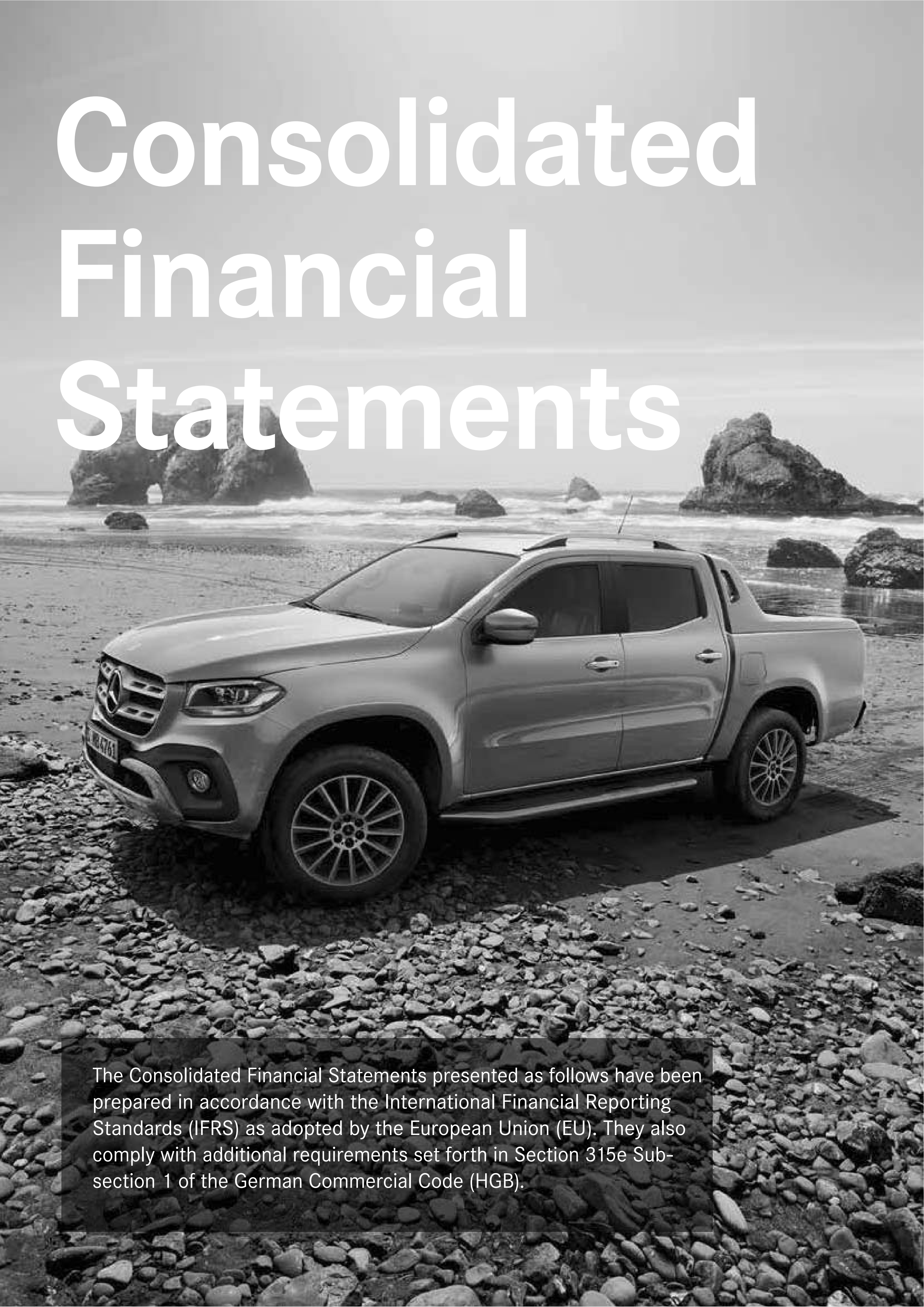
Consolidated Financial Statements



The Consolidated Financial Statements presented as follows have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). They also comply with additional requirements set forth in Section 315e Subsection 1 of the German Commercial Code (HGB).

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Consolidated Statement of Income

F.01

	Note	2018	2017 (adjusted)[1]
In millions of euros			
Revenue	4	167,362	164,154
Cost of sales	5	-134,295	-129,626
Gross profit		33,067	34,528
Selling expenses	5	-13,067	-12,951
General administrative expenses	5	-4,036	-3,808
Research and non-capitalized development costs	5	-6,581	-5,938
Other operating income	6	2,330	2,259
Other operating expense	6	-1,462	-1,043
Profit on equity-method investments, net	13	656	1,498
Other financial income/expense, net	7	210	-210
Interest income	8	271	214
Interest expense	8	-793	-582
Profit before income taxes[2]		10,595	13,967
Income taxes	9	-3,013	-3,350
Net profit		7,582	10,617
thereof profit attributable to non-controlling interests		333	339
thereof profit attributable to shareholders of Daimler AG		7,249	10,278
Earnings per share (in euros) for profit attributable to shareholders of Daimler AG	36		
Basic		6.78	9.61
Diluted		6.78	9.61

1 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9.
Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Consolidated Financial Statements.
2 The reconciliation of Group EBIT to profit before income taxes is presented in Note 34.

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

Consolidated Statement of Comprehensive Income/Loss[1]

F.02

	Daimler Group 2018	Shareholders of Daimler AG 2018	Non-controlling interests 2018	Daimler Group 2017 (adjusted)[2]	Shareholders of Daimler AG 2017 (adjusted)[2]	Non-controlling interests 2017
In millions of euros						
Net profit	7,582	7,249	333	10,617	10,278	339
Currency translation adjustments	234	214	20	-2,652	-2,584	-68
Equity instruments and debt instruments						
Unrealized gains/losses (pre-tax)	-45	-44	-1	18	17	1
Reclassifications to profit and loss (pre-tax)	–	–	–	-1	-1	–
Taxes on unrealized gains/losses and on reclassifications	21	21	–	-3	-3	–
Equity instruments and debt instruments (after tax)	-24	-23	-1	14	13	1
Derivative financial instruments						
Unrealized gains/losses (pre-tax)	-1,080	-1,081	1	2,419	2,423	-4
Reclassifications to profit and loss (pre-tax)	-722	-722	–	44	44	–
Taxes on unrealized gains/losses and on reclassifications	537	537	–	-735	-736	1
Derivative financial instruments (after tax)	-1,265	-1,266	1	1,728	1,731	-3
Equity-method investments						
Unrealized gains/losses (pre-tax)	-3	-3	–	25	25	–
Taxes on unrealized gains/losses and on reclassifications	-1	-1	–	–	–	–
Equity-method investments (after tax)	-4	-4	–	25	25	–
Items that may be reclassified to profit/loss	-1,059	-1,079	20	-885	-815	-70
Actuarial gains/losses on equity-method investments (pre-tax)	-1	-1	–	–	–	–
Actuarial gains/losses on equity-method investments (after tax)	-1	-1	–	–	–	–
Actuarial gains/losses from pensions and similar obligations (pre-tax)	-1,627	-1,625	-2	-108	-106	-2
Taxes on actuarial gains/losses from pensions and similar obligations	171	171	–	-19	-19	–
Actuarial gains/losses from pensions and similar obligations (after tax)	-1,456	-1,454	-2	-127	-125	-2
Items that will not be reclassified to profit/loss	-1,457	-1,455	-2	-127	-125	-2
Other comprehensive income/loss, net of taxes	-2,516	-2,534	18	-1,012	-940	-72
Total comprehensive income	5,066	4,715	351	9,605	9,338	267

1 See Note 20 for other information on comprehensive income/loss.
2 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9. Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Consolidated Financial Statements.

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

Consolidated Statement of Financial Position

F.03

	Note	2018	At December 31, 2017 (adjusted)[1]
In millions of euros			
Assets			
Intangible assets	10	14,801	13,735
Property, plant and equipment	11	30,948	27,981
Equipment on operating leases	12	49,476	47,074
Equity-method investments	13	4,860	4,818
Receivables from financial services	14	51,300	46,600
Marketable debt securities and similar investments	15	722	990
Other financial assets	16	2,763	3,204
Deferred tax assets	9	4,021	2,844
Other assets	17	1,115	1,203
Total non-current assets		160,006	148,449
Inventories	18	29,489	25,686
Trade receivables	19	12,586	11,995
Receivables from financial services	14	45,440	39,454
Cash and cash equivalents		15,853	12,072
Marketable debt securities and similar investments	15	8,855	9,073
Other financial assets	16	2,970	3,602
Other assets	17	5,889	5,014
Assets held for sale		531	–
Total current assets		121,613	106,896
Total assets		281,619	255,345
Equity and liabilities			
Share capital		3,070	3,070
Capital reserves		11,710	11,742
Retained earnings		49,490	47,553
Other reserves		397	1,504
Equity attributable to shareholders of Daimler AG		64,667	63,869
Non-controlling interests		1,386	1,290
Total equity	20	66,053	65,159
Provisions for pensions and similar obligations	22	7,393	5,767
Provisions for income taxes		628	1,046
Provisions for other risks	23	7,734	7,143
Financing liabilities	24	88,662	78,378
Other financial liabilities	25	2,375	2,370
Deferred tax liabilities	9	3,762	2,347
Deferred income	26	1,612	1,668
Contract and refund liabilities	27	5,438	3,833
Other liabilities	28	10	10
Total non-current liabilities		117,614	102,562
Trade payables		14,185	12,451
Provisions for income taxes		823	560
Provisions for other risks	23	7,828	7,620
Financing liabilities	24	56,240	48,746
Other financial liabilities	25	7,657	6,905
Deferred income	26	1,580	1,528
Contract and refund liabilities	27	7,081	7,375
Other liabilities	28	2,346	2,439
Liabilities held for sale		212	–
Total current liabilities		97,952	87,624
Total equity and liabilities		281,619	255,345

1 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9.
Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Consolidated Financial Statements.

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

Consolidated Statement of Cash Flows[1]

F.04

	2018	2017 (adjusted)[2]
In millions of euros		
Profit before income taxes	10,595	13,967
Depreciation and amortization/impairments	6,305	5,676
Other non-cash expense and income	-872	-1,507
Gains (-)/losses (+) on disposals of assets	-178	-453
Change in operating assets and liabilities		
Inventories	-3,850	-1,455
Trade receivables	-884	-1,597
Trade payables	1,694	1,259
Receivables from financial services	-10,257	-11,412
Vehicles on operating leases	-1,609	-3,304
Other operating assets and liabilities	877	210
Dividends received from equity-method investments	1,380	843
Income taxes paid	-2,858	-3,879
Cash used for/provided by operating activities	343	-1,652
Additions to property, plant and equipment	-7,534	-6,744
Additions to intangible assets	-3,167	-3,414
Proceeds from disposals of property, plant and equipment and intangible assets	644	812
Investments in shareholdings	-780	-1,105
Proceeds from disposals of shareholdings	363	418
Acquisition of marketable debt securities and similar investments	-5,739	-6,729
Proceeds from sales of marketable debt securities and similar investments	6,210	7,266
Other	82	-22
Cash used for investing activities	-9,921	-9,518
Change in short-term financing liabilities	2,637	751
Additions to long-term financing liabilities	71,137	63,116
Repayment of long-term financing liabilities	-56,318	-47,073
Dividend paid to shareholders of Daimler AG	-3,905	-3,477
Dividends paid to non-controlling interests	-315	-250
Proceeds from the issue of share capital	118	114
Acquisition of treasury shares	-50	-42
Acquisition of non-controlling interests in subsidiaries	-78	-10
Cash provided by financing activities	13,226	13,129
Effect of foreign exchange rate changes on cash and cash equivalents	133	-868
Net increase in cash and cash equivalents	3,781	1,091
Cash and cash equivalents at beginning of period	12,072	10,981
Cash and cash equivalents at end of period	15,853	12,072

1 See Note 29 for other information on Consolidated Statements of Cash Flows.
2 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9.
Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Consolidated Financial Statements.

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

Consolidated Statement of Changes in Equity[1]

F.05

In millions of euros	Share capital	Capital reserves	Retained earnings[2]	Currency translation	Equity instruments/ debt instruments
Balance at January 1, 2017	3,070	11,744	40,794	2,842	53
First-time adoption of IFRS 15	–	–	95	–	–
First-time adoption of IFRS 9	–	–	23	–	–
Balance at January 1, 2017 (adjusted)[3]	3,070	11,744	40,912	2,842	53
Net profit	–	–	10,278	–	–
Other comprehensive income/loss before taxes	–	–	-106	-2,584	16
Deferred taxes on other comprehensive income	–	–	-19	–	-3
Total comprehensive income/loss	–	–	10,153	-2,584	13
Dividends	–	–	-3,477	–	–
Changes in the consolidated group	–	–	-35	–	–
Capital increase/Issue of new shares	–	–	–	–	–
Acquisition of treasury shares	–	–	–	–	–
Issue and disposal of treasury shares	–	–	–	–	–
Changes in ownership interests in subsidiaries	–	5	–	–	–
Other	–	-7	–	–	–
Balance at December 31, 2017	3,070	11,742	47,553	258	66
Balance at January 1, 2018	**3,070**	**11,742**	**47,553**	**258**	**66**
First-time adoption of IFRS 9	–	–	**2**	–	**-28**
Balance at January 1, 2018 (adjusted)[3]	**3,070**	**11,742**	**47,555**	**258**	**38**
Net profit	–	–	**7,249**	–	–
Other comprehensive income/loss before taxes	–	–	**-1,626**	**214**	**-44**
Deferred taxes on other comprehensive income	–	–	**171**	–	**21**
Total comprehensive income/loss	–	–	**5,794**	**214**	**-23**
Dividends	–	–	**-3,905**	–	–
Capital increase/Issue of new shares	–	–	–	–	–
Acquisition of treasury shares	–	–	–	–	–
Issue and disposal of treasury shares	–	–	–	–	–
Changes in ownership interests in subsidiaries	–	**-32**	–	–	–
Other	–	–	**46**	–	–
Balance at December 31, 2018	**3,070**	**11,710**	**49,490**	**472**	**15**

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.
Actuarial losses from pensions and similar obligations amount to 9,017 net of tax in 2018 (2017: €7,562 million net of tax).
3 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9.
Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Consolidated Financial Statements.

Derivative financial instruments	Other reserves items that may be reclassified in profit/loss Share of investments accounted for using the equity method	Treasury share	**Equity attributable to shareholders of Daimler AG**	Non-controlling interests	**Total equity**	
						In millions of euros
-537	-16	–	57,950	1,183	59,133	**Balance at January 1, 2017**
–	–	–	95	–	95	First-time adoption of IFRS 15
-23	–	–	–	–	–	First-time adoption of IFRS 9
-560	-16	–	58,045	1,183	59,228	**Balance at January 1, 2017 (adjusted)[3]**
–	–	–	10,278	339	10,617	Net profit
2,467	25	–	-182	-73	-255	Other comprehensive income/loss before taxes
-736	–	–	-758	1	-757	Deferred taxes on other comprehensive income
1,731	25	–	9,338	267	9,605	Total comprehensive income/loss
–	–	–	-3,477	-250	-3,727	Dividends
–	–	–	-35	–	-35	Changes in the consolidated group
–	–	–	–	56	56	Capital increase/Issue of new shares
–	–	-42	-42	–	-42	Acquisition of treasury shares
–	–	42	42	–	42	Issue and disposal of treasury shares
–	–	–	5	24	29	Changes in ownership interests in subsidiaries
–	–	–	-7	10	3	Other
1,171	9	–	63,869	1,290	65,159	**Balance at December 31, 2017**
1,171	9	–	63,869	1,290	65,159	**Balance at January 1, 2018**
–	–	–	-26	-8	-34	First-time adoption of IFRS 9
1,171	9	–	63,843	1,282	65,125	**Balance at January 1, 2018 (adjusted)[3]**
–	–	–	7,249	333	7,582	Net profit
-1,803	-3	–	-3,262	18	-3,244	Other comprehensive income/loss before taxes
537	-1	–	728	–	728	Deferred taxes on other comprehensive income
-1,266	-4	–	4,715	351	5,066	Total comprehensive income/loss
–	–	–	-3,905	-315	-4,220	Dividends
–	–	–	–	80	80	Capital increase/Issue of new shares
–	–	-50	-50	–	-50	Acquisition of treasury shares
–	–	50	50	–	50	Issue and disposal of treasury shares
–	–	–	-32	-13	-45	Changes in ownership interests in subsidiaries
–	–	–	46	1	47	Other
-95	5	–	64,667	1,386	66,053	**Balance at December 31, 2018**

Notes to the Consolidated Financial Statements

1. Significant accounting policies

General information

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 137, 70327 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 authorized the Consolidated Financial Statements for publication on February 13, 2019.

Basis of preparation

Applied IFRSs
The accounting policies applied in the Consolidated Financial Statements comply with the IFRSs required to be applied in the EU as of December 31, 2018.

IFRSs issued, EU endorsed and initially adopted in the reporting period

Application of IFRS 15 Revenue from Contracts with Customers. In May 2014, the IASB published the standard IFRS 15. It replaces existing guidance for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The new standard lays down a comprehensive framework for determining in which amount and at which date revenue is recognized. The new standard specifies a uniform, five-step model for revenue recognition, which is generally to be applied to all contracts with customers.

Daimler applies IFRS 15 for the first time for the financial year beginning on January 1, 2018. First-time adoption has been conducted retrospectively. The figures reported for the previous year have been adjusted by the effects arising from the adoption of IFRS 15.

Daimler uses the following practical expedients available under IFRS 15 for retrospective first-time adoption:

– Contracts concluded until December 31, 2016 (in application of previously relevant accounting standards) were not reassessed under IFRS 15. Due to the application of this practical expedient, profit decreased especially in Q1 2017 in comparison to full retrospective adoption. The impact on the Group's profitability, liquidity and capital resources or financial position is assessed to be not material.

– Contracts that were modified before January 1, 2017 have not been reassessed pursuant to the provisions of IFRS 15 for contract modifications. The application of this practical expedient did not have any major impact on the Group's profitability, liquidity and capital resources or financial position.

– At December 31, 2017, the amount of the transaction price allocated to the remaining performance obligations is not disclosed and an explanation of when that amount is expected to be recognized as revenue is not given.

First-time adoption of IFRS 15 particularly affects Daimler in the following areas:

Contract liabilities. IFRS 15 includes guidance on the presentation of contract fulfillment and contract obligations. These are assets and liabilities from contracts with customers which arise dependent on the relationship between the entity's performance and the customer's payment. Therefore, 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.

The guidance led to reclassifications in the Statement of Financial Position from deferred income and other liabilities into contract liabilities.

Contract liabilities occur at Daimler especially in the following circumstances:

- deferred revenue for service and maintenance contracts and for extended warranties, and
- advance payments received on contracts in the scope of IFRS 15.

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.

This guidance led to reclassifications in the Statement of Financial Position from provisions for other risks and other financial liabilities into refund liabilities.

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 a right of return and residual-value guarantees.

Sale of vehicles for which the Group enters into a repurchase obligation. IFRS 15 differentiates between three forms of repurchase agreements: a forward (an entity's obligation to repurchase the asset), a call option (an entity's right to repurchase the asset) and a put option (an entity's obligation to repurchase the asset at the customer's request). The latter can lead to accounting changes since under IFRS 15, such vehicle sales might necessitate the reporting of a sale with the right of return. Such transactions have so far been reported as operating leases.

Sale of vehicles with a residual-value guarantee. Under IFRS 15, arrangements such as when an entity provides its customer with a guaranteed minimum resale value that he receives on resale do not constraint the customer in its 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 an entity therefore has to recognize revenue. However, a potential compensation payment to the customer has to be considered (revenue deferral). Such transactions have so far been reported as operating leases.

Accounting of contract manufacturing. 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.

Date of recognition of sales incentives. Under IFRS 15, obligations from sales transactions are presented by Daimler as refund liabilities. Obligations from sales transactions which have previously been accounted for as a provision might necessitate earlier recognition as refund liabilities under IFRS 15 due to different recognition principles.

Due to clarifications of IFRS 15 regarding the scope of application and the accounting of licenses, income from licenses has been reclassified from other operating income to revenue.

Table ↗ **F.06** shows the effects of the application of IFRS 15 and IFRS 9 (as far as the effects relate to non-designated components of derivatives) on the Consolidated Statement of Income for the year 2017.

F.06

Effects from the application of IFRS 15 and IFRS 9 on the Consolidated Statement of Income

	2017
In millions of euros	
Revenue	-176
Cost of sales	373
Selling expenses	14
General administrative expenses	1
Other operating income	-565
Other operating expense	-1
Other financial income/expense, net[1]	20
Income taxes	87
Net profit	**-247**

1 Exclusively from the first-time adoption of IFRS 9. Resulting from the deferral of profits and losses relating to non-designated components of derivatives in other comprehensive income.

The effects on the line items of the Consolidated Statement of Financial Position at January 1, 2017 as well as at December 31, 2017 are presented in table ↗ F.07.

Basic and diluted earnings per share decrease by €0.23 in 2017.

Application of IFRS 9 Financial Instruments. Daimler applies IFRS 9 initially for reporting periods beginning on and after January 1, 2018. Initial application is made retrospectively. In accordance with the transition requirements, Daimler chose to present prior periods in accordance with IAS 39. As an exception, the transition for recognition of fair-value changes of certain non-designated components of derivatives through other comprehensive income is to be applied retrospectively to the comparative figures.

Initial application of IFRS 9 leads to the following major changes:

Financial assets. IFRS 9 introduces a comprehensive classification model for financial assets that classifies financial assets into three categories: financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. Under IAS 39, financial assets were classified as loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss.

F.07

Effects from the application of IFRS 15 on the Consolidated Statement of Financial Position

	Dec. 31, 2017	Jan. 1, 2017
In millions of euros		
Assets		
Equipment on operating leases	-640	-264
Trade receivables	5	2
Receivables from financial services	267	–
Other financial assets	5	14
Deferred tax assets	-9	-35
Other assets	112	63
Total assets	-260	-220
Equity and liabilities		
Total equity	-155	95
Trade payables	-23	-1
Provisions for other risks	-2,481	-2,663
Other financial liabilities	-2,247	-1,955
Deferred tax liabilities	-55	4
Deferred income	-6,274	-5,820
Contract and refund liabilities	11,208	10,328
Other liabilities	-233	-208
Total equity and liabilities	-260	-220

Financial assets that give rise to cash flows consisting only of payments of principal and interest are classified in accordance with Daimler's business model for holding these instruments. Financial assets that are held in a business model with the objective to hold them until maturity and collect the contractual cash flows are measured at amortized cost. These business models are managed principally based on interest-rate structure and credit risk. If the business model comprises the intention to hold the financial assets to collect the contractual cash flows but expects to sell these financial assets if this is necessary, e.g. to fulfill a specific need for liquidity, then these instruments are measured at fair value through other comprehensive income. Financial assets that have only cash flows of principal and interest but are not held within one of the business models described above are measured at fair value through profit or loss.

Financial assets that contain cash flows other than those of principal and interest, such as interests in money-market funds or derivatives including separated embedded derivatives, are measured at fair value through profit or loss. For equity instruments, IFRS 9 optionally allows measurement at fair value through other comprehensive income. Daimler elects to measure equity instruments at fair value through other comprehensive income on an instrument by instrument basis. When these equity instruments are sold or written off, any unrealized gains and losses on these equity instruments are reclassified to retained earnings and not presented within profit or loss. Under IAS 39 equity instruments were classified as available for sale. Unrealized gains and losses and impairments were shown in the statement of income when the instruments were derecognized. These equity instruments are shown within other financial assets.

Trade receivables and receivables from financial services are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They were categorized as loans and receivables under IAS 39 and therefore measured at amortized cost. All of these instruments are categorized as measured at amortized cost using the effective interest rate method.

Marketable debt securities are non-derivative financial assets that were not classified in any of the other categories and therefore were categorized as available for sale under IAS 39 and measured at fair value through other comprehensive income. Within marketable debt securities and similar investments, except for interests in money-market funds, marketable debt securities are categorized as measured at fair value through other comprehensive income under IFRS 9, while similar investments are measured at amortized cost.

Impairment model based on expected credit losses. IFRS 9 introduces the expected credit loss impairment approach to be applied on all financial assets (debt instruments) at amortized cost or at fair value through other comprehensive income. Under IAS 39, these instruments were assessed to determine whether there has been objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment. For quoted equity instruments, a significant or prolonged decline in fair value was additional objective evidence of possible impairment. Incurred losses were recognized as an impairment of financial assets. Under IFRS 9 the new approach takes projections of the future into consideration. The expected credit-loss approach uses three stages for allocating impairment losses:

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.

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 expected credit losses for all trade receivables are initially measured over the lifetime of the instrument.

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. Under IAS 39, the amount of the loss on loans and receivables was the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding expected future credit losses not yet incurred), discounted at the financial asset's original effective interest rate. For available-for-sale financial assets, an amount previously recognized in other comprehensive income equal to the difference between cost of acquisition (net of any principal repayments and amortization) and the current fair value less any impairment loss on that financial asset previously recognized in profit or loss was recognized in the statement of income.

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 (base case, adverse and optimistic scenarios).

F.08
First-time adoption effects of IFRS 9 on equity

In millions of euros	
Retained earnings	
Balance at December 31, 2017 according to IAS 39	47,553
Change in credit risk for financial instruments	-52
Reclassification of impairments of equity instruments recognized through profit or loss under IAS 39	38
Adjustments from measurement of equity instruments recognized through profit or loss	16
Other effects from first-time adoption of IFRS 9	1
Deferred taxes on first-time adoption effects	-1
Balance at January 1, 2018 according to IFRS 9	47,555
Reserves for available-for-sale financial assets	
Balance at December 31, 2017 according to IAS 39	66
Reclassification in reserve for equity instruments recognized at fair value through other comprehensive income (after deferred taxes)	-44
Reclassification in reserve for debt instruments recognized at fair value through other comprehensive income (after deferred taxes)	-22
Balance at January 1, 2018 according to IFRS 9	–
Reserves for equity instruments recognized at fair value through other comprehensive income	
Balance at December 31, 2017 according to IAS 39	–
Reclassification from reserves for available-for-sale financial assets (after deferred taxes)	44
Reclassification of impairments of equity instruments recognized through profit or loss under IAS 39	-38
Deferred taxes on first-time adoption effects	6
Balance at January 1, 2018 according to IFRS 9	12
Reserves for debt instruments recognized at fair value through other comprehensive income	
Balance at December 31, 2017 according to IAS 39	–
Reclassification from reserves for available-for-sale financial assets (after deferred taxes)	22
Change in credit risk for debt instruments	4
Other effects from first-time adoption of IFRS 9	2
Deferred taxes on first-time adoption effects	-2
Balance at January 1, 2018 according to IFRS 9	26
Non-controlling interests after taxes	
Balance at December 31, 2017 according to IAS 39	1,290
Change in credit risk for financial instruments	-11
Deferred taxes on first-time adoption effects	3
Balance at January 1, 2018 according to IFRS 9	1,282

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 (e.g., that leads to a change in the present value of the contractual cash flows of 10%) leads to derecognition of 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.

Derivative financial instruments and hedge accounting. 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 an analysis shows that the economic characteristics and risks of embedded derivatives are closely related to those of the host contract. Under IAS 39, embedded derivatives were also separated if the host contract was a financial asset which was not measured at fair value through profit or loss, or the economic characteristics and risks of the embedded derivative were not closely related to those of the host contract.

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. 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. Under IAS 39, the documentation of the hedging relationship also included a description of the method used to assess hedge effectiveness. Furthermore, IAS 39 included requirements for the retrospective and prospective an assessment of hedge effectiveness with appropriate compliance with a corridor for offsetting risks from changes in the fair value or cash flows with regard to the hedged risk. Hedges were assessed as highly effective and were regularly assessed as to determine whether they were highly effective during the entire period for which they were designated.

Under IFRS 9, for cash flow hedges of volatile prices in highly probable forecast procurement transactions, designation can be made for separable risk components of these non-financial hedged items. Daimler can apply this possibility to facilitate future hedge accounting and thereby reduce ineffectiveness of hedge relationships for commodities. The option to separate risk components for these transactions was not available under IAS 39.

Under IFRS 9, 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 a hedged

F.09
Measurement categories of financial instruments

In millions of euros	Measurement categories according to IAS 39	Measurement categories according to IFRS 9	Carrying amount according to IAS 39 at Dec. 31, 2017	Carrying amount according to IFRS 9 at Jan. 1, 2018
Financial assets				
Receivables from financial services	Loans and receivables	Measured at cost	86,054	85,998
Trade receivables	Loans and receivables	Measured at cost	11,995	11,999
Cash and cash equivalents	Loans and receivables	Measured at cost	12,072	12,072
Marketable debt securities and similar investments				
Marketable debt securities recognized at fair value through other comprehensive income	Classified as available-for-sale instruments	Recognized at fair value through other comprehensive income	6,733	6,733
Marketable debt securities recognized at fair value through profit or loss	Classified as available-for-sale instruments	Recognized at fair value through profit or loss	3,130	3,130
Similar investments measured at cost	Classified as available-for-sale instruments	Measured at cost	200	200
Other financial assets				
Equity instruments and debt instruments				
Equity instruments recognized at fair value through other comprehensive income	Classified as available-for-sale instruments	Recognized at fair value through other comprehensive income	173	173
Equity instruments and debt instruments recognized at fair value through profit or loss	Classified as available-for-sale instruments	Recognized at fair value through profit or loss	211	227
Financial assets recognized at fair value through profit or loss	Recognized at fair value through profit or loss	Recognized at fair value through profit or loss	82	82
Other receivables and financial assets	Loans and receivables	Measured at cost	3,172	3,168
			123,822	123,782
Financial liabilities				
Financing liabilities	Measured at cost	Measured at cost	127,124	127,121
Trade payables	Measured at cost	Measured at cost	12,451	12,451
Financial liabilities recognized at fair value through profit or loss	Recognized at fair value through profit or loss	Recognized at fair value through profit or loss	111	111
Other financial liabilities	Measured at cost	Measured at cost	8,468	8,471
			148,154	148,154

forecast transaction results in the recognition of a non-financial asset or non-financial liability. No respective adjustment of initial cost of acquisition was made under IAS 39.

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 applies for example to the fair value of options or cross currency basis spread. It was possible to separate the time value of the options also under IAS 39, but was subject to the recognition of changes in fair value through profit or loss.

Table ↗ **F.08** shows the effects on the components of equity from first-time adoption of IFRS 9.

The original measurement categories and carrying amounts of financial instruments according to IAS 39 as well as the new measurement categories and carrying amounts of financial instruments according to IFRS 9 are summarized in table ↗ **F.09**.

Table ↗ **F.10** shows the reconciliation of the carrying amounts of financial instruments according to IAS 39 at December 31, 2017 to the carrying amounts according to IFRS 9 at January 1, 2018.

F.10
Reconciliation of carrying amounts (IAS 39 to IFRS 9)

In millions of euros	Carrying amount according to IAS 39 at Dec. 31, 2017	Reclassification effects	Remeasurement effects	Carrying amount according to IFRS 9 at Jan. 1, 2018
Financial instruments measured at cost				
Receivables from financial services	86,054	–	-56	85,998
Trade receivables	11,995	–	4	11,999
Cash and cash equivalents	12,072	–	–	12,072
Marketable debt securities and similar investments	–	200	–	200
Other receivables and financial assets	3,172	–	-4	3,168
	113,293	200	-56	113,437
Available-for-sale financial assets				
Marketable debt securities and similar investments	10,063	-10,063	–	–
Equity instruments recognized at fair value	384	-384	–	–
	10,447	-10,447	–	–
Financial assets recognized at fair value through other comprehensive income				
Marketable debt securities and similar investments	–	6,733	–	6,733
Equity instruments	–	173	–	173
	–	6,906	–	6,906
Financial assets recognized at fair value through profit or loss				
Marketable debt securities and similar investments	–	3,130	–	3,130
Equity instruments and debt instruments	–	211	16	227
	–	3,341	16	3,357

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

IFRSs issued, EU endorsed and not yet adopted

In January 2016, the IASB published **IFRS 16 Leases**, replacing IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease and other interpretations. IFRS 16 abolishes for lessees the previous classification of leasing agreements as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model, requiring **lessees** to recognize assets for the right to use as well as leasing liabilities for the outstanding lease payments. This means that leases that were previously not reported in the Statement of Financial Position will have to be reported in the future – very similar to the current accounting of finance leases.

