

In a volume of up to 5% of the share capital existing at the time of the resolution of the Annual Shareholders' Meeting, the Board of Management was authorized, with the consent of the Supervisory Board, to acquire the Company's own shares also with the application of derivative financial instruments (put or call options, forwards or a combination of these financial instruments), whereby the terms of the derivatives may not exceed 18 months and must be terminated on July 7, 2025, at the latest.

No use was made of this authorization to acquire the Company's own shares during the reporting period.

By resolution of the Annual Shareholders' Meeting of April 5, 2018, the Board of Management was authorized, with the consent of the Supervisory Board, to increase the share capital of Daimler AG in the period until April 4, 2023, wholly or in partial amounts, on one or several occasions, by up to €1 billion by issuing new registered shares of no par value in exchange for cash or non-cash contributions, and, with the consent of the Supervisory Board under certain conditions and within defined limits, to exclude shareholders' subscription rights (Approved Capital 2018). Subscription rights can, under these defined conditions, be excluded in the event of a capital increase through non-cash contributions for the purpose of an acquisition, and in the case of a capital increase through cash contributions, if the issue price of new shares is not significantly below the market price at the time of issue.

The total number of shares issued against cash and/or non-cash contributions under this authorization with the exclusion of shareholders' subscription rights may not exceed 10% of the share capital at the time when this authorization takes effect. This limit is to include shares which (i) are issued or sold during the period of this authorization with the exclusion of subscription rights in direct or analogous application of Section 186 Subsection 3 Sentence 4 of the German Stock Corporation Act (AktG) and which (ii) are or can or must be issued to service bonds with conversion or option rights or conversion or option obligations, provided that the bonds are issued after this authorization takes effect with the exclusion of shareholders' subscription rights with analogous application of Section 186 Subsection 3 Sentence 4 of the German Stock Corporation Act (AktG).

No use has yet been made of Approved Capital 2018.

The authorization granted by the Annual Shareholders' Meeting on April 1, 2015 to issue convertible bonds and/or bonds with warrants was limited until March 31, 2020. No use was made of the authorization. The corresponding Conditional Capital 2015 was cancelled by resolution of the Annual Shareholders' Meeting on July 8, 2020.

Also by resolution of the Annual Shareholders' Meeting on July 8, 2020, the Board of Management was authorized, with the consent of the Supervisory Board, to issue during the period until July 7, 2025, convertible bonds and/or bonds with warrants or a combination of those instruments (commercial paper) in a total nominal amount of up to €10 billion with a maximum term of ten years, and to grant the owners/lenders of those bonds conversion or option rights to new, registered shares of no par value in Daimler AG with a corresponding amount of the share capital of up to €500 million, in accordance with the terms and conditions of those convertible bonds or bonds with warrants. The bonds may be issued in exchange for consideration in cash, but also for consideration in kind, in particular for interests in other companies. The respective terms and conditions may also provide for mandatory conversion or an obligation to exercise the option rights. The bonds can be issued once or several times, wholly or in installments, or simultaneously in various tranches. They can also be issued by companies affiliated with Daimler AG pursuant to Section 15 ff. of the German Stock Corporation Act (AktG).

Inter alia, the Board of Management was also authorized under certain circumstances, within certain limits and with the consent of the Supervisory Board, to exclude shareholders' subscription rights to the bonds. Subscription rights can, under these defined conditions, be excluded when bonds are issued in exchange for non-cash contributions, particularly within the framework of a merger or acquisition, and when bonds are issued in exchange for cash contributions, if the issue price is not significantly below the theoretical market price of the bonds at the time of the issuance.

Any issuance of bonds with the exclusion of subscription rights may only be carried out under the authorization if the arithmetical proportion of the share capital attributable to the total of the new shares to be issued on the basis of such a bond does not exceed 10% of the share capital at the time when this authorization takes effect or - if this value is lower - at the time when it is exercised. If, during the period of the authorization until it is exercised, use is made of other authorizations to issue or sell shares in the Company or to issue rights enabling or requiring subscription to shares in the Company and subscription rights are excluded, this is to be counted towards the aforementioned 10% limit.

In order to service the debt of the convertible bonds and/or bonds with warrants issued as a result of the authorization, the Annual Shareholders' Meeting of July 8, 2020 also approved a conditional increase in the share capital of up to €500 million (Conditional Capital 2020).

No use was made of this authorization to issue convertible bonds and/or bonds with warrants during the reporting period.

Material agreements taking effect in the event of a change of control

Daimler AG has concluded various material agreements, as listed below, that include clauses regulating the possible event of a change of control, as can occur as a result of a takeover bid:

- A non-utilized syndicated credit line for a total amount of €11 billion and a non-utilized syndicated credit line for a total amount of €8.8 billion, each of which the lenders are entitled to terminate if (i) Daimler AG becomes a subsidiary of another company, or (ii) Daimler AG becomes controlled either individually or jointly by one or more persons acting together. For the purposes of each of the syndicated credit lines, subsidiary in relation to a company means another company (i) that is controlled directly or indirectly by the first-mentioned company, (ii) of which more than 50% of the subscribed share capital (or other equity) is held directly or indirectly by the first-mentioned company, or (iii) which is a subsidiary of another subsidiary of the first-mentioned company. Control for the purposes of each of the syndicated credit lines means (i) the right to determine the affairs of a company, (ii) the right to control the composition of the managing board or similar bodies, or (iii) the right to control the composition of the supervisory board (if elected by the shareholders).

- Credit agreements of Mercedes-Benz AG and Daimler Truck AG with lenders for an amount totaling €1.2 billion, for the repayment of which Daimler AG is jointly and severally liable, which provide for a right of termination for the lenders in the event that natural or legal persons or a group of at least two persons acting jointly acquire control of Daimler AG. For the purpose of the credit agreements, a group acting jointly exists when a group acts jointly on the basis of formal or informal agreements or other arrangements. Control for the purposes of the credit agreements means (i) holding or controlling more than 50% of the voting rights in Daimler AG, (ii) the right to determine or appoint the majority of the members of a decision-making body of Daimler AG (for example, the management, board of management, advisory board, supervisory board), (iii) the right to receive more than 50% of the distributable dividends of Daimler AG, or (iv) exercise of an otherwise comparable controlling influence on Daimler AG. Control can be exercised directly or indirectly through share ownership, contractual arrangement, fiduciary status, economic circumstances or otherwise, and through either a single person or a group acting together.

- A master cooperation agreement on wide-ranging strategic cooperation with Renault S.A., Renault-Nissan B.V. and Nissan Motor Co., Ltd., as well as with Mitsubishi Motors Corporation. In the case of a change of control of one of the parties to the agreement, each of the other parties has the right to terminate the agreement. A change of control as defined by the master cooperation agreement occurs if a third party or several third parties acting jointly acquire, legally or economically, directly or indirectly, at least 50% of the voting rights in the company in question or are authorized to appoint a majority of the members of its managing board. Under the master cooperation agreement, several cooperation agreements were concluded between Daimler AG on the one side and Renault and/or Nissan on the other, which provide for the right of termination for a party to the agreement in the case of a change of control of another party. With the exception of the master cooperation agreement, the aforementioned cooperation agreements were transferred from Daimler AG to Mercedes-Benz AG in 2019.

- An agreement with BAIC Motor Co., Ltd. related to a jointly held company for the production and distribution of cars of the Mercedes-Benz brand in China, by which BAIC Motor Co., Ltd. is given the right to terminate the agreement or exercise a put or call option in the case that a third party acquires one third or more of the voting rights in Daimler AG.

- An agreement between Daimler AG, BMW AG and Audi AG related to the acquisition of the companies of the HERE Group and the associated establishment of There Holding B.V. In the event of a change of control of one of the parties to the agreement, the agreement obligates the party in question to offer its shares in There Holding B.V. to the other parties to the agreement (shareholders). A change of control of Daimler AG occurs if one person gains control over Daimler AG, whereby control is defined as (i) having control of more than 50% of the voting rights, (ii) being able to control more than 50% of the voting rights eligible to vote at the shareholders' meetings on all or nearly all matters, or (iii) the right to determine the majority of the members of the Board of Management or of the Supervisory Board. A change of control also occurs if competitors of the HERE Group or certain possible competitors of the HERE Group in the technology industry acquire a shareholding of at least 25% of Daimler AG. If none of the other parties acquire these shares, the agreement gives them the right to dissolve There Holding B.V.

- An agreement between Daimler AG and BMW AG which contains basic provisions for six joint ventures between Daimler Mobility Services GmbH and group companies of BMW AG in the field of mobility services (car sharing, ride hailing, parking, charging, multimodal and a joint venture holding the common brand). A change of control is defined as the acquisition by a third party of more than 50% of the voting rights or shares, or the conclusion of a control agreement over Daimler AG by a third party. As a result of a change of control, the other party may initiate a shoot-out process, which is more precisely defined in the agreement.

Risk and Opportunity Report

The Daimler Group is exposed to a large number of risks that are directly linked with the business activities of Daimler AG and its subsidiaries or which result from external influences. A risk is understood as the danger that events, developments or actions will prevent the Group or one of its segments from achieving its targets. This includes financial and non-financial risks. At the same time, it is important to identify opportunities in order to safeguard and enhance the competitiveness of the Daimler Group. An opportunity is understood as the possibility due to events, developments or actions to safeguard or to surpass the planned targets of the Group or of a segment.

In order to identify business risks and opportunities at an early stage and to assess and manage them actively, effective management and control systems, which have been brought together in an overall risk and opportunity management system, are applied. Risks and opportunities are not offset.

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Assessment of probability of occurrence / possible impact

Level	Probability of occurrence		
Low	0% <	Probability of occurrence	≤ 33%
Medium	33% <	Probability of occurrence	≤ 66%
High	66% <	Probability of occurrence	< 100%

Level	Possible impact		
Low	€0 <	Impact	< €500 million
Medium	€500 million ≤	Impact	< €1 billion
High		Impact	≥ €1 billion

Risk and opportunity management system

The **risk management system** is intended to systematically and continually identify, assess, control, monitor and report on risks threatening the Daimler 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. The risk management system is integrated into the value-based management and planning system of the Daimler Group and is a fixed component of the overall planning, management and reporting process in the companies, segments and corporate functions.

The **opportunity management system** at the Daimler Group is based on the risk management system. The objective of opportunity management is to recognize the possible opportunities arising in business activities as a result of positive developments at an early stage, and to use them in the best possible way for the Group by taking appropriate measures. By taking advantage of opportunities, planned targets should be met or exceeded. Opportunity management considers relevant and realizable opportunities that have not yet been included in any planning.

In the context of the planning, risks and opportunities are considered with an observation period of up to five years. The reporting of risks and opportunities in the Management Report generally relates to a period of one year.

Risk assessment takes place on the basis of probability of occurrence and possible impact according to the levels "Low," "Medium" and "High." These levels also apply to the possible impact of opportunities. An analysis of the probability of occurrence is not considered here. When assessing the impact of a risk or opportunity, unless otherwise reported, its effect in relation to EBIT is considered.

At Group level, risks and opportunities below €500 million are classified as "Low," between €500 million and €1 billion as "Medium" and above €1 billion as "High." For the quantification of each risk and opportunity category in the Management Report, the individual risks and opportunities are summarized for each category. The assessment of the dimensions, probability of occurrence and possible impact is based on the levels shown in table ↗ **B.58** and is conducted before measures are planned. In the context of describing the risk and opportunity categories, significant changes in comparison to the prior year are explained.

Sustainability aspects are integrated into the Group-wide risk management process at Daimler. They are understood to be conditions, events, or developments involving environmental, social or governance factors (ESG), the occurrence of which may have an actual or potential impact on the Daimler Group's profitability, cash flows and financial position, as well as on its reputation. ESG-related risks and opportunities that are very likely to have a serious negative impact on non-financial aspects in accordance with the CSR Directive Implementation Act (CSR-RUG) can be found in the respective categories of the Risk and Opportunity Report according to their cause. Furthermore, Daimler follows the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) with regard to climate-related risks and opportunities.

Risk management is based on the principle of completeness. This means that at the level of the individual entities, all identified risks enter the risk management process.

The scope of consolidation for risk and opportunity management corresponds to the scope of the consolidated financial statements and goes beyond that if necessary. The risks and opportunities of the segments and operating units, important associated companies, joint ventures, joint operations and the corporate departments are included.

Furthermore, the employees responsible for risk management have the task of defining measures and, if necessary, initiating such measures to avoid, reduce or protect the Group against risks. Within the context of opportunity management, measures are to be taken with which opportunities can be seized, improved and (fully or partially) realized. The cost-effectiveness of a measure is assessed before its implementation. The possible impact and probability of occurrence of all risks and opportunities of the individual entities and the related measures that have been initiated are continually monitored. The management activities take place at the level of the segments based on individual risks and opportunities. As the parent company of the Daimler Group, Daimler AG monitors implementation by the segments as part of its regulatory, legal, and compliance functions.

The **organizational embedding of risk and opportunity management** takes place through the risk management organization established at the Group. Responsibility for operational risk management and for the risk management processes lies with the segments, corporate functions, organizational entities and companies. They report on the specific risks and opportunities to the next-higher level unit on a regular basis. Significant, unexpected risks must be reported on immediately. Through the segments, this information is passed on to Group Risk Management for reporting to the Board of Management and the Supervisory Board. The Group 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 & Financial Reporting, the Legal department, Compliance, Technical Compliance, Corporate & Information Security and the members responsible for finance of the Boards of Management of Mercedes-Benz AG, Daimler Truck AG and Daimler Mobility AG; it is chaired by the Board of Management members of Daimler AG responsible Finance & Controlling / Daimler Mobility and for Integrity and Legal Affairs. The Internal Auditing department contributes material findings on the internal control and risk management system.

The **internal control system with regard to the accounting process** has the objective of ensuring the correctness and effectiveness of accounting and financial reporting. It is designed in line with the internationally recognized framework for internal control systems of the Committee of Sponsoring Organizations of the Treadway Commission (COSO Internal Control – Integrated Framework), is continually developed further, and is an integral part of the accounting and financial reporting processes in the relevant companies, organizational units and corporate functions. The system includes principles and procedures as well as preventive and detective controls. Among other things, it is regularly checked as to whether

- the Group's uniform financial reporting, valuation and accounting guidelines are continually updated and regularly taught and adhered to;
- transactions within the Group are accounted for and properly eliminated;
- issues relevant for financial reporting and disclosure from agreements entered into are recognized and appropriately presented;
- processes are established to guarantee the completeness of financial reporting;
- processes are established for the segregation of duties and for the "four-eyes principle" in the context of preparing financial statements, and whether authorization and access rules exist for relevant IT accounting systems.

The effectiveness of the internal control system is systematically assessed with regard to the corporate accounting process. The first step consists of risk analysis and a definition of control with the objective of identifying significant risks relating to the processes of corporate accounting and financial reporting in the main companies, organizational entities and corporate functions. The controls required are then defined and documented in accordance with Group-wide guidelines. Random samples are regularly tested to assess the effectiveness of the controls. Those tests constitute the basis for self-assessment of the appropriate magnitude and effectiveness of the controls. The results of this self-assessment are documented and reported in a Group-wide IT system; identified control weaknesses are eliminated. At the end of the annual cycle, the selected companies, organizational entities and corporate functions confirm the effectiveness of the internal control system with regard to the corporate accounting process. The Board of Management and the Audit Committee of the Supervisory Board are regularly informed about potential significant control weaknesses and the effectiveness of the control mechanisms installed. However, the internal control and risk management system for the accounting process cannot ensure with absolute certainty that material misstatements in accounting are avoided.

The Audit Committee of the Supervisory Board of Daimler AG and the committees of the Supervisory Boards of Mercedes-Benz AG, Daimler Truck AG and Daimler Mobility AG are responsible for **monitoring the internal control and risk management system.** The Internal Auditing department monitors whether the statutory conditions and the Group's internal guidelines concerning the internal control and risk management system of the Group are adhered to. If required, measures are initiated in cooperation with the respective management. External auditors audit the system for the early identification of risks, which is integrated in the risk management system, for its general suitability to identify risks threatening the existence of the Group; in addition, they report to the Audit Committee and the Supervisory Board on any significant weaknesses that have been recognized in the internal control and risk management system.

Risks and opportunities

The following section describes risks and opportunities that can have a significant influence on the profitability, cash flows and financial position of the Daimler Group. In general, the reporting of risks and opportunities takes place in relation to the individual segments. If no segment is explicitly mentioned, the risks and opportunities described relate to all the segments.

In addition to the risks and opportunities described below, risks and opportunities that are not yet known or classified as not material can also influence profitability, cash flows and financial position in the future.

Industry and business risks and opportunities

The following section describes the industry and business risks and opportunities of the Daimler Group. A quantification of these risks and opportunities is shown in table ↗ B.59.

Economic risks and opportunities
Economic risks and opportunities constitute the framework for the risks and opportunities listed in the following categories and are integrated as premises into the quantification of these risks and opportunities. Overall economic conditions have a significant influence on vehicle sales markets and thus on the Group's success.

Like the majority of economic research institutes, Daimler expects the **world economy** to recover noticeably in 2021 from the recession of the previous year. Economic developments in 2020 are described in detail in the Economic Conditions and Business Development section of this Management Report; growth assumptions and forecasts for general developments in 2021 are explained in the Outlook.

A significant risk for the development of the global economy is the further course of the **covid-19 pandemic.** If the further course of the infection necessitates even more drastic and comprehensive containment measures than assumed in the Outlook section of this Management Report, this would have a major impact on the economic recovery and international trade relations. The broader and more comprehensive the lockdowns, the greater the impact.

If the restrictions resulting from the pandemic last significantly longer than the first quarter, this could place an excessive burden on households, companies and governments. Among other things, this could lead to a noticeable rise in unemployment, which in turn would have significant adverse effects on private consumption and would also have a lasting negative impact on the recovery. The already strained situation of many companies could worsen as a result. A possible wave of insolvencies resulting from this could jeopardize the stability of the banking sector and lead to distortions in the financial markets. For the Daimler Group, the risks arising from the further course of the pandemic could on the one hand adversely affect both unit sales and sales processes, and on the other hand could lead to significant negative effects on production and supply chains.

If the **service sector,** which has been particularly hit hard by the coronavirus pandemic, fails to recover as expected due to ongoing restrictions or voluntary changes in consumer behavior, this would have a noticeable impact on employment and wages in this sector. This would significantly reduce consumer confidence and consumption, one of the most important pillars of the economic recovery. The resulting lower growth or even decline in overall economic consumption would have a correspondingly negative impact on sales prospects, in particular of Mercedes-Benz Cars & Vans.

In addition, if expectations of a recovery are not fulfilled, there could be a sharp correction on the stock markets, as they have already priced in a noticeable improvement of the real economy. Sharply falling share prices could set off a chain reaction on global stock markets, with sharp market corrections and phases of extraordinary volatility as a consequence. Such developments could lead to major asset losses worldwide and also depress consumer sentiment and the investment climate, and have a negative impact on the global economy. This would have significant adverse effects in particular on the sales prospects of all segments and on the Daimler Group's earnings.

However, the successful containment of the pandemic within the first months of the year, for example, through more rapid and widespread deployment of suitable **vaccines** or the development of effective medication for covid-19, could lead to a significantly more dynamic recovery than assumed in the Outlook section. Reduced uncertainty about the ongoing pandemic and the economic outlook could ensure that household savings, which rose sharply during the shutdown, are released more quickly than assumed. This would noticeably boost consumption and have a positive impact on unit sales by Mercedes-Benz Cars & Vans. In this case, the willingness of companies to invest could also increase, which could be reflected in rising demand for commercial vehicles, with corresponding positive effects for unit sales by Daimler Trucks & Buses.

The increase in public and private **debt** resulting from the pandemic and the countermeasures required to combat it could lead to speculation in the capital market due to some countries' debt situations. This in turn could further increase uncertainty among consumers and investors. In the event of rising interest rates, this development could worsen further. Furthermore, the premature withdrawal of government support measures could slow down the economic recovery. Both developments would result in weaker consumer and investment activity and would be accompanied by a correspondingly weaker business developments for all divisions of the Daimler Group. In addition, the rising burden of interest and principal payments could restrict companies' scope for future investment, thus dampening future economic activity. Lower investment activity would have a particularly negative impact on unit sales by Daimler Trucks & Buses.

At the country level, those **emerging economies** (such as Turkey, South Africa or Brazil) with high foreign debt and high current account deficits could come under pressure, resulting in significant currency devaluations. Financial-market turbulence and even currency crises would be possible consequences and could have a massive negative impact on the economies concerned. Since Daimler is either already very active in these countries or these markets play a strategic role, this would have a significantly negative impact on the Group's sales prospects.

Despite the Phase One partial trade deal, a renewed escalation of the **trade conflict** between the United States and China would continue to be a significant risk for the further development of the world economy. Furthermore, more and more areas are meanwhile affected by the conflict and there is the threat of increasing technological and economic disconnection between the two countries. This could significantly affect the development of unit sales by Mercedes-Benz Cars & Vans. In addition, there is a danger that countries will implement increasingly protectionist measures such as specific market-access barriers or industry requirements for increased local value added. This would lead to higher costs at Mercedes-Benz Cars & Vans and Daimler Trucks & Buses, adversely affecting business developments and sales possibilities. On the other hand, unforeseen trade facilitations could provide positive impulses and lead to more trade and higher growth. In that case, the Daimler Group could also benefit.

The **European market** will continue to be of great importance for all segments of the Daimler Group in the future, so changes in investment and consumer behavior will affect the development of unit sales in all segments. In the European Union (EU), the risk of political conflicts remains high. Phases of political uncertainty could have a negative impact on consumption and investment decisions by households and companies, and consequently have a negative impact on the economic development and sales opportunities of the Daimler Group. If, however, concerted stimulus measures in the European Union, above all the EU reconstruction bonds, or the ECB's expansionary measures have a greater impact than currently assumed, this could lead to a stronger recovery in growth, with positive effects on companies and households. Although the trade and cooperation agreement concluded by the EU and the United Kingdom on December 24, 2020 avoids the feared hard cut and provides for tariff-free trade, a general condition for this is that the respective product-specific value-added rules and rules of origin are complied with. In addition, it will bring about fundamental changes in relations between the EU and the United Kingdom, such as time-consuming customs procedures in the cross-border trade in goods. Long waiting times at the border could lead to delays in deliveries. In addition, possible customs payments if the required rules of origin are not complied with could lead to pressure on vehicle prices or margins.

The fiscal program decided upon in late 2020 and potential further stimulus measures by the new administration in the **United States** could result in opportunities for economic developments. If this leads to significantly more dynamic consumption and investment, demand could benefit in all automotive segments. As Mercedes-Benz Cars & Vans, Daimler Trucks & Buses and Daimler Mobility generate substantial proportions of their revenues in the United States, these developments would have considerable consequences for the Group's success. Furthermore, stronger economic growth in the United States would also have spillover effects on the rest of the world. However, increasing domestic political tension in the United States could unsettle consumers and investors and thus dampen economic growth.

In **China,** support measures to combat the consequences of the corona pandemic could exacerbate structural imbalances such as overcapacity, indebtedness and low productivity. From an economic perspective, above all the high indebtedness of Chinese companies, especially state-owned enterprises, also represents a considerable risk. If the government's expected efforts to scale back fiscal and monetary support measures lead to a more significant growth slowdown than currently expected, this could result in an excessive increase in credit defaults, which would then lead to turbulences in the banking sector and the financial markets. In particular at the Mercedes-Benz Cars & Vans division, for which China is now one of the biggest sales markets, the aforementioned risks could result in significant negative effects on unit sales. However, growth in 2021 could turn out to be stronger than expected due to ongoing stimulus measures by the Chinese government. The resulting stronger growth in overall economic consumption would offer additional opportunities, especially for Mercedes-Benz Cars & Vans.

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Industry and business risks and opportunities

Risk category	Probability of occurrence	Impact	Opportunity category	Impact
General market risks	Low	High	General market opportunities	High
Risks relating to the legal and political framework	Low	High	Opportunities relating to the legal and political framework	Low
Procurement market risks	Medium	High	Procurement market opportunities	Medium

General market risks and opportunities
The risks and opportunities for the economic development of automotive markets are strongly affected by the cyclical situation of the global economy as described above. In particular, the potential restrictions mentioned under economic risks and opportunities as a result of the covid-19 pandemic may lead to sales risks worldwide and negatively impact the aftersales business. The assessment of market risks and opportunities is linked to assumptions and forecasts about the overall development of markets in the regions in which the Daimler Group is active. The possibility of markets developing better or worse than assumed in the planning, or of changing market conditions, generally exists for all segments of the Daimler Group.

Potential effects of the **risks of the development of unit sales** are included in risk scenarios. The lack of market acceptance of certain vehicle models in individual regions can have a negative impact earnings. Causes of declining vehicle sales may also result in particular from the partially unstable economic environment and in the context of political or economic uncertainties. A rising oil price and volatile exchange rates can also lead to market uncertainty and thus to falling demand for vehicles. Differences between the segments exist due to the partly varying regional focus of their activities. The development of markets, unit sales and inventories is continually analyzed and monitored by the segments; if necessary, specific marketing and sales programs are implemented.

Volatilities with regard to market developments can also lead to the overall market or regional conditions for the automotive industry developing better than assumed in the internal forecasts and premises, resulting in business opportunities in the market. Opportunities may also arise from an improvement in the competitive situation or a positive development of demand. The utilization of opportunities is supported by sales and marketing campaigns.

Due to the partly difficult financial situation of some **dealerships and vehicle importers,** support actions by Mercedes-Benz Cars & Vans and Daimler Trucks & Buses might become necessary to ensure the performance of the business partners. The financial situation of strategically relevant dealerships and vehicle importers is continuously monitored. The loss of important dealerships and vehicle importers can lead to customer demand not being fully served and lower unit sales. Taking over the costs of contract cancellations and of processing outstanding customer contracts cannot be ruled out as a result of dealer insolvencies and may have a negative impact on earnings.

The launch of new products by competitors, more aggressive pricing policies and poorer effective pricing in the aftersales business can lead to increasing **competitive and price pressure** in the automotive segments and have a negative impact on profitability. Continuous monitoring of competitors is carried out in order to recognize these risks at an early stage. Depending on the situation, product-specific and possibly regionally different measures are taken to support weaker markets. Daimler also applies various programs to boost sales, including financial incentives for customers.

In connection with the sale of vehicles, Daimler offers its customers a wide range of **financing and leasing options.** The resulting risks for the Daimler Mobility segment are mainly due to borrowers' worsening creditworthiness, so receivables might not be recoverable in whole or in part because of customers' insolvency (default or credit risk). Daimler counteracts credit risks by means of creditworthiness checks on the basis of standardized scoring and rating methods, the collateralization of receivables, and effective risk management with a firm focus on monitoring both internal and macroeconomic leading indicators.

Against the background of the covid-19 pandemic, the Daimler Mobility segment has granted selected customers improved payment terms in the form of deferrals, and deferrals were also granted due to government support programs. In order to take into account the increased credit risks due to the impact of the pandemic on the global economy, Daimler Mobility has increased its debt-collection activities as a precautionary measure and has intensified internal monitoring and reporting by Risk Management.

In connection with leasing agreements, risks and opportunities arise if the market value of a leased vehicle at the end of the agreement term differs from the residual value that was originally calculated and forecasted at the time the agreement was concluded and used as a basis for the leasing installments. Particularly at Mercedes-Benz Cars & Vans and Daimler Mobility, risks exist relating to a negative development of used-car markets with a corresponding impact on **vehicles' residual values.** Residual-value management processes are defined to counteract these risks. 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 periodic 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.

Across all segments, the assessment of general market risks is unchanged compared to the previous year. The impact of market opportunities has increased from "Medium" to "High" due to the potentially stronger development of demand than assumed in the planning of the automotive segments.

Risks and opportunities related to the legal and political framework

The automotive industry is subject to extensive governmental regulation worldwide. Risks and opportunities from the legal and political framework have a considerable influence on Daimler's future business success. Regulations concerning vehicles' emissions, fuel consumption, safety and certification, as well as tariff aspects, play a particularly important role. The possible impact of risks from the legal and political framework remains unchanged at "High" compared to the previous year; the probability of occurrence of risks has decreased from "Medium" to "Low." This is due in particular to the lower probability of occurrence for risks in connection with tariffs. The assessment of the possible impact of opportunities decreased from "Medium" to "Low."

Many countries and regions have already implemented stricter **regulations to reduce vehicles' emissions and fuel consumption** or are currently preparing such laws. They relate, for example, to the environmental impact of vehicles, including limits on noise emissions, as well as pollutants from the emissions caused by production facilities. Non-compliance with regulations applicable in the various regions might result in significant penalties and reputational harm, and might even mean that vehicles could not or could no longer be registered in the relevant markets. This also includes risks from ongoing activities relating to legislation on Real Driving Emissions (RDE). In addition, the risk exists that vehicles already in the markets will have to be reworked. The cost of compliance with these regulations is significant, especially for conventional engines.

Mercedes-Benz Cars & Vans faces the described risks with respect to regulations on mandatory targets for the average fleet fuel consumption and CO_2 emissions of new vehicles. Especially in the markets of China, Europe and the United States, Daimler gives these targets due consideration in its product planning. The increasingly ambitious targets require significant proportions of actual unit sales of plug-in hybrids and cars with other types of electric drive. The ambitious statutory requirements will be difficult to fulfill in some countries. The market success of alternative drive systems is greatly influenced not only by customer acceptance but also by regional market conditions such as the battery-charging infrastructure and state support.

The described regulations for the reduction of vehicles' emissions and fuel consumption also create potential risks for **Daimler Trucks & Buses,** because it will be difficult to fulfill the strict statutory requirements in some countries. Above all, this applies to the markets of Japan, the United States, China and Europe. The ambitious targets, especially in Europe, cannot be achieved solely with conventional technology. Daimler Trucks & Buses will therefore have to apply the latest technologies in order to fulfill these requirements. Achieving the 2025 target will require significant proportions of battery-electric trucks or other electrified drive systems in the actual market, which may only be achievable at higher costs.

Furthermore, the position of the Daimler Group in key foreign markets could be affected by the conclusion of or changes in **free-trade agreements.** If free-trade agreements are concluded without the participation of countries in which Daimler has production facilities, this could result in a competitive disadvantage for Daimler compared with competitors that produce in the countries that are members of the free-trade agreements. In addition, if the content of the free-trade agreements currently used by Daimler is made significantly stricter or the conditions of future free-trade agreements are more restrictive, this could also significantly impair the position of the Daimler Group, as the Group could no longer or only partially benefit from those free-trade agreements. At the same time, however, the conclusion of new free-trade agreements could also result in opportunities for the Daimler Group vis-à-vis its competitors, if the competitors do not produce in the countries concerned, but Daimler does.

The danger exists that individual countries will attempt to defend and improve their competitiveness in the world's markets by resorting to **interventionist and protectionist measures.** The automotive industry is often seen as a key factor to attract investment into a country and increase local value added. This can lead to increased costs if production facilities have to be established or expanded or local purchasing has to be increased. Cutting technological and economic links between major markets can also adversely affect earnings if research and development have to be conducted locally or value chains have to be adjusted because certain technologies are not allowed to be used in the final products. In addition, attempts are being made to limit growth in imports through barriers to market access such as by making certification processes more difficult, **delaying certification** and imposing other complicated **tariff procedures.**

In addition to the described emission and fuel-consumption regulations, **traffic-policy restrictions** for the reduction of traffic jams, noise and emissions are becoming increasingly important in cities and urban areas worldwide. Although this may have an adverse impact on the development of unit sales of conventional vehicles, it may also lead to growing demand for vehicles with alternative drive systems.

Daimler continuously monitors the development of statutory and political conditions and attempts to anticipate foreseeable requirements and long-term targets at an early stage in the process of product development.

Procurement market risks and opportunities

Procurement market risks arise for the automotive divisions in particular from fluctuations in prices of raw materials and energy. Financial bottlenecks of suppliers, restricted capacity caused by supplier failures, limited scope for influencing the prices of supplied parts and excessive or insufficient utilization of production capacities at suppliers can also lead to lower earnings. Overall, the risk situation is unchanged compared with the previous year in terms of probability of occurrence at "Medium" and possible impact at "High." The impact of the opportunities is also unchanged at "Medium."

The automotive segments of the Daimler Group require certain raw materials for the manufacture of vehicle components and vehicles, which are purchased on the world market. The level of costs depends on the **price development of raw materials.** Due to largely unchanged macroeconomic conditions, price fluctuations are expected with uncertain and inconsistent trends also for the year 2021. For example, raw-material markets can be impacted by uncertainties and political crises – combined with possible supply bottlenecks – as well as by volatile demand for specific raw materials. In general, the ability to pass on the higher costs of commodities and other materials in the form of higher prices for manufactured vehicles is limited because of strong competitive pressure in the international automotive markets. Rising raw-material prices may therefore have a negative impact on the profit margins of the vehicles sold and thus lead to lower earnings in the respective segment.

The financial situation of some suppliers remains tense due to the gloomy market environment. The resulting possible production losses at suppliers may cause an interruption in the supply chain of the Daimler Group's automotive segments and prevent vehicles from being completed and delivered to customers on time. In order to counteract such interruptions in the supply chain, support measures may be necessary to ensure production and sales by suppliers. Supplier risk management aims to identify potential **financial bottlenecks for suppliers** at an early stage and to initiate suitable countermeasures. Specifically, depending on the warning signals recorded and the internal classification, regular reporting dates are agreed upon for suppliers at which key performance indicators are reported to Daimler and any support measures can be determined if necessary.

Due to, among other things, the planned electrification of new model series and the better-than-expected recovery of demand for vehicles, Mercedes-Benz Cars & Vans in particular is faced with the risk that Daimler will require changed volumes of components from suppliers. This could result in **over- or under-utilization of production capacities** for certain suppliers, and thus lead to supply-chain disruption. Uncertainties related to the covid-19 pandemic may also lead to supply bottlenecks and thus production interruptions. If suppliers cannot cover their fixed costs, there is also the risk that they may demand compensation payments. Necessary capacity expansion at suppliers' plants could also require cost participation.

Company-specific risks and opportunities

The following section describes the company-specific risks and opportunities of the Daimler Group. A quantification of these risks and opportunities is shown in table ↗ B.60.

Production and technology risks and opportunities
Technical developments and innovations are of key importance for the safe and sustainable mobility of the future. Through the design of the product range, technical innovations are integrated in the strategic product planning of the automotive segments. Technological risks can arise especially as a result of increasing technical complexity, the continually rising scope of requirements to be fulfilled in terms of emissions, fuel consumption and safety, as well as meeting and steadily raising the Daimler Group's quality standards. These risks exist in the automotive segments particularly in connection with launching and manufacturing the products. Risks cannot be ruled out that could have a negative impact on earnings also in relation to the increasing automation and connectivity of vehicles and production facilities.

In the context of product launches in the automotive segments, the required parts and equipment components have to be available. To avoid restrictions in this context, the related processes are continuously evaluated and improved. In order to secure and enhance the long-term future viability of production facilities in the automotive segments, modernization, expansion, construction and restructuring measures are carried out as required. The **execution of modernization activities and the launch of new products** are generally connected with high investments. Inefficiencies in the production process can occur, and as a consequence, a temporary reduction in production volumes. Furthermore, the planned increase in battery production due to the increasing electrification of the vehicle fleet means that initial problems during the production of the various battery types cannot be ruled out, and can have a negative impact on earnings.

In principle, there is a danger that reduced plant availability or the failure of **production equipment or production plants** may cause internal bottlenecks that would consequently generate costs. These risks mainly exist for Mercedes-Benz Cars & Vans. Production equipment is continuously maintained and modernized. As a precaution, spare parts are held available or, if required, spare machines are purchased for the production plants that might be at risk.

Capacity restrictions on the availability of batteries for certain vehicle models, interruptions in the supply chain and possible interruptions of supply by energy providers can lead to bottlenecks, especially at Mercedes-Benz Cars & Vans. New technical requirements could also lead to restrictions on the sale of vehicles already produced by Daimler Trucks & Buses. Restrictions on certain equipment components in new vehicle models and the lack of availability of vehicle parts at the right time could also mean that vehicles could not be handed over to customers as planned. In order to avoid such **bottleneck situations,** importance is placed upon being able to compensate for capacity constraints through forward planning, with a special focus on the uncertainty caused by the covid-19 pandemic. In addition, supply chains and the availability and quality of products are continuously monitored within the context of managing the entire value chain. Supplier management is undertaken for the prevention of risks with the aim of ensuring the quantity and quality of the components required to manufacture the vehicles. The lack of availability and quality problems with certain vehicle parts can lead to production downtimes and cause costs. In connection with possible production increases due to higher utilization of production capacities than planned, there are opportunities at Mercedes-Benz Cars & Vans that could lead to higher sales volumes and thus have a positive impact on earnings.

Warranty and goodwill cases could arise at the Daimler Group if the quality of products does not meet requirements, regulations are not fully complied with, or support cannot be provided in the required form in connection with product problems and product care. Such warranty and goodwill cases as well as quality problems both with components in vehicles and in connection with technical innovations in vehicles require adjustments that can lead to expenses. Possible claims in connection with such risks are examined and, if necessary, the appropriate measures are initiated for the affected products.

In the third quarter of 2020, Daimler AG and Mercedes-Benz USA, LLC (MBUSA) reached agreements with various US authorities to settle civil and environmental claims regarding emission control systems of certain Mercedes-Benz diesel vehicles, which are still subject to final approval by the court. We refer to our further explanations under Legal and tax risks and opportunities. If the court approves the settlements and the settlements become effective, Daimler AG and MBUSA

B.60
Company-specific risks and opportunities

Risk category	Probability of occurrence	Impact	Opportunity category	Impact
Production and technology risks	Low	High	Production and technology opportunities	Medium
Information technology risks	Low	High	Information technology opportunities	–
Personnel risks	Medium	High	Personnel opportunities	–
Risks related to equity investments and cooperations with partners	Low	Low	Opportunities related to equity investments and cooperations with partners	Low

have agreed to, among other things, pay civil penalties, conduct an emission modification program for affected vehicles, provide extended warranties, undertake a nationwide mitigation project, take certain corporate compliance measures and make other payments. If the aforementioned obligations are not complied with, there will be the risk that cost-intensive measures will have to be taken and/or significant stipulated penalties will become due.

The probability of occurrence and possible impact of production and technology risks are unchanged compared to the previous year across all segments. Opportunities have increased from “Low” to “Medium” as a result of better-than-forecast utilization of production capacities.

Information technology risks and opportunities
The systematically pursued digitization strategy enables Daimler to utilize new opportunities to increase customer benefit and the value of the company. Nonetheless, the high penetration of information technology (IT) at all divisions also brings risks for their business and production processes, as well as for their services and products.

The ever-growing threat from cybercrime and the spread of aggressive malicious code brings risks that can affect the availability, integrity and confidentiality of information and IT-supported operating resources. Despite extensive precautions, in the worst-case scenario, this can lead to a temporary interruption of IT-supported business processes with severe negative effects on the Group’s earnings. In addition, the loss or misuse of sensitive data may under certain circumstances lead to a loss of reputation. In particular, stricter regulatory requirements such as the EU Data Protection Directive may, among other things, give rise to claims by third parties and result in costly regulatory requirements and penalties with an impact on earnings.

It is essential for the globally active Daimler Group and its wide-ranging business and production processes that information is available and can be exchanged in an up-to-date, complete and correct form. Daimler’s internal framework for IT security is based on international standards and its protective measures also apply industry standards and good practice. New regulatory requirements for cyber security and cyber security management systems are taken into account in the further development of our processes and policies. Appropriately secure IT systems and a reliable IT infrastructure must be used to protect information. Cyber threats must be identified over the entire lifecycle of applications and IT systems, and dealt with in line with their seriousness. Particular attention is paid to risks that could result in the interruption of business processes due to the failure of IT systems or which could cause the loss or corruption of data. The advancing digitization and connectivity of production equipment is accompanied by coordinated technical and organizational security measures.

Due to growing requirements concerning the confidentiality, integrity and availability of data, Daimler has implemented various preventive and corrective measures so that the related risks are minimized and possible damage is limited. For example, the Group reduces potential interruptions of operating processes in data centers by means of mirrored data sets, decentralized data storage, outsourced data backups and IT systems designed for high availability. Emergency plans are developed and employees are trained and regularly sensitized in order to maintain operating capability. Specific threats are analyzed and countermeasures are coordinated at a globally active Cyber Intelligence & Response Center. The protection of products and services against the danger of hacking and cybercrime is continually developed.

The possible impact and probability of occurrence of information-technology risks are unchanged compared to the previous year.

Personnel risks and opportunities
Competition for highly qualified staff and management is still very intense in the industry and the regions in which Daimler operates. The future success of the Daimler Group also depends on the extent to which it succeeds over the long term in recruiting, integrating and retaining specialist employees. The established human resources instruments take such personnel risks into consideration. One focus of human resources management is the targeted personnel development and further training of the workforce. In order to remain successful as a company, we continuously develop the way we work together and our management culture.

Due to demographic developments, the Group has to cope with changes relating to an aging workforce and has to secure a sufficient number of qualified young persons with the potential to become the next generation of highly skilled specialists and executives. This is addressed by measures taken in the area of generation management that do justice to the scope of the issue. We counter economic, market and competitive fluctuations with the established time and flexibility instruments to enable us to react appropriately to the situation. In order to achieve the long-term reduction in personnel costs necessary for the transformation, Daimler’s management and the General Works Council concluded an agreement in 2019 which includes a staff-reduction program. Due to the covid-19 pandemic and the fact that the staff-reduction program is voluntary for both parties, there is a risk that implementation may not be able to take place to the full extent planned. Risks also exist in particular due to upcoming negotiations on wage conditions in the metal and electrical industry and the associated possible production losses.

Due to the ongoing transformation process, the probability of occurrence of personnel risks has increased from “Medium” to “High.” The possible impact is unchanged compared with the previous year.

Risks and opportunities related to equity investments and cooperation with partners
Cooperation with partners in associated companies and joint ventures is of key importance to Daimler, both in the transformation toward electric mobility and comprehensive digitization and in connection with mobility solutions. In particular with new technologies, these shareholdings help to utilize synergies and improve cost structures in order to respond successfully to the competitive situation in the automotive industry.

The Daimler Group generally participates in the risks and opportunities of associated companies and joint ventures in line with its equity interest, and is also subject to share-price risks and opportunities if such companies are listed on a stock exchange.

The remeasurement of an associated company or joint venture in relation to its carrying value can lead to risks and opportunities for the segment to which it is allocated. Furthermore, ongoing business activities, especially the integration of employees, technologies and products, can lead to risks. In addition, further financial obligations or an additional financing requirement can arise. Risks from associated companies and joint ventures exist above all at Daimler Trucks & Buses and Daimler Mobility, as well as at the associated companies and joint ventures directly allocated to the Group. The associated companies and joint ventures are subject to a monitoring process so that, if required, decisions can be promptly made on whether or not measures can be taken to support or ensure their profitability. The recoverable value of investments in associated companies and joint ventures is also regularly monitored.

The possible impact of risks has decreased from “Medium” to “Low” due to measures already taken in the portfolio of equity interests. The overall assessment of the probability of occurrence of both risks and opportunities remains unchanged compared with the previous year.

Financial risks and opportunities

The following section deals with the financial risks and opportunities of the Daimler Group. Risks and opportunities can have negative or positive effects on the profitability, cash flows and financial position of the Daimler Group. The probability of occurrence and possible impact of these risks and opportunities is presented in table ↗ **B.61**. The probability of occurrence and impact of the financial risks and opportunities are essentially unchanged from the previous year. Only in the case of country risks, the possible impact has decreased from “Medium” to “Low” because of declining risk factors, and with risks of limited access to capital markets, our assessment of the probability of occurrence has increased from “Low” to “Medium” due to the increased volatility of the financial markets.

In principle, the Group’s operating and financial risk exposures underlying its financial risks and opportunities can be divided into symmetrical and asymmetrical risk and opportunity profiles. With the symmetrical risk and opportunity profiles (e.g., currency exposures), risks and opportunities exist equally, while with the asymmetrical risk and opportunity profiles (e.g., credit and country exposures), the risks outweigh the opportunities.

Daimler is generally exposed to risks and opportunities from changes in market prices such as currency exchange rates, interest rates and commodity prices. Market price changes can have a negative or positive influence on the Group’s profitability, cash flows and financial position. Daimler systematically manages and monitors market price risks and opportunities primarily in the context of its operational business and financing activities, and applies derivative financial instruments for hedging purposes where needed, thus limiting both market price risks and opportunities.

In addition, the Group is exposed to credit-, country- and liquidity-related risks, risks of restricted access to capital markets, risks of early credit repayment requirements and risks from changes in credit ratings. As part of the risk management process, Daimler regularly assesses these risks by considering changes in key economic indicators and market information. Pension plan assets to cover retirement and healthcare benefits (market-sensitive investments including equities and interest-bearing securities) are not included in the following analysis.

Exchange rate risks and opportunities

The Daimler Group’s global orientation means that its business operations and financial transactions are connected with risks and opportunities related to fluctuations in currency exchange rates. This applies in particular to fluctuations of the euro against the US dollar, Chinese renminbi, British pound and other currencies such as those of growth markets. An exchange rate risk or opportunity arises in business operations primarily when revenue is generated in a currency different from that of the related costs (transaction risk). This applies in particular to Mercedes-Benz Cars & Vans. A major portion of its revenue is generated in foreign currencies while most of its production costs are denominated in euros. Daimler Trucks & Buses is also exposed to such transaction risks, but to a lesser degree because of its worldwide production network. Regularly

B.61

Financial risks and opportunities

Risk category	Probability of occurrence	Impact	Opportunity category	Impact
Exchange rate risks	Low	High	Exchange rate opportunities	High
Interest rate risks	Low	Low	Interest rate opportunities	Low
Commodity price risks	Low	Low	Commodity price opportunities	Low
Credit risks	Low	Low	Credit opportunities	–
Country risks	Low	Low	Country opportunities	–
Risks of restricted capital-market access	Medium	High	Opportunities of restricted capital-market access	–
Risks of credit repayment requirements	Low	Low	Opportunities of credit repayment requirements	–
Risks from changes in credit ratings	Medium	Low	Opportunities from changes in credit ratings	Low
Risks related to pension plans	Low	High	Opportunities relating to pension plans	High

updated currency risk exposures are successively hedged with suitable financial instruments (predominantly currency forwards and currency options) in accordance with exchange rate expectations, which are continually reviewed, whereby both risks and opportunities are limited. Any overcollateralization caused by changes in exposure is generally reversed by suitable measures without delay. Exchange rate risks and opportunities also exist in connection with the translation into euros of the net assets, revenues and expenses of the companies of the Group outside the euro zone (translation risk); these risks are not generally hedged.

Interest rate risks and opportunities

Changes in interest rates can create risks and opportunities for business operations as well as for financial transactions. Daimler 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 in connection with the financial services business of Daimler Mobility. Interest rate risks and opportunities arise when fixed-interest periods are not congruent between the asset and liability sides of the balance sheet. By means of refinancing coordinated with the terms of the financing agreements, the risk of maturity mismatch is minimized from both an interest-rate and a liquidity perspective. Remaining interest-rate risks are managed with the use of derivative financial instruments. The funding activities of the industrial business and the financial services business are coordinated at Group level. Derivative interest rate instruments such as interest rate swaps are used to achieve the desired interest rate maturities and asset/liability structures (asset and liability management).

Commodity price risks and opportunities

As described in the section on procurement market risks and opportunities, Daimler is exposed to risks arising from changes in prices of raw materials. A small proportion of the raw-material price risks, primarily from the planned purchase of certain metals, is reduced through the use of derivative financial instruments.

Credit risks

Credit risk describes the risk of financial loss resulting from a counterparty failing to meet its contractual payment obligations. Credit risk includes both the direct risk of default and the risk of a deterioration in creditworthiness, as well as concentration risks.