According to IFRS 16 a lessee may elect, for leases with a lease term of 12 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 will apply both recognition exemptions. The lease payments associated with those leases are recognized as an expense on either a straight-line basis over the lease term or another systematic basis.

Right-of-use assets are measured at cost less any accumulated depreciation and if necessary any accumulated impairment. The cost of a right-of-use asset comprise the present value of the outstanding lease payments, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, Daimler also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments. 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.

Lease liabilities, which are assigned to financing liabilities are measured initially at the present value of the lease payments less any lease payments made before that date. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (by not affecting net income) the carrying amount to reflect the lease payments made.

According to IFRS 16 the depreciation of the right-of-use is recognized within functional costs. The interest due on the lease liability is a component of interest expense. The lease expenses of leases classified according to IAS 17 as operating leases are fully recognized within functional costs.

Lease accounting for **lessors** has been taken over almost identically from IAS 17 into IFRS 16.

IFRS 16 is to be applied to annual reporting periods beginning on or after January 1, 2019; early adoption is permitted if IFRS 15 is already applied. Daimler will apply IFRS 16 for the first time for the financial year beginning on January 1, 2019. In compliance with the transition regulations, Daimler will not adjust the prior-year figures and will present the accumulated transitional effects in retained earnings.

Daimler as lessee will use following practical expedients of IFRS 16 at the date of initial application:

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

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

- Regardless of their original lease term, leases for which the lease term ends latest on December 31, 2019 are recognized as short-term leases;

- At the date of initial application, the measurement of a right-of-use asset excludes the initial direct costs; and

- Hindsight is considered when determining the lease term if the contract contains options to extend or terminate the lease.

Based on the Group-wide preparations for implementation of IFRS 16, the effect of the first-time application of IFRS 16 will be that right-of-use assets and lease liabilities will probably be recognized at an amount of €3.5 billion in the Consolidated Statement of Financial Position. At the date of initial application, retained earnings will be adjusted only insignificantly. In the year 2019, we do not expect the effect on Group EBIT to be material.

IFRSs issued but neither EU endorsed nor yet adopted
In May 2017, the IASB issued **IFRS 17 Insurance Contracts.** IFRS 17 replaces 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, 2021. 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 addition, further standards and interpretations have been approved which are not expected to have a material impact on the Consolidated Financial Statements.

Presentation
Presentation in the Consolidated Statement of Financial Position differentiates between current and non-current assets and liabilities. Assets and liabilities are classified as current if they are expected to be realized or settled within one year or within a longer and normal operating cycle. 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.

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 con-solidated. Accordingly, the assets and liabilities remain 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 intercompany 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).

Subsidiaries 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 financial position, liquidity and capital resources, and profitability 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 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 ↗ **F.11**.

Hyperinflation
To determine whether a country is to be considered as in hyperinflation, the Daimler Group refers to the list published by the International Practices Task Force (IPTF) of the Center of the Audit Quality or 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, we apply 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.

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 product is made when the customer obtains control of these products.

Dealers may finance their vehicle inventory by dealer inventory financing provided by Daimler Financial Services. Furthermore end-customers may be credit financed by Daimler Financial Services. Receivables from sales financing with end-customers and dealers are presented in receivables from financial services. Further information is provided in Note 14.

F.11
Exchange rates

	2018 USD	2018 GBP	2018 JPY	2018 CNY	2017 USD	2017 GBP	2017 JPY	2017 CNY
	1 € =	1 € =	1 € =	1 € =	1 € =	1 € =	1 € =	1 € =
Average exchange rate on December 31	1.1450	0.8945	125.8500	7.8751	1.1993	0.8872	135.0100	7.8044
Average exchange rates during the respective period								
First quarter	1.2292	0.8834	133.1700	7.8154	1.0648	0.8601	121.0100	7.3353
Second quarter	1.1918	0.8762	130.0900	7.6035	1.1021	0.8611	122.5800	7.5597
Third quarter	1.1629	0.8924	129.6100	7.9151	1.1746	0.8978	130.3500	7.8340
Fourth quarter	1.1414	0.8867	128.8200	7.8953	1.1776	0.8875	132.9100	7.7899

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 in the form of a forward (an entity's obligation to repurchase the asset) and a call option (an entity's right to repurchase the asset) are reported as operating leases.

- Sales of vehicles including a put option (an entity's obligation to repurchase the asset at the customer's request) are reported as operating leases if the customer has a significant economic incentive to exercise that right. Otherwise a sale with a right of return is reported. Daimler considers several factors when assessing whether the customer has a significant economic incentive to exercise his right. 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.

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. However, a potential compensation payment to the customer has to be considered (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 will be 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 sum of the expected costs for services under the contract exceeds unearned revenue. Usually those contracts are paid in advance or in equal instalments over the contract term.

For multiple-element arrangements, such as when vehicles are sold with free or reduced-in-price maintenance programs or with free online services, the Group 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 Financial Services regarding such a vehicle. The vehicle is therefore sold by the non-Group dealer to Daimler Financial Services and a leasing contract is entered into with the customer. When control of the vehicle is transferred to the non-Group dealer Daimler 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 is 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 Financial Services. The revenue from the rental and leasing business results from operating leases and 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. Daimler's share of dilution gains and losses occurring if the Group or other owners do not participate in capital increases of companies in which shares are held and accounted for using the equity method are also included in profit/loss on equity-method investments. This item also includes losses on the impairment of an investment's carrying amount and/or gains on the reversal of such impairments.

Other financial income/expense, net
Other financial income/expense, net includes all income and expense from financial transactions which are not included in interest income and/or interest expense, and for Daimler Financial Services are not included in revenue and/or 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, 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 segment Daimler Financial Services interest income and expense and gains or losses from derivative financial instruments from 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. For the case it is probable that amounts declared as expenses in the tax returns might not be recognized (uncertain tax positions), a provision 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 predominantly likely and thus reasonably expected that they can be realized. Only in the case of tax loss carryforwards or unused tax credits, no provision 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 reverse in the foreseeable future.

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 2018 and 2017 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.

Intangible assets other than development costs 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.

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.

Goodwill
For acquisitions, 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 ↗ F.12.

F.12
Useful lives of property, plant and equipment

Buildings and site improvements	10 to 50 years
Technical equipment and machinery	6 to 25 years
Other equipment, factory and office equipment	3 to 30 years

Leasing
Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. The Group is a lessee of property, plant and equipment and a lessor of its products. It is evaluated on the basis of the risks and rewards of a leased asset whether the ownership of the leased asset is attributed to the lessee (finance lease) or to the lessor (operating lease).

Daimler as lessee
In the case of an operating lease, the lease payments or rental payments are expensed on a straight-line basis in the Consolidated Statement of Income.

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

Sale and lease back
The same accounting principles apply to assets if Daimler sells such assets and leases them back from the buyer.

Daimler as lessor
Operating leases 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 in the form of a forward (an entity's obligation to repurchase the asset) and a call option (an entity's right to repurchase the asset) are reported as operating leases.

– Sales of vehicles including a put option (an entity's obligation to repurchase the asset at the customer's request) are reported as operating leases if the customer has a significant economic incentive to exercise that right. Otherwise a sale with a right of return is reported. Daimler 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.

In case of accounting as an operating lease these vehicles are capitalized at (depreciated) cost of production under leased equipment in the vehicle segments 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 to an impairment loss if necessary.

Operating leases also relate to vehicles, primarily Group products that Daimler Financial Services acquires from non-Group dealers or other third parties and leases to end customers. These vehicles are presented at (amortized) cost of acquisition under leased equipment in the Daimler Financial Services 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 Financial Services. In 2018, additions to leased equipment from these vehicles at Daimler Financial Services amounted to approximately €13 billion (2017: approximately €13 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 minimum 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. The amount of an impairment reversal 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. Deconsolidation effects 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 reporting segments. At Daimler Financial Services, impairment tests are carried out below the segment level. There is a differentiation between the two cash-generating units Daimler Financial Services Classic (typical financial services business) and Daimler Financial Services Mobility (innovative mobility services). The material assets of the cash-generating unit Daimler Financial Services Mobility have been classified as assets held for sale due their intended contribution into a joint venture. Therefore, no separate testing for impairment was necessary.

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 is based on expectations regarding future market share, the general development of respective markets as well as the products' profitability. The multi-year planning comprises a planning horizon until 2025 and therefore mainly covers the product life cycles of our automotive business. 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 Financial Services Classic, 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 Financial Services Classic 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). These are 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 consider any growth rates. In addition, several sensitivity analyses are conducted. These show that even in the case of more unfavorable premises for main influencing factors with respect to the original planning, no need for impairment exists. If value in use is lower than the carrying amount, fair value less costs of disposal is additionally calculated to determine the recoverable amount.

An assessment for assets other than goodwill is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may be reversed. If this is the case, Daimler 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) had no impairment loss 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 conditions of IFRS 5 Non-current assets held for sale and discontinued operations are fulfilled. 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. 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 estimated selling 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 existing location and condition. 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, acquisition or 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 by 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, financial investments and 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 made 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. Further financial assets that are held in a business model other “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 near 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 which are held to collect the contractual cash flows as well as sell the financial, 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. Except for equity instruments a loss allowance is recognized for expected losses in profit or loss. Upon disposal of financial assets, 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. Dividends are recognized in profit or loss when the right of 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. The same method is used for the impairment of non-revocable loan commitments and financial guarantees. 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 (base case, adverse and optimistic scenarios). 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 (e.g., that leads to a change in the present value of the contractual cash flows of 10%) leads to derecognition of 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 refinancing activities. These are mainly interest rate risks, currency 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 an analysis shows that the economic characteristics and risks of embedded derivatives are closely related to those of 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 the fair value of derivative financial instruments that are designated in a hedge relationship are recognized periodically in either profit or loss or other comprehensive income, depending on whether the derivative is designated as a hedge of changes in fair value or cash flows. 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 of volatile prices in procurement transactions expected with a high degree of probability, designation can be made for separable risk components of these non-financial hedged items. Daimler can apply this possibility to facilitate future hedge accounting and thereby reduce the ineffectiveness of hedge relationships for commodities.

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 a hedged 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 applies for example to the time value of options 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, 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. For the valuation of defined benefit plans, differences between actuarial assumptions used and actual developments as well as changes in actuarial assumptions result in actuarial gains and losses, which have a direct impact on the Consolidated Statement of Financial Position or on the Consolidated Statement of Comprehensive Income/Loss.

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.

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 in the following circumstances:

- deferred revenue for service and maintenance contracts and for extended warranties, and

- advance payments received on contracts in the scope of IFRS 15.

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. 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.

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 share and the growth of the respective markets as well as regarding the products' profitability. On the basis of the impairment tests carried out in 2018, 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 financial 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 financial 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 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). 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.

Legal 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 accrued 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 no provisions were established for. 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 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 hand. 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 ↗ F.13 shows the composition of the Group.

The aggregate balance sheet totals 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 balance sheet total; the aggregate revenues 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 40.

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 primarily is the acquisition, renting 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 18 (2017: 24) controlled structured entities, of which 18 (2017: 22) are fully consolidated. In addition, the Group has relationships with 7 (2017: 6) non-controlled structured entities. The unconsolidated structured entities are not material for the Group's profitability, liquidity and capital resources and financial position.

Equity-method investments
In May 2017, Daimler acquired for a purchase price of €0.3 billion an interest of 15% in **LSH Auto International Limited** (LSHAI), which is responsible for the Mercedes-Benz retail business of Lei Shing Hong Group. LSHAI, a subsidiary of Lei Shing Hong Group, is one of the biggest Mercedes-Benz dealers worldwide.

In January 2017, **There Holding B.V.** sold an equity interest of 15% in HERE International B.V. to Intel Holdings B.V. and recognized a gain of €183 million in connection with the sale. Information on further transactions is explained in Note 13.

Assets and liabilities held for sale
In March 2018, the Daimler Group and the BMW Group signed an agreement to merge their business units for mobility services. The partners intend to offer their customers a holistic ecosystem of intelligent, seamlessly connected mobility services, available at the tap of a finger. To this end, the partners will combine and strategically expand their existing on-demand mobility offering in the areas of car sharing, ride hailing, parking, charging and multimodality in joint ventures. At December 31, 2018, the assets and liabilities held for sale are presented separately in the Consolidated Statement of Financial Position. The disposal group's assets amounted to €531 million and its liabilities amounted to €212 million.

Following approval by the relevant competition authorities, the transaction was completed in January 2019. In the first quarter of 2019, the transaction will produce a significant positive earnings effect (approximately €0.7 billion) and a cash outflow (approximately €0.7 billion) at the segment Daimler Financial Services.

F.13
Composition of the Group

	At December 31, 2018	2017
Consolidated subsidiaries	376	363
Germany	70	64
International	306	299
Unconsolidated subsidiaries	126	119
Germany	36	41
International	90	78
Joint operations accounted for using proportionate consolidation	1	1
Germany	–	–
International	1	1
Joint operations accounted for using the equity method	3	3
Germany	1	1
International	2	2
Joint ventures accounted for using the equity method	16	16
Germany	4	5
International	12	11
Associated companies accounted for using the equity method	16	14
Germany	4	3
International	12	11
Joint operations, joint ventures, associated companies and material other investments accounted for at (amortized) cost	32	32
Germany	13	16
International	19	16
	570	548

F.14
Revenue

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total segments	Reconciliation	Daimler Group
2018								
Europe	**36,902**	**10,775**	**8,937**	**2,851**	**4,269**	**63,734**	**-3,810**	**59,924**
NAFTA	**18,488**	**16,622**	**1,666**	**255**	**5,366**	**42,397**	**-903**	**41,494**
Asia	**30,859**	**6,503**	**844**	**227**	**230**	**38,663**	**-19**	**38,644**
Other markets	**3,950**	**3,661**	**1,130**	**777**	**203**	**9,721**	**-187**	**9,534**
Revenue according to IFRS 15	**90,199**	**37,561**	**12,577**	**4,110**	**10,068**	**154,515**	**-4,919**	**149,596**
Other revenue	**2,904**	**712**	**1,049**	**419**	**16,201**	**21,285**	**-3,519**	**17,766**
Total revenue	**93,103**	**38,273**	**13,626**	**4,529**	**26,269**	**175,800**	**-8,438**	**167,362**

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services[1]	Total segments	Reconciliation[1]	Daimler Group
2017								
Europe	37,607	10,727	8,684	2,861	3,827	63,706	-3,582	60,124
NAFTA	19,721	14,767	1,498	299	5,229	41,514	-871	40,643
Asia	30,249	6,111	860	159	218	37,597	-20	37,577
Other markets	4,364	3,323	1,010	835	176	9,708	-192	9,516
Revenue according to IFRS 15	91,941	34,928	12,052	4,154	9,450	152,525	-4,665	147,860
Other revenue	2,410	827	1,109	370	15,080	19,796	-3,502	16,294
Total revenue	94,351	35,755	13,161	4,524	24,530	172,321	-8,167	164,154

1 In 2017 at the Daimler Financial Services segment, in addition to the adjustment of prior-year figures due to IFRS 15, the Group's internal revenue has been adjusted. This adjustment has been fully eliminated in the reconciliation.

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 region – and presented in table ↗ **F.14**. The category type of products and services corresponds to the reportable segments.

Other revenue primarily comprises revenue from the rental and leasing business (IAS 17), interest from the financial services business at Daimler Financial Services in an amount of €5,188 million (2017: €4,613 million) and effects from currency hedging.

Revenue according to IFRS 15 includes revenue that was included in the contract liabilities at December 31, 2017 in an amount of €3,583 million (2017: €2,481 million) and revenue from performance obligations fully (or partially) satisfied in previous periods in an amount of €434 million (2017: €458 million).

Revenue that is expected to be recognized within three years related to performance obligations that are unsatisfied (or partially unsatisfied) amounted to €7,642 million at December 31, 2018. 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 original 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 original duration of that bundled contract.

Revenue by segment ↗ **F.100** and region ↗ **F.102** is presented in Note 34.

5. Functional costs

Cost of sales
Items included in cost of sales are shown in table ↗ **F.15**.

Amortization expense of capitalized development costs in the amount of €1,538 million (2017: €1,310 million) is presented in expense of goods sold.

Selling expenses
In 2018, selling expenses amounted to €13,067 million (2017: €12,951 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 €4,036 million in 2018 (2017: €3,808 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 €6,581 million in 2018 (2017: €5,938 million) and primarily comprise personnel expenses and material costs.

Optimization programs
In the year 2018, optimization programs did not result in any material expenses. In the year 2017, at the Daimler Trucks segment, expenses of €172 million were incurred in connection with the optimization of fixed costs, especially at the Mercedes-Benz brand. The cash outflows occurred mainly in 2018.

Personnel expenses and average number of employees
Personnel expenses included in the Consolidated Statement of Income amounted to €22,432 million in 2018 (2017: €22,186 million). The personnel expenses are composed of wages and salaries in the amount of €18,329 million (2017: €18,188 million), social contributions in the amount of €3,332 million (2017: €3,292 million) and expenses from pension obligations in the amount of €771 million (2017: €706 million). The average numbers of people employed are shown in table ↗ **F.16**.

Information on the total remuneration of the current and former members of the Board of Management and the current members of the Supervisory Board is provided in Note 38.

F.15
Cost of sales

	2018	2017
In millions of euros		
Expense of goods sold	-117,508	-113,707
Depreciation of equipment on operating leases	-8,567	-7,936
Refinancing costs at Daimler Financial Services	-2,747	-2,187
Impairment losses on receivables from financial services	-382	-500
Other cost of sales	-5,091	-5,296
	-134,295	-129,626

F.16
Average number of employees

	2018	2017
Mercedes-Benz Cars[1]	146,240	143,586
Daimler Trucks	82,905	80,155
Mercedes-Benz Vans	26,223	24,823
Daimler Buses	18,506	17,978
Daimler Financial Services	13,739	12,621
Other	10,852	10,367
	298,465	289,530

1 Including proportionally 1,856 employees from proportionately consolidated companies in 2018 (2017: 1,203).

6. Other operating income and expense

The composition of other operating income is shown in table ↗ **F.17**.

F.17
Other operating income

In millions of euros	2018	2017
Income from costs recharged to third parties	821	761
Government grants and subsidies	102	107
Gains on sales of property, plant and equipment	140	385
Rental income not relating to sales financing	159	149
Income associated with optimization programs	–	133
Other miscellaneous income	1,108	724
	2,330	2,259

Income from costs recharged to third parties includes income from licenses and patents, 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 part-time early retirement contracts and subsidies for alternative drive systems. In the year 2018, other miscellaneous income contains insurance compensation of €219 million.

In the year 2017, gains on sales of property, plant and equipment included gains of €267 million from the sale of real estate by Mitsubishi Fuso Truck and Bus Corporation at the Kawasaki site in Japan.

The composition of other operating expense is shown in table ↗ **F.18**.

F.18
Other operating expense

In millions of euros	2018	2017
Losses on sales of property, plant and equipment	-106	-117
Other miscellaneous expense	-1,356	-926
	-1,462	-1,043

Other miscellaneous expense primarily comprises changes in other provisions. Compared with the prior year, it includes higher expenses related to legal proceedings.

7. Other financial income/expense, net

Table ↗ **F.19** shows the components of other financial income/expense, net.

F.19
Other financial income/expense, net

In millions of euros	2018	2017
Income and expense from compounding and effects from changes in discount rates of provisions for other risks	-31	-61
Miscellaneous other financial income/expense, net	241	-149
	210	-210

In 2018, the measurement at fair value of the minority interest in Aston Martin Lagonda Global Holdings plc in other financial assets resulted in a gain of € 111 million, which has been assigned to the segment earnings of Mercedes-Benz Cars. The measurement was carried out in connection with the initial public offering, which took place at the beginning of October 2018.

8. Interest income and interest expense

Table ↗ **F.20** shows the components of interest income and interest expense.

F.20
Interest income and interest expense

In millions of euros	2018	2017
Interest income		
Net interest income on the net assets of defined benefit pension plans	3	2
Interest and similar income	268	212
	271	214
Interest expense		
Net interest expense on the net obligation from defined benefit pension plans	-133	-211
Interest and similar expense	-660	-371
	-793	-582

9. Income taxes

Profit before income taxes is comprised as shown in table ↗ F.21.

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 ↗ F.22 shows the components of income taxes.

The current tax expense includes tax benefits at German and foreign companies of €529 million (2017: tax expenses of €268 million) recognized for prior periods.

The deferred tax expense/benefit is comprised of the components shown in table ↗ F.23.

For German companies, in 2018 and 2017, 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 ↗ F.24 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 law signed in 2017 by the President of the United States of America for a comprehensive tax reform ("H.R. 1/Tax Cuts and Jobs Act"), includes the reduction of the nationwide federal corporate income tax rate for US-companies from 35% to 21%, starting on January 1, 2018. At year-end 2017, the reduction of the federal corporate income tax rate required the remeasurement of the deferred tax liabilities and deferred tax assets of the US-subsidiaries of Daimler. The resulting tax benefit of €1,626 million is included in the line item tax law changes.

In 2018 and 2017, the Group impaired deferred tax assets of foreign subsidiaries. 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, for instance tax-free gains included in net periodic pension costs at the German companies and tax-free results of our equity-method investments. Furthermore, in 2017, the line item also includes tax expenses in connection with the interpretation of tax laws.

F.21
Profit before income taxes

In millions of euros	2018	2017
German companies	2,932	6,483
Non-German companies	7,663	7,484
	10,595	13,967

F.22
Components of income taxes

In millions of euros	2018	2017
Current taxes		
German companies	-1,116	-2,024
Non-German companies	-1,127	-1,985
Deferred taxes		
German companies	125	-425
Non-German companies	-895	1,084
	-3,013	-3,350

F.23
Components of deferred tax expense

In millions of euros	2018	2017
Deferred taxes	-770	659
due to temporary differences	-510	1,059
due to tax loss carryforwards and tax credits	-260	-400

F.24
Reconciliation of expected income tax expense to actual income tax expense

In millions of euros	2018	2017
Expected income tax expense	-3,160	-4,166
Foreign tax rate differential	326	-54
Trade tax rate differential	37	52
Tax law changes	11	1,585
Change of valuation allowance on deferred tax assets	-101	-171
Tax-free income and non-deductible expenses	14	-632
Other	-140	36
Actual income tax expense	-3,013	-3,350

F.25

Deferred tax assets and liabilities

	At December 31, 2018	2017
In millions of euros		
Deferred tax assets	4,021	2,844
Deferred tax liabilities	-3,762	-2,347
Deferred tax assets, net	259	497

F.26

Split of tax assets and liabilities before offset

	At December 31, 2018	2017
In millions of euros		
Intangible assets	30	47
Property, plant and equipment	154	134
Equipment on operating leases	1,808	1,662
Inventories	1,017	977
Receivables from financial services	341	405
Miscellaneous assets, mainly other financial assets	4,837	5,549
Tax loss carryforwards and unused tax credits	1,538	1,813
Provisions for pensions and similar obligations	592	671
Other provisions	1,692	1,875
Liabilities	2,092	1,621
Deferred income	1,084	878
Miscellaneous liabilities	2	2
	15,187	15,634
Valuation allowances	-1,299	-1,291
thereof on temporary differences	*-213*	*-194*
thereof on tax loss carryforwards and tax credits	*-1,086*	*-1,097*
Deferred tax assets, gross	13,888	14,343
Development costs	-3,352	-3,060
Other intangible assets	-115	-127
Property, plant and equipment	-1,757	-1,575
Equipment on operating leases	-5,092	-4,387
Inventories	-78	-55
Receivables from financial services	-793	-721
Miscellaneous assets	-321	-382
Provisions for pensions and similar obligations	-1,572	-3,082
Other provisions	-233	-150
Miscellaneous liabilities	-316	-307
Deferred tax liabilities, gross	-13,629	-13,846
Deferred tax assets, net	259	497

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 ↗ **F.25**.

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 ↗ **F.26**.

The development of deferred tax assets, net, is shown in table ↗ **F.27**.

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 ↗ **F.28**.

In the Consolidated Statement of Financial Position, the valuation allowances on deferred tax assets, which are mainly attributable to foreign companies, increased by €8 million compared to December 31, 2017. This is primarily a result of the additional valuation allowances of €101 million recognized in net profit. Furthermore, a decrease in the valuation allowance was recognized in equity, amongst others due to currency translation.

At December 31, 2018, the valuation allowance on deferred tax assets relates, among other things, to corporate income tax loss carryforwards (€904 million). €35 million of the deferred tax assets for corporate income tax loss carryforwards adjusted by a valuation allowance relates to tax loss carryforwards which expire at various dates from 2019 through 2020, €160 million relates to tax loss carryforwards which expire at various dates from 2021 through 2023, €50 million relates to tax loss carryforwards which expire at various dates from 2024 through 2028 and €659 million relates to tax loss carryforwards which can be carried forward indefinitely. Furthermore, the valuation allowance primarily relates to temporary differences at non-German companies as well as net operating losses for state and local taxes at the US-companies. Daimler believes that it is more likely than not that those deferred tax assets cannot be utilized. In 2018 and prior years, the Group had tax losses at several subsidiaries in several countries. After offsetting the deferred tax assets with deferred tax liabilities, the deferred tax assets not subject to valuation allowances amounted to €127 million for those subsidiaries. Daimler believes it is more likely than not that future taxable income will be sufficient to allow utilization of the 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.

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 €28,514 million (2017: €28,692 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 provisions for any future income taxes that may be owed for all open tax years.

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.

F.27

Change of deferred tax assets, net

	2018	2017
In millions of euros		
Deferred tax assets, net as of January 1	497	363
Deferred tax expense/benefit in the financial statement of income	-770	659
Change in deferred tax expense/benefit on equity instruments/debt instruments included in other comprehensive income/loss	21	-3
Change in deferred tax expense/benefit on derivative financial instruments included in other comprehensive income/loss	537	-735
Change in deferred tax expense/benefit on actuarial gains/losses from defined benefit pension plans	171	-19
Other changes[1]	-197	232
Deferred tax assets, net as of December 31	259	497

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

F.28

Tax expense in equity

	2018	2017
In millions of euros		
Income tax expense in the consolidated financial statement of income	-3,013	-3,350
Income tax expense/benefit recorded in other reserves	728	-757
	-2,285	-4,107

10. Intangible assets

Intangible assets developed as shown in table ↗ F.29.

At December 31, 2018, goodwill of €433 million (2017: €455 million) relates to the Daimler Financial Services segment, goodwill of €418 million (2017: €418 million) relates to the Daimler Trucks segment and goodwill of €168 million (2017: €180 million) relates to the Mercedes-Benz Cars 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, 2018: €4,029 million; 2017: €5,086 million). In addition, other intangible assets with a carrying amount of €270 million (2017: €255 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 segment with indefinite useful lives. The Group plans to continue to use these assets unchanged.

Table ↗ F.30 shows the line items of the Consolidated Statement of Income in which total amortization expense for intangible assets is included.

F.29
Intangible assets

In millions of euros	Goodwill (acquired)	Development costs (internally generated)[2]	Other intangible assets (acquired)	Total
Acquisition or manufacturing costs				
Balance at January 1, 2017	1,481	13,963	4,384	19,828
Additions due to business combinations	9	–	16	25
Other additions	1	2,779	755	3,535
Reclassifications	–	–	–	–
Disposals	-34	-524	-396	-954
Other changes[1]	-71	-26	-140	-237
Balance at December 31, 2017	1,386	16,192	4,619	22,197
Additions due to business combinations	–	–	–	–
Other additions	1	2,535	640	3,176
Reclassifications	–	–	–	–
Disposals	–	-282	-432	-714
Other changes[1]	-31	6	57	32
Balance at December 31, 2018	1,356	18,451	4,884	24,691
Amortization/impairment				
Balance at January 1, 2017	293	5,136	2,301	7,730
Additions	–	1,323	445	1,768
Reclassifications	–	–	–	–
Disposals	–	-521	-368	-889
Other changes[1]	-22	-26	-99	-147
Balance at December 31, 2017	271	5,912	2,279	8,462
Additions	–	1,553	476	2,029
Reclassifications	–	–	–	–
Disposals	–	-277	-373	-650
Other changes[1]	3	6	40	49
Balance at December 31, 2018	274	7,194	2,422	9,890
Carrying amount at December 31, 2017	1,115	10,280	2,340	13,735
Carrying amount at December 31, 2018	1,082	11,257	2,462	14,801

1 Primarily changes from currency translation.
2 Including capitalized borrowing costs on development costs of €41 million (2017: €47 million). Amortization amounted to €15 million (2017: €13 million).

11. Property, plant and equipment

Property, plant and equipment developed as shown in table ↗ F.31.

In 2018, government grants of €51 million (2017: €50 million) were deducted from property, plant and equipment.

Property, plant and equipment also include buildings, technical equipment and other equipment under finance lease arrangements and thus deemed to be owned by the Group with a carrying amount at December 31, 2018 of €335 million (2017: €320 million). In 2018, additions to and depreciation expense on assets under finance lease arrangements amounted to €17 million (2017: €204 million) and €33 million (2017: €34 million), respectively.

F.30

Amortization expense for intangible assets in the Consolidated Statement of Income

In millions of euros	2018	2017
Cost of sales	1,820	1,585
Selling expenses	85	89
General administrative expenses	57	45
Research and non-capitalized development costs	66	48
Other operating expense	1	1
	2,029	1,768

F.31

Property, plant and equipment

In millions of euros	Land, leasehold improvements and buildings including buildings on land owned by others	Technical equipment and machinery	Other equipment, factory and office equipment	Advance payments relating to plant and equipment and construction in progress	Total
Acquisition or manufacturing costs					
Balance at January 1, 2017	16,756	25,624	26,348	3,489	72,217
Additions due to business acquisitions	–	–	–	–	–
Other additions	562	1,032	1,752	3,603	6,949
Reclassifications	559	985	803	-2,347	–
Disposals	-415	-1,173	-796	-123	-2,507
Other changes[1]	-475	-504	-709	-152	-1,840
Balance at December 31, 2017	16,987	25,964	27,398	4,470	74,819
Additions due to business acquisitions	–	–	–	–	–
Other additions	309	888	1,932	4,341	7,470
Reclassifications	612	988	1,536	-3,136	–
Disposals	-336	-634	-661	-104	-1,735
Other changes[1]	84	-30	172	96	322
Balance at December 31, 2018	17,656	27,176	30,377	5,667	80,876
Depreciation/impairment					
Balance at January 1, 2017	8,749	16,469	20,618	–	45,836
Additions	352	1,534	2,035	–	3,921
Reclassifications	-1	–	1	–	–
Disposals	-201	-1,084	-640	–	-1,925
Other changes[1]	-156	-289	-549	–	-994
Balance at December 31, 2017	8,743	16,630	21,465	–	46,838
Additions	385	1,633	2,273	–	4,291
Reclassifications	1	-12	11	–	–
Disposals	-175	-558	-540	–	-1,273
Other changes[1]	-39	-18	129	–	72
Balance at December 31, 2018	8,915	17,675	23,338	–	49,928
Carrying amount at December 31, 2017	8,244	9,334	5,933	4,470	27,981
Carrying amount at December 31, 2018	8,741	9,501	7,039	5,667	30,948

1 Primarily changes from currency translation.

12. Equipment on operating leases

The development of equipment on operating leases is shown in table ↗ F.32.

At December 31, 2018, equipment on operating leases with a carrying amount of €9,804 million were pledged as security for liabilities from ABS transactions related to a securitization transaction of future lease payments on leased vehicles (December 31, 2017: €8,684 million) (see also Note 24).

Minimum lease payments
Non-cancelable future lease payments to Daimler for equipment on operating leases are due as presented in table ↗ F.33.

F.32
Equipment on operating leases

In millions of euros	
Acquisition or manufacturing costs	
Balance at January 1, 2017	57,030
Additions due to business acquisitions	–
Other additions	24,856
Reclassifications	–
Disposals	-19,643
Other changes[1]	-3,445
Balance at December 31, 2017	58,798
Additions due to business acquisitions	–
Other additions	**24,854**
Reclassifications	–
Disposals	**-21,101**
Other changes[1]	**980**
Balance at December 31, 2018	**63,531**
Depreciation/impairment	
Balance at January 1, 2017	10,353
Additions	7,936
Reclassifications	–
Disposals	-5,902
Other changes[1]	-663
Balance at December 31, 2017	11,724
Additions[2]	**8,567**
Reclassifications	–
Disposals	**-6,431**
Other changes[1]	**195**
Balance at December 31, 2018	**14,055**
Carrying amount at December 31, 2017	47,074
Carrying amount at December 31, 2018	**49,476**

1 Primarily changes from currency translation.
2 Comprises impairments of €133 million.

F.33
Maturity of minimum lease payments for equipment on operating leases

	At December 31, 2018	2017
In millions of euros		
Maturity		
within one year	**8,376**	7,922
between one and five years	**9,898**	8,607
later than five years	**62**	71
	18,336	16,600

13. Equity-method investments

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

Table ↗ F.35 presents key figures on interests in associated companies accounted for using the equity method in the Group's Consolidated Financial Statements.

F.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, 2018				
Equity investment[1]	4,230	604	26	4,860
Equity result[1]	1,050	-397	3	656
At December 31, 2017				
Equity investment[1]	4,282	500	36	4,818
Equity result[1]	1,541	-42	-1	1,498

1 Including investor-level adjustments.

F.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, 2018					
Equity interest (in %)	49.0	9.6	29.6		
Stock market price[1]	–	353	–		
Equity investment[2]	2,353	650	522	705	4,230
Equity result[2]	1,247	-107	-101	11	1,050
Dividend payment to Daimler[4]	1,024	10	–		
At December 31, 2017					
Equity interest (in %)	49.0	10.1	33.3		
Stock market price[1]	–	832	–		
Equity investment[2]	2,130	777	732	643	4,282
Equity result[2]	1,143	290	121	-13	1,541
Dividend payment to Daimler[5]	1,134	29	–		

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 €1,024 million was partly paid out in the year 2018. The payment was €930 million.
5 The dividend from BBAC of €1,134 million was partly paid out in the year 2017 with an amount of €768 million. The remaining amount of €346 million was paid out in the year 2018.

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 segment.

The remainder of the dividend which was approved by the shareholders of Beijing Benz Automotive Co., Ltd. (BBAC) in the second quarter of 2017 was paid out in the first quarter of 2018 and led to a cash inflow of €346 million.

In the second quarter of 2018, the shareholders of BBAC approved the payout of a dividend for the 2017 financial year. The amount of €1,024 million attributable to Daimler reduced the carrying amount of the investment accordingly. The first part of the dividend was paid in the third quarter and led to a cash inflow of €495 million. A further portion of the dividend was paid in the fourth quarter of 2018 and led to a cash inflow of €435 million. Daimler plans to contribute additional equity of in total €0.4 billion in accordance with its shareholding ratio in the years 2019 to 2020.

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.

On May 3, 2018, BAIC Motor issued new shares at the Hong Kong Stock Exchange. As a result, Daimler's interest in BAIC Motor was diluted from 10.08% to 9.55%. The dilution did not lead to any material earnings effects at Daimler. Daimler continues to exercise significant influence on BAIC Motor.

As a result of the significantly reduced stock-exchange price of BAIC Motor in 2018, Daimler assessed if there is any objective indication of an impairment of its investment in BAIC Motor. This assessment did indicate a need for an impairment in the amount of €150 million in the fourth quarter of 2018. In the first quarter of 2017, a gain of €240 million was included due to the reversal of an impairment. The gain in 2017 was a result of the increased stock-exchange price. Both the gain and the loss 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 segment.

On January 31, 2017, the sale of a 15% shareholding in HERE between THBV and Intel Holdings B.V. (Intel) has been completed. As a result, THBV now only has a significant influence on its former 100% subsidiary HERE. Therefore, as of February 1, 2017, HERE is no longer fully consolidated in the financial statements of THBV, but is presented as an associated company using the equity method. The change in the consolidation method led to the remeasurement of the HERE shares at fair value in the first quarter of 2017. The income of €183 million from this transaction that is attributable to Daimler is included in profit/loss on equity-method investments in the first quarter of 2017.

In December 2017, the former THBV shareholders Daimler, Audi and BMW signed agreements on the sale of shares in THBV to Robert Bosch Investment Nederland B.V. and to Continental Automotive Holding Netherlands B.V. Those transactions were concluded on February 28, 2018. Each of the two buyers acquired a share of 5.9% of THBV. The sale of shares was carried out in equal parts by Daimler, Audi and BMW. As a result, Daimler's equity interest decreased from 33.3% to 29.4%. The effect on earnings was not material for Daimler.

In the first quarter of 2018, the shareholders of THBV decided on a payback from the capital reserve. The amount of €96 million attributable to Daimler was paid out and decreased the carrying amount of the investment accordingly.

THBV carried out capital increases in the second and fourth quarter of 2018. Daimler participated in the capital increases with in total €62 million, whereby the equity interest attributable to Daimler gradually increased by 0.2% to 29.6%. The capital contributions increased the carrying amount of the investment accordingly.

Table ↗ F.36 shows summarized IFRS financial information after purchase price allocation for the significant associated companies which were the basis for equity-method accounting in the Group's Consolidated Financial Statements.

Other minor equity-method investments
In the second quarter of 2018, the result of joint ventures accounted for using the equity method includes an expense of €418 million for Toll Collect, primarily related to the settlement of the arbitration proceedings. The result is allocated to the Daimler Financial Services segment. Further information is provided in Note 30.

The equity-method result of joint ventures in 2017 includes impairments of investments of €125 million.

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

Further information on equity-method investments is provided in Notes 3 and 37.

F.36

Summarized IFRS financial information on significant associated companies accounted for using the equity method

	BBAC[1]		BAIC Motor[2]		THBV[3] (HERE)	
	2018	2017	2018	2017	2018	2017
In millions of euros						
Information on the statement of income						
Revenue	17,433	15,373	20,085	18,510	–	71
Profit/loss from continuing operations after taxes	2,570	2,350	1,802	1,649	-337	-151
Profit/loss from discontinued operations after taxes	–	–	–	–	–	513
Other comprehensive income/loss	7	23	–	103	-7	2
Total comprehensive income/loss	2,577	2,373	1,802	1,752	-344	364
Information on the statement of financial position and reconciliation to equity-method carrying amounts						
Non-current assets	5,458	4,558	13,825	13,089	1,763	1,906
Current assets	7,156	7,058	10,753	10,140	2	289
Non-current liabilities	967	741	3,545	3,077	–	–
Current liabilities	6,625	6,335	10,663	10,954	1	–
Equity (including non-controlling interest)	5,022	4,540	10,370	9,198	1,764	2,195
Equity (excluding non-controlling interests) attributable to the Group	2,461	2,224	738	712	522	732
Unrealized profit (-)/loss (+) on sales to/purchases from	-107	-93	-8	-9	–	–
Equity-method goodwill	–	–	–	70	–	–
Other	-1	-1	-80	4	–	–
Carrying amount of equity-method investment	2,353	2,130	650	777	522	732

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.
Revenue at THBV relates to HERE; revenue for the year 2017 is solely for the month of January until the change in the consolidation of HERE at THBV.

F.37

Summarized aggregated financial information on minor equity-method investments

	Associated companies		Joint ventures	
	2018	2017	2018	2017
In millions of euros				
Summarized aggregated financial information (pro rata)				
Profit/loss from continuing operations after taxes	33	61	1	-28
Profit/loss from discontinued operations after taxes	–	–	–	–
Other comprehensive income/loss	-6	-1	-1	–
Total comprehensive income/loss	27	60	0	-28

14. Receivables from financial services

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

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

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.

Maturities of the finance-lease contracts are shown in table ↗ F.39.

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.

Loss allowances
The development of loss allowances for receivables from financial services due to expected credit losses at December 31, 2018 under IFRS 9 is shown in table ↗ F.40. Changes in the loss allowances for receivables from financial services at December 31, 2017 under IAS 39 are shown in table ↗ F.41.

The carrying amounts of receivables from financial services based on modified contracts that are shown in stage 2 and 3, amounted to €184 million at December 31, 2018. In addition, carrying amounts of €127 million in connection with contractual modifications were reclassified from stage 2 and 3 into stage 1.

F.38
Receivables from financial services

	At December 31, 2018			At December 31, 2017		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Sales financing with customers	18,452	30,029	48,481	16,363	28,635	44,998
Sales financing with dealers	18,549	3,782	22,331	16,065	3,061	19,126
Finance-lease contracts	8,976	18,038	27,014	7,430	15,370	22,800
Gross carrying amount	45,977	51,849	97,826	39,858	47,066	86,924
Loss allowances	-537	-549	-1,086	-404	-466	-870
Net carrying amount	45,440	51,300	96,740	39,454	46,600	86,054

F.39
Maturities of the finance lease contracts

	At December 31, 2018				At December 31, 2017			
	< 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								
Contractual future lease payments	9,389	16,583	437	26,409	7,779	14,050	321	22,150
Unguaranteed residual values	704	2,716	14	3,434	602	2,525	12	3,139
Gross investment	10,093	19,299	451	29,843	8,381	16,575	333	25,289
Unearned finance income	-1,117	-1,672	-40	-2,829	-951	-1,500	-38	-2,489
Gross carrying amount	8,976	17,627	411	27,014	7,430	15,075	295	22,800
Loss allowances	-140	-212	-2	-354	-132	-152	-2	-286
Net carrying amount	8,836	17,415	409	26,660	7,298	14,923	293	22,514

F.40

Development of loss allowances for receivables from financial services due to expected credit losses (according to IFRS 9)

				At December 31, 2018
	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 December 31 according to IAS 39				870
Effect of initial application of IFRS 9				56
Balance at January 1 according to IFRS 9	361	152	413	926
Additions	197	59	130	386
Change in remeasurement	-25	148	237	360
Utilization	-33	-17	-116	-166
Reversals	-160	-122	-160	-442
Change in models/risk parameters	–	–	–	–
Transfer to stage 1	73	-47	-26	–
Transfer to stage 2	-28	51	-23	–
Transfer to stage 3	-4	-30	34	–
Currency translation and other changes	8	1	13	22
Balance at December 31 according to IFRS 9	389	195	502	1,086

Credit risks

Information on credit risks included in receivables from financial services at December 31, 2018 under IFRS 9 is shown in table ↗ **F.42** and at December 31, 2017 under IAS 39 in table ↗ **F.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 value of the collaterals is comprised 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 nature of risks is provided in Note 33.

At December 31, 2018, receivables from financial services with a carrying amount of €8,106 million (December 31, 2017: €6,049 million) were pledged as collateral for liabilities from ABS transactions (see also Note 24).

F.41

Development of the loss allowances for receivables from financial services (according to IAS 39)

	2017
In millions of euros	
Balance at January 1	1,054
Additions	480
Utilization	-265
Reversals	-299
Currency translation and other changes	-100
Balance at December 31	870

F.42

Credit risks included in receivables from financial services (according to IFRS 9)

				At December 31, 2018
	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				
Gross carrying amount	90,754	5,798	1,274	97,826
thereof				
not past due	89,967	4,295	405	94,667
past due 30 days and less	770	819	44	1,633
past due 31 to 60 days	8	448	121	577
past due 61 to 90 days	3	232	84	319
past due 91 to 180 days	3	4	209	216
past due more than 180 days	3	–	411	414

F.43

Credit risks included in receivables from financial services (according to IAS 39)

	2017
In millions of euros	
Receivables, neither past due nor impaired individually	81,474
Receivables past due, not impaired individually	
less than 30 days	2,046
30 to 59 days	315
60 to 89 days	136
90 to 119 days	43
120 days or more	105
Total	2,645
Receivables impaired individually	1,935
Net carrying amount	86,054

15. Marketable debt securities and similar investments

The marketable debt securities and similar investments with a carrying amount of €9,577 million (2017: €10,063 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.

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 at December 31, 2018 according to IFRS 9 is comprised as shown in table ↗ **F.44**. Table ↗ **F.45** shows the corresponding amounts at December 31, 2017 according to IAS 39.

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

At December 31, 2018, receivables with a carrying amount of €511 million (2017: €511 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 ↗ F.46.

Other expected reimbursements predominantly relate to recovery claims from our suppliers in connection with issued product warranties.

F.44
Other financial assets (according to IFRS 9)

	At December 31, 2018		
	Current	Non-current	Total
In millions of euros			
Equity instruments and debt instruments	–	748	748
Recognized at fair value through other comprehensive income	–	364	364
Recognized at fair value through profit or loss	–	384	384
Derivative financial instruments used in hedge accounting	524	509	1,033
Financial assets recognized at fair value through profit or loss	91	18	109
Other receivables and financial assets	2,355	1,488	3,843
	2,970	2,763	5,733

F.45
Other financial assets (according to IAS 39)

	At December 31, 2017		
	Current	Non-current	Total
In millions of euros			
Available-for-sale financial assets	–	1,173	1,173
thereof equity instruments recognized at fair value	–	171	171
thereof equity instruments carried at cost	–	1,002	1,002
Derivative financial instruments used in hedge accounting	1,235	1,144	2,379
Financial assets recognized at fair value through profit or loss	54	28	82
Other receivables and financial assets	2,313	859	3,172
	3,602	3,204	6,806

F.46
Other assets

	At December 31, 2018			At December 31, 2017		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Reimbursements due to income tax refunds	981	254	1,235	510	249	759
Reimbursements due to other tax refunds	3,152	136	3,288	2,832	263	3,095
Reimbursements due to the Medicare Act (USA)	–	27	27	–	68	68
Other expected reimbursements	229	254	483	274	211	485
Prepaid expenses	712	126	838	632	112	744
Others	815	318	1,133	766	300	1,066
	5,889	1,115	7,004	5,014	1,203	6,217

18. Inventories

Inventories are comprised as shown in table ↗ F.47.

The amount of write-down of inventories to net realizable value recognized as an expense in cost of sales was €333 million in 2018 (2017: €328 million). Inventories that are expected to be recovered or settled after more than twelve months amounted to €1,047 million at December 31, 2018 (December 31, 2017: €954 million) and are primarily spare parts.

As collateral for certain vested employee benefits in Germany, the value of company cars and demonstration cars at Mercedes-Benz Cars and Mercedes-Benz Vans included in inventories at Daimler AG were pledged as collateral to the Daimler Pension Trust e.V. in an amount of €952 million at December 31, 2018 (December 31, 2017: €1,033 million).

In addition, inventories with a carrying amount of €367 million at December 31, 2018 (December 31, 2017: €419 million) were pledged as collateral for liabilities from ABS transactions (see also Note 24).

The carrying amount of inventories recognized during the period by taking possession of collateral held as security amounted to €21 million at December 31, 2018 (December 31, 2017: €51 million). Those assets are utilized in the context of normal business operations.

F.47
Inventories

	At December 31, 2018	2017
In millions of euros		
Raw materials and manufacturing supplies	3,130	2,655
Work in progress	4,674	3,373
Finished goods, parts and products held for resale	21,351	19,361
Advance payments to suppliers	334	297
	29,489	25,686

F.48
Trade receivables

	At December 31, 2018	2017
In millions of euros		
Gross carrying amount	12,826	12,295
Loss allowances	-240	-300
Net carrying amount	12,586	11,995

F.49
Development of loss allowances for trade receivables due to expected credit losses (according to IFRS 9)

	At December 31, 2018 Lifetime expected credit loss		Total
	not credit impaired (Stage 2)	credit impaired (Stage 3)	
In millions of euros			
Balance at December 31 according to IAS 39			300
Effect of initial application of IFRS 9			-4
Balance at January 1 according to IFRS 9	168	128	296
Additions	45	60	105
Change in remeasurement	1	5	6
Utilization	-19	-18	-37
Reversals	-57	-36	-93
Change in models/risk parameters	–	–	–
Transfer to stage 2	2	-2	–
Transfer to stage 3	-1	1	–
Currency translation and other changes	-14	-23	-37
Balance at December 31 according to IFRS 9	125	115	240

19. Trade receivables

Trade receivables are comprised as shown in table ↗ F.48.

At December 31, 2018, €29 million of the trade receivables mature after more than one year (December 31, 2017: €38 million).

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

Loss allowances

The development of loss allowances due to expected credit losses for trade receivables at December 31, 2018 under IFRS 9 is shown in table ↗ F.49. Changes in the loss allowances for trade receivables at December 31, 2017 under IAS 39 are shown in table ↗ F.50.

Credit risks

Information on credit risks included in trade receivables at December 31, 2018 under IFRS 9 is shown in table ↗ F.51 and at December 31, 2017 under IAS 39 in table ↗ F.52.

Further information on financial risk and types of risk is provided in Note 33.

F.50

Development of loss allowances for trade receivables (according to IAS 39)

In millions of euros	2017
Balance at January 1	340
Charged to costs and expenses	63
Utilization	-107
Currency translation and other changes	4
Balance at December 31	300

F.51

Credit risks included in trade receivables (according to IFRS 9)

	At December 31, 2018		
	Lifetime expected credit loss		Total
	not credit impaired (Stage 2)	credit impaired (Stage 3)	
In millions of euros			
Gross carrying amount	12,463	363	12,826
thereof			
not past due	10,456	112	10,568
past due 30 days and less	1,315	36	1,351
past due 31 to 60 days	190	3	193
past due 61 to 90 days	115	1	116
past due 91 to 180 days	142	73	215
past due more than 180 days	245	138	383

F.52

Credit risks included in trade receivables (according to IAS 39)

In millions of euros	At December 31, 2017
Receivables, neither past due nor impaired individually	7,725
Receivables past due, not impaired individually	
less than 30 days	1,228
30 to 59 days	164
60 to 89 days	61
90 to 119 days	70
120 days or more	103
Total	1,626
Receivables impaired individually	2,644
Net carrying amount	11,995

20. Equity

See also the Consolidated Statement of Changes in Equity ↗ F.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, 2017, there has been no change in the number of shares outstanding/issued. The number at December 31, 2018 is 1,070 million, unchanged from December 31, 2017.

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 2014, which had not been utilized, was cancelled when the resolution for a new Approved Capital 2018 took effect. Approved Capital 2018 has not yet been utilized.

Conditional capital
By resolution of the Annual Shareholders' Meeting on April 1, 2015, the Board of Management is authorized, with the consent of the Supervisory Board, until March 31, 2020 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 by affiliates 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 was authorized to exclude shareholders' subscription rights for the bonds under certain conditions and within defined constraints with the consent of the Supervisory Board.

In order to fulfill the conditions of the above-mentioned authorization, the Annual Shareholders' Meeting on April 1, 2015 also resolved to increase the share capital conditionally by an amount of up to €500 million (Conditional Capital 2015).

This authorization to issue convertible and/or warrant bonds has not yet been utilized.

Treasury shares
By resolution of the Annual Shareholders' Meeting on April 1, 2015, the Company is authorized until March 31, 2020 to acquire treasury shares in a volume up to 10% of the share capital issued as of the day of the resolution to be used for all legal purposes. The shares can be used, amongst other things excluding 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 affiliates pursuant to Sections 15 et seq. of the German Stock Corporation Act (AktG). The treasury shares can also be canceled.

The Board of Management is further authorized, with the consent of the Supervisory Board, to exclude shareholders' subscription rights in other defined cases. In a volume up to 5% of the share capital issued as of the day of the resolution of the Annual Shareholders' Meeting, the Company was also authorized 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 March 31, 2020.

The authorization to acquire treasury shares was not exercised in the reporting period.

As was the case at December 31, 2017, no treasury shares are held by Daimler AG at December 31, 2018.

Employee share purchase plan
In 2018, 0.7 million Daimler shares representing €2.1 million or 0.07% of the share capital were purchased for a price of €50 million and reissued to employees (2017: 0.6 million Daimler shares representing €1.7 million or 0.06% 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. Within the reporting period effects of first time adoption for hyperinflation in Argentina were included in the line item "Other" of Consolidated Statement of Changes in Equity.

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, 2018, the Daimler management will propose to the shareholders at the Annual Shareholders' Meeting to pay out €3,477 million of the distributable profit of Daimler AG as a dividend to the shareholders, equivalent to €3.25 per no-par-value share entitled to a dividend (2017: €3,905 million and €3.65 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 ↗ **F.02** shows the details of changes in other reserves in other comprehensive income/loss.

21. Share-based payment

At December 31, 2018, the Group has the 2015-2018 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 payoff is possible in the case of benefits leaving the Group only if certain defined conditions are met. PPSP 2014 was paid out as planned in the first quarter of 2018.

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 this development, is measured by using the intrinsic value at the reporting date.

The pre-tax effects of share-based payment arrangements for the executive managers 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 ↗ **F.53**.

Table ↗ **F.54** 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 ↗ **F.54** 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 2018 can be found in the Remuneration Report. Management Report from page 120

F.53
Effects of share-based payment

	Expense		Provision At December 31,	
	2018	2017	**2018**	2017
In millions of euros				
PPSP	**-13**	-98	**112**	191
Medium-term component of annual bonus of the members of the Board of Management	**-2**	-7	**10**	13
	-15	-105	**122**	204

F.54

Expenses in the Consolidated Statement of Income resulting from share-based payments of current members of the Board of Management

	Dr. Dieter Zetsche		Martin Daum[1]		Renata Jungo Brüngger	
	2018	2017	**2018**	2017	**2018**	2017
In millions of euros						
PPSP	-0.4	-3.9	-0.2	-0.8	-0.2	-0.8
Medium-term component of the annual bonus	-0.5	-1.8	-0.2	-0.7	-0.2	-0.7

	Ola Källenius		Wilfried Porth		Britta Seeger[2]	
	2018	2017	**2018**	2017	**2018**	2017
In millions of euros						
PPSP	-0.1	-1.2	-0.1	-1.6	-0.3	-0.4
Medium-term component of the annual bonus	-0.2	-0.7	-0.2	-0.7	-0.2	-0.8

	Hubertus Troska		Bodo Uebber		Dr. Wolfgang Bernhard[3]	
	2018	2017	**2018**	2017	**2018**	2017
In millions of euros						
PPSP	-0.1	-1.6	-0.2	-1.9	–	-0.2
Medium-term component of the annual bonus	-0.2	-0.7	-0.2	-0.9	–	–

1 Appointed to the Board of Management as of March 1, 2017.
2 Appointed to the Board of Management as of January 1, 2017.
3 Appointment to the Board of Management ended on February 10, 2017. Amounts are included pro rata for 2017.

Performance Phantom Share Plans
In 2018, 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 in 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.

The number of phantom shares that vest of the PPSPs granted in 2014 to 2018 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 and until 2018, 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 provisi,on 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 ↗ F.55 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 account with the application of fixed factors related to each employee's age. The conversion factors include a fixed value increase. The pension plans were newly structured for new entrants in 2011 to reduce the risks associated with defined benefit plans. New entrants now benefit from value increases of the contributions through an investment fund with a special lifecycle model. The Company guarantees at a minimum the value of the contributions paid in. 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 funds assets. 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.

Effective December 13, 2018, Daimler AG transferred certain defined benefit obligations and plan assets of retired employees to Daimler Pensionsfonds AG (pension fund), which was established in June 2018. The transfer has no impact on the Group's profitability, liquidity and capital resources or financial position. In the future, 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 assets funds.

Risks from defined benefit pension plans and pension plan assets
The general requirements with regard to retirement benefit models are laid down in the Pension Plan Design Policy, which has 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.

F.55
Composition of provisions for pensions and similar obligations

	December 31, 2018	2017
In millions of euros		
Provision for pension benefits	6,298	4,625
Provision for other post-employment benefits	1,095	1,142
	7,393	5,767

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 fund assets, the engagement of asset managers using quantitative and qualitative analyses, and the continual monitoring of performance and risk help to reduce associated investment risk. The Group regularly makes additional contributions to the plan assets in order to cover future obligations from defined benefit pension plans. Furthermore, in 2017, the Group made an extraordinary contribution of €3.0 billion into the German pension plan assets, in order to sustainably strengthen them.

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 ↗ **F.56**.

Composition of plan assets

Plan assets and income from plan assets are used solely to pay pension benefits and to administer the plans. The composition of the Group's pension plan assets is shown in table ↗ **F.57**.

Market prices are 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.

F.56

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

	December 31, 2018			December 31, 2017		
	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	31,744	27,746	3,998	31,173	26,982	4,191
Current service cost	700	600	100	687	591	96
Interest cost	616	481	135	648	495	153
Contributions by plan participants	60	55	5	58	54	4
Actuarial gains (-)/losses from changes in demographic assumptions	175	202	-27	-23	-13	-10
Actuarial gains (-)/losses from changes in financial assumptions	-228	75	-303	1,076	419	657
Actuarial gains (-)/losses from experience adjustments	-32	-17	-15	2	-55	57
Actuarial gains (-)/losses	-85	260	-345	1,055	351	704
Past service cost, curtailments and settlements	-76	-71	-5	-117	–	-117
Pension benefits paid	-1,385	-1,211	-174	-973	-744	-229
Currency exchange-rate changes and other changes[1]	71	-8	79	-787	17	-804
Present value of the defined benefit obligation at December 31	31,645	27,852	3,793	31,744	27,746	3,998
Fair value of plan assets at January 1	27,215	24,197	3,018	23,384	20,315	3,069
Interest income from plan assets	529	426	103	489	377	112
Actuarial gains / losses (-)	-1,781	-1,551	-230	996	541	455
Actual result on plan assets	-1,252	-1,125	-127	1,485	918	567
Contributions by the employer	696	585	111	3,692	3,596	96
Contributions by plan participants	60	55	5	58	54	4
Pension benefits paid	-1,323	-1,171	-152	-910	-702	-208
Currency exchange-rate changes and other changes[1]	66	-9	75	-494	16	-510
Fair value of plan assets at December 31	25,462	22,532	2,930	27,215	24,197	3,018
Funded status	-6,183	-5,320	-863	-4,529	-3,549	-980
thereof recognized in other assets	115	–	115	96	–	96
thereof recognized in provisions for pensions and similar obligations	-6,298	-5,320	-978	-4,625	-3,549	-1,076

1 Including reclassifications to provisions for other risks in 2017.

F.57

Composition of plan assets

	At December 31, 2018			At December 31, 2017		
	Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
In millions of euros						
Energy, commodities and utilities	1,035	926	109	959	831	128
Financials	1,054	896	158	1,193	1,027	166
Healthcare	542	442	100	547	440	107
Industrials[1]	1,983	1,902	81	2,535	2,440	95
Consumer goods	1,018	855	163	1,149	942	207
Technology and telecommunication	1,082	924	158	1,127	932	195
Others	52	–	52	46	–	46
Equities	6,766	5,945	821	7,556	6,612	944
Government bonds	5,176	4,308	868	4,658	3,844	814
Corporate bonds	9,746	8,924	822	9,485	8,556	929
Securitized bonds	49	29	20	46	30	16
Bonds	14,971	13,261	1,710	14,189	12,430	1,759
Other exchange-traded instruments	19	16	3	5	1	4
Total exchange-traded instruments	21,756	19,222	2,534	21,750	19,043	2,707
Alternative investments[2]	498	340	158	512	388	124
Real estate	486	388	98	537	436	101
Other non-exchange-traded instruments	351	260	91	418	378	40
Cash and cash equivalents	2,371	2,322	49	3,998	3,952	46
Total non-exchange-traded instruments	3,706	3,310	396	5,465	5,154	311
Fair value of plan assets	25,462	22,532	2,930	27,215	24,197	3,018
thereof fair value of own transferable financial instruments	–	–	–	–	–	–
thereof fair value of self-used plan assets	–	–	–	50	50	–

1 Including the shares in Renault and Nissan in the amount of €1,528 (in 2017: €2,010) million.
2 Alternative investments mainly comprise private equity.

F.58

Pension cost

	2018			2017		
	Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
In millions of euros						
Current service cost	-700	-600	-100	-687	-591	-96
Past service cost, curtailments and settlements	76	71	5	117	–	117
Net interest expense	-90	-55	-35	-161	-118	-43
Net interest income	3	–	3	2	–	2
	-711	-584	-127	-729	-709	-20

Pension cost
The components of pension cost included in the Consolidated Statement of Income are shown in table ↗ **F.58**.

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 obligation uses life expectancy for the German plans based first on the 2018 G mortality tables of K. Heubeck as of December 31, 2018. The tables reflect the latest statistics of the statutory pension insurance system and of the Federal Statistical Office. The effect resulting from the change of the mortality tables amounts to €202 million at December 31, 2018 and is disclosed in the valuation losses from changes in demographic assumptions. Comparable country-specific calculation methods are used for non-German plans.

Table ↗ **F.59** 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 ↗ **F.60**.

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 achieved.

Effect on future cash flows
Daimler currently plans to make contributions of €0.7 billion to its pension plans for the year 2019; 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 €0.9 billion in 2019.

The weighted average duration of the defined benefit obligations is shown in table ↗ **F.61**.

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 2018, the total cost from defined contribution plans amounted to €1.6 billion (2017: €1.6 billion). Of those payments €1.5 billion (2017: €1.5 billion) were related to governmental pension plans.

Multi-employer plans
Multi-employer pension plans are classified at the Daimler Group as not material at December 31, 2018.

Until October 2017, a pension plan in the NAFTA region was included therein, for which the information required to use accounting for defined benefit plans was available for the first time in 2017. The company withdrew from the plan at the end of November 2017. The settlement of the plan resulted in a gain for Daimler Trucks of €117 million. The EBIT effect was presented in cost of sales in the Consolidated Statement of Income. The present value of future financial obligations was presented in provisions for other risks at December 31, 2017.

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. Table ↗ **F.62** 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.

F.59

Significant factors for the calculation of pension benefit obligations

	German plans At December 31,		Non-German plans At December 31,	
	2018	2017	2018	2017
In percent				
Discount rates	1.8	1.8	4.4	3.7
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 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.

F.60

Sensitivity analysis for the present value of defined benefit pension obligation

		December 31, 2018			December 31, 2017		
		Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
In millions of euros							
Sensitivity for discount rates	+ 0.25%	-1,174	-1,047	-127	-1,184	-1,045	-139
Sensitivity for discount rates	- 0.25%	1,252	1,115	137	1,308	1,113	195
Sensitivity for expected increases in cost of living	+ 0.10%	98	83	15	109	90	19
Sensitivity for expected increases in cost of living	- 0.10%	-95	-82	-13	-107	-89	-18
Sensitivity for life expectancy	+ 1 year	464	393	71	487	417	70
Sensitivity for life expectancy	- 1 year	-417	-345	-72	-437	-366	-71

F.61

Weighted average duration of the defined benefit obligations

	2018	2017
In years		
German plans	16	16
Non-German plans	16	17

F.62

Key data for other post-employment benefits

	2018	2017
In millions of euros		
Present value of defined benefit obligations	1,095	1,142
Fair value of reimbursement rights	27	68
Funded status	-1,068	-1,074
Net periodic cost for other post-employment benefits	-66	-71

23. Provisions for other risks

The development of provisions for other risks is summarized in table ↗ F.63.

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. 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 is principally expected within a period until 2021.

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 outflow for non-current provisions for personnel and social costs is primarily expected within a period until 2029.