The Group is exposed to credit risks which result primarily from its financial services activities and from the operations of its vehicle business. The risks from leasing and sales financing are dealt with in the General market risks and opportunities section.

Credit risks also arise from the Group's liquid assets. Should defaults occur, this would adversely affect the Group's financial position, cash flows and profitability. The limit methodology for liquid funds deposited with financial institutions has been continuously further developed in recent years. In connection with investment decisions, priority is placed on the borrowers' very high creditworthiness and on balanced risk diversification. Most liquid assets are held in investments with an external rating of "A" or better.

Country risks

Country risk describes the risk of financial loss resulting from changes in political, economic, legal or social conditions in the respective country, for example due to sovereign measures such as expropriation or a ban on currency transfers. Daimler is exposed to country risks that primarily result from cross-border financing or collateralization for Group companies or customers, from investments in subsidiaries and joint ventures, and from cross-border trade receivables. Country risks also arise from cross-border cash deposits with financial institutions. The Group addresses these risks by setting country limits (e.g., for hard-currency portfolios of Daimler Mobility companies). Daimler also has an internal rating system that divides all countries in which it operates into risk categories.

Risks of restricted access to capital markets
Liquidity risks arise when a company is unable to fully meet its financial obligations. In the normal course of business, Daimler uses bonds, commercial paper and securitized transactions, as well as bank loans in various currencies, primarily with the aim of refinancing its leasing and sales-financing business. An increase in the cost of refinancing would have a negative impact on the competitiveness and profitability of our financial services business to the extent that the higher refinancing costs cannot be passed on to customers; a limitation of the financial services business would also have negative consequences for the vehicle business. Access to capital markets in individual countries may be limited by government regulations or by a temporary lack of absorption capacity. In addition, pending legal proceedings as well as Daimler's own business policy considerations and developments may temporarily prevent the Group from covering any liquidity requirements by means of borrowing in the capital markets.

Risks of premature credit repayment requirements
Daimler may be required to make premature repayment of special-purpose loans in the case of adverse results of ongoing legal proceedings. Any resulting refinancing requirement could have to be concluded at a higher cost.

Risks and opportunities from changes in credit ratings
Risks and opportunities exist in connection with potential downgrades or upgrades to credit ratings by the rating agencies, and thus to Daimler's creditworthiness. Downgrades could have a negative impact on the Group's financing if such a downgrade leads to an increase in the costs for external financing or restricts the Group's ability to obtain financing. A credit rating downgrade could also discourage investors from investing in Daimler AG.

Risks and opportunities relating to pension plans
Daimler has pension benefit obligations and to a lesser degree, obligations relating to healthcare benefits, which are largely covered by plan assets. The balance of pension obligations less plan assets constitutes the carrying amount or funded status of those employee benefit plans. The measurement of pension obligations and the calculation of net pension expense are based on certain assumptions. Even small changes in those assumptions such as a change in the discount rate have a negative or positive effect on the funded status and Group equity in the current financial year, and lead to changes in the periodic net pension expense in the following financial year. The fair value of plan assets is determined to a large degree by developments in the capital markets. Unfavorable or favorable developments, especially relating to share prices and fixed-interest securities, reduce or increase the carrying value of plan assets. A change in the composition of plan assets can also have a positive or negative impact on the fair value of plan assets. The broad diversification of investments, the selection of asset managers on the basis of quantitative and qualitative analyses, and the ongoing monitoring of returns and risks contribute to a reduction in the investment risk. The structure of pension obligations is taken into consideration with the determination of the investment strategy for the plan assets in order to reduce fluctuations of the funded status.

Further information on the pension plans and their risks is provided in Note 22 of the Notes to the Consolidated Financial Statements. Further information on financial risks, risk-limiting measures and the management of these risks is provided in Note 33 of the Notes to the Consolidated Financial Statements. Information on the Group's financial instruments is provided in Note 32 of the Notes to the Consolidated Financial Statements.

Legal and tax risks and opportunities

The Group continues to be exposed to legal and tax risks. Provisions are recognized for those risks if and insofar as they are likely to be utilized and the amounts of the obligations can be reasonably estimated.

Legal risks
Regulatory risks. The automotive industry is subject to extensive governmental regulations worldwide. Laws in various jurisdictions govern occupant safety and the environmental impact of vehicles, including emissions levels, fuel economy and noise, as well as the emissions of the plants where vehicles or parts thereof are produced. In case regulations applicable in the different regions are not complied with, this could result in significant penalties and reputational harm or the inability to certify vehicles in the relevant markets. The cost of compliance with these regulations is considerable, and in this context, Daimler continues to expect a significant increase in such costs.

Risks from legal proceedings in general. Daimler AG and its subsidiaries are confronted with various legal proceedings and 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 (especially patent infringement lawsuits), 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 or such proceedings are settled, the Group may be required to pay substantial compensatory and punitive damages or to undertake service actions, recall campaigns, monetary penalties or other costly actions. Some of these proceedings and related settlements may have an impact on the Group's reputation.

Risks from legal proceedings in connection with diesel exhaust gas emissions – governmental proceedings. Daimler is continuously subject to governmental information requests, inquiries, investigations, administrative orders and proceedings relating to environmental, criminal, antitrust and other laws and regulations in connection with diesel exhaust emissions.

Several authorities and institutions worldwide were, and still are, active in the form of inquiries, investigations, procedures and/or orders. These activities particularly relate to test results, the emission control systems used in Mercedes-Benz diesel vehicles and/or Daimler's interaction with the relevant authorities as well as related legal issues and implications, including, but not limited to, under applicable environmental, criminal and antitrust laws.

In the United States, Daimler AG and Mercedes-Benz USA, LLC (MBUSA) reached agreements in the third quarter of 2020 with various authorities to settle civil and environmental claims regarding emission control systems of certain diesel vehicles. The involved US authorities are the environmental agencies Environmental Protection Agency ("EPA") and California Air Resources Board ("CARB"), the Environmental and Natural Resources Division of the U.S. Department of Justice ("DOJ"), the California Attorney General's Office and the U.S. Customs and Border Protection ("CBP").

The authorities take the position that Daimler failed to disclose Auxiliary Emission Control Devices (AECDs) in certain of its US diesel vehicles and that several of these AECDs are illegal defeat devices. As part of these settlements, Daimler denies the allegations by the authorities and does not admit liability, but has agreed to, among other things, pay civil penalties, conduct an emission modification program for affected vehicles, provide extended warranties, undertake a nationwide mitigation project, take certain corporate compliance measures and make other payments. The company has cooperated fully with the US authorities. The settlements are subject to final court approval. Upon approval, they will be final and effective. Daimler expects costs of the settlements with the US authorities of approximately USD 1.5 billion. The estimated cost for the US consumer class action mentioned below amounts to around USD 700 million. In addition, Daimler estimates further expenses of a mid three-digit-million euro amount to fulfill requirements of these settlements.

As already reported, in April 2016, the DOJ requested that Daimler conduct an internal investigation. While Daimler has conducted such internal investigation as part of the DOJ's investigation, the DOJ's investigation is ongoing. In Canada, the Canadian environmental regulator Environment and Climate Change Canada ("ECCC") is conducting an investigation in connection with Diesel exhaust emissions. Daimler continues to cooperate with the investigating authorities.

In Germany, the Stuttgart district attorney's office is conducting criminal investigation proceedings against Daimler employees on the suspicion of fraud and criminal advertising. In February 2019, the Stuttgart district attorney's office also initiated a formal investigation proceeding against Daimler AG with respect to an administrative offense. In September 2019, it issued a fine notice against Daimler based on a negligent violation of supervisory duties in the amount of €870 million, which has become legally binding, thereby concluding the administrative offense proceedings against Daimler.

Since 2018, the German Federal Motor Transport Authority ("KBA") has repeatedly issued subsequent auxiliary provisions for the EC type approvals of certain Mercedes-Benz diesel vehicles, and has ordered mandatory recalls as well as, in some cases, stops of the first registration. In each of those cases, it held that certain calibrations of specified functionalities in certain Mercedes-Benz diesel vehicles are to be qualified as impermissible defeat devices. Daimler has a contrary legal opinion on this question. Since 2018, however, it has (in view of the KBA's interpretation of the law as a precautionary measure) implemented a temporary delivery and registration stop with respect to certain models, also covering the used-car, leasing and financing businesses, and is constantly reviewing whether it can lift this delivery and registration stop in whole or in part. Daimler has filed timely objections against the KBA's administrative orders mentioned above. In early 2021, the KBA issued objection orders ("Widerspruchsbescheide") in certain of the proceedings not following the arguments brought forward by Daimler. Since Daimler still does have a different understanding of the relevant legal provisions, it currently analyzes whether the controversial questions at issue should be clarified in a court of law. Irrespective of such objections and possibly following lawsuits, Daimler continues to cooperate fully with the KBA. The new calibrations requested by the KBA are being processed, and for a substantial proportion of the vehicles, the relevant software has already been approved by the KBA; the related recalls have insofar been initiated. It cannot be ruled out that under certain circumstances, software updates may have to be reworked, or further delivery and registration stops may be ordered or resolved by the Company as a precautionary measure, also with regard to the used-car, leasing and financing businesses. In the course of its regular market supervision, the KBA is routinely conducting further reviews of Mercedes-Benz vehicles and is asking questions about technical elements of the vehicles. In addition, Daimler continues to be in a dialogue with the German Ministry for Transport and Digital Infrastructure (BMVI) to conclude the analysis of the diesel-related emissions matter and to further the update of affected customer vehicles. In light of the aforementioned administrative orders issued by the KBA, and continued discussions with the KBA and the BMVI, it cannot be ruled out completely that additional administrative orders may be issued in the course of the ongoing and/or further investigations. Since September 1, 2020, this also applies to responsible authorities of other member states and the European Commission, which conduct market surveillance under the new European Type Approval Regulation and can take measures upon assumed non-compliance, irrespective of the place of the original type approval.

In the course of its formal investigation into possible collusion on clean emission technology, the European Commission sent a statement of objections to Daimler and other automobile manufacturers in April 2019. In this context, Daimler filed an application for immunity from fines (leniency application) with the European Commission some time ago.

In addition to the aforementioned authorities, national cartel authorities and other authorities of various foreign States, the South Korean Ministry of Environment, the South Korean competition authority (Korea Fair Trade Commission) and the Seoul public prosecutor's office (South Korea) are conducting various investigations and/or procedures in connection with Diesel exhaust emissions.

Daimler continues to fully cooperate with the authorities and institutions. Irrespective of such cooperation and in light of the recent developments, it is possible that further regulatory, criminal and administrative investigative and enforcement actions and measures relating to Daimler and/or its employees will be taken or administrative orders will be issued. Such actions, measures and orders may include subpoenas, that is, legal instructions issued under penalty of law in the process of taking evidence, or other requests for documentation, testimony or other information, or orders to recall vehicles, further search warrants, a notice of violation or an increased formalization of the governmental investigations, coordination or proceedings, including the resolution of proceedings by way of a settlement. Additionally, further delays in obtaining regulatory approvals necessary to introduce new or recertify existing vehicle models could occur.

In light of the legal positions taken by EPA, CARB and the KBA, it is likely that, besides these authorities, one or more regulatory and/or investigative authorities worldwide will reach the conclusion that other passenger cars and/or commercial vehicles with the brand name Mercedes-Benz or other brand names of the Daimler Group are equipped with impermissible defeat devices. Likewise, such authorities could take the view that certain functionalities and/or calibrations are not proper and/or were not properly disclosed. Furthermore, the authorities have increased scrutiny of Daimler's processes regarding running-change, field-fix and defect reporting as well as other compliance issues. As described above, the Stuttgart district attorney's office's administrative offense proceedings and the proceedings underlying the civil settlements with the US authorities have been resolved. The other inquiries, investigations, legal actions and proceedings as well as the replies to the governmental information requests and the objection proceedings against KBA's administrative orders, are in part still ongoing and open. Hence, Daimler cannot predict the outcome of these inquiries, investigations and proceedings at this time. Due to the outcome of the administrative offense proceedings by the Stuttgart district attorney's office against Daimler and the civil settlements with the US authorities, as well as the above and any potential other information requests, inquiries, investigations, administrative orders and proceedings, it is possible that Daimler will become subject to, as the case may be, significant additional monetary penalties, fines, disgorgements of profits, remediation requirements, further vehicle recalls, further registration and delivery stops, process and compliance improvements, mitigation measures and the early termination of promotional loans, and/or other sanctions, measures and actions (such as the exclusion from public tenders), including further governmental investigations and/or administrative orders and additional proceedings. The occurrence of the aforementioned events in whole or in part could cause significant collateral damage including reputational harm. Further, due to negative allegations, determinations or findings with respect to technical or legal issues by one of the various governmental agencies, other agencies – or also plaintiffs – could also adopt such allegations, determinations or findings, even if such allegations, determinations or findings are not within the scope of such authority's responsibility or jurisdiction. Thus, a negative allegation, determination or finding in one proceeding, such as the fine notice issued by the Stuttgart district attorney's office or the allegations underlying the civil settlements with the US authorities, carries the risk of being able to have an adverse effect on other proceedings, also potentially leading to new or expanded investigations or proceedings, including lawsuits.

In addition, Daimler's ability to defend itself in proceedings could be impaired by the fine notice issued by the Stuttgart district attorney's office, the civil settlements with the US authorities and by the underlying allegations and other unfavorable allegations, as well as by findings, results or developments in any of the information requests, inquiries, investigations, administrative orders, legal actions and/or proceedings discussed above.

Risks from legal proceedings in connection with diesel exhaust gas emissions – court proceedings. Since the beginning of 2016, several consumer class actions in U.S. federal district courts have become pending in the United States, which have been consolidated into a consolidated class action against Daimler AG and MBUSA before the U.S. District Court for New Jersey. In the class action, plaintiffs alleged that Daimler AG and MBUSA used devices that impermissibly impair the effectiveness of emission control systems in reducing nitrogen-oxide (NO_X) emissions and which cause excessive emissions from vehicles with diesel engines. In addition, plaintiffs alleged that consumers were deliberately deceived in connection with the advertising of Mercedes-Benz diesel vehicles.

In the third quarter of 2020, Daimler AG and MBUSA reached a settlement with plaintiffs' counsel of this consumer class action. As part of the settlement, Daimler AG and MBUSA deny the material factual allegations and legal claims asserted by the class action plaintiffs, but have agreed to provide payments to certain current and former diesel vehicle owners and lessees. The estimated cost of the class action settlement is approximately USD 700 million. Daimler expects costs of the settlements with the US authorities mentioned above in the amount of approximately USD 1.5 billion. In addition, Daimler estimates further expenses of a mid three-digit-million euro amount to fulfill requirements of these settlements. The settlement with the US consumer class action plaintiffs is still subject to final court approval.

In a separate lawsuit filed by the State of Arizona in January 2019, the plaintiff claims that, amongst others, Daimler AG and MBUSA deliberately deceived consumers in connection with advertising Mercedes-Benz diesel vehicles. Consumer class actions containing similar allegations were filed against Daimler AG and further Daimler Group companies in Canada in April 2016, in the United Kingdom since May 2020, in the Netherlands in June and December 2020 as well as against Daimler AG in Israel in February 2019. In a separate lawsuit filed by the Environmental Protection Commission of Hillsborough County, Florida in September 2020, the plaintiff claims that, amongst others, Daimler AG and MBUSA violated municipal regulations prohibiting vehicle tampering and other conduct by using alleged devices claimed to impair the effectiveness of emissions control systems.

In Germany, a large number of customers of diesel vehicles have filed lawsuits for damages or rescission of sales contracts. They assert that the vehicles contained inadmissible defeat devices and/or showed impermissibly high levels of emissions or fuel consumption. They refer to, in particular, the German Federal Motor Transport Authority's recall orders mentioned above. Given the current development of case numbers, we expect a continued high number of lawsuits being filed in this respect.

Furthermore, class actions have been filed in the United States and Canada alleging anticompetitive behavior relating to vehicle technology, costs, suppliers, markets and other competitive attributes, including diesel emissions control technology. Daimler AG and the respective other affected companies of the Group regard the lawsuits set out above as being without merit and will – except for the US consumer class action settlement – defend themselves against the claims.

A securities class action lawsuit was pending in the United States on behalf of investors in Daimler AG American Depositary Receipts which alleged that the defendants had made materially false and misleading statements about diesel emissions in Mercedes-Benz vehicles. The parties have agreed to settle the lawsuit. On December 23, 2020, the court granted final approval of the settlement. Upon expiry of the appeal period on January 22, 2021, the proceedings were legally terminated.

In addition, investors have filed lawsuits in Germany alleging the violation of disclosure requirements. Daimler AG regards these lawsuits as being without merit and will defend itself against them. In this context, motions to initiate model proceedings in accordance with the Act on Model Proceedings in Capital Markets Disputes (KapMuG) have been filed by investors as well as by Daimler AG. On January 14, 2021, the Stuttgart Regional Court issued an order for reference to commence such model case proceedings before the Stuttgart Higher Regional Court. Daimler AG will continue to defend itself against the investors' allegations also in these model case proceedings.

Daimler's ability to defend itself in the court proceedings could be impaired by the US consumer class action settlement as well as unfavorable allegations, findings, results or developments in any of the governmental or other court proceedings discussed above, in particular by the fine notice issued by the Stuttgart district attorney's office and by the civil settlements with the US authorities.

Risks from other legal proceedings. Following the settlement decision by the European Commission adopted on July 19, 2016 concluding the trucks antitrust proceedings, Daimler AG and Daimler Truck AG are facing customers' claims for damages to a considerable degree. Respective legal actions, class actions and other forms of legal redress have been initiated in various states in and outside of Europe and should further be expected. Daimler takes appropriate legal remedies to defend itself.

As legal proceedings are fraught with a large degree of uncertainty, it is possible that after their final resolution, some of the provisions we have recognized for them could prove to be insufficient. As a result, substantial additional expenditures may arise. This also applies to legal proceedings for which the Group has seen no requirement to recognize a provision.

It cannot be ruled out that the regulatory risks and risks from legal proceedings discussed above, individually or in the aggregate, may materially adversely impact the profitability, cash flows and financial position of the Group or any of its segments.

Although the final result of any such litigation may influence the Group's earnings and cash flows in any particular period, Daimler believes that any resulting obligations are unlikely to have a sustained effect on the Group's financial position.

Further information on legal proceedings is provided in Note 30 of the Notes to the Consolidated Financial Statements.

Tax risks and opportunities

Daimler AG and its subsidiaries operate in many countries worldwide and are therefore subject to numerous different statutory provisions and tax audits. Any changes in legislation and jurisdiction, as well as different interpretations of the law by the fiscal authorities – especially in the field of cross-border transactions - may be subject to considerable uncertainty. It is therefore possible that the provisions recognized will not be sufficient, which could have negative effects on the Group's net profit and cash flows.

Positive effects on the Group's net profit and cash flows are also possible as a result of retroactive legislation, future court rulings or changes in the opinions of the tax authorities.

Any changes or interventions by the fiscal authorities are continuously monitored by the tax department and measures are taken if required.

In addition, if future taxable income is not earned or is too low, there is a risk that the tax benefit from loss carryforwards and tax-deductible temporary differences may not be recognized or may no longer be recognized in full, which could have a negative impact on net profit. However, there is an accounting opportunity that tax benefits currently not recognized in full may be utilized or recognized in future years and could thus also have a positive impact on the Group's net profit.

Overall assessment of the risk and opportunity situation

The overall view of the Group's risk and opportunity situation is the sum of the described individual risks and opportunities of all risk and opportunity categories.

In addition to the risk categories described above, unforeseeable events can have a negative impact on the business operations and thus on the Daimler Group's profitability, cash flows, financial position and reputation. In particular, legal risks or social violations by partners and suppliers can have a negative influence on the reputation of the Daimler Group, the environment and the employees of partner companies and suppliers. As one of the basic principles of corporate activity, Daimler therefore pays particular attention to compliance with legal and ethical rules – also when selecting partners and suppliers. In order to recognize risks and opportunities at an early stage and to deal successfully with the current risk and opportunity situation, the established risk and opportunity management system is continuously monitored and further developed.

The overall risk and opportunity situation of the Daimler Group remains essentially unchanged. No risks are recognizable – neither on the balance sheet date nor at the time of preparing the consolidated financial statements – that either alone or in combination with other risks could endanger the continued existence of the Group.

Outlook

The statements made in the Outlook chapter are based on the business plan of Daimler AG as approved by the Board of Management and the Supervisory Board. That plan is based on the premises we set regarding the economic situation and the development of automotive markets. It involves assessments made by Daimler, which are based on analyses by various renowned economic research institutes, international organizations and industry associations, as well as on the internal market analyses of our sales companies. The prospects for our future business development as presented here reflect the targets of our divisions as well as the opportunities and risks presented by the anticipated market conditions and the competitive situation during the planning period. Against this backdrop, we adjust our expectations for business development to reflect updated forecasts for the development of the various automotive markets. The statements made below are based on the facts known to us at the beginning of 2021. The Daimler Business Plan is based on the existing Group structure, including Daimler Trucks & Buses, and for reasons of comparability covers the full 2021 financial year. As previously announced, the Board of Management decided to evaluate a spin-off of Daimler Trucks & Buses, including significant parts of the related financial services business (Daimler Truck), and to begin preparations for a separate listing of Daimler Truck before the end of 2021. Before the spin-off, we will reclassify Daimler Truck as discontinued operations. We expect considerable positive effects in connection with the spin-off in the second half of the year, which cannot be reliably determined at present.

Our assessments for the year 2021 are based on the assumption of a gradual normalization of economic conditions in the markets that are most important for us. Our expectations for business developments in 2021 are based in particular on the assumption that the global economy can recover from the pandemic-related weakness of 2020, helped by, among other things, the increasing availability of effective vaccines. We expect demand for cars and commercial vehicles to exceed the prior-year levels significantly in many markets. The development we have outlined is subject to various opportunities and risks, which are explained in detail in the Risk and Opportunity Report.

The world economy

We assume that the global economy will grow strongly in 2021 following the deep recession of 2020; this applies both to the industrialized countries and to the emerging markets. However, especially in the northern hemisphere, containment of the covid-19 pandemic is likely to affect the first few months of the year. Along with the expected spread of effective vaccines through the population, the situation should improve from the second quarter onwards and the upturn should gain momentum. Over the course of the year, the global economy should be able to return to its pre-crisis level of the fourth quarter of 2019. Global trade should also increase again significantly after the deep slump in 2020.

The economy of the European Monetary Union is expected to remain severely impacted by the coronavirus pandemic in 2021, but after a weak start, it should increasingly gain momentum as the year progresses. This should be supported both by the recovery in global trade and by improved prospects for domestic demand as restrictions on economic activity are gradually eased or lifted. In addition, the European Central Bank's monetary policy is likely to remain very expansionary and support the economic recovery. Investment activity in the euro zone should also benefit from the start of implementation of the EU Recovery Fund. Overall, these developments should lead to an economic growth rate in the European Monetary Union of approximately 4%, while developments within the region will continue to be very heterogeneous. The German economy should follow a similar pattern and grow by about 3.5%, primarily because of an expected strong second half. The UK economy should also continue to recover, but is likely to suffer noticeably in the first few months of the year in particular from the stringent measures taken to combat the covid-19 pandemic and the growth-dampening impact of the country's exit from the EU single market effective January 1, 2021.

We also expect the US economy to grow strongly by about 5% in 2021, driven primarily by dynamic growth in private consumption and possibly by additional fiscal stimulus. As vaccination rates rise, especially those services sectors should recover which were severely affected by pandemic-related restrictions. This should also ensure that unemployment continues to decline noticeably. The US Federal Reserve (Fed) is likely to maintain its expansionary monetary policy as announced and to continue supporting the economic recovery.

The Japanese economy is expected to recover at a rather moderate rate of approximately 3% this year, driven mainly by strong export growth in the context of the recovery in global trade.

We expect strong growth momentum in China as the recovery in private consumption is steadily gaining pace, while industrial production and exports continue to rise. Based on a recovery of the labor market and improved consumer sentiment, consumption is likely to contribute significantly to the expected growth of more than 8% this year. Against the backdrop of this robust development, the Chinese government is likely to gradually scale back its fiscal and monetary support measures.

The emerging markets as a whole will also recover noticeably this year, whereby the positive effects of coronavirus vaccinations are only likely to materialize with a certain delay compared with the industrialized countries. The Asian region is likely to recover most strongly, even though the growth momentum in the various countries is likely to remain disparate. In contrast, the recovery of Latin American and Central and Eastern European economies is expected to be significantly more moderate. The countries of the Middle East are likely to benefit from a slight recovery of the oil price, but in a long-term comparison, the oil price will remain moderate according to current estimates. Taken together, the emerging economies should achieve overall growth in the region of 6% in 2021.

Overall, the world economy is likely to experience a strong recovery in 2021 with growth of about 5%, thus expanding at a pace that is well above average by long-term standards.

Automotive markets

On the basis of the assumed economic recovery, a significant increase in worldwide **demand for cars** is to be expected in 2021.

The European market is likely to grow significantly compared to the very weak level caused by the crisis last year. We expect a significant increase in car sales also for most of the large individual European markets.

Light vehicle demand in the US market is expected to recover significantly following the sharp decline in the previous year. The Chinese car market, which developed better than most of the other major sales markets last year, is expected to expand slightly this year.

We also expect **demand for vans** to improve significantly compared with the previous year. In the EU30 region (the European Union, United Kingdom, Switzerland and Norway), significant growth is expected in 2021, both in the combined market segment of mid-size and large vans and in the market for small vans. In the United States and Brazil, demand for large vans is also expected to be significantly stronger than in 2020. In China, we expect the positive development in the mid-size van segment to continue with further significant market growth.

The economic upturn should also result in a better development of demand in key **truck markets**.

In North America, we assume that the market for heavy-duty trucks (class 8) will expand significantly. Significant growth in demand for heavy-duty trucks is anticipated also in the EU30 region. We expect slight expansion in the Brazilian market, while a market volume at the prior-year level is likely in Japan.

Unit sales

On the basis of our general assumptions for the development of the world economy and of the automobile markets important to us, **Mercedes-Benz Cars** assumes that its unit sales in 2021 will be significantly above the level of the previous year.

This expectation is supported by the ongoing renewal of our attractive and innovative model portfolio. We intend to launch more than half a dozen new and revised models in the year 2021. Both the new GLB and the new S-Class should contribute towards the positive sales development.

We continue to systematically expand our global production network for electric mobility. The sub-brand Mercedes-EQ, which stands for electric intelligence, offers vehicles with all-electric drive. We intend to electrify the entire portfolio of Mercedes-Benz Cars by 2022. By 2025, we assume that up to 25% will be purely electric cars. By 2030, plug-in hybrids and all-electric models should account for more than 50%.

Mercedes-Benz Vans plans for a slight increase in unit sales in 2021 compared with the previous year. In the EU30 region, rising unit sales of our vans with electric drive should offset the discontinuation of the X-Class. In addition, we anticipate significant sales growth especially in North America. In China, we expect slight growth in unit sales.

Following the decline in demand in 2020, a recovery of important truck markets is expected this year. This should have a corresponding positive impact on unit sales by **Daimler Trucks & Buses,** which therefore anticipates significant sales growth in 2021. This development will be mainly driven by our expectations for the markets in North America, Indonesia, and the EU30 region.

Daimler Mobility anticipates a slight increase in new business and a contract volume at the prior-year level in 2021. We aim to utilize new market potential in the used-vehicle market and with more flexible leasing and rental products, especially for electric vehicles. And we intend to make use of additional market opportunities and enhance customer satisfaction with the continuous expansion of our online sales channels.

We see further growth potential in fleet management, the insurance business and mobility services, especially in the luxury segment.

On the basis of our assumptions concerning the development of automotive markets and the divisions' planning, we expect the **Daimler Group** to achieve total unit sales in 2021 significantly above the level of the year 2020.

Revenue and earnings

We assume that the Daimler Group will generate revenue in 2021 at significantly above the level of the previous year. This applies for both of our automotive divisions: Mercedes-Benz Cars & Vans and Daimler Trucks & Buses. The Daimler Mobility division expects its revenue to be slightly below the prior-year level.

Based on the expected significant growth in unit sales and revenue, we anticipate a significant increase in earnings for the Daimler Group in 2021. This development reflects two opposing effects: EBIT in 2020 was sharply reduced by the effects of the worldwide covid-19 pandemic; furthermore, there were costs from the initiated restructuring measures. On the other hand, we expect positive contributions to EBIT in 2021, in addition to the stimulus from the economic recovery, also from the efficiency and cost-cutting measures we have implemented. They include personnel and material cost savings, portfolio and model adjustments, the continuing implementation of platform strategies, and more stringent capital allocation.

Our ongoing measures to increase efficiency also involve optimizing the utilization of our production facilities. In the context of the regular review of useful lives, the useful lives of property, plant and equipment subject to scheduled depreciation were reassessed and, in some cases, extended at the end of 2020. These amended estimates will be applied as of January 1, 2021. The expected positive impact on earnings before interest and taxes (EBIT) amounts to €0.8 billion for 2021 and mainly relates to Mercedes Benz Cars & Vans.

On the basis of the market developments we anticipate, the aforementioned factors and the planning of our divisions, we assume that Group EBIT in 2021 will be significantly above the level of 2020, which was affected in particular by the covid-19 pandemic. Group EBIT in 2021 will include a positive contribution from the planned fuel-cell joint venture with Volvo, probably of between €1.2 billion and €1.3 billion, which is planned to be allocated equally to the Mercedes-Benz Cars & Vans and Daimler Trucks & Buses divisions. These transactions will have no effect on the adjusted earnings of the automotive divisions.

The individual divisions have the following expectations for adjusted returns in 2021:

Mercedes-Benz Cars & Vans: adjusted return on sales of 8-10%
Daimler Trucks & Buses: adjusted return on sales of 6-7%
Daimler Mobility: adjusted return on equity of 12-13%

At Mercedes-Benz Cars & Vans, positive effects on the adjusted return on sales will result from rising volumes of unit sales, a more favorable sales structure, further improved pricing and the extended useful lives of property, plant and equipment. However, earnings in the 2021 financial year will be adversely impacted by rising functional costs compared with the previous year, which also featured strict cost-cutting measures.

At Daimler Trucks & Buses, the adjusted return on sales will reflect positive earnings effects from recovering markets, a more favorable unit-sales structure, further improved pricing, and the after-sales business. Measures to increase efficiency, such as material-cost savings, will have a supporting effect. There will be a negative impact in 2021 from increasing functional costs compared with the previous year, which strict savings measures.

Daimler Mobility anticipates positive effects on adjusted return on equity from lower credit-risk costs and improved operating profit in its business with mobility services. Opposing effects are likely to result from expenses for new project investments.

Free cash flow and liquidity

The free cash flow of the industrial business will continue to be adversely affected by high advance expenditure for new products and technologies. The payments agreed in the third quarter of 2020 in the context of the settlements with US authorities and with plaintiffs' council in the US consumer class actions relating to diesel emissions are also included in the forecasted free cash flow. Further possible expenses in connection with legal and regulatory proceedings are not included. Furthermore, we expect higher tax payments than in the previous year. An opposing, positive effect will result from the planned fuel-cell joint venture with Volvo in the amount of the sale proceeds of probably €0.6 billion, which is to be allocated proportionately to Mercedes-Benz Cars & Vans and Daimler Trucks & Buses. This cash inflow will not affect the adjusted cash conversion rate. In total, we expect the free cash flow of the industrial business in 2021 to be significantly below the prior-year level.

We expect the adjusted cash conversion rate for the Mercedes-Benz Cars & Vans division to be within a corridor of 0.7 to 0.9 in 2021. The adjusted cash conversion rate for Daimler Trucks & Buses is likely to be between 0.8 and 1.0.

For the year 2021, we aim to have liquidity available in a volume appropriate to the general risk situation in the financial markets and to Daimler's risk profile. When measuring the level of liquidity, we give due consideration to possible refinancing risks caused for example by temporary distortions in the financial markets. We continue to assume, however, that we will have very good access to the capital markets and the bank market also in the year 2021. We aim to cover our funding needs in the planning period primarily by means of bonds, commercial paper, bank loans, customer deposits in the direct banking business and the securitization of receivables in the financial services business; the focus will be on bonds and loans from globally and locally active banks. In view of our ongoing strong creditworthiness and in a continuing environment of high liquidity in the international capital markets, we anticipate stable refinancing conditions. Furthermore, our goal is to continue to ensure a high degree of financial flexibility.

Dividend

At the Annual Shareholders' Meeting on March 31, 2021, the Board of Management and the Supervisory Board will propose the payment of a dividend of €1.35 per share for the year 2020 (previous year: €0.90). This represents a total distribution of €1.4 billion (previous year: €1.0 billion).

In line with a sustainable dividend policy, Daimler sets the dividend based on a distribution ratio of 40% of the net profit attributable to Daimler shareholders. We also take into consideration the free cash flow from the industrial business when setting the dividend.

Capital expenditure and research activities

Investment in property, plant and equipment
We will continue to invest heavily in the attractiveness and future viability of our product range and production processes in 2021. This applies in particular to the increasing electrification of our product portfolio and to the digital connectivity of our products and processes along the entire value chain. At the same time, we will continue the measures we have initiated to reduce costs and make more efficient use of resources. Against this background, we plan to invest in property, plant and equipment in 2021 at the prior-year level.

A main feature of investment in property, plant and equipment at Mercedes-Benz Cars & Vans will be the product ramp-ups of the next-generation C-Class and the battery-electric vehicles on the EVA2 platform. In addition, we will push ahead with the development of alternative drive systems and will also continue to invest in conventional drive systems. Investment in property, plant and equipment at Mercedes-Benz Cars & Vans is therefore also expected to be at the prior-year level.

Daimler Trucks & Buses anticipates a slight increase in investment in property, plant and equipment in 2021. Non-product projects will account for approximately 50% of the total; infrastructure optimizations will be the main drivers here. The increase in the share of product projects is partially the result of strategically relevant activities in the areas of electric mobility and automated driving. Other key areas include emission standards and fuel efficiency for our conventional powertrains, active safety, and the completion of the Freightliner vocational product portfolio.

Research and development
With our research and development activities, our goal is to further strengthen Daimler's competitive position against the backdrop of upcoming technological challenges. We are focusing on the strategic areas for the future of connectivity, automated driving, and especially the development of electric drive systems. Therefore, we expect our research and development expenditure in 2021 to be slightly above the prior-year level.

At Mercedes-Benz Cars & Vans, a large proportion of the research and development expenditure in 2021 will be for the renewal of the product portfolio. Research and development expenditure is expected to increase slightly compared with the previous year, mainly due to the successor series to the E-Class and the compact cars. The topics of digitization, automated driving and electric drive remain at the focus of our activities.

The Daimler Trucks & Buses division anticipates a slightly higher volume of research and development expenditure than in 2020. Its development activities will focus on new technologies, including for truck automation and connectivity as well as for electric drive powered by batteries and fuel cells. Another key area will be the development of successor generations of existing products, especially in the segment of heavy-duty trucks, as well as tailored products and technologies for important growth markets.

CO_2 emissions of the new-car fleet in Europe

In 2020, the average CO_2 emissions of our new car fleet in Europe (European Union, United Kingdom, Norway and Iceland) probably decreased to 104 g/km with application of the applicable legal regulations for the respective year (NEDC, including vans registered as passenger cars). We therefore achieved the CO_2 targets in the European Union in 2020. Transition from the current NEDC to the new WLTP test procedure is foreseen for the year 2021. This will involve the adjustment of fuel-consumption targets and rising certification figures. On the basis of WLTP, we expect our fleet average in Europe (European Union, Norway and Iceland) to decrease again significantly in 2021 compared with the comparable figures for the previous year calculated according to WLTP (probably between 130 to 140 g/km, based on preliminary figures for fuel consumption in 2020 taking into account the statutory regulations of 2021). This development will be driven in particular by the rising proportion of battery-electric vehicle models and plug-in hybrids in our new-car fleet.

Overall statement on future development

Following the unexpected and extraordinary impact of the covid-19 pandemic in 2020, financial challenges remain high for the Daimler Group in 2021. This applies both to the ongoing impact of the pandemic, the duration of which we cannot predict, and to the high advance expenditure still required for the necessary transformation to a CO_2-neutral future. Our ambitious CO_2 targets set out in “Ambition 2039” continue to necessitate high investments in electric mobility and far-reaching structural adjustments. Only in this way will we be able to play a leading role in the transformation to a CO_2-neutral future. In order to successfully master these challenges, we will push forward with our measures to improve cost efficiency and implement our strategic initiatives. Achieving appropriate returns and a sound cash flow have absolute priority along this path.

Against this backdrop and supported by the Group's brand strengths and innovative capabilities, we look forward with confidence to the year 2021. Compared with the particularly difficult previous year, we should be able to significantly increase our unit sales, revenue and earnings. However, this is based on the assumption that the covid-19 pandemic is gradually contained in our most important markets and that further setbacks for global economic development are avoided.

Forward-looking statements

This document contains forward-looking statements that reflect our current views about future events. The words “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” “may,” ”can,” “could,” “plan,” “project,” “should” and similar expressions are used to identify forward-looking statements. These statements are subject to many risks and uncertainties, including an adverse development of global economic conditions, in particular a decline of demand in our most important markets; a deterioration of our refinancing possibilities on the credit and financial markets; events of force majeure including natural disasters, pandemics, acts of terrorism, political unrest, armed conflicts, industrial accidents and their effects on our sales, purchasing, production or financial services activities; changes in currency exchange rates, customs and foreign trade provisions; a shift in consumer preferences towards smaller, lower-margin vehicles; a possible lack of acceptance of our products or services which limits our ability to achieve prices and adequately utilize our production capacities; price increases for fuel or raw materials; disruption of production due to shortages of materials, labor strikes or supplier insolvencies; a decline in resale prices of used vehicles; the effective implementation of cost-reduction and efficiency-optimization measures; the business outlook for companies in which we hold a significant equity interest; the successful implementation of strategic cooperations and joint ventures; changes in laws, regulations and government policies, particularly those relating to vehicle emissions, fuel economy and safety; the resolution of pending government investigations or of investigations requested by governments and the conclusion of pending or threatened future legal proceedings; and other risks and uncertainties, some of which are described under the heading “Risk and Opportunity Report” in this Annual Report. If any of these risks and uncertainties materializes or if the assumptions underlying any of our forward-looking statements prove to be incorrect, the actual results may be materially different from those we express or imply by such statements. We do not intend or assume any obligation to update these forward-looking statements since they are based solely on the circumstances at the date of publication.

References made in this management report

Insofar as the references made in this Management Report relate to parts of the Annual Report that were not included in the external audit (components outside the company and consolidated financial statements and the combined Management Report), or to the Daimler website or other reports or documents, these were not part of the external audit.

Corporate Governance

Report of the Audit Committee

Dear Shareholders,

As Chairman of the Audit Committee, I am very pleased to report to you on the tasks and activities performed by that body in financial year 2020.

Responsibility
On the basis of applicable law, the German Corporate Governance Code and the Rules of Procedure of the Supervisory Board and its committees, the Audit Committee deals primarily with questions of accounting, financial reporting and non-financial reporting. In addition, it deals with the annual audit and reviews the qualifications and independence of the external auditors. Furthermore, it discusses the effectiveness and functional capabilities of the risk management system, the internal control system, the internal auditing system and the compliance management system. After the external auditors are elected by the Annual Shareholders' Meeting, the Audit Committee engages the external auditors to conduct the annual audit and the auditors' review of interim financial statements. Furthermore, the Audit Committee determines the important audit issues and negotiates the audit fees with the external auditors. The Audit Committee also commissions the external auditors to carry out a voluntary examination of the non-financial report within the framework of a limited assurance engagement and to audit the non-financial declaration as part of the Management Report.

Equal representation
Audit Committee Chairman Dr. Clemens Börsig and Joe Kaeser served as the shareholder representatives on the Audit Committee in financial year 2020. Both are independent and have expertise in the field of financial reporting, as well as special knowledge of and experience in the auditing of financial statements and the application of methods of internal control. During financial year 2020, the employees were represented on the Audit Committee by Michael Brecht as the Deputy Chairman of the Committee and by Ergun Lümali.

Meetings and participants
The Audit Committee met six times in financial year 2020. All of these meetings were also attended by the Chairman of the Supervisory Board, Dr. Manfred Bischoff, as a permanent guest. The other permanent participants in the meetings were the Chairman of the Board of Management, the members of the Board of Management responsible for Finance and Controlling and for Integrity and Legal Affairs, and the external auditors. The heads of specialist departments such as Accounting, Internal Auditing, Compliance and Legal were also present to report on individual items of the agenda.

In addition, the Chairman of the Audit Committee held regular individual discussions, for example with the aforementioned members of the Board of Management, the external auditors, the Head of Internal Auditing, the Head of Compliance, the Head of Legal Affairs and, if required, the heads of other specialist departments. Such individual discussions were mainly held to prepare for the next committee meetings.

Reporting to the Supervisory Board
The Chairman of the Audit Committee informed the Supervisory Board about the activities of the Committee and about the contents of its meetings and discussions in the following Supervisory Board meetings.

Topics in 2020
In the meeting held on February 10, 2020, the Audit Committee dealt with the preliminary figures of the annual financial statements and the annual consolidated financial statements for the year 2019, as well as with the proposal on the appropriation of profits made by the Board of Management. Following an in-depth review, the Audit Committee took positive note of the presented figures and determined that no objections were to be made to their proposed publication. The Committee further recommended that the Supervisory Board, which met immediately thereafter, adopt the same view. The preliminary key figures and the proposal on the appropriation of profits were announced at the Annual Press Conference on February 11, 2020.

In another meeting held on February 19, 2020, the Audit Committee dealt with the annual financial statements, the consolidated financial statements and the combined management report for Daimler AG and the Daimler Group for the financial year 2019, each of which had been issued with an unqualified auditor's opinion by the external auditors, as well as with the proposal on the appropriation of profits. During the meeting, the Audit Committee focused in particular on the key audit matters described in each audit opinion and on the audit approach applied in each case, including the conclusions drawn. The Audit Committee also reviewed and discussed the non-financial report, for which an auditor's report was issued in accordance with ISAE 3000. The external auditors reported on the results of their audit and the voluntary review of the non-financial report within the framework of a limited assurance engagement, and were also available to answer supplementary questions and to provide additional information. The audit reports on the annual company and consolidated financial statements (including the combined management report) and the internal control system, the report concerning the non-financial report, and important issues related to accounting were discussed with the external auditors. In addition, the Audit Committee also discussed the risk management system. Following an in-depth review and discussion, the Audit Committee recommended that the Supervisory Board approve the financial statements, the combined management report, the declaration on corporate governance included in the corporate governance report, the non-financial report, and the Board of Management's proposal on the appropriation of profits, which involved the payment of a dividend of €0.90 per share entitled to a dividend. Furthermore, the Audit Committee approved the Report of the Audit Committee for financial year 2019.

In this meeting, the Audit Committee also discussed the report on the total fees paid to the external auditors in financial year 2019 for auditing and non-auditing services and defined the framework of approval for engaging the external auditors to provide non-audit services during the period January 1, 2020 to February 15, 2021. The Audit Committee also decided to recommend to the Supervisory Board, and subsequently to the Annual Shareholders' Meeting, that KPMG AG Wirtschaftsprüfungsgesellschaft be engaged to conduct the annual external audit, the audit of the consolidated financial statements and the external auditors' review of interim financial reports for financial year 2020 and also to conduct the external auditors' review of interim financial reports for financial year 2021 in the period leading up to the Annual Shareholders' Meeting in 2021. The Audit Committee based this recommendation on the quality of the annual audit and the results of the independence review, for which no indications of partiality or a threat to independence were found. Moreover, the Audit Committee decided to propose to the Supervisory Board that it have the contents of the non-financial report for 2020 voluntarily reviewed again (with limited assurance). Subject to the election of the proposed external auditors by the Annual Shareholders' Meeting, the Audit Committee also discussed the proposal to be made regarding the fees to be agreed upon with the external auditors for financial year 2020. Finally, the Audit Committee dealt with the annual audit plan for 2020 of the Internal Auditing department and, within the framework of its responsibility, with the agenda for the 2020 Annual Shareholders' Meeting, which at this point was still scheduled to take place on April 1, 2020.

In the meetings during 2020 related to the quarterly results, the Audit Committee discussed the interim financial reports and the results of the auditors' review before their publication with the Board of Management and with the external auditors. In addition, the Committee received reports from the Internal Auditing, Compliance and Legal departments. The Board of Management reported regularly to the Audit Committee on the current status of the main legal proceedings, including antitrust proceedings as well as inquiries, investigations, proceedings and administrative orders in connection with diesel emissions. In addition, the Audit Committee regularly dealt with notifications concerning possible violations of rules submitted by employees and third parties to the Group's own BPO (Business Practices Office) whistleblower system.

The meeting of the Audit Committee in April 2020 dealt with the interim financial report for the first quarter of 2020, focusing intensively on the fiscal impact of the covid-19 pandemic. Moreover, the Audit Committee received reports from the Internal Auditing, Compliance and Legal departments, which also addressed the effects of the covid-19 pandemic. Another item on the agenda was the agreement on the external auditor fees for financial year 2020.

In its meeting in June 2020, the Audit Committee discussed aspects of the Group's risk management system and dealt in particular with its changes and further development. It also discussed the methods and processes of, and changes to, the internal control system. In this meeting, the Committee also addressed the agreement on the external auditor fees and discussed planning measures for the annual external audit and the key audit issues for financial year 2020. In addition, the Audit Committee extensively investigated current accounting issues. These included the regulatory statements concerning SARS-CoV-2 that were of key importance for the company as well as the methodology for evaluating the existing fleet of leased vehicles. The meeting was also used to discuss the results of the internal quality analysis of the external audit for financial year 2019. Lastly, the Audit Committee learned about liquidity management within the Group and the sub-groups and the methodological approach used to hedge against raw material and currency risks. In conclusion, the Committee took note of a report about current tax-related issues.

In the meeting held in July 2020, the Audit Committee dealt with the results of the second quarter of 2020. In doing so, it also addressed the financial implications of the covid-19 pandemic. As part of its risk reporting activities, the Audit Committee mainly addressed legal proceedings as well as sales and production-related risks. In addition, the Committee received quarterly reports from the Compliance, Internal Auditing and Legal departments. Finally, the Audit Committee discussed with the Board of Management the annual report produced by the Group's Data Protection Officer.

In October 2020, the Committee dealt with the interim financial report for the third quarter of 2020. In addition, the Committee expanded the range of key audit issues for the external auditors and conducted its annual review of the authorized non-audit services provided by the external auditors. It also decided to adjust the current catalog of authorized non-audit services. Due to the Board of Management's decision to integrate the former non-financial report into the combined management report as the non-financial declaration, the Audit Committee resolved to recommend to the Supervisory Board that the audit of the consolidated financial statements and the combined management report by the external auditors should be correspondingly expanded. In response to the current public debate concerning escrow accounts, the Audit Committee obtained in-depth reports about the management of the bank and escrow accounts within the Daimler Group. In addition, the Committee received quarterly reports from the Compliance and Legal departments. Moreover, it obtained reports about the work and structure of the Post Settlement Audit Team (PSAT), which is located in the Internal Auditing department. The PSAT was set up during the reporting year on the basis of a settlement with the US regulatory authorities in connection with emission control systems. The team monitors the company's fulfillment of the settlement and, within a specified scope, its compliance with environmental regulations.