Other

Provisions for other risks include in particular expected costs in connection with liability and litigation risks as well as risks from legal proceedings. Provisions for other risks also include expected costs for other taxes, provisions for environmental protection as well as obligations from outstanding commission, for example to trade representatives, under the prerequisite that no revenue has been realized with the recipient of the commission under IFRS 15. They also include provisions for anticipated losses on contracts and various other risks which cannot be allocated to any other class of provision.

Further information on other provisions for other risks is provided in Notes 5 and 30.

F.63

Provisions for other risks

	Product warranties	Personnel and social costs	Other	Total
In millions of euros				
Balance at December 31, 2017	6,716	4,425	3,622	14,763
thereof current	3,154	2,209	2,257	7,620
thereof non-current	3,562	2,216	1,365	7,143
Additions	3,665	2,113	2,141	7,919
Utilizations	-2,931	-2,049	-1,196	-6,176
Reversals	-420	-113	-362	-895
Compounding and effects from changes in discount rates	20	-8	19	31
Currency translation and other changes	-7	-107	34	-80
Balance at December 31, 2018	7,043	4,261	4,258	15,562
thereof current	3,080	1,971	2,777	7,828
thereof non-current	3,963	2,290	1,481	7,734

24. Financing liabilities

The composition of financing liabilities is shown in table ↗ F.64.

Liabilities from finance leases relate to leases of property, plant and equipment which transfer substantially all risks and rewards to the Group as lessee. Future minimum lease payments under finance leases amounted to €477 million at December 31, 2018 (2017: €496 million). The reconciliation of future minimum lease payments from finance lease arrangements to the corresponding liabilities is shown in table ↗ F.65.

F.64
Financing liabilities

		At December 31, 2018			At December 31, 2017	
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Notes/bonds	15,090	61,400	76,490	13,785	53,288	67,073
Commercial paper	2,835	–	2,835	1,045	–	1,045
Liabilities to financial institutions	21,068	18,332	39,400	17,583	16,972	34,555
Deposits in the direct banking business	9,677	2,097	11,774	9,450	2,010	11,460
Liabilities from ABS transactions	6,782	5,670	12,452	6,214	4,823	11,037
Liabilities from finance leases	27	320	347	27	325	352
Loans, other financing liabilities	761	843	1,604	642	960	1,602
	56,240	88,662	144,902	48,746	78,378	127,124

F.65
Reconciliation of minimum lease payments to liabilities from finance lease arrangements

	Future minimum lease payments		Interest included in future minimum lease payments		Liabilities from finance lease arrangements	
	at December 31,		at December 31,		at December 31,	
	2018	2017	2018	2017	2018	2017
In millions of euros						
Maturity						
within one year	38	39	11	12	27	27
between one and five years	162	150	56	61	106	89
later than five years	277	307	63	71	214	236
	477	496	130	144	347	352

25. Other financial liabilities

The composition of other financial liabilities is shown in table ↗ F.66.

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 ↗ F.67.

F.66
Other financial liabilities

	At December 31, 2018			At December 31, 2017		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Derivative financial instruments used in hedge accounting	633	461	1,094	168	528	696
Financial liabilities recognized at fair value through profit or loss	51	5	56	62	49	111
Liabilities from residual value guarantees	1,149	943	2,092	1,091	998	2,089
Liabilities from wages and salaries	1,267	25	1,292	1,292	25	1,317
Accrued interest expenses	1,105	–	1,105	905	–	905
Deposits received	504	542	1,046	495	539	1,034
Other	2,948	399	3,347	2,892	231	3,123
Miscellaneous other financial liabilities	6,973	1,909	8,882	6,675	1,793	8,468
	7,657	2,375	10,032	6,905	2,370	9,275

F.67
Deferred income

	At December 31, 2018			At December 31, 2017		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Deferral of sales revenue received from sales with residual-value guarantees	391	584	975	462	671	1,133
Deferral of advance rental payments received from operating lease arrangements	890	929	1,819	824	900	1,724
Other deferred income	299	99	398	242	97	339
	1,580	1,612	3,192	1,528	1,668	3,196

F.68
Contract and refund liabilities

In millions of euros	At December 31, 2018	2017
Service and maintenance contracts and extended warranties	5,868	5,303
Other contract liabilities	1,167	1,002
Contract liabilities	7,035	6,305
Obligations from sales transactions	4,931	4,489
Other refund liabilities	553	414
Refund liabilities	5,484	4,903
Contract and refund liabilities	12,519	11,208
thereof long-term	5,438	3,833
thereof short-term	7,081	7,375

27. Contract and refund liabilities

Table ↗ F.68 shows the composition of contract and refund liabilities.

Obligations from sales transactions should, in principle, be regarded as short-term. Due to the short maturities of these financial instruments, it is assumed that their fair values are equal to the carrying amounts.

28. Other liabilities

Table ↗ F.69 shows the composition of other liabilities.

F.69
Other liabilities

	At December 31, 2018			At December 31, 2017		
In millions of euros	Current	Non-current	Total	Current	Non-current	Total
Income tax liabilities	272	8	280	413	9	422
Other tax liabilities	1,905	1	1,906	1,871	1	1,872
Miscellaneous other liabilities	169	1	170	155	–	155
	2,346	10	2,356	2,439	10	2,449

29. Consolidated Statement of Cash Flows

Cash used for/provided by operating activities
Changes in other operating assets and liabilities are shown in table ↗ F.70.

The change of provisions in comparison to the prior year primarily resulted from provisions for pensions and similar obligations in the prior year in connection with an extraordinary contribution to the German pension plan assets. Opposing effects were related to provisions for warranties and customer goodwill obligations as well as provisions for personnel and welfare expenses. The change of miscellaneous other assets and liabilities in comparison to the prior year was strongly influenced by a lower increase in liabilities from service and maintenance contracts as well as a lower increase in liabilities from price reductions. An additional decreasing effect was caused by liabilities from advance payments received. Furthermore, the reporting year was affected by the payment of the first tranche in connection with the agreement reached to conclude the Toll Collect arbitration proceedings.

Table ↗ F.71 shows cash flows included in cash used for/provided by operating activities.

The line item other non-cash expense and income within the reconciliation of profit before income taxes to cash used for/provided by operating activities in the reporting year and in the prior year primarily comprised the Group's share in the profit/loss of companies accounted for using the equity method (see Note 13).

Cash provided by financing activities
Cash provided by financing activities includes cash flows from hedging the currency risks of financial liabilities. In 2018, cash provided by financing activities included payments for the reduction of outstanding finance lease liabilities of €37 million (2017: €39 million).

Table ↗ F.72 includes changes in liabilities arising from financing activities, divided into cash and non-cash components.

F.70
Changes in other operating assets and liabilities

	2018	2017
In millions of euros		
Provisions	742	-1,425
Financial instruments	-36	-128
Miscellaneous other assets and liabilities	171	1,763
	877	210

F.71
Cash flows included in cash used for/provided by operating activities

	2018	2017
In millions of euros		
Interest paid	-678	-304
Interest received	257	187
Dividends received from equity-method investments	1,380	843
Dividends received from other shareholdings	49	52

F.72
Changes in liabilities arising from financing activities

	2018	2017
In millions of euros		
Cash flows	17,456	16,794
Obtaining or losing control of subsidiaries	–	–
Changes in foreign exchange rates	411	-7,135
Fair value changes	-256	-119
Other changes	16	-325

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, 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 these claims are asserted by way of class action suits. If the outcome of such legal proceedings is detrimental to Daimler, 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 may have an impact on the Group's reputation.

Diesel emission behavior: Class action and other lawsuits in the United States and Canada
As already reported, several consumer class-action lawsuits were filed against Mercedes-Benz USA, LLC (MBUSA) in federal courts in the United States in early 2016. The main allegation was the use of 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. Those consumer class actions were consolidated into one class action pending against both Daimler AG and MBUSA in the US District Court for the District of New Jersey, in which the plaintiffs asserted various grounds for monetary relief on behalf of a nation-wide class of persons or entities who owned or leased certain models of Mercedes-Benz diesel vehicles as of February 18, 2016. Daimler AG and MBUSA moved to dismiss the lawsuit in its entirety. By order dated December 6, 2016, the court granted Daimler AG's and MBUSA's motion to dismiss and dismissed the lawsuit without prejudice, based on plaintiffs' failure to allege with sufficient specificity the advertising that they contended had misled them. Plaintiffs subsequently filed an amended class action complaint in the same court making similar allegations. The amended complaint also adds as defendants Robert Bosch LLC and Robert Bosch GmbH (collectively; "Bosch"), and alleges that Daimler AG and MBUSA conspired with Bosch to deceive US regulators and consumers. On February 1, 2019, the Court granted in part and denied in part Daimler AG and MBUSA's subsequent motion to dismiss. The case is ongoing as the Court's decision merely addressed certain legal aspects of plaintiffs' claims and did not decide whether the plaintiffs can ultimately prove their claims, whether the plaintiffs' allegations are true, or whether their claims have merit. Daimler AG and MBUSA view the lawsuit as being without merit and will defend against the claims.

On January 8, 2019, the Arizona State Attorney General filed a civil complaint in Arizona state court against Daimler AG and MBUSA making similar allegations that Arizona consumers were deliberately deceived in connection with the advertising of Mercedes-Benz diesel vehicles. The state seeks monetary penalties for violation of Arizona's consumer protection laws. Daimler AG and MBUSA view this lawsuit as being without merit.

Another consumer class-action lawsuit against Daimler AG and other companies of the Group containing similar allegations was filed in Canada in April 2016. On June 29, 2017, the court granted a procedural motion to certify certain issues for class treatment, and on March 12, 2018 the court ordered the parties to send a notice to the class by May 18, 2018, informing class members that the litigation is ongoing and they will be bound by the outcome. That notice was sent, and class members had until July 20, 2018 to opt out of the class to avoid being bound by subsequent rulings in the case. Daimler also regards this lawsuit as being without merit and will defend against the claims.

On July 14, 2017, an additional class action was filed in the Superior Court of California, Los Angeles County, against Daimler AG and other companies of the Group, alleging claims similar to the existing US class action. That action was removed to federal court and, on October 31, 2017, was transferred to the District of New Jersey. On December 21, 2017 the parties stipulated to dismiss, without prejudice, that lawsuit. It may be filed again under specific conditions, but Daimler also regards this lawsuit as being without merit.

Diesel emission behavior: Governmental proceedings
Furthermore, several state and federal authorities and other institutions worldwide have inquired about and/or are conducting investigations and/or administrative proceedings and/or have issued administrative orders. These particularly relate to test results, the emission control systems used in Mercedes-Benz diesel vehicles and/or Daimler's interaction with the relevant state and federal authorities as well as related legal issues and implications, including, but not limited to, under applicable environmental, securities, criminal and antitrust laws. These authorities and institutions include, among others, the U.S. Department of Justice (DOJ), which in April 2016 requested that Daimler AG review its certification and admissions processes related to exhaust emissions of diesel vehicles in the United States by way of an internal investigation in cooperation with the DOJ, the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB) and other US state authorities, the U.S. Securities and Exchange Commission (SEC), the European Commission, with which Daimler AG has filed a leniency application and which meanwhile has opened a formal investigation into possible collusion on clean emission technology, as well as national antitrust authorities and other authorities of various foreign states as well as the German Federal Financial Supervisory Authority (BaFin), the German Federal Ministry of Transport and Digital Infrastructure (BMVI) and the German Federal Motor Transport Authority (KBA), the diesel emissions committee of inquiry of the German Parliament of the previous legislative period and the Stuttgart district attorney's office. The Stuttgart district attorney's office is conducting criminal investigation proceedings against Daimler employees concerning the suspicion of fraud and criminal advertising, and, in May 2017, searched the premises of Daimler at several locations in Germany.

In the second and third quarter of 2018, KBA issued administrative orders holding that certain calibrations of specified functionalities in certain Mercedes-Benz diesel vehicles are to be qualified as impermissible defeat devices and ordered subsequent auxiliary provisions for the respective EU type approvals in this respect, including a stop of the first registration and mandatory recall. Daimler filed timely objections against such administrative orders in order to have the open legal issues resolved, if necessary, also by a court of law.
In the course of its regular market supervision, KBA routinely conducts further reviews of Mercedes-Benz vehicles. It cannot be ruled out that in the course of further investigations KBA will issue additional administrative orders making similar findings. Daimler has implemented a temporary delivery and registration stop with respect to certain models and reviews constantly whether it can lift this delivery and registration stop in whole or in part. The new calibration requested by KBA in its administrative order of the second quarter of 2018 has meanwhile been completed and the relevant software has been approved by KBA; the related recall has in the meanwhile been initiated. It cannot be ruled out, however, that further delivery and registration stops may be ordered or resolved by the Company as a precautionary measure under the relevant circumstances. Daimler has initiated further investigations and otherwise continues to fully cooperate with the authorities and institutions. As the aforementioned inquiries, investigations, administrative proceedings and the replies to these related information requests, the objection proceedings against the administrative orders as well as Daimler's internal investigations are ongoing, we rely on IAS 37.92 in not disclosing any further information on whether or not, or to what extent, provisions have been recognized and/or contingent liabilities have been disclosed.

Antitrust law proceedings (including actions for damages)
Starting on July 25, 2017, a number of class actions have been 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 class action amended and consolidated their complaints into two pleadings, one on behalf of consumers and the other on behalf of dealers. On June 1, 2018, the court dismissed Mercedes-Benz U.S. International, Inc., Mercedes-Benz Vans, LLC, and Daimler North America Corp., pursuant to the parties' stipulation. Daimler AG and MBUSA remain parties in the case, regard the US and Canadian lawsuits as being without merit, and will defend against the claims.

In this context, Daimler AG may disclose that it filed an application for immunity from fines (leniency application) with the European Commission some time ago. In late October 2017, the European Commission conducted preannounced inspections with Daimler in Stuttgart (as well as further inspections with other manufacturers) in order to further clarify the facts of the case. In the third quarter of 2018, the European Commission opened a formal investigation into possible collusion on clean emission technology. At present, Daimler does not expect this unquantifiable contingent liability to have any material impact on its 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 faces 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 AG's position.

On June 23, 2016, the German Federal Cartel Office carried out dawn raids at several car manufacturers and suppliers, including Daimler AG, with regard to steel purchasing. Daimler is cooperating in full with the authority. 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 AG's position.

Class-action lawsuits Takata airbag inflators
As already reported, in August 2016, Mercedes-Benz Canada (MB Canada) was added as a defendant to a putative nation-wide class action pending in Ontario Superior Court. The main allegation in the matter is that MB Canada, along with Takata entities and many other companies that sold vehicles equipped with Takata airbag inflators, was allegedly negligent in selling such vehicles, purportedly not recalling them quickly enough, and failing to provide an allegedly adequate replacement airbag inflator. In addition, on June 28, 2017, Takata entities along with Daimler AG and MBUSA were named as defendants in a U.S. nation-wide class action, which was filed in New Jersey federal court and includes allegations that are similar to the Canadian action. In the third quarter of 2017, the New Jersey lawsuit was transferred to federal court in the Southern District of Florida for consolidation with other multi-district litigation proceedings. Then, on March 14, 2018, Daimler AG and MBUSA were named as defendants in two additional US nation-wide class action complaints, one filed in Georgia federal court, and the other filed into the multi-district litigation proceedings pending in Florida. The allegations in these new complaints are similar to those in the Canadian and New Jersey actions. The U.S. cases have been centralized in one proceeding by the Judicial Panel on Multidistrict Litigation and transferred to the U.S. District Court for the Southern District of Florida, which is overseeing litigation against Takata and other manufacturers of automobiles. The previously reported lawsuit filed by the State of New Mexico, which also made similar claims against MBUSA and many other companies that sold vehicles equipped with Takata airbag inflators, was dismissed without prejudice on June 22, 2017. It may, however, be filed again under specific conditions. 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.

Refrigerant
Pursuant to EU Directive 2006/40/EC, since January 1, 2011, vehicles only receive new type approvals if their air-conditioning units are filled with a refrigerant that meets certain criteria with regard to climate friendliness. For vehicles produced on the basis of type approvals granted previously, the directive allowed a period of transition until December 31, 2016. Mercedes-Benz vehicles fully comply with the legal requirements in force since January 1, 2017 through the application of CO_2 air-conditioning and the refrigerant R1234yf in combination with safety devices that are used as necessary depending on each vehicle's configuration. In December 2016, the EU Commission initiated infringement proceedings against the Federal Republic of Germany in the European Court of Justice (ECJ). The Commission saw a contravention by the German authorities of the European type-approval frame directive and of the directive on emissions from air-conditioning systems in motor vehicles. In March 2017, Germany's Federal Motor Transport Authority issued Daimler AG with an injunction requiring to retrofit such vehicles in which, in the first half of 2013 and for reasons of safety, the previously used refrigerant R134a had been used. Daimler AG considered the request to be unfounded and had filed an objection to the injunction. On October 4, 2018, the ECJ ruled in the infringement proceedings that the Federal Republic of Germany had contravened European Union law, inter alia, by not ordering the changeover of the relevant vehicles within the period specified by the Commission. Subsequently, Daimler AG has withdrawn the objection, and will carry out the requested retrofit of the affected vehicles. A provision was already recognized in the third quarter of 2018 for the retrofitting of the vehicles still operating with the previously used refrigerant R134a. No other significant risks are expected in this respect.

Toll Collect
In 2002, our subsidiary Daimler Financial Services AG, together with Deutsche Telekom AG and Compagnie Financière et Industrielle des Autoroutes S.A.(Cofiroute) entered into a consortium agreement for the purpose of jointly operating a system for the electronic collection of tolls for commercial vehicles using German highways under a contract with the Federal Republic of Germany (operating agreement) through the project company Toll Collect GmbH. Until August 31, 2018, Daimler Financial Services AG and Deutsche Telekom AG each held a 45% equity interest in the project company Toll Collect GmbH, and Cofiroute S.A. held the remaining 10%. The consortium continues to hold the equity interest in Toll Collect GbR.

The Federal Republic of Germany declared its acceptance of the offer to take over all shares in Toll Collect GmbH on August 31, 2018 and acquired the company as scheduled on September 1, 2018. According to the operating agreement, the toll collection system had to be operational not later than August 31, 2003. After a delay of the launch date, the system was largely introduced on January 1, 2005. The final operating permit was granted on July 4, 2018, in connection with the settlement of the pending arbitration proceedings. The Federal Republic of Germany had initiated arbitration proceedings against Daimler Financial Services AG, Deutsche Telekom AG and Toll Collect GbR in September 2004. In the first half of 2017, the shareholders Deutsche Telekom AG and Daimler Financial Services AG asserted counterclaims relating to breaches of duty by the Federal Republic of Germany with regard to the delay in the start of the toll system. Toll Collect GmbH had also initiated an arbitration proceeding against the Federal Republic of Germany in order to recover the advance payments withheld by the Federal Republic of Germany of €8 million per month since June 2006, as well as other remuneration in dispute.

On July 4, 2018, through its subsidiary Daimler Financial Services AG, Daimler AG together with Deutsche Telekom AG notarized a settlement agreement (hereinafter: settlement) with the Federal Republic of Germany which settles all arbitration proceedings in connection with the involvement in the Toll Collect consortium, which have been ongoing since 2004.

On July 6, 2018, the arbitral tribunal issued an award on agreed terms terminating the arbitration proceedings on the basis of the settlement.

The settlement agreement is composed of different elements. One material element is a cash payment (hereinafter: settlement payment) by Toll Collect GbR of €1.1 billion that has to be transferred in three tranches until 2020 and equally divided between Daimler Financial Services AG and Deutsche Telekom AG. The first tranche in the amount of €400 million was paid to the Federal Republic of Germany on August 1, 2018, equally divided between Daimler Financial Services AG and Deutsche Telekom. The settlement takes into account claims of Toll Collect GmbH with regard to the remuneration pursuant to the operating agreement withheld monthly by the Federal Republic of Germany since June 2006. It also takes into account penalty payments for delays already settled by the shareholders of Toll Collect GbR and related interest. Further elements of the settlement agreement relate to the determination of the purchase price for the shares in Toll Collect GmbH on August 31, 2018 as well as the obligation to achieve a certain quality regarding the collection of tolls. Should this quality parameter not be achieved, the settlement payment to the Federal Republic of Germany will be increased by €50 million. On November 15, 2018, Daimler Financial Services AG and Deutsche Telekom AG have received the written confirmation from the Federal Republic of Germany that the quality parameters have been reached. Overall, the total settlement payments to the Federal Republic of Germany amount to €3.2 billion.

In the second quarter of 2018, the profit/loss on equity-method investments includes expenses of €418 million in connection with Toll Collect. The EBIT of the Daimler Financial Services segment is reduced in particular due to the existing 50% obligation of Daimler Financial Services AG to pay €550 million to Toll Collect GbR, which is partially offset by provisions recognized in previous years.

All known and unknown claims from the toll agreement that arose until March 31, 2018 are settled under the settlement provided that the related damage occurred before March 31, 2018.

Failure to comply with various obligations under the operating agreement during the period from April 1, 2018 until the end of the operating agreement on August 31, 2018 may result in contract penalties, additional revenue reductions and damage claims. However, contract penalties and revenue reductions are capped at €100 million per operating year (increasing by 3% per financial year). At present, no respective facts are known.

Irrespective of the settlement, the guarantees relating to the completion and operation of the toll collection system as stated in the operating agreement or other additional agreements and the responsibility to fulfill all relevant obligations from April 1, 2018 until the end of the operating agreement on August 31, 2018 remain unchanged. At present, no respective facts are known.

Guarantees, which are subject to specific triggering events are described below:

- *Guarantee of bank loans.* Daimler AG issued a guarantee to third parties up to a maximum amount of €100 million for bank loans which could be obtained by Toll Collect GmbH. In September 2018 Daimler AG was released of this guarantee obligation.

- *Equity capitalization.* The consortium members have agreed within the settlement to ensure that Toll Collect GmbH disposes of a minimum equity of €50 million and a minimum liquidity of €10 million as of August 31, 2018. The minimum equity and the minimum liquidity have been confirmed on December 17, 2018, with the authorization of Toll Collect GmbH financial statements as of August 31, 2018. Should damage claims, reductions of compensation or other events that take place after March 31, 2018 lead subsequently to a decrease of Toll Collect GmbH's equity below the minimum contractually agreed, the members of the consortium are obliged to financially ensure that the minimum equity of Toll Collect GmbH is achieved anew.

- Cofiroute's risks and obligations are limited to €70 million. Daimler Financial Services AG and Deutsche Telekom AG are jointly obliged to indemnify Cofiroute for amounts exceeding this limitation.

Accounting estimates and management judgments
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, 2018, the best estimate for obligations from contingent liabilities was €761 million (2017: €589 million). Some contingent liabilities are not quantifiable. This applies in particular to the assessment of the legal risks arising from the class-action lawsuits mentioned in Note 30.

Information about the settlement contract of Daimler Financial Services AG and Deutsche Telekom AG with the Federal Republic of Germany about the termination of legal disputes in connection with the involvement in the Toll Collect toll consortium and the guarantees involved is provided in Note 30.

Other financial obligations

The Group has **other financial obligations resulting from non-cancelable long-term rental agreements and operating leases for property, plant and equipment**; the contracts partially include renewal or purchase options and price-escalation clauses. In 2018, Daimler recognized as expenses payments from operating leases of €621 million (2017: €563 million). Table ↗ F.73 provides an overview of when future minimum lease payments under non-cancelable long-term rental and lease agreements fall due (nominal amounts).

Furthermore, other financial obligations exist from the **acquisition of intangible assets, property, plant and equipment and lease property** of €5,048 million (2017: €4,876 million).

In addition, the Group had issued **irrevocable loan commitments** at December 31, 2018. These loan commitments had not been utilized as of that date. Further information with respect to these commitments is disclosed in Note 33.

F.73
Future minimum lease payments under non-cancelable long-term rental and lease agreements (nominal amounts)

	December 31, 2018	2017
In millions of euros		
Maturity		
not later than one year	780	698
later than one year and not later than five years	1,645	1,421
later than five years	1,375	890
	3,800	3,009

32. Financial instruments

Carrying amounts and fair values of financial instruments

Table ↗ **F.74** and table ↗ **F.75** show the carrying amounts and fair values of the respective classes of the Group's financial instruments at December 31, 2018 according to IFRS 9 and at December 31, 2017 according to IAS 39.

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:

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.

The discounting is based on the current interest rates at which similar loans with identical terms could have been obtained at December 31, 2018 and December 31, 2017.

F.74
Carrying amounts and fair values of financial instruments (according to IFRS 9)

	At December 31, 2018	
	Carrying amount	Fair value
In millions of euros		
Financial assets		
Receivables from financial services	96,740	97,144
Trade receivables	12,586	12,586
Cash and cash equivalents	15,853	15,853
Marketable debt securities and similar investments	9,577	9,577
Recognized at fair value through other comprehensive income	5,855	5,855
Recognized at fair value through profit or loss	3,059	3,059
Measured at cost	663	663
Other financial assets		
Equity instruments and debt instruments	748	748
Recognized at fair value through other comprehensive income	364	364
Recognized at fair value through profit or loss	384	384
Other financial assets recognized at fair value through profit or loss	109	109
Derivative financial instruments used in hedge accounting	1,033	1,033
Other receivables and financial assets	3,177	3,177
	139,823	140,227
Financial liabilities		
Financing liabilities	144,902	144,933
Trade payables	14,185	14,185
Other financial liabilities		
Financial liabilities recognized at fair value through profit or loss	56	56
Derivative financial instruments used in hedge accounting	1,094	1,094
Miscellaneous other financial liabilities	8,882	8,882
	169,119	169,150

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
At December 31, 2018, *marketable debt securities* are measured 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 amount is a reasonable approximation of fair value.

Equity Instruments are measured at fair value through other comprehensive income or at fair value through profit or loss. The fair values of the equity instruments measured through other comprehensive income are included in table ↗ F.74 and comprise BAIC BluePark New Energy Technology Co., Ltd as well as further investments not material on an individual basis. Daimler does not generally intend to sell its equity instruments which are presented at December 31, 2018.

Marketable debt securities and equity instruments measured at fair value were measured using quoted market prices at December 31, 2018. If quoted market prices were not available for these debt and equity instruments, the fair value measurement is based on inputs that are either directly or indirectly observable in active markets.

Other financial assets measured 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 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 were measured using 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 using the market interest rates appropriate to the remaining terms of the financial instruments.
- derivative commodity hedging contracts; the fair values of commodity hedging contracts (e.g. commodity forwards) are determined on the basis of current reference prices with consideration of forward premiums and discounts.

Other financial receivables and assets 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.

F.75
Carrying amounts and fair values of financial instruments (according to IAS 39)

	At December 31, 2017	
	Carrying amount	Fair value
In millions of euros		
Financial assets		
Receivables from financial services	86,054	86,543
Trade receivables	11,995	11,995
Cash and cash equivalents	12,072	12,072
Marketable debt securities		
Available-for-sale financial assets	10,063	10,063
Other financial assets		
Available-for-sale financial assets	1,173	1,173
thereof equity instruments measured at fair value	171	171
thereof equity instruments measured at cost	1,002	1,002
Financial assets recognized at fair value through profit or loss	82	82
Derivative financial instruments used in hedge accounting	2,379	2,379
Other receivables and financial assets	3,172	3,172
	126,990	127,479
Financial liabilities		
Financing liabilities	127,124	128,437
Trade payables	12,451	12,451
Other financial liabilities		
Financial liabilities recognized at fair value through profit or loss	111	111
Derivative financial instruments used in hedge accounting	696	696
Miscellaneous other financial liabilities	8,468	8,468
	148,850	150,163

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. 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.

Refund liabilities (IFRS 15)
Refund liabilities include obligations from sales transactions that qualify as financial instruments. Further information is provided in Note 27.

Other financial liabilities
Financial liabilities measured 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 other appropriate 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 ↗ **F.76** 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 ↗ **F.77** and table ↗ **F.78** provide an overview of the classification into measurement hierarchies of financial assets and liabilities measured at fair value (according to IFRS 13) at December 31, 2018 according to IFRS 9 and at December 31, 2017 according to IAS 39.

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

The increase in equity and debt instruments recognized at fair value through profit or loss included in Level 1 relates primarily to the fair value measurement of the minority interest in Aston Martin Lagonda Global Holdings plc. Further information is provided in Note 7.

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.

F.76
Disclosure for recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement

	At December 31, 2018 (IFRS 9)			At December 31, 2017 (IAS 39)		
	Gross and net amounts of financial instruments in the balance sheet	Amounts subject to a master netting arrangement	Net amounts	Gross and net amounts of financial instruments in the balance sheet	Amounts subject to a master netting arrangement	Net amounts
In millions of euros						
Other financial assets[1]	1,142	-574	568	2,461	-566	1,895
Other financial liabilities[2]	1,150	-574	576	807	-566	241

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 measured 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 measured at fair value through profit or loss (see Note 25).

F.77

Measurement hierarchy of financial assets and liabilities measured at fair value (according to IFRS 9)

	At December 31, 2018			
	Total	Level 1[1]	Level 2[2]	Level 3[3]
In millions of euros				
Financial assets recognized at fair value				
Marketable debt securities	8,914	5,812	3,102	–
Recognized at fair value through other comprehensive income	5,855	2,753	3,102	–
Recognized at fair value through profit or loss	3,059	3,059	–	–
Equity instruments and debt instruments	748	338	304	106
Recognized at fair value through other comprehensive income	364	208	128	28
Recognized at fair value through profit or loss	384	130	176	78
Other financial assets recognized at fair value through profit or loss	109	–	109	–
Derivative financial instruments used in hedge accounting	1,033	–	1,033	–
	10,804	6,150	4,548	106
Financial liabilities recognized at fair value				
Financial liabilities recognized at fair value through profit or loss	56	–	56	–
Derivative financial instruments used in hedge accounting	1,094	–	1,094	–
	1,150	–	1,150	–

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.

F.78

Measurement hierarchy of financial assets and liabilities measured at fair value (according to IAS 39)

	At December, 31 2017			
	Total	Level 1[1]	Level 2[2]	Level 3[3]
In millions of euros				
Financial assets measured at fair value				
Financial assets available-for-sale	10,234	6,721	3,513	–
thereof marketable debt securities	10,063	6,615	3,448	–
thereof equity instruments measured at fair value	171	106	65	–
Financial assets measured at fair value through profit or loss	82	–	82	–
Derivative financial instruments used in hedge accounting	2,379	–	2,379	–
	12,695	6,721	5,974	–
Liabilities measured at fair value				
Financial liabilities measured at fair value through profit or loss	111	–	111	–
Derivative financial instruments used in hedge accounting	696	–	696	–
	807	–	807	–

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.

F.79

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

	At December 31, 2018 (IFRS 9)				At December 31, 2017 (IAS 39)			
	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	**97,144**	–	**97,144**	–	86,543	–	86,543	–
Fair values of financial liabilities measured at cost								
Financing liabilities	**144,933**	**62,961**	**81,972**	–	128,437	58,496	69,941	–
thereof bonds	**76,468**	**62,862**	**13,606**	–	68,422	57,715	10,707	–
thereof liabilities from ABS transactions	**12,474**	**99**	**12,375**	–	11,081	781	10,300	–
thereof other financing liabilities	**55,991**	–	**55,991**	–	48,934	–	48,934	–

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.

Table ↗ **F.79** shows into which measurement hierarchies (according to IFRS 13) the fair values of the financial assets and liabilities are classified which are not measured at fair value in the Consolidated Statement of Financial Position.

Measurement categories

The carrying amounts of financial instruments presented at December 31, 2018 according to IFRS 9 measurement categories and at December 31, 2017 according to IAS 39 measurement categories are shown in table ↗ **F.80** and ↗ **F.81**.

The table ↗ **F.80** and table ↗ **F.81** do not include the carrying amounts of derivative financial instruments used in hedge accounting as these financial instruments are not assigned to an IFRS 9 or IAS 39 measurement category. In addition table ↗ **F.81** does not include cash and cash equivalents as these financial instruments are not assigned to an IAS 39 measurement category.

F.80

Carrying amounts of financial instruments presented according to IFRS 9 measurement categories

In millions of euros	At December 31, 2018
Assets	
Receivables from financial services[1]	70,080
Trade receivables	12,586
Cash and cash equivalents	15,853
Marketable debt securities and similar investments	663
Other receivables and financial assets	3,177
Financial assets measured at (amortized) cost	102,359
Marketable debt securities and similar investments	5,855
Equity and debt instruments	364
Financial assets measured at fair value through other comprehensive income	6,219
Marketable debt securities and similar investments	3,059
Equity and debt instruments	384
Other financial assets measured at fair value through profit or loss	109
Financial assets measured at fair value through profit or loss[2]	3,552
Liabilities	
Trade payables	14,185
Financing liabilities[3]	144,555
Other financial liabilities[4]	8,758
Financial liabilities measured at (amortized) cost	167,498
Financial liabilities measured at fair value through profit or loss[2]	56

1 This does not include lease receivables of €26,660 million as of December 31, 2018 as these are not assigned to an IFRS 9 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 finance leases of €347 million as of December 31, 2018 as these are not assigned to an IFRS 9 measurement category.
4 This does not include liabilities from financial guarantees of €124 million as of December 31, 2018 as these are not assigned to an IFRS 9 measurement category.

F.81

Carrying amounts of financial instruments presented according to IAS 39 measurement categories

In millions of euros	At December 31, 2017
Assets	
Receivables from financial services[1]	63,540
Trade receivables	11,995
Other receivables and financial assets	3,172
Loans and receivables	78,707
Marketable debt securities	10,063
Other financial assets	1,173
Available-for-sale financial assets	11,236
Financial assets measured at fair value through profit or loss[2]	82
Liabilities	
Trade payables	12,451
Financing liabilities[3]	126,772
Other financial liabilities[4]	8,327
Financial liabilities measured at (amortized) cost	147,550
Financial liabilities measured at fair value through profit or loss[2]	111

1 This does not include lease receivables of €22,514 million as of December 31, 2017 as these are not assigned to an IAS 39 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 finance leases of €352 million as of December 31, 2017 as these are not assigned to an IAS 39 measurement category.
4 This does not include liabilities from financial guarantees of €141 million as of December 31, 2017 as these are not assigned to an IAS 39 measurement category.

F.82

Net gains/losses (according to IFRS 9)

In millions of euros	2018
Equity and debt instruments recognized at fair value through profit or loss	136
Other financial assets and financial liabilities recognized at fair value through profit or loss[1]	240
Equity instruments recognized at fair value through other comprehensive income	2
Other financial assets recognized at fair value through other comprehensive income	-17
Financial assets measured at (amortized) cost	-469
Financial liabilities measured at (amortized) cost	105

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

F.83

Net gains/losses (according to IAS 39)

In millions of euros	2017
Financial assets and liabilities recognized at fair value through profit or loss[1]	152
Available-for-sale financial assets	27
Loans and receivables	-542
Financial liabilities measured at (amortized) cost	-50

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

F.84

Total interest income and total interest expense (according to IFRS 9)

In millions of euros	2018
Total interest income	5,189
thereof from financial assets and liabilities measured at (amortized) costs	5,100
thereof from financial assets measured at fair value through other comprehensive income	89
Total interest expense	-3,171
thereof from financial assets and liabilities measured at (amortized) costs	-3,171
thereof from financial assets measured at fair value through other comprehensive income	–

Net gains or losses

Table ↗ **F.82** shows the net gains/losses on financial instruments included in the Consolidated Statement of Income (excluding derivative financial instruments used in hedge accounting) at December 31, 2018 according to IFRS 9.

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, among others the fair value change of our equity interest in Aston Martin Lagonda Global Holdings plc.

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

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

Net gains/losses on other financial assets measured 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 primarily comprise impairment losses (including reversals of impairment losses) of €407 million that are charged to cost of sales, selling expenses and other financial income/expense, net. Foreign currency gains and losses are also included. On the other hand impairment losses (excluding reversals of impairment losses) amounted to €630 million at December 31, 2017 according to IAS 39.

Net gains/losses on financial liabilities measured at (amortized) cost primarily comprise the effects of currency translation.

Table ↗ **F.83** shows the net gains/losses on financial instruments included in the Consolidated Statement of Income (excluding derivative financial instruments used in hedge accounting) at December 31, 2017 according to IAS 39.

Total interest income and total interest expense

Total interest income and total interest expense for financial assets or financial liabilities that are not measured at fair value through profit or loss at December 31, 2018 according to IFRS 9 are shown in table ↗ **F.84**.

Total interest income and total interest expense for financial assets or financial liabilities that were not measured at fair value through profit or loss amounted €4,572 million and €2,415 million respectively at December 31, 2017 according to IAS 39.

See Note 1 for qualitative descriptions of accounting for and presentation of financial instruments (including derivative financial instruments).

F.85

Amounts for the transactions designated as hedging instruments (according to IFRS 9)

					December 31, 2018
		Foreign currency risk		Interest rate risk	Commodity risk
	Cash flow hedges[1]	Hedges of net investments in foreign operations	Cash flow hedges[1]	Fair Value hedges[2]	Cash flow hedges[1]
In millions of euros					
Carrying amount of the hedging instrument					
Other financial assets current	366	–	58	57	43
Other financial assets non-current	86	–	59	364	–
Other financial liabilities current	425	–	15	163	30
Other financial liabilities non-current	161	–	41	237	22
Financial liabilities current	–	25	–	–	–
Fair value changes[3]	-1,021	1	-18	122	-41

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.

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. These are mainly interest rate risks, currency risks and commodity price risks, which were defined as risk categories according to IFRS 9. For these hedging purposes, the Group mainly uses currency forward transactions, cross currency interest rate swaps, interest rate swaps, options and commodity forwards.

Table ↗ **F.85** shows the amounts for the transactions designated as hedging instruments at December 31, 2018 according to IFRS 9.

Table ↗ **F.86** shows the fair values of hedging instruments at December 31, 2017 according to IAS 39.

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 at December 31, 2018 according to IFRS 9 are included in table ↗ **F.87**.

F.86

Fair values of hedging instruments (according to IAS 39)

	At December 31, 2017
In millions of euros	
Fair value hedges	-68
Cash flow hedges	1.751
Hedges of net investments in foreign operations	-180

F.87

Fair value hedges (according to IFRS 9)

	2018 Interest rate risk
In millions of euros	
Carrying amounts of the hedged items	
Financing liabilities current	14,217
Financing liabilities non-current	29,086
thereof hedge adjustments	
Financing liabilities current	-72
Financing liabilities non-current	100
Fair value changes of the hedged items[1]	-121
Accumulated amount of hedge adjustments from inactive hedges remaining in the statement of financial position	23

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

F.88

Ineffectiveness of fair value hedges (according to IFRS 9)

	2018 Interest rate risk
In millions of euros	
Cost of sales	–
Interest expense	2

F.89

Net gains/losses from fair value hedges (according to IAS 39)

	2017
In millions of euros	
Net gains/losses from hedging instruments	-329
Net gains/losses from underlying transactions	349

The amounts relating to hedge ineffectiveness for items designated as fair value hedges at December 31, 2018 according to IFRS 9 are shown in table ↗ F.88.

Net gains and losses on these hedging instruments and the changes in the value of the underlying transactions at December 31, 2017 according to IAS 39 are shown in table ↗ F.89.

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 at December 31, 2018 according to IFRS 9 are shown in table ↗ F.90.

The gains and losses on items designated as cash flow hedges at December 31, 2018 according to IFRS 9 as well as the amounts relating to hedge ineffectiveness are included in table ↗ F.91.

Net profit at December 31, 2017 according to IAS 39 includes net losses (before income taxes) of €11 million attributable to the ineffectiveness of derivative financial instruments entered into for hedging purposes (hedge ineffectiveness).

F.90

Cash flow hedges and hedges of net investments in foreign operations (according to IFRS 9)

			2018
	Foreign currency risk	Interest rate risk	Commodity risk
In millions of euros			
Fair value changes of the hedged items[1]	1,024	83	39
Thereof hedges of net investments in foreign operations	-1		
Balance of the reserves for derivative financial instruments (before taxes)			
Continuing hedges	-91	-4	9
Thereof hedges of net investments in foreign operations	4		
Discontinued/terminated hedges	-311	-4	–
Thereof hedges of net investments in foreign operations	-270		

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

F.91

Gains and losses on cash flow hedges and hedges of net investments in foreign operations (according to IFRS 9)

						2018
	Foreign currency risk				Interest rate risk	Commodity risk
In millions of euros						
Gains and losses recognized in other comprehensive income[1]	-1,072	-31	82	-70	53	-40
Hedge ineffectiveness recognized in the Statement of Income	1	1	–	–	–	-1
Line item in the Statement of Income in which the hedge ineffectiveness is included	Revenues	Cost of sales	Other financial income/ expense, net	Cost of sales	Interest expense	Cost of sales
Reclassification of hedge effectiveness from other comprehensive income to the Statement of Income						
For hedges for which the hedged future cash flows are no longer expected to occur	-8	–	–	–	1	-1
For hedges that have been transferred because the hedged item has affected profit or loss[2]	-605	72	-91	55	-63	-73
Line item in the Statement of Income in which the reclassification is included	Revenues	Cost of sales	Other financial income/ expense, net	Cost of sales	Interest expense	Cost of sales

1 The amount in other financial income/expense, net includes €1 million for hedges of net investments in foreign operations.
2 The amount in other financial income/expense, net includes minus €10 million for hedges of net investments in foreign operations.

F.92

Reconciliation of reserves for derivative financial instruments (according to IFRS 9)

	2018
In millions of euros	
Balance at January 1, 2018	1,171
Changes in fair values (before taxes)	-1,081
Foreign currency risk	-1,023
Interest rate risk	-18
Commodity price risk - inventory purchases	-40
Reclassification to profit and loss (before taxes)	-641
Foreign currency risk	-634
Interest rate risk	-7
Reclassification to cost of acquisition of non-financial assets (before taxes)	-81
Foreign currency risk – procurement	-63
Commodity price risk – inventory purchases	-18
Other	–
Taxes on changes in fair values and reclassifications	537
Balance at December 31, 2018	-95

F.93

Reclassifications of pre-tax gains/losses from equity to the Statement of Income (according to IAS 39)

	2017
In millions of euros	
Revenue	-6
Cost of sales	34
Interest income	–
Interest expense	-1
	27

Table ↗ F.92 shows the reconciliation of the reserves for derivative instruments in 2018 according to IFRS 9.

The reserves for derivative instruments include reserves for hedge costs of minus €11 million at December 31, 2018 (minus €34 million at January 1, 2018).

Unrealized pre-tax gains/losses on the measurement of derivatives, which are recognized in other comprehensive income, amounted to €2,525 million at December 31, 2017 according to IAS 39.

Table ↗ F.93 provides an overview of the reclassifications of pre-tax gains/losses from equity to the Consolidated Statement of Income in 2017 according to IAS 39.

The maturities of the interest rate hedges and cross currency interest rate hedges as well as of the commodity hedges 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 ↗ F.94 at December 31, 2018 according to IFRS 9 and in table ↗ F.95 at December 31, 2017 according to IAS 39.

At December 31, 2018, Daimler utilized derivative instruments with a maximum maturity of 34 months (2017: 39 months) as hedges for currency risks arising from future transactions.

Nominal values of derivative financial instruments

Table ↗ F.94 and table ↗ F.95 show the nominal values of derivative financial instruments at December 31, 2018 according to IFRS 9 and at December 31, 2017 according to IAS 39 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 at December 31, 2018 according to IFRS 9 are included in table ↗ F.96.

Hedging 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 mostly do not classify for hedge accounting.

Even if derivative financial instruments do not or no longer qualify for hedge accounting, these instruments are still hedging financial risks from the operating business. A hedging instrument is terminated when the hedged item 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.

F.94

Nominal values of derivative financial instruments (according to IFRS 9)

	At December 31, 2018 Maturity of nominal amounts			
	<1 year	1 year up to 5 years	>5 years	Total
In millions of euros				
Foreign currency risk	**29,063**	**9,935**	**–**	**38,998**
Interest rate risk	**15,926**	**36,602**	**12,055**	**64,583**
Fair value hedges	**6,173**	**24,763**	**12,055**	**42,991**
Cash flow hedges	**9,753**	**11,839**	**–**	**21,592**
Commodity risk	**285**	**215**	**–**	**500**

F.95

Nominal values of derivative financial instruments (according to IAS 39)

	At December 31, 2017		
	Nominal values	Maturity ≤1 year	Maturity >1 year
In millions of euros			
Hedging of currency risks from receivables/liabilities			
Forward exchange contracts	6,267	6,259	8
thereof cash flow hedges	3,380	3,380	–
Cross currency interest rate swaps	5,811	2,153	3,658
thereof cash flow hedges	3,238	1,559	1,679
thereof fair value hedges	1,676	361	1,315
Hedging of currency risks from forecasted transactions			
Forward exchange contracts and currency options	45,996	30,506	15,490
thereof cash flow hedges	45,542	30,061	15,481
Hedging of currency risks of net investments in foreign operations			
Currency swaps	–	–	–
thereof hedging of net investments in foreign operations	–	–	–
Hedging of interest rate risks from receivables/liabilities			
Interest rate swaps	49,934	2,395	47,539
thereof cash flow hedges	9,694	1,485	8,209
thereof fair value hedges	35,731	572	35,159
Hedging of commodity price risks from forecasted transactions			
Forward commodity contracts	742	495	247
thereof cash flow hedges	649	403	246
Total nominal values of derivative financial instruments	108,750	41,808	66,942
thereof cash flow hedges	62,503	36,888	25,615
thereof fair value hedges	37,407	933	36,474

F.96

Average prices of hedging instruments for the major risks (according to IFRS 9)

	At December 31, 2018
Foreign currency risk	
USD per €	1.18
CNY per €	8.37
GBP per €	0.88
Interest rate risk	
Fair value hedges	
Average rate – €	-0.82%
Average rate – USD	0.46%
Cash flow hedges	
Average rate – €	-0.59%
Average rate – USD	-0.07%
Commodity risk	
Platinum (in € per troy ounce)	819
Aluminum (in € per ton)	1,606
Palladium (in € per troy ounce)	688

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 operating business (trade receivables). Furthermore, the Group is exposed to liquidity and country risks relating to its credit and market risks or a deterioration of its operating business 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.

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 operating business or refinancing activities. 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.

Any 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 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 (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 ↗ **F.97** shows the maximum risk positions.

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 (see Note 1).

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 Financial Services refer to the entire financing and leasing business, unless specified otherwise.

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 is an internal control quantity that 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 Financial Services segment has guidelines setting the framework for effective risk management at a global as well as at 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 as well as the treatment of unsecured loans and non-performing claims. The limitation of concentration risks is implemented primarily by means of global limits, which refer to single customer exposures. As of December 31, 2018, exposure to the biggest 15 customers did not exceed 3.8% (2017: 4.0%) of the total portfolio.

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

Scoring systems are applied for the assessment of the default risk of retail and small business customers. 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.

Following the impairment model expected credit losses from receivables from financial services (see Note 1) are calculated with a statistical model using three major risk parameters: probability of default, loss given default and exposure at default.

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

	see also Note	Maximum risk position 2018	Maximum risk position 2017
In millions of euros			
Liquid assets		25,430	22,135
Receivables from financial services	14	96,740	86,054
Trade receivables	19	12,586	11,995
Derivative financial instruments used in hedge accounting (assets only)	16	1,033	2,379
Derivative financial instruments not used in hedge accounting (assets only)	16	109	82
Other receivables and financial assets	16	3,177	3,172
Irrevocable loan commitments		2,051	1,894
Financial guarantees		672	667

In determining expected credit losses, existing collateral is generally given due consideration. The actual credit risk is limited by the fair value of collateral (e.g. financed vehicles).

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. For receivables from financial services, significant modifications of financial assets only occurred in rare cases and immaterial volume.

The allowance ratio slightly increased compared to the low level of the previous year.

Further details of receivables from financial services and the balance of the recorded impairments are provided in Note 14.

Trade receivables

Trade receivables are mostly receivables from worldwide sales activities 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 the 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 part 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 export business, Daimler also evaluates each general distribution company's creditworthiness by means of an internal rating process and its 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 general distribution companies, 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.

In line with the impairment model (see Note 1), the simplified approach is applied for impairments of trade receivables, whereby expected credit losses until maturity for these trade receivables are recognized with the 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 or refinancing activities. 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 2018 and 2017, Daimler is exposed to credit risk only to a small extent.

Irrevocable loan commitments

The Daimler Financial Services segment in particular is exposed to credit risk from irrevocable loan commitments to retailers and end customers. At December 31, 2018, irrevocable loan commitments amounted to €2,051 million (2017: €1,894 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 obligation resulting from financial guarantees amounts to €672 million at December 31, 2018 (2017: €667 million) and includes liabilities recognized at December 31, 2018 in the amount of €124 million (2017: €141 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.

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 operating business. Additionally, the possibility to securitize receivables of 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.

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 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. In July 2018, Daimler successfully concluded negotiations with a consortium of international banks for a new syndicated credit facility with a volume raised from €9 billion to €11 billion. With a term of five years, it grants Daimler additional financial flexibility until 2023. The term can be extended to 2025. Daimler does not intend to utilize the credit facility.

In addition, customer deposits at Mercedes-Benz Bank are used as a further source of refinancing.

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, 2018, liquidity amounted to €25.4 billion (2017: €22.1 billion). In 2018, significant cash inflows resulted from the operations of the industrial business. One cash inflow of €1.3 billion resulted from the dividend distributed by Beijing Benz Automotive Co. Ltd. Cash outflows resulted in particular from the portfolio growth of the leasing and sales finance activities at Daimler Financial Services, from the intensified investment offensive as well as from income taxes paid. Cash inflows and outflows in connection with the cash flow of the financing activities were also effective.

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 the operating business.

Table ↗ F.98 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, 2018.

Information on the Group's financing liabilities is also provided in Note 24.

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 export credits or for hard currency portfolios of financial services entities) and via insurance of equity investments in high-risk countries. 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 external ratings and capital market indications of country risks.

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Liquidity runoff for liabilities and financial guarantees[1]

	Total	2019	2020	2021	2022	2023	≥ 2024
In millions of euros							
Financing liabilities[2]	154,155	59,451	35,991	24,616	8,585	5,578	19,934
Derivative financial instruments[3]	575	540	62	-47	-50	9	61
Trade payables[4]	14,185	14,169	14	1	1	–	–
Miscellaneous other financial liabilities excluding accrued interest and liabilities from financial guarantees	7,653	5,744	923	394	242	122	228
Irrevocable loan commitments of the Daimler Financial Services segment and of Daimler AG[5]	2,051	2,051	–	–	–	–	–
Financial guarantees[6]	672	672	–	–	–	–	–
	179,291	82,627	36,990	24,964	8,778	5,709	20,223

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 net cash outflows of the derivative financial instruments is shown for the respective year. For individual periods, this may also include negative cash flows from derivatives with an overall positive fair value.
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.

Finance market risks

The global nature of its businesses exposes Daimler to significant market risks resulting from fluctuations in foreign currency exchange rates and interest rates. In addition, the Group is exposed to market risks in terms of commodity price risk associated with its business operations, which the Group hedges for certain metals partially through derivative financial instruments. 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 results of the Group and its segments. The Group calculates its overall 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. Starting in 2019, exposure to currency risks will be determined for each segment. The hedging strategy is specified at the Group level and uniformly implemented in the segments. Decisions regarding the management of market risks resulting from fluctuations in foreign exchange rates, interest rates (asset-/liability management) and commodity prices are regularly made by the relevant Daimler risk management committees. Exposures are the basis of the hedging strategies and are updated regularly.

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.

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 the value at risk by 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%.

Oriented towards the risk management standards of the international banking industry, Daimler maintains its financial controlling unit independent of operating Corporate Treasury and with a separate reporting line.

Exchange rate risk

Transaction risk and currency risk management. The global nature of Daimler's businesses exposes cash flows and earnings 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 generating the revenue are incurred (transaction risk). When the revenue is converted into the currency in which the costs 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 the Mercedes-Benz Cars segment, which generates a major portion of its revenue in foreign currencies and incurs manufacturing costs primarily in euros. The Daimler Trucks segment is also subject to transaction risk, but to a lesser extent because of its global production network. The Mercedes-Benz Vans and Daimler Buses segments are also directly exposed to transaction risk, but also only to a minor degree compared to the Mercedes-Benz Cars segment. In addition, the Group is indirectly exposed to transaction risk from its equity-method investments.

The Group's currency exposure is reduced by natural hedging to the extent that currency exposures of the operating businesses of individual segments offset each other partially at Group level, thereby reducing overall currency exposure. 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 operating business (future transactions), Daimler continually assesses its exposure to exchange rate risks and hedges a portion of those risks by using derivative financial instruments. Daimler's Foreign Exchange Committee (FXCo) manages the Group's exchange rate risk and its hedging transactions through currency derivatives. The FXCo consists of representatives of the relevant segments and central functions. The Corporate Treasury department aggregates foreign currency exposures from Daimler's subsidiaries and operative units and implements the FXCo's decisions concerning foreign currency hedging through transactions with international financial institutions. Any over-hedge caused by changes in exposure is generally reversed by taking suitable measures without delay.

Risk Controlling regularly informs the Board of Management of the actions taken by Corporate Treasury based on the FXCo's decisions.

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

				2018				2017
	Period-end	High	Low	Average	Period-end	High	Low	Average
In millions of euros								
Exchange rate risk (from derivative financial instruments)	**568**	**695**	**568**	**633**	779	877	779	815
Interest rate risk	**26**	**45**	**26**	**36**	43	48	43	46
Commodity price risk (from derivative financial instruments)	**14**	**23**	**14**	**18**	14	25	14	17

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 FXCo 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 2018, foreign exchange management showed an unhedged position in the automotive business for the underlying forecasted cash flows in US dollars in calendar year 2019 of 29%, for the underlying forecasted cash flows in Chinese renminbi in calendar year 2019 of 30%, as well as for the underlying forecasted cash flows in British pounds in calendar year 2019 of 33%.

The hedged position of the operating vehicle businesses is influenced by the amount of derivative currency contracts held. The derivative financial instruments used to cover foreign currency exposure are primarily forward foreign exchange contracts and currency options. 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 ↗ **F.99** shows the period-end, high, low and average value at risk figures of the exchange rate risk for the 2018 and 2017 portfolios of derivative financial instruments, which were entered into primarily in connection with the operative vehicle businesses. 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. See also table ↗ **F.94** at December 31, 2018 according to IFRS 9 and table ↗ **F.95** at December 31, 2017 according to IAS 39 for the nominal volumes on the balance sheet date of derivative currency instruments entered into to hedge the currency risk from forecasted transactions.

Hedge accounting. When designating derivative financial instruments, a hedge ratio of 1 is applied. In addition, the respective volume 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. In the case of options for currency hedging, the option premium is 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. 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 is not reflected in the change of the hedged currency risk.
- Changes in the timing of the hedged transactions.

In the course of focusing on the divisional perspective the designation of hedge relationships primarily for foreign currency risk from future vehicle sales will be subject to a further differentiation by Mercedes-Benz Cars/Mercedes-Benz Vans as well as Daimler Trucks/Daimler Buses starting with 2019. Until year-end 2018, the designation of these hedge relationships for a specific currency and maturity has no further differentiation in respect of the entire volume of expected vehicle sales by segments. Accordingly, as of January 1, 2019, the documentation required under IFRS with regards to this further differentiation of expected cash flows (i.e. the risk management objectives) will also be revised for the major part of the already designated hedge relationships for foreign currency risk although there is no change in the overall Group risk management strategy. This results in a formal discontinuation of existing hedge relationships as described in the methods applied in preparation of the financial statements and immediate redesignation of new hedge relationships according to the revised differentiation. The accumulated hedging gains/losses in equity as of December 31, 2018, subject to redesignation remain in the other reserves for derivative financial instruments because the hedged future cash flows are still expected to occur. Daimler does not expect any material impacts on the Group's profitability, liquidity and capital resources or financial position.

In 2018, the development of the value at risk from foreign currency hedging was mainly driven by decreases in foreign currency rate volatilities and hedge volumes.

The Group's investments in liquid assets or refinancing activities generally are not allowed to result in currency risk. 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 principally offset each other, these financial instruments are not included in the value at risk calculation presented.

Effects of currency translation. 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 its day-to-day operations. A substantial volume of interest rate sensitive assets and liabilities results from the leasing and sales financing business operated by the Daimler Financial Services segment. The Daimler Financial Services 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, the Group does not match funding in terms of maturities in order to take advantage of market opportunities. As a result, Daimler is exposed to risks due to changes in interest rates.

An asset/liability committee consisting of members of the Daimler Financial Services segment and the Corporate Treasury department manages the interest rate risk relating to Daimler's leasing and financing activities by setting targets for the interest rate risk position. The Treasury Risk Management department and the local Daimler Financial Services companies are jointly responsible for achieving these targets. As separate functions, the Treasury Controlling and the Daimler Financial Services 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. Daimler coordinates the funding activities of the automotive and financial services businesses at the Group level.

Table ↗ F.99 shows the period-end, high, low and average value at risk figures of the interest rate risk for the 2018 and 2017 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. In this respect, the table shows the interest rate risk regarding the unhedged position of interest rate sensitive financial instruments. The average values have been computed on an end-of-quarter basis.

In the course of 2018, changes on the value at risk of interest rate sensitive financial instruments were 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 pro rata 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 mitigated with the use of derivative financial instruments.

For precious metals, central commodity management shows an unhedged position of 39% of the forecasted commodity purchases at year-end 2018 for calendar year 2019. The corresponding figure at year-end 2017 was 38% for calendar year 2018.

Table ↗ **F.99** shows the period-end, high, low and average value at risk figures of the commodity price risk for the 2018 and 2017 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 ↗ **F.94** at December 31, 2018 according to IFRS 9 and table ↗ **F.95** at December 31, 2017 according to IAS 39 for the nominal values of derivative commodity price hedges at the balance sheet date.

In 2018, the value at risk of commodity derivatives was close to the previous year's level due to offsetting developments of volatilities and hedge volume.

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 of the Group.

34. Segment reporting

Reportable segments
The reportable segments of the Group are Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans, Daimler Buses and Daimler Financial Services. The segments are largely organized and managed separately, according to nature of products and services provided, brands, distribution channels and profile of customers.

The vehicle segments develop and manufacture passenger cars, trucks, vans and buses. The Mercedes-Benz Cars segment comprises premium vehicles of the Mercedes-Benz brand including the brands Mercedes-AMG and Mercedes-Maybach, and small cars under the smart brand, as well as the brand Mercedes me. Electric products will be marketed under the EQ brand. Daimler Trucks distributes its trucks under the brand names Mercedes-Benz, Freightliner, Western Star, FUSO and BharatBenz. Furthermore, buses under the brands Thomas Built Buses and FUSO are included in the Daimler Trucks range of products. The vans of the Mercedes-Benz Vans segment are primarily sold under the brand name Mercedes-Benz and also under the Freightliner brand. Daimler Buses sells completely built-up buses under the brand names Mercedes-Benz and Setra. In addition, Daimler Buses produces and sells bus chassis. The vehicle segments also sell related spare parts and accessories.

The Daimler Financial Services 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 Financial Services is active in the area of innovative mobility services.

Management and reporting system
The Group's management reporting and controlling systems principally use accounting policies that are the same as those described in Note 1 in the summary of significant accounting policies according to IFRS.

The Group's management reporting and controlling systems measure of segment profit or loss 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 our share of profit/loss on equity-method investments, net, as well as other financial income/expense, net. Although amortization of capitalized borrowing costs is included in cost of sales, it is not included in EBIT.

Intersegment revenue is generally recorded at values that approximate third-party selling prices.

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).

Daimler Financial Services' performance is measured on the basis of return on equity, which is the usual procedure in the banking business.

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 Financial Services; 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, goodwill or finance leases.

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 since it is not considered as part of EBIT.

Reconciliation

Reconciliation includes corporate items for which headquarters are responsible. Transactions between the segments are eliminated in the context of consolidation and the eliminated amounts are included in the reconciliation.

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Segment information

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total Segments	Reconciliation	Daimler Group
In millions of euros								
2018								
External revenue	89,467	36,456	12,842	4,421	24,176	167,362	–	167,362
Intersegment revenue	3,636	1,817	784	108	2,093	8,438	-8,438	–
Total revenue	93,103	38,273	13,626	4,529	26,269	175,800	-8,438	167,362
Segment profit/loss (EBIT)	7,216	2,753	312	265	1,384	11,930	-798	11,132
thereof profit/loss on equity-method investments	1,108	43	44	1	-452	744	-88	656
thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks	-7	-9	-11	-2	-3	-32	1	-31
Segment assets	76,352	23,558	9,868	3,780	165,316	278,874	2,745	281,619
thereof carrying amounts of equity-method investments	2,928	512	241	8	209	3,898	962	4,860
Segment liabilities	48,047	15,069	6,330	2,502	152,506	224,454	-8,888	215,566
Additions to non-current assets	16,494	2,460	1,633	431	14,431	35,449	51	35,500
thereof investments in intangible assets	2,553	86	368	56	103	3,166	1	3,167
thereof investments in property, plant and equipment	5,684	1,105	468	144	64	7,465	69	7,534
Depreciation and amortization of non-current assets	6,105	1,622	599	235	6,236	14,797	90	14,887
thereof amortization of intangible assets	1,437	267	185	20	104	2,013	1	2,014
thereof depreciation of property, plant and equipment	3,138	798	255	75	24	4,290	1	4,291

The effects of certain legal proceedings and compliance issues are excluded from the operating results and liabilities of the segments if such items are not indicative of the segments' performance, since the related results of operations may be distorted by the amount and the irregular nature of such events.

Reconciliation also includes corporate projects, profits and losses on derivative financial transactions allocated to headquarters and equity interests not allocated to the segments.

Information related to geographic areas
With respect to information about 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.

Table ↗ **F.100** presents segment information as of and for the years ended December 31, 2018 and 2017.

Mercedes-Benz Cars
In the year 2018, the Mercedes-Benz Cars segment's earnings include positive effects from the remeasurement at fair value of €111 million of the investment in Aston Martin Lagonda Global Holdings plc (Aston Martin). On the other hand, expenses in connection with ongoing governmental proceedings and measures relating to diesel vehicles affected EBIT negatively. In addition, impairments of €133 million impacted EBIT negatively. In the year 2017, EBIT was boosted by income of €183 million in connection with a new investor in HERE. On the other hand, EBIT was reduced by expenses totaling €425 million for voluntary service activities for diesel vehicles and a specific vehicle recall. The optimization programs led to a cash inflow of €203 million in the year 2017.

Daimler Trucks
In the reporting year, there were in sum no significant non-cash issues at the Daimler Trucks segment. In 2017, the sale of real estate by Mitsubishi Fuso Truck and Bus Corporation in Japan increased earnings by €267 million. On the other hand, expenses of €172 million for fixed-cost optimizations affected EBIT negatively. The optimization programs led to a cash outflow of €120 million (2017: €17 million).

Mercedes-Benz Vans
In the reporting year, EBIT at the Mercedes-Benz Vans segment was reduced by expenses in connection with ongoing governmental proceedings and measures relating to diesel vehicles and by remeasurement of assets in connection with production capacities.