Company and consolidated financial statements 2020
In the meeting held on February 17, 2021, the Audit Committee reviewed and discussed in detail the annual financial statements, the consolidated financial statements and the combined management report including the non-financial declaration for Daimler AG and the Daimler Group for financial year 2020, each of which had been issued with an unqualified auditor's opinion by the external auditors, as well as the declaration on corporate governance and the proposal on the appropriation of profits. At the meeting, the external auditors reported on the results of their audit and focused in particular on the key audit matters and the audit approach applied in each case, including the conclusions drawn. They were also available to answer supplementary questions and to provide additional information. The audit reports on the annual financial statements and consolidated financial statements (including the key audit matters in the audit opinions) and on the internal control system and important issues related to financial reporting were discussed with the external auditors. In addition, the Audit Committee also discussed the risk management system. Following an in-depth review and discussion, the Audit Committee recommended that the Supervisory Board approve the financial statements, the combined management report including the non-financial declaration, the declaration on corporate governance and the recommendation of the Board of Management to pay a dividend of €1.35 per share entitled to a dividend. The Audit Committee also reviewed the independence of the external auditors (including the non-audit fee cap) for the financial year 2020. Furthermore, the Audit Committee approved the Report of the Audit Committee for financial year 2020.

Self-evaluation
In 2020, the Audit Committee conducted a self-evaluation of its own activities on the basis of an extensive company-specific questionnaire. The results of this self-assessment were once again very positive and were presented and discussed in the meeting on February 17, 2021. This did not result in any need for action with regard to the Committee's tasks, the content, or the procedure of its meetings.

Stuttgart, February 2021

The Audit Committee

Dr. Clemens Börsig
Chairman

Declaration on Corporate Governance

Good corporate governance is a precondition for and reflection of the responsible management of a company. The Board of Management and the Supervisory Board aim to align the Group's management and supervision with nationally and internationally recognized standards in order to safeguard sustainable value creation over the long term. With the discontinuation of the Corporate Governance Report as stipulated in the new German Corporate Governance Code in the version dated December 16, 2019, the Declaration on Corporate Governance has, in accordance with Sections 289 f, 315 d of the German Commercial Code (HGB), become the central instrument for corporate governance reporting. The Board of Management and the Supervisory Board jointly issue the Declaration on Corporate Governance and are responsible for the sections of the report that pertain to them. The Declaration on Corporate Governance has been combined for Daimler AG and the Daimler Group. The following statements thus apply equally to Daimler AG and the Group insofar as not otherwise stated. Pursuant to Section 317 Subsection 2 Sentence 6 of the German Commercial Code (HGB), the purpose of the audit of the statements pursuant to Section 289f Subsections 2 and 5 and Section 315d of the HGB is limited to determining whether such statements have actually been provided. The Declaration on Corporate Governance can also be viewed on the Internet at daimler.com/corpgov/en.

Declaration by the Board of Management and the Supervisory Board of Daimler AG pursuant to Section 161 of the German Stock Corporation Act (AktG) regarding the German Corporate Governance Code

Since the issuance of the last compliance declaration in December 2019, Daimler AG has satisfied all recommendations of the German Corporate Governance Code published in the official section of the German Federal Gazette on April 24, 2017 in the Code version dated February 7, 2017 ("Code 2017"), with the exception of Clause 3.8 Paragraph 3 (D&O insurance deductible for the Supervisory Board) and Clause 5.4.5 Paragraph 1 Sentence 2 (maximum number of supervisory board memberships for members of the management board of a listed corporation).

D&O insurance deductible for the Supervisory Board (Clause 3.8, Paragraph 3, Corporate Governance Code, 2017). The Directors' & Officers' insurance contains no provision for a deductible for the members of the Supervisory Board that corresponds to the legally required deductible for members of the Board of Management. Given the function-related fixed remuneration without performance bonus components, setting such a deductible for Supervisory Board members would not increase the motivation and sense of responsibility with which its members perform their tasks.

This recommendation is no longer contained in the German Corporate Governance Code in the version dated December 16, 2019.

Maximum number of supervisory board memberships for members of the management board of a listed corporation (Clause 5.4.5 Paragraph 1 Sentence 2, Corporate Governance Code, 2017). In accordance with this recommendation, members of the management board of a listed corporation shall not accept more than a total of three supervisory board memberships in non-group listed corporations or on supervisory bodies of non-group entities that make similar requirements.

A parallel recommendation with even stricter requirements can be found in Clause 5 of the German Corporate Governance Code in the version dated December 16, 2019.

Daimler AG satisfies the recommendations of the German Corporate Governance Code published in the official section of the German Federal Gazette on March 20, 2020, in the Code version dated December 16, 2019 ("Code 2019"), with the exception of the recommendations contained in C. 4 and C. 5 (maximum number of supervisory board memberships), and will continue to observe the recommendations with the aforesaid deviations.

Maximum number of supervisory board memberships (C. 4 and C. 5, Code 2019). In accordance with the recommendation contained in C. 4, a supervisory board member who is not a member of the management board of a listed corporation shall not serve on more than five supervisory boards of non-group listed corporations or assume similar positions, whereby chairmanship of a supervisory board counts double. In accordance with the recommendation contained in C. 5, members of the management board of a listed corporation shall not accept more than a total of two supervisory board memberships in non-group listed corporations or assume similar positions, nor should they accept a position as chairman of the supervisory board of a non-group listed corporation.

Whether the total number of memberships in non-group listed corporations and similar positions held by members of the Board of Management or the Supervisory Board still seems appropriate should, however, be assessed more appropriately on a case-by-case basis than with a rigid upper limit. The individual workload expected as a result of the total number of memberships held does not necessarily increase in proportion to their number.

Stuttgart, December 2020

For the Supervisory Board Dr. Manfred Bischoff Chairman	For the Board of Management Ola Källenius Chairman

This declaration of compliance and previous, no longer applicable, declarations of compliance from the past five years are also available at our website at daimler.com/corpgov/en.

The main principles and practices of corporate governance

The German Corporate Governance Code
Beyond the legal requirements of German stock corporation, codetermination and capital market legislation, Daimler AG has followed and continues to follow the recommendations of the German Corporate Governance Code ("Code"), with the exceptions disclosed and justified in the declaration of compliance.

Daimler AG has followed and continues to fully follow the suggestions of the Code. However, due to the covid-19 pandemic, options for participating in Supervisory Board meetings had to be expanded to include participation via conference calls or video conferences (D.8, Code 2019).

The principles guiding our conduct
Our business conduct is based on Group-wide standards that go beyond the requirements of relevant legislation and the German Corporate Governance Code. These standards are based on our four corporate values integrity, respect, passion and discipline. In order to achieve long-term and thus sustainable business success on this basis, our goal is to ensure that our activities are in harmony with the environment and society. This is due to the fact that we as one of the world's leading automakers also strive to be a leader in sustainability. We have defined the most important principles in our Integrity Code, which serves as a frame of reference for all employees at Daimler AG and the Group and supports them in making the right decisions even in difficult business situations.

Our Integrity Code
Employees from different departments and units throughout the Group and around the world helped us develop our Integrity Code, which was revised in 2019. Our Integrity Code defines the central corporate principles that guide our behavior in daily business, our interpersonal conduct within the company and our conduct toward customers and business partners. These corporate principles include compliance with laws, as well as fairness, transparency, a commitment to diversity, and responsibility. In addition to the corporate principles, our Integrity Code includes requirements and regulations concerning respect for and the protection of human rights and dealing with conflicts of interest. It also prohibits all forms of corruption. The Integrity Code applies to all companies and employees of the Daimler Group worldwide. The Integrity Code is available on the Internet at daimler.com/dai/caag.

We have also reached agreement on "Principles of Social Responsibility" with the World Employee Committee. These principles apply at Daimler AG and throughout the Group. In the Principles of Social Responsibility, Daimler commits itself to the principles of the UN Global Compact and thus to internationally recognized human and workers' rights, freedom of association, sustainable protection of the environment and the proscription of child labor and forced labor. Daimler also commits itself to guaranteeing equal opportunities and adhering to the principle of "equal pay for equal work."

Expectations for our business partners

We also require our business partners to adhere to clear stipulations because we regard our business partners' integrity and behavior in conformity with regulations as a precondition for trusting cooperation. When selecting our direct business partners, we therefore pay close attention to ensure that they comply with the law and follow ethical principles, and that they pay the same attention themselves to other partners in the supply chain. For the expectations we place on our business partners, see also daimler.com/sus/obr.

Risk and compliance management at the Group

Daimler has a risk and compliance management system that is commensurate with its size and global presence and is designed to ensure the continuous and systematic management of business risks and opportunities.

The risk management system is one component of the overall planning, controlling and reporting process. Its goal is to enable the company's management to recognize significant risks at an early stage and to initiate appropriate countermeasures in a timely manner. Risk and Opportunity Report

Our Compliance Management System (CMS), which has its basis in our culture of integrity, is designed to support the observation of laws and policies in the company and by its employees and to prevent misconduct and systematically minimize compliance risks. More detailed information on the Daimler Compliance Management System can be found in the chapter Integrity and Compliance.

At least once a year, the Audit Committee of the Supervisory Board of Daimler AG discusses with the Board of Management the effectiveness and functionality of the internal control and auditing system, the risk management system and the compliance management system. The Chairman of the Audit Committee reports to the Supervisory Board on the committee's work at the latest in the next scheduled meeting of the Supervisory Board. The Supervisory Board also deals with the risk management system on the occasion of the audit of the annual company and consolidated financial statements. Between Supervisory Board meetings, the Chairman of the Supervisory Board has regular contact with the Board of Management, and in particular with the Chairman of the Board of Management, to discuss not only the Group's strategy and business development but also issues relating to risk management and compliance. In addition, the Board of Management regularly informs the Audit Committee and the Supervisory Board of the most important risks facing the company and the Group as a whole. The Legal Affairs Committee supports the Supervisory Board in carrying out its tasks with respect to the complex proceedings relating to emissions regulations and antitrust law with which Daimler AG and its subsidiaries are confronted. The Internal Auditing department monitors adherence to the legal framework and to Group standards by means of targeted audits and initiates appropriate actions as required.

Accounting and the external audit

Daimler prepares its consolidated financial statements and interim financial reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. The annual financial statements of Daimler AG are prepared in accordance with the accounting standards of the German Commercial Code (HGB). Daimler prepares both half-yearly and quarterly financial reports. The consolidated financial statements and annual financial statements of Daimler AG are audited by external auditors; interim financial reports are reviewed by external auditors. The consolidated financial statements and the Group management reports are made publicly accessible via the Company's website within 90 days from the end of the reporting year; the interim financial reports are made publicly accessible in the same manner within 45 days from the end of the reporting period.

Based on the recommendation of the Audit Committee, the Supervisory Board submits a proposal to the Shareholders' Meeting for the election of the external auditors for the annual company financial statements, for the consolidated financial statements and for the auditors' review of the interim financial reports. At the Annual Shareholders' Meeting on July 8, 2020, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin was elected to conduct the audit of the annual financial statements and the consolidated financial statements, and the external auditors' review of interim financial reports, for financial year 2020, as well as the external auditors' review of interim financial reports for financial year 2021 in the period leading up to the Shareholders' Meeting in 2021. KPMG AG Wirtschaftsprüfungsgesellschaft has been conducting the audit of the annual company financial statements and consolidated financial statements of Daimler AG since the 1998 financial year; since 2014, the responsible auditor commissioned to carry out the external audit has been Dr. Axel Thümler.

Prior to issuing its recommendation to the Annual Shareholders' Meeting, the Audit Committee of the Supervisory Board obtained a declaration from the external auditors under consideration. The external auditors were requested to state whether any business, financial, personal or other relationships existed between the external auditors and their bodies and audit managers on the one hand, and the Company and the members of its bodies on the other, which could justify concerns regarding a conflict of interest. This statement also describes the extent to which other services were performed for the Daimler Group in the previous financial year or had been contractually agreed upon for the following year.

The Audit Committee instructed the external auditor to immediately inform the Committee Chairman of any indications of partiality or grounds for exclusion uncovered during the audit or the auditors' review of interim financial statements, and of all key findings and events relevant to the tasks of the Supervisory Board, particularly findings or events related to suspected irregularities in accounting. The Audit Committee also reached an agreement with the external auditors stipulating that the external auditors would inform the Audit Committee, and make a note in the audit report, of any facts uncovered during the annual audit that would reveal inaccuracies in the Board of Management's and the Supervisory Board's declaration of compliance with the German Corporate Governance Code.

Composition and mode of operation of the Board of Management ↗ D.01

Daimler AG is obliged by the German Stock Corporation Act (AktG) to apply a dual management system featuring strict personal and functional separation between the Board of Management and the Supervisory Board (two-tier board). Accordingly, the Board of Management manages the company while the Supervisory Board monitors and advises the Board of Management.

Board of Management
In accordance with the Articles of Incorporation of Daimler AG, the Board of Management has at least two members. The precise number of Board of Management members is determined by the Supervisory Board. The Board of Management had eight members on December 31, 2020. In accordance with German law on the equal participation of women and men in executive positions, the Supervisory Board has set a target for the proportion of women on the Board of Management and a deadline for achieving this target. The details are described in a separate section in this declaration on corporate governance. With regard to the composition of the Board of Management, the Supervisory Board has also adopted a diversity concept, including an age limit, that is embedded in an overall requirements profile. The details of this concept are also described in a separate section in this declaration.

Information on the areas of responsibility and the curricula vitae of the Board of Management members is posted on the Daimler AG website at daimler.com/dai/bom. The members of the Board of Management and their areas of responsibility are also listed in the Board of Management.

The Board of Management manages Daimler AG and the Group while taking into consideration the interests of shareholders, employees and other stakeholders, and with the aim of achieving sustainable value creation. With the consent of the Supervisory Board, the Board of Management determines the Group's strategic focus, defines the corporate goals, and makes decisions concerning corporate planning matters.

Irrespective of the overall responsibility of the Board of Management, the individual members of the Board of Management manage their allocated divisions on their own responsibility and within the framework of the instructions approved by the entire Board of Management. Specific issues defined by the Board of Management as a whole are dealt with by the Board as a whole, which must approve all related decisions. The Chairman of the Board of Management coordinates the work of the Board of Management.

The Board of Management prepares the consolidated interim reports, the annual financial statements of Daimler AG, the consolidated financial statements, and the combined management report of the Company and the Group, including the non-financial declaration. Together with the Supervisory Board, the Board of Management issues the declaration of compliance with the German Corporate Governance Code each year. It ensures that the provisions of applicable law, official regulations and the internal policies at the Company are adhered to, and works to make sure that the companies of the Group comply with those rules and regulations. The Board of Management has also established an adequate compliance management system that takes into account the Company's risk situation.

The main features of this system are described in the Integrity and Compliance chapter. Such features include the Company's whistleblower system, the BPO (Business Practices Office), which enables Daimler employees and external whistleblowers to report misconduct anywhere in the world. The tasks of the Board of Management also include establishing and monitoring an appropriate and efficient risk management system.

For certain types of transactions defined by the Supervisory Board, the Board of Management requires the prior consent of the Supervisory Board. At regular intervals, the Board of Management reports to the Supervisory Board on the strategy of the divisions, corporate planning, profitability, business development and the situation of the Group, as well as on the internal control system, the risk management system and compliance matters. The Supervisory Board has specified the information and reporting duties of the Board of Management.

No committees of the Board of Management existed during the reporting period.

The Board of Management has also given itself a set of rules of procedure, which can be seen on our website at daimler.com/dai/rop. Those rules describe, for example, the procedure to be observed when passing resolutions and ways to avoid conflicts of interest.

Diversity
Diversity management has been part of the corporate strategy of Daimler since 2005. We rely on the diversity of our employees and the differences between them because such differences form the foundation for an effective and successful company. The aim of our activities is to bring together the right people to tackle our challenges, to create a work culture that promotes the performance, motivation and satisfaction of our employees and managers, and to help attract new target groups to our products and services. Our activities for shaping diversity at Daimler focus on three areas: best mix, work culture and customer interaction. With our specific measures, activities and initiatives for everything from training formats for employees and managers to workshops, conferences, policies and target group-specific communication and awareness-raising measures, our diversity management system makes a major contribution to the further development of our corporate culture.

Targeted support for women on the basis of the best-mix principle was a central component of our diversity management activities even before the legislation on the equal participation of women and men in executive positions went into effect. Such support has also included and continues to include flexible working-time arrangements, company nurseries and special mentoring programs for women. In order to meet legal requirements, the Board of Management of Daimler AG has defined targets for the proportion of women at the two management levels below the Board of Management and a deadline for achieving those targets. The details are described in a separate section. Independently of the legal requirements, Daimler continues to affirm the goal it already set itself in 2006 of increasing the proportion of women in executive positions at the Group (with the exception of Daimler Greater China and Trucks Asia) to 20% by 2020. We have achieved this goal and beginning in 2021, we plan to further increase the proportion of women in executive positions at the Group worldwide by one percentage point each year.

Composition and mode of operation of the Supervisory Board and its committees

Supervisory Board
In accordance with the German Codetermination Act (MitbestG), the Supervisory Board of Daimler AG comprises 20 members. Half of them are elected by the shareholders at the Shareholders' Meeting. The other half comprises members who are elected by the Group's employees who work in Germany. The members representing the shareholders and the members representing the employees are equally obliged by law to act in the Company's best interests.

Information on the curricula vitae of the members of the Supervisory Board and their other memberships is posted on our website at daimler.com/dai/sb. The Supervisory Board is to be composed so that its members together are knowledgeable about the business sector in which the Company operates and also dispose of the knowledge, skills and specialist experience that are required for the proper execution of their tasks. According to the law on the equal participation of women and men in executive positions, at least 30% of the members of the Supervisory Board of Daimler AG must be women and at least 30% must be men. The details are described in a separate section in this declaration on corporate governance. With regard to its composition, the Supervisory Board has also created an overall requirements profile consisting of a skills profile and a diversity concept, including an age limit, to be applied to the entire Supervisory Board. The details on the overall requirements profile are also summarized in a separate section in this declaration. Proposals by the Supervisory Board of candidates for election by the Shareholders' Meeting as members representing the shareholders of Daimler AG, for which the Nomination Committee makes recommendations, aim to fulfill the overall requirements profile of the Supervisory Board as a whole.

The members of the Supervisory Board attend on their own responsibility courses of training and further training that might be necessary for the performance of their tasks, and are supported by the Company in doing so. Such courses may address corporate governance, changes brought about by new legislation, or the launch of new products and pioneering technologies, for example. New members of the Supervisory Board are offered an "onboarding" program that gives them the opportunity to exchange views with members of the Board of Management and other executives on current issues related to the various areas of responsibility of the Board of Management, and thus to obtain an overview of important topics at the Group.

The Supervisory Board monitors and advises the Board of Management with regard to its management of the Group. At regular intervals, the Board of Management reports to the Supervisory Board on the strategy of the divisions, corporate planning, revenue development, profitability, business development and the situation of the Group, as well as on the internal control system, the risk management system and compliance matters. The Supervisory Board has retained the right of approval for transactions of fundamental importance. Furthermore, the Supervisory Board has specified the information and reporting duties of the Board of Management to the Supervisory Board, to the Audit Committee and – between the meetings of the Supervisory Board – to the Chairman of the Supervisory Board.

The Supervisory Board's duties include appointing and, if necessary, recalling the members of the Board of Management. In the past, initial appointments were usually made for a maximum period of three years. Beginning in 2021, this maximum term will apply to all initial appointments. In accordance with German legislation on equal participation by women and men in executive positions, the Supervisory Board has defined a target for the proportion of women on the Board of Management and a deadline for achieving this target. The details are described in a separate section in this declaration on corporate governance. With regard to the composition of the Board of Management, the Supervisory Board has also adopted a diversity concept that is embedded in an overall requirements profile. The details of this concept are also described in a separate section in this declaration.

The Supervisory Board decides on the system of remuneration for the Board of Management, reviews it regularly, and on this basis determines the total individual remuneration of each member of the Board of Management. In this process, it considers a comparison with an appropriate peer group at other companies, as well as the ratio of Board of Management remuneration to the remuneration of the senior executives and the workforce as a whole, also with regard to development over time. For this comparison, the Supervisory Board has defined the senior executives by applying Daimler's internal terminology for the hierarchical levels and has defined the workforce of Daimler AG in Germany as the relevant workforce. Variable components of remuneration are generally based on an assessment period that lasts several years and is essentially future-oriented. Multi-year variable remuneration components are not paid out until they come due. The Supervisory Board has set upper limits for individual Board of Management remuneration in total and with regard to its variable components. The remuneration system for the Board of Management was approved by the Annual Shareholders' Meeting in 2020 with a majority of 95.33%. Further information on Board of Management remuneration can be found in the Remuneration Report.

The Supervisory Board reviews the annual financial statements, the consolidated financial statements and the combined management report of the Company and the Group, as well as the proposal for the appropriation of distributable profits. Following discussions with the external auditors and taking into consideration the audit reports of the external auditors and the results of the review by the Audit Committee, the Supervisory Board states whether, after the final results of its own review, any objections are to be raised. If that is not the case, the Supervisory Board approves the financial statements and the combined management report. Upon being approved, the annual financial statements are adopted. The Supervisory Board reports to the Annual Shareholders' Meeting on the results of its own review and on the manner and scope of its supervision of the Board of Management during the previous financial year. The Report of the Supervisory Board for financial year 2020 is available in this Annual Report and on the Internet at daimler.com/dai/sb.

The Supervisory Board has given itself a set of rules of procedure, which regulate not only its duties and responsibilities and the personal requirements placed upon its members, but above all the convening and preparation of its meetings and the procedure of passing resolutions. These rules of procedure also contain provisions on how to avoid conflicts of interest.

The rules of procedure of the Supervisory Board can be viewed on our website at daimler.com/dai/rop.

The Supervisory Board meetings during the reporting period once again included executive sessions on a regular basis for discussions of individual topics in the absence of the members of the Board of Management. The Supervisory Board members can also take part in the meetings by means of conference calls or video conferences. Due to the covid-19 pandemic, these participation options had to be used more frequently during financial year 2020, although this type of participation would otherwise remain the exception.

The Supervisory Board regularly assesses how effectively the Supervisory Board and its committees perform their tasks. In financial year 2020 the Supervisory Board conducted an externally moderated self-assessment. An online survey and supplemental interviews that covered all of the main aspects of the work of the Supervisory Board and its committees were conducted for this process. The results of this self-assessment, which the Supervisory Board studied in depth at its meeting on February 17, 2021, confirmed the professional, very good and very trusting cooperation within the Supervisory Board and with the Board of Management. It did not reveal any fundamental need for change.

Independently of the Supervisory Board's efficiency review, the Audit Committee also again conducted a self-assessment of its own activities on the basis of an extensive company-specific questionnaire in 2020. The results of this self-assessment were once again very positive and were presented and discussed in the meeting of the Audit Committee on February 17, 2021. This process did not determine a need for change.

On December 31, 2020, the Supervisory Board had, in addition to the legally required Mediation Committee, four additional committees that perform to the extent legally permissible the tasks assigned to them in the name of and on behalf of the entire Supervisory Board. The committee chairpersons report to the entire Supervisory Board on the committees' work at the latest in the meeting of the Supervisory Board following each committee meeting. The Supervisory Board has issued rules of procedure for each of its committees. Those rules of procedure can be viewed on our website at daimler.com/dai/rop. Information on the current composition of these committees can be viewed at daimler.com/dai/sbc.

Presidential Committee

The Presidential Committee is composed of the Chairman of the Supervisory Board, Dr. Manfred Bischoff (who is also the Committee Chairman), his Deputy, Michael Brecht, and two other members, who are elected by the Supervisory Board. During the reporting period, these two additional members were Dr. Jürgen Hambrecht and Roman Zitzelsberger.

The Presidential Committee makes recommendations to the Supervisory Board on the appointment of members of the Board of Management, taking into account the overall requirements profile the Supervisory Board has defined to be filled, including the diversity concept, as well as the Supervisory Board's target for the proportion of women on the Board of Management. It submits proposals to the Supervisory Board on the design of the remuneration system for the Board of Management and on the appropriate total individual remuneration of its members. The Presidential Committee is also responsible for the Board of Management members' contractual affairs. In addition, it decides on the granting of approval for sideline activities of the members of the Board of Management, and once a year submits to the Supervisory Board for its approval a complete list of the sideline activities of each member of the Board of Management.

In addition, the Presidential Committee consults and decides on questions of corporate governance, on which it also makes recommendations to the Supervisory Board. It supports and advises the Chairman of the Supervisory Board and his Deputy and prepares the meetings of the Supervisory Board within the limits of its responsibilities.

The independent ESG experts of the Advisory Board for Integrity and Corporate Responsibility (Non-Financial Declaration) communicate with members of the Presidential Committee. As they come from the fields of science and business, as well as from civic organizations, these experts utilize an external point of view to offer critical and constructive support for the integrity and corporate responsibility process at Daimler. They have extensive experience with issues relating to ethical conduct and transportation and environmental policy. As important providers of new ideas, they contribute their various viewpoints to discussions, involving, among other things, the ethical aspects of autonomous driving, the methods for measuring progress with integrity-related issues, and external perspectives concerning the current debate about emissions and Daimler's approach to protecting human rights.

Nomination Committee

During the reporting period, the Nomination Committee was composed of three members, who were elected by a majority of the votes cast by the members of the Supervisory Board representing the shareholders. With effect from January 1, 2021, the Chairman of the Supervisory Board, by virtue of the Rules of Procedure, is member and chairman of the Nomination Committee while two more members are still to be elected by a majority of the votes cast by the members of the Supervisory Board representing the shareholders. The members in financial year 2020 were Dr. Manfred Bischoff (Chairman of the Nomination Committee), Sari Baldauf and, until July 8, 2020, Dr. Paul Achleitner; Dr. Bernd Pischetsrieder was a member from July 9, 2020, on. The Nomination Committee is the only Supervisory Board committee that consists solely of members representing the shareholders. It makes recommendations to the Supervisory Board concerning persons to be proposed for election as members of the Supervisory Board representing the shareholders at the Shareholders' Meeting. In doing so, the Nomination Committee takes into consideration the requirements of German law on equal participation of women and men in executive positions and also strives to ensure the fulfillment of the overall requirements profile, including the skills profile, for the entire Supervisory Board.

Audit Committee
The Audit Committee is composed of four members, who are elected by a majority of the votes cast by the members of the Supervisory Board. The members of the Audit Committee in financial year 2020 were shareholder representatives Dr. Clemens Börsig (Chairman of the Audit Committee) and Joe Kaeser and employee representatives Michael Brecht and Ergun Lümali.

Both the Chairman of the Audit Committee, Dr. Clemens Börsig, and the other shareholder representative on the Audit Committee, Joe Kaeser, fulfill the criteria for independence and have expertise in the field of financial reporting, as well as special knowledge and experience with regard to auditing and methods of internal control.

The Audit Committee deals with the supervision of the accounting and its process as well as with the annual audit. At least once a year, it discusses with the Board of Management the effectiveness and functionality of the internal control and risk management system, the internal auditing system and the compliance management system. It regularly receives reports on the work of the Internal Auditing department and the Compliance Organization. At least four times a year, the Audit Committee receives a report from the whistleblower system BPO (Business Practices Office) on complaints and information about any breaches of regulations or guidelines by high-level executives, as well as violations by other employees of the regulations in a defined catalog of legal provisions. It regularly receives information about the handling of these complaints and notifications.

The Audit Committee discusses with the Board of Management the interim reports before they are published. On the basis of the report of the external auditors, the Audit Committee reviews the annual company financial statements and the annual consolidated financial statements, as well as the management report of the Company and the Group, and discusses them with the external auditors. The Audit Committee makes a proposal to the Supervisory Board on the adoption of the annual company financial statements of Daimler AG, on the approval of the annual consolidated financial statements, and on the appropriation of profits. The Committee also makes recommendations for the Supervisory Board's proposal on the election of external auditors, assesses those auditors' suitability, qualifications and independence, and, after the external auditors are elected by the Annual Shareholders' Meeting, it engages them to conduct the audit of the consolidated financial statements and the annual financial statements and to review the interim reports, negotiates an audit fee, and determines the focus of the annual audit. The external auditors report to the Audit Committee on all accounting matters that might be regarded as critical and on any material weaknesses of the internal control and risk management system with regard to accounting that might be discovered during the audit. Finally, the Audit Committee approves in advance permitted services that are not directly related to the annual audit and which are provided by the firm of external auditors or its affiliates to Daimler AG or to companies of the Daimler Group.

Legal Affairs Committee
The Legal Affairs Committee is composed of six members, who are elected by a majority of the votes cast by the members of the Supervisory Board. The members of the Legal Affairs Committee during the reporting period were shareholder representatives Dr. Clemens Börsig (Chairman of the Legal Affairs Committee), Dr. Manfred Bischoff and Marie Wieck and employee representatives Michael Brecht, Michael Häberle and Sibylle Wankel. The committee coordinates the exercise and performance of the rights and obligations of the Supervisory Board with regard to ongoing legal proceedings relating to emissions regulations and antitrust law with which Daimler AG and Group companies are confronted. It also prepares and recommends associated resolutions for adoption by the Supervisory Board. Within the framework of the agreement in principle reached in the reporting period with various US authorities concerning the settlement of civil and environmental law proceedings in connection with the emissions control systems of certain diesel vehicles, the Committee was assigned additional tasks and granted expanded decision-making authority with regard to fulfilling the obligations stipulated in the agreements in principle. These additional tasks include the control and supervision of the Post Settlement Audit Team that was set up as part of this agreement in principle.

Mediation Committee
As prescribed by law, the Mediation Committee is composed of the Chairman of the Supervisory Board, Dr. Manfred Bischoff, and his Deputy, Michael Brecht, as well as one member of the Supervisory Board representing the employees and one member of the Supervisory Board representing the shareholders, each elected with a majority of the votes cast by the shareholders' and employees' representatives, respectively. During the reporting period, these two additional members were Dr. Jürgen Hambrecht for the shareholders and Roman Zitzelsberger for the employees. The Mediation Committee is formed solely to perform the function laid down in Section 31 Subsection 3 of the German Codetermination Act (MitbestG). As in previous years, the Mediation Committee did not have to take any action in financial year 2020.

Germany's law on the equal participation of women and men in executive positions

In accordance with German legislation on equal participation by women and men in executive positions in both the private and the public sector, the supervisory boards of listed companies or companies subject to Germany's system of codetermination have to set a target for the proportion of women on their boards of management. The board of management of such a company has to set a target for the proportion of women at the two management levels below that of the board of management. If the proportions of women at the time when these targets are set by the board of management and the supervisory board are below 30%, the targets may not be lower than the proportions already reached. At the same time that the targets are set, the boards have to set periods for their achievement, which may not be longer than five years.

On December 8, 2016, the Supervisory Board of Daimler AG passed a resolution stipulating that the target figure for the proportion of women on the Board of Management of Daimler AG would be 12.5%, while the deadline would be December 31, 2020. As of December 31, 2020, the eight-member Board of Management included two women, Renata Jungo Brüngger and Britta Seeger. This means that women account for 25% of the Board of Management members. On December 3, 2020, the Supervisory Board of Daimler AG passed a resolution stipulating that the target figure for the proportion of women on the Board of Management of Daimler AG would be 25%, while the deadline would be December 31, 2025.

On November 8, 2016, the Board of Management passed a resolution stipulating a target of 15% women for both the first and second management levels of Daimler AG below the Board of Management, with a deadline of December 31, 2020. At the time of the resolution, the proportion of women at the first and second management levels below the Board of Management was 8.0% and 12.4%, respectively. As of December 31, 2020, the proportion of women at the first management level below the Board of Management was 11.8%; at the second level it was 23.5%. The target for the first management level below the Board of Management could not be reached by December 31, 2020. At the time the target was set in 2016, the deconsolidation of the Cars & Vans and Trucks & Buses divisions to the newly established Mercedes-Benz AG and Daimler Truck AG in financial year 2019 was not yet foreseeable. As a result of the deconsolidation, many management positions were transferred from Daimler AG to Mercedes-Benz AG and Daimler Truck AG. Because of this, Daimler AG has very few management positions overall at the first level below the Board of Management. The target could no longer be achieved for these positions in financial year 2020. However, only a single woman still had to be appointed to reach the target.

The Board of Management of Daimler AG has also set itself the goal for the coming year of further increasing the proportion of women in top management positions. On November 25, 2020, the Board of Management therefore passed a resolution stipulating a target of 20% women for the first management level below the Board of Management and 25% for the second management level below the Board of Management, with a deadline of December 31, 2025.

Listed companies that have supervisory boards in which shareholders and employees are equally represented are required to have a proportion of at least 30% women and 30% men. This requirement has to be fulfilled by the Supervisory Board as a whole. If the side of the Supervisory Board representing the shareholders or the side representing the employees objects to the Chairman of the Supervisory Board about the application of the ratio to the entire Supervisory Board, the minimum ratio is to apply separately to the shareholders' side and to the employees' side for that election.

As of December 31, 2020, 30% of the shareholder representatives on the Supervisory Board of Daimler AG were women (Sari Baldauf, Petraea Heynike and Marie Wieck), while 70% were men. On that date, 30% of the employee representatives on the Supervisory Board were women (Elke Tönjes-Werner, Sibylle Wankel and Dr. Sabine Zimmer), while 70% were men. In its meeting on December 3, 2020, the Supervisory Board considered its nominations for the election at the 2021 Shareholders' Meeting and decided, upon the recommendation of the Nomination Committee, to propose at the 2021 Annual Shareholders' Meeting that Elizabeth Centoni, Ben van Beurden and Dr. Martin Brudermüller be elected to the Supervisory Board. The legally required gender ratio will be met both on the shareholder representatives' side and for the Supervisory Board as a whole if these persons are elected to the Supervisory Board, provided that no other changes occur.

Along with Daimler AG itself, there are other Group companies subject to codetermination law. These companies have defined their own targets for the proportion of women on their supervisory boards, executive management bodies and the two levels below the board or executive management level, and have also set deadlines for target achievement. All relevant information here has been published in accordance with applicable law.

Overall requirements profiles for the composition of the Board of Management and the Supervisory Board

In terms of the composition of the Board of Management and the Supervisory Board, Daimler AG utilizes diversity concepts that focus on aspects such as age, gender, education and professional background. The Supervisory Board has combined these diversity concepts with the requirements of German legislation regarding equal participation of women and men in executive positions and other requirements relating to the expertise that members of these executive management bodies need to possess. These combined requirements are presented in the overall requirements profiles for the composition of the Board of Management and Supervisory Board described below. The requirements profiles are reviewed each year and also serve as the basis for long-term succession planning.

Board of Management
The requirements profile for the Board of Management of Daimler AG aims for a Board of Management with excellent leadership skills that is as diverse and mutually supportive as possible. The Board of Management as a whole should possess the knowledge, skills and experience required for the proper execution of its tasks and be composed of members whose varied personal backgrounds and experiences ensure that the Board as a whole also embodies the desired management philosophy. Decisions regarding appointments to specific positions on the Board of Management are always governed by the Company's interests under consideration of all circumstances in each case.

During the reporting period, the requirements profile for the Board of Management included the following aspects in particular:

- The members of the Board of Management should have different educational and professional backgrounds, whereby at least two members should have a technical background. With Markus Schäfer and Wilfried Porth, as of December 31, 2020 the Board of Management had two members who are engineers. Since taking over as Head of Group Research & Mercedes-Benz Cars Development on January 1, 2017, Ola Källenius has sustainably displayed his technical expertise.

- On December 8, 2016, the Supervisory Board defined a target of 12.5% for the proportion of women on the Board of Management, with a deadline of December 31, 2020. The Board of Management currently has two female members, Renata Jungo Brüngger and Britta Seeger. This means the proportion of women on the Board of Management was 25% on December 31, 2020.

- As a rule, 62 years of age serves as orientation for age-related retirement. When it set this age limit, the Supervisory Board deliberately decided in favor of a flexible rule allowing the required scope for the appropriate assessment of the circumstances of each individual case. As of December 31, 2020, all eight Board of Management members were younger than the age limit.

- In addition, a sufficient generational mix among Board of Management members is to be taken into account in appointment decisions, whereby if possible at least three members of the Board of Management should be 57 years of age or younger at the beginning of their respective term of office. This is the case for all current members of the Board of Management, with the exception of Wilfried Porth.

- Decisions related to the composition of the Board of Management should also take into account internationality in the sense of varied cultural backgrounds or international experience through assignments abroad lasting several years, whereby if possible, at least one member of the Board of Management should come from a country other than Germany. Irrespective of the many years of international experience of a large majority of members of the Board of Management, this target was achieved as of December 31, 2020 due to the international origins of Ola Källenius and Renata Jungo Brüngger and through Hubertus Troska's focus on activities in China.

- Members of the Board of Management do not hold more than three memberships of supervisory boards of non-group listed corporations or of supervisory board committees at non-Group companies that have comparable requirements. This stipulation was met as of December 31, 2020. The only listed company in which Hubertus Troska is a member of a supervisory board or similar board outside the Daimler Group is BAIC Motor Corporation Ltd. Hubertus Troska's other board memberships are at joint ventures that fall within his areas of responsibility and that do not have comparable requirements to a board membership at a listed company outside the Group. The same applies to the external board memberships of Britta Seeger. In spite of this, a deviation from the new German Corporate Governance Code's recommendation regarding the maximum number of board memberships for board members of listed corporations has been disclosed and explained in the declaration of compliance for 2020. The new Code 2019 reduces this recommended maximum number relative to the Code 2017 from three to two supervisory board memberships or similar positions and further recommends that board members of listed corporations should not accept a position as chairman of a supervisory board in a non-group listed corporation.

The Supervisory Board has made adjustments to two aspects of the requirements profile for members of the Board of Management, with effect from January 1, 2021:

- In the future, the unchanged age limit of 62 for members of the Board of Management will apply to the beginning of the term of office of the Board of Management member in question.

- In view of the recommendations contained in the new German Corporate Governance Code in the version dated December 16, 2019, the members of the Board of Management shall generally not accept more than two supervisory board memberships in listed corporations or assume similar positions, nor shall they accept a position as chairman of the supervisory board of a listed corporation, whereby any deviation from this principle shall be disclosed in the annual declaration of compliance. The supervisory board memberships of Board of Management members in joint ventures that fall within their areas of responsibility are not considered similar positions within the meaning of the requirements profile.

The requirements profile for the Board of Management otherwise remains unchanged. The aspects described above are to be taken into consideration when making Board of Management appointments. On the basis of a target profile that takes into account specific qualification requirements and the abovementioned criteria, the Presidential Committee creates a shortlist of available candidates whom it interviews. It then recommends a candidate to the Supervisory Board for its approval and includes an explanation of its recommendation. Decisions regarding appointments to the Board of Management are always governed by the Company's interests under consideration of all circumstances in each individual case. In the Supervisory Board's view, fundamental personal criteria that make a person suited for a Board of Management position include, in particular, the individual's personality, integrity, credible leadership qualities, expertise for the division he or she will head, previous achievements, knowledge of the Company, and the ability to adapt business models and processes in a changing world.

In cooperation with the Board of Management, the Supervisory Board also ensures a long-term succession plan for the Board of Management, for which it takes the requirements profile and the individual circumstances into account. The Supervisory Board's Presidential Committee regularly holds discussions about the Company's talented and extraordinary leaders. In doing so, it discusses the duration of the contracts of current Board of Management members and the possibility of extending them as well as potential successors. Executives at the management level below the Board of Management and people of especially high potential are evaluated on the basis of an analysis of potential and the criteria of the requirements profile. The next development steps are then discussed and defined in cooperation with the Board of Management. The successor planning process also includes a regular report from the Board of Management regarding the proportion and development of the women managers, particularly with regard to the first and second management levels below that of the Board of Management. The Board of Management has to recommend a sufficient number of candidates to the Supervisory Board. Daimler AG wishes to primarily fill Board of Management positions with managers that have risen within the Company. Despite this, it also evaluates potential external candidates for specific cases with the help of external human resources consultants and considers them in the selection procedure.

Supervisory Board

The Supervisory Board is to be composed so that its members together are knowledgeable about the business sector in which the Company operates.

The requirements profile for the Supervisory Board of Daimler AG also aims at a Supervisory Board as diverse and mutually complementary as possible. The Supervisory Board as a whole shall understand the Company's business model and also possess the knowledge, skills and experience needed to properly execute its task of supervising and advising the Board of Management, in particular specialized knowledge in the areas of finance, accounting, annual audits, risk management, methods of internal control and compliance. In general, the members of the Supervisory Board should complement one another with regard to their specialist knowledge and professional experience in such a manner as to ensure that the Supervisory Board can utilize the most broadly based wealth of experience and expertise possible when making decisions. The Supervisory Board also views the diversity of its members in terms of age, gender, internationality and other personal attributes as an important foundation for effective cooperation. The foundation for Supervisory Board decisions regarding proposals on candidates for election at the Shareholders' Meeting is always the Company's interests under consideration of all circumstances in each individual case.

During the reporting period, the requirements profile for the Supervisory Board included the following aspects in particular:

- The members of the Supervisory Board should have different educational and professional backgrounds. At least five members should have completed a vocational technical training or education program or possess specific technological knowledge in fields such as information technology (including digitalization), chemistry, mechanical engineering or electrical engineering. Decisions related to the composition of the Supervisory Board should also take into account the fact that it may be necessary for members to obtain new skills and knowledge in order to be able to address product and market developments. Irrespective of the specific knowledge in the above-mentioned areas acquired by many members of the Supervisory Board in other functions, as of December 31, 2020, Marie Wieck, Dr. Jürgen Hambrecht, Dr. Bernd Pischetsrieder, Dr. Frank Weber and Roman Zitzelsberger (three shareholder representatives and two employee representatives) had relevant university degrees, while another three employee representatives had completed vocational training in the above-mentioned fields or similar areas.

- The gender composition of the Supervisory Board meets the legal requirement stipulating that at least 30% of the members of the Supervisory Board must be women and at least 30% must be men. As of December 31, 2020, the Supervisory Board had three women who represent shareholders and three women who represent employees. The proportion of women is thus 30% among the shareholder representatives, the employee representatives and the Supervisory Board as a whole.

- Candidates for election to the Supervisory Board who are to hold the position for a full term of office should generally not be over the age of 72 at the time of the election. In specifying this age limit, the Supervisory Board has intentionally refrained from stipulating a strict upper age limit and instead decided in favor of a flexible general limit that leaves scope to appropriately assess each individual case, keeps the range of potential Supervisory Board candidates sufficiently broad and allows reelection. In deciding to propose Dr. Manfred Bischoff for reelection as a shareholder representative on the Supervisory Board at the Shareholders' Meeting in 2016, it made use of this scope after careful consideration and proper assessment. All other members of the Supervisory Board during the reporting period, and the candidates who are to be proposed for election at the 2021 Annual Shareholders' Meeting, will not have reached the age limit at the time of their election.

- A sufficient generational mix among Supervisory Board members is also to be taken into account in appointment decisions. At least eight members of the Supervisory Board should be no older than 62 years of age at the time of their election or reelection. As of December 31, 2020, all members of the Supervisory Board except Sari Baldauf, Petraea Heynike, Dr. Manfred Bischoff, Dr. Clemens Börsig, Dr. Jürgen Hambrecht and Dr. Bernd Pischetsrieder (i.e. 14 members) were 62 or younger when they were elected to their current term. None of the three candidates who are to be proposed for election at the 2021 Annual Shareholders' Meeting will be older than 62 years of age at the time the election takes place on March 31, 2021.

- In order to ensure sufficient internationality, for example by means of many years of international experience, the Supervisory Board has set a target of a proportion of at least 30% of international members representing the shareholders and the resulting proportion of at least 15% of the entire Supervisory Board. Irrespective of the many years of international experience of a large majority of the shareholder representatives on the Supervisory Board, this target was overachieved as of December 31, 2020, with 25% for the entire Supervisory Board due to the international origins of Bader Al Saad, Sari Baldauf, Petraea Heynike and Marie Wieck on the shareholders' side (40%) and Raymond Curry on the employees' side.

- At least half of the members of the Supervisory Board representing the shareholders should have
  - neither an advisory nor a board function for a customer, supplier, creditor or other third party,
  - nor a business or personal relationship with the company or its boards,

  whose specific form could cause a conflict of interest.

  Under the premise that the performance of Supervisory Board duties as an employee representative does not by itself constitute a potential conflict of interest, the requirements described here are deemed to be met by at least 15 members of the Supervisory Board.

  As described in the Report of the Supervisory Board, certain individual Supervisory Board members did not participate in deliberations on certain specific agenda items during the reporting period in order to avoid the appearance of potential conflicts of interest in particular situations. Sari Baldauf, for example, did not participate in discussions relating to the patent disputes between Daimler and Nokia. In addition, Dr. Bernd Pischetsrieder and Dr. Jürgen Hambrecht took highly precautionary measures to avoid potential conflicts of interest by not participating in several meetings that addressed legal proceedings relating to diesel exhaust gas emissions. As a result, in the case of at least half of the shareholder representatives on the Supervisory Board, all of the employee representatives, and thus at least 15 members of the entire Supervisory Board, there were no indications of potential conflicts of interest during the reporting period based on the premise described above.

- In order to ensure the independent advice to, and supervision of, the Board of Management by the Supervisory Board, more than half of the members of the Supervisory Board representing the shareholders are to be independent as defined by the German Corporate Governance Code. The Supervisory Board may not include more than two former members of the Board of Management of Daimler AG or anyone who is a member of a board of, or advises, a significant competitor of the Daimler Group. Under the premise that the performance of Supervisory Board duties as an employee representative does not in itself call into question the independence of such an employee representative in this sense, at least 15 members of the Supervisory Board are also deemed to be independent.

The Supervisory Board itself, or the shareholder representatives themselves, are responsible for assessing the independence of Supervisory Board members. Based on information that is known today, there are, in the view of the shareholder representatives, no indications for any members of the Supervisory Board representing the shareholders that relevant personal or business relationships or circumstances exist, in particular with the Company, members of the Board of Management or other Supervisory Board members, that could be construed as a substantial and permanent conflict of interest that would compromise the independence of a shareholder representative. In the view of the Supervisory Board and under the premise described above with regard to employee representatives, this assessment also applies to all Supervisory Board members representing the employees. No member of the Supervisory Board is a member of a board of, or advises, a significant competitor. The Chairman of the Supervisory Board, Dr. Manfred Bischoff, is a former member of the Board of Management.

In the final analysis, the independence of Supervisory Board member Bader Al Saad is not compromised by his membership of the Executive Committee of the Board of Directors of the Kuwait Investment Authority. The Kuwait Investment Authority is not a controlling shareholder of Daimler AG that could attain an effective majority at an Annual Shareholders' Meeting. No other discernible circumstances exist that might call into question the independence of Bader Al Saad. The mandate of Supervisory Board member Roman Zitzelsberger as a member and as the Deputy Chairman of the codetermined Supervisory Board of ZF Friedrichshafen AG, a significant supplier to the Daimler Group, cannot per se give rise to a substantial and not merely temporary conflict of interest. On the one hand, this is not an executive, but rather a non-executive mandate. On the other, the Deputy Chairman of the Supervisory Board of a codetermined company does not have the right of the Chairman of the Supervisory Board to a casting vote in the event of a tie and renewed voting even in the absence of the Chairman.

The new recommendations in the German Corporate Governance Code in the version dated December 16, 2019 regarding the independence of members of supervisory boards went into effect on March 20, 2020. According to these recommendations, the Supervisory Board should, while also taking the ownership structure into consideration, include what the shareholder representatives believe to be an adequate number of independent shareholder representatives as members of the Supervisory Board. Within the meaning of the German Corporate Governance Code, a Supervisory Board member is to be considered independent if he or she is independent of the Company and its Board of Management and of any controlling shareholder, whereby Daimler AG has no controlling shareholder. Another new rule states that the recommendations contained in Code 2019 regarding the independence of members of codetermined supervisory boards only apply to shareholder representatives.