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services[2]	Total Segments	Reconciliation[2]	Daimler Group
2017 (adjusted)[1]								
External revenue	90,641	34,196	12,595	4,412	22,310	164,154	–	164,154
Intersegment revenue	3,710	1,559	566	112	2,220	8,167	-8,167	–
Total revenue	94,351	35,755	13,161	4,524	24,530	172,321	-8,167	164,154
Segment profit/loss (EBIT)	8,843	2,383	1,147	281	1,970	14,624	-276	14,348
thereof profit/loss on equity-method investments	1,198	-3	43	3	1	1,242	256	1,498
thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks	-33	-17	-5	-2	-4	-61	–	-61
Segment assets	69,978	21,758	8,744	3,563	149,989	254,032	1,313	255,345
thereof carrying amounts of equity-method investments	2,930	491	180	9	148	3,758	1,060	4,818
Segment liabilities	44,761	13,897	5,804	2,460	137,610	204,532	-14,346	190,186
Additions to non-current assets	15,815	2,308	2,000	299	14,896	35,318	23	35,341
thereof investments in intangible assets	2,668	97	525	33	90	3,413	1	3,414
thereof investments in property, plant and equipment	4,843	1,028	710	94	43	6,718	26	6,744
Depreciation and amortization of non-current assets	5,326	1,540	447	247	5,979	13,539	86	13,625
thereof amortization of intangible assets	1,230	291	84	18	131	1,754	1	1,755
thereof depreciation of property, plant and equipment	2,832	791	198	75	24	3,920	1	3,921

1 Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Consolidated Financial Statements.
2 In 2017 at the Daimler Financial Services segment, in addition to the adjustment of prior-year figures due to IFRS 15, the Group's internal revenue and cost of sales have been adjusted by the same amount. These adjustments have been fully eliminated in the reconciliation.

F.101
Reconciliation to Group figures

	2018	2017 (adjusted)[1]
In millions of euros		
Total of segments' profit (EBIT)	11,930	14,624
profit/loss on equity-method investments[2]	-88	256
Other corporate items	-669	-488
Eliminations	-41	-44
Group EBIT	11,132	14,348
Amortization of capitalized borrowing costs[3]	-15	-13
Interest income	271	214
Interest expense	-793	-582
Profit before income taxes	10,595	13,967
Total of segments' assets	278,874	254,032
Carrying amount of equity-method investments[4]	962	1,060
Income tax assets[5]	4,227	2,657
Unallocated financial assets (including liquidity) and assets from pensions and similar obligations[5]	21,563	20,133
Other corporate items and eliminations	-24,007	-22,537
Group assets	281,619	255,345
Total of segments' liabilities	224,454	204,532
Income tax liabilities[5]	2,556	891
Unallocated financial liabilities and liabilities from pensions and similar obligations[5]	12,041	6,556
Other corporate items and eliminations	-23,485	-21,793
Group liabilities	215,566	190,186

1 Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Consolidated Financial Statements.
2 In the year 2018, this mainly comprises the impairment of Daimler's equity investment in BAIC Motor of €150 million. In the year 2017, the reversal of the impairment of Daimler's equity investment in BAIC Motor of €240 million is included.
3 Amortization of capitalized borrowing costs is not considered in the internal performance measure "EBIT" but is included in cost of sales.
4 This mainly comprises the carrying amount of the investments in BAIC Motor and LSHAI.
5 Unless allocated to Daimler Financial Services.

Daimler Buses
In the reporting year, there were no significant non-cash issues at the Daimler Buses segment.

Daimler Financial Services
In the year 2018, the agreement reached to conclude the Toll Collect arbitration proceedings reduced earnings at the Daimler Financial Services segment by €418 million. The interest income and interest expense of Daimler Financial Services are included in revenue and cost of sales, and are presented in Notes 4 and 5.

Reconciliation
Reconciliation of the segment amounts to the respective items included in the Consolidated Financial Statements is shown in table ↗ F.101.

In 2018, the line item *Other corporate items* includes, amongst other things, higher expenses in connection with "Project Future".

Revenue and non-current assets by region
Revenue from external customers and non-current assets by region are shown in table ↗ F.102.

F.102

Revenue and non-current assets by region

	Revenue		Non-current assets	
	2018	2017 (adjusted)[1]	2018	2017 (adjusted)[1]
In millions of euros				
Europe	68,496	68,309	63,559	58,943
thereof Germany	24,802	24,311	45,281	42,547
NAFTA region	47,952	46,528	27,095	25,510
thereof United States	41,152	40,076	24,239	22,623
Asia	40,627	39,090	2,807	2,509
thereof China	19,790	18,774	219	166
Other markets	10,287	10,227	1,764	1,828
	167,362	164,154	95,225	88,790

1 Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Consolidated Financial Statements.

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 Financial Services 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 ↗ **F.103**.

F.103

Average net assets

	2018	2017
In millions of euros		
Mercedes-Benz Cars	26,289	23,705
Daimler Trucks	8,240	8,417
Mercedes-Benz Vans	3,355	2,358
Daimler Buses	1,233	1,105
Daimler Financial Services[1]	12,466	11,165
Net assets of the segments	51,583	46,750
Equity-method investments[2]	1,066	941
Assets and liabilities from income taxes[3]	1,707	2,190
Other corporate items and eliminations[3]	-547	-1,435
Net assets Daimler Group	53,809	48,446

1 Equity.
2 Unless allocated to the segments.
3 Unless allocated to Daimler Financial Services.

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 Financial Services; in addition, the expected returns on liquidity and on the plan assets of the pension funds which are not allocated to Daimler Financial Services 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, for instance 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.

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 €7,249 million (2017: €10,278 million). The weighted average number of shares outstanding (basic and diluted) amounts to 1,069.8 million (2017: 1,069.8 million).

37. Related party relationships

Related parties 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.

Most of the goods and services supplied within the ordinary course of business between the Group and related parties comprise transactions with associated companies and joint ventures and are shown in table ↗ **F.104**.

Associated companies

A large proportion of the Group's sales of goods and services with associated companies as well as of its receivables relates to business relations with LSH Auto International Limited (LSHAI) and with Beijing Benz Automotive Co., Ltd. (BBAC), both allocated to Mercedes-Benz Cars. In 2017, Daimler had acquired a 15% stake in LSHAI.

The purchases of goods and services shown in table ↗ **F.104** were primarily from LSHAI as well as from MBtech Group GmbH & Co. KGaA (MBtech), which is allocated to Mercedes-Benz Cars. MBtech provides engineering and services for research and development, production of components, modules, components systems as well as consulting and planning along the development process in the automotive sector. In September 2018, Daimler sold the remaining 35% stake in MBtech to the technology company AKKA Technologies SA.

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 Mercedes-Benz Vans, and with DAIMLER KAMAZ RUS OOO, a company established with the associated company Kamaz PAO, and allocated to Daimler Trucks.

Shenzhen DENZA New Energy Automotive Co. Ltd. (DENZA) is allocated to the Mercedes-Benz Cars segment. Daimler has provided guarantees in a total amount of RMB 1,115 million (approximately €142 million) to external banks which provided two loans to DENZA. At December 31, 2018, loans amounting to RMB 615 million (approximately €78 million) were utilized. In addition, Daimler has provided a shareholder loan of RMB 250 million (approximately €32 million) to DENZA, which is fully utilized. In the second half of 2018, Daimler contributed capital of RMB 400 million (approximately €50 million) in accordance with its shareholding ratio. In 2017, there was already a capital increase of RMB 500 million (approximately €63 million).

Note 13 provides details of the business operations of the significant associated companies and joint ventures, as well as significant transactions in the years 2018 and 2017.

Contributions to plan assets

In 2018 and 2017, the Group made contributions of €696 million and €3,692 million to its external funds to cover pension and other post-employment benefits. See also Note 22 for further information.

Board members

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 on the basis of customary market conditions.

See Note 38 for information on the remuneration of board members.

F.104

Transactions with related parties

	Sales of goods and services and other income		Purchase of goods and services and other expense		Receivables At December 31,[2]		Payables At December 31,[3]	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
In millions of euros								
Associated companies	**13,475**	9,507	**855**	703	**2,679**	2,827	**131**	253
thereof LSHAI[1]	**8,011**	5,177	**647**	298	**981**	1,075	**30**	127
thereof BBAC	**4,850**	3,933	**64**	80	**1,571**	1,673	**85**	65
Joint ventures	**997**	946	**100**	75	**208**	183	**444**	115

1 Since the equity interest in LSHAI was acquired in May 2017, business relations with LSHAI are reported from June 2017 onward.
2 After write-downs totaling €53 million (2017: €52 million).
3 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 to the members of the Board of Management and the Supervisory Board who were active as of December 31, 2018, affected net profit for the year ended December 31 as shown in table ↗ **F.105**.

Expenses for variable remuneration of the Board of Management with a long-term incentive effect, as shown in table ↗ **F.105**, 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 2015-2018. In 2018, the active members of the Board of Management were granted 145,775 (2017: 151,157) phantom shares in connection with the PPSP; the fair value of these phantom shares at the grant date was €10.2 million (2017: €10.2 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 Number 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 €24.7 million (2017: €35.0 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 2018 for services provided personally beyond board and committee activities, in particular for advisory or agency services.

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 2018.

The payments made in 2018 to former members of the Board of Management of Daimler AG and their survivors amounted to €16.2 million (2017: €19.0 million). The pension provisions for former members of the Board of Management and their survivors amounted to €270.2 million as of December 31, 2018 (2017: €270.5 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. Management Report from page 120

F.105

Remuneration of the members of the Board of Management and the Supervisory Board

	2018	2017[1]
In millions of euros		
Remuneration of the Board of Management		
Fixed remuneration (base salary)	9.5	9.5
Short-term variable remuneration (50% of annual bonus)	2.5	7.7
Mid-term variable remuneration (50% of annual bonus, “deferral”)	1.9	7.0
Variable remuneration with a long-term incentive effect (PPSP)	1.6	12.4
Post-employment benefits (service cost)	2.4	2.0
Termination benefits	–	–
	17.9	38.6
Remuneration of the Supervisory Board	4.2	4.2
	22.1	42.8

1 Including the Board of Management remuneration paid to Dr. Wolfgang Bernhard until February 10, 2017.

F.106
Auditor fees

	2018	2017
In millions of euros		
Audit services	46	44
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	23	21
Other attestation services	10	9
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	8	7
Tax services	2	1
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	1	1
Other services	8	6
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	6	5
	66	60

39. Auditor fees

The shareholders of Daimler AG elected KPMG AG Wirtschaftsprüfungsgesellschaft as the external auditor at the Annual Shareholders' Meeting held on April 5, 2018. Table ↗ **F.106** shows the fees for services provided by KPMG AG Wirtschaftsprüfungsgesellschaft and the companies of the worldwide KPMG network to Daimler AG and all subsidiaries as well as joint operations that are included in the Group's Consolidated Financial Statements for the respective reporting period.

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 comprise attestation services required by law or by contractual agreement, or voluntarily assigned services. In addition to reviews of non-accounting-related IT systems and processes, they also include audits in connection with compliance management systems, issuance of comfort letters, and non-financial disclosures and reports.

Tax services primarily relate to value-added tax advisory.

Other services were performed mainly for non-accounting-relevant processes and M&A activities.

40. 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-12-2018.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.107** 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.

F.107

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
I. Consolidated subsidiaries			
Athlon Beheer International B.V.	Almere, Netherlands	100.00	
Athlon Beheer Nederland B.V.	Almere, Netherlands	100.00	
Athlon Car Lease Belgium N.V.	Machelen, Belgium	100.00	
Athlon Car Lease International B.V.	Almere, Netherlands	100.00	
Athlon Car Lease Italy S.R.L.	Rome, Italy	100.00	
Athlon Car Lease Nederland B.V.	Almere, Netherlands	100.00	
Athlon Car Lease Polska Sp. z o.o.	Warsaw, Poland	100.00	
Athlon Car Lease Portugal, lda	Oeiras, Portugal	100.00	
Athlon Car Lease Rental Services B.V.	Almere, 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.	Almere, 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.	Amsterdam, Netherlands	100.00	
Athlon Mobility Consultancy N.V.	Machelen, Belgium	100.00	
Athlon Rental Germany GmbH	Düsseldorf, Germany	100.00	
Athlon Sweden AB	Malmö, Sweden	100.00	
Athlon Switzerland AG	Schlieren, Switzerland	100.00	
AutoGravity Corporation	Irvine, USA	80.00	
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	
car2go Canada Ltd.	Vancouver, Canada	100.00	
car2go China Co., Ltd.	Beijing, China	100.00	
car2go Deutschland GmbH	Leinfelden-Echterdingen, Germany	100.00	
car2go Europe GmbH	Leinfelden-Echterdingen, Germany	100.00	
car2go Group GmbH	Leinfelden-Echterdingen, Germany	100.00	
car2go Iberia S.L.U.	Madrid, Spain	100.00	
car2go Italia S.R.L.	Milan, Italy	100.00	
car2go N.A. Holding Inc.	Wilmington, USA	100.00	
car2go N.A. LLC	Wilmington, USA	100.00	
car2go Nederland B.V.	Utrecht, Netherlands	100.00	
car2go Österreich GmbH	Vienna, Austria	100.00	
CARS Technik & Logistik GmbH	Wiedemar, Germany	100.00	5
CLIDET NO 1048 (Proprietary) Limited	Centurion, South Africa	100.00	
Conemaugh Hydroelectric Projects, Inc.	Wilmington, USA	100.00	
DA Investments Co. LLC	Wilmington, USA	100.00	
DAF Investments, Ltd.	Wilmington, USA	100.00	
Daimler Australia/Pacific Pty. Ltd.	Melbourne, Australia	100.00	
Daimler Brand & IP Management GmbH & Co. KG	Stuttgart, Germany	100.00	5, 7
Daimler Brand & IP Management Verwaltung GmbH	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	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
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 AG	Stuttgart, Germany	100.00	5
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.	Centurion, South Africa	65.00	4
Daimler Fleet Management UK Limited	Milton Keynes, United Kingdom	100.00	
Daimler Fleet Services A.S.	Istanbul, Turkey	100.00	
Daimler FleetBoard GmbH	Stuttgart, Germany	100.00	5
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	
Daimler Insurance Services GmbH	Stuttgart, Germany	100.00	5
Daimler Insurance Services Japan Co., Ltd.	Tokyo, Japan	100.00	
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 Corporation	Wilmington, USA	100.00	
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 Services GmbH	Leinfelden-Echterdingen, Germany	100.00	5
Daimler Motors Investments LLC	Wilmington, USA	100.00	
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 Trucks & Buses US Holding Inc.	Wilmington, USA	100.00	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
Daimler Trucks and Buses (China) Ltd.	Beijing, China	100.00	
Daimler Trucks Canada Ltd.	Mississauga, Canada	100.00	
Daimler Trucks Korea Ltd.	Seoul, South Korea	100.00	
Daimler Trucks North America LLC	Wilmington, USA	100.00	
Daimler Trucks Remarketing Corporation	Portland, USA	100.00	
Daimler Trucks Retail Trust 2018-1	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 Verwaltungsgesellschaft für Grundbesitz mbH	Schönefeld, Germany	100.00	5
Daimler Vorsorge und Versicherungsdienst GmbH	Berlin, Germany	100.00	5
Daiprodco Mexico S. de R.L. de C.V.	Mexico City, Mexico	100.00	
Detroit Diesel Corporation	Detroit, USA	100.00	
Detroit Diesel Remanufacturing LLC	Detroit, USA	100.00	
Detroit Diesel Remanufacturing Mexicana, S. de R.L. de C.V.	Toluca, Mexico	100.00	
Detroit Diesel-Allison de Mexico, S. de R.L. de C.V.	San Juan Ixtacala, Mexico	100.00	
Deutsche Accumotive GmbH & Co. KG	Kirchheim unter Teck, Germany	100.00	5
EHG Elektroholding GmbH	Stuttgart, Germany	100.00	5
EvoBus (Schweiz) AG	Kloten, 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	
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	
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

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
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
Hailo Network Iberia S.L.	Madrid, Spain	100.00	
Hailo Network IP Limited	London, United Kingdom	100.00	
Intelligent Apps GmbH	Hamburg, Germany	79.35	
Interleasing Luxembourg S.A.	Windhof, Luxembourg	100.00	
Invema Assessoria Empresarial Eireli	São Bernardo do Campo, Brazil	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 CORP DVB GmbH	Stuttgart, Germany	100.00	5
LEONIE FS DVB GmbH	Stuttgart, Germany	100.00	5
LEONIE FSM DVB GmbH	Stuttgart, Germany	100.00	5
LEONIE PV DVB GmbH	Stuttgart, Germany	100.00	5
LEONIE TB DVB GmbH	Stuttgart, Germany	100.00	5
Li-Tec Battery GmbH	Kamenz, 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	
MDC Power GmbH	Kölleda, Germany	100.00	5
MDC Technology GmbH	Arnstadt, Germany	100.00	5
Mercedes AMG High Performance Powertrains Ltd	Brixworth, United Kingdom	100.00	
Mercedes pay AG	Zug, Switzerland	100.00	
Mercedes pay S.A.	Luxembourg, Luxembourg	100.00	
Mercedes-AMG GmbH	Affalterbach, Germany	100.00	5
Mercedes-Benz – Aluguer de Veículos, Unipessoal Lda.	Mem Martins, Portugal	100.00	
Mercedes-Benz (China) Ltd.	Beijing, China	75.00	
Mercedes-Benz (Thailand) Limited	Bangkok, Thailand	100.00	
Mercedes-Benz (Yangzhou) Parts Distribution Co., Ltd.	Yangzhou, China	100.00	
Mercedes-Benz Accessories GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz AG	Stuttgart, Germany	100.00	5
Mercedes-Benz Antwerpen N.V.	Antwerp, Belgium	100.00	
Mercedes-Benz Argentina S.A.	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 2016-2	Wilmington, USA	0.00	3
Mercedes-Benz Auto Lease Trust 2016-B	Wilmington, USA	0.00	3

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
Mercedes-Benz Auto Lease Trust 2017-A	Wilmington, USA	0.00	3
Mercedes-Benz Auto Lease Trust 2018-A	Wilmington, USA	0.00	3
Mercedes-Benz Auto Lease Trust 2018-B	Wilmington, USA	0.00	3
Mercedes-Benz Auto Receivables Trust 2015-1	Wilmington, USA	0.00	3
Mercedes-Benz Auto Receivables Trust 2016-1	Wilmington, USA	0.00	3
Mercedes-Benz Auto Retail Trust 2018-1	Wilmington, USA	0.00	3
Mercedes-Benz Bank AG	Stuttgart, Germany	100.00	
Mercedes-Benz Bank GmbH	Salzburg, 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 Biztositási Alkusz Hungary Kft.	Budapest, Hungary	100.00	
Mercedes-Benz Brooklands Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Canada Inc.	Toronto, Canada	100.00	
Mercedes-Benz Capital Rus OOO	Moscow, Russian Federation	100.00	
Mercedes-Benz Cars Ceská republika s.r.o.	Prague, Czech Republic	100.00	
Mercedes-Benz Cars Nederland B.V.	Utrecht, Netherlands	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	99.98	
Mercedes-Benz CPH A/S	Horsholm, Denmark	100.00	
Mercedes-Benz Credit Pénzügyi Szolgáltató Hungary Zrt.	Budapest, Hungary	100.00	
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 Finance Co., Ltd.	Tokyo, Japan	95.01	
Mercedes-Benz Financial Services Australia Pty. Ltd.	Melbourne, Australia	100.00	
Mercedes-Benz Financial Services Austria GmbH	Salzburg, 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 SpA	Rome, Italy	100.00	
Mercedes-Benz Financial Services Korea Ltd.	Seoul, South Korea	80.00	
Mercedes-Benz Financial Services Nederland B.V.	Utrecht, Netherlands	100.00	
Mercedes-Benz Financial Services New Zealand Ltd	Auckland, New Zealand	100.00	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
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	
Mercedes-Benz Financial Services Taiwan Ltd.	Taipei, Taiwan	100.00	
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 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	60.00	
Mercedes-Benz Hellas 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 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	51.00	
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.	Liegnitz, 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

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
Mercedes-Benz New Zealand Ltd	Auckland, New Zealand	100.00	
Mercedes-Benz Österreich GmbH	Salzburg, 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	
Mercedes-Benz Research & Development North America, Inc.	Wilmington, USA	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	Petaling Jaya, Malaysia	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 Ceská republika s.r.o.	Prague, Czech Republic	100.00	
Mercedes-Benz Trucks España S.L.U.	Alcobendas, Spain	100.00	
Mercedes-Benz Trucks Molsheim	Molsheim, France	100.00	
Mercedes-Benz Trucks Nederland B.V.	Utrecht, Netherlands	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 Australia Pacific Pty. Ltd.	Mulgrave, Australia	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 Versicherung AG	Stuttgart, Germany	100.00	5
Mercedes-Benz Vertrieb NFZ GmbH	Stuttgart, Germany	100.00	5

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
Mercedes-Benz Vertrieb PKW GmbH	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 Truck and Bus Corporation	Kawasaki, Japan	89.29	
MITSUBISHI FUSO TRUCK EUROPE – Sociedade Europeia de Automóveis, S.A.	Tramagal, Portugal	100.00	
Mitsubishi Fuso Truck of America, Inc.	Logan Township, USA	100.00	
moovel Group GmbH	Stuttgart, Germany	100.00	
moovel North America Inc.	Wilmington, USA	100.00	
moovel North America, LLC	Wilmington, USA	100.00	
Multifleet G.I.E	Le Bourget, France	50.10	7
myTaxi Iberia SL	Barcelona, Spain	100.00	
mytaxi Network Ireland Ltd.	Dublin, Ireland	100.00	
mytaxi Network Ltd.	London, United Kingdom	100.00	
P.T. Mercedes-Benz Indonesia	Bogor, Indonesia	100.00	
PT Daimler Commercial Vehicles Indonesia	Jakarta, 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	
Setra of North America, Inc.	Oriskany, USA	100.00	
Silver Arrow Australia Trust 2017-1	Melbourne, Australia	0.00	3
Silver Arrow Canada GP Inc.	Mississauga, Canada	100.00	
Silver Arrow Canada LP	Mississauga, Canada	100.00	
SILVER ARROW CHINA 2017-2 RETAIL AUTO LOAN ASSET BACKED NOTES TRUST c/o CITIC TRUST CO., LTD.	Beijing, China	0.00	3
SILVER ARROW CHINA 2018-1 RETAIL AUTO LOAN ASSET BACKED NOTES TRUST c/o FOTIC: China Foreign Economy and Trade Trust Co., LTD.	Beijing, China	0.00	3
SILVER ARROW CHINA 2018-2 RETAIL AUTO LOAN ASSET BACKED NOTES TRUST c/o FOTIC: China Foreign Economy and Trade Trust Co., LTD.	Beijing, China	0.00	3
Silver Arrow Lease Facility Trust	Wilmington, USA	0.00	3
Silver Arrow S.A.	Luxembourg, Luxembourg	0.00	3
smart France S.A.S.	Hambach, France	100.00	
smart Vertriebs gmbh	Berlin, Germany	100.00	5
Special Lease Systems (SLS) B.V	Almere, Netherlands	100.00	
Star Assembly SRL	Sebes, Romania	100.00	
Starexport Trading S.A.	São Bernardo do Campo, Brazil	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	
Transcovo SAS	Paris, France	66.84	
Transopco France SAS	Paris, France	100.00	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
Trona Cogeneration Corporation	Wilmington, USA	100.00	
Ucafleet S.A.S	Le Bourget, France	65.00	
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]			
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	
Beat Chile SpA	Santiago, Chile	100.00	
Beat Ride App Colombia Ltda.	Bogota D. C., Colombia	100.00	
Beat Ride App S.A.	Mexico City, Mexico	100.00	
car2go Belgium SPRL	Brussels, Belgium	100.00	
car2go Danmark A/S	Copenhagen, Denmark	100.00	
car2go Sverige AB	Stockholm, Sweden	100.00	
Circulo Cerrado S.A. de Ahorro para Fines Determinados	Buenos Aires, Argentina	72.85	
Clever Tech S.R.L.	Bucharest, Romania	100.00	
Clever Tech Sud S.R.L.	Bucharest, Romania	100.00	
Cúspide GmbH	Stuttgart, Germany	100.00	
Daimler AG & Co. Anlagenverwaltung OHG	Schönefeld, Germany	100.00	7
Daimler Automotive de Venezuela C.A.	Valencia, Venezuela	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 AUSTRALIA PTY LTD	Melbourne, Australia	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	
Daimler International Assignment Services USA, LLC	Wilmington, USA	100.00	
Daimler Ladungsträger GmbH	Sindelfingen, Germany	100.00	
Daimler Mitarbeiter Wohnfinanz GmbH	Stuttgart, Germany	100.00	
Daimler Parts Logistics Australia Pty. Ltd.	Mulgrave, Australia	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 AND BUS HOLDING AUSTRALIA PACIFIC PTY LTD	Melbourne, Australia	100.00	
Daimler Trucks and Buses Southern Africa (Pty) Ltd	Zwartkop, South Africa	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	
Deutsche Accumotive Verwaltungs-GmbH	Kirchheim unter Teck, Germany	100.00	
Dreizehnte Vermögensverwaltungsgesellschaft DVB mbH	Stuttgart, Germany	100.00	
DTB Tech & Data Hub, Unipessoal Lda	Tramagal, Portugal	100.00	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
EvoBus Reunion S. A.	Le Port, France	96.00	
EvoBus Russland OOO	Moscow, Russian Federation	100.00	
Familonet GmbH	Hamburg, Germany	100.00	
FLINC GmbH	Darmstadt, Germany	100.00	
Fünfte Vermögensverwaltungsgesellschaft Zeus mbH	Stuttgart, Germany	100.00	
LAB1886 GmbH	Stuttgart, Germany	100.00	
Lab1886 USA LLC	Wilmington, USA	100.00	
Lapland Car Test Aktiebolag	Arvidsjaur, Sweden	100.00	
Legend Investments Ltd.	Milton Keynes, United Kingdom	100.00	
LEONIE DMS DVB GmbH	Stuttgart, Germany	100.00	
MB GTC GmbH Mercedes-Benz Gebrauchtteile Center	Neuhausen auf den Fildern, Germany	100.00	
MBition GmbH	Berlin, Germany	100.00	
Mercedes-Benz Adm. Consorcios Ltda.	São Bernardo do Campo, Brazil	100.00	
Mercedes-Benz CarMesh GmbH	Berlin, Germany	100.00	
Mercedes-Benz Cars & Vans Brasil – Indústria e Comércio De Veículos Ltda.	São Bernardo do Campo, Brazil	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 Americas LLC	Wilmington, USA	100.00	
Mercedes-Benz Energy GmbH	Kamenz, Germany	100.00	
Mercedes-Benz Europa NV/SA	Woluwe-Saint-Lambert, Belgium	100.00	
Mercedes-Benz ExTra LLC	Wilmington, USA	100.00	
Mercedes-Benz Formula E Limited	Brackley, United Kingdom	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 Rus Ltd	Moscow, Russian Federation	80.00	
Mercedes-Benz Museum 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 Retail Belgium NV/SA	Woluwe-Saint-Lambert, Belgium	100.00	
Mercedes-Benz Slovakia s.r.o.	Bratislava, Slovakia	100.00	
Mercedes-Benz Solihull Ltd.	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Srbija i Crna Gora d.o.o.u likvidaciji	Novi Beograd, Serbia	100.00	4
Mercedes-Benz Subscription Services USA LLC	Wilmington, USA	100.00	
Mercedes-Benz Trucks Belgium Luxembourg NV/SA	Brussels, Belgium	100.00	
Mercedes-Benz Trucks Center Sint-Pieters-Leeuw NV/SA	Sint-Peters-Leeuw, Belgium	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 MENA Holding GmbH	Stuttgart, Germany	100.00	
MERCEDES-BENZ TRUCKS POLSKA SPÓŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Warsaw, Poland	100.00	
Mercedes-Benz Trucks Schweiz AG	Schlieren, Switzerland	100.00	
Mercedes-Benz Vans Mobility S.L.	Alcobendas, Spain	100.00	
Mercedes-Benz Vehículos Comerciales Argentina SAU	Buenos Aires, Argentina	100.00	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
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	
MercedesService Card Beteiligungsgesellschaft mbH	Kleinostheim, Germany	51.00	
Mitsubishi Fuso Bus Manufacturing Co., Ltd.	Toyama, Japan	100.00	
Monarch Cars (Tamworth) Ltd.	Milton Keynes, United Kingdom	100.00	
Montajes y Estampaciones Metálicas, S.L.	Esparraguera, Spain	51.00	
mytaxi Austria GmbH	Vienna, Austria	100.00	
MYTAXI ITALIA S.R.L.	Milan, Italy	100.00	
MYTAXI POLSKA SPÓLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Warsaw, Poland	100.00	
mytaxi Portugal Unipessoal LDA	Lisbon, Portugal	100.00	
mytaxi Sweden AB	Stockholm, Sweden	100.00	
myTaxi UG	Hamburg, Germany	100.00	
myTaxi UK Ltd.	London, United Kingdom	100.00	
myTaxi USA Inc.	New York, USA	100.00	
NAG Nationale Automobil-Gesellschaft Aktiengesellschaft	Stuttgart, Germany	100.00	
ogotrac S.A.S.	Paris, France	100.00	
PABCO Co., Ltd.	Ebina, Japan	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.	Manhattan Beach, USA	100.00	
Reva SAS	Cunac, France	100.00	
Ring Garage AG Chur	Chur, Switzerland	100.00	
Sechste Vermögensverwaltungsgesellschaft Zeus mbH	Stuttgart, Germany	100.00	
SelecTrucks Comércio de Veículos Ltda	Mauá, Brazil	100.00	
SportChassis LLC	Clinton, USA	0.00	3
Star Egypt For Import LLC	New Cairo, Egypt	99.50	
Star Transmission srl	Cugir, Romania	100.00	
STARKOM d.o.o.	Maribor, Slovenia	100.00	
T.O.C (Schweiz) AG	Schlieren, Switzerland	51.00	
Taxibeat Ltd. UK	London, United Kingdom	100.00	
Taxibeat Peru S.A.	Lima, Peru	100.00	
Taxibeat Teknoloji Hizmetleri A.S.	Istanbul, Turkey	100.00	
Transopco GmbH	Zug, Switzerland	100.00	
Transopco Portugal Unipessoal Lda.	Lisbon, Portugal	100.00	
Transopco UK Ltd.	London, United Kingdom	100.00	
trapoFit GmbH	Chemnitz, 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			
AFCC Automotive Fuel Cell Cooperation Corp.	Burnaby, Canada	50.10	
EM-motive GmbH	Hildesheim, Germany	50.00	
North America Fuel Systems Remanufacturing LLC	Kentwood, USA	50.00	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
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	25.00	
MB Service Japan Co., Ltd.	Hitachi, Japan	33.40	
Polomex, S.A. de C.V.	Garcia, Mexico	26.00	
SelecTrucks of Atlanta LLC	McDonough, USA	50.00	
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	
TASIAP GmbH	Stuttgart, Germany	60.00	
Toll Collect GbR	Berlin, Germany	45.00	7
ViaVan Technologies B.V.	Amsterdam, Netherlands	50.00	
Wagenplan B.V.	Almere, Netherlands	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	29.64	
FlixMobility GmbH	Munich, Germany	5.62	
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	
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	
Taxify OÜ	Tallinn, Estonia	9.69	
There Holding B.V.	Rijswijk, Netherlands	29.56	
Toll4Europe GmbH	Berlin, Germany	15.00	
Verimi GmbH	Frankfurt am Main, Germany	15.15	
Via Transportation Inc.	New York, USA	12.28	
VII. Joint operations, joint ventures, associated companies and substantial other investments accounted for at (amortized) cost[2]			
Abgaszentrum der Automobilindustrie GbR	Weissach, Germany	25.00	4, 7
BDF IP Holdings Ltd.	Burnaby, Canada	33.00	
Beijing Mercedes-Benz Sales Service Co., Ltd.	Beijing, China	51.00	
ChargePoint Inc.	Campbell, USA	5.55	
COBUS Industries GmbH	Wiesbaden, Germany	40.82	
Esslinger Wohnungsbau GmbH	Esslingen am Neckar, Germany	26.57	
European Center for Information and Communication Technologies – EICT GmbH	Berlin, Germany	25.00	
EvoBus Hungária Kereskedelmi Kft.	Budapest, Hungary	33.33	
Gottapark, Inc.	San Francisco, USA	18.09	
Grundstücksgesellschaft Schlossplatz 1 mbH & Co. KG	Berlin, Germany	18.37	7

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
H2 Mobility Deutschland GmbH & Co. KG	Berlin, Germany	2.90	
hap2U SAS	Pontcharra, France	34.59	
inpro Innovationsgesellschaft für fortgeschrittene Produktionssysteme in der Fahrzeugindustrie mbH	Berlin, Germany	20.00	
Laureus World Sports Awards Limited	London, United Kingdom	50.00	
MercedesService Card GmbH & Co. KG	Kleinostheim, Germany	51.00	
MFTB Taiwan Co., Ltd.	Taipei, Taiwan	33.40	
Momenta Global Limited	Grand Cayman, Cayman Islands	5.10	
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	5.12	
Rally Bus Corp.	New York, USA	12.33	
REV Coach LLC	Wilmington, USA	20.00	
smart-BRABUS GmbH	Bottrop, Germany	50.00	
STARCAM s.r.o.	Most, Czech Republic	51.00	
tiramizoo GmbH	Munich, Germany	20.84	
Toyo Kotsu Co., Ltd.	Sannoseki, Japan	28.20	
Turo Inc.	San Francisco, USA	5.17	
VfB Stuttgart 1893 AG	Stuttgart, Germany	11.75	
Volocopter GmbH	Bruchsal, Germany	10.17	
what3words Ltd.	Hinxworth, United Kingdom	12.23	
Zonar Systems, Inc.	Seattle, USA	19.42	

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 exemption 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 respectively several consolidated subsidiares are the partners with unlimited liability.