The new Code recommends that more than half of the members of the Supervisory Board representing the shareholders are to be independent of the Company and its Board of Management – and these members must always include the Chairman of the Supervisory Board, the Chairman of the Audit Committee and the Chairman of the committee that makes decisions regarding remuneration for the Board of Management. Within the meaning of this recommendation, a Supervisory Board member is to be considered independent if he or she has no personal or business relationship with the Company or its Board of Management that may cause a substantial and not merely temporary conflict of interest. It is up to the shareholders' side of the Supervisory Board to assess the independence of members on the shareholders' side. Four indicators of a possible lack of independence are to be considered here: membership of the Board of Management within a period of two years prior to the appointment as a member of the Supervisory Board; a material business relationship with the Company or an enterprise dependent upon it – e.g. as a customer, supplier, creditor or advisor; a close family relationship with a member of the Board of Management; membership in the Supervisory Board for more than twelve years. All criteria here apply to both Supervisory Board members themselves and to members of their immediate families. At the same time, the shareholders' side is expressly granted the right to consider a Supervisory Board member independent if one or even multiple indicators apply. However, this view of the Supervisory Board member as independent must be justified in the Declaration on Corporate Governance.

The shareholder representatives on the Supervisory Board of Daimler AG have concluded that as of December 31, 2020, all members of the Supervisory Board representing the shareholders were independent of Daimler AG and its Board of Management This includes the Chairman of the Supervisory Board, who is also the Chairman of the Presidential Committee, which at Daimler AG addresses issues including those relating to remuneration for the Board of Management, and the Chairman of the Audit Committee.

Even under consideration of the indicators used in the new Corporate Governance Code 2019, no Supervisory Board member representing the shareholders has a personal or business relationship with Daimler AG or its Board of Management that may cause a substantial and not merely temporary conflict of interest. The patent dispute between Daimler and Nokia does not represent a set of circumstances that might cause a substantial and not merely temporary conflict of interest for Sari Baldauf, nor is this the case with regard to the past memberships of Dr. Jürgen Hambrecht or Dr. Bernd Pischetsrieder. Joe Kaeser and Timotheus Höttges, as the CEOs of Siemens AG and Deutsche Telekom AG, respectively, do not have in their capacity as CEO any material business relationship with Daimler AG or an enterprise dependent upon Daimler AG, within the meaning of the German Corporate Governance Code. The volume of goods/services procured by Daimler from Siemens and Deutsche Telekom is very low.

The Chairman of the Supervisory Board, Dr. Manfred Bischoff, and the Chairman of the Audit Committee, Dr. Clemens Börsig, as well as Dr. Jürgen Hambrecht and Sari Baldauf have been members of the Supervisory Board for more than 12 years. However, these Supervisory Board members also consistently maintain the required critical distance from the Company and its Board of Management and employ the clear, vigilant and critical approach required for their supervision of the Board of Management. All four of these members' administration of their offices has demonstrated that they perform their duties and carry out their various functions on the Supervisory Board's committees in an exemplary manner. In addition, their many years of experience and expertise are of crucial importance for ensuring that the Supervisory Board can effectively serve as a critical monitor of, and key and trusted advisor to, the Board of Management. This is especially true with regard to Dr. Manfred Bischoff in his capacity as Chairman of the Supervisory Board, and thus the primary contact for the Board of Management as well, and to Dr. Clemens Börsig in his capacity as Chairman of the Audit Committee and Chairman of the Legal Affairs Committee. The experience and knowledge of the Company they bring to the prominent positions they hold ensure stability and reliability. The Supervisory Board believes that the stability and reliability of measures taken to supervise and advise the Board of Management represent an important component for ensuring the sustained success of the Company, particularly in the current economic environment, which is making the extensive transformation of the automotive industry an even more difficult process. In conclusion, for these reasons, in the view of the shareholder representatives, all members of the Supervisory Board representing the shareholders – i.e. Dr. Manfred Bischoff, Bader M. Al Saad, Sari Baldauf, Dr. Clemens Börsig, Dr. Jürgen Hambrecht, Petraea Heynike, Timotheus Höttges, Joe Kaeser, Dr. Bernd Pischetsrieder and Marie Wieck – are to be considered independent.

- In accordance with the previous requirements profile, only candidates who have not yet been members of the Supervisory Board for three full terms of office at the time of their election should generally be nominated for membership of the Supervisory Board for a full term of office. This general length of service on the Supervisory Board has not been exceeded by any current member. The indicator of a possible lack of independence due to membership of the Supervisory Board for more than twelve years that was introduced in the new German Corporate Governance Code (Code 2019), and with regard to which the members of the Supervisory Board representing the shareholders may take a different view, is taken into account in the updated requirements profile, with effect from January 1, 2021.

- Candidates for membership of the Supervisory Board and members of the Supervisory Board must have sufficient time available to perform their duties. They must also be willing and able to dedicate themselves to their tasks and to participate in all courses of training and further training that might be necessary for the performance of their tasks.

- In accordance with the previous requirements profile and the German Corporate Governance Code in the version dated February 7, 2017, no member of the Supervisory Board who is also a member of the board of management of a listed company may hold more than three memberships of supervisory boards of listed companies (including his or her membership of the Supervisory Board of Daimler AG) or of supervisory bodies of other companies with similar requirements outside of the group of his or her board of management membership. In accordance with the requirements profile, membership of two supervisory boards within the Daimler Group is not taken into account. In light of this, with regard to the additional memberships of Joe Kaeser, a deviation from the recommendation in the Code (2017) that serves as the basis for defining the maximum number of memberships of the requirements profile, as well as a deviation from the stricter maximum number of memberships recommended in the new Code (2019), were nevertheless disclosed and explained in the declaration of compliance from December 2020. The updated requirements profile, which went into effect on January 1, 2021, takes into account the stricter recommendation in the new Code (2019).

– In accordance with the previous requirements profile, members of the Supervisory Board who are not also members of the board of management of a listed company shall generally be permitted membership on a maximum of eight supervisory boards (including that of Daimler AG), whereby chairmanship of a supervisory board counts double. This maximum number was not exceeded by any member of the Supervisory Board during the reporting period. Nonetheless, a deviation from the maximum number of memberships for supervisory board members who are not members of the board of a listed corporation recommended in the new Code (2019) was disclosed and explained in the declaration of compliance from December 2020. Pursuant to the Code (2019) such supervisory board members shall not accept more than five memberships of supervisory boards of non-Group listed corporations or comparable positions, whereby chairmanship of a supervisory board counts double.

The Supervisory Board has made adjustments to three aspects of the requirements profile for members of the Supervisory Board, with effect from January 1, 2021:

– **Independence:** Conditional upon the disclosure of a deviation in the declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG), more than half of the members of the Supervisory Board representing the shareholders are to be independent of the Company and its Board of Management; the provision regarding an adequate number of members without any potential conflict of interest no longer applies, nor does the provision regarding an adequate number of independent members in relation to the Supervisory Board as a whole.

– **General limit on length of service:** Candidates for (re)election to the Supervisory Board should generally not have already served on the Supervisory Board for 12 years.

– **Maximum number of memberships:** Members of the boards of management of listed companies shall generally not accept more than a total of two supervisory board memberships in non-group listed corporations (including their membership of the Supervisory Board of Daimler AG) or similar positions, nor should they accept a position as chairman of the supervisory board of a non-group listed corporation, whereby any deviation from this principle must be disclosed in the annual declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG); other members of the Supervisory Board shall generally not accept more than a total of five supervisory board memberships in non-group listed corporations (including their membership on the Supervisory Board of Daimler AG) or similar positions, whereby chairmanship of a supervisory board counts double. For the purposes of the requirements profile, membership of Daimler AG Supervisory Board members on two supervisory bodies within the Daimler Group is still not taken into account.

The requirements profile otherwise remains unchanged.

Proposals by the Supervisory Board of candidates for election by the Shareholders' Meeting as Supervisory Board members representing the shareholders of Daimler AG, for which the Nomination Committee makes recommendations, shall take into consideration the aspects described above and aim at fulfilling the overall requirements profile for the Supervisory Board as a whole. On the basis of a target profile that takes into account specific qualification requirements and the above-mentioned criteria, the Nomination Committee creates a shortlist of available candidates with whom it conducts structured discussions in which it also determines whether the candidate in question will have sufficient time available to perform his or her duties on the Supervisory Board with due care. The Nomination Committee then recommends a candidate to the Supervisory Board for its approval and includes an explanation of its recommendation. The foundation for Supervisory Board decisions regarding proposals on candidates for election at the Shareholders' Meeting is always the Company's interests under consideration of all circumstances in each individual case.

The Supervisory Board candidates Elizabeth Centoni, Ben van Beurden and Dr. Martin Brudermüller will be nominated for election at the Annual Shareholders' Meeting 2021 for the first time. These candidates fulfill and strengthen the requirements profile of the Supervisory Board.

Elizabeth Centoni, Senior Vice President Strategy and Emerging Technology & Incubation of Cisco Systems, has a bachelor's degree in chemistry as well as many years of experience with software services, cloud computing and the Internet of Things. Ben van Beurden, Chief Executive Officer of Royal Dutch Shell plc, has a master's degree in chemical engineering and Dr. Martin Brudermüller, Board of Management Chairman of BASF SE, has a Ph.D. in chemistry. The target of five Supervisory Board members who have a technical background or specific technological expertise that has been more than met to date would thus be exceeded to an even greater extent if the nominated candidates were elected. Moreover, the election of Elizabeth Centoni would ensure that the legally required proportion of women (30%) would be met. All of the candidates are younger than 62 and have many years of international experience. In addition, Elizabeth Centoni and Ben van Beurden come from a country other than Germany. Should the candidates be elected, the target of 30% international shareholder representatives would be exceeded even more than it already is.

The nominated candidates occupy high-level positions at other companies. Daimler has relations with almost all of these companies as part of its usual business operations. All of the nominated candidates are independent of the Company and its Board of Management. None of them has a personal or business relationship with the Company, one of its dependent enterprises or its Board of Management (e.g. as a customer, supplier, creditor or consultant) that may cause a substantial and not merely temporary conflict of interest. Ben van Beurden and Dr. Martin Brudermüller serve as the Chief Executive Officer or the Board of Management Chairman of a listed company. Besides the intended membership in the Supervisory Board of Daimler AG, neither of them is a member of a supervisory board at a non-Group listed company or holds a similar position. In addition to being Senior Vice President of the listed company Cisco Systems Inc., Elizabeth Centoni is a member of the Board of Directors of the listed company Ingersoll Rand Inc. However, she does not hold any other comparable positions beyond the intended membership in the Supervisory Board of Daimler AG. As a result, all of the candidates have fewer board memberships than the maximum number given in the requirements profile. The Supervisory Board has also determined that all of the candidates for membership in the Supervisory Board of Daimler AG have sufficient time available to perform their duties and are willing and able to dedicate themselves to their tasks and to participate in all courses of training and further training that might be necessary for the performance of their tasks.

The terms of the shareholder representatives on the Supervisory Board of Daimler AG end at different times ("staggered board"). The Annual Shareholders' Meeting elects one or more shareholder representatives each year. Having a staggered board enables the composition of the Supervisory Board to be more flexibly adapted to a changing environment. Moreover, it makes it easier to find suitable candidates because all of the shareholder representatives do not have to be elected during a single Annual Shareholders' Meeting.

The Supervisory Board's Nomination Committee regularly determines which memberships end at which time and whether the respective members come into question for a further term in line with the aforementioned criteria and are also willing to do so. In its search for new candidates, the Nomination Committee also avails itself of independent external human resources consulting services.

Shareholders and the Shareholders' Meeting

The shareholders exercise their membership rights, in particular their voting rights, at the Shareholders' Meeting. Each share in Daimler AG entitles its owner to one vote. Documents and information related to the Shareholders' Meeting can be found on our website at daimler.com/ir/am.

We maintain close contacts with our shareholders in the context of our comprehensive investor relations and public relations activities. We regularly and comprehensively inform our shareholders, financial analysts, shareholder associations, the media and the interested public about the situation of the Group, and inform them without delay about any significant changes in its business. Within reasonable limits, the Chairman of the Supervisory Board is also prepared to talk to investors about specific Supervisory Board issues.

In addition to other methods of communication, we also make extensive use of the Company's website for our investor relations activities. All of the important information disclosed in financial year 2020, including annual and interim reports, press releases, voting rights notifications from major shareholders, presentations, and audio recordings of analyst and investor events and conference calls, as well as the financial calendar, can be found at daimler.com/investors. All the dates of important disclosures such as annual reports and interim reports and the dates of the Annual Shareholders' Meeting, the annual press conference and the analyst conferences are announced in advance in the financial calendar.

Consolidated Financial Statements

Consolidated Statement of Income

D.01

	Note	2020	2019
In millions of euros			
Revenue	4	154,309	172,745
Cost of sales	5	-128,721	-143,580
Gross profit		25,588	29,165
Selling expenses	5	-11,058	-12,801
General administrative expenses	5	-3,534	-4,050
Research and non-capitalized development costs	5	-6,116	-6,586
Other operating income	6	2,022	2,837
Other operating expense	6	-742	-4,469
Profit on equity-method investments, net	13	797	479
Other financial income/expense, net	7	-354	-262
Earnings before interest and taxes (EBIT)	34	6,603	4,313
Interest income	8	220	397
Interest expense	8	-484	-880
Profit before income taxes		6,339	3,830
Income taxes	9	-2,330	-1,121
Net profit		4,009	2,709
thereof profit attributable to non-controlling interests		382	332
thereof profit attributable to shareholders of Daimler AG		3,627	2,377
Earnings per share (in euros) for profit attributable to shareholders of Daimler AG	36		
Basic		3.39	2.22
Diluted		3.39	2.22

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

Consolidated Statement of Comprehensive Income/Loss[1]

D.02

	2020	2019
In millions of euros		
Net profit	4,009	2,709
Currency translation adjustments	-2,477	449
Debt instruments		
Unrealized gains/losses (pre-tax)	5	6
Taxes on unrealized gains/losses and on reclassifications	-2	-1
Debt instruments (after tax)	3	5
Derivative financial instruments		
Unrealized gains/losses (pre-tax)	1,271	-1,616
Reclassifications to profit and loss (pre-tax)	-113	979
Taxes on unrealized gains/losses and on reclassifications	-345	186
Derivative financial instruments (after tax)	813	-451
Items that may be reclassified to profit/loss	-1,661	3
Equity instruments		
Unrealized gains/losses (pre-tax)	213	7
Taxes on unrealized gains/losses and on reclassifications	-40	4
Equity instruments (after tax)	173	11
Actuarial gains/losses from pensions and similar obligations (pre-tax)	-2,706	-2,404
Taxes on actuarial gains/losses from pensions and similar obligations	841	232
Actuarial gains/losses from pensions and similar obligations (after tax)	-1,865	-2,172
Items that will not be reclassified to profit/loss	-1,692	-2,161
Other comprehensive income/loss, net of taxes	-3,353	-2,158
thereof income/loss attributable to non-controlling interests, after taxes	-51	18
thereof income/loss attributable to shareholders of Daimler AG, after taxes	-3,302	-2,176
Total comprehensive income	656	551
thereof income/loss attributable to non-controlling interests	331	350
thereof income/loss attributable to shareholders of Daimler AG	325	201

1 See Note 20 for other information on the Consolidated Statement of Comprehensive Income/Loss.

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

Consolidated Statement of Financial Position

D.03

		At December 31,	
	Note	2020	2019
In millions of euros			
Assets			
Intangible assets	10	16,399	15,978
Property, plant and equipment	11	35,246	37,143
Equipment on operating leases	12	47,552	51,482
Equity-method investments	13	5,189	5,949
Receivables from financial services	14	53,709	52,880
Marketable debt securities and similar investments	15	1,041	770
Other financial assets	16	4,167	3,347
Deferred tax assets	9	6,259	5,803
Other assets	17	911	1,286
Total non-current assets		170,473	174,638
Inventories	18	26,444	29,757
Trade receivables	19	10,649	12,332
Receivables from financial services	14	42,476	50,781
Cash and cash equivalents		23,048	18,883
Marketable debt securities and similar investments	15	5,356	7,885
Other financial assets	16	2,757	2,736
Other assets	17	4,534	5,426
Total current assets		115,264	127,800
Total assets		285,737	302,438
Equity and liabilities			
Share capital		3,070	3,070
Capital reserves		11,551	11,552
Retained earnings		47,111	46,329
Other reserves		-1,041	393
Equity attributable to shareholders of Daimler AG		60,691	61,344
Non-controlling interests		1,557	1,497
Total equity	20	62,248	62,841
Provisions for pensions and similar obligations	22	12,070	9,728
Provisions for other risks	23	11,116	10,597
Financing liabilities	24	86,539	99,179
Other financial liabilities	25	1,971	2,112
Deferred tax liabilities	9	3,649	3,935
Deferred income	26	1,567	1,598
Contract and refund liabilities	27	5,787	6,060
Other liabilities	28	981	586
Total non-current liabilities		123,680	133,795
Trade payables		12,378	12,707
Provisions for other risks	23	9,334	10,327
Financing liabilities	24	59,303	62,601
Other financial liabilities	25	6,627	7,752
Deferred income	26	1,594	1,624
Contract and refund liabilities	27	7,169	7,571
Other liabilities	28	3,404	3,220
Total current liabilities		99,809	105,802
Total equity and liabilities		285,737	302,438

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

Consolidated Statement of Cash Flows[1]

D.04

	2020	2019
In millions of euros		
Profit before income taxes	6,339	3,830
Depreciation and amortization/impairments	8,957	7,751
Other non-cash expense and income	-836	24
Gains (-)/losses (+) on disposals of assets	131	-761
Change in operating assets and liabilities		
Inventories	2,039	99
Trade receivables	1,339	-346
Trade payables	-299	-1,625
Receivables from financial services	2,397	-4,664
Vehicles on operating leases	1,822	-1,156
Other operating assets and liabilities	653	5,641
Dividends received from equity-method investments	1,783	1,202
Income taxes paid	-1,993	-2,107
Cash provided by operating activities	**22,332**	7,888
Additions to property, plant and equipment	-5,741	-7,199
Additions to intangible assets	-2,819	-3,636
Proceeds from disposals of property, plant and equipment and intangible assets	365	429
Investments in shareholdings	-661	-1,619
Proceeds from disposals of shareholdings	259	394
Acquisition of marketable debt securities and similar investments	-3,792	-5,960
Proceeds from sales of marketable debt securities and similar investments	5,941	7,014
Other	27	-30
Cash used for investing activities	**-6,421**	-10,607
Change in short-term financing liabilities	-3,263	840
Additions to long-term financing liabilities	53,713	63,607
Repayment of long-term financing liabilities	-59,953	-55,043
Dividend paid to shareholders of Daimler AG	-963	-3,477
Dividends paid to non-controlling interests	-282	-263
Proceeds from the issue of share capital	31	85
Acquisition of treasury shares	-30	-42
Acquisition of non-controlling interests in subsidiaries	–	-79
Cash used for/provided by financing activities	**-10,747**	5,628
Effect of foreign exchange rate changes on cash and cash equivalents	-999	121
Net increase in cash and cash equivalents	**4,165**	3,030
Cash and cash equivalents at beginning of period	**18,883**	15,853
Cash and cash equivalents at end of period	**23,048**	18,883

1 See Note 29 for other information on Consolidated Statement of Cash Flows.

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

Consolidated Statement of Changes in Equity[1]

D.05

				Other reserves	
				items that may be reclassified in profit/loss	
	Share capital	Capital reserves	Retained earnings[2]	Currency translation	Equity instruments/ debt instruments
In millions of euros					
Balance at January 1, 2019	3,070	11,710	49,490	477	15
Net profit	–	–	2,377	–	–
Other comprehensive income/loss before taxes	–	–	-2,404	432	12
Deferred taxes on other comprehensive income	–	–	232	–	3
Total comprehensive income/loss	–	–	205	432	15
Dividends	–	–	-3,477	–	–
Changes in the consolidated group	–	–	-14	–	–
Capital increase/Issue of new shares	–	–	–	–	–
Acquisition of treasury shares	–	–	–	–	–
Issue and disposal of treasury shares	–	–	–	–	–
Changes in ownership interests in subsidiaries	–	-158	–	–	–
Other	–	–	125	–	–
Balance at December 31, 2019	3,070	11,552	46,329	909	30
Balance at January 1, 2020	**3,070**	**11,552**	**46,329**	**909**	**30**
Net profit	–	–	3,627	–	–
Other comprehensive income/loss before taxes	–	–	-2,707	-2,425	218
Deferred taxes on other comprehensive income	–	–	841	–	-42
Total comprehensive income/loss	–	–	1,761	-2,425	176
Dividends	–	–	-963	–	–
Changes in the consolidated group	–	–	-83	–	–
Capital increase/Issue of new shares	–	–	–	–	–
Acquisition of treasury shares	–	–	–	–	–
Issue and disposal of treasury shares	–	–	–	–	–
Changes in ownership interests in subsidiaries	–	-1	–	–	–
Other	–	–	67	–	–
Balance at December 31, 2020	**3,070**	**11,551**	**47,111**	**-1,516**	**206**

1 See Note 20 for other information on changes in equity.
2 Retained earnings also include items that will not be reclassified to the Consolidated Statement of Income.

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

Derivative financial instruments	Treasury share	**Equity attributable to share-holders of Daimler AG**	Non-controlling interests	**Total equity**	
					In millions of euros
-95	–	64,667	1,386	66,053	**Balance at January 1, 2019**
–	–	2,377	332	2,709	Net profit
-637	–	-2,597	18	-2,579	Other comprehensive income/loss before taxes
186	–	421	–	421	Deferred taxes on other comprehensive income
-451	–	201	350	551	Total comprehensive income/loss
–	–	-3,477	-288	-3,765	Dividends
–	–	-14	5	-9	Changes in the consolidated group
–	–	–	54	54	Capital increase/Issue of new shares
–	-42	-42	–	-42	Acquisition of treasury shares
–	42	42	–	42	Issue and disposal of treasury shares
–	–	-158	-16	-174	Changes in ownership interests in subsidiaries
–	–	125	6	131	Other
-546	–	61,344	1,497	62,841	**Balance at December 31, 2019**
-546	**–**	**61,344**	**1,497**	**62,841**	**Balance at January 1, 2020**
–	**–**	**3,627**	**382**	**4,009**	Net profit
1,158	**–**	**-3,756**	**-51**	**-3,807**	Other comprehensive income/loss before taxes
-345	**–**	**454**	**–**	**454**	Deferred taxes on other comprehensive income
813	**–**	**325**	**331**	**656**	Total comprehensive income/loss
–	**–**	**-963**	**-282**	**-1,245**	Dividends
–	**–**	**-83**	**2**	**-81**	Changes in the consolidated group
–	**–**	**–**	**13**	**13**	Capital increase/Issue of new shares
–	**-30**	**-30**	**–**	**-30**	Acquisition of treasury shares
–	**30**	**30**	**–**	**30**	Issue and disposal of treasury shares
–	**–**	**-1**	**–**	**-1**	Changes in ownership interests in subsidiaries
2	**–**	**69**	**-4**	**65**	Other
269	**–**	**60,691**	**1,557**	**62,248**	**Balance at December 31, 2020**

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

Notes to the Consolidated Financial Statements

1. Significant accounting policies

General information

Daimler AG 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 parent company of the Daimler Group.

The Consolidated Financial Statements of Daimler AG and its subsidiaries ("Daimler" or "the Group") have been prepared in accordance with Section 315e of the German Commercial Code (HGB) and comply with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Daimler AG is a stock corporation organized under the laws of the Federal Republic of Germany. 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 Consolidated Financial Statements of Daimler AG are presented in euros (€). Unless otherwise stated, all amounts are stated in millions of euros. All figures shown are rounded in accordance with standard business rounding principles.

The Board of Management of Daimler AG authorized the Consolidated Financial Statements for publication on February 17, 2021.

Basis of preparation

Applied IFRS
The accounting policies applied in the Consolidated Financial Statements comply with the IFRS required to be applied in the EU as of December 31, 2020.

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 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 currently does not expect any material impacts on the Group's 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 4 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 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 the Group's profitability, liquidity and capital resources and financial position.

Presentation
Presentation in the Consolidated Statement of Financial Position differentiates between current and non-current assets and liabilities. Assets and liabilities are generally classified as current if they are expected to be realized or settled within one year. Deferred tax assets and liabilities as well as assets and provisions for pensions and similar obligations are generally presented as non-current items.

The Consolidated Statement of Income is presented using the cost-of-sales method.

Adjustment of segment figures in the prior-year period due to the change in the Group's internal management and reporting structure as of January 1, 2020
Until December 31, 2019, the Group's reportable segments were Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans, Daimler Buses and Daimler Mobility. Since January 1, 2020, the Group's activities are divided into the segments Mercedes-Benz Cars, Mercedes-Benz Vans, Daimler Trucks & Buses and Daimler Mobility. This corresponds to the internal reporting and organizational structure. The segments Mercedes-Benz Cars and Mercedes-Benz Vans are aggregated into the reportable segment Mercedes-Benz Cars & Vans in line with the nature of the products and services offered, as well as their brands, sales channels and customer profiles.

The figures for 2019 have been adjusted to the new segment structure to ensure that the figures for 2020 are comparable with the prior-year figures. The internal supply of goods and services within the new segments has been taken into account. Furthermore, in the figures for the previous year, the effects of certain legal issues and equity investments not previously allocated to the segments have been reclassified from the reconciliation to the vehicle segments.

In this context, the amortization of capitalized borrowing costs is included in EBIT as well as in the Group's assets and the assets of the segments as of January 1, 2020. From the 2020 financial year onwards, EBIT will be presented in the Consolidated Statement of Income as an arithmetical amount.

Measurement
The Consolidated Financial Statements have been prepared on the historical-cost basis with the exception of certain items such as financial assets measured at fair value through profit or loss, derivative financial instruments, hedged items, and pensions and similar obligations. The measurement models applied to those exceptions are described below.

Principles of consolidation
The Consolidated Financial Statements include the financial statements of Daimler AG and the financial statements of all subsidiaries, including structured entities, which are directly or indirectly controlled by Daimler AG. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

Structured entities which are controlled also have to be consolidated. Accordingly, the assets and liabilities are recognized in the Consolidated Statement of Financial Position. Structured entities are entities which have been designed so that voting or similar rights are not relevant in deciding who controls the entity. This is the case for example if voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The financial statements of consolidated subsidiaries which are included in the Consolidated Financial Statements are generally prepared as of the reporting date of the Consolidated Financial Statements. The financial statements of Daimler AG and its subsidiaries included in the Consolidated Financial Statements are prepared using uniform recognition and measurement principles. All intra-Group assets and liabilities, equity, income and expenses as well as cash flows from transactions between consolidated entities are entirely eliminated in the course of the consolidation process.

Business combinations are accounted for using the purchase method.

Changes in equity interests in Group subsidiaries that reduce or increase Daimler's percentage ownership without change of control are accounted for as an equity transaction between owners.

Investments in associated companies, joint ventures or joint operations
An associated company is an entity over which the Group 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 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 income and expenses are generally to be recognized (proportionate consolidation). Joint operations that have no significant impact on the Consolidated Financial Statements are generally accounted for using the equity method.

In the special event that the financial statements of associated companies, joint ventures or joint operations should not be available in good time, the Group's proportionate share of the results of operations is included in Daimler's Consolidated Financial Statements with a one to three-month time lag. Significant events or transactions are accounted for without a time lag, however (see Note 13).

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 the Group and the fair presentation of profitability, liquidity and capital resources, and financial position are generally measured at amortized cost in the Consolidated 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 and 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 quarterly average exchange rates during the respective periods.

The exchange rates of the US dollar, the British pound, the Japanese yen and the Chinese renminbi – the most significant foreign currencies for Daimler – are as shown in table ↗ D.06.

Hyperinflation
To determine whether a country is to be considered as in hyperinflation, Daimler 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 applies IAS 29 to our Argentinian business since January 1, 2018. This application does not have a material impact on the Group's profitability, liquidity and capital resources and financial position. The accounting impact is included in retained earnings within the line item "Other" of the Consolidated Statement of Changes in Equity.

D.06
Exchange rates

				2020				2019
	USD	GBP	JPY	CNY	USD	GBP	JPY	CNY
	€1 =	€1 =	€1 =	€1 =	€1 =	€1 =	€1 =	€1 =
Average exchange rate on December 31	1.2271	0.8990	126.4900	8.0225	1.1234	0.8508	121.9400	7.8205
Average exchange rates during the respective period								
First quarter	1.1027	0.8623	120.1000	7.6956	1.1358	0.8725	125.0800	7.6635
Second quarter	1.1014	0.8874	118.4100	7.8080	1.1237	0.8748	123.4700	7.6721
Third quarter	1.1689	0.9050	124.0500	8.0855	1.1119	0.9021	119.3200	7.8000
Fourth quarter	1.1929	0.9033	124.6100	7.9006	1.1071	0.8608	120.3200	7.8012

Accounting policies

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 Daimler Mobility. Furthermore, end-customers may be credit financed by Daimler Mobility. Receivables from sales financing with end-customers and dealers are presented in receivables from financial services. Further information is provided in Note 14.

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

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

The Group 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 installments 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, the Group generally allocates revenue to the various elements based on their estimated relative stand-alone selling prices. To determine stand-alone selling prices, Daimler 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 Daimler Mobility regarding such a vehicle. The vehicle is therefore sold by the non-Group dealer to Daimler Mobility and a leasing contract is entered into with the customer. When control of the vehicle is transferred to the non-Group dealer Daimler 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 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 Daimler Mobility. 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 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 the Group 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's share of dilution gains and losses resulting from the Group's 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 for Daimler Mobility 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 income 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 Daimler Mobility 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 are comprised of current income taxes and deferred taxes.

Current income taxes are calculated based on the respective local taxable income and local tax rules for the period. In addition, current income taxes presented for the period include adjustments for uncertain tax payments or tax refunds for periods not yet finally assessed, however, excluding interest expenses and interest refunds and penalties on the underpayment of taxes. In cases for which it is probable that amounts declared as expenses in the tax returns might not be recognized (uncertain tax positions), a liability for income taxes is recognized. The amount is based on the best estimate of the expected tax payment (expected value or most likely amount). Tax refund claims from uncertain tax positions are recognized when it is probable that they can be realized. Only in the case of tax loss carryforwards or unused tax credits, no liability for taxes or tax claim is recognized for these uncertain tax positions. Instead, the deferred tax assets for the unused tax loss carryforwards or tax credits are to be adjusted.

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

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. 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 enacted at the reporting date or are soon to be enacted. Daimler recognizes a valuation allowance for deferred tax assets when it is unlikely that a corresponding amount of future taxable profit will be available against which the deductible temporary differences, tax loss carryforwards and tax credits can be utilized. Deferred tax liabilities for taxable temporary differences in connection with investments in subsidiaries, branches, associates and interests in joint arrangements are not recognized if the Group 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.

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

Earnings per share
Basic earnings per share are calculated by dividing profit attributable to shareholders of Daimler AG by the weighted average number of shares outstanding. As nothing occurred in the years 2020 and 2019 that resulted in any dilution, diluted earnings per share were the same as basic earnings per share in those years.

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.

The industrial business activities of the Daimler Group have 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 €0.8 billion and €0.4 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. The Group is a lessee mainly of real estate properties and a lessor of its products.

Daimler as lessee

Daimler as a lessee recognizes for generally all lease contracts right-of-use assets as well as leasing liabilities for the outstanding lease payments.

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 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 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, 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 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 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 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, relate to vehicles that the Group produces itself and leases to third parties. Additionally an operating lease may have to be reported with sales of vehicles for which the Group enters into a repurchase obligation:

- Sales of vehicles by which Daimler 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 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. Otherwise, a sale with a right of return is reported. Daimler 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 cars 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 cars. 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 Group products that Daimler Mobility 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 Daimler Mobility segment. If these vehicles are Group products and are subsidized, the subsidies are deducted from the cost of acquisition. After revenue is received from the sale to independent dealers, these Group products generate revenue from lease payments and subsequent resale on the basis of the separate leasing contracts. The revenue received from the sale of Group products to the dealers is estimated by the Group as being of the magnitude of the respective addition to leased equipment at Daimler Mobility. In 2020, additions to leased equipment from these vehicles at Daimler Mobility amounted to approximately €11 billion (2019: approximately €14 billion).

In the case of finance leases, the Group 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.

Equity-method investments

On the date of acquisition, a positive difference between cost of acquisition and Daimler's 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 reviews on each reporting date whether there is any objective indication of impairments or impairment reversals of equity-method investments. If such indications exist, the Group 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 and 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
Daimler assesses at each reporting date whether there is an indication that an asset may be impaired or whether there is an indication that a previously recognized impairment loss may be reversed. If such indication exists, Daimler estimates 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 are tested at least annually for impairment; this takes 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 costs of disposal and value in use. For cash-generating units, Daimler in a first step determines the respective recoverable amount as value in use and compares it with the respective carrying amount (including goodwill). The cash-generating units are generally defined as the segments. At Daimler Trucks & Buses impairment tests are carried out below the segment level. There is a differentiation between the two cash-generating units Daimler Trucks and Daimler Buses.

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 the period until 2025, is based on expectations regarding future market shares, the general development of respective markets as well as the products' profitability, taking into consideration the effects of the transformation of the automotive industry. Furthermore, in determining value in use, a risk assessment is performed, which includes for example market risks and risks related to the legal and political framework. 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 unchanged from the previous year 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 (unchanged from the previous year). 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 line with the detailed planning period, the derivation of the terminal value also considers expectations regarding the impacts of the transformation of the automotive industry as well as possible regulatory changes, e.g., in connection with sustainability aspects. 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 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
The Group 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. The Group generally discloses these assets or disposal groups separately in the Consolidated 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 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 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.

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 Consolidated 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 Consolidated 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 Consolidated 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, bonds, 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
The Group 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 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 designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. 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 Consolidated 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 and loss under interest expense or interest income in the Consolidated 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 Consolidated 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 Consolidated Statement of Financial Position.

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 the Group 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 especially from prepaid service and maintenance contracts and extended warranties.

Refund liabilities. A refund liability occurs if Daimler 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 does not expect to be entitled and is thus not included in the transaction price.

Refund liabilities occur at Daimler 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 liability awards.

Liability 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 Consolidated Statement of Cash Flows

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.

2. Accounting estimates and management judgments

In the Consolidated 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 major items affected by such estimates and management judgments are described as follows. Actual amounts may differ from the estimates. Changes in the estimates and management judgments can have a material impact on the Consolidated Financial Statements.

Accounting estimates and management judgements due to the covid-19 pandemic
Due to the still not fully foreseeable 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 countermeasures 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, the recoverable amounts are substantially larger than the net assets of the Group's cash-generating units.

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. See Note 13 for the presentation of carrying amounts and fair values of equity-method investments in listed companies.

Recoverable amount of equipment on operating leases
Daimler 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
The Group 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 Group's net profit. See also Notes 14 and 33 for further information.

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

The Group 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 for each model series. 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 23.

Liability and litigation risks and regulatory proceedings
Various legal proceedings, claims and governmental investigations are pending against Daimler AG and its subsidiaries on a wide range of topics. If the outcome of such legal proceedings is detrimental to Daimler, the Group 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 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 Group's future profitability. It is also possible that provisions recognized for some legal proceedings may turn out to be insufficient once such proceedings have ended. Daimler 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's operating results and cash flows for a particular reporting period, Daimler believes that it should not materially affect the Group's financial position. Further information on liability and litigation risks and regulatory proceedings is provided in Note 30.

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 22 for further information.

Income taxes
The calculation of income taxes of Daimler AG and its subsidiaries is based on the legislation and regulations applicable in the various countries. Due to their complexity, the tax items presented in the Consolidated Financial Statements are possibly subject to different interpretation 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 tax assessment of expenses and income. For the calculation of deferred tax assets, assumptions have to be made regarding future taxable income and the time of realization of the deferred tax assets. In this context, Daimler 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 are sometimes beyond Daimler's control, the assumptions to be made in connection with accounting for deferred tax assets are connected with a substantial degree of uncertainty. On each balance sheet date, Daimler carries out impairment tests on deferred tax assets on the basis of the planned taxable income in future financial years; if Daimler assesses that the probability of future tax advantages being partially or fully unrealized is more than 50%, the deferred tax assets are impaired. Further information is provided in Note 9.

3. Consolidated Group

Composition of the Group

Table ↗ D.08 shows the composition of the Group.

The aggregate totals in the statement of financial position of the subsidiaries, 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 the Group and the fair presentation of its profitability, liquidity and capital resources, and financial position would amount to approximately 1% of the Group's total assets; the aggregate revenue and the aggregate net profit would amount to approximately 1% of the Group's revenue and net profit.

A detailed list of the companies included in the Consolidated Financial Statements and of the equity investments of Daimler Group pursuant to Section 313 of the German Commercial Code (HGB) is provided in the statement of investments. Further information is provided in Note 41.

Structured entities

The structured entities of the Group are rental companies, asset-backed-securities (ABS) companies and special funds. The purpose of the rental companies is primarily the acquisition, renting-out and management of assets. The ABS companies are primarily used for the Group's refinancing. The assets transferred to structured entities usually result from the Group's leasing and sales financing business. Those entities refinance the purchase price by issuing securities. The special funds are set up in particular in order to diversify the capital investment strategy.

At the reporting date, the Group has business relationships with 27 (2019: 24) controlled structured entities, of which all are fully consolidated. In addition, the Group has relationships with 8 (2019: 8) non-controlled structured entities.

D.08
Composition of the Group

	At December 31, 2020	2019
Consolidated subsidiaries	381	375
Germany	62	65
International	319	310
Unconsolidated subsidiaries	82	94
Germany	37	39
International	45	55
Joint operations accounted for using proportionate consolidation	1	1
Germany	–	–
International	1	1
Joint operations accounted for using the equity method	1	1
Germany	–	–
International	1	1
Joint ventures accounted for using the equity method	15	16
Germany	4	3
International	11	13
Associated companies accounted for using the equity method	17	16
Germany	4	4
International	13	12
Joint operations, joint ventures, associated companies and material other investments accounted for at (amortized) cost	31	34
Germany	13	13
International	18	21
	528	537

Assets and liabilities held for sale

Sale of the car plant in Hambach, France

In the context of adjusting and realigning capacities within the global production network, INEOS Automotive Ltd. and Mercedes-Benz AG signed an agreement in December 2020 on the sale of the shares in smart France S.A.S in Hambach, France. The assets and liabilities connected with the car plant in Hambach are classified as held for sale at December 31, 2020. The valuation of the assets and liabilities resulted in expenses of €0.5 billion in the Mercedes-Benz Cars & Vans segment in 2020. This primarily reflects an impairment loss on property, plant and equipment, which resulted from the measurement at fair value less costs to sell of the disposal group.

Due to the minor significance for the financial position of the Daimler Group, the assets held for sale (€0.1 billion) and liabilities held for sale (€0.1 billion) are not presented separately in the Consolidated Statement of Financial Position.

The transaction was completed in January 2021. It had no material impact on earnings, cash flows or financial position.

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. The Volvo Group will acquire 50% of the shares in Daimler Truck Fuel Cell GmbH & Co. KG for a price of approximately €0.6 billion. In return, the Daimler Group has placed the assets and liabilities of the Group-wide fuel-cell activities in the company Daimler Truck Fuel Cell GmbH & Co. KG, a wholly owned subsidiary of Daimler Truck AG. When the transaction is completed – probably in the first half of 2021 – a positive effect on earnings of between €1.2 billion and €1.3 billion is expected for the Daimler Group, which will be split between the Mercedes-Benz Cars & Vans and Daimler Trucks & Buses segments. It is planned to include the joint venture in the Consolidated Financial Statements using the equity method and to present it in the Daimler Trucks & Buses segment.

Both the assets of Daimler Truck Fuel Cell GmbH & Co. KG classified as held for sale and the liabilities classified as held for sale are well significantly €0.1 billion at December 31, 2020. Due to its minor importance for the financial position of the Daimler Group, the assets and liabilities held for sale are not presented separately in the Consolidated Statement of Financial Position.

Sale of interests in Mercedes-Benz Grand Prix Ltd.
In December 2020, the Group decided to sell interests in Mercedes-Benz Grand Prix Ltd. In this context, the Group assumes that the further contractual agreements will be concluded in the first half of 2021. Mercedes-Benz Grand Prix Ltd. is currently fully consolidated. It is expected that upon completion of the transaction, Daimler will no longer have control over Mercedes-Benz Grand Prix Ltd. and that this will have a positive effect on earnings in the Mercedes-Benz Cars & Vans segment.

At December 31, 2020, Mercedes-Benz Grand Prix Ltd. is classified as held for sale. Due to its minor importance for the financial position of the Daimler Group, the assets (€0.3 billion) and liabilities (€0.2 billion) held for sale are not presented separately in the Consolidated Statement of Financial Position. The assets held for sale mainly consist of property, plant and equipment.

4. Revenue

Revenue disclosed in the Consolidated 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.

Other revenue primarily comprises revenue from the rental and leasing business of €12,468 million (2019: €12,747 million), interest from the financial services business at Daimler Mobility in an amount of €5,240 million (2019: €5,811 million) and effects from currency hedging. Interest from financial services business includes financial income on the net investment in leases of €1,518 million (2019: €1,519 million).

Revenue according to IFRS 15 includes revenue that was included in contract liabilities at December 31, 2019 in an amount of €2,989 million (2019: €3,775 million) and revenue from performance obligations fully (or partially) satisfied in previous periods in an amount of €396 million (2019: €309 million).

Revenue that is expected to be recognized within three years related to performance obligations that are unsatisfied (or partially unsatisfied) amounted to €8,365 million at December 31, 2020 (2019: €8,701 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 ongoing covid-19 pandemic the Daimler Group's revenue in the year 2020 was significantly below the prior-year level.

Revenue by segment ↗ D.87 and region ↗ D.89 is presented in tables in Note 34.

D.09

Revenue

	Mercedes-Benz Cars & Vans	Daimler Trucks & Buses	Daimler Mobility	Total segments	Reconciliation	Daimler Group
In millions of euros						
2020						
Europe	**42,507**	**11,063**	**4,929**	**58,499**	**-2,563**	**55,936**
North America	**17,598**	**13,630**	**5,679**	**36,907**	**-530**	**36,377**
Asia	**31,871**	**5,951**	**174**	**37,996**	**-21**	**37,975**
Other markets	**3,468**	**3,049**	**132**	**6,649**	**-9**	**6,640**
Revenue according to IFRS 15	**95,444**	**33,693**	**10,914**	**140,051**	**-3,123**	**136,928**
Other revenue	**3,132**	**978**	**16,785**	**20,895**	**-3,514**	**17,381**
Total revenue	**98,576**	**34,671**	**27,699**	**160,946**	**-6,637**	**154,309**

	Mercedes-Benz Cars & Vans	Daimler Trucks & Buses	Daimler Mobility	Total segments	Reconciliation	Daimler Group
In millions of euros						
2019						
Europe	46,290	12,777	4,606	63,673	-2,595	61,078
North America	21,097	19,178	6,244	46,519	-992	45,527
Asia	31,839	6,930	145	38,914	-21	38,893
Other markets	4,998	4,544	150	9,692	-17	9,675
Revenue according to IFRS 15	104,224	43,429	11,145	158,798	-3,625	155,173
Other revenue	2,673	1,000	17,501	21,174	-3,602	17,572
Total revenue	106,897	44,429	28,646	179,972	-7,227	172,745

D.10
Cost of sales

In millions of euros	2020	2019
Expense of goods sold	-110,916	-123,180
Depreciation of equipment on operating leases	-9,181	-9,047
Refinancing costs at Daimler Mobility	-2,620	-3,114
Impairment losses on receivables from financial services	-766	-495
Other cost of sales	-5,238	-7,744
	-128,721	-143,580

D.11
Expenses associated with cost optimization programs

In millions of euros	2020
Cost of sales	-336
Selling expenses	-239
General administrative expenses	-194
Research and non-capitalized development costs	-142
	-911

D.12
Average number of employees

	2020	2019
Mercedes-Benz Cars & Vans[1]	173,866	179,378
Daimler Trucks & Buses	100,404	102,410
Daimler Mobility	12,004	12,811
Central Functions & Services	6,864	7,240
	293,138	301,839

1 Proportionally including 2,340 (2019: 2,126) employees from a proportionately consolidated company.

5. Functional costs

Cost of sales

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

The decrease in cost of sales 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 €1,920 million (2019: €1,793 million) is presented in expense of goods sold.

The expense of goods sold includes, among other expenses, expenses in connection with restructuring measures. In 2020, these include expenses in connection with the adjustment and realignment of capacities within the global production network in the Mercedes-Benz Cars & Vans segment of €871 million. In addition, they also include cost optimization programs to reduce fixed costs (see table ↗ D.11). In 2019, expenses in connection with terminating production of the X-Class had a negative impact on other cost of sales.

Cost of sales were affected at the Daimler Mobility segment by increased expenses for credit-risk provisions and the impairment of software in the context of streamlining the IT-architecture.

In the prior-year period, a reassessment of risks in connection with ongoing governmental and court proceedings and measures taken with regard to Mercedes-Benz diesel vehicles in various regions and expenses connected with an updated risk assessment for an expanded recall of Takata airbags in Europe and other markets had led to significant earnings reductions in cost of sales.

Selling expenses

In 2020, selling expenses amounted to €11,058 million (2019: €12,801 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 €3,534 million in 2020 (2019: €4,050 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 €6,116 million in 2020 (2019: €6,586 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 AG in December 2019 to reduce costs and reduce jobs in a socially responsible manner. The expenses were mainly attributable to the Mercedes-Benz Cars & Vans segment (€605 million) and Daimler Trucks & Buses segment (€153 million). Table ↗ D.11 provides an overview of the composition of these expenses.

Personnel expenses and average number of employees

Personnel expenses included in the Consolidated Statement of Income amounted to €21,848 million in 2020 (2019: €22,657 million). Personnel expenses comprise wages and salaries in the amount of €17,622 million (2019: €18,336 million), social-security contributions in the amount of €3,523 million (2019: €3,536 million) and expenses from pension obligations in the amount of €703 million (2019: €785 million). The average numbers of people employed are shown in table ↗ D.12.

Information on the total remuneration of the active members in 2020 of the Board of Management and the Supervisory Board of Daimler AG is provided in Note 38.

6. Other operating income and expense

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

Income from costs recharged to third parties includes income from licenses and patents, as well as shipping costs and other costs charged to third parties, with related expenses primarily within the functional 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.

Income from corporate transactions at consolidated companies primarily comprised income of €718 million resulting from the merger of the business units for mobility services of Daimler Group and BMW Group in the year 2019 (YOUR NOW).

In the first quarter of 2020, the contribution of the smart brand to the joint venture smart Automobile Co., Ltd. resulted in income of €154 million in the Mercedes-Benz Cars & Vans segment, which is presented in other miscellaneous income. See Note 13 for further information.

The composition of other operating expense is shown in table ↗ D.14.

Other miscellaneous expense primarily comprises changes in provisions for other risks. In the prior year it included significantly higher expenses in connection with ongoing governmental and court proceedings and measures relating to Mercedes-Benz diesel vehicles in various regions.

D.13
Other operating income

	2020	2019
In millions of euros		
Income from costs recharged to third parties	650	840
Government grants and subsidies	295	122
Gains on sales of property, plant and equipment	79	75
Rental income not relating to sales financing	139	173
Income from company transactions at consolidated companies	–	729
Other miscellaneous income	859	898
	2,022	2,837

D.14
Other operating expense

	2020	2019
In millions of euros		
Losses on sales of property, plant and equipment	-208	-180
Other miscellaneous expense	-534	-4,289
	-742	-4,469

7. Other financial income/expense, net

Table ↗ D.15 shows the components of other financial income/expense, net.