Furthermore, Daimler AG or one respectively several consolidated subsidiares are the partners with unlimited liability in MOST Cooperation GbR, Karlsruhe (Germany).

F

Consolidated Financial Statements

The Consolidated Financial Statements presented as follows have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). They also comply with additional requirements set forth in Section 315e Subsection 1 of the German Commercial Code (HGB).

F | Consolidated Financial Statements

Consolidated Statement of Income

F.01

	Note	2019	2018
In millions of euros			
Revenue	4	172,745	167,362
Cost of sales	5	-143,580	-134,295
Gross profit		29,165	33,067
Selling expenses	5	-12,801	-13,067
General administrative expenses	5	-4,050	-4,036
Research and non-capitalized development costs	5	-6,586	-6,581
Other operating income	6	2,837	2,330
Other operating expense	6	-4,469	-1,462
Profit on equity-method investments, net	13	479	656
Other financial income/expense, net	7	-262	210
Interest income	8	397	271
Interest expense	8	-880	-793
Profit before income taxes[1]		3,830	10,595
Income taxes	9	-1,121	-3,013
Net profit		2,709	7,582
thereof profit attributable to non-controlling interests		332	333
thereof profit attributable to shareholders of Daimler AG		2,377	7,249
Earnings per share (in euros) for profit attributable to shareholders of Daimler AG	36		
Basic		2.22	6.78
Diluted		2.22	6.78

1 The reconciliation of Group EBIT to profit before income taxes is presented in Note 34.

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

Consolidated Statement of Comprehensive Income/Loss[1]

F.02

	Daimler Group	Share-holders of Daimler AG	Non-controlling interests	Daimler Group	Share-holders of Daimler AG	Non-controlling interests
	2019	2019	2019	2018	2018	2018
In millions of euros						
Net profit	2,709	2,377	332	7,582	7,249	333
Currency translation adjustments	475	458	17	234	214	20
Debt instruments						
Unrealized gains/losses (pre-tax)	6	6	–	-29	-29	–
Taxes on unrealized gains/losses and on reclassifications	-1	-1	–	9	9	–
Debt instruments (after tax)	5	5	–	-20	-20	–
Derivative financial instruments						
Unrealized gains/losses (pre-tax)	-1,616	-1,615	-1	-1,080	-1,081	1
Reclassifications to profit and loss (pre-tax)	979	978	1	-722	-722	–
Taxes on unrealized gains/losses and on reclassifications	186	186	–	537	537	–
Derivative financial instruments (after tax)	-451	-451	–	-1,265	-1,266	1
Equity-method investments						
Unrealized gains/losses (pre-tax)	-26	-26	–	-3	-3	–
Taxes on unrealized gains/losses and on reclassifications	–	–	–	-1	-1	–
Equity-method investments (after tax)	-26	-26	–	-4	-4	–
Items that may be reclassified to profit/loss	3	-14	17	-1,055	-1,076	21
Actuarial gains/losses on equity-method investments (pre-tax)	-1	-1	–	-1	-1	–
Actuarial gains/losses on equity-method investments (after tax)	-1	-1	–	-1	-1	–
Actuarial gains/losses from pensions and similar obligations (pre-tax)	-2,403	-2,403	–	-1,627	-1,625	-2
Taxes on actuarial gains/losses from pensions and similar obligations	232	232	–	171	171	–
Actuarial gains/losses from pensions and similar obligations (after tax)	-2,171	-2,171	–	-1,456	-1,454	-2
Equity instruments						
Unrealized gains/losses (pre-tax)	7	6	1	-16	-15	-1
Taxes on unrealized gains/losses and on reclassifications	4	4	–	12	12	–
Equity instruments (after tax)	11	10	1	-4	-3	-1
Items that will not be reclassified to profit/loss	-2,161	-2,162	1	-1,461	-1,458	-3
Other comprehensive income/loss, net of taxes	-2,158	-2,176	18	-2,516	-2,534	18
Total comprehensive income	551	201	350	5,066	4,715	351

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

F.03

		At December 31,	
	Note	2019	2018
In millions of euros			
Assets			
Intangible assets	10	15,978	14,801
Property, plant and equipment	11	37,143	30,948
Equipment on operating leases	12	51,482	49,476
Equity-method investments	13	5,949	4,860
Receivables from financial services	14	52,880	51,300
Marketable debt securities and similar investments	15	770	722
Other financial assets	16	3,347	2,763
Deferred tax assets	9	5,803	4,021
Other assets	17	1,286	1,115
Total non-current assets		174,638	160,006
Inventories	18	29,757	29,489
Trade receivables	19	12,332	12,586
Receivables from financial services	14	50,781	45,440
Cash and cash equivalents		18,883	15,853
Marketable debt securities and similar investments	15	7,885	8,855
Other financial assets	16	2,736	2,970
Other assets	17	5,426	5,889
Assets held for sale		–	531
Total current assets		127,800	121,613
Total assets		302,438	281,619
Equity and liabilities			
Share capital		3,070	3,070
Capital reserves		11,552	11,710
Retained earnings		46,329	49,490
Other reserves		393	397
Equity attributable to shareholders of Daimler AG		61,344	64,667
Non-controlling interests		1,497	1,386
Total equity	20	62,841	66,053
Provisions for pensions and similar obligations	22	9,728	7,393
Provisions for other risks	23	10,597	7,734
Financing liabilities	24	99,179	88,662
Other financial liabilities	25	2,112	2,375
Deferred tax liabilities	9	3,935	3,762
Deferred income	26	1,598	1,612
Contract and refund liabilities	27	6,060	5,438
Other liabilities	28	586	638
Total non-current liabilities		133,795	117,614
Trade payables		12,707	14,185
Provisions for other risks	23	10,327	7,828
Financing liabilities	24	62,601	56,240
Other financial liabilities	25	7,752	7,657
Deferred income	26	1,624	1,580
Contract and refund liabilities	27	7,571	7,081
Other liabilities	28	3,220	3,169
Liabilities held for sale		–	212
Total current liabilities		105,802	97,952
Total equity and liabilities		302,438	281,619

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

Consolidated Statement of Cash Flows[1]

F.04

	2019	2018
In millions of euros		
Profit before income taxes	3,830	10,595
Depreciation and amortization/impairments	7,751	6,305
Other non-cash expense and income	24	-872
Gains (-)/losses (+) on disposals of assets	-761	-178
Change in operating assets and liabilities		
Inventories	99	-3,850
Trade receivables	-346	-884
Trade payables	-1,625	1,694
Receivables from financial services	-4,664	-10,257
Vehicles on operating leases	-1,156	-1,609
Other operating assets and liabilities	5,641	877
Dividends received from equity-method investments	1,202	1,380
Income taxes paid	-2,107	-2,858
Cash provided by operating activities	7,888	343
Additions to property, plant and equipment	-7,199	-7,534
Additions to intangible assets	-3,636	-3,167
Proceeds from disposals of property, plant and equipment and intangible assets	429	644
Investments in shareholdings	-1,619	-780
Proceeds from disposals of shareholdings	394	363
Acquisition of marketable debt securities and similar investments	-5,960	-5,739
Proceeds from sales of marketable debt securities and similar investments	7,014	6,210
Other	-30	82
Cash used for investing activities	-10,607	-9,921
Change in short-term financing liabilities	840	2,637
Additions to long-term financing liabilities	63,607	71,137
Repayment of long-term financing liabilities	-55,043	-56,318
Dividend paid to shareholders of Daimler AG	-3,477	-3,905
Dividends paid to non-controlling interests	-263	-315
Proceeds from the issue of share capital	85	118
Acquisition of treasury shares	-42	-50
Acquisition of non-controlling interests in subsidiaries	-79	-78
Cash provided by financing activities	5,628	13,226
Effect of foreign exchange rate changes on cash and cash equivalents	121	133
Net increase in cash and cash equivalents	3,030	3,781
Cash and cash equivalents at beginning of period	15,853	12,072
Cash and cash equivalents at end of period	18,883	15,853

1 See Note 29 for other information on Consolidated Statements of Cash Flows.

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

Consolidated Statement of Changes in Equity[1]

F.05

	Share capital	Capital reserves	Retained earnings[2]	Currency translation	Equity instruments/debt instruments
In millions of euros					
Balance at January 1, 2018	3,070	11,742	47,555	258	38
Net profit	–	–	7,249	–	–
Other comprehensive income/loss before taxes	–	–	-1,626	214	-44
Deferred taxes on other comprehensive income	–	–	171	–	21
Total comprehensive income/loss	–	–	5,794	214	-23
Dividends	–	–	-3,905	–	–
Capital increase/Issue of new shares	–	–	–	–	–
Acquisition of treasury shares	–	–	–	–	–
Issue and disposal of treasury shares	–	–	–	–	–
Changes in ownership interests in subsidiaries	–	-32	–	–	–
Other	–	–	46	–	–
Balance at December 31, 2018	3,070	11,710	49,490	472	15
Balance at January 1, 2019	**3,070**	**11,710**	**49,490**	**472**	**15**
Net profit	–	–	**2,377**	–	–
Other comprehensive income/loss before taxes	–	–	**-2,404**	**458**	**12**
Deferred taxes on other comprehensive income	–	–	**232**	–	**3**
Total comprehensive income/loss	–	–	**205**	**458**	**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**	**930**	**30**

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. Actuarial losses from pensions and similar obligations amount to €11,189 million net of tax in 2019 (2018: €9,017 million net of tax).

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

Other reserves items that may be reclassified in profit/loss Derivative financial instruments	Share of investments accounted for using the equity method	Treasury share	**Equity attributable to share-holders of Daimler AG**	Non-controlling interests	**Total equity**	
						In millions of euros
1,171	9	–	63,843	1,282	65,125	**Balance at January 1, 2018**
–	–	–	7,249	333	7,582	Net profit
-1,803	-3	–	-3,262	18	-3,244	Other comprehensive income/loss before taxes
537	-1	–	728	–	728	Deferred taxes on other comprehensive income
-1,266	-4	–	4,715	351	5,066	Total comprehensive income/loss
–	–	–	-3,905	-315	-4,220	Dividends
–	–	–	–	80	80	Capital increase/Issue of new shares
–	–	-50	-50	–	-50	Acquisition of treasury shares
–	–	50	50	–	50	Issue and disposal of treasury shares
–	–	–	-32	-13	-45	Changes in ownership interests in subsidiaries
–	–	–	46	1	47	Other
-95	5	–	64,667	1,386	66,053	**Balance at December 31, 2018**
-95	5	–	64,667	1,386	66,053	**Balance at January 1, 2019**
–	–	–	2,377	332	2,709	Net profit
-637	-26	–	-2,597	18	-2,579	Other comprehensive income/loss before taxes
186	–	–	421	–	421	Deferred taxes on other comprehensive income
-451	-26	–	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	-21	–	61,344	1,497	62,841	**Balance at December 31, 2019**

Notes to the Consolidated Financial Statements

1. Significant accounting policies

General information

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 authorized the Consolidated Financial Statements for publication on February 19, 2020.

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, 2019.

IFRS issued, EU endorsed and initially adopted in the reporting period
In January 2016, the IASB published **IFRS 16 Leases**, replacing IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease and other interpretations. IFRS 16 abolishes for lessees the previous classification of leasing agreements as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model, requiring **lessees** to recognize assets for the right to use as well as leasing liabilities for the outstanding lease payments. This means that as of January 1, 2019 all leases have to be reported in the Consolidated Statement of Financial Position – very similar to the former accounting of finance leases.

According to IFRS 16, a lessee may elect, for leases with a lease term of 12 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 measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, Daimler also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments. 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.

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount 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. The lease expenses of leases classified according to IAS 17 as operating leases have been fully recognized within functional costs.

With the introduction of lessee accounting, payments of lease liabilities excluding interest of €701 million are presented in the Consolidated Statement of Cash Flows under cash flows from financing activities, while the interest portion is presented under cash flows from operating activities – as total lease expenses previously were.

Lease accounting for **lessors** has been taken over almost identically from IAS 17 into IFRS 16.

Daimler applies IFRS 16 for the first time at January 1, 2019. In compliance with the transition regulations, Daimler does not adjust the prior-year figures and presents the not significant accumulated transitional effects in retained earnings.

Daimler as lessee uses the following practical expedients of IFRS 16 at the date of initial application:

- With leases previously classified as operating leases according to IAS 17, the lease liability is measured at the present value of the outstanding lease payments, discounted by the incremental borrowing rate at January 1, 2019. The weighted average incremental borrowing rate was 2.27%. The respective right-of-use asset is generally recognized at an amount equal to the lease liability.

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

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

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

- Current knowledge is given due consideration when determining the lease term if the contract contains options to extend or terminate the lease.

In the context of the transition to IFRS 16, right-of-use assets of €3,777 million (including finance leases of €335 million) and lease liabilities of €3,790 million were recognized at January 1, 2019. The following reconciliation (see ↗ **F.06**) to the opening balance for lease liabilities as at January 1, 2019 is based on the other financial obligations from rental agreements and operating leases at December 31, 2018.

F.06

Reconciliation to lease liabilities in accordance with IFRS 16

In millions of euros	
Other financial obligations resulting from rental agreements and operating leases in accordance with IAS 17 at December 31, 2018	3,800
Exemptions for short-term leases	-226
Exemptions for leases of low-value assets	-36
Payments related to options to extend or terminate a lease	256
Payments related to non-lease components	77
Others	75
Obligations from operating lease arrangements (undiscounted)	3,946
Discounting	-503
Obligations from operating lease arrangements (discounted)	3,443
Carrying amount of liabilities from finance leases in accordance with IAS 17 at December 31, 2018	347
Carrying amount of lease liabilities in accordance with IFRS 16 at January 1, 2019	3,790

Right-of-use assets and lease liabilities include assets and liabilities, which were recognized until December 31, 2018 as finance leases in accordance with IAS 17.

Certain interest rate benchmarks such as the London Interbank Offered Rate (for USD, GBP, CHF and JPY) will be globally reformed and replaced by alternative risk-free interest rates by the end of 2021. As a reaction to the uncertainty arising from the transition, the IASB has published amendments to IFRS 9, IAS 39 and IFRS 7 (**Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7**). These amendments contain exceptions to specific hedge accounting requirements, which allow the hedge to be continued as if the reference rates on which the hedged item and hedging instrument are based were not changed by the benchmark reform.

Application is mandatory for reporting periods beginning on or after January 1, 2020. Application ends when the uncertainty arising from the interest benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item and the hedging instrument. Daimler adopts the amendments early and avoids the hedge accounting implications that could have been caused by the replacement of the interest rate benchmarks in the form of ineffectiveness or de-designation.

IFRS issued but neither EU endorsed nor yet adopted
In May 2017, the IASB issued **IFRS 17 Insurance Contracts.** IFRS 17 replaces 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, 2021. 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 addition, further standards and interpretations have been approved which are not expected to have a material impact on the Consolidated Financial Statements.

Presentation
Presentation in the Consolidated Statement of Financial Position differentiates between current and non-current assets and liabilities. Assets and liabilities are classified as current if they are expected to be realized or settled within one year or within a longer and normal operating cycle. 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.

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 remain 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 intercompany 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).

Subsidiaries 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 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 ↗ F.07.

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) of the Center of the Audit Quality or 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.

F.07
Exchange rates

				2019				2018
	USD	GBP	JPY	CNY	USD	GBP	JPY	CNY
	1 € =	1 € =	1 € =	1 € =	1 € =	1 € =	1 € =	1 € =
Average exchange rate on December 31	1.1234	0.8508	121.9400	7.8205	1.1450	0.8945	125.8500	7.8751
Average exchange rates during the respective period								
First quarter	1.1358	0.8725	125.0800	7.6635	1.2292	0.8834	133.1700	7.8154
Second quarter	1.1237	0.8748	123.4700	7.6721	1.1918	0.8762	130.0900	7.6035
Third quarter	1.1119	0.9021	119.3200	7.8000	1.1629	0.8924	129.6100	7.9151
Fourth quarter	1.1071	0.8608	120.3200	7.8012	1.1414	0.8867	128.8200	7.8953

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 dealer inventory financing provided by Daimler Mobility (formerly Daimler Financial Services). 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 in the form of a forward (Daimler's obligation to repurchase the asset) and a call option (Daimler's right to repurchase the asset) are reported as operating leases.

- Sales of vehicles including a put option (an entity's obligation to repurchase the asset at the customer's request) are reported as operating leases if the customer has a significant economic incentive to exercise that right 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. However, a potential compensation payment to the customer has to be considered (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 will be 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 instalments over the contract term.

For multiple-element arrangements, such as when vehicles are sold with free or reduced-in-price maintenance programs or with free online services, 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 is 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 occurring if the Group or other owners do not participate in capital increases of companies in which shares are held and 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 in-come or expenses are not presented under equity-method investments.

Interest income and interest expense
Interest income and interest expense include interest income from investments in securities, 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 segment Daimler Mobility interest income and expense and gains or losses from derivative financial instruments from 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. For the case 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.

In the year 2019, a clarification regarding the presentation of income taxes in the statement of financial position was published by the IFRIC. As a result of this clarification, the former provisions for income taxes now have to be shown as income tax liabilities which are part of the other liabilities. As a result, the current and non-current provisions for income taxes recognized at December 31, 2018 (€823 million and €628 million) were reclassified to current and non-current liabilities. The reclassification has no impact on the Group's profitability or liquidity and capital resources.

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 reverse in the foreseeable future.

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 2019 and 2018 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, 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 ↗ F.08.

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

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

F.08

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

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

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

Since January 1, 2019 the Group as a lessee has recognized right-of-use assets and the lease liabilities for the payment obligations entered into for generally all leases in the statement of financial position at present value. The lease liabilities include the following lease payments:

- fixed payments including defacto 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.

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.

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

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.

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 the 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 in the form of a forward (an entity's obligation to repurchase the asset) and a call option (an entity's right to repurchase the asset) are reported as operating leases.
- Sales of vehicles including a put option (an entity's obligation to repurchase the asset at the customer's request) are reported as operating leases if the customer has a significant economic incentive to exercise that right. Otherwise a sale with a right of return is reported. Daimler 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 established 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 to an impairment loss if necessary. 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 2019, additions to leased equipment from these vehicles at Daimler Mobility amounted to approximately €14 billion (2018: approximately €13 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. Deconsolidation effects 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 reporting segments.

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 is based on expectations regarding future market shares, the general development of respective markets as well as the products' profitability. The multi-year planning comprises a planning horizon until 2026 and therefore mainly covers the product life cycles of the automotive business. 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). These are 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 consider any growth rates.
In addition, several sensitivity analyses are conducted. These show that even in the case of more unfavorable premises for main influencing factors with respect to the original planning, no need for impairment exists. If value in use is lower than the carrying amount, fair value less costs of disposal is additionally calculated to determine the recoverable amount.

An assessment for assets other than goodwill is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may be reversed. If this is the case, Daimler 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) had no impairment loss 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 the classification, the carrying amount is determined in accordance with the applicable 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 estimated selling 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 existing 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 by 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 made 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 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 financial assets, 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. Dividends are recognized in profit or loss when the right of 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 (e.g., that leads to a change in the present value of the contractual cash flows of 10%) leads to derecognition of 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 a hedged 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, 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. 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 or on the Consolidated Statement of Comprehensive Income/Loss.

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.

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 in the following circumstances:

- deferred revenue for service and maintenance contracts and for extended warranties, and

- advance payments received on contracts in the scope of IFRS 15.

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. 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.

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 2019, 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). 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 accrued 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 no provisions were established for. 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 hand. 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.

F.09
Composition of the Group

	At December 31, 2019	2018
Consolidated subsidiaries	375	376
Germany	65	70
International	310	306
Unconsolidated subsidiaries	94	126
Germany	39	36
International	55	90
Joint operations accounted for using proportionate consolidation	1	1
Germany	–	–
International	1	1
Joint operations accounted for using the equity method	1	3
Germany	–	1
International	1	2
Joint ventures accounted for using the equity method	16	16
Germany	3	4
International	13	12
Associated companies accounted for using the equity method	16	16
Germany	4	4
International	12	12
Joint operations, joint ventures, associated companies and material other investments accounted for at (amortized) cost	34	32
Germany	13	13
International	21	19
	537	570

3. Consolidated Group

Composition of the Group

Table ↗ F.09 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 revenues 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.

New group structure with Daimler AG as parent company
On May 22, 2019, the Annual Shareholders' Meeting of Daimler AG resolved to hive down the Mercedes-Benz Cars and Mercedes-Benz Vans divisions and the Daimler Trucks and Daimler Buses divisions into legally independent entities. Upon the hive-downs taking effect, the assets to be hived down as defined in the hive-down agreement and other assets and liabilities were transferred to Mercedes-Benz AG and Daimler Truck AG on the basis of the provisions of the hive-down agreement. These hive-downs did not affect the consolidated Group. Outside Germany, business activities were hived down or transferred to newly founded and in the year 2019 for the first time consolidated companies in the context of "Project Future."

As of January 1, 2020, changes have been made in connection with the internal management and reporting structure and thus with the reportable segments. As of that date, the Group's activities are divided into the segments Mercedes-Benz Cars, Mercedes-Benz Vans, Daimler Trucks & Buses and Daimler Mobility. For external reporting purposes, the Mercedes-Benz Cars and Mercedes-Benz Vans segments are combined into the reportable segment Mercedes-Benz Cars & Vans in accordance with the nature of the products and services offered, as well as the brands, distribution channels and customer profiles.

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 primarily is the acquisition, renting 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 24 (2018: 18) controlled structured entities, of which 24 (2018: 18) are fully consolidated. In addition, the Group has relationships with 8 (2018: 7) non-controlled structured entities. The unconsolidated structured entities are not material for the Group's profitability, liquidity and capital resources and financial position.

Equity-method investments/assets and liabilities held for sale
In March 2018, the Daimler Group and the BMW Group signed an agreement to merge their business units for mobility services. At December 31, 2018, the assets and liabilities held for sale were presented separately in the Consolidated Statement of Financial Position. The disposal group's assets then amounted to €531 million and its liabilities amounted to €212 million.

Following approval by the antitrust authorities, the transactions were completed on January 31, 2019. As a result, 21 consolidated and 24 unconsolidated subsidiaries left the consolidated group and five operating joint ventures were established. In the Daimler Mobility segment, those transactions had a positive impact on other operating income of €718 million. This resulted in a net cash outflow of €713 million primarily from capital increases in the joint ventures.

The joint ventures resulting from the transaction are aggregated under YOUR NOW and are accounted for using the equity method in the Consolidated Financial Statements. Further information is provided in Note 13.

F.10
Revenue

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Mobility	Total segments	Reconciliation	Daimler Group
2019								
Europe	**38,240**	**10,129**	**9,818**	**2,966**	**4,606**	**65,759**	**-4,681**	**61,078**
NAFTA	**19,037**	**18,982**	**2,074**	**228**	**6,244**	**46,565**	**-1,038**	**45,527**
Asia	**31,018**	**6,609**	**821**	**336**	**145**	**38,929**	**-36**	**38,893**
Other markets	**3,865**	**3,869**	**1,132**	**849**	**150**	**9,865**	**-190**	**9,675**
Revenue according to IFRS 15	**92,160**	**39,589**	**13,845**	**4,379**	**11,145**	**161,118**	**-5,945**	**155,173**
Other revenue	**1,717**	**646**	**956**	**354**	**17,501**	**21,174**	**-3,602**	**17,572**
Total revenue	**93,877**	**40,235**	**14,801**	**4,733**	**28,646**	**182,292**	**-9,547**	**172,745**

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Mobility	Total segments	Reconciliation	Daimler Group
2018								
Europe	36,902	10,775	8,937	2,851	4,269	63,734	-3,810	59,924
NAFTA	18,488	16,622	1,666	255	5,366	42,397	-903	41,494
Asia	30,859	6,503	844	227	230	38,663	-19	38,644
Other markets	3,950	3,661	1,130	777	203	9,721	-187	9,534
Revenue according to IFRS 15	90,199	37,561	12,577	4,110	10,068	154,515	-4,919	149,596
Other revenue	2,904	712	1,049	419	16,201	21,285	-3,519	17,766
Total revenue	93,103	38,273	13,626	4,529	26,269	175,800	-8,438	167,362

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 region – and presented in table ↗ **F.10**. The category type of products and services corresponds to the reportable segments.

Other revenue primarily comprises revenue from the rental and leasing business of €12,747 million (2018: €12,085 million), interest from the financial services business at Daimler Mobility in an amount of €5,811 million (2018: €5,188 million) and effects from currency hedging. The interest from financial services business includes finance income on the net investment in leases of €1,519 million (2018: €1,242 million).

Revenue according to IFRS 15 includes revenue that was included in contract liabilities at December 31, 2018 in an amount of €3,775 million (2018: €3,583 million) and revenue from performance obligations fully (or partially) satisfied in previous periods in an amount of €309 million (2018: €434 million).

Revenue that is expected to be recognized within three years related to performance obligations that are unsatisfied (or partially unsatisfied) amounted to €8,701 million at December 31, 2019 (2018: €7,642 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.

Revenue by segment ↗ **F.91** and region ↗ **F.93** is presented in tables in Note 34.

F.11
Cost of sales

	2019	2018
In millions of euros		
Expense of goods sold	-123,180	-117,508
Depreciation of equipment on operating leases	-9,047	-8,567
Refinancing costs at Daimler Mobility	-3,114	-2,747
Impairment losses on receivables from financial services	-495	-382
Other cost of sales	-7,744	-5,091
	-143,580	-134,295

F.12
Average number of employees

	2019	2018
Mercedes-Benz Cars[1, 2]	153,753	153,413
Daimler Trucks[2]	84,392	80,720
Mercedes-Benz Vans[2]	21,796	21,925
Daimler Buses[2]	17,808	17,477
Daimler Mobility	12,811	13,739
Other[2]	11,279	11,191
	301,839	298,465

1 Proportionally including 2,126 (2018: 1,856) employees from a proportionately consolidated company.
2 Adjustment of the number of employees in 2018 due to the changed intercompany allocation of employees.

F.13
Other operating income

	2019	2018
In millions of euros		
Income from costs recharged to third parties	840	821
Government grants and subsidies	122	102
Gains on sales of property, plant and equipment	75	140
Rental income not relating to sales financing	173	159
Income from company transactions at consolidated companies	729	11
Other miscellaneous income	898	1,097
	2,837	2,330

5. Functional costs

Cost of sales
Items included in cost of sales are shown in table ↗ F.11.

Amortization expense of capitalized development costs in the amount of €1,793 million (2018: €1,538 million) is presented in expense of goods sold.

In 2019, a reassessment of risks relating to ongoing governmental and legal proceedings and measures taken with regard to Mercedes-Benz diesel vehicles in various regions and markets as well as expenses in connection with an updated risk assessment for an expanded recall of vehicles with Takata airbags adversely affected cost of sales at the Mercedes-Benz Cars and Mercedes-Benz Vans segments. Cost of sales also includes expenses in connection with a review and prioritization of the product portfolio at the Mercedes-Benz Vans segment. The expenses from the review and prioritization of the product portfolio are related to the planned discontinuation of production of the X-Class at the end of May 2020.

Selling expenses
In 2019, selling expenses amounted to €12,801 million (2018: €13,067 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 €4,050 million in 2019 (2018: €4,036 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 €6,586 million in 2019 (2018: €6,581 million) and primarily comprise personnel expenses and material costs.

Personnel expenses and average number of employees
Personnel expenses included in the Consolidated Statement of Income amounted to €22,657 million in 2019 (2018: €22,432 million). The personnel expenses comprise wages and salaries in the amount of €18,336 million (2018: €18,329 million), social contributions in the amount of €3,536 million (2018: €3,332 million) and expenses from pension obligations in the amount of €785 million (2018: €771 million). The average numbers of people employed are shown in table ↗ F.12.

Information on the total remuneration in 2019 of the members of the Board of Management and the Supervisory Board who were active in 2019 is provided in Note 38.

6. Other operating income and expense

The composition of other operating income is shown in table ↗ F.13.

Income from costs recharged to third parties includes income from licenses and patents, shipping costs and other costs charged to third parties, with related expenses primarily within the functional costs.

Income from corporate transactions at consolidated companies primarily comprises 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. See Note 3 for further information.

Government grants and subsidies mainly comprise reimbursements relating to current early retirement part-time contracts and subsidies for alternative drive systems. In the year 2018, other miscellaneous income included insurance compensation of €219 million.

The composition of other operating expense is shown in table ↗ F.14.

Other miscellaneous expense primarily comprises changes in provisions for other risks. Compared with the prior year, it includes higher expenses in connection with ongoing governmental and legal proceedings and measures taken in the segments Mercedes-Benz Cars and Mercedes-Benz Vans relating to Mercedes-Benz diesel vehicles in various regions and markets.

F.14
Other operating expense

In millions of euros	2019	2018
Losses on sales of property, plant and equipment	-180	-106
Other miscellaneous expense	-4,289	-1,356
	-4,469	-1,462

7. Other financial income/expense, net

Table ↗ F.15 shows the components of other financial income/expense, net.

In 2019, the measurement at fair value of the minority interest in Aston Martin Lagonda Global Holdings plc resulted in an expense of €72 million (2018: income of €111 million). After the initial public offering, which took place at the beginning of October 2018, the interest was measured at the current stock-market price of the shares. The expense/income are included in miscellaneous other financial income/expense, net and have been assigned to the segment results of Mercedes-Benz Cars.

F.15
Other financial income/expense, net

In millions of euros	2019	2018
Income and expense from compounding and effects from changes in discount rates of provisions for other risks	-238	-31
Miscellaneous other financial income/expense, net	-24	241
	-262	210

8. Interest income and interest expense

Table ↗ F.16 shows the components of interest income and interest expense.

F.16
Interest income and interest expense

In millions of euros	2019	2018
Interest income		
Net interest income on the net assets of defined benefit pension plans	4	3
Interest and similar income	393	268
	397	271
Interest expense		
Net interest expense on the net obligation from defined benefit pension plans	-197	-133
Interest and similar expense	-683	-660
	-880	-793

9. Income taxes

Profit before income taxes is comprised as shown in table ↗ F.17.