D.15
Other financial income/expense, net

	2020	2019
In millions of euros		
Income and expense from compounding and effects from changes in discount rates of provisions for other risks	-168	-238
Miscellaneous other financial income/expense, net	-186	-24
	-354	-262

8. Interest income and interest expense

Table ↗ D.16 shows the components of interest income and interest expense.

D.16
Interest income and interest expense

	2020	2019
In millions of euros		
Interest income		
Net interest income on the net assets of defined benefit pension plans	2	4
Interest and similar income	218	393
	220	397
Interest expense		
Net interest expense on the net obligation from defined benefit pension plans	-162	-197
Interest and similar expense	-322	-683
	-484	-880

9. Income taxes

Profit before income taxes is comprised as shown in table ↗ D.17.

Profit before income taxes in Germany includes profit/loss on equity-method investments if the equity interests in those companies are held by German companies.

Table ↗ D.18 shows the components of income taxes.

The current tax expense includes tax benefits recognized for prior periods at German and foreign companies of €81 million (2019: €244 million).

D.17
Profit before income taxes

	2020	2019
In millions of euros		
German companies	418	-4,113
Non-German companies	5,921	7,943
	6,339	3,830

D.18
Components of income taxes

	2020	2019
In millions of euros		
Current taxes		
German companies	-358	-51
Non-German companies	-2,178	-2,331
Deferred taxes		
German companies	-261	1,127
Non-German companies	467	134
	-2,330	-1,121

The deferred tax benefit is comprised of the components shown in table ↗ D.19.

For German companies, in 2020 and 2019, deferred taxes were calculated using a federal corporate income tax rate of 15%, a solidarity tax surcharge of 5.5% on each year's federal corporate income taxes, and a trade tax rate of 14%. In total, the tax rate applied for the calculation of German deferred taxes in both years amounted to 29.825%. For non-German companies, the deferred taxes at period-end were calculated using the tax rates of the respective countries.

Table ↗ D.20 shows a reconciliation of expected income tax expense to actual income tax expense determined using the unchanged applicable German combined statutory tax rate of 29.825%.

The Group impaired deferred tax assets in 2020 and 2019. The resulting tax expenses are included in the line item change of valuation allowance on deferred tax assets.

Tax-free income and non-deductible expenses include all other effects at foreign and German companies relating to tax-free income and non-deductible expenses, e.g. tax-free gains included in net periodic pension costs at the German companies and tax-free results of the equity-method investments.

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 presentation of deferred tax assets and liabilities in the Consolidated Statement of Financial Position, no difference is made between current and non-current. In the Consolidated Statement of Financial Position, deferred tax assets and liabilities are presented as shown in table ↗ D.21.

D.19

Components of deferred tax benefit

	2020	2019
In millions of euros		
Deferred taxes due to temporary differences	456	-56
Deferred taxes due to tax loss carryforwards and tax credits	-250	1,317
	206	1,261

D.20

Reconciliation of expected income tax expense to actual income tax expense

	2020	2019
In millions of euros		
Expected income tax expense	-1,891	-1,142
Foreign tax rate differential	331	347
Trade tax rate differential	39	41
Tax law changes	45	-42
Change of valuation allowance on deferred tax assets	-326	-209
Tax-free income and non-deductible expenses	-311	21
Other	-217	-137
Actual income tax expense	-2,330	-1,121

D.21

Deferred tax assets and liabilities

	At December 31, 2020	2019
In millions of euros		
Deferred tax assets	6,259	5,803
Deferred tax liabilities	-3,649	-3,935
Deferred tax assets, net	2,610	1,868

D.22

Split of deferred tax assets and liabilities before offset

	At December 31, 2020	2019
In millions of euros		
Intangible assets	**396**	60
Property, plant and equipment	**256**	239
Equipment on operating leases	**2,020**	1,990
Inventories	**944**	999
Receivables from financial services	**475**	356
Miscellaneous assets, mainly other financial assets	**5,342**	5,231
Tax loss carryforwards and unused tax credits	**2,629**	3,110
Provisions for pensions and similar obligations	**510**	673
Other provisions	**1,864**	1,851
Liabilities	**2,949**	3,564
Deferred income	**798**	809
Miscellaneous liabilities	**20**	20
	18,203	18,902
Valuation allowances	**-1,998**	-2,075
thereof on temporary differences	**-880**	-743
thereof on tax loss carryforwards and tax credits	**-1,118**	-1,332
Deferred tax assets, gross	**16,205**	16,827
Development costs	**-3,906**	-3,718
Other intangible assets	**-120**	-129
Property, plant and equipment	**-2,666**	-2,879
Equipment on operating leases	**-4,574**	-5,220
Inventories	**-66**	-58
Receivables from financial services	**-810**	-939
Miscellaneous assets	**-426**	-361
Provisions for pensions and similar obligations	**-467**	-1,044
Other provisions	**-218**	-222
Miscellaneous liabilities	**-342**	-389
Deferred tax liabilities, gross	**-13,595**	-14,959
Deferred tax assets, net	**2,610**	1,868

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.22**.

The development of deferred tax assets, net, is shown in table ↗ **D.23**.

Including the items recognized in other comprehensive income/loss (including items from equity-method investments), the expense for income taxes is comprised as shown in table ↗ **D.24**.

In the Consolidated Statement of Financial Position, the valuation allowances on deferred tax assets decreased by €77 million compared to December 31, 2019. On the one hand, this decrease is a result of currency translation. Furthermore, valuation allowances of €109 million that had been recognized in other comprehensive income/loss in 2019 were reversed. On the other hand, valuation allowances increased due to the recognition through profit and loss of €326 million. Other neutral changes in valuation allowances resulted from, among other things, adjustments to tax-loss carryforwards from previous years, mainly due to expiration.

At December 31, 2020, the valuation allowance on deferred tax assets relates, among other things, to corporate income tax loss carryforwards (€772 million). €3 million of the deferred tax assets for corporate income tax loss carryforwards adjusted by a valuation allowance relates to tax loss carryforwards which expire in 2021, €173 million relates to tax loss carryforwards which expire at various dates from 2022 through 2025, €43 million relates to tax loss carryforwards which expire at various dates from 2026 through 2030, €10 million relates to tax loss carryforwards which expire at various dates from 2036 through 2040 and €543 million relates to tax loss carryforwards which can be carried forward indefinitely. Valuation allowances of €46 million relate to tax loss carryforwards with regard to capital losses which can be carried forward indefinitely. With regard to trade tax loss carryforwards in Germany, valuation allowances of €162 million relate to loss carryforwards which can be carried forward indefinitely. Furthermore, a large proportion of the valuation allowances relates to temporary differences as well as loss carryforwards for state and local taxes at the US-companies. Daimler believes that it is more likely than not that it will not be able to utilize those deferred tax assets or cannot reliably document 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 of more than 50% required by IAS 12 is therefore not fulfilled, valuation allowances were recognized on deferred tax assets also in countries with tax loss carryforwards that can be carried forward indefinitely.

The Group had tax losses at the German tax group in 2020 and 2019 and at several subsidiaries in several countries in 2020 and prior years. After offsetting the deferred tax assets with deferred tax liabilities, the deferred tax assets not subject to valuation allowances amounted to €2,197 million for those entities. Daimler believes it is more likely than not that future taxable income will be sufficient to allow utilization of these deferred tax assets. Daimler's current estimate of the amount of deferred tax assets that is considered realizable may change in the future, necessitating higher or lower valuation allowances.

From the current perspective, the retained earnings of non-German subsidiaries are largely intended to be reinvested in those operations. The Group did not recognize deferred tax liabilities on retained earnings of non-German subsidiaries of €25,122 million (2019: €29,988 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 Group has various unresolved issues concerning open income tax years with the tax authorities in a number of jurisdictions. Daimler believes that it has recognized adequate liabilities for any future income taxes that may be owed 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 might receive tax refunds for previous years.

D.23

Change of deferred tax assets, net

	2020	2019
In millions of euros		
Deferred tax assets, net as of January 1	1,868	259
Deferred tax benefit in the Consolidated Statement of Income	206	1,261
Change of deferred tax assets/ liabilities on equity instruments/ debt instruments included in other comprehensive income/loss	-42	3
Change of deferred tax assets/ liabilities on derivative financial instruments included in other comprehensive income/loss	-345	186
Change of deferred tax assets/ liabilities on actuarial gains/ losses from defined benefit pension plans included in other comprehensive income/loss	841	232
Other changes[1]	82	-73
Deferred tax assets, net as of December 31	2,610	1,868

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

D.24

Tax expense in equity

	2020	2019
In millions of euros		
Income tax expense in the Consolidated Statement of Income	-2,330	-1,121
Income tax benefit recorded in other reserves	454	421
	-1,876	-700

10. Intangible assets

Intangible assets developed as shown in table ↗ D.25.

At December 31, 2020, goodwill of €587 million (2019: €583 million) relates to the Daimler Trucks & Buses segment, goodwill of €438 million (2019: €433 million) relates to the Daimler Mobility segment and goodwill of €196 million (2019: €201 million) relates to the Mercedes-Benz Cars & Vans segment.

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: €4,846 million; 2019: €5,634 million). In addition, other intangible assets with a carrying amount of €273 million (2019: €273 million) are not amortizable. These non-amortizable intangible assets are distribution rights in the vehicle segments with indefinite useful lives as well as trademarks in the Daimler Trucks & Buses segment with indefinite useful lives. The Group plans to continue to use these assets unchanged.

Table ↗ D.26 shows the line items of the Consolidated Statement of Income in which total amortization expense for intangible assets is included.

D.25
Intangible assets

In millions of euros	Goodwill (acquired)	Development costs (internally generated)[2]	Other intangible assets (acquired)[3]	Total
Acquisition/manufacturing costs				
Balance at January 1, 2019	1,356	18,451	4,884	24,691
Additions due to business combinations	117	–	66	183
Other additions	–	3,083	560	3,643
Reclassifications	–	–	–	–
Disposals	–	-1,386	-790	-2,176
Other changes[1]	20	6	45	71
Balance at December 31, 2019	1,493	20,154	4,765	26,412
Additions due to business combinations	**43**	**–**	**–**	**43**
Other additions	**4**	**2,515**	**527**	**3,046**
Reclassifications	**–**	**–**	**–**	**–**
Disposals	**–**	**-989**	**-323**	**-1,312**
Other changes[1]	**-56**	**-14**	**-91**	**-161**
Balance at December 31, 2020	**1,484**	**21,666**	**4,878**	**28,028**
Depreciation/impairment				
Balance at January 1, 2019	274	7,194	2,422	9,890
Additions	–	1,809	588	2,397
Reclassifications	–	–	–	–
Disposals	–	-1,379	-512	-1,891
Other changes[1]	2	5	31	38
Balance at December 31, 2019	276	7,629	2,529	10,434
Additions	**–**	**1,925**	**639**	**2,564**
Reclassifications	**–**	**–**	**–**	**–**
Disposals	**–**	**-983**	**-288**	**-1,271**
Other changes[1]	**-13**	**-12**	**-73**	**-98**
Balance at December 31, 2020	**263**	**8,559**	**2,807**	**11,629**
Carrying amount at December 31, 2019	1,217	12,525	2,236	15,978
Carrying amount at December 31, 2020	**1,221**	**13,107**	**2,071**	**16,399**

1 Primarily changes from currency translation.
2 Including capitalized borrowing costs on development costs of €43 million (2019: €31 million). Amortization amounted to €5 million (2019: €16 million).
3 At December 31, 2020, after the impairment of software by approximately €0.1 billion at the Daimler Mobility segment.

11. Property, plant and equipment

Property, plant and equipment as shown in the Consolidated Statement of Financial Position with a carrying amount of €35,246 million (December 31, 2019: €37,143 million) also includes right-of-use assets from lessee accounting.

Property, plant and equipment, excluding right-of-use assets, developed as shown in table ↗ D.27.

In 2020, government grants of €17 million (2019: €52 million) were deducted from property, plant and equipment.

D.26

Amortization expense for intangible assets in the Consolidated Statement of Income

In millions of euros	2020	2019
Cost of sales	2,368	2,258
Selling expenses	55	50
General administrative expenses	110	56
Research and non-capitalized development costs	31	32
Other operating expense	–	1
	2,564	2,397

D.27

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/manufacturing costs					
Balance at January 1, 2019	17,656	27,176	30,377	5,667	80,876
Additions due to business acquisitions	–	–	–	–	–
Other additions	626	1,096	1,992	3,517	7,231
Reclassifications	1,159	1,379	1,479	-3,999	18
Disposals	-124	-1,029	-881	-170	-2,204
Other changes[1]	-377	61	105	58	-153
Balance at December 31, 2019	18,940	28,683	33,072	5,073	85,768
Additions due to business acquisitions	15	37	–	5	57
Other additions	536	1,080	1,903	2,022	5,541
Reclassifications	781	1,160	855	-2,774	22
Disposals	-116	-1,875	-860	-252	-3,103
Other changes[1]	-188	-423	-697	-168	-1,476
Balance at December 31, 2020	19,968	28,662	34,273	3,906	86,809
Depreciation/impairment					
Balance at January 1, 2019	8,915	17,675	23,338	–	49,928
Additions	402	1,750	2,540	–	4,692
Reclassifications	–	-3	3	–	–
Disposals	-69	-902	-745	–	-1,716
Other changes[1]	-167	50	72	–	-45
Balance at December 31, 2019	9,081	18,570	25,208	–	52,859
Additions	458	1,885	2,838	9	5,190
Additions from impairment losses[2]	141	103	–	214	458
Reclassifications	–	–	–	–	–
Disposals	-64	-1,789	-762	–	-2,615
Other changes[1]	31	-181	-469	–	-619
Balance at December 31, 2020	9,647	18,588	26,815	223	55,273
Carrying amount at December 31, 2019	9,859	10,113	7,864	5,073	32,909
Carrying amount at December 31, 2020	10,321	10,074	7,458	3,683	31,536

1 Primarily changes from currency translation.
2 Comprises impairments in the amount of €0.5 billion connected with the adjustment and realignment of capacities within the global production network at the Mercedes-Benz Cars & Vans segment.

D.28
Right-of-use assets

	December 31, 2020	2019
In millions of euros		
Land, leasehold improvements and buildings	**3,449**	3,956
Technical equipment and machinery	**193**	187
Other equipment, factory and office equipment	**68**	91
	3,710	4,234

D.29
Additions and depreciations for right-of-use assets

	2020	2019
In millions of euros		
Additions to right-of-use assets	**658**	1,075
Depreciation for		
Land, leasehold improvements and buildings	**669**	621
Technical equipment and machinery	**38**	17
Other equipment, factory and office equipment	**43**	40
	750	678

D.30
Expenses related to lessee accounting

	2020	2019
In millions of euros		
Interest expense from lease transactions	**88**	98
Expenses from short-term leases	**52**	82
Expenses from leases of low-value assets	**17**	16
Expenses from variable lease payments	**46**	47

D.31
Cash outflows related to lessee accounting

	2020	2019
In millions of euros		
Total cash outflow for lease contracts	**945**	890
Future cash outflows that are not reflected in the lease liabilities	**1,638**	1,637

Table ↗ **D.28** shows the composition of the right-of-use assets.

The tables ↗ **D.29**, ↗ **D.30** and ↗ **D.31** show additional disclosures related to lessee accounting.

Further information on lessee accounting is provided in Notes 1, 24 and 33.

12. Equipment on operating leases

The development of equipment on operating leases is shown in table ↗ D.32.

At December 31, 2020, equipment on operating leases with a carrying amount of €10,737 million was pledged as security for liabilities from ABS transactions related to a securitization transaction of future lease payments on leased vehicles (December 31, 2019: €10,874 million) (see also Note 24).

Leasing payments

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

D.32

Equipment on operating leases

In millions of euros	
Acquisition/manufacturing costs	
Balance at January 1, 2019	63,531
Additions due to business acquisitions	–
Other additions	26,759
Reclassifications	–
Disposals	-24,824
Other changes[1]	906
Balance at December 31, 2019	66,372
Additions due to business acquisitions	**–**
Other additions	**21,998**
Reclassifications	**–**
Disposals	**-23,024**
Other changes[1]	**-2,742**
Balance at December 31, 2020	**62,604**
Depreciation/impairment	
Balance at January 1, 2019	14,055
Additions[2]	9,047
Reclassifications	–
Disposals	-8,353
Other changes[1]	141
Balance at December 31, 2019	14,890
Additions[2]	**9,181**
Reclassifications	**–**
Disposals	**-8,323**
Other changes[1]	**-696**
Balance at December 31, 2020	**15,052**
Carrying amount at December 31, 2019	51,482
Carrying amount at December 31, 2020	**47,552**

1 Primarily changes from currency translation.
2 Includes impairments of €0.3 billion arising in 2020 primarily in connection with the corona crises (2019: €0.1 billion).

D.33

Maturity of undiscounted lease payments for equipment on operating leases

	At December 31,	
	2020	2019
In millions of euros		
Mature		
Within one year	**7,853**	8,353
Between one and two years	**6,083**	6,529
Between two and three years	**2,344**	2,656
Between three and four years	**840**	931
Between four and five years	**203**	235
Later than five years	**60**	73
	17,383	18,777

13. 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 associated companies accounted for using the equity method in the Group's Consolidated Financial Statements.

Table ↗ **D.36** presents key figures on interests in joint ventures accounted for using the equity method in the Group's Consolidated 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]	**3,757**	**1,419**	**13**	**5,189**
Equity result[1]	**1,073**	**-280**	**4**	**797**
At December 31, 2019				
Equity investment[1]	4,349	1,582	18	5,949
Equity result[1]	1,240	-778	17	479

1 Including investor-level adjustments.

D.35

Key figures on interests in associated companies accounted for using the equity method

In millions of euros	BBAC	BAIC Motor[3]	THBV (HERE)	Others	Total
At December 31, 2020					
Equity interest (in %)	**49.0**	**9.6**	**29.7**		
Stock-market price[1]	**–**	**231**	**–**		
Equity investment[2]	**2,431**	**331**	**361**	**634**	**3,757**
Equity result[2]	**1,335**	**-303**	**61**	**-20**	**1,073**
Dividend payment to Daimler[4]	**1,718**	**16**	**–**		
At December 31, 2019					
Equity interest (in %)	49.0	9.6	29.7		
Stock-market price[1]	–	387	–		
Equity investment[2]	2,519	665	475	690	4,349
Equity result[2]	1,295	40	-114	19	1,240
Dividend payment to Daimler[5]	1,137	19	–		

1 Proportionate stock-market prices.
2 Including investor-level adjustments.
3 The proportionate share of earnings of BAIC Motor Corporation Ltd. (BAIC Motor) is included in Daimler's Consolidated Financial Statements with a three-month time lag.
4 The dividend from BBAC of €1,174 million for 2019 was paid out in the year 2020. The payment was €1,151 million. The dividend for 2020 of €544 million was also paid out in 2020. The payment was €546 million.
5 The dividend from BBAC of €1,137 million was paid out in the year 2019. The payment was €1,131 million.

D.36

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

	YOUR NOW[2]	Others	Total
In millions of euros			
At December 31, 2020			
Equity interest (in %)	**50.0**		
Stock-market price	**–**		
Equity investment[1]	**544**	**875**	**1,419**
Equity result[1]	**-317**	**37**	**-280**
Dividend payment to Daimler	**–**		
At December 31, 2019			
Equity interest (in %)	50.0		
Stock-market price	–		
Equity investment[1]	866	716	1,582
Equity result[1]	-818	40	-778
Dividend payment to Daimler	–		

1 Including investor-level adjustments.
2 The proportionate share of earnings of YOUR NOW is included in Daimler's Consolidated Financial Statements with a one-month time lag. The figures for the equity result relate for 2020 to the period of December 1, 2019 to November 30, 2020 and for 2019 to the period of February 1, 2019 to November 30, 2019.

BBAC

Beijing Benz Automotive Co., Ltd. (BBAC) produces and distributes Mercedes-Benz passenger cars and spare parts in China. The investment and the proportionate share in the results of BBAC are allocated to the Mercedes-Benz Cars & Vans segment.

In the second quarter of 2020, the shareholders of BBAC approved the payout of a dividend for the 2019 financial year. The amount of €1,174 million attributable to Daimler reduced the carrying amount of the investment accordingly. The dividend was paid in the third quarter of 2020 and led to a cash inflow of €1,151 million.

In the fourth quarter of 2020, the shareholders of BBAC approved the payout of a dividend for the 2020 financial year. The amount of €544 million attributable to Daimler reduced the carrying amount of the investment accordingly. The dividend was paid out in the fourth quarter of 2020 and led to a cash inflow of €546 million.

In the year 2020, BBAC carried out capital increases which increased the carrying amount of the investment by €361 million. Daimler plans to contribute additional equity of in total €0.1 billion in accordance with its shareholding ratio in the years 2021 and 2022.

BAIC Motor

BAIC Motor Corporation Ltd. (BAIC Motor) is the passenger car division of BAIC Group, one of the leading automotive companies in China. Directly or via subsidiaries, BAIC Motor is engaged in the business of researching, developing, manufacturing, selling, marketing and servicing automotive vehicles and related parts and components and all related services. Due to Daimler's representation on the board of directors of BAIC Motor and other contractual arrangements, Daimler classifies this investment as an investment in an associate, to be accounted for using the equity method; in the segment reporting, the investment's carrying amount and its proportionate share of profit or loss are presented in the reconciliation of total segment's assets to Group assets and total segments' EBIT to Group EBIT, respectively.

In the first quarter of 2020, due to a reassessment of the business development in light of the covid-19 pandemic, the Group recognized an impairment loss of €150 million with respect to its investment in BAIC Motor. In the third quarter of 2020, an additional impairment loss of €180 million was recognized. The losses are included in the line item profit/loss on equity-method investments, net.

THBV (HERE)

There Holding B.V. (THBV) holds an interest in HERE International B.V. (HERE). HERE is one of the biggest manufacturers of digital roadmaps for navigation systems worldwide. Future expected high-resolution maps will be one of the fundamentals for future autonomous driving. THBV is accounted for in the Consolidated Financial Statements of Daimler AG as an associated company using the equity method, and is allocated to the Mercedes-Benz Cars & Vans segment.

In December 2019, THBV and HERE and other companies signed an agreement on the basis of which 30% of the shares in HERE are to be sold to a joint venture between Mitsubishi Corporation and Nippon Telegraph and Telephone Corporation. The transaction was completed on May 29, 2020 after receiving the approval of the relevant authorities and led to a gain at THBV. The amount of €105 million attributable to Daimler is included in the line item profit/loss on equity-method investments, net.

In the year 2020, THBV implemented capital measures which reduced the carrying amount of the investment by €177 million.

Table ↗ D.37 shows summarized IFRS financial information after purchase price allocation for the significant associated companies, which was the basis for equity-method accounting in the Group's Consolidated Financial Statements.

D.37

Summarized IFRS financial information on significant associated companies accounted for using the equity method

		BBAC[1]		BAIC Motor[2]		THBV[3] (HERE)
	2020	2019	**2020**	2019	**2020**	2019
In millions of euros						
Information on the statement of income						
Revenue	**21,774**	20,177	**22,681**	22,900	**–**	–
Profit/loss from continuing operations after taxes	**2,900**	2,702	**1,685**	1,739	**206**	-383
Profit/loss from discontinued operations after taxes	**–**	–	**–**	–	**–**	–
Other comprehensive income/loss	**3**	-7	**-32**	-134	**10**	1
Total comprehensive income/loss	**2,903**	2,695	**1,653**	1,605	**216**	-382
Information on the statement of financial position and reconciliation to equity-method carrying amounts						
Non-current assets	**6,434**	6,272	**14,550**	14,008	**1,190**	1,131
Current assets	**8,562**	8,874	**11,762**	13,733	**24**	467
Non-current liabilities	**1,010**	1,008	**2,566**	3,194	**–**	–
Current liabilities	**8,585**	8,716	**13,047**	13,859	**–**	1
Equity (including non-controlling interests)	**5,401**	5,422	**10,699**	10,688	**1,214**	1,597
Equity (excluding non-controlling interests) attributable to the Group	**2,647**	2,657	**745**	756	**361**	475
Unrealized profit (-)/loss (+) on sales to/purchases from	**-215**	-137	**-17**	-12	**–**	–
Other reconciling items including equity-method goodwill and impairments on the investment	**-1**	-1	**-397**	-79	**–**	–
Carrying amount of equity-method investment	**2,431**	2,519	**331**	665	**361**	475

1 BBAC:
Figures for the statement of income relate to the period of January 1 to December 31.
Figures for the statement of financial position and the reconciliation to equity-method carrying amounts relate to the balance sheet date December 31.
2 BAIC Motor:
Daimler recognizes its proportionate share of profits or losses of BAIC Motor Corporation Ltd. (BAIC Motor) with a three-month time lag.
Figures for the statement of income relate to the period of October 1 to September 30.
Figures for the statement of financial position and the reconciliation to equity-method carrying amounts relate to the balance sheet date of September 30.
3 THBV:
Figures for the statement of income relate to the period of January 1 to December 31.
Figures for the statement of financial position and the reconciliation to equity-method carrying amounts relate to the balance sheet date December 31.

YOUR NOW

In March 2018, Daimler Group and BMW Group signed an agreement for the merger of their business units for mobility services, with the goal of offering customers a comprehensive mobility ecosystem that is intelligent, seamlessly connected and available at the touch of a fingertip.

After being approved by the antitrust authorities in December 2018, the transaction was completed on January 31, 2019. The existing services for on-demand mobility in the fields of car sharing, ride hailing, parking, charging and the multimodal mobility platform were combined in five joint ventures, (REACH NOW (platform for on-demand mobility and multimodality), CHARGE NOW (charging), FREE NOW (ride hailing), PARK NOW (parking) and SHARE NOW (car sharing)), which are equally held by Daimler Group and BMW Group.

At the end of the year 2019, the joint ventures were merged by way of contribution to YOUR NOW Holding GmbH (YOUR NOW), whose shares are also equally held by Daimler Group and BMW Group. The contribution had no effect on earnings. YOUR NOW is allocated to the Daimler Mobility segment.

In 2020, the profit/loss on equity-method investments, net of YOUR NOW includes an impairment loss of €92 million resulting from the adjustments of earnings forecasts and the realignment of the YOUR NOW group. In the year 2019, the profit/loss on equity-method investments, net also included an impairment loss of €261 million, mainly resulting from the adjustment of earnings forecasts for individual mobility services.

Table ↗ **D.38** shows summarized IFRS financial information after purchase price allocation for the significant joint ventures which were the basis for equity-method accounting in the Group's Consolidated Financial Statements.

D.38

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

		YOUR NOW[1]
	2020	2019
In millions of euros		
Information on the statement of income		
Revenue	**333**	459
Depreciation and amortization	**-114**	-99
Interest income	**–**	–
Interest expense	**-6**	-9
Income taxes	**-1**	9
Profit/loss from continuing operations after taxes	**-546**	-597
Profit/loss from discontinued operations after taxes	**-91**	-19
Other comprehensive income/loss	**–**	13
Total comprehensive income/loss	**-637**	-603
Information on the statement of financial position and reconciliation to equity-method carrying amounts		
Non-current assets	**651**	1,002
Current assets	**1,004**	1,249
thereof cash and cash equivalents	**373**	892
Non-current liabilities	**149**	418
thereof non-current financial liabilities	**2**	259
Current liabilities	**395**	457
thereof current financial liabilities	**12**	3
Equity (including non-controlling interests)	**1,111**	1,376
Equity (excluding non-controlling interests) attributable to the Group	**556**	680
Unrealized profit (-)/loss (+) on sales to/purchases from	**–**	–
Other reconciling items including equity-method goodwill and impairments on the investment	**-12**	186
Carrying amount of equity-method investment	**544**	866

1 Daimler recognizes its proportionate share of profits or losses of the YOUR NOW joint ventures with a one-month time lag.
Figures for the statement of income for 2020 relate to the period of December 1, 2019 to November 30, 2020 and the figures for 2019 relate to the period of February 1, 2019 to November 30, 2019.
Figures for the statement of financial position and the reconciliation to equity-method carrying amounts relate to the balance sheet date of November 30.
The figures for the year 2019 have been adjusted due to the application of IFRS 5.

D.39

Summarized aggregated financial information on minor equity-method investments

	Associated companies		Joint ventures	
	2020	2019	**2020**	2019
In millions of euros				
Summarized aggregated financial information (pro rata)				
Profit/loss from continuing operations after taxes	**-11**	-29	**86**	-90
Profit/loss from discontinued operations after taxes	**–**	–	**–**	–
Other comprehensive income/loss	**10**	-13	**–**	–
Total comprehensive income/loss	**-1**	-42	**86**	-90

Other joint ventures accounted for using the equity-method
In December 2019, Mercedes-Benz AG and Zhejiang Geely Holding Group founded the joint venture smart Automobile Co., Ltd. (smart). In the first quarter of 2020, each company contributed CNY 2.7 billion to the equity of the joint venture. The share of Mercedes-Benz AG essentially consisted of the contribution of the smart brand, leading to a positive effect on earnings in the amount of €154 million in the first quarter of 2020, recognized in other operating income. The smart joint venture is allocated to the Mercedes-Benz Cars & Vans segment.

Table ↗ **D.39** 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 37.

14. Receivables from financial services

Table ↗ **D.40** 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.

Receivables from sales financing with dealers represent loans for floor financing programs for vehicles sold by the Group's automotive businesses to dealers or loans for assets purchased by dealers from third parties, primarily, used vehicles traded in by dealers' customers or real estate such as dealers' showrooms.

Receivables from finance lease contracts consist of receivables from leasing contracts for which all substantial 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 Consolidated Statement of Cash Flows.

Table ↗ **D.41** shows the maturities of the future contractual lease payments and the development of lease payments to the carrying amounts of receivables from finance lease contracts.

In 2020, Daimler recognized a gain of €357 million (2019: €343 million) as the difference between the additions to receivables from finance lease contracts and the carrying amounts of the underlying assets (especially in connection with the delivery of vehicles to consolidated companies).

Loss allowances
The development of loss allowances for receivables from financial services due to expected credit losses is shown in table ↗ **D.42**.

At December 31, 2020, €0.4 billion of the loss allowances relates to the increase in the allowance for credit losses recognized at the Daimler Mobility 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 Daimler Mobility.

The carrying amounts of receivables from financial services based on modified contracts that are shown in stages 2 and 3, amounted to €2,440 million at December 31, 2020 (December 31, 2019: €387 million). In addition, carrying amounts of €473 million (December 31, 2019: €314 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.43**.

Longer overdue periods regularly lead to higher allowances.

At the beginning of the contracts, collaterals of usually at least 100% of the carrying amounts were agreed, which are backed by the vehicles based on the underlying contracts. 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 33.

At December 31, 2020, receivables from financial services with a carrying amount of €11,463 million (December 31, 2019: €8,941 million) were pledged mostly as collateral for liabilities from ABS transactions (see also Note 24).

D.40
Receivables from financial services

	At December 31, 2020			At December 31, 2019		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Sales financing with customers	18,013	32,387	50,400	18,963	30,627	49,590
Sales financing with dealers	13,701	3,171	16,872	21,016	3,573	24,589
Finance lease contracts	11,446	19,065	30,511	11,461	19,329	30,790
Gross carrying amount	43,160	54,623	97,783	51,440	53,529	104,969
Loss allowances	-684	-914	-1,598	-659	-649	-1,308
Net carrying amount	42,476	53,709	96,185	50,781	52,880	103,661

D.41

Development of the finance lease contracts

	At December 31, 2020	2019
In millions of euros		
Contractual future lease payments	**29,502**	30,807
thereof due		
within one year	**11,300**	12,021
between one and two years	**8,178**	9,115
between two and three years	**5,694**	5,197
between three and four years	**2,711**	2,941
between four and five years	**1,261**	1,117
later than five years	**358**	416
Unguaranteed residual values	**3,996**	3,049
Gross investment	**33,498**	33,856
Unearned finance income	**-2,987**	-3,066
Gross carrying amount	**30,511**	30,790
Loss allowances	**-569**	-456
Net carrying amount	**29,942**	30,334

D.42

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, 2019	389	195	502	1,086
Additions	204	60	228	492
Change in remeasurement	11	81	241	333
Utilization	-4	-19	-136	-159
Reversals	-179	-72	-199	-450
Change in models/risk parameters	–	–	–	–
Transfer to stage 1	72	-51	-21	–
Transfer to stage 2	-28	57	-29	–
Transfer to stage 3	-6	-35	41	–
Currency translation and other changes	3	3	–	6
Balance at December 31, 2019	462	219	627	1,308
Additions	**200**	**70**	**277**	**547**
Change in remeasurement	**14**	**144**	**472**	**630**
Utilization	**-28**	**-23**	**-171**	**-222**
Reversals	**-217**	**-70**	**-285**	**-572**
Change in models/risk parameters	**–**	**–**	**–**	**–**
Transfer to stage 1	**101**	**-85**	**-16**	**–**
Transfer to stage 2	**-49**	**62**	**-13**	**–**
Transfer to stage 3	**-5**	**-48**	**53**	**–**
Currency translation and other changes	**-25**	**-15**	**-53**	**-93**
Balance at December 31, 2020	**453**	**254**	**891**	**1,598**

D.43

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	**90,399**	**5,308**	**2,076**	**97,783**
thereof				
not past due	**89,742**	**3,853**	**469**	**94,064**
past due 30 days and less	**641**	**696**	**97**	**1,434**
past due 31 to 60 days	**16**	**557**	**129**	**702**
past due 61 to 90 days	**–**	**202**	**134**	**336**
past due 91 to 180 days	**–**	**–**	**472**	**472**
past due more than 180 days	**–**	**–**	**775**	**775**
At December 31, 2019				
Gross carrying amount	97,557	5,558	1,854	104,969
thereof				
not past due	96,624	3,902	346	100,872
past due 30 days and less	930	799	117	1,846
past due 31 to 60 days	2	639	104	745
past due 61 to 90 days	1	216	71	288
past due 91 to 180 days	–	2	561	563
past due more than 180 days	–	–	655	655

15. Marketable debt securities and similar investments

The marketable debt securities and similar investments with a carrying amount of €6,397 million (2019: €8,655 million) are part of the Group's 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.

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

In 2020 asset-backed securities (ABS) with a refinancing volume of €2.4 billion were issued in Germany. Mercedes-Benz Bank AG itself acquired €1.1 billion of these securities. These securities can be used as collateral for open market transactions with the Deutsche Bundesbank. The collateral amounted to €0.8 billion at December 31, 2020.

Further information on marketable debt securities and similar investments is provided in Note 32.

16. Other financial assets

The line item other financial assets presented in the Consolidated Statement of Financial Position is comprised as shown in table ↗ D.44.

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 €529 million (2019: €464 million) were pledged as collateral for liabilities (see also Note 24).

Further information on other financial assets is provided in Note 32.

17. Other assets

Non-financial other assets are comprised as shown in table ↗ D.45.

Other expected reimbursements predominantly relate to recovery claims from our suppliers in connection with issued product warranties.

D.44
Other financial assets

	At December 31, 2020			At December 31, 2019		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Equity instruments and debt instruments	–	1,311	1,311	–	860	860
recognized at fair value through other comprehensive income	–	942	942	–	482	482
recognized at fair value through profit or loss	–	369	369	–	378	378
Derivative financial instruments used in hedge accounting	423	1,722	2,145	185	1,006	1,191
Other financial assets recognized at fair value through profit or loss	47	27	74	7	20	27
Other receivables and miscellaneous other financial assets	2,287	1,107	3,394	2,544	1,461	4,005
	2,757	4,167	6,924	2,736	3,347	6,083

D.45
Other assets

	At December 31, 2020			At December 31, 2019		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Reimbursements due to income tax refunds	527	234	761	618	380	998
Reimbursements due to other tax refunds	2,545	79	2,624	3,097	261	3,358
Other expected reimbursements	198	179	377	232	225	457
Prepaid expenses	670	91	761	682	69	751
Others	594	328	922	797	351	1,148
	4,534	911	5,445	5,426	1,286	6,712

D.46
Inventories

	At December 31, 2020	2019
In millions of euros		
Raw materials and manufacturing supplies	3,010	3,321
Work in progress	3,629	4,290
Finished goods, parts and products held for resale	19,675	21,922
Advance payments to suppliers	130	224
	26,444	29,757

D.47
Trade receivables

	At December 31, 2020	2019
In millions of euros		
Gross carrying amount	10,873	12,575
Loss allowances	-224	-243
Net carrying amount	10,649	12,332

18. Inventories

Inventories are comprised as shown in table ↗ **D.46**.

The amount of write-down of inventories to net realizable value recognized as an expense in cost of sales was €393 million in 2020 (2019: €413 million). Inventories that are expected to be recovered or settled after more than twelve months amounted to €977 million at December 31, 2020 (December 31, 2019: €1,159 million) and are primarily spare parts.

As collateral for certain vested employee benefits in Germany, the value of company cars and demonstration cars of the Mercedes-Benz Cars & Vans segment included in inventories is pledged as collateral to the Daimler Pension Trust e.V. in an amount of €909 million at December 31, 2020 (December 31, 2019: €1,083 million).

In addition, inventories with a carrying amount of €275 million at December 31, 2020 (December 31, 2019: €302 million) were pledged as collateral for liabilities from ABS transactions (see also Note 24).

19. Trade receivables

Trade receivables are comprised as shown in table ↗ **D.47**.

At December 31, 2020, €35 million of the trade receivables mature after more than one year (December 31, 2019: €47 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.48**.

Credit risks
Information on credit risks included in trade receivables is shown in table ↗ **D.49.**

Further information on financial risk and types of risk is provided in Note 33.

D.48
Development of loss allowances for trade receivables due to expected credit losses

	Lifetime expected credit loss		Total
	not credit impaired (Stage 2)	credit impaired (Stage 3)	
In millions of euros			
Balance at January 1, 2019	125	115	240
Additions	38	106	144
Change in remeasurement	1	6	7
Utilization	-12	-35	-47
Reversals	-39	-60	-99
Change in models/risk parameters	–	–	–
Transfer to stage 2	-13	13	–
Transfer to stage 3	-1	1	–
Currency translation and other changes	-1	-1	-2
Balance at December 31, 2019	98	145	243
Additions	**26**	**86**	**112**
Change in remeasurement	**8**	**2**	**10**
Utilization	**-9**	**-38**	**-47**
Reversals	**-18**	**-58**	**-76**
Change in models/risk parameters	**–**	**–**	**–**
Transfer to stage 2	**1**	**-1**	**–**
Transfer to stage 3	**-1**	**1**	**–**
Currency translation and other changes	**-4**	**-14**	**-18**
Balance at December 31, 2020	**101**	**123**	**224**

D.49
Credit risks included in trade receivables

	Lifetime expected credit loss		Total
	not credit impaired (Stage 2)	credit impaired (Stage 3)	
In millions of euros			
At December 31, 2020			
Gross carrying amount	**10,589**	**284**	**10,873**
thereof			
not past due	**8,755**	**93**	**8,848**
past due 30 days and less	**976**	**9**	**985**
past due 31 to 60 days	**198**	**4**	**202**
past due 61 to 90 days	**111**	**1**	**112**
past due 91 to 180 days	**170**	**42**	**212**
past due more than 180 days	**379**	**135**	**514**
At December 31, 2019			
Gross carrying amount	12,177	398	12,575
thereof			
not past due	10,058	192	10,250
past due 30 days and less	1,407	13	1,420
past due 31 to 60 days	207	4	211
past due 61 to 90 days	99	2	101
past due 91 to 180 days	168	39	207
past due more than 180 days	238	148	386

20. Equity

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

Share capital
The share capital (authorized capital) is divided into no-par-value shares. All shares are fully paid up. Each share confers the right to one vote at the Annual Shareholders' Meeting of Daimler AG and, if applicable, with the exception of any new shares potentially not entitled to dividends, to an equal portion of the profits as defined by the dividend distribution decided upon at the Annual Shareholders' Meeting. Each share represents a proportionate amount of approximately €2.87 of the share capital.

Since January 1, 2019, there has been no change in the number of shares outstanding/issued. The number at December 31, 2020 is 1,070 million, unchanged from December 31, 2019.

Approved capital
The Annual Shareholders' Meeting held on April 5, 2018 authorized the Board of Management, with the consent of the Supervisory Board, to increase the share capital of Daimler AG in the period until April 4, 2023 by a total of €1.0 billion in one lump sum or by separate partial amounts at different times by issuing new, registered no-par-value shares in exchange for cash and/or non-cash contributions (Approved Capital 2018). The new shares are generally to be offered to the shareholders for subscription (also by way of indirect subscription pursuant to Section 186 Subsection 5 Sentence 1 of the German Stock Corporation Act (AktG)). Among other things, the Board of Management was authorized with the consent of the Supervisory Board to exclude shareholders' subscription rights under certain conditions and within defined limits.

Approved Capital 2018 has not yet been utilized.

Conditional capital
The authorization granted by Annual Shareholders' Meeting on April 1, 2015, to issue convertible and/or warrant bonds was limited until March 31, 2020. This authorization was not exercised. The corresponding Conditional Capital 2015 was cancelled by resolution of the Annual Shareholders' Meeting on July 8, 2020.

Also by resolution of the Annual Shareholders' Meeting on July 8, 2020, the Board of Management is authorized, with the consent of the Supervisory Board, until July 7, 2025 to issue convertible and/or warrant bonds or a combination of these instruments ("bonds") with a total face value of up to €10.0 billion and a maturity of no more than ten years. The Board of Management is allowed to grant the holders of these bonds conversion or warrant rights for new registered no-par-value shares in Daimler AG with an allocable portion of the share capital of up to €500 million in accordance with the details defined in the terms and conditions of the bonds. The bonds can be offered in exchange for cash and/or non-cash contributions, in particular for shares in other companies. The terms and conditions of the bonds can include warranty obligations or conversion obligations. The bonds can be issued once or several times, wholly or in installments, or simultaneously in various tranches as well as by subsidiaries of the Company within the meaning of Sections 15 et seq. of the German Stock Corporation Act (AktG). Among other things, the Board of Management is authorized with the consent of the Supervisory Board to exclude shareholders' subscription rights for the bonds under certain conditions and within defined constraints.

In order to fulfill the conditions of the above-mentioned authorization, the Annual Shareholders' Meeting on July 8, 2020 also resolved to increase the share capital conditionally by an amount of up to €500 million (Conditional Capital 2020).

The new authorization to issue convertible and/or warrant bonds was not utilized in the reporting period.

Treasury shares
The authorization granted by Annual Shareholders' Meeting on April 1, 2015 to acquire and use treasury shares expired on March 31, 2020 without being utilized.

By resolution of the Annual Shareholders' Meeting on July 8, 2020, the Board of Management is again authorized, with the consent of the Supervisory Board, until July 7, 2025 to acquire treasury shares in a volume up to 10% of the share capital issued as of the day of the resolution or – if this is lower – of the share capital existing at the time of the authorization being exercised, to be used for all permissible purposes. The shares can be used, among other things, with the exclusion of shareholders' subscription rights, for business combinations or to acquire companies or to be sold to third parties for cash at a price that is not significantly lower than the stock-exchange price of the Company's shares. The acquired shares can also be used to fulfill obligations from issued convertible bonds and/or bonds with warrants and to be issued to employees of the Company and employees and board members of the Company's subsidiaries pursuant to Sections 15 et seq. of the German Stock Corporation Act (AktG). The treasury shares can also be canceled.

In a volume up to 5% of the share capital issued as of the day of the resolution of the Annual Shareholders' Meeting, the Board of Management is authorized, with the consent of the Supervisory Board, to acquire treasury shares also by using derivatives (put options, call options, forward purchases or a combination of these instruments), whereby the term of a derivative must not exceed 18 months and must not end later than July 7, 2025.

The authorization to acquire treasury shares was not utilized in the reporting period.

Employee share purchase plan
In the first quarter of 2020, as in the previous year pursuant to Section 71 Subsection 1 No. 2, of the German Stock Corporation Act (AktG) without utilizing the authorization to acquire treasury shares granted by the Annual Shareholders' Meeting on April 1, 2015, 1.1 million Daimler shares representing €3.0 million or 0.10% of the share capital were purchased for a price of €30 million and reissued to employees (2019: 0.8 million Daimler shares representing €2.4 million or 0.08% of the share capital were purchased for a price of €42 million).

Capital reserves
Capital reserves primarily comprise premiums arising on the issue of shares as well as expenses relating to the exercise of the up to 2014 exercisable stock option plans and the issue of employee shares, effects from changes in ownership interests in consolidated entities and directly attributable related transaction costs.

Retained earnings
Retained earnings comprise the accumulated net profits and losses of all companies included in Daimler's Consolidated Financial Statements, less any profits distributed. In addition, the effects of remeasuring defined benefit plans as well as the related deferred taxes are presented within retained earnings.

Dividend
Under the German Stock Corporation Act (AktG), the dividend is paid out of the distributable profit reported in the annual financial statements of Daimler AG (parent company only) in accordance with the German Commercial Code (HGB). For the year ended December 31, 2020, the Daimler management will propose to the shareholders at the Annual Shareholders' Meeting to pay out €1,444 million of the distributable profit of Daimler AG as a dividend to the shareholders, equivalent to €1.35 per no-par-value share entitled to a dividend (2019: €963 million and €0.90 per no-par-value share entitled to a dividend respectively).

Other reserves
Other reserves comprise accumulated unrealized gains/losses from currency translation of the financial statements of the consolidated foreign companies and accumulated unrealized gains/losses on financial assets, derivative financial instruments and equity-method investments.

Table ↗ **D.02** shows the details of changes in other reserves in other comprehensive income/loss.

21. Share-based payment

At December 31, 2020, the Group 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 Group 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 members of the Board of Management 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 for the executives of the Group and the members of the Board of Management of Daimler AG on the Consolidated Statement of Income and Consolidated Statement of Financial Position are shown in table ↗ **D.50**.

Table ↗ **D.51** shows expenses in the Consolidated Statement of Income resulting from the rights of current members of the Board of Management.

The details shown in table ↗ **D.51** do not represent any paid or committed remuneration, but refer to expenses calculated according to IFRS. Details of the remuneration of the members of the Board of Management in 2020 can be found in the Remuneration Report. Combined Management Report with Non-Financial Statement

D.50
Effects of share-based payment

	Expense		Provision At December 31,	
	2020	2019	**2020**	2019
In millions of euros				
PPSP	**-107**	-70	**189**	124
Medium-term component of annual bonus of the members of the Board of Management	**-6**	-1	**7**	3
	-113	-71	**196**	127

D.51

Expenses in the Consolidated Statement of Income resulting from share-based payments of current members of the Board of Management

	Ola Källenius		Martin Daum		Renata Jungo Brüngger	
	2020	2019	**2020**	2019	**2020**	2019
In millions of euros						
PPSP	**-1.5**	-1.0	**-0.9**	-0.6	**-0.9**	-0.8
Medium-term component of the annual bonus	**-1.3**	-0.1	**-0.6**	-0.1	**-0.6**	-0.1

	Wilfried Porth		Markus Schäfer[1]		Britta Seeger	
	2020	2019	**2020**	2019	**2020**	2019
In millions of euros						
PPSP	**-0.9**	-0.8	**-0.7**	-0.4	**-0.9**	-0.6
Medium-term component of the annual bonus	**-0.6**	-0.1	**-0.6**	-0.1	**-0.6**	-0.1

	Hubertus Troska		Harald Wilhelm[2]		Dr. Dieter Zetsche[3]	
	2020	2019	**2020**	2019	**2020**	2019
In millions of euros						
PPSP	**-0.9**	-0.8	**-0.6**	-0.2	**–**	-4.4
Medium-term component of the annual bonus	**-0.6**	-0.1	**-0.6**	-0.1	**–**	-0.1

	Bodo Uebber[3]	
	2020	2019
In millions of euros		
PPSP	**–**	-2.1
Medium-term component of the annual bonus	**–**	–

1 Appointed to the Board of Management as of May 22, 2019.
2 Appointed to the Board of Management as of April 1, 2019.
3 Appointment to the Board of Management ended on May 22, 2019, service contract benefits continued until the respective service contract expired on December 31, 2019. Expense in 2019 also includes the complete vesting of rights granted from 2017 to 2019.

Performance Phantom Share Plans

In 2020, the Group 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 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's 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's ordinary shares to be used for the payout is limited to 2.5 times the Daimler share price at the date of grant. Furthermore, the payout for the members of the Board of Management is also limited to 2.5 times the allotment value used to determine the preliminary number of phantom shares. The limitation of the payout for the members of the Board of Management also 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, 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 members of the Board of Management: Daimler's 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 for the members of the Board of Management. 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%.

The Group recognizes a provision for awarding the PPSP in the Consolidated Statement of Financial Position. Since payment per vested phantom share depends on the quoted price of Daimler's 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 ordinary shares and the estimated target achievement.

22. Pensions and similar obligations

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

At the Daimler Group, defined benefit pension obligations exist as well as, to a smaller extent, defined contribution pension obligations, specific to the various countries. In addition, healthcare benefit obligations are recognized outside Germany.

Defined benefit pension plans

Provisions for pension obligations are made for defined commitments to active and former employees of the Daimler Group and their survivors. The defined benefit pension plans provided by Daimler 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.

The Group's main German and non-German 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 Company 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 Company 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.

Most of the pension obligations in Germany relating to defined benefit pension plans are funded by investment funds. Contractual trust arrangements (CTA) exist between Daimler AG as well as some subsidiaries in Germany and the Daimler Pension Trust e.V. The Daimler Pension Trust e.V. acts as a collateral trust fund.

D.52

Composition of provisions for pensions and similar obligations

	At December 31, 2020	2019
In millions of euros		
Provision for pension benefits	**11,047**	8,518
Provision for other post-employment benefits	**1,023**	1,210
	12,070	9,728

In 2018, Daimler AG transferred certain defined benefit obligations and plan assets of retired employees to Daimler Pensionsfonds AG (pension fund). These benefits will be administrated by that non-insurance-like pension fund, which falls under the scope of the Act on the Supervision of Insurance Undertakings and is therefore subject to the oversight of the Federal Financial Supervisory Agency (BaFin). Insofar as in the future, BaFin rules that a deficit has occurred in the pension fund, a supplementary contribution will be required from Daimler AG.

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

Non-German pension plans and pension plan assets
Significant plans exist primarily in the United States and Japan. They comprise plans relating to final salaries as well as plans relating to 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 with Group-wide validity. 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 company of the Group 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 Group 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 German 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. The Group regularly makes additional contributions to the plan assets in order to cover future obligations from defined benefit pension plans.

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

Reconciliation of the net obligation from defined benefit pension plans

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

D.53

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

	At December 31, 2020			At December 31, 2019		
	Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
In millions of euros						
Present value of the defined benefit obligation at January 1	36,195	31,770	4,425	31,645	27,852	3,793
Current service cost	795	686	109	714	609	105
Interest cost	444	309	135	636	479	157
Contributions by plan participants	30	25	5	52	46	6
Actuarial gains (-)/losses from changes in demographic assumptions	-50	10	-60	11	1	10
Actuarial gains (-)/losses from changes in financial assumptions	3,830	3,494	336	4,214	3,682	532
Actuarial gains (-)/losses from experience adjustments	4	-1	5	-32	-52	20
Actuarial gains (-)/losses	3,784	3,503	281	4,193	3,631	562
Past service cost, curtailments and settlements	-104	–	-104	-118	–	-118
Pension benefits paid	-1,023	-821	-202	-972	-782	-190
Currency exchange-rate changes and other changes	-275	12	-287	45	-65	110
Present value of the defined benefit obligation at December 31	39,846	35,484	4,362	36,195	31,770	4,425
Fair value of plan assets at January 1	27,760	24,454	3,306	25,462	22,532	2,930
Interest income from plan assets	328	233	95	502	387	115
Actuarial gains/ losses (-)	1,148	800	348	1,936	1,584	352
Actual result on plan assets	1,476	1,033	443	2,438	1,971	467
Contributions by the employer	788	663	125	663	582	81
Contributions by plan participants	30	25	5	51	46	5
Settlements	–	–	–	-105	–	-105
Pension benefits paid	-964	-786	-178	-911	-745	-166
Currency exchange-rate changes and other changes	-220	11	-231	162	68	94
Fair value of plan assets at December 31	28,870	25,400	3,470	27,760	24,454	3,306
Funded status	-10,976	-10,084	-892	-8,435	-7,316	-1,119
actuarial loss due to asset ceiling	-3	–	-3	–	–	–
Net defined benefit liability	-10,979	-10,084	-895	-8,435	-7,316	-1,119
thereof recognized in other assets	68	–	68	83	–	83
thereof recognized in provisions for pensions and similar obligations	-11,047	-10,084	-963	-8,518	-7,316	-1,202

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 the Group's 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. They include government bonds of very good creditworthiness.

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. The pension plan assets are generally oriented towards the structure of the pension obligations.

Pension cost

The components of pension cost included in the Consolidated Statement of Income are shown in table ↗ D.55. The gain shown in 2020 in the line past service cost results mainly from the freeze of the defined benefit pension plan in the United States (€105 million). It has been replaced with a defined contribution pension plan. The gain is presented under functional costs in the Mercedes-Benz Cars & Vans segment.

D.54

Composition of plan assets

	At December 31, 2020			At December 31, 2019		
	Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
In millions of euros						
Equities[1]	8,170	7,092	1,078	7,399	6,379	1,020
Government bonds	4,738	3,991	747	5,797	4,895	902
Corporate bonds	11,940	10,759	1,181	11,305	10,355	950
Securitized bonds	70	61	9	59	43	16
Bonds	16,748	14,811	1,937	17,161	15,293	1,868
Other exchange-traded instruments	10	3	7	1	–	1
Exchange-traded instruments	24,928	21,906	3,022	24,561	21,672	2,889
Alternative investments[2]	376	216	160	424	254	170
Real estate	482	381	101	488	380	108
Other non-exchange-traded instruments	837	764	73	566	510	56
Cash and cash equivalents	2,247	2,133	114	1,721	1,638	83
Non-exchange-traded instruments	3,942	3,494	448	3,199	2,782	417
Fair value of plan assets	28,870	25,400	3,470	27,760	24,454	3,306

1 Including the shares in Renault and Nissan in the amount of €983 (in 2019: €1,188) million.
2 Alternative investments mainly comprise private equity.

D.55

Pension cost

	2020			2019		
	Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
In millions of euros						
Current service cost	-795	-686	-109	-714	-609	-105
Past service cost, curtailments and settlements	104	–	104	13	–	13
Net interest expense	-118	-76	-42	-138	-92	-46
Net interest income	2	–	2	4	–	4
	-807	-762	-45	-835	-701	-134

Measurement assumptions

The measurement date for the Group's defined benefit pension obligations and plan assets is generally December 31. The measurement date for the Group's 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.

Calculation of the defined benefit obligations uses life expectancy for the German plans based on the 2018 G Heubeck-mortality tables. 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 life expectancy one year higher or one year lower is arrived at.

Effect on future cash flows

Daimler currently plans to make contributions of €0.8 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 Group expects to make pension benefit payments of €1.1 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 makes defined contributions to external insurance policies or investment funds. There are fundamentally no further contractual obligations or risks for Daimler in excess of the defined contributions. The Group also pays contributions to governmental pension schemes. In 2020, the total cost from defined contribution plans amounted to €1.6 billion (2019: €1.6 billion). Of those payments, €1.5 billion (2019: €1.5 billion) was related to governmental pension plans.

Other post-employment benefits

Certain foreign subsidiaries of Daimler, 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. In 2020, future contributions to other post-employment benefits of one plan in the United States were adjusted. This resulted in a gain of €147 million, which is presented under functional costs in the Mercedes-Benz Cars & Vans segment. Table ↗ **D.59** shows key data for other post-employment benefits.

Significant 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,		At December 31,	
	2020	2019	2020	2019
	German Plans	German Plans	Non-German Plans	Non-German Plans
In percent				
Discount rates	0.4	1.0	2.5	3.2
Expected increase in cost of living[1]	1.8	1.7	–	–

1 For German plans, expected increases in cost of living may affect – depending on the design of the pension plan – the obligation to the Group's 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		
		Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
In millions of euros							
Sensitivity for discount rates	+ 0.25%	-1,611	-1,448	-163	-1,412	-1,247	-165
Sensitivity for discount rates	- 0.25%	1,719	1,549	170	1,490	1,330	160
Sensitivity for expected increases in cost of living	+ 0.10%	118	102	16	113	93	20
Sensitivity for expected increases in cost of living	- 0.10%	-121	-102	-19	-112	-93	-19
Sensitivity for life expectancy	+ 1 year	627	522	105	546	463	83
Sensitivity for life expectancy	- 1 year	-563	-454	-109	-505	-405	-100

D.58

Weighted average duration of the defined benefit obligations

	2020	2019
In years		
German plans	17	17
Non-German plans	16	16

D.59

Key data for other post-employment benefits

	2020	2019
In millions of euros		
Present value of defined benefit obligations	1,023	1,210
Fair value of reimbursement rights	–	12
Funded status	-1,023	-1,198
Net periodic cost for other post-employment benefits	82	-11

23. Provisions for other risks

The development of provisions for other risks is summarized in table ↗ D.60.

Product warranties

Daimler issues 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. This also includes measures relating to Mercedes-Benz diesel vehicles in various regions as well as recalls, in particular for an extended recall of Takata airbags. 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 2023.

Personnel and social costs

Provisions for personnel and social costs primarily comprise expected expenses of the Group 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 2031.

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. They primarily include risks from litigation and regulatory proceedings in relation to Mercedes-Benz diesel vehicles. The cash outflows in relation to non-current provisions are primarily expected within a period until 2023.

Further information on liability and litigation risks and regulatory proceedings is provided in Note 30

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.60

Provisions for other risks

	Product warranties	Personnel and social costs	Litigation risks and regulatory proceedings	Other	Total
In millions of euros					
Balance at December 31, 2019	8,708	4,248	4,902	3,066	20,924
thereof current	3,744	1,522	2,498	2,563	10,327
thereof non-current	4,964	2,726	2,404	503	10,597
Additions	**3,929**	**1,826**	**449**	**1,560**	**7,764**
Utilizations	**-3,772**	**-1,339**	**-254**	**-1,378**	**-6,743**
Reversals	**-266**	**-163**	**-416**	**-431**	**-1,276**
Compounding and effects from changes in discount rates	**37**	**118**	**10**	**3**	**168**
Currency translation and other changes	**-160**	**-52**	**-66**	**-109**	**-387**
Balance at December 31, 2020	**8,476**	**4,638**	**4,625**	**2,711**	**20,450**
thereof current	**3,995**	**1,624**	**1,578**	**2,137**	**9,334**
thereof non-current	**4,481**	**3,014**	**3,047**	**574**	**11,116**

24. Financing liabilities

The composition of financing liabilities is shown in table ↗ D.61.

Information on the maturities of lease liabilities as of December 31, 2020 is provided in Note 33.

25. 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.

Further information on other financial liabilities is provided in Note 32.

26. Deferred income

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

D.61
Financing liabilities

	At December 31, 2020			At December 31, 2019		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Notes/bonds	17,806	58,857	76,663	17,806	67,819	85,625
Commercial paper	664	–	664	3,278	–	3,278
Liabilities to financial institutions	19,703	12,688	32,391	23,043	16,768	39,811
Deposits in the direct banking business	10,868	3,648	14,516	9,713	3,406	13,119
Liabilities from ABS transactions	8,819	7,748	16,567	6,911	7,021	13,932
Lease liabilities	678	3,069	3,747	703	3,537	4,240
Loans, other financing liabilities	765	529	1,294	1,147	628	1,775
	59,303	86,539	145,842	62,601	99,179	161,780

D.62
Other financial liabilities

	At December 31, 2020			At December 31, 2019		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Derivative financial instruments used in hedge accounting	115	252	367	899	287	1,186
Financial liabilities recognized at fair value through profit or loss	26	14	40	45	7	52
Liabilities from residual value guarantees	929	820	1,749	1,138	921	2,059
Liabilities from wages and salaries	1,565	42	1,607	1,165	33	1,198
Accrued interest expenses	885	–	885	1,065	–	1,065
Deposits received	501	511	1,012	568	585	1,153
Other	2,606	332	2,938	2,872	279	3,151
Miscellaneous other financial liabilities	6,486	1,705	8,191	6,808	1,818	8,626
	6,627	1,971	8,598	7,752	2,112	9,864

D.63
Deferred income

	At December 31, 2020			At December 31, 2019		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Deferral of sales revenue received from sales with residual-value guarantees	288	560	848	306	565	871
Deferral of advance rental payments received from operating lease arrangements	975	890	1,865	1,009	927	1,936
Other deferred income	331	117	448	309	106	415
	1,594	1,567	3,161	1,624	1,598	3,222

27. 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
In millions of euros		
Service and maintenance contracts and extended warranties	6,166	6,504
Other contract liabilities	1,678	1,337
Contract liabilities	7,844	7,841
Obligations from sales transactions	4,627	5,200
Other refund liabilities	485	590
Refund liabilities	5,112	5,790
Contract and refund liabilities	12,956	13,631
thereof non-current	5,787	6,060
thereof current	7,169	7,571

28. Other liabilities

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

D.65
Other liabilities

	At December 31, 2020			At December 31, 2019		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Income tax liabilities	1,001	953	1,954	1,128	582	1,710
Other tax liabilities	2,214	1	2,215	1,909	–	1,909
Miscellaneous other liabilities	189	27	216	183	4	187
	3,404	981	4,385	3,220	586	3,806

29. Consolidated Statement of Cash Flows

Calculation of funds

At December 31, 2020, cash and cash equivalents included restricted funds of €133 million (2019: €64 million). The restricted funds primarily relate to subsidiaries where exchange controls apply so that the Group has restricted access to the funds.

Cash provided by operating activities

Changes in other operating assets and liabilities are shown in table ↗ D.66.

The decrease in provisions in comparison to the prior year period was significantly related to prior year effects that primarily resulted from provisions for warranties and customer goodwill obligations as well as provisions for litigation risks and regulatory proceedings. The increase of the provisions in the prior year period related to ongoing governmental and legal proceedings and measures taken with regard to Mercedes-Benz diesel vehicles, as well as recalls of vehicles especially related to Takata airbags. In addition, the other provisions led to an increase especially due to the review and prioritization of the product portfolio at the Mercedes-Benz Vans segment. The increase of the miscellaneous other assets and liabilities in comparison to the prior year period was highly affected by the worldwide consequences of the covid-19 pandemic. Positive effects resulted from tax rebates and liabilities in connection with VAT as well as liabilities related to employees which were partially offset by negative effects in connection with contract liabilities.

Table ↗ D.67 shows cash flows included in cash provided by operating activities. In the prior year period the cash effect of a carried out off-balance-sheet ABS transaction was shown in the cash flow provided by operating activities. The transaction resulted in a cash inflow of €0.9 billion.

The line item other non-cash expense and income within the reconciliation of profit before income taxes to cash provided by operating activities in the reporting year primarily comprised the Group's share in the profit/loss of companies accounted for using the equity method as well as an impairment loss with respect to its investment in BAIC Motor due to a reassessment of the business development in light of the covid-19 pandemic. In the prior year, the line item primarily comprised the Group's share in the profit/loss of companies accounted for using the equity method and effects due to the review and prioritization of the product portfolio at the Mercedes-Benz Vans segment.

D.66

Changes in other operating assets and liabilities

In millions of euros	2020	2019
Provisions	-323	5,217
Financial instruments	-31	104
Miscellaneous other assets and liabilities	1,007	320
	653	5,641

D.67

Cash flows included in cash provided by operating activities

In millions of euros	2020	2019
Interest paid	-158	-725
Interest received	179	337
Dividends received from equity-method investments	1,783	1,202
Dividends received from other shareholdings	25	94

D.68

Changes in liabilities arising from financing activities

In millions of euros	2020	2019
Cash flows	-9,503	9,404
Changes in foreign exchange rates	-7,023	2,130
Fair value changes	-584	157
Other changes	997	5,310

Cash used for financing activities

Cash used for 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 €729 million (2019: €701 million).

Table ↗ D.68 includes changes in liabilities arising from financing activities, divided into cash and non-cash components. The decrease in other changes in comparison to the prior year primarily resulted from the initial application of lessee accounting according to IFRS 16 in the prior year.

30. Legal proceedings

Daimler AG and its subsidiaries are 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 or such legal proceedings are settled, the Group 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 the Group's reputation.

Diesel emission behavior: governmental proceedings
As already reported, several authorities and institutions worldwide were, and still are, active in the form of inquiries, investigations, procedures and/or orders. These activities particularly relate to test results, the emission control systems used in Mercedes-Benz diesel vehicles and/or Daimler's interaction with the relevant authorities as well as related legal issues and implications, including, but not limited to, under applicable environmental, criminal and antitrust laws.

In the United States, Daimler AG and Mercedes-Benz USA, LLC (MBUSA) reached agreements in the third quarter of 2020 with various authorities to settle civil and environmental claims regarding emission control systems of certain diesel vehicles. The involved US authorities are the environmental agencies Environmental Protection Agency (»EPA«) and California Air Resources Board (»CARB«), the Environmental and Natural Resources Division of the U.S. Department of Justice (»DOJ«), the California Attorney General's Office as well as the U.S. Customs and Border Protection (»CBP«).

The authorities take the position that Daimler failed to disclose Auxiliary Emission Control Devices (AECDs) in certain of its US diesel vehicles and that several of these AECDs are illegal defeat devices. As part of these settlements, Daimler denies the allegations by the authorities and does not admit liability, but has agreed to, among other things, pay civil penalties, conduct an emission modification program for affected vehicles, provide extended warranties, undertake a nationwide mitigation project, take certain corporate compliance measures and make other payments. The company has cooperated fully with the US authorities. The settlements are subject to final court approval. Upon approval, they will be final and effective. Daimler expects costs of the settlements with the US authorities of approximately USD 1.5 billion. The estimated cost for the US consumer class action mentioned below amounts to around USD 700 million. In addition, Daimler estimates further expenses of a mid three-digit-million Euro amount to fulfill requirements of these settlements.

As already reported, in April 2016, the DOJ requested that Daimler conduct an internal investigation. While Daimler has conducted such internal investigation as part of DOJ's investigation, DOJ's investigation is ongoing. In Canada, the Canadian environmental regulator Environment and Climate Change Canada (»ECCC«) is conducting an investigation in connection with Diesel exhaust emissions. Daimler continues to cooperate with the investigating authorities.

In Germany, the Stuttgart district attorney's office is conducting criminal investigation proceedings against Daimler employees on the suspicion of fraud and criminal advertising. In February 2019, the Stuttgart district attorney's office also initiated a formal investigation proceeding against Daimler AG with respect to an administrative offense. In September 2019, it issued a fine notice against Daimler based on a negligent violation of supervisory duties in the amount of €870 million which has become legally binding, thereby concluding the administrative offense proceedings against Daimler.

Since 2018, the German Federal Motor Transport Authority ("KBA") has repeatedly issued subsequent auxiliary provisions for the EC type approvals of certain Mercedes-Benz diesel vehicles, and has ordered mandatory recalls as well as, in some cases, stops of the first registration. In each of those cases, it held that certain calibrations of specified functionalities in certain Mercedes-Benz diesel vehicles are to be qualified as impermissible defeat devices. Daimler has a contrary legal opinion on this question. Since 2018, however, it has (in view of KBA's interpretation of the law as a precautionary measure) implemented a temporary delivery and registration stop with respect to certain models, also covering the used car, leasing and financing businesses, and is constantly reviewing whether it can lift this delivery and registration stop in whole or in part. Daimler has filed timely objections against the KBA's administrative orders mentioned above. In early 2021, the KBA issued objection orders (»Widerspruchsbescheide«) in certain of the proceedings not following the arguments brought forward by Daimler. Since Daimler still does have a different understanding of the relevant legal provisions, it currently analyzes whether the controversial questions at issue should be clarified in a court of law. Irrespective of such objections and possibly following lawsuits, Daimler continues to cooperate fully with the KBA. The new calibrations requested by KBA are being processed, and for a substantial proportion of the vehicles, the relevant software has already been approved by KBA;

the related recalls have insofar been initiated. It cannot be ruled out that under certain circumstances, software updates may have to be reworked, or further delivery and registration stops may be ordered or resolved by the Company as a precautionary measure, also with regard to the used car, leasing and financing businesses. In the course of its regular market supervision, the KBA is routinely conducting further reviews of Mercedes-Benz vehicles and is asking questions about technical elements of the vehicles. In addition, Daimler continues to be in a dialogue with the German Ministry for Transport and Digital Infrastructure (BMVI) to conclude the analysis of the diesel-related emissions matter and to further the update of affected customer vehicles. In light of the aforementioned administrative orders issued by the KBA, and continued discussions with the KBA and the BMVI, it cannot be ruled out completely that additional administrative orders may be issued in the course of the ongoing and/or further investigations. Since September 1, 2020, this also applies to other responsible authorities of other Member States and the European Commission which conduct market surveillance under the new European Type Approval Regulation and can take measures upon assumed non-compliance, irrespective of the place of the original type approval.

In the course of its formal investigation into possible collusion on clean emission technology, the European Commission sent a statement of objections to Daimler and other automobile manufacturers in April 2019. In this context, Daimler filed an application for immunity from fines (leniency application) with the European Commission some time ago.

In addition to the abovementioned authorities, national cartel authorities and other authorities of various foreign States, the South Korean Ministry of Environment, the South Korean competition authority (Korea Fair Trade Commission) and the Seoul public prosecutor's office (South Korea) are conducting various investigations and/or procedures in connection with Diesel exhaust emissions.

Daimler continues to fully cooperate with the authorities and institutions.

Diesel emission behavior: consumer actions and other lawsuits in the United States, Canada, Germany and other States

Since the beginning of 2016, several consumer class actions in U.S. federal district courts have been pending in the U.S., which have been consolidated into a consolidated class action against Daimler AG and MBUSA before the US District Court for New Jersey. In the class action, plaintiffs alleged that Daimler AG and MBUSA used devices that impermissibly impair the effectiveness of emission control systems in reducing nitrogen-oxide (NO_x) emissions and which cause excessive emissions from vehicles with diesel engines. In addition, plaintiffs alleged that consumers were deliberately deceived in connection with the advertising of Mercedes-Benz diesel vehicles.

In the third quarter of 2020, Daimler AG and MBUSA reached a settlement with plaintiffs' counsel of this consumer class action. As part of the settlement, Daimler AG and MBUSA deny the material factual allegations and legal claims asserted by the class action plaintiffs, but have agreed to provide payments to certain current and former diesel vehicle owners and lessees. The estimated cost of the class action settlement is approximately USD 700 million. Daimler expects costs of the settlements with the US authorities mentioned above in the amount of approximately USD 1.5 billion. In addition, Daimler estimates further expenses of a mid three-digit-million Euro amount to fulfill requirements of these settlements. The settlement with the US consumer class action plaintiffs is still subject to final court approval.

In a separate lawsuit filed by the State of Arizona in January 2019, the plaintiff claims that, amongst others, Daimler AG and MBUSA deliberately deceived consumers in connection with advertising Mercedes-Benz diesel vehicles. Consumer class actions containing similar allegations were filed against Daimler AG and further Group companies in Canada in April 2016 and in the United Kingdom since May 2020 as well as against Daimler AG in Israel in February 2019. In a separate lawsuit filed by the Environmental Protection Commission of Hillsborough County, Florida in September 2020, the plaintiff claims that, amongst others, Daimler AG and MBUSA violated municipal regulations prohibiting vehicle tampering and other conduct by using alleged devices claimed to impair the effectiveness of emissions control systems.

In Germany, a large number of customers of diesel vehicles have filed lawsuits for damages or rescission of sales contracts. They assert that the vehicles contained inadmissible defeat devices and/or showed impermissibly high emission or consumption values. They refer to, in particular, the German Federal Motor Transport Authority's recall orders (see above). Given the current development of case numbers, we expect a continued high number of lawsuits being filed in this respect.

Furthermore, a class action against Daimler AG and other Group companies was filed in the Netherlands on June 23, 2020. The class action makes allegations comparable to the aforementioned US and Canadian class actions relating to all Euro 5 and 6 diesel vehicles sold in the EU between 2009 and 2019. The plaintiff, a foundation under the laws of the Netherlands, is representing Dutch claimants and seeks certification of an opt-out Netherlands class (Dutch claimants are participating in the class action by law). In the course of the proceedings, other claimants who bought such vehicles in the EU market have the option to declare participation in the class action (opt-in). Furthermore, the plaintiff is seeking declarations of law concerning the customers' entitlement to nullify or rescind their vehicle purchase contracts, to demand replacement of their vehicle and/or to demand damages. After the extension of the deadline granted by court, two further foundations filed statements of claim in court on December 30, 2020. The court has now to determine the lead plaintiff.

Daimler AG and the respective other affected companies of the Group regard the lawsuits set out before as being without merit and will – except for the US consumer class action settlement – defend against the claims.

In Germany, a multitude of lawsuits by investors alleging the violation of disclosure requirements is pending against Daimler AG. In addition, some investors have raised out-of-court claims for damages. The investors contend that Daimler AG did not immediately disclose inside information in connection with the emission behavior of its diesel vehicles and that it had made false and misleading public statements. They further claim that the purchase price of the financial instruments acquired by them (in particular Daimler shares) would have been lower if Daimler AG had complied with its disclosure duties. Daimler AG regards these allegations and claims as being without merit and will defend itself against them. In this context, both investors as well as Daimler AG have filed motions to initiate model proceedings in accordance with the Act on Model Proceedings in Capital Markets Disputes (KapMuG). On January 14, 2021, the Stuttgart Regional Court issued an order for reference to commence such model case proceedings before the Stuttgart Higher Regional Court. Daimler AG will continue to defend against the investors' allegations also in these model case proceedings.

Accounting assessment of the legal proceedings in connection with diesel emission behavior
With respect to the legal proceedings described in the two preceding chapters, 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's position. For recognized provisions, this does not apply to the extent a settlement has been reached or a proceeding has been concluded. A contingent liability from the class actions in the Netherlands cannot currently be measured.

Antitrust law proceedings (including actions for damages)
Starting on July 25, 2017, a number of class actions were filed in the United States and Canada against Daimler AG and other manufacturers of automobiles as well as various of their North American subsidiaries. Plaintiffs allege to have suffered damages because defendants engaged in anticompetitive behavior relating to vehicle technology, costs, suppliers, markets, and other competitive attributes, including diesel emissions control technology, since the 1990s. On October 4, 2017, all pending US class actions were centralized in one proceeding by the Judicial Panel on multidistrict litigation and transferred to the U.S. District Court for the Northern District of California. On March 15, 2018, plaintiffs in the US antitrust class action amended and consolidated their complaints into two pleadings, one on behalf of consumers and the other on behalf of dealers. On June 17, 2019, the court granted motions to dismiss in the consolidated US class action proceedings, albeit with leave to amend, and on August 15, 2019, the plaintiffs filed amended complaints making similar allegations. On March 31, 2020, the court granted motions to dismiss these first amended US class action complaints, albeit with leave to amend. On June 26, 2020, the plaintiffs filed second amended complaints. On October 23, 2020, the court granted motions to dismiss these second amended complaints in their entirety, with prejudice, ending the litigation in the US district court. Plaintiffs have appealed the dismissal. Daimler AG and MBUSA regard the US and Canadian lawsuits as being without merit, and will defend against the claims. This contingent liability cannot currently be measured.

In late October 2017, the European Commission conducted preannounced inspections with Daimler in Stuttgart (as well as further inspections with other manufacturers). In this context, Daimler AG has filed a leniency application with the European Commission some time ago. In the third quarter of 2018, the European Commission opened a formal investigation into possible collusion on clean emission technology. In the course of such investigation, the European Commission, in April 2019, sent a statement of objections to Daimler and other automobile manufacturers to which Daimler responded in good time. At present, Daimler does not expect this issue to have any material impact on the Group's profitability, cash flow and financial situation.

Following the settlement decision by the European Commission adopted on July 19, 2016, concluding the trucks antitrust proceedings, Daimler AG and Daimler Truck AG are facing customers' claims for damages to a considerable degree. Respective legal actions, class actions and other forms of legal redress have been initiated in various states in and outside of Europe and should further be expected. Daimler 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's position.

Class-action lawsuits Takata airbag inflators
As already reported, class actions in connection with Takata airbags are pending in Canada, the United States and Israel, and a new collective action lawsuit was recently filed in Argentina. The lawsuits are based on the allegation that, along with Takata entities and many other companies that sold vehicles equipped with Takata airbag inflators, Daimler entities were allegedly negligent in selling such vehicles, purportedly not recalling them quickly enough, and failing to provide an adequate replacement airbag inflator. In detail: In August 2016, Mercedes-Benz Canada (MB Canada) was added as a defendant to a putative nationwide class action that remains pending in Ontario Superior Court. In addition, Daimler AG and MBUSA were named as defendants along with Takata companies in June 2017, in a US nationwide class action, which was filed in New Jersey Federal Court. In the third quarter of 2017, such lawsuit was transferred to federal court in the Southern District of Florida for consolidation with other multidistrict litigation proceedings. Further class action lawsuits in the USA were integrated into the multiple district proceedings. One of the multidistrict litigation complaints also asserts claims by automotive recyclers who allege injury because they are not able to re-sell salvaged airbag inflators that are subject to the Takata recall. In February 2019, Daimler AG and its non-subsidiary Israeli distributor (Colmobil) were named as defendants in an Israel-wide class action alleging inadequacy of Takata recall efforts in Israel and that action remains pending. In September 2020, Mercedes-Benz Argentina S.A. was named as a defendant in an Argentine class action alleging inadequacy of Takata recall efforts in Argentina as well as a failure to warn consumers about a potential defect. Daimler AG continues to regard all these lawsuits brought with regard to Mercedes-Benz vehicles as being without merit, and the Daimler Group affiliates respectively affected will further defend themselves against the claims. Contingent liabilities were disclosed to a low extent for this topic.

Accounting estimates and management judgments relating to all legal proceedings
The Group 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 the Group's consolidated financial statements and are based on estimates. If quantifiable, contingent liabilities in connection with legal proceedings are disclosed in the Group's consolidated 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 Group 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's operating results and cash flows for a particular reporting period, Daimler believes that it should not exert a sustained influence on the Group's financial position.

31. Contingent liabilities and other financial obligations

Contingent liabilities
At December 31, 2020, the best estimate for obligations from **contingent liabilities** was €2,832 million (2019: €1,600 million). The increase in contingent liabilities is related to the legal proceedings described in Note 30.

Other financial obligations
At December 31, 2020, other financial obligations exist from the **acquisition of intangible assets, property, plant and equipment and lease property** of €3,698 million (2019: €4,613 million).

In addition, the Group 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 33.

32. Financial instruments

Carrying amounts and fair values of financial instruments
Table ↗ D.69 shows the carrying amounts and fair values of the respective classes of the Group's 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.69
Carrying amounts and fair values of financial instruments

	At December 31, 2020		At December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
In millions of euros				
Financial assets				
Receivables from financial services	96,185	98,115	103,661	104,930
Trade receivables	10,649	10,649	12,332	12,332
Cash and cash equivalents	23,048	23,048	18,883	18,883
Marketable debt securities and similar investments	6,397	6,397	8,655	8,655
Recognized at fair value through other comprehensive income	3,314	3,314	5,323	5,323
Recognized at fair value through profit or loss	2,657	2,657	2,858	2,858
Measured at cost	426	426	474	474
Other financial assets				
Equity instruments and debt instruments	1,311	1,311	860	860
Recognized at fair value through other comprehensive income	942	942	482	482
Recognized at fair value through profit or loss	369	369	378	378
Other financial assets recognized at fair value through profit or loss	74	74	27	27
Derivative financial instruments used in hedge accounting	2,145	2,145	1,191	1,191
Other receivables and miscellaneous other financial assets	2,942	2,942	3,328	3,328
	142,751	144,681	148,937	150,206
Financial liabilities				
Financing liabilities	142,095	144,972	157,540	159,288
Trade payables	12,378	12,378	12,707	12,707
Other financial liabilities				
Financial liabilities recognized at fair value through profit or loss	40	40	52	52
Derivative financial instruments used in hedge accounting	367	367	1,186	1,186
Miscellaneous other financial liabilities	8,065	8,065	8,491	8,491
Contract and refund liabilities				
Obligations from sales transactions	4,627	4,627	5,200	5,200
	167,572	170,449	185,176	186,924

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 and December 31, 2019.

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* 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.69 and comprise on the one hand the part of the investments in Aston Martin Lagonda Global Holdings plc, which is recognized at fair value through other comprehensive income, and on the other hand the investments in Farasis Energy (Ganzhou) Co. Ltd. and BAIC BluePark New Energy Technology Co. Ltd. The remaining investments recognized at fair value through other comprehensive income comprise further investments not material on an individual basis. Daimler 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 bonds, loans, commercial paper, deposits in the direct banking business 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.

Offsetting of financial instruments
The Group concludes derivative transactions in accordance with the master netting arrangements (framework agreement) of the International Swaps and Derivatives Association (ISDA) and comparable national framework agreements. However, these arrangements do not meet the criteria for netting in the Consolidated Statement of Financial Position, as they allow netting only in the case of future events such as default or insolvency on the part of the Group or the counterparty.

Table ↗ D.70 shows the carrying amounts of the derivative financial instruments subject to the described arrangements as well as the possible financial effects of netting in accordance with the master netting arrangements.

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 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 Consolidated Statement of Financial Position.

D.70
Disclosure for recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement

	At December 31, 2020			At December 31, 2019		
	Gross and net amounts of financial instruments in the Consolidated Statement of Financial Position	Amounts subject to a master netting arrangement	Net amounts	Gross and net amounts of financial instruments in the Consolidated Statement of Financial Position	Amounts subject to a master netting arrangement	Net amounts
In millions of euros						
Other financial assets[1]	**2,219**	**-270**	**1,949**	1,218	-542	676
Other financial liabilities[2]	**407**	**-270**	**137**	1,238	-542	696

1 The other financial assets which are subject to a master netting arrangement comprise derivative financial instruments that are included in hedge accounting and financial assets recognized at fair value through profit or loss (see Note 16).
2 The other financial liabilities which are subject to a master netting arrangement comprise derivative financial instruments that are included in hedge accounting and financial liabilities recognized at fair value through profit or loss (see Note 25).

D.71

Measurement hierarchy of financial assets and liabilities recognized at fair value

	At December 31, 2020				At December 31, 2019			
	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	5,971	4,243	1,728	–	8,181	5,254	2,927	–
Recognized at fair value through other comprehensive income	3,314	1,590	1,724	–	5,323	2,396	2,927	–
Recognized at fair value through profit or loss	2,657	2,653	4	–	2,858	2,858	–	–
Equity instruments and debt instruments	1,311	736	276	299	860	275	270	315
Recognized at fair value through other comprehensive income	942	665	156	121	482	205	158	119
Recognized at fair value through profit or loss	369	71	120	178	378	70	112	196
Other financial assets recognized at fair value through profit or loss	74	–	73	1	27	–	27	–
Derivative financial instruments used in hedge accounting	2,145	–	2,145	–	1,191	–	1,191	–
	9,501	4,979	4,222	300	10,259	5,529	4,415	315
Financial liabilities recognized at fair value								
Financial liabilities recognized at fair value through profit or loss	40	–	40	–	52	–	52	–
Derivative financial instruments used in hedge accounting	367	–	367	–	1,186	–	1,186	–
	407	–	407	–	1,238	–	1,238	–

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			
	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	98,115	–	98,115	–	104,930	–	104,930	–
Fair values of financial liabilities measured at cost								
Financing liabilities	144,972	69,468	75,504	–	159,288	66,203	93,085	–
thereof bonds	79,254	69,083	10,171	–	87,139	65,187	21,952	–
thereof liabilities from ABS transactions	16,727	385	16,342	–	14,024	1,016	13,008	–
thereof other financing liabilities	48,991	–	48,991	–	58,125	–	58,125	–

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.73

Carrying amounts of financial instruments according to measurement categories

	At December 31, 2020	2019
In millions of euros		
Assets		
Financial assets measured at (amortized) cost	103,308	108,344
Receivables from financial services[1]	66,243	73,327
Trade receivables	10,649	12,332
Cash and cash equivalents	23,048	18,883
Marketable debt securities and similar investments	426	474
Other receivables and miscellaneous other financial assets	2,942	3,328
Financial assets recognized at fair value through other comprehensive income	4,256	5,805
Marketable debt securities and similar investments	3,314	5,323
Equity and debt instruments	942	482
Financial assets recognized at fair value through profit or loss	3,100	3,263
Marketable debt securities and similar investments	2,657	2,858
Equity and debt instruments	369	378
Other financial assets recognized at fair value through profit or loss[2]	74	27
Liabilities		
Financial liabilities measured at (amortized) cost	167,066	183,831
Trade payables	12,378	12,707
Financing liabilities[3]	142,095	157,540
Miscellaneous other financial liabilities[4]	7,966	8,384
Obligations from sales transactions	4,627	5,200
Financial liabilities recognized at fair value through profit or loss[2]	40	52

1 This does not include lease receivables of €29,942 million (2019: €30,334 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 €3,747 million (2019: €4,240 million) as these are not assigned to a measurement category.
4 This does not include liabilities from financial guarantees of €99 million (2019: €107 million) as these are not assigned to a measurement category.

Measurement categories

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

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 Consolidated 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 €824 million (2019: €551 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.

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 1 for qualitative descriptions of accounting for and presentation of financial instruments (including derivative financial instruments).

Information on derivative financial instruments

Use of derivatives

The Group 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, the Group 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.74

Net gains/losses

In millions of euros	2020	2019
Equity and debt instruments recognized at fair value through profit or loss	-30	-79
Other financial assets and financial liabilities recognized at fair value through profit or loss[1]	182	-150
Equity instruments recognized at fair value through other comprehensive income	1	3
Other financial assets recognized at fair value through other comprehensive income	-1	3
Financial assets measured at (amortized) cost	-1,219	-493
Financial liabilities measured at (amortized) cost	-103	204

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

D.75

Total interest income and total interest expense

In millions of euros	2020	2019
Total interest income	5,261	5,876
thereof from financial assets and liabilities measured at (amortized) costs	5,210	5,719
thereof from financial assets recognized at fair value through other comprehensive income	51	157
Total interest expense	-2,658	-3,550
thereof from financial assets and liabilities measured at (amortized) costs	-2,658	-3,550
thereof from financial assets recognized at fair value through other comprehensive income	–	–

D.76

Amounts for the transactions designated as hedging instruments

	Foreign currency risk		Interest rate risk		Commodity risk
In millions of euros	Cash flow hedges[1]	Hedges of net investments in foreign operations	Cash flow hedges[2]	Fair value hedges[2]	Cash flow hedges[1]
December 31, 2020					
Carrying amount of the hedging instruments					
Other financial assets current	264	–	14	122	23
Other financial assets non-current	392	–	67	1,249	14
Other financial liabilities current	51	–	51	11	2
Other financial liabilities non-current	107	–	125	20	–
Fair value changes[3]	1,230	–	72	709	29
December 31, 2019					
Carrying amount of the hedging instruments					
Other financial assets current	76	–	10	62	37
Other financial assets non-current	64	–	20	907	15
Other financial liabilities current	817	–	72	8	2
Other financial liabilities non-current	147	–	94	46	–
Fair value changes[3]	-1,558	-1	-204	848	113

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.

D.77
Fair value hedges

	Interest rate risk	
	2020	2019
In millions of euros		
Carrying amounts of the hedged items		
Financing liabilities current	**13,170**	13,831
Financing liabilities non-current	**13,921**	28,407
thereof hedge adjustments		
Financing liabilities current	**548**	461
Financing liabilities non-current	**634**	478
Fair value changes of the hedged items[1]	**-712**	-846
Accumulated amount of hedge adjustments from inactive hedges remaining in the statement of financial position	**26**	-40

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
In millions of euros		
Cost of sales	**–**	–
Interest expense	**-3**	2

Fair value hedges

The Group 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**.

Cash flow hedges and hedges of net investments in foreign operations

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

Daimler also partially hedges the foreign currency risk of selected investments with the application of derivative or non-derivative financial instruments.

The amounts related to items designated as cash flow hedges and as hedges of net investments in foreign operations 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**.

In 2020, cash flow hedges with a nominal volume of €4,325 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, British pounds and Canadian dollars, and led to reclassification from the reserves for derivative financial instruments to revenue of €26 million (losses) and to cost of sales of €2 million (gains).

D.79

Cash flow hedges and hedges of net investments in foreign operations

	2020			2019		
	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]	-1,192	-72	-30	1,533	204	-115
Thereof hedges of net investments in foreign operations	–			1		
Balance of the reserves for derivative financial instruments (before taxes)						
Continuing hedges	491	-124	38	-745	-78	53
Thereof hedges of currency risks in the automotive business[2]	-28	–	-5	-401	–	-17
Discontinued/terminated hedges	-270	–	–	-271	-3	–
Thereof hedges of net investments in foreign operations	-270			-270		

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, differentiated for Mercedes-Benz Cars & Vans and Daimler Trucks & Buses. Further information is provided in the section related to exchange rate risk in Note 33.

D.80

Gains and losses on cash flow hedges and hedges of net investments in foreign operations

	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[1]	934	4	244	53	19	30
Hedge ineffectiveness recognized in the Statement of Income	44	4	–	–	–	-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	26	-1	–	–	–	1
For hedges that have been transferred because the hedged item has affected profit or loss[2]	221	–	-244	-64	-52	–
2019						
Gains and losses recognized in other comprehensive income[1]	-1,414	2	-121	-84	-120	114
Hedge ineffectiveness recognized in the Statement of Income	-27	–	–	–	–	-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	13	–	–	–	1	-2
For hedges that have been transferred because the hedged item has affected profit or loss[2]	791	–	118	43	84	–

1 The amount in other financial income/expense, net includes €0 million (2019: minus €1 million) for hedges of net investments in foreign operations.
2 The amount in other financial income/expense, net includes €0 million (2019: minus €3 million) for hedges of net investments in foreign operations.

D.81

Reconciliation of reserves for derivative financial instruments

In millions of euros

Balance at January 1, 2019	-95
Changes in fair values (before taxes)	-1,616
Foreign currency risk	-1,533
Interest rate risk	-197
Commodity price risk – inventory purchases	114
Reclassification to profit and loss (before taxes)	1,050
Foreign currency risk	922
Interest rate risk	128
Reclassification to cost of acquisition of non-financial assets (before taxes)	-71
Foreign currency risk – procurement	-3
Commodity price risk – inventory purchases	-68
Other	–
Taxes on changes in fair values and reclassifications	186
Balance at December 31, 2019	-546
Changes in fair values (before taxes)	**1,266**
Foreign currency risk	**1,163**
Interest rate risk	**72**
Commodity price risk – inventory purchases	**31**
Reclassification to profit and loss (before taxes)	**-117**
Foreign currency risk	**-1**
Interest rate risk	**-116**
Reclassification to cost of acquisition of non-financial assets (before taxes)	**6**
Foreign currency risk – procurement	**43**
Commodity price risk – inventory purchases	**-37**
Other	**4**
Taxes on changes in fair values and reclassifications	**-347**
Balance at December 31, 2020	**266**

Table ↗ **D.81** shows the reconciliation of the reserves for derivative instruments (excluding reserves for hedges of net investments in foreign operations).

The reserves for derivative instruments include reserves for hedge costs of minus €7 million (2019: €0 million).

At December 31, 2020, the balance of reserves for hedges of net investments in foreign operations amounted to €189 million (2019: €189 million).

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 utilized derivative instruments with a maximum maturity of 38 months (2019: 48 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 the Group'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 Consolidated 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 33 in the sub-item finance market risk.

D.82

Nominal amounts of derivative financial instruments

	At December 31, 2020				At December 31, 2019			
	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
In millions of euros								
Foreign currency risk	22,985	7,349	–	30,334	26,945	10,877	–	37,822
Interest rate risk	14,999	32,673	8,249	55,921	20,421	42,215	7,654	70,290
Fair value hedges	8,710	16,836	7,457	33,003	12,653	29,805	7,654	50,112
thereof major derivative financial instruments affected by the reform of the interest rate benchmark								
in the currency USD	5,273	4,869	1,772	11,914	7,608	10,058	1,969	19,635
in the currency GBP	–	2,002	–	2,002	294	2,319	–	2,613
Cash Flow Hedges	6,289	15,837	792	22,918	7,768	12,410	–	20,178
thereof major derivative financial instruments affected by the reform of the interest rate benchmark [1]								
in the currency USD	2,331	7,818	672	10,821	3,560	6,655	–	10,215
in the currency GBP	501	1,612	–	2,113	217	1,117	–	1,334
Commodity risk	159	69	–	228	259	140	–	399

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 33.

D.83

Average prices of hedging instruments for the major risks

	At December 31,	
	2020	2019
Foreign currency risk		
USD per €	1,15	1.17
CNY per €	8,06	8.14
GBP per €	0,90	0.88
Interest rate risk		
Fair value hedges		
Average interest rate – €	0.98%	-0.92%
Average interest rate – USD	1.97%	-0.21%
Cash flow hedges		
Average interest rate – €	-0.23%	-0.84%
Average interest rate – USD	-1.00%	-0.57%
Commodity risk		
Platinum (in € per troy ounce)	905	814
Palladium (in € per troy ounce)	1,980	1,245

33. Management of financial risks

General information on financial risks

As a result of its businesses and the global nature of its operations, Daimler 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 (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 Daimler's profitability, liquidity and capital resources and financial position.

Daimler 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. The guidelines upon which the Group's risk management processes for financial risks are based are designed to identify and analyze these risks throughout the Group, 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.

D.84

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

	Note	Maximum risk position 2020	Maximum risk position 2019
In millions of euros			
Liquid assets		**29,445**	27,538
Receivables from financial services	14	**96,185**	103,661
Trade receivables	19	**10,649**	12,332
Derivative financial instruments used in hedge accounting (assets only)	16	**2,145**	1,191
Derivative financial instruments not used in hedge accounting (assets only)	16	**74**	27
Other receivables and financial assets	16	**2,942**	3,328
Irrevocable loan commitments		**2,109**	2,038
Financial guarantees		**563**	728

The Group manages and monitors these risks primarily through its operating and financing activities and, if required, through the use of derivative financial instruments. Daimler 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, the Group 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 32. Daimler regularly evaluates its financial risks with due consideration of changes in key economic indicators and up-to-date market information.

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 22 for additional information on Daimler's 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. Liquid assets are mainly held at financial institutions within and outside Europe with high creditworthiness, as bonds issued by German federal states and as money market funds. 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 also considers the credit risk assessment of its counterparties by the capital markets. In line with the Group's 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's financing and leasing activities are primarily focused on supporting the sales of the Group's automotive products. As a consequence of these activities, the Group is exposed to credit risk, which is monitored and managed based on defined standards, guidelines and procedures. Daimler 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 Daimler Mobility 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 Group's Consolidated Financial Statements. Overdue lease payments from operating lease contracts are recognized in receivables from financial services.

The Daimler Mobility segment has guidelines setting the framework for effective risk management at a global as well as a local level. 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. At December 31, 2020, exposure to the biggest 15 customers did not exceed 3.4% of the total portfolio (2019: 4.4%).

With respect to its financing and lease activities, the Group 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, Daimler Mobility 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.

If, in connection with contracts, a worsening 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 Daimler Mobility. 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 Daimler Mobility since the beginning of the crisis. Furthermore, a collection task force 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 Daimler Mobility offered to support the customers.

For information on credit risks included in receivables from financial services, see Note 14. Information on the measurement of expected credit losses is provided in Note 1.

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 assesses the creditworthiness of customers. Daimler 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 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 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 Group-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 19.

Derivative financial instruments

The Group uses derivative financial instruments exclusively for hedging financial risks that arise from its operational business, financing activities or liquidity management. Daimler 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 is exposed to credit risk only to a small extent with respect to its derivative financial instruments. In accordance with the Group's 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 and 2019, Daimler is exposed to credit risk only to a small extent.

Irrevocable loan commitments

The Daimler Mobility 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 €2,109 million (2019: €2,038 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 €563 million at December 31, 2020 (2019: €728 million) and include liabilities recognized at December 31, 2020 in the amount of €99 million (2019: €107 million). Financial guarantees principally represent contractual arrangements. These guarantees generally provide that in the event of default or non-payment by the primary debtor, the Group 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 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. The Group can dispose of these liquid assets at short notice.

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, liquidity amounted to €29.4 billion (2019: €27.5 billion). In 2020, significant cash inflows resulted from the operations of the industrial business. Furthermore, dividend payments received from Beijing Benz Automotive Co., Ltd. had a positive effect on liquidity. Cash outflows resulted in particular from investments in intangible assets and property, plant and equipment and income taxes paid. At Daimler Mobility, 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 the Group's liquidity exposures is centralized by a daily cash-pooling process. This process enables Daimler to manage its liquidity surplus and liquidity requirements according to the actual needs of the Group and each subsidiary. The Group's 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 makes use of a broad spectrum of financial instruments to cover its funding requirements. Depending on funding requirements and market conditions, Daimler issues commercial paper, bonds (including green bonds), debt obligations and financial instruments secured by receivables in various currencies. Bank credit facilities are also used to cover financing requirements. Potential downgrades of Daimler's credit ratings could have a negative impact on the Group's financing. Since July 2018, Daimler has had a syndicated credit facility with a volume of €11 billion with a consortium of international banks at its disposal. Exercising an optional extension of one year grants additional financial flexibility for Daimler until 2025. As of December 31, 2020, this credit line had not been utilized. Furthermore, at the beginning of April 2020, an additional credit line in the amount of €12.0 billion was agreed 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 as of December 31, 2020 is € 8.8 billion.

In addition, customer deposits at Mercedes-Benz Bank are used as a further source of refinancing.

Table ↗ D.85 provides an overview of 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.

Information on the Group's financing liabilities is also provided in Note 24.

D.85

Liquidity runoff for liabilities and financial guarantees[1]

	Total	2021	2022	2023	2024	2025	≥ 2026
In millions of euros							
Financing liabilities[2]	153,433	61,924	32,742	18,635	9,377	7,313	23,442
thereof lease liabilities	4,195	746	597	497	405	347	1,603
Derivative financial instruments[3]	457	320	93	16	23	-2	7
thereof with gross settlement	289	204	50	8	22	-2	7
Cash outflows	15,198	12,652	1,818	271	337	–	120
Cash inflows	-14,909	-12,448	-1,768	-263	-315	-2	-113
thereof with net settlement	168	116	43	8	1	–	–
Cash outflows	168	116	43	8	1	–	–
Tradepayables[4]	12,378	12,368	3	5	2	–	–
Miscellaneous other financial liabilities excluding accrued interest and liabilities from financial guarantees	7,207	5,525	728	354	304	109	187
Obligations from sales	4,627	4,627	–	–	–	–	–
Irrevocable loan commitments[5]	2,109	2,109	–	–	–	–	–
Financial guarantees[6]	563	563	–	–	–	–	–
	180,774	87,436	33,566	19,010	9,706	7,420	23,636

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 can be required to pay. The customer deposits of Mercedes-Benz Bank are mostly considered in this analysis to mature within the first year.
(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 is exposed to country risk mainly resulting from cross-border funding or collateralization of Group companies and customers, 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 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 Daimler's risk-oriented country exposure management; it assigns all countries to risk classes, with consideration of capital market indications of country risks.

Finance market risks

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

Daimler manages market risks to minimize the impact of fluctuations in foreign exchange rates, interest rates and commodity prices on the earnings of the Group and its segments. The Group 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 Group 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 risk management committees. 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 currencies USD and GBP.

Daimler expects the conversion of reference rates of hedging instruments and their underlying transactions to be identical and without material delay in time. Daimler 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 Consolidated Financial Statements is currently being reviewed. In order to conduct financial transactions based on the new indices, Daimler 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 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.

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 the Group level, Daimler calculates the value at risk for exchange rate and interest rate risk 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 first computes the current market value of the Group's 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 or interest 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's businesses exposes cash flows to risks arising from fluctuations in exchange rates. These risks primarily relate to fluctuations between the euro and the US dollar, the Chinese renminbi, the British pound and other currencies such as currencies of growth markets. In the operating vehicle business, 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, 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 Mercedes-Benz Cars & Vans, which generates a major portion of its revenue in foreign currencies and incurs manufacturing costs primarily in euros. Daimler Trucks & Buses 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. The exposures of these segments serve as a basis for analyzing exchange rate risks at Group level. In addition, the Group is indirectly exposed to transaction risk from its equity-method investments.

The Group's 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 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 generally strives to increase cash outflows in the same currencies in which the Group has a net excess inflow.

In order to mitigate the impact of currency exchange rate fluctuations for the business operations (future transactions), Daimler continually assesses its exposure to exchange rate risks and hedges a portion of those risks by using derivative financial instruments. A committee manages the Group's 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's subsidiaries and operational units 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 Mercedes-Benz Cars & Vans and Daimler Trucks & Buses. Suitable measures are generally taken without delay to eliminate any over-hedging at Group level regarding hedging transactions caused by changes in exposure. In the case of over hedges at the level of Mercedes-Benz Cars & Vans or Daimler Trucks & Buses, designated hedging relations are reviewed with respect to any requirements to discontinue hedge accounting.

D.86

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

				2020				2019
	Period-end	High	Low	Average	Period-end	High	Low	Average
In millions of euros								
Exchange rate risk (from derivative financial instruments)	**328**	**897**	**328**	**522**	333	528	333	422
Interest rate risk	**129**	**368**	**121**	**192**	131	156	34	94
Commodity price risk (from derivative financial instruments)	**12**	**100**	**12**	**38**	18	25	17	21

The Group's 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 the Group 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 44%, for the underlying forecasted cash flows in Chinese renminbi of 52% 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's 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 period-end, high, low and average value-at-risk figures of the exchange rate risk for the 2020 and 2019 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.82**.

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 Group 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 relationships – 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 Group perspective from expected future cash flows from business operations, primarily from vehicle sales, have been assigned to Mercedes-Benz Cars & Vans and to Daimler Trucks & Buses 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 Group 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.79**. There were no material effects on earnings in 2020 and 2019.

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.

The Group's 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 Group's 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's internal guidelines. The Group uses appropriate derivative financial instruments (e.g. cross-currency interest rate swaps) to hedge against currency risk.

Since currency risks arising from the Group's 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's Consolidated 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 the Group. Unlike exchange rate transaction risk, exchange rate translation risk does not necessarily affect future cash flows. The Group's equity position reflects changes in book values caused by exchange rates. In general, Daimler does not hedge against exchange rate translation risk.

Interest rate risk

Daimler uses a variety of interest rate sensitive financial instruments to manage the liquidity needs of the Group. A substantial volume of interest rate sensitive assets and liabilities results from the leasing and sales financing business operated by the Daimler Mobility segment. The Daimler Mobility companies enter into transactions with customers that primarily result in fixed-rate receivables. Daimler's 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, Daimler Mobility does not match funding in terms of maturities in order to take advantage of market opportunities. As a result, the Daimler Group is exposed to risks due to changes in interest rates.

An asset/liability committee consisting of members of the Daimler Mobility, Mercedes-Benz Cars & Vans and Daimler Trucks & Buses segments and the Corporate Treasury department manages the interest rate risk by setting targets for the interest rate risk position. The Treasury Risk Management department and the local Daimler companies are jointly responsible for achieving these targets. As separate functions, the Treasury Controlling and the Daimler Mobility Controlling & Reporting department monitors 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 also uses derivative financial instruments such as interest rate swaps. Daimler 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 steers the funding activities of the automotive and financial services businesses at the Group level.

Table ↗ **D.86** shows the period-end, high, low and average value-at-risk figures of the interest rate risk for the 2020 and 2019 portfolios of interest rate sensitive financial instruments and derivative financial instruments of the Group, including the financial instruments of the leasing and sales financing business. Lease liabilities are not included in the value at risk of the interest rate risk. These leasing liabilities have a fixed interest rate and changes in interest rates therefore have no effect on the Group's net profit. The average values have been computed on an end-of-quarter basis.

During the year, the change in the value at risk of interest rate sensitive financial instruments was primarily determined by the development of interest rate volatilities.

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. The Group 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 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.

For precious metals, central commodity management shows an unhedged position of 80% of the forecasted commodity purchases at year-end 2020 for calendar year 2021. The corresponding figure at year-end 2019 was 55% for calendar year 2020.

Table ↗ **D.86** shows the period-end, high, low and average value-at-risk figures for the 2020 and 2019 portfolio of derivative financial instruments used to hedge raw material price risk. Average exposure has been computed on an end-of-quarter basis. The transactions underlying the derivative financial instruments are not included in the value-at-risk presentation. See also table ↗ **D.82**.

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 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 Group 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 predominantly holds investments in shares of companies which are classified as long-term investments, some of which are accounted for using the equity method, such as BAIC Motor. These investments are not included in a market risk assessment by the Group.

34. Segment reporting

Reportable segments

Until December 31, 2019, the Group's reportable segments were Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans, Daimler Buses and Daimler Mobility. Since January 1, 2020, the Group's activities are divided into the segments Mercedes-Benz Cars, Mercedes-Benz Vans, Daimler Trucks & Buses and Daimler Mobility. This corresponds to the internal reporting and organizational structure. The Mercedes-Benz Cars and Mercedes-Benz Vans segments are aggregated due to their comparable long term average return on sales as well as their comparable revenue development and capital intensity. In addition, both segments are comparable with regard to the nature of the products and services offered as well as their brands, sales channels and customer profiles.

In order to ensure that the figures for 2020 are comparable with the prior-year figures, the figures for 2019 have been adjusted to the new segment structure. Internal supply relationships within the new segments have been taken into account. Furthermore, in the figures for the previous year, the effects of certain legal issues and equity investments not previously allocated to the segments have been reclassified from the reconciliation to the vehicle segments.

The Mercedes-Benz Cars & Vans segment develops, manufactures and sells passenger cars comprising premium and luxury vehicles of the Mercedes-Benz brand including the brands Mercedes-AMG, Mercedes-Maybach and Mercedes-EQ as well as small cars under the smart brand. The Mercedes me brand comprises the ecosystem of Mercedes-Benz. The vans are mainly sold under the Mercedes-Benz and Freightliner brands.

The Daimler Trucks & Buses segment develops, manufactures and sells trucks under the Mercedes-Benz, Freightliner, FUSO, Western Star and BharatBenz brands. The segment's product range also includes buses of the Mercedes-Benz, Setra, Thomas Built Buses and FUSO brands, as well as bus chassis.

The vehicle segments also sell related spare parts and accessories.

The Daimler Mobility segment supports the sales of the Group's vehicle segments worldwide. Its product portfolio primarily comprises tailored financing and leasing packages for end-customers and dealers, brokering of automotive insurance and banking services. The segment also provides services such as fleet management in Europe, which primarily takes place through the Athlon brand. Furthermore, Daimler Mobility is active in the area of innovative mobility services.

Internal management and reporting structure

The internal management and reporting structure at the Daimler Group is principally based on the accounting policies that are described in Note 1 in the summary of significant accounting policies according to IFRS.

The measure of the Group's profit or loss used by Daimler's 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.

As of the 2020 financial year, the effects of capitalized borrowing costs are recognized in EBIT as well as in the Group's assets and the assets of the segments. To ensure comparability of the figures for the 2020 financial year with those of the previous year, the figures reported for 2019 have been adjusted accordingly.

Intersegment revenue is generally recorded at prices that approximate market terms.

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 Group 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-Group transactions.

Segment assets principally comprise all assets. The vehicle segments' 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. The vehicle 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 Group's 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 the respective vehicle segments and Daimler Mobility; the terms vary by vehicle segment and geographic region.

Non-current assets consist 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.

D.87

Segment information

In millions of euros	Mercedes-Benz Cars & Vans	Daimler Trucks & Buses	Daimler Mobility	Total Segments	Recon-ciliation	Daimler Group
2020						
External revenue	95,247	33,246	25,816	154,309	–	154,309
Intersegment revenue	3,329	1,425	1,883	6,637	-6,637	–
Total revenue	98,576	34,671	27,699	160,946	-6,637	154,309
Segment profit/loss (EBIT)	5,172	525	1,436	7,133	-530	6,603
thereof profit/loss on equity-method investments	1,410	50	-360	1,100	-303	797
thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks	-117	-49	-2	-168	–	-168
Segment assets	91,360	24,830	161,265	277,455	-19,681	257,774
thereof carrying amounts of equity-method investments	3,586	527	746	4,859	330	5,189
Segment liabilities	60,168	17,000	146,950	224,118	-22,448	201,670
Additions to non-current assets	15,965	2,104	13,264	31,333	-90	31,243
thereof investments in intangible assets	2,611	160	49	2,820	-1	2,819
thereof investments in property, plant and equipment	4,862	789	39	5,690	51	5,741
Depreciation and amortization of non-current assets	8,893	2,108	7,204	18,205	-62	18,143
thereof amortization of intangible assets	2,038	294	227	2,559	–	2,559
thereof depreciation of property, plant and equipment	5,265	1,056	77	6,398	–	6,398

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 functions and services provided by the Group's headquarters as well as by other companies of the Group not allocated to the segments. In addition, the reconciliation includes projects managed by headquarters.

Table ↗ D.87 presents segment information at and for the years ended December 31, 2020 and 2019.

In millions of euros	Mercedes-Benz Cars & Vans	Daimler Trucks & Buses	Daimler Mobility	Total Segments	Recon-ciliation	Daimler Group
2019						
External revenue	103,453	42,955	26,337	172,745	–	172,745
Intersegment revenue	3,444	1,474	2,309	7,227	-7,227	–
Total revenue	106,897	44,429	28,646	179,972	-7,227	172,745
Segment profit/loss (EBIT)	-109	2,672	2,140	4,703	-390	4,313
thereof profit/loss on equity-method investments	1,203	2	-766	439	40	479
thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks	-164	-71	-3	-238	–	-238
Segment assets	94,490	27,978	174,821	297,289	-18,684	278,605
thereof carrying amounts of equity-method investments	3,640	537	1,107	5,284	665	5,949
Segment liabilities	61,192	17,553	159,838	238,583	-22,258	216,325
Additions to non-current assets	19,761	2,697	16,254	38,712	-4	38,708
thereof investments in intangible assets	3,390	143	103	3,636	–	3,636
thereof investments in property, plant and equipment	5,869	1,105	87	7,061	138	7,199
Depreciation and amortization of non-current assets	7,877	2,087	6,763	16,727	87	16,814
thereof amortization of intangible assets	2,014	285	82	2,381	–	2,381
thereof depreciation of property, plant and equipment	4,259	1,031	72	5,362	8	5,370

D.88

Reconciliation to Group figures

	2020	2019
In millions of euros		
Total of segments' profit (EBIT)	7,133	4,703
profit/loss on equity-method investments[1]	-303	40
Other corporate items	-349	-401
Eliminations	122	-29
Group EBIT	6,603	4,313
Total of segments' assets	277,455	297,289
Carrying amount of equity-method investments[2]	330	665
Income tax assets[3]	5,615	5,658
Other corporate items and eliminations	-25,626	-25,007
Segment assets Group	257,774	278,605
Unallocated financial assets (including liquidity) and assets from pensions and similar obligations[3]	27,963	23,833
Total assets Group	285,737	302,438
Total of segments' liabilities	224,118	238,583
Income tax liabilities[3]	3,499	3,099
Other corporate items and eliminations	-25,947	-25,357
Segment liabilities Group	201,670	216,325
Unallocated financial liabilities and liabilities from pensions and similar obligations[3]	21,819	23,272
Total equity Group	62,248	62,841
Total equity and liabilities Group	285,737	302,438

1 In the year 2020, the impairment of Daimler's equity investment in BAIC Motor of €330 million is included.
2 This mainly comprises the carrying amount of the investment in BAIC Motor.
3 Unless allocated to Daimler Mobility.

D.89

Revenue and non-current assets by region

	Revenue		Non-current assets	
	2020	2019	2020	2019
In millions of euros				
Europe	64,226	69,541	68,456	69,478
thereof Germany	25,262	26,339	49,819	49,335
North America	42,937	52,196	24,764	28,497
thereof United States	37,801	45,422	21,979	25,228
Asia	39,944	40,657	4,189	4,565
thereof China	21,343	18,954	474	544
Other markets	7,202	10,351	1,788	2,063
	154,309	172,745	99,197	104,603

Reconciliation

Reconciliation of the segments amounts to relevant amounts for the Group is shown in table ↗ D.88.

In 2020, the line item *Other corporate items* primarily comprises expenses of €86 million in connection with ongoing cost-optimization programs. 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.89.

35. Capital management

Net assets and value added represent the basis for capital management at Daimler. The assets and liabilities of the segments in accordance with IFRS provide the basis for the determination of net assets at Group level. The vehicle segments are accountable for the operational net assets; all assets, liabilities and provisions which they are responsible for in day-to-day operations are therefore allocated to them. Performance measurement at Daimler Mobility is on an equity basis, in line with the usual practice in the banking business. Net assets at Group level additionally include assets and liabilities from income taxes as well as other corporate items and eliminations.

The average annual net assets are calculated from the average quarterly net assets. The average quarterly net assets are calculated as an average of the net assets at the beginning and the end of the quarter and are shown in table ↗ D.90.

The cost of capital of the Group's average net assets is reflected in value added. Value added shows the extent to which the Group achieves or exceeds the minimum return requirements of the shareholders and creditors, thus creating additional value. The required rate of return on net assets, and thus the cost of capital, are derived from the minimum rates of return that investors expect on their invested capital. The Group's cost of capital comprises the cost of equity as well as the costs of debt and pension obligations unless these are allocated to Daimler Mobility; in addition, the expected returns on liquidity and on the plan assets of the pension funds which are not allocated to Daimler Mobility are considered with the opposite sign. In the reporting period, the cost of capital used for our internal capital management amounted to 8% after taxes.

The objective of capital management is to increase value added, among other things, by optimizing the cost of capital. This is achieved on the one hand by the management of the net assets, e.g., by optimizing working capital, which is within the operational responsibility of the segments. In addition, taking into account legal regulations, Daimler strives to optimize the costs and risks of its capital structure and, consequently, the cost of capital, with due consideration of applicable law. Examples of this include a balanced relationship between equity and financial liabilities as well as an appropriate level of liquidity, oriented towards the operational requirements.

D.90
Average net assets

	2020	2019
In millions of euros		
Mercedes-Benz Cars & Vans	32,768	35,070
Daimler Trucks & Buses	9,513	10,921
Daimler Mobility[1]	14,601	13,961
Net assets of the segments	56,882	59,952
Equity-method investments[2]	463	662
Assets and liabilities from income taxes[3]	2,088	2,720
Other corporate items and eliminations[3]	436	448
Net assets Daimler Group	59,869	63,782

1 Equity.
2 Unless allocated to the segments.
3 Unless allocated to Daimler Mobility.

36. Earnings per share

The calculation of basic and diluted earnings per share is based on net profit attributable to shareholders of Daimler AG. Following the expiration of the stock option plan in 2014, dilutive effects no longer exist. The profit attributable to shareholders of Daimler AG (basic and diluted) amounts to €3,627 million (2019: €2,377 million). The weighted average number of shares outstanding (basic and diluted) amounts to 1,069.8 million (2019: 1,069.8 million).

37. Related party disclosures

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 Group. The latter category includes all persons in key positions and their close family members. At the Daimler Group, those persons are the members of the Board of Management and of the Supervisory Board.

Related companies
Business transactions with related companies are generally carried out at market terms. Most of the goods and services supplied between the Group and related companies comprise transactions with associated companies and joint ventures and are shown in table ↗ **D.91**.

Associated companies
As shown in Table ↗ **D.91**, the business relationships with associated companies mainly relate to LSH Auto International Limited (LSHAI) and Beijing Benz Automotive Co., Ltd. (BBAC), which are allocated to the Mercedes-Benz Cars & Vans segment.

Joint ventures
In business relationships with joint ventures, significant sales of goods and services took place with Fujian Benz Automotive Co., Ltd. (FBAC), which is allocated to the Mercedes-Benz Cars & Vans segment, and with DAIMLER KAMAZ RUS OOO, which is allocated to the Daimler Trucks & Buses segment. In addition, other operating income of €154 million resulted from the contribution of the smart brand to the joint venture smart Automobile Co., Ltd. in the year 2020.

Note 13 provides further details of the business operations of the significant associated companies and joint ventures, as well as significant transactions in the years 2020 and 2019.

Contributions to plan assets
Daimler Pension Trust e.V. manages the plan assets on a fiduciary basis to cover pension obligations in Germany and is therefore a related company of the Daimler Group. Another related company is Daimler Pensionsfonds AG. Daimler AG bears non-significant expenses and provides services for both companies. See also Note 22 for further information.

Related persons
Throughout the world, the Group has business relationships with numerous entities that are customers and/or suppliers of the Group. Those customers and/or suppliers include companies that have a connection with some of the members of the Board of Management or of the Supervisory Board and close family members of those board members of Daimler AG or of its subsidiaries.

Board of Management and Supervisory Board members and close family members of those board members may also purchase goods and services from Daimler AG or its subsidiaries as customers. When such business relationships exist, transactions are concluded at market terms.

See Note 38 for information on the remuneration of the board members.

D.91
Transactions with related companies

	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	**2020**	2019	**2020**	2019	**2020**	2019
In millions of euros								
Associated companies	**13,826**	13,505	**791**	628	**2,946**	3,324	**101**	116
thereof LSHAI	**6,988**	7,230	**500**	476	**713**	1,288	**17**	24
thereof BBAC	**6,477**	5,880	**274**	132	**2,178**	1,966	**76**	78
Joint ventures	**1,296**	884	**439**	187	**273**	213	**131**	78

1 After total loss allowances of €70 million (2018: €66 million).
2 Including liabilities from default risks from guarantees for related parties.

38. Remuneration of the members of the Board of Management and the Supervisory Board

Remuneration granted in 2020 to the members of the Board of Management and the Supervisory Board who were active in 2020 is shown in table ↗ **D.92**.

Expenses for variable remuneration of the Board of Management with a long-term incentive effect, as shown in table ↗ **D.92**, result from the ongoing measurement at fair value at each balance sheet date of all rights granted and not yet due under the Performance Phantom Share Plans (PPSP), i.e., for the plans of the years 2017 to 2020. In 2020, the active members of the Board of Management were granted 215,743 (2019: 266,128) phantom shares in connection with the PPSP; the fair value of these phantom shares at the grant date was €9.2 million (2019: €13.3 million). See Note 21 for additional information on share-based payment of the members of the Board of Management.

According to Section 314 Subsection 1 No. 6a of the German Commercial Code (HGB), the overall remuneration granted to the members of the Board of Management, excluding service cost resulting from entitlements to post-employment benefits, amounted to €28.1 million (2019: €24.2 million).

The members of the Supervisory Board are solely granted short-term fixed remuneration for their board and committee activities, the amounts of which depend on their functions in the Supervisory Board. With the exception of remuneration paid to the members representing the employees in accordance with their contracts of employment, no remuneration was paid in 2020 for services provided personally beyond board and committee activities, in particular for advisory or agency services.

The members of the Board of Management do not receive any remuneration for their board activities in the boards of the subsidiaries. These activities are compensated by the remuneration at Daimler AG.

No advance payments or loans were made or abated to members of the Board of Management or to the members of the Supervisory Board of Daimler AG in 2020.

The payments made in 2020 to former members of the Board of Management of Daimler AG and their survivors amounted to €26.0 million (2019: €19.5 million). The pension provisions for former members of the Board of Management and their survivors amounted to €362.5 million as of December 31, 2020 (2019: €355.8 million).

Information regarding the remuneration of the members of the Board of Management and of the Supervisory Board is disclosed on an individual basis in the Remuneration Report, which is part of the Combined Management Report.
Combined Management Report with Non-Financial Statement

D.92
Remuneration of the members of the Board of Management and the Supervisory Board

	2020	2019
In millions of euros		
Remuneration of the Board of Management		
Fixed remuneration (base salary)[1]	**7.8**	8.9
Short-term variable remuneration (50% of annual bonus)	**5.6**	1.0
Mid-term variable remuneration (50% of annual bonus, “deferral”)	**5.5**	0.9
Variable remuneration with a long-term incentive effect (PPSP)	**7.3**	11.7
Post-employment benefits (service cost)	**2.1**	2.0
Termination benefits	–	–
	28.3	24.5
Remuneration of the Supervisory Board[2]	**5.5**	4.6
	33.8	29.1

1 With consideration of the voluntary waiver by the Board of Management of 20% of the fixed remuneration from April 1 to December 31, 2020.
2 With consideration of the voluntary waiver by the Supervisory Board of 20% of the fixed remuneration and of the attendance fee from April 1 to December 31, 2020 and including remuneration for the members of the Supervisory Boards of Mercedes-Benz AG and of Daimler Truck AG pursuant to Section 314 Subsection 1 No. 6a of the German Commercial Code (HGB).

D.93
Auditor fees

	2020	2019
In millions of euros		
Audit services	42	52
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	23	28
Other attestation services	7	15
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	5	12
Tax services	2	2
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	.	1
Other services	1	6
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	1	4
	52	75

39. Auditor fees

The shareholders of Daimler AG elected KPMG AG Wirtschaftsprüfungsgesellschaft as the external auditor at the Annual Shareholders' Meeting held on July 8, 2020. Table ↗ D.93 shows the fees for services provided by KPMG AG Wirtschaftsprüfungsgesellschaft and the companies of the worldwide KPMG network to Daimler AG, the consolidated subsidiaries as well as joint operations.

Audit services relate to the audit of Daimler Group's Consolidated Financial Statements and the year-end financial statements, as well as to all services required for the audit including the reviews of interim financial statements, the accounting-related audit of the internal control system, and accounting-related reviews of the introduction of IT systems and processes.

Other attestation services were particularly provided for voluntary project-supporting audits of IT systems and processes, audits in connection with compliance management systems, or the issuance of comfort letters.

Tax services primarily relate to value-added tax advisory.

Other services were mainly commissioned in connection with IT and process consulting and quality assurance not relevant to accounting.

The decrease in auditor fees compared to the previous year is among other things due to the expenses in 2019 in connection with "Project Future."

40. Events after the reporting period

Examination of a spin-off and separate listing of Daimler Truck
On February 3, 2021, the Board of Management of Daimler AG decided, with the consent of the Supervisory Board, to examine the spin-off of Daimler Trucks & Buses including significant parts of the related financial services business (Daimler Truck), and to begin preparations for a separate listing of Daimler Truck before the end of 2021. Within the framework of the proposed transaction, Daimler intends to transfer a majority interest in Daimler Truck to its shareholders. Shareholder approval could be granted at an Extraordinary Shareholders' Meeting of Daimler AG at the end of the third quarter of 2021. Daimler intends to maintain a minority interest in Daimler Truck.

Subject to the approval of the respective boards, the scope to be spun off is expected to be allocated to discontinued operations as of the third quarter of 2021. The amount of income to be recognized in connection with the spin-off cannot be reliably determined at present.

41. Additional information

German Corporate Governance Code
The Board of Management and the Supervisory Board of Daimler AG have issued a declaration pursuant to Section 161 of the German Stock Corporation Act (AktG) and have made it permanently available to their shareholders on Daimler's website at https://www.daimler.com/documents/company/corporate-governance/declarations/daimler-declaration-en-12-2020.pdf.

Information on investments
The statement of investments of the Daimler Group pursuant to Section 313 Subsection 2 Nos. 1-6 of the German Commercial Code (HGB) is presented in table ↗ F.94. In general, cooperations without an equity interest are not reported. Information on equity and earnings and information on investments pursuant to Section 313 Subsection 2 No. 4 of the German Commercial Code is omitted insofar as, pursuant to Section 313 Subsection 3 Sentence 4 of the HGB, such information is of minor relevance for a fair presentation of the profitability, liquidity and capital resources or financial position of the Daimler Group. In addition, the statement of investments indicates which consolidated companies make use of the exemption pursuant to Section 264 Subsection 3 of the HGB and/or Section 264b of the HGB. The Consolidated Financial Statements of Daimler AG release those subsidiaries from the requirements that would otherwise apply.

D.94

Name of the company	Domicile, country	Equity interest in percent[1]	Footnote
I. Consolidated subsidiaries			
Accumotive GmbH & Co. KG	Kamenz, Germany	100.00	5
Athlon Beheer International B.V.	Schiphol, Netherlands	100.00	
Athlon Beheer Nederland B.V.	Schiphol, Netherlands	100.00	
Athlon Car Lease Belgium N.V.	Machelen, Belgium	100.00	
Athlon Car Lease International B.V.	Schiphol, Netherlands	100.00	
Athlon Car Lease Italy S.R.L.	Rome, Italy	100.00	
Athlon Car Lease Nederland B.V.	Schiphol, Netherlands	100.00	
Athlon Car Lease Polska Sp. z o.o.	Warsaw, Poland	100.00	
Athlon Car Lease Portugal, Ida	Oeiras, Portugal	100.00	
Athlon Car Lease Rental Services B.V.	Schiphol, Netherlands	100.00	
Athlon Car Lease Rental Services Belgium N.V.	Machelen, Belgium	100.00	
Athlon Car Lease S.A.S.	Le Bourget, France	100.00	
Athlon Car Lease Spain, S.A.	Alcobendas, Spain	100.00	
Athlon Dealerlease B.V.	Hoofddorp, Netherlands	100.00	
Athlon France S.A.S.	Le Bourget, France	100.00	
Athlon Germany GmbH	Düsseldorf, Germany	100.00	
Athlon Mobility Consultancy B.V.	Schiphol, Netherlands	100.00	
Athlon Mobility Consultancy N.V.	Machelen, Belgium	100.00	
Athlon Mobility Services UK Limited	Milton Keynes, United Kingdom	100.00	
Athlon Rental Germany GmbH	Düsseldorf, Germany	100.00	
Athlon Sweden AB	Malmö, Sweden	100.00	
Athlon Switzerland AG	Schlieren, Switzerland	100.00	
Atlantis Foundries (Pty.) Ltd.	Atlantis Industria, South Africa	100.00	
Banco Mercedes-Benz do Brasil S.A.	São Paulo, Brazil	100.00	
Brooklands Estates Management Limited	Milton Keynes, United Kingdom	100.00	
Campo Largo Comercio de Veículos e Peças Ltda.	Campinas, Brazil	100.00	
CARS Technik & Logistik GmbH	Wiedemar, Germany	100.00	5
CLIDET NO 1048 (Proprietary) Limited	Centurion, South Africa	100.00	
DA Investments Co. LLC	Wilmington, USA	100.00	
DAF Investments, Ltd.	Wilmington, USA	100.00	
Daimler AG & Co. Anlagenverwaltung OHG	Schönefeld, Germany	100.00	5, 7
Daimler Australia/Pacific Pty. Ltd.	Melbourne, Australia	100.00	
Daimler Brand & IP Management GmbH & Co. KG	Stuttgart, Germany	100.00	5
Daimler Buses North America Inc.	Oriskany, USA	100.00	
Daimler Canada Finance Inc.	Montreal, Canada	100.00	
Daimler Canada Investments Company	Halifax, Canada	100.00	
Daimler Capital Services LLC	Wilmington, USA	100.00	
Daimler Ceská republika Holding s.r.o.	Prague, Czech Republic	100.00	
Daimler Colombia S. A.	Bogota D.C., Colombia	100.00	
Daimler Commercial Vehicles South East Asia Pte. Ltd.	Singapore, Singapore	100.00	
Daimler Compra y Manufactura Mexico S. de R.L. de C.V.	Mexico City, Mexico	100.00	
Daimler Export and Trade Finance GmbH	Berlin, Germany	100.00	5
Daimler Finance North America LLC	Wilmington, USA	100.00	
Daimler Financial Services Africa & Asia Pacific Ltd.	Singapore, Singapore	100.00	
Daimler Financial Services India Private Limited	Chennai, India	100.00	
Daimler Financial Services Investment Company LLC	Wilmington, USA	100.00	
Daimler Financial Services México, S. de R.L. de C.V.	Mexico City, Mexico	100.00	
Daimler Financial Services, S.A. de C.V., S.O.F.O.M., E.N.R.	Mexico City, Mexico	100.00	
Daimler Fleet Management GmbH	Stuttgart, Germany	100.00	5
Daimler Fleet Management Singapore Pte. Ltd.	Singapore, Singapore	100.00	
Daimler Fleet Management South Africa (Pty.) Ltd. i. L.	Centurion, South Africa	65.00	4
Daimler Fleet Services A.S.	Istanbul, Turkey	100.00	
Daimler Greater China Ltd.	Beijing, China	100.00	
Daimler Grund Services GmbH	Schönefeld, Germany	100.00	5
Daimler India Commercial Vehicles Private Limited	Chennai, India	100.00	
Daimler Insurance Agency LLC	Wilmington, USA	100.00	

Name of the company	Domicile, country	Equity interest in percent[1]	Footnote
Daimler Insurance Services GmbH	Stuttgart, Germany	100.00	5
Daimler Insurance Services UK Limited	Milton Keynes, United Kingdom	100.00	
Daimler International Finance B.V.	Utrecht, Netherlands	100.00	
Daimler International Nederland B.V.	Utrecht, Netherlands	100.00	
Daimler Investments US LLC	Wilmington, USA	100.00	
Daimler Ladungsträger GmbH	Böblingen, Germany	100.00	5
Daimler Manufactura, S. de R.L. de C.V.	Mexico City, Mexico	100.00	
Daimler Mexico, S.A. de C.V.	Mexico City, Mexico	100.00	
Daimler Mobility & Technology Service Co., Ltd.	Beijing, China	100.00	
Daimler Mobility AG	Stuttgart, Germany	100.00	5
DAIMLER MOBILITY AUSTRALIA PTY LTD	Melbourne, Australia	100.00	
Daimler Mobility Brasil Holding S.A.	São Paulo, Brazil	100.00	
Daimler Mobility Services GmbH	Leinfelden-Echterdingen, Germany	100.00	5
Daimler Nederland B.V.	Utrecht, Netherlands	100.00	
Daimler Nederland Holding B.V.	Utrecht, Netherlands	100.00	
Daimler North America Corporation	Wilmington, USA	100.00	
Daimler North America Finance Corporation	Newark, USA	100.00	
Daimler Northeast Asia Parts Trading and Services Co., Ltd.	Beijing, China	100.00	
Daimler Parts Brand GmbH	Stuttgart, Germany	100.00	5
Daimler Re Brokers GmbH	Bremen, Germany	74.90	5
Daimler Re Insurance S.A. Luxembourg	Luxembourg, Luxembourg	100.00	
Daimler Real Estate GmbH	Berlin, Germany	100.00	5
Daimler Retail Receivables LLC	Farmington Hills, USA	100.00	
DAIMLER SERVICIOS CORPORATIVOS MEXICO S. DE R.L. DE C.V.	Mexico City, Mexico	100.00	
Daimler South East Asia Pte. Ltd.	Singapore, Singapore	100.00	
Daimler Truck AG	Stuttgart, Germany	100.00	5
Daimler Truck and Bus Australia Pacific Pty. Ltd.	Mulgrave, Australia	100.00	
DAIMLER TRUCK AND BUS HOLDING AUSTRALIA PACIFIC PTY LTD	Melbourne, Australia	100.00	
Daimler Truck China Limited	Beijing, China	100.00	
Daimler Truck Fuel Cell GmbH & Co. KG	Kirchheim unter Teck, Germany	100.00	5
Daimler Truck Vermögens- und Beteiligungsgesellschaft mbH	Stuttgart, Germany	100.00	5
Daimler Trucks & Buses US Holding LLC	Wilmington, USA	100.00	
Daimler Trucks and Buses (China) Ltd.	Beijing, China	100.00	
Daimler Trucks and Buses Southern Africa (Pty) Ltd	Zwartkop, South Africa	100.00	
Daimler Trucks Canada Ltd.	Mississauga, Canada	100.00	
Daimler Trucks Korea Ltd.	Seoul, South Korea	100.00	
Daimler Trucks North America LLC	Portland, USA	100.00	
Daimler Trucks Remarketing Corporation	Portland, USA	100.00	
Daimler Trucks Retail Trust 2019-1	Wilmington, USA	0.00	3
Daimler Trucks Retail Trust 2020-1	Wilmington, USA	0.00	3
Daimler Trust Holdings LLC	Farmington Hills, USA	100.00	
Daimler Trust Leasing Conduit LLC	Wilmington, USA	100.00	
Daimler Trust Leasing LLC	Farmington Hills, USA	100.00	
Daimler UK Limited	Milton Keynes, United Kingdom	100.00	
Daimler Vans Hong Kong Limited	Hong Kong, China	67.55	
Daimler Vans USA, LLC	Wilmington, USA	100.00	
Daimler Vehículos Comerciales Mexico S. de R.L. de C.V.	Mexico City, Mexico	100.00	
Daimler Vermögens- und Beteiligungsgesellschaft mbH	Stuttgart, Germany	100.00	5
Daimler Verwaltungsgesellschaft für Grundbesitz mbH	Schönefeld, Germany	100.00	5
Daimler Vorsorge und Versicherungsdienst GmbH	Berlin, Germany	100.00	5
Detroit Diesel Corporation	Detroit, USA	100.00	
Detroit Diesel Remanufacturing LLC	Detroit, USA	100.00	
DTFC Holding GmbH	Stuttgart, Germany	100.00	5
EHG Elektroholding GmbH	Stuttgart, Germany	100.00	5
EvoBus (Schweiz) AG	Winterthur, Switzerland	100.00	
EvoBus (U.K.) Ltd.	Coventry, United Kingdom	100.00	
EvoBus Austria GmbH	Wiener Neudorf, Austria	100.00	
EvoBus Belgium N.V.	Kobbegem-Asse, Belgium	100.00	

Name of the company	Domicile, country	Equity interest in percent[1]	Footnote
EvoBus Ceská republika s.r.o.	Prague, Czech Republic	100.00	
EvoBus Danmark A/S	Koege, Denmark	100.00	
EvoBus France S.A.S.U.	Sarcelles, France	100.00	
EvoBus GmbH	Stuttgart, Germany	100.00	5
EvoBus Ibérica, S.A.U.	Sámano, Spain	100.00	
EvoBus Italia S.p.A.	Bomporto, Italy	100.00	
EvoBus Nederland B.V.	Nijkerk, Netherlands	100.00	
EvoBus Polska Sp. z o.o.	Wolica, Poland	100.00	
EvoBus Portugal, S.A.	Mem Martins, Portugal	100.00	
EvoBus Sverige AB	Vetlanda, Sweden	100.00	
FOTIC - MB Leasing No. 1 Single Fund Trust	Beijing, China	0.00	3
Freightliner Custom Chassis Corporation	Gaffney, USA	100.00	
Friesland Lease B.V.	Drachten, Netherlands	51.11	
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 1 OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 2 OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 3 OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 4 OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 5 OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 6 OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 7 OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Beta OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Delta OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Epsilon OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 1 OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 2 OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 3 OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 4 OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft EvoBus GmbH & Co. OHG	Schönefeld, Germany	100.00	5, 7
Interleasing Luxembourg S.A.	Windhof, Luxembourg	100.00	
Koppieview Property (Pty) Ltd	Zwartkop, South Africa	100.00	
LBBW AM – Daimler Re Insurance	Luxembourg, Luxembourg	0.00	3
LBBW AM – MBVEXW	Stuttgart, Germany	0.00	3
LEONIE FSM DVB GmbH	Stuttgart, Germany	100.00	5
Mascot Truck Parts Canada Ltd (2017)	Mississauga, Canada	100.00	
Mascot Truck Parts USA LLC	Wilmington, USA	100.00	
MBarc Credit Canada Inc.	Mississauga, Canada	100.00	
MBLD Mercedes-Benz Leasing Deutschland GmbH	Stuttgart, Germany	100.00	5
MDC Power GmbH	Kölleda, Germany	100.00	5
Mercedes AMG High Performance Powertrains Ltd	Brixworth, United Kingdom	100.00	
Mercedes Benz Otomotiv Ticaret ve Hizmetler A.S.	Istanbul, Turkey	66.91	
Mercedes pay AG	Zug, Switzerland	100.00	
Mercedes pay S.A. – in liquidation	Luxembourg, Luxembourg	100.00	4
Mercedes-AMG GmbH	Affalterbach, Germany	100.00	5
Mercedes-Benz - Aluguer de Veículos, Lda.	Mem Martins, Portugal	100.00	
Mercedes-Benz (China) Ltd.	Beijing, China	75.00	
Mercedes-Benz (Thailand) Limited	Bangkok, Thailand	100.00	
Mercedes-Benz AG	Stuttgart, Germany	100.00	5
Mercedes-Benz Antwerpen N.V.	Antwerp, Belgium	100.00	
Mercedes-Benz Argentina S.A.U.	Buenos Aires, Argentina	100.00	
Mercedes-Benz Asia GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Assuradeuren B.V.	Utrecht, Netherlands	100.00	
Mercedes-Benz Australia/Pacific Pty Ltd	Melbourne, Australia	100.00	
Mercedes-Benz Auto Finance Ltd.	Beijing, China	100.00	
Mercedes-Benz Auto Lease Trust 2018-B	Wilmington, USA	0.00	3
Mercedes-Benz Auto Lease Trust 2019-A	Wilmington, USA	0.00	3
Mercedes-Benz Auto Lease Trust 2019-B	Wilmington, USA	0.00	3
Mercedes-Benz Auto Lease Trust 2020-1	Wilmington, USA	0.00	3

Name of the company	Domicile, country	Equity interest in percent[1]	Footnote
Mercedes-Benz Auto Lease Trust 2020-A	Wilmington, USA	0.00	3
Mercedes-Benz Auto Lease Trust 2020-B	Wilmington, USA	0.00	3
Mercedes-Benz Auto Receivables Trust 2018-1	Wilmington, USA	0.00	3
Mercedes-Benz Auto Receivables Trust 2019-1	Wilmington, USA	0.00	3
Mercedes-Benz Auto Receivables Trust 2020-1	Wilmington, USA	0.00	3
Mercedes-Benz Auto Receivables Trust 2020-A	Wilmington, USA	0.00	3
Mercedes-Benz Bank AG	Stuttgart, Germany	100.00	
Mercedes-Benz Bank GmbH	Eugendorf, Austria	100.00	
Mercedes-Benz Bank Polska S.A.	Warsaw, Poland	100.00	
Mercedes-Benz Bank Rus OOO	Moscow, Russian Federation	100.00	
Mercedes-Benz Bank Service Center GmbH	Berlin, Germany	100.00	5
Mercedes-Benz Banking Service GmbH	Saarbrücken, Germany	100.00	5
Mercedes-Benz Belgium Luxembourg S.A.	Brussels, Belgium	100.00	
Mercedes-Benz Bordeaux S.A.S.	Begles, France	100.00	
Mercedes-Benz Broker Argentina S.A.	Buenos Aires, Argentina	99.00	
Mercedes-Benz Broker Biztositási Alkusz Hungary Kft.	Budapest, Hungary	100.00	
Mercedes-Benz Brooklands Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Camiones y Buses Argentina SAU.	Buenos Aires, Argentina	100.00	
Mercedes-Benz Canada Inc.	Toronto, Canada	100.00	
Mercedes-Benz Capital Rus OOO	Moscow, Russian Federation	100.00	
Mercedes-Benz Cars & Vans Brasil - Indústria e Comércio De Veículos Ltda.	São Bernardo do Campo, Brazil	100.00	
Mercedes-Benz Cars Ceská republika s.r.o.	Prague, Czech Republic	100.00	
Mercedes-Benz Cars UK Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz CharterWay S.A.S.	Montigny-le-Bretonneux, France	100.00	
Mercedes-Benz CharterWay S.r.l.	Trent, Italy	100.00	
Mercedes-Benz Compañía Financiera Argentina S.A.	Buenos Aires, Argentina	100.00	
Mercedes-Benz Connectivity Services GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Corretora de Seguros Ltda	São Paulo, Brazil	100.00	
Mercedes-Benz CPH A/S	Horsholm, Denmark	100.00	
Mercedes-Benz Credit Pénzügyi Szolgáltató Hungary Zrt.	Budapest, Hungary	100.00	
Mercedes-Benz Customer Solutions GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Danmark A/S	Copenhagen, Denmark	100.00	
Mercedes-Benz Dealer Bedrijven B.V.	The Hague, Netherlands	100.00	
Mercedes-Benz do Brasil Assessoria Comercial Ltda.	São Paulo, Brazil	100.00	
Mercedes-Benz do Brasil Ltda.	São Bernardo do Campo, Brazil	100.00	
Mercedes-Benz Drogenbos N.V.	Drogenbos, Belgium	100.00	
Mercedes-Benz Espana, S.A.U.	Alcobendas, Spain	100.00	
Mercedes-Benz Europa NV/SA	Woluwe-Saint-Lambert, Belgium	100.00	
Mercedes-Benz ExTra LLC	Wilmington, USA	100.00	
Mercedes-Benz Finance Co., Ltd.	Tokyo, Japan	95.11	
Mercedes-Benz Financial Services Australia Pty. Ltd.	Melbourne, Australia	100.00	
Mercedes-Benz Financial Services Austria GmbH	Eugendorf, Austria	100.00	
Mercedes-Benz Financial Services BeLux NV	Brussels, Belgium	100.00	
Mercedes-Benz Financial Services Canada Corporation	Mississauga, Canada	100.00	
Mercedes-Benz Financial Services Ceská republika s.r.o.	Prague, Czech Republic	100.00	
Mercedes-Benz Financial Services España, E.F.C., S.A.	Alcobendas, Spain	100.00	
Mercedes-Benz Financial Services France S.A.	Montigny-le-Bretonneux, France	100.00	
Mercedes-Benz Financial Services Hong Kong Ltd.	Hong Kong, China	80.00	
Mercedes-Benz Financial Services Italia S.p.A.	Rome, Italy	100.00	
Mercedes-Benz Financial Services Korea Ltd.	Seoul, South Korea	80.00	
Mercedes-Benz Financial Services Nederland B.V.	Nieuwegein, Netherlands	100.00	
Mercedes-Benz Financial Services New Zealand Ltd	Auckland, New Zealand	100.00	
Mercedes-Benz Financial Services Portugal - Sociedade Financeira de Crédito S.A.	Mem Martins, Portugal	100.00	
Mercedes-Benz Financial Services Rus OOO	Moscow, Russian Federation	100.00	
Mercedes-Benz Financial Services Schweiz AG	Schlieren, Switzerland	100.00	
Mercedes-Benz Financial Services Slovakia s.r.o.	Bratislava, Slovakia	75.00	
Mercedes-Benz Financial Services South Africa (Pty) Ltd	Centurion, South Africa	100.00	

Name of the company	Domicile, country	Equity interest in percent[1]	Footnote
Mercedes-Benz Financial Services Sp. zo.o.	Warsaw, Poland	100.00	
Mercedes-Benz Financial Services Taiwan Ltd.	Taipei, Taiwan	51.00	
Mercedes-Benz Financial Services UK Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Financial Services USA LLC	Wilmington, USA	100.00	
Mercedes-Benz Finans Danmark A/S	Copenhagen, Denmark	100.00	
Mercedes-Benz Finans Sverige AB	Malmö, Sweden	100.00	
Mercedes-Benz Finansal Kiralama Türk A.S.	Istanbul, Turkey	100.00	
Mercedes-Benz Finansman Türk A.S.	Istanbul, Turkey	100.00	
Mercedes-Benz Formula E Limited	Brackley, United Kingdom	100.00	
Mercedes-Benz Försäljnings AB	Malmö, Sweden	100.00	
Mercedes-Benz France S.A.S.	Montigny-le-Bretonneux, France	100.00	
Mercedes-Benz Fuel Cell GmbH	Kirchheim unter Teck, Germany	100.00	
Mercedes-Benz Grand Prix Ltd.	Brackley, United Kingdom	100.00	
Mercedes-Benz Hellas Single-Member S.A.	Kifissia, Greece	100.00	
Mercedes-Benz Hong Kong Limited	Hong Kong, China	100.00	
Mercedes-Benz India Private Limited	Pune, India	100.00	
Mercedes-Benz Insurance Agency (Beijing) Co., Ltd.	Beijing, China	100.00	
Mercedes-Benz Insurance Broker S.R.L.	Voluntari, Romania	100.00	
Mercedes-Benz Insurance Services Nederland B.V.	Utrecht, Netherlands	100.00	
Mercedes-Benz Insurance Services Taiwan Ltd.	Taipei, Taiwan	100.00	
Mercedes-Benz Investment Company LLC	Wilmington, USA	100.00	
Mercedes-Benz Italia S.p.A.	Rome, Italy	100.00	
Mercedes-Benz Japan Co., Ltd.	Tokyo, Japan	100.00	
Mercedes-Benz Korea Limited	Seoul, South Korea	51.00	
Mercedes-Benz Leasing (Thailand) Co., Ltd.	Bangkok, Thailand	100.00	
Mercedes-Benz Leasing Co., Ltd.	Beijing, China	65.00	
Mercedes-Benz Leasing do Brasil Arrendamento Mercantil S.A.	Barueri, Brazil	100.00	
Mercedes-Benz Leasing GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Leasing Hrvatska d.o.o.	Zagreb, Croatia	100.00	
Mercedes-Benz Leasing IFN S.A.	Bucharest, Romania	100.00	
Mercedes-Benz Leasing Kft.	Budapest, Hungary	100.00	
Mercedes-Benz Leasing Polska Sp. z o.o.	Warsaw, Poland	100.00	
Mercedes-Benz Leasing Taiwan Ltd.	Taipei, Taiwan	100.00	
Mercedes-Benz Leasing Treuhand GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Ludwigsfelde GmbH	Ludwigsfelde, Germany	100.00	5
Mercedes-Benz Malaysia Sdn. Bhd.	Puchong, Malaysia	100.00	
Mercedes-Benz Manhattan, Inc.	Wilmington, USA	100.00	
Mercedes-Benz Manufacturing (Thailand) Limited	Bangkok, Thailand	100.00	
Mercedes-Benz Manufacturing Hungary Kft.	Kecskemét, Hungary	100.00	
Mercedes-Benz Manufacturing Poland sp. z o. o.	Jawor, Poland	100.00	
Mercedes-Benz Master Owner Trust	Wilmington, USA	0.00	3
Mercedes-Benz Mechelen N.V.	Mechelen, Belgium	100.00	
Mercedes-Benz Mexico, S. de R.L. de C.V.	Mexico City, Mexico	100.00	
Mercedes-Benz Minibus GmbH	Dortmund, Germany	100.00	5
Mercedes-Benz Mitarbeiter-Fahrzeuge Leasing GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Mobility Korea Ltd.	Seoul, South Korea	100.00	
Mercedes-Benz Nederland B.V.	Utrecht, Netherlands	100.00	
Mercedes-Benz New Zealand Ltd	Auckland, New Zealand	100.00	
Mercedes-Benz Österreich GmbH	Eugendorf, Austria	100.00	
Mercedes-Benz Paris SAS	Port-Marly, France	100.00	
Mercedes-Benz Parts Logistics Eastern Europe s.r.o.	Prague, Czech Republic	100.00	
Mercedes-Benz Parts Logistics Ibérica, S.L.U.	Azuqueca de Henares, Spain	100.00	
Mercedes-Benz Parts Logistics UK Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Parts Manufacturing & Services Ltd.	Shanghai, China	100.00	
Mercedes-Benz Polska Sp. z.o.o	Warsaw, Poland	100.00	
Mercedes-Benz Portugal, S.A.	Mem Martins, Portugal	100.00	
Mercedes-Benz PRAHA s.r.o.	Prague, Czech Republic	100.00	
Mercedes-Benz Renting, S.A.	Alcobendas, Spain	100.00	

Name of the company	Domicile, country	Equity interest in percent[1]	Footnote
Mercedes-Benz Research & Development North America, Inc.	Wilmington, USA	100.00	
Mercedes-Benz Retail Belgium NV/SA	Woluwe-Saint-Lambert, Belgium	100.00	
Mercedes-Benz Retail Group UK Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Retail, S.A.	Madrid, Spain	100.00	
Mercedes-Benz Retail, Unipessoal Lda.	Mem Martins, Portugal	100.00	
Mercedes-Benz Risk Solutions South Africa (Pty.) Ltd.	Centurion, South Africa	100.00	
Mercedes-Benz Roma S.p.A.	Rome, Italy	100.00	
Mercedes-Benz Romania S.R.L.	Bucharest, Romania	100.00	
Mercedes-Benz Russia AO	Moscow, Russian Federation	100.00	
Mercedes-Benz Schweiz AG	Schlieren, Switzerland	100.00	
Mercedes-Benz Service Leasing S.R.L.	Bucharest, Romania	100.00	
Mercedes-Benz Services Correduria de Seguros, S.A.	Alcobendas, Spain	100.00	
Mercedes-Benz Services Malaysia Sdn Bhd	Selangor, Malaysia	100.00	
Mercedes-Benz Servicios S.A.U	Buenos Aires, Argentina	100.00	
Mercedes-Benz Sigorta Aracilik Hizmetleri A.S.	Istanbul, Turkey	100.00	
Mercedes-Benz Sosnowiec Sp. z o.o.	Sosnowiec, Poland	100.00	
Mercedes-Benz South Africa Ltd	Pretoria, South Africa	100.00	
Mercedes-Benz Sverige AB	Malmö, Sweden	100.00	
Mercedes-Benz Taiwan Ltd.	Taipei, Taiwan	51.00	
Mercedes-Benz Trucks & Buses Romania S.R.L.	Bucharest, Romania	100.00	
Mercedes-Benz Trucks Belgium Luxembourg NV/SA	Brussels, Belgium	100.00	
Mercedes-Benz Trucks Center Sint-Pieters-Leeuw NV/SA	Sint-Pieters-Leeuw, Belgium	100.00	
Mercedes-Benz Trucks Ceská republika s.r.o.	Prague, Czech Republic	100.00	
Mercedes-Benz Trucks España S.L.U.	Alcobendas, Spain	100.00	
Mercedes-Benz Trucks France S.A.S.U	Montigny-le-Bretonneux, France	100.00	
Mercedes-Benz Trucks Italia S.r.l.	Rome, Italy	100.00	
Mercedes-Benz Trucks Molsheim	Molsheim, France	100.00	
Mercedes-Benz Trucks Nederland B.V.	Utrecht, Netherlands	100.00	
Mercedes-Benz Trucks Österreich GmbH	Eugendorf, Austria	100.00	
MERCEDES-BENZ TRUCKS POLSKA SPÓŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Warsaw, Poland	100.00	
Mercedes-Benz Trucks Portugal S.A.	Sintra, Portugal	100.00	
Mercedes-Benz Trucks Schweiz AG	Schlieren, Switzerland	100.00	
Mercedes-Benz Trucks UK Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Türk A.S.	Istanbul, Turkey	66.91	
Mercedes-Benz U.S. International, Inc.	Vance, USA	100.00	
Mercedes-Benz Ubezpieczenia Sp. z o.o.	Warsaw, Poland	100.00	
Mercedes-Benz USA, LLC	Wilmington, USA	100.00	
Mercedes-Benz V.I. Lyon SAS	Genas, France	100.00	
Mercedes-Benz V.I. Paris Ile de France SAS	Wissous, France	100.00	
Mercedes-Benz Vans Ceská republika s.r.o	Prague, Czech Republic	100.00	
Mercedes-Benz Vans España, S.L.U.	Madrid, Spain	100.00	
Mercedes-Benz Vans Mobility GmbH	Berlin, Germany	100.00	5
Mercedes-Benz Vans Nederland B.V.	Utrecht, Netherlands	100.00	
Mercedes-Benz Vans UK Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Vans, LLC	Wilmington, USA	100.00	
Mercedes-Benz Vermögens- und Beteiligungsgesellschaft mbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Versicherung AG	Stuttgart, Germany	100.00	5
Mercedes-Benz Vietnam Ltd.	Ho Chi Minh City, Vietnam	70.00	
Mercedes-Benz Warszawa Sp. z o.o.	Warsaw, Poland	100.00	
Mercedes-Benz Waterloo S.A.	Braine-L'Alleud, Belgium	100.00	
Mercedes-Benz Wavre S.A.	Wavre, Belgium	100.00	
Mercedes-Benz Wemmel N.V.	Wemmel, Belgium	100.00	
Mercedes-Benz Wholesale Receivables LLC	Wilmington, USA	100.00	
MFTA Canada, Inc.	Toronto, Canada	100.00	
Mitsubishi Fuso Bus Manufacturing Co., Ltd.	Toyama, Japan	100.00	
Mitsubishi Fuso Truck and Bus Corporation	Kawasaki, Japan	89.29	
MITSUBISHI FUSO TRUCK EUROPE - Sociedade Europeia de Automóveis, S.A.	Tramagal, Portugal	100.00	

Name of the company	Domicile, country	Equity interest in percent[1]	Footnote
Mitsubishi Fuso Truck of America, Inc.	Logan Township, USA	100.00	
Multifleet G.I.E	Le Bourget, France	50.10	7
P.T. Mercedes-Benz Indonesia	Bogor, Indonesia	100.00	
PABCO Co., Ltd.	Ebina, Japan	100.00	
PT Daimler Commercial Vehicles Indonesia	Jakarta, Indonesia	100.00	
PT Daimler Commercial Vehicles Manufacturing Indonesia	Bogor, Indonesia	100.00	
PT Mercedes-Benz Distribution Indonesia	Jakarta, Indonesia	100.00	
Renting del Pacífico S.A.C.	Lima, Peru	100.00	
Sandown Motor Holdings (Pty) Ltd	Bryanston, South Africa	62.62	
SelecTrucks of America LLC	Portland, USA	100.00	
SelecTrucks of Toronto, Inc.	Mississauga, Canada	100.00	
Silver Arrow Australia 2019-1	Melbourne, Australia	0.00	3
Silver Arrow Australia Trust 2019-1	Melbourne, Australia	0.00	3
Silver Arrow Australia Trust 2020-1	Melbourne, Australia	0.00	3
Silver Arrow Canada GP Inc.	Mississauga, Canada	100.00	
Silver Arrow Canada LP	Mississauga, Canada	100.00	7
Silver Arrow China 2020-1 Retail Auto Loan Asset Backed Notes Trust	Beijing, China	0.00	3
Silver Arrow China 2020-2 Retail Auto Loan Asset Backed Notes Trust	Beijing, China	0.00	3
Silver Arrow China Mercedes-Benz Leasing Co., Ltd. 2020-1	Beijing, China	0.00	3
Silver Arrow France	Saint-Denis, France	0.00	3
Silver Arrow Korea 2020-1	Seoul, South Korea	0.00	3
Silver Arrow Lease Facility Trust	Wilmington, USA	0.00	3
Silver Arrow Merfina 2019-1 S.r.l.	Milan, Italy	0.00	3
Silver Arrow S.A.	Luxembourg, Luxembourg	0.00	3
smart France S.A.S.	Hambach, France	100.00	
Special Lease Systems (SLS) B.V	Schiphol, Netherlands	100.00	
Star Assembly SRL	Sebes, Romania	100.00	
Sterling Truck Corporation	Portland, USA	100.00	
Sumperská správa majetku k.s.	Prague, Czech Republic	100.00	7
Thomas Built Buses of Canada Limited	Calgary, Canada	100.00	
Thomas Built Buses, Inc.	High Point, USA	100.00	
TORC Robotics, Inc.	Blacksburg, USA	75.61	
Ucafleet S.A.S	Le Bourget, France	65.00	
Ukuvela Holdings Proprietary Limited	Atlantis Industria, South Africa	100.00	
Ukuvela Properties (Pty.) Ltd.	Atlantis Industria, South Africa	100.00	
Vierzehnte Vermögensverwaltungsgesellschaft DVB mbH	Stuttgart, Germany	100.00	5
Western Star Trucks Sales, Inc	Portland, USA	100.00	
Zuidlease B.V.	Sittard, Netherlands	51.00	
II. Unconsolidated subsidiaries[2]			
Accumotive Verwaltungs-GmbH	Kamenz, Germany	100.00	
Achtzehnte Vermögensverwaltungsgesellschaft DVB mbH	Stuttgart, Germany	100.00	
AEG Olympia Office GmbH	Stuttgart, Germany	100.00	
Anota Fahrzeug Service- und Vertriebsgesellschaft mbH	Berlin, Germany	100.00	
Circulo Cerrado S.A. de Ahorro para Fines Determinados	Buenos Aires, Argentina	74.47	
Cúspide GmbH	Stuttgart, Germany	100.00	
Daimler Automotive de Venezuela C.A.	Valencia, Venezuela	100.00	
Daimler Brand & IP Management Verwaltung GmbH	Stuttgart, Germany	100.00	
Daimler Coaches North America LLC	Wilmington, USA	100.00	
Daimler Commercial Vehicles (Thailand) Ltd.	Bangkok, Thailand	100.00	
Daimler Commercial Vehicles Africa Ltd.	Nairobi, Kenya	100.00	
Daimler Commercial Vehicles MENA FZE	Dubai, United Arab Emirates	100.00	
Daimler Financial Services UK Trustees Ltd.	Milton Keynes, United Kingdom	100.00	
Daimler Gastronomie GmbH	Esslingen am Neckar, Germany	100.00	
Daimler Group Services Berlin GmbH	Berlin, Germany	100.00	
Daimler Group Services Madrid, S.A.U.	San Sebastián de los Reyes, Spain	100.00	
Daimler Innovation Technology (China) Co., Ltd.	Beijing, China	100.00	

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Daimler International Assignment Services USA, LLC	Wilmington, USA	100.00	
Daimler Mitarbeiter Wohnfinanz GmbH	Stuttgart, Germany	100.00	
Daimler Pensionsfonds AG	Stuttgart, Germany	100.00	6
Daimler Protics GmbH	Leinfelden-Echterdingen, Germany	100.00	
Daimler Purchasing Coordination Corp.	Wilmington, USA	100.00	
Daimler Truck Fuel Cell Canada INC.	Vancouver, Canada	100.00	
Daimler Truck Verwaltungsgesellschaft für Grundbesitz mbH	Schönefeld, Germany	100.00	
Daimler Trucks Asia Taiwan Ltd.	Taipei, Taiwan	51.00	
Daimler TSS GmbH	Ulm, Germany	100.00	
Daimler UK Share Trustee Ltd.	Milton Keynes, United Kingdom	100.00	
Daimler UK Trustees Limited	Milton Keynes, United Kingdom	100.00	
Daimler Unterstützungskasse GmbH	Stuttgart, Germany	100.00	
Dreizehnte Vermögensverwaltungsgesellschaft DVB mbH	Stuttgart, Germany	100.00	
DTB Tech & Data Hub, Unipessoal Lda	Tramagal, Portugal	100.00	
DTFC Verwaltungsgesellschaft mbH	Kirchheim unter Teck, Germany	100.00	
EvoBus Reunion S. A.	Le Port, France	96.00	
EvoBus Russland OOO	Moscow, Russian Federation	100.00	
Fleetboard Logistics GmbH	Volkach, Germany	100.00	
LAB1886 GmbH	Stuttgart, Germany	100.00	
Lapland Car Test Aktiebolag	Arvidsjaur, Sweden	100.00	
LEONIE DMS DVB GmbH	Stuttgart, Germany	100.00	
Li-Tec Battery GmbH	Kamenz, Germany	100.00	
MB GTC GmbH Mercedes-Benz Gebrauchtteile Center	Neuhausen auf den Fildern, Germany	100.00	
MBition GmbH	Berlin, Germany	100.00	
Mercedes pay USA LLC	Wilmington, USA	100.00	
Mercedes-Benz Cars Middle East FZE	Dubai, United Arab Emirates	100.00	
Mercedes-Benz Consulting GmbH	Leinfelden-Echterdingen, Germany	100.00	
Mercedes-Benz Customer Assistance Center Maastricht N.V.	Maastricht, Netherlands	100.00	
Mercedes-Benz Egypt S.A.E.	New Cairo, Egypt	100.00	
Mercedes-Benz Energy GmbH	Kamenz, Germany	100.00	
Mercedes-Benz G GmbH	Raaba, Austria	100.00	
Mercedes-Benz Group Services Phils., Inc.	Cebu City, Philippines	100.00	
Mercedes-Benz Hungária Kft.	Budapest, Hungary	100.00	
Mercedes-Benz IDC Europe S.A.S.	Valbonne, France	100.00	
Mercedes-Benz Manufacturing and Import Egypt	New Cairo, Egypt	100.00	
Mercedes-Benz Manufacturing Rus Ltd	Moscow, Russian Federation	80.00	
Mercedes-Benz Motorsport Limited	Brackley, United Kingdom	100.00	
Mercedes-Benz Museum GmbH	Stuttgart, Germany	100.00	
Mercedes-Benz OD GmbH	Stuttgart, Germany	100.00	
Mercedes-Benz Project Consult GmbH	Stuttgart, Germany	100.00	
Mercedes-Benz Research & Development Tel Aviv Ltd.	Tel Aviv, Israel	100.00	
Mercedes-Benz Research and Development India Private Limited	Bangalore, India	100.00	
Mercedes-Benz Slovakia s.r.o.	Bratislava, Slovakia	100.00	
Mercedes-Benz Subscription Services USA LLC	Wilmington, USA	100.00	
Mercedes-Benz Trucks MENA Holding GmbH	Stuttgart, Germany	100.00	
Mercedes-Benz Vans Mobility S.L.U.	Alcobendas, Spain	100.00	
Mercedes-Benz Vehículos Comerciales Argentina SAU i.L.	Buenos Aires, Argentina	100.00	4
Mercedes-Benz Venezuela S.A.	Valencia, Venezuela	100.00	
Mercedes-Benz.io GmbH	Stuttgart, Germany	100.00	
Mercedes-Benz.io Portugal Unipessoal Lda.	Lisbon, Portugal	100.00	
Mercedes ServiceCard Beteiligungsgesellschaft mbH	Kleinostheim, Germany	51.00	
Montajes y Estampaciones Metálicas, S.L.	Esparraguera, Spain	51.00	
NAG Nationale Automobil-Gesellschaft Aktiengesellschaft	Stuttgart, Germany	100.00	
Porcher & Meffert Grundstücksgesellschaft mbH & Co. Stuttgart OHG	Schönefeld, Germany	100.00	7
R.T.C. Management Company Limited	Banbury, United Kingdom	88.89	
RepairSmith, Inc.	El Segundo, USA	100.00	
Sechste Vermögensverwaltungsgesellschaft Zeus mbH	Stuttgart, Germany	100.00	
SelecTrucks Comércio de Veículos Ltda	Mauá, Brazil	100.00	

Name of the company	Domicile, country	Equity interest in percent[1]	Footnote
Star Transmission srl	Cugir, Romania	100.00	
STARKOM, proizvodnja in trgovina d.o.o.	Maribor, Slovenia	100.00	
T.O.C (Schweiz) AG	Schlieren, Switzerland	51.00	
trapoFit GmbH	Chemnitz, Germany	100.00	
Vierte Vermögensverwaltung PV GmbH	Stuttgart, Germany	100.00	
Zweite Vermögensverwaltung PV GmbH	Stuttgart, Germany	100.00	
Zweite Vermögensverwaltungsgesellschaft Zeus mbH	Stuttgart, Germany	100.00	
III. Joint operations accounted for using proportionate consolidation			
Cooperation Manufacturing Plant Aguascalientes, S.A.P.I de C.V.	Aguascalientes, Mexico	54.01	
IV. Joint operations accounted for using the equity method			
North America Fuel Systems Remanufacturing LLC	Kentwood, USA	50.00	
V. Joint ventures accounted for using the equity method			
Beijing Foton Daimler Automotive Co., Ltd	Beijing, China	50.00	
Daimler Kamaz Trucks Holding GmbH	Vienna, Austria	50.00	
Enbase Power GmbH	Munich, Germany	25.10	
Fujian Benz Automotive Co., Ltd.	Fuzhou, China	50.00	
IONITY Holding GmbH & Co. KG	Munich, Germany	20.00	
MB Service Japan Co., Ltd.	Hitachi, Japan	33.40	
Movinx GmbH	Berlin, Germany	50.00	
Polomex, S.A. de C.V.	Garcia, Mexico	26.00	
SelecTrucks of Houston LLC	Houston, USA	50.00	
SelecTrucks of Houston Wholesale LLC	Houston, USA	50.00	
SelecTrucks of Omaha LLC	Council Bluffs, USA	50.00	
Shenzhen DENZA New Energy Automotive Co. Ltd.	Shenzhen, China	50.00	
smart Automobile Co., Ltd.	Ningbo, China	50.00	
Wei Xing Tech. Co., Ltd.	Hangzhou, China	50.00	
YOUR NOW Holding GmbH	Munich, Germany	50.00	
VI. Associated companies accounted for using the equity method			
BAIC Motor Corporation Ltd.	Beijing, China	9.55	
Beijing Benz Automotive Co., Ltd.	Beijing, China	49.00	
Blacklane GmbH	Berlin, Germany	29.17	
Bolt Technology OÜ	Tallinn, Estonia	8.67	
FUSO LAND TRANSPORT & Co. Ltd.	Kawasaki, Japan	21.67	
KAMAZ PAO	Naberezhnye Chelny, Russian Federation	15.00	
Kanagawa Mitsubishi Fuso Truck & Bus Sales Co., Ltd.	Yokohama, Japan	43.83	
LSH Auto International Limited	Hong Kong, China	15.00	
Mobility Trader Holding GmbH	Berlin, Germany	11.11	
Okayama Mitsubishi Fuso Truck & Bus Sales Co., Ltd.	Okayamashi, Japan	50.00	
P.T. Krama Yudha Tiga Berlian Motors	Jakarta, Indonesia	30.00	
P.T. Mitsubishi Krama Yudha Motors and Manufacturing	Jakarta, Indonesia	32.28	
There Holding B.V.	Rijswijk, Netherlands	29.74	
Toll4Europe GmbH	Berlin, Germany	15.00	
Verimi GmbH	Berlin, Germany	14.79	
Via Transportation Inc.	New York, USA	9.73	
Wagenplan B.V.	Almere, Netherlands	50.00	
VII. Joint operations, joint ventures, associated companies and substantial other investments accounted for at (amortized) cost[2]			
AFCC Automotive Fuel Cell Cooperation Corp.	Burnaby, Canada	50.10	4
Aston Martin Lagonda Global Holdings Plc	Gaydon, United Kingdom	11.85	
BDF IP Holdings Ltd.	Burnaby, Canada	33.00	
Beijing Mercedes-Benz Sales Service Co., Ltd.	Beijing, China	51.00	
COBUS Industries GmbH	Wiesbaden, Germany	40.82	
Esslinger Wohnungsbau GmbH	Esslingen am Neckar, Germany	26.57	

Name of the company	Domicile, country	Equity interest in percent[1]	Footnote
European Center for Information and Communication Technologies - EICT GmbH	Berlin, Germany	25.00	
EvoBus Hungária Kereskedelmi Kft.	Budapest, Hungary	33.33	
G2VP I, LLC	Menlo Park, USA	5.71	
Gottapark, Inc.	San Francisco, USA	18.09	
Grundstücksgesellschaft Schlossplatz 1 mbH & Co. KG	Berlin, Germany	18.37	7
H2 Mobility Deutschland GmbH & Co. KG	Berlin, Germany	2.90	
hap2U SAS	Pontcharra, France	34.59	
IVU Traffic Technologies AG	Berlin, Germany	5.25	
Laureus World Sports Awards Limited	London, United Kingdom	50.00	
Mercedes ServiceCard GmbH & Co. KG	Kleinostheim, Germany	51.00	
MFTB Taiwan Co., Ltd.	Taipei, Taiwan	33.40	
National Automobile Industry Company Ltd.	Jeddah, Saudi Arabia	26.00	
Omuta Unso Co., Ltd.	Ohmuta, Japan	33.51	
PDB - Partnership for Dummy Technology and Biomechanics GbR	Ingolstadt, Germany	20.00	7
Proterra Inc.	Burlingame, USA	6.22	
Rally Bus Corp.	Buffalo, USA	15.13	
Sila Nanotechnologies Inc.	Dover, USA	11.64	
SK Gaming Beteiligungs GmbH	Cologne, Germany	33.33	
smart-BRABUS GmbH	Bottrop, Germany	50.00	
STARCAM s.r.o.	Most, Czech Republic	51.00	
TASIAP GmbH	Stuttgart, Germany	60.00	
Toyo Kotsu Co., Ltd.	Sannoseki, Japan	28.20	
VfB Stuttgart 1893 AG	Stuttgart, Germany	11.75	
Volocopter GmbH	Bruchsal, Germany	8.62	
what3words Ltd.	London, United Kingdom	9.98	

1 Shareholding pursuant to Section 16 of the German Stock Corporation Act (AktG)
2 For the accounting of unconsolidated subsidiaries, joint operations, joint ventures and associated companies we refer to Note 1.
3 Control due to economic circumstances
4 In liquidation
5 Qualification for exception pursuant to Section 264 Subsection 3 and Section 264b of the German Commercial Code (HGB)
6 Control over the investment of the assets. No consolidation of the assets due to the contractual situation.
7 Daimler AG or one or several consolidated subsidiaries, is/are the partner(s) with unlimited liability.

Further Information

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, cash flows and profit or loss of the Group, and the Group management report, which has been combined with the management report for Daimler AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Stuttgart, 17th February 2021

Ola Källenius

Martin Daum

Renata Jungo Brüngger

Wilfried Porth

Markus Schäfer

Britta Seeger

Hubertus Troska

Harald Wilhelm

Independent Auditor's Report

To: Daimler AG, Stuttgart

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions
We have audited the consolidated financial statements of Daimler AG, Stuttgart, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income/loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2020 as well as notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report, which is combined with the management report of Daimler AG (combined management report), including the combined non-financial declaration pursuant to Sections 289 paragraph 1, 289c, 315b paragraph 1 and 315c HGB (Handelsgesetzbuch: German Commercial Code) for the financial year from January 1 to December 31, 2020. In accordance with the German legal regulations, we have not audited the content of the elements of the combined management report referred to in the "Other information" section of our auditor's report.

The combined management report includes cross-references not foreseen by law that are marked as unaudited. In accordance with the German legal regulations, we have not audited the content of these cross-references and the information to which these cross-references relate.

In our opinion, on the basis of the knowledge obtained in the audit

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e paragraph 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of December 31, 2020, and of its financial performance for the financial year from January 1 to December 31, 2020, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, the combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the elements of the combined management report referred to in the "Other information" section of our auditor's report. The combined management report includes cross-references not foreseen by law that are marked as unaudited. Our opinion does not cover these cross-references and the information to which these cross-references relate.

Pursuant to Section 322 paragraph 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions
We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as the "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 paragraph 2 letter f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 paragraph 1 of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Impairment Risk on Operating Leases

Please refer with regard to the accounting policies and methods applied to the notes to the consolidated financial statements in Note 1 »Significant accounting policies« and Note 2 »Accounting estimates and management judgments«. Further information on the operating leases can be found in the notes to the consolidated financial statements in Note 12 »Equipment on operating leases« and in the comments in the combined management report in the section entitled »Industry and business risks and opportunities«.

The Risk for the Consolidated Financial Statements
The statement of financial position caption »Equipment on operating leases« (€ 47,552 million) includes among other things Mercedes-Benz passenger cars, which are purchased by non-group dealers or other third parties and are the subject of an operating lease with the Daimler Group. An impairment loss exists with regard to these vehicles that is primarily dependent on the residual value achievable at the end of the lease. These future residual values are dependent on the situation in the used vehicle markets prevailing when the vehicles are returned. The future-oriented valuation is based on a number of discretionary assumptions. The risk for the financial statements is that any impairment losses will not be recognized or that the amounts recognized will be inadequate.

Our Audit Approach
We audited the recoverability of the Mercedes-Benz passenger cars purchased externally in the statement of financial position caption "Equipment on operating leases". We investigated and appraised the indications assumed by the Group for any need for an impairment loss and where necessary obtained an understanding of the write-downs calculated by Daimler. We have assessed Daimler's evaluation with regard to the residual values achievable by the end of the terms of the leases. In this connection, we in particular critically reviewed the main influencing factors, such as the expected number of returns from leasing, the current marketing results in order to assess the accuracy of the estimates and future vehicle model changes. For significant markets we furthermore also audited the consistency of the assumptions made by Daimler with residual value forecasts by independent expert third parties.

Our Observations
The assumptions and assessments providing the basis for the assessment of the recoverability of the externally purchased Mercedes-Benz passenger cars in the statement of financial position caption "Equipment on operating leases" and the recorded impairment losses are appropriate.

Loss Allowances on Receivables from Financial Services

Please refer with regard to the accounting policies and methods applied to the notes to the consolidated financial statements in Note 2 »Accounting estimates and management judgments«. Further information on allowances on receivables from financial services can be found in the notes to the consolidated financial statements in Note 1 »Significant Accounting Policies«, in Note 14 »Receivables from financial services«, in Note 33 »Management of financial risks« and in the comments in the combined management report in the section entitled »Industry and business risks and opportunities«.

The Risk for the Consolidated Financial Statements
Receivables from financial services (€ 96,185 million) resulting from the Group's financing and leasing activities include receivables from sales financing with customers, receivables from sales financing with dealers and receivables from finance lease contracts. The loss allowances on these receivables amounted at the reporting date to € 1,598 million.

The calculation of the loss allowances is based on expected credit losses and therefore also includes expectations regarding the future. Recognition of the expected credit losses is carried out by means of a three-parameter procedure for the determination of loss allowances. At the same time, various factors determining the value, such as the determination of statistical default probabilities and loss rates, the possible receivable amount on default, the parameter transfer criteria that are related to a significant change in the default risk of borrowers, and the calculation of future cash flows. Furthermore, macroeconomic scenarios (basis scenarios, optimistic and pessimistic scenarios) flow into the calculation, which also include covid-19 effects, the identification of which to a high degree includes discretionary judgments and uncertainties. Further external information, for instance in connection with the covid-19 pandemic which cannot be depicted through the scenarios, are included in the measurement, to the extent necessary, by downstream adjustments. There is a risk for the financial statements is that the creditworthiness of customers and future cash flows is misjudged or that the calculation of the risk provision parameters is incorrect so that loss allowances are not recognized or are insufficient.

Our Audit Approach
We obtained a comprehensive understanding of the development of the portfolios, the associated counterparty default risks and the processes for identifying, managing, monitoring and measuring credit risks by inspecting analyses and risk reports, interrogations, review of guidelines and working instructions, checking the defined methods and their implementation and checking and walking through the validation process and the individual validation reports.

We audited the appropriateness and effectiveness of the internal control system with regard to the risk classification process and risk models and the identification of the factors determining the value and the loss allowances, also by rechecking the calculations. To this end, we also evaluated the relevant IT systems and internal procedures. In addition to the audit by our IT specialists of the propriety of the IT systems affected and related interfaces to ensure the completeness and correctness of the data, the audit also included the audit of automatic controls for data entry and data processing. The main focus of our audit was the evaluation of the methodical approach in the determination of risk categories, default probabilities and loss rates that are derived from historical data. We took into account the impact of covid-19 in conjunction with the audit of the macroeconomic scenarios and the downstream adjustments. We obtained an understanding of this based on a risk-oriented selection of credit portfolios. We satisfied ourselves with regard to the appropriateness of significant risk parameters based on the results of a validation performed by Daimler Mobility and evaluated the adjustments of the parameters to the current market situation. In this connection, we furthermore audited the data supporting the validations on the basis of a conscious sample.

Our Observations
The methodical approach, the procedures and the processes to calculate the impairment losses and the assumptions and risk parameters flowing into the measurement are appropriate to identify the credit risks in good time and to determine the recognition of adequate loss allowances.

Measurement of the Provision for Product Warranties

Please refer with regard to the accounting policies and methods applied to the notes to the consolidated financial statements in Note 1 »Significant accounting policies« and in Note 2 »Accounting estimates and management judgments«. Further information on the guarantees and product warranties can be found in the notes to the consolidated financial statements in Note 23 »Provisions for other risks« and in the comments in the combined management report in the section entitled »Company-specific risks and opportunities - Warranty and goodwill cases«.

The Risk for the Consolidated Financial Statements
The provision for product warranties amounts to € 8,476 million and is included in the provisions for other risks.

Daimler faces various claims under product guarantees, or grants various kinds of product warranties, which are entered into for the error-free functioning of a Daimler product sold or service rendered over a defined period of time. In order to confirm or reassess future guarantee, warranty and goodwill expenses, continuously updated information on the nature and volume and the remedying of faults that have occurred is recorded and analyzed at the level of the business unit, model series, damage key and sales year.

Significant uncertainty for the calculation of the provision arises with regard to the future loss event. The risk for the consolidated financial statements is that the provision is not properly measured.

Our Audit Approach
Our audit procedures included among other things the evaluation of the process to calculate the provision for product warranties and the evaluation of the relevant assumptions and their derivation for the measurement of the provision. These include primarily assumptions on expected susceptibility to and the course of damage, and in addition the monetary value of the damage per vehicle based on actual warranty, guarantee and goodwill losses. Based on historical analyses, we assessed the accuracy of the forecasts of past warranty, guarantee and goodwill costs. We also checked that updated assessments of the future repair costs and procedures were taken into account. We obtained an understanding for the underlying numbers of vehicles through the actual unit sales.

Our Observations
The calculation methods and the assumptions made are appropriate.

Accounting Treatment of Legal Proceedings

Please refer with regard to the accounting policies and methods applied to the notes to the consolidated financial statements Note 1 »Significant accounting policies « and in Note 2 »Accounting estimates and management judgments«. Further information on the legal proceedings can be found in the notes to the consolidated financial statements in Note 23 »Provisions for other risks«, Note 30 »Legal proceedings« and in the combined management report in the section entitled »Legal and tax risks and opportunities – legal risks«.

The Risk for the Consolidated Financial Statements
Daimler faces various legal proceedings, claims and governmental investigations and administrative orders (legal proceedings) on a wide range of topics, including for example vehicle safety, emissions, fuel economy, financial services, dealer, supplier and other contractual relationships, intellectual property rights, product warranties, environmental matters, antitrust matters (including actions for damages) and shareholder matters. Legal proceedings relating to products deal with claims on account of alleged vehicle defects, some of which are asserted by way of a class action lawsuit. If the outcome of such legal proceedings is detrimental to Daimler, the Company may be required to pay substantial compensatory and punitive damages or to undertake service actions, recall campaigns, monetary penalties or other costly actions.

Whether the recognition of a provision and, if so, in what amount it is necessary on account of legal proceedings is dependent to a high degree on discretionary estimates and assumptions by the legal representatives. In view of this and the monetary amounts involved with regard to the risks, the following legal proceedings of Daimler are in our opinion of particular importance.

a) Diesel emission behavior: class action and other lawsuits in the USA, Canada, the Netherlands and Germany in the Cars/Vans segment

The allegation is raised in class actions in various jurisdictions, including the USA, Canada or the Netherlands, against individual subsidiaries in the Daimler Group that devices are used in Mercedes-Benz diesel vehicles that impermissibly impair the effectiveness of emission control systems in reducing nitrogen-oxide (NO_x) emissions and cause excessive emissions. In addition, the plaintiffs contend that consumers were deliberately misled in connection with the advertising for Mercedes-Benz diesel vehicles.

In Germany, a large number of customers of diesel vehicles have filed claims for damages or the reversal of purchase agreements. They contend that the vehicles are equipped with impermissible defeat devices and/or report impermissibly high emission or consumptions figures.

Furthermore, investors in Germany have filed claims on account of the alleged violation of disclosure requirements. The investors contend among other things that Daimler failed to publish insider knowledge in connection with the emissions behavior of its Mercedes-Benz diesel vehicles immediately, with the consequence that the share purchase price would have been lower if Daimler had reported in accordance with its obligations.

b) Diesel emission behavior: administrative proceedings in the Cars/Vans segment

Various federal and state authorities and further institutions worldwide are proceeding actively against Daimler in the form of inquiries, investigations, proceedings and/or directives. These activities relate in particular to test results and emission control systems in Mercedes-Benz-diesel vehicles and/or Daimler's interaction with the relevant authorities and related legal questions and implications, for instance also under applicable environmental, criminal and antitrust law.

c) Actions for damages in connection with antitrust proceedings in the Trucks division

Following the imposition of a fine by the European Commission against Daimler AG and other truck manufacturers in July 2016, truck customers have raised damage claims against Daimler AG.

Daimler recognized provisions for legal proceedings as of December 31, 2020. The recognition of provisions for legal proceedings is conditional on the existence of a present external obligation, which will probably lead to an outflow of resources embodying economic benefits and can be reliably estimated. The provision is thereby determined in accordance with the best possible estimate of the settlement amount. The recognition and measurement of the recognized provisions for legal proceedings are based on discretionary assessments and assumptions of the legal representatives.

The risk for the consolidated financial statements is that provisions for legal proceedings are not set up or are inadequate.

Our Audit Approach
Our audit procedures comprised firstly an evaluation of the process established by the Company to ensure the recording of the risks, the estimation of the outcome of the proceedings and the reflection in the financial statements of the legal proceedings. Secondly, we held discussions with the internal legal department and with further departments familiar with the matters under dispute and the Company's external advisors and attorneys, in order to obtain explanations on the developments and the reasons that had led to the respective estimations. In addition, we evaluated the underlying documents and minutes and the calculations for the respective provisions. The assessments of the legal representatives regarding the developments in the areas referred to were made available to us by the Company in writing. As of the reporting date, assessments were available from external attorneys on the relevant proceedings, which support the assessment of the risks by the legal representatives.

Where agreement has been reached in the meantime regarding individual matters, we compared the amounts originally estimated with the final obligations and in this way obtained an impression of the quality of the estimates.

Finally, we evaluated the appropriateness of the description of the aforementioned legal proceedings in the notes to the consolidated financial statements.

Our Observations
The discretionary assessments and assumptions of the legal representatives are appropriate.

Other information
The legal representatives and the Supervisory Board are responsible for the other information. The other information comprises the following elements of the combined management report, the content of which we have not audited:

- the combined declaration on corporate management, which is referred to in the combined management report.

The other information comprises in addition the remaining parts of the annual report.

The other information does not comprise the consolidated financial statements, the audited disclosures in the management report and our related auditor's report.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, the audited disclosures in the management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Legal Representatives and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e paragraph 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the legal representatives are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group`s position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group`s financial reporting process for the preparation of the consolidated financial statements and the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group´s position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee, that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. 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 consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, 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 opinions. 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 of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report 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 these systems.

- evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- conclude on the appropriateness of the use by the legal representatives 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 Group`s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. 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 Group to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e paragraph 1 HGB.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with (German) law, and the view of the Group's position it provides.

- perform audit procedures on the prospective information presented by the legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless laws or other legal regulations preclude public disclosure of the matter.

Other Legal and Regulatory Requirements

Report on the Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes
We have performed assurance work in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the combined management report (hereinafter the »ESEF documents«) contained in the file that can be downloaded by the issuer from the electronic client portal with access protection „daimlerag.zip" (SHA256-Hashwert: f5054db4d7965f8018df22676d38cc4454eeaa305ad27e5691b8e87d5e10817a) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format (»ESEF format«). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from January 1 to December 31, 2020 contained in the »Report on the Audit of the Consolidated Financial Statements and the Combined Management Report« above.

We conducted our assurance work on the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the company's management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The company's management is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited combined management report as well as other documents to be published to the operator of the German Federal Gazette (Bundesanzeiger).

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited combined management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the Annual Shareholders' Meeting on July 8, 2020. We were engaged by the Supervisory Board on July 8, 2020. We have been the group auditor of Daimler AG without interruption since the financial year 1998.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Dr. Axel Thümler.

Stuttgart, February 17, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft
(Original German version signed by:)

Sailer	Dr. Thümler
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Ten-Year Summary

E.01

	2011	2012	2013	2014	2015	2016	2017[4]	2018	2019	2020
€ amounts in millions										
From the statements of income										
Revenue	106,540	114,297	117,982	129,872	149,467	153,261	164,154	167,362	172,745	**154,309**
Personnel expenses[1]	17,424	18,002	18,753	19,607	20,949	21,141	22,186	22,432	22,657	**21,848**
Research and development expenditure[2]	5,634	5,644	5,489	5,680	6,564	7,572	8,711	9,107	9,662	**8,614**
thereof capitalized	1,460	1,465	1,284	1,148	1,804	2,315	2,773	2,526	3,076	**2,498**
EBIT[1]	8,755	8,820	10,815	10,752	13,186	12,902	14,348	11,132	4,313	**6,603**
Operating margin (%)[1]	8.2	7.7	9.2	8.3	8.8	8.4	8.7	6.7	2.5	**4.3**
Profit (loss) before income taxes[1]	8,449	8,116	10,139	10,173	12,744	12,574	13,967	10,595	3,830	**6,339**
Net operating profit (loss)[1]	6,240	7,302	9,173	7,678	9,007	9,007	10,880	7,963	3,057	**4,199**
as % of net assets (RONA)[1, 3]	19.9	19.6	22.6	18.8	20.1	19.1	22.5	14.8	4.8	**7.0**
Net profit (loss)[1]	6,029	6,830	8,720	7,290	8,711	8,784	10,617	7,582	2,709	**4,009**
Net profit (loss) per share (€)[1]	5.32	6.02	6.40	6.51	7.87	7.97	9.61	6.78	2.22	**3.39**
Diluted net profit (loss) per share (€)[1]	5.31	6.02	6.40	6.51	7.87	7.97	9.61	6.78	2.22	**3.39**
Total dividend	2,346	2,349	2,407	2,621	3,477	3,477	3,905	3,477	963	**1,444**
Dividend per share (€)	2.20	2.20	2.25	2.45	3.25	3.25	3.65	3.25	0.90	**1.35**
From the statements of financial position										
Property, plant and equipment	19,180	20,599	21,779	23,182	24,322	26,381	27,981	30,948	37,143	**35,246**
Leased equipment	22,811	26,058	28,160	33,050	38,942	46,942	47,074	49,476	51,482	**47,552**
Other non-current assets[1]	45,023	48,947	48,138	56,258	62,055	67,613	73,394	79,582	86,013	**87,675**
Inventories	17,081	17,720	17,349	20,864	23,760	25,384	25,686	29,489	29,757	**26,444**
Liquid assets	9,576	10,996	11,053	9,667	9,936	10,981	12,072	15,853	18,883	**23,048**
Other current assets	34,461	38,742	42,039	46,614	58,151	65,687	69,138	76,271	79,160	**65,772**
Total assets[1]	148,132	163,062	168,518	189,635	217,166	242,988	255,345	281,619	302,438	**285,737**
Shareholders' equity[1]	41,337	39,330	43,363	44,584	54,624	59,133	65,159	66,053	62,841	**62,248**
thereof share capital	3,060	3,063	3,069	3,070	3,070	3,070	3,070	3,070	3,070	**3,070**
Equity ratio Group (%)[1]	26.3	22.7	24.3	22.1	23.6	22.9	24.0	22.2	20.5	**21.8**
Equity ratio industrial business (%)[1]	46.4	39.8	43.4	40.8	44.2	44.7	46.4	42.8	36.7	**38.5**
Non-current liabilities[1]	51,940	65,016	66,047	78,077	85,461	99,398	102,562	117,614	133,795	**123,680**
Current liabilities[1]	54,855	58,716	59,108	66,974	77,081	84,457	87,624	97,952	105,802	**99,809**
Net liquidity industrial business	11,981	11,508	13,834	16,953	18,580	19,737	16,597	16,288	10,997	**17,855**
Net assets (average)[1, 3]	31,426	37,521	40,648	40,779	44,796	47,054	48,446	53,809	63,782	**59,869**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
€ amounts in millions										
From the statements of cash flows										
Investments in property, plant and equipment	4,158	4,827	4,975	4,844	5,075	5,889	6,744	7,534	7,199	**5,741**
Depreciation and amortization	3,575	4,067	4,368	4,999	5,384	5,478	5,676	6,305	7,751	**8,957**
Cash provided by (used for) operating activities	-696	-1,100	3,285	-1,274	222	3,711	-1,652	343	7,888	**22,332**
Cash provided by (used for) investing activities	-6,537	-8,864	-6,829	-2,709	-9,722	-14,666	-9,518	-9,921	-10,607	**-6,421**
Cash provided by (used for) financing activities	5,842	11,506	3,855	2,274	9,631	12,009	13,129	13,226	5,628	**-10,747**
Free cash flow of the industrial business	989	1,452	4,842	5,479	3,960	3,874	2,005	2,898	1,368	**8,259**
From the stock exchanges										
Share price at year-end (€)	33.92	41.32	62.90	68.97	77.58	70.72	70.80	45.91	49.37	**57.79**
Average shares outstanding (in millions)	1,066.0	1,066.8	1,068.8	1,069.8	1,069.8	1,069.8	1,069.8	1,069.8	1,069.8	**1,069.8**
Average diluted shares outstanding (in millions)	1,067.1	1,067.1	1,069.1	1,069.8	1,069.8	1,069.8	1,069.8	1,069.8	1,069.8	**1,069.8**
Ratings										
Credit rating, long-term										
S&P	BBB+	A-	A-	A-	A-	A	A	A	A-	**BBB+**
Moody's	A3	A3	A3	A3	A3	A3	A2	A2	A3	**A3**
Fitch	A-	A-	A-	A-	A-	A-	A-	A-	A-	**BBB+**
DBRS	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)	A	A	A	**BBB (high)**
Scope	–	–	–	–	–	–	A	A	A	**A**
Average annual number of employees	267,274	274,605	275,384	279,857	284,562	284,957	289,530	298,465	301,839	**293,138**

1 The figures for the year 2012 have been adjusted, primarily due to effects arising from application of the amended version of IAS 19.
2 The figure for the year 2013 has been adjusted due to reclassifications within functional costs.
3 In the context of fine tuning the performance measurement system, the definition of net assets has been adjusted with retroactive effect as of 2015.
4 Several figures for the year 2017 have been adjusted due to the effects of first-time adoption of IFRS 15 and IFRS 9.

Internet, Information, Financial Calendar

Information on the Internet
Specific information on our shares and earnings development can be found on our website daimler.com in the Investors section. The Group's annual and interim reports and the company financial statements of Daimler AG can be accessed there. You can also find topical reports, presentations, an overview of various key figures, information on our share price and other services.

daimler.com/investors

Daimler AG has ceased printing annual and interim reports and company financial statements for reasons of sustainability. It is also no longer possible to order copies of previous years' reports. Effective immediately, all annual and interim reports are only available online and as PDF files to download.

daimler.com/ir/reports
daimler.com/downloads/en

Financial Calendar 2021

Annual Shareholders' Meeting 2021
March 31, 2021

Interim Report Q1 2021
April 23, 2021

Interim Report Q2 2021
July 21, 2021

Interim Report Q3 2021
October 21, 2021

As changes to the above dates cannot be ruled out, it is advisable to check on our website a short time in advance.

daimler.com/ir/calendar

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