F.17
Profit before income taxes

In millions of euros	2019	2018
German companies	-4,113	2,932
Non-German companies	7,943	7,663
	3,830	10,595

F.18
Components of income taxes

In millions of euros	2019	2018
Current taxes		
German companies	-51	-1,116
Non-German companies	-2,331	-1,127
Deferred taxes		
German companies	1,127	125
Non-German companies	134	-895
	-1,121	-3,013

F.19
Components of deferred tax expense

In millions of euros	2019	2018
Deferred taxes	1,261	-770
due to temporary differences	-56	-510
due to tax loss carryforwards and tax credits	1,317	-260

F.20
Reconciliation of expected income tax expense to actual income tax expense

In millions of euros	2019	2018
Expected income tax expense	-1,142	-3,160
Foreign tax rate differential	347	326
Trade tax rate differential	41	37
Tax law changes	-42	11
Change of valuation allowance on deferred tax assets	-209	-101
Tax-free income and non-deductible expenses	21	14
Other	-137	-140
Actual income tax expense	-1,121	-3,013

F.21
Deferred tax assets and liabilities

In millions of euros	At December 31, 2019	2018
Deferred tax assets	5,803	4,021
Deferred tax liabilities	-3,935	-3,762
Deferred tax assets, net	1,868	259

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 ↗ F.18 shows the components of income taxes.

The current tax expense includes tax benefits recognized for prior periods at German and foreign companies of €244 million (2018: €529 million).

The deferred tax expense/benefit is comprised of the components shown in table ↗ F.19.

For German companies, in 2019 and 2018, 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 ↗ F.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 2019 and 2018. 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, for instance 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 ↗ F.21.

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 ↗ F.22.

The development of deferred tax assets, net, is shown in table ↗ **F.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 ↗ **F.24**.

In the Consolidated Statement of Financial Position, the valuation allowances on deferred tax assets increased by €776 million compared to December 31, 2018. This is partially a result of the additional valuation allowances of €209 million recognized in net profit. Furthermore, valuation allowances of €530 million were recognized without an impact on net profit for deferred tax assets recognized in other comprehensive income/loss in 2019 and prior years. Additionally, the valuation allowance changed without an impact on net profit, among other things due to currency translation, tax rate changes in a few countries and adjustments of prior year tax loss carryforwards.

At December 31, 2019, the valuation allowance on deferred tax assets relates, among other things, to corporate income tax loss carryforwards (€926 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 2020, €177 million relates to tax loss carryforwards which expire at various dates from 2021 through 2024, €47 million relates to tax loss carryforwards which expire at various dates from 2025 through 2029, €8 million relates to tax loss carryforwards which expire later than 2035 and €691 million relates to tax loss carryforwards which can be carried forward indefinitely. Valuation allowances of €64 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 €190 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 2019 and at several subsidiaries in several countries in 2019 and prior years. After offsetting the deferred tax assets with deferred tax liabilities, the deferred tax assets not subject to valuation allowances amounted to €2,169 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.

F.22

Split of deferred tax assets and liabilities before offset

	At December 31, 2019	2018
In millions of euros		
Intangible assets	60	30
Property, plant and equipment	239	154
Equipment on operating leases	1,990	1,808
Inventories	999	1,017
Receivables from financial services	356	341
Miscellaneous assets, mainly other financial assets	5,231	4,837
Tax loss carryforwards and unused tax credits	3,110	1,538
Provisions for pensions and similar obligations	673	592
Other provisions	1,851	1,692
Liabilities	3,564	2,092
Deferred income	809	1,084
Miscellaneous liabilities	20	2
	18,902	15,187
Valuation allowances	-2,075	-1,299
thereof on temporary differences	-743	-213
thereof on tax loss carryforwards and tax credits	-1,332	-1,086
Deferred tax assets, gross	16,827	13,888
Development costs	-3,718	-3,352
Other intangible assets	-129	-115
Property, plant and equipment	-2,879	-1,757
Equipment on operating leases	-5,220	-5,092
Inventories	-58	-78
Receivables from financial services	-939	-793
Miscellaneous assets	-361	-321
Provisions for pensions and similar obligations	-1,044	-1,572
Other provisions	-222	-233
Miscellaneous liabilities	-389	-316
Deferred tax liabilities, gross	-14,959	-13,629
Deferred tax assets, net	1,868	259

F.23
Change of deferred tax assets, net

In millions of euros	2019	2018
Deferred tax assets, net as of January 1	259	497
Deferred tax expense/benefit in the Consolidated Statement of Income	1,261	-770
Change of deferred tax assets/liabilities on equity instruments/debt instruments included in other comprehensive income/loss	3	21
Change of deferred tax assets/liabilities on derivative financial instruments included in other comprehensive income/loss	186	537
Change of deferred tax assets/liabilities on actuarial gains/losses from defined benefit pension plans included in other comprehensive income/loss	232	171
Other changes[1]	-73	-197
Deferred tax assets, net as of December 31	1,868	259

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

F.24
Tax expense in equity

In millions of euros	2019	2018
Income tax expense in the Consolidated Statement of Income	-1,121	-3,013
Income tax expense/benefit recorded in other reserves	421	728
	-700	-2,285

As of today, 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 €29,988 million (2018: €28,514 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.

10. Intangible assets

Intangible assets developed as shown in table ↗ **F.25**.

At December 31, 2019, goodwill of €541 million (2018: €418 million) relates to the Daimler Trucks segment, goodwill of €433 million (2018: €433 million) relates to the Daimler Mobility segment and goodwill of €177 million (2018: €168 million) relates to the Mercedes-Benz Cars 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, 2019: €5,634 million; 2018: €4,029 million). In addition, other intangible assets with a carrying amount of €273 million (2018: €270 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 segment with indefinite useful lives. The Group plans to continue to use these assets unchanged.

Table ↗ **F.26** shows the line items of the Consolidated Statement of Income in which total amortization expense for intangible assets is included.

F.25

Intangible assets

In millions of euros	Goodwill (acquired)	Development costs (internally generated)[2]	Other intangible assets (acquired)	Total
Acquisition/manufacturing costs				
Balance at January 1, 2018	1,386	16,192	4,619	22,197
Additions due to business combinations	–	–	–	–
Other additions	1	2,535	640	3,176
Reclassifications	–	–	–	–
Disposals	–	-282	-432	-714
Other changes[1]	-31	6	57	32
Balance at December 31, 2018	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
Depreciation/impairment				
Balance at January 1, 2018	271	5,912	2,279	8,462
Additions	–	1,553	476	2,029
Reclassifications	–	–	–	–
Disposals	–	-277	-373	-650
Other changes[1]	3	6	40	49
Balance at December 31, 2018	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
Carrying amount at December 31, 2018	1,082	11,257	2,462	14,801
Carrying amount at December 31, 2019	1,217	12,525	2,236	15,978

1 Primarily changes from currency translation.
2 Including capitalized borrowing costs on development costs of €31 million (2018: €41 million). Amortization amounted to €16 million (2018: €15 million).

F.26

Amortization expense for intangible assets in the Consolidated Statement of Income

In millions of euros	2019	2018
Cost of sales	2,258	1,820
Selling expenses	50	85
General administrative expenses	56	57
Research and non-capitalized development costs	32	66
Other operating expense	1	1
	2,397	2,029

11. Property, plant and equipment

Property, plant and equipment as shown on the Consolidated Statement of Financial Position with a carrying amount of €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 ↗ F.27.

In 2019, government grants of €52 million (2018: €51 million) were deducted from property, plant and equipment.

At December 31, 2018 property, plant and equipment also included leased buildings, technical equipment and other equipment with a total carrying amount of €335 million, which were assigned to the Group as economic owner due to the design of the underlying leasing contracts (so called finance leases). Additions to and depreciation of the leased equipment in the year 2018 amounted to €17 million and €33 million respectively.

F.27

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

	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
In millions of euros					
Acquisition or manufacturing costs					
Balance at January 1, 2018	16,987	25,964	27,398	4,470	74,819
Additions due to business acquisitions	–	–	–	–	–
Other additions	309	888	1,932	4,341	7,470
Reclassifications	612	988	1,536	-3,136	–
Disposals	-336	-634	-661	-104	-1,735
Other changes[1]	84	-30	172	96	322
Balance at December 31, 2018	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
Depreciation/impairment					
Balance at January 1, 2018	8,743	16,630	21,465	–	46,838
Additions	385	1,633	2,273	–	4,291
Reclassifications	1	-12	11	–	–
Disposals	-175	-558	-540	–	-1,273
Other changes[1]	-39	-18	129	–	72
Balance at December 31, 2018	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
Carrying amount at December 31, 2018	8,741	9,501	7,039	5,667	30,948
Carrying amount at December 31, 2019	9,859	10,113	7,864	5,073	32,909

1 Primarily changes from currency translation.

Table ↗ **F.28** shows the composition of the right-of-use assets which are accounted for at January 1, 2019. The right-of-use assets include finance leases, which were shown in property, plant and equipment at December 31, 2018.

The tables ↗ **F.29**, ↗ **F.30**and ↗ **F.31** show additional disclosures related to lessee accounting.

Further information on lessee accounting is provided in Notes 1, 24 and 33.

F.28
Right-of-use assets

	December 31, 2019
In millions of euros	
Land, leasehold improvements and buildings	3,956
Technical equipment and machinery	187
Other equipment, factory and office equipment	91
	4,234

F.29
Additions and depreciations for right-of-use assets

	2019
In millions of euros	
Additions to right-of-use assets	1,075
Depreciation for	
Land, leasehold improvements and buildings	621
Technical equipment and machinery	17
Other equipment, factory and office equipment	40
	678

F.30
Expenses related to lessee accounting

	2019
In millions of euros	
Interest expense from lease transactions	98
Expenses from short-term leases	82
Expenses from leases of low-value assets	16
Expenses from variable lease payments	47

F.31
Cash outflows related to lessee accounting

In millions of euros	2019
Total cash outflow for lease contracts	890
Future cash outflows that are not reflected in the lease liabilities	1,637

12. Equipment on operating leases

The development of equipment on operating leases is shown in table ↗ F.32.

At December 31, 2019, equipment on operating leases with a carrying amount of €10,874 million were pledged as security for liabilities from ABS transactions related to a securitization transaction of future lease payments on leased vehicles (December 31, 2018: €9,804 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 ↗ F.33 at December 31, 2019, under IFRS 16. Comparison amounts at December 31, 2018, under IAS 17 are shown in table ↗ F.34.

F.32

Equipment on operating leases

In millions of euros	
Acquisition or manufacturing costs	
Balance at January 1, 2018	58,798
Additions due to business acquisitions	–
Other additions	24,854
Reclassifications	–
Disposals	-21,101
Other changes[1]	980
Balance at December 31, 2018	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**
Depreciation/impairment	
Balance at January 1, 2018	11,724
Additions[2]	8,567
Reclassifications	–
Disposals	-6,431
Other changes[1]	195
Balance at December 31, 2018	14,055
Additions[2]	**9,047**
Reclassifications	–
Disposals	**-8,353**
Other changes[1]	**141**
Balance at December 31, 2019	**14,890**
Carrying amount at December 31, 2018	49,476
Carrying amount at December 31, 2019	**51,482**

1 Primarily changes from currency translation.
2 Comprises impairments of €60 million in 2019 (2018: €133 million).

F.33

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

In millions of euros	At December 31, 2019
Mature in year	
2020	**8,353**
2021	**6,529**
2022	**2,656**
2023	**931**
2024	**235**
2025 and later	**73**
	18,777

F.34

Maturity of minimum lease payments for equipment on operating leases (according to IAS 17)

In millions of euros	At December 31, 2018
Maturity	
within one year	8,376
between one and five years	9,898
later than five years	62
	18,336

13. Equity-method investments

Table ↗ F.35 shows the carrying amounts and profits/losses from equity-method investments.

Table ↗ F.36 presents key figures on interests in associated companies accounted for using the equity method in the Group's Consolidated Financial Statements.

Table ↗ F.37 presents key figures on interests in joint ventures accounted for using the equity method in the Group's Consolidated Financial Statements.

F.35

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

	Associated companies	Joint ventures	Joint operations	Total
In millions of euros				
At December 31, 2019				
Equity investment[1]	4,349	1,582	18	5,949
Equity result[1]	1,240	-778	17	479
At December 31, 2018				
Equity investment[1]	4,230	604	26	4,860
Equity result[1]	1,050	-397	3	656

1 Including investor-level adjustments.

F.36

Key figures on interests in associated companies accounted for using the equity method

	BBAC	BAIC Motor[3]	THBV (HERE)	Others	Total
In millions of euros					
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[4]	1,137	19	–		
At December 31, 2018					
Equity interest (in %)	49.0	9.6	29.6		
Stock market price[1]	–	353	–		
Equity investment[2]	2,353	650	522	705	4,230
Equity result[2]	1,247	-107	-101	11	1,050
Dividend payment to Daimler[5]	1,024	10	–		

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 €1,137 million was paid out in the year 2019. The payment was €1,131 million.
5 The dividend from BBAC of €1,024 million was partly paid out in the year 2018 with an amount of €930 million.

F.37

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, 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	–		
At December 31, 2018			
Equity interest (in %)	–		
Stock market price	–		
Equity investment[1]	–	604	604
Equity result[1]	–	-397	-397
Dividend payment to Daimler	–		

1 Including investor-level adjustments.
2 The proportionate share of earnings of the YOUR NOW joint ventures is included in Daimler's Consolidated Financial Statements with a one-month time lag. The figures relate to the period of February 1 to November 30.

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 segment.

In the second quarter of 2019, the shareholders of BBAC approved the payout of a dividend for the 2018 financial year. The amount of €1,137 million attributable to Daimler reduced the carrying amount of the investment accordingly. The first part of the dividend was paid in the third quarter of 2019 and led to a cash inflow of €565 million. The remaining part of the dividend was paid in the fourth quarter of 2019 and led to a cash inflow of €566 million.

Daimler plans to contribute additional equity of in total €0.5 billion in accordance with its shareholding ratio in the years 2020 to 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.

As a result of the significantly reduced stock-exchange price of shares in BAIC Motor in 2018, Daimler assessed if there was any objective indication of an impairment of its investment in BAIC Motor. This assessment did indicate a need for an impairment in the amount of €150 million in the fourth quarter of 2018. The loss is 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 segment.

THBV carried out a capital increase in the first quarter of 2019. Daimler participated in the capital increase with a total of €69 million, whereby the equity interest attributable to Daimler increased by 0.1% to 29.7%. The capital contribution increased the carrying amount of the investment accordingly.

Table ↗ **F.38** shows summarized IFRS financial information after purchase price allocation for the significant associated companies, which were the basis for equity-method accounting in the Group's Consolidated Financial Statements.

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 and will be strategically expanded in the future. Further information is provided in Note 3.

In the year 2019, an impairment loss of €261 million on joint ventures is included, mainly resulting from the adjustment of earnings forecasts for individual mobility services.

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.

Because of the similarity of the business models, the joint venture companies were already managed in combination and therefore reported on jointly in the interim financial statements in 2019. The investment in the joint ventures merged into YOUR NOW is included in the Consolidated Financial Statements as joint ventures accounted for using the equity method with a one-month time lag and is allocated to the Daimler Mobility segment.

Table ↗ **F.39** 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.

Other minor equity-method investments
In the second quarter of 2018, the result of joint ventures accounted for using the equity method includes an expense of €418 million for Toll Collect, primarily related to the settlement of the arbitration proceedings. The expense is allocated to the Daimler Mobility segment. Further information is provided in Note 30.

Table ↗ **F.40** 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 Notes 3 and 37.

F.38

Summarized IFRS financial information on significant associated companies accounted for using the equity method

	BBAC[1]		BAIC Motor[2]		THBV[3] (HERE)	
	2019	2018	2019	2018	2019	2018
In millions of euros						
Information on the statement of income						
Revenue	20,177	17,433	22,900	20,085	–	–
Profit/loss from continuing operations after taxes	2,702	2,570	1,739	1,802	-383	-337
Profit/loss from discontinued operations after taxes	–	–	–	–	–	–
Other comprehensive income/loss	-7	7	-134	–	1	-7
Total comprehensive income/loss	2,695	2,577	1,605	1,802	-382	-344
Information on the statement of financial position and reconciliation to equity-method carrying amounts						
Non-current assets	6,272	5,458	14,008	13,825	1,131	1,763
Current assets	8,874	7,156	13,733	10,753	467	2
Non-current liabilities	1,008	967	3,194	3,545	–	–
Current liabilities	8,716	6,625	13,859	10,663	1	1
Equity (including non-controlling interests)	5,422	5,022	10,688	10,370	1,597	1,764
Equity (excluding non-controlling interests) attributable to the Group	2,657	2,461	756	738	475	522
Unrealized profit (-)/loss (+) on sales to/purchases from	-137	-107	-12	-8	–	–
Other reconciling items including equity-method goodwill and impairments on the investment	–1	–1	–79	–80	–	–
Carrying amount of equity-method investment	2,519	2,353	665	650	475	522

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.

F.39

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

	YOUR NOW[1]
	2019
In millions of euros	
Information on the statement of income	
Revenue	459
Depreciation and amortization	-99
Interest income	–
Interest expense	-9
Income taxes	9
Profit/loss from continuing operations after taxes	-616
Profit/loss from discontinued operations after taxes	–
Other comprehensive income/loss	13
Total comprehensive income/loss	-603
Information on the statement of financial position and reconciliation to equity-method carrying amounts	
Non-current assets	1,066
Current assets	1,185
thereof cash and cash equivalents	892
Non-current liabilities	400
thereof non-current financial liabilities	259
Current liabilities	475
thereof current financial liabilities	3
Equity (including non-controlling interests)	1,376
Equity (excluding non-controlling interests) attributable to the Group	680
Unrealized profit (-)/loss (+) on sales to/purchases from	–
Other reconciling items including equity-method goodwill and impairments on the investment	186
Carrying amount of equity-method investment	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 relate to the period of February 1 to November 30.
Figures for the statement of financial position and the reconciliation to equity-method carrying amounts relate to the balance sheet date of November 30.

F.40

Summarized aggregated financial information on minor equity-method investments

	Associated companies		Joint ventures	
	2019	2018	2019	2018
In millions of euros				
Summarized aggregated financial information (pro rata)				
Profit/loss from continuing operations after taxes	-29	33	-90	1
Profit/loss from discontinued operations after taxes	–	–	–	–
Other comprehensive income/loss	-13	-6	–	-1
Total comprehensive income/loss	-42	27	-90	–

14. Receivables from financial services

Table ↗ F.41 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 ↗ F.42 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 at December 31, 2019, according to IFRS 16. Comparison amounts at December 31, 2018, under IAS 17 are shown in table ↗ F.43.

In 2019, Daimler recognized a gain of €478 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 ↗ F.44.

The carrying amounts of receivables from financial services based on modified contracts that are shown in stage 2 and 3, amounted to €387 million at December 31, 2019 (December 31, 2018: €184 million). In addition, carrying amounts of €314 million (December 31, 2018: €127 million) in connection with contractual modifications were reclassified from stage 2 and 3 into stage 1.

Credit risks
Information on credit risks included in receivables from financial services is shown in table ↗ F.45.

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 nature of risks is provided in Note 33.

At December 31, 2019, receivables from financial services with a carrying amount of €8,941 million (December 31, 2018: €8,106 million) were pledged as collateral for liabilities from ABS transactions (see also Note 24).

F.41
Receivables from financial services

	At December 31, 2019			At December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Sales financing with customers	18,963	30,627	49,590	18,452	30,029	48,481
Sales financing with dealers	21,016	3,573	24,589	18,549	3,782	22,331
Finance lease contracts	11,461	19,329	30,790	8,976	18,038	27,014
Gross carrying amount	51,440	53,529	104,969	45,977	51,849	97,826
Loss allowances	-659	-649	-1,308	-537	-549	-1,086
Net carrying amount	50,781	52,880	103,661	45,440	51,300	96,740

F.42

Development of the finance lease contracts (according to IFRS 16)

	At December 31, 2019
In millions of euros	
Contractual future lease payments	30,807
thereof due in the year	
2020	12,021
2021	8,869
2022	4,821
2023	3,338
2024	1,156
2025 and later	602
Unguaranteed residual values	3,049
Gross investment	33,856
Unearned finance income	-3,066
Gross carrying amount	30,790
Loss allowances	-456
Net carrying amount	30,334

F.43

Maturities of the finance lease contracts (according to IAS 17)

				At December 31, 2018
	< 1 year	1 year up to 5 years	> 5 years	Total
In millions of euros				
Contractual future lease payments	9,389	16,583	437	26,409
Unguaranteed residual values	704	2,716	14	3,434
Gross investment	10,093	19,299	451	29,843
Unearned finance income	-1,117	-1,672	-40	-2,829
Gross carrying amount	8,976	17,627	411	27,014
Loss allowances	-140	-212	-2	-354
Net carrying amount	8,836	17,415	409	26,660

F.44

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

	12-month expected credit loss	Lifetime expected credit loss		Total
		not credit impaired	credit impaired	
	(Stage 1)	(Stage 2)	(Stage 3)	
In millions of euros				
Balance at January 1, 2018	361	152	413	926
Additions	197	59	130	386
Change in remeasurement	-25	148	237	360
Utilization	-33	-17	-116	-166
Reversals	-160	-122	-160	-442
Change in models/risk parameters	–	–	–	–
Transfer to stage 1	73	-47	-26	–
Transfer to stage 2	-28	51	-23	–
Transfer to stage 3	-4	-30	34	–
Currency translation and other changes	8	1	13	22
Balance at December 31, 2018	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**

F.45

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, 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**
At December 31, 2018				
Gross carrying amount	90,754	5,798	1,274	97,826
thereof				
not past due	89,967	4,295	405	94,667
past due 30 days and less	770	819	44	1,633
past due 31 to 60 days	8	448	121	577
past due 61 to 90 days	3	232	84	319
past due 91 to 180 days	3	4	209	216
past due more than 180 days	3	–	411	414

15. Marketable debt securities and similar investments

The marketable debt securities and similar investments with a carrying amount of €8,655 million (2018: €9,577 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.

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 ↗ F.46.

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, 2019, receivables with a carrying amount of €464 million (2018: €511 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 ↗ F.47.

Other expected reimbursements predominantly relate to recovery claims from our suppliers in connection with issued product warranties.

F.46
Other financial assets

	At December 31, 2019			At December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Equity instruments and debt instruments	–	860	860	–	748	748
Recognized at fair value through other comprehensive income	–	482	482	–	364	364
Recognized at fair value through profit or loss	–	378	378	–	384	384
Derivative financial instruments used in hedge accounting	185	1,006	1,191	524	509	1,033
Other financial assets recognized at fair value through profit or loss	7	20	27	91	18	109
Other receivables and miscellaneous other financial assets	2,544	1,461	4,005	2,355	1,488	3,843
	2,736	3,347	6,083	2,970	2,763	5,733

F.47
Other assets

	At December 31, 2019			At December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Reimbursements due to income tax refunds	618	380	998	981	254	1,235
Reimbursements due to other tax refunds	3,097	261	3,358	3,152	136	3,288
Other expected reimbursements	232	225	457	229	281	510
Prepaid expenses	682	69	751	712	126	838
Others	797	351	1,148	815	318	1,133
	5,426	1,286	6,712	5,889	1,115	7,004

F.48
Inventories

In millions of euros	At December 31, 2019	2018
Raw materials and manufacturing supplies	3,321	3,130
Work in progress	4,290	4,674
Finished goods, parts and products held for resale	21,922	21,351
Advance payments to suppliers	224	334
	29,757	29,489

F.49
Trade receivables

In millions of euros	At December 31, 2019	2018
Gross carrying amount	12,575	12,826
Loss allowances	-243	-240
Net carrying amount	12,332	12,586

18. Inventories

Inventories are comprised as shown in table ↗ **F.48**.

The amount of write-down of inventories to net realizable value recognized as an expense in cost of sales was €413 million in 2019 (2018: €333 million). Inventories that are expected to be recovered or settled after more than twelve months amounted to €1,159 million at December 31, 2019 (December 31, 2018: €1,047 million) and are primarily spare parts.

As collateral for certain vested employee benefits in Germany, the value of company cars and demonstration cars at Mercedes-Benz Cars and Mercedes-Benz Vans included in inventories is pledged as collateral to the Daimler Pension Trust e.V. in an amount of €1,083 million at December 31, 2019 (December 31, 2018: €952 million).

In addition, inventories with a carrying amount of €302 million at December 31, 2019 (December 31, 2018: €367 million) were pledged as collateral for liabilities from ABS transactions (see also Note 24).

The carrying amount of inventories recognized during the period by taking possession of collateral held as security amounted to €48 million at December 31, 2019 (December 31, 2018: €21 million). Those assets are utilized in the context of normal business operations.

19. Trade receivables

Trade receivables are comprised as shown in table ↗ **F.49**.

At December 31, 2019, €47 million of the trade receivables mature after more than one year (December 31, 2018: €29 million).

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

Loss allowances
The development of loss allowances due to expected credit losses for trade receivables is shown in table ↗ **F.50**.

Credit risks
Information on credit risks included in trade receivables is shown in table ↗ **F.51**.

Further information on financial risk and types of risk is provided in Note 33.

F.50

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

In millions of euros	Lifetime expected credit loss not credit impaired (Stage 2)	credit impaired (Stufe 3)	Total
Balance at January 1, 2018	168	128	296
Additions	45	60	105
Change in remeasurement	1	5	6
Utilization	-19	-18	-37
Reversals	-57	-36	-93
Change in models/risk parameters	–	–	–
Transfer to stage 2	2	-2	–
Transfer to stage 3	-1	1	–
Currency translation and other changes	-14	-23	-37
Balance at December 31, 2018	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

F.51

Credit risks included in trade receivables

In millions of euros	Lifetime expected credit loss not credit impaired (Stage 2)	credit impaired (Stage 3)	Total
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
At December 31, 2018			
Gross carrying amount	12,463	363	12,826
thereof			
not past due	10,456	112	10,568
past due 30 days and less	1,315	36	1,351
past due 31 to 60 days	190	3	193
past due 61 to 90 days	115	1	116
past due 91 to 180 days	142	73	215
past due more than 180 days	245	138	383

20. Equity

See also the Consolidated Statement of Changes in Equity ↗ F.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, 2018, there has been no change in the number of shares outstanding/issued. The number at December 31, 2019 is 1,070 million, unchanged from December 31, 2018.

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
By resolution of the Annual Shareholders' Meeting on April 1, 2015, the Board of Management is authorized, with the consent of the Supervisory Board, until March 31, 2020 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 by affiliates 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 was authorized to exclude shareholders' subscription rights for the bonds under certain conditions and within defined constraints with the consent of the Supervisory Board.

In order to fulfill the conditions of the above-mentioned authorization, the Annual Shareholders' Meeting on April 1, 2015 also resolved to increase the share capital conditionally by an amount of up to €500 million (Conditional Capital 2015).

This authorization to issue convertible and/or warrant bonds has not yet been exercised.

Treasury shares
By resolution of the Annual Shareholders' Meeting on April 1, 2015, the Company is authorized until March 31, 2020 to acquire treasury shares in a volume up to 10% of the share capital issued as of the day of the resolution to be used for all legal purposes. The shares can be used, amongst other things excluding 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 affiliates pursuant to Sections 15 et seq. of the German Stock Corporation Act (AktG). The treasury shares can also be canceled.

The Board of Management is further authorized, with the consent of the Supervisory Board, to exclude shareholders' subscription rights in other defined cases. In a volume up to 5% of the share capital issued as of the day of the resolution of the Annual Shareholders' Meeting, the Company was also authorized 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 March 31, 2020.

The authorization to acquire treasury shares has not yet been exercised.

As was the case at December 31, 2018, no treasury shares are held by Daimler AG at December 31, 2019.

Employee share purchase plan
In 2019, as in the previous year without utilizing the authorization to acquire treasury shares granted by the Annual Shareholders' Meeting on April 1, 2015, 0.8 million Daimler shares representing €2.4 million or 0.08% of the share capital were purchased for a price of €42 million and reissued to employees (2018: 0.7 million Daimler shares representing €2.1 million or 0.07% of the share capital were purchased for a price of €50 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. In addition the effects of hyperinflation in Argentina are included in the line item "Other" of the Consolidated Statement of Changes in Equity.

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, 2019, the Daimler management will propose to the shareholders at the Annual Shareholders' Meeting to pay out €963 million of the distributable profit of Daimler AG as a dividend to the shareholders, equivalent to €0.90 per no-par-value share entitled to a dividend (2018: €3,477 million and €3.25 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 ↗ **F.02** shows the details of changes in other reserves in other comprehensive income/loss.

21. Share-based payment

At December 31, 2019, the Group has the 2016-2019 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 payoff is possible in the case of benefits leaving the Group only if certain defined conditions are met. PPSP 2015 was paid out as planned in the first quarter of 2019.

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 this development, is measured by using the intrinsic value at the reporting date.

The pre-tax effects of share-based payment arrangements for the executive managers 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 ↗ **F.52**.

Table ↗ **F.53** 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 ↗ **F.53** 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 2019 can be found in the Remuneration Report. Management Report from page 108

F.52
Effects of share-based payment

	Expense		Provision At December 31,	
	2019	2018	**2019**	2018
In millions of euros				
PPSP	**-70**	-13	**124**	112
Medium-term component of annual bonus of the members of the Board of Management	**-1**	-2	**3**	10
	-71	-15	**127**	122

F.53

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	
	2019	2018	2019	2018	2019	2018
In millions of euros						
PPSP	-1.0	-0.1	-0.6	-0.2	-0.8	-0.2
Medium-term component of the annual bonus	-0.1	-0.2	-0.1	-0.2	-0.1	-0.2

	Wilfried Porth		Markus Schäfer[1]		Britta Seeger	
	2019	2018	2019	2018	2019	2018
In millions of euros						
PPSP	-0.8	-0.1	-0.4	–	-0.6	-0.3
Medium-term component of the annual bonus	-0.1	-0.2	-0.1	–	-0.1	-0.2

	Hubertus Troska		Harald Wilhelm[2]		Dr. Dieter Zetsche[3]	
	2019	2018	2019	2018	2019	2018
In millions of euros						
PPSP	-0.8	-0.1	-0.2	–	-4.4	-0.4
Medium-term component of the annual bonus	-0.1	-0.2	-0.1	–	-0.1	-0.5

	Bodo Uebber[3]	
	2019	2018
In millions of euros		
PPSP	-2.1	-0.2
Medium-term component of the annual bonus	–	-0.2

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 granted rights from 2017 to 2019.

Performance Phantom Share Plans

In 2019, 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 in 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 2019 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 and until 2019, 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 ↗ F.54 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 account with the application of fixed factors related to each employee's age. The conversion factors include a fixed value increase. The pension plans were newly structured for new entrants in 2011 to reduce the risks associated with defined benefit plans. New entrants now benefit from value increases of the contributions through an investment fund with a special lifecycle model. The Company guarantees at a minimum the value of the contributions paid in. 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.

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 laid down in the Pension Plan Design Policy, which has 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 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.

F.54

Composition of provisions for pensions and similar obligations

	At December 31, 2019	2018
In millions of euros		
Provision for pension benefits	8,518	6,298
Provision for other post-employment benefits	1,210	1,095
	9,728	7,393

Reconciliation of the net obligation from defined benefit pension plans

The development of the relevant factors is shown in table ↗ **F.55**.

Composition of plan assets

Plan assets are used solely to perform 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 ↗ **F.56**.

Market prices are 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 ↗ **F.57**.

F.55

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

	At December 31, 2019			At December 31, 2018		
	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	31,645	27,852	3,793	31,744	27,746	3,998
Current service cost	714	609	105	700	600	100
Interest cost	636	479	157	616	481	135
Contributions by plan participants	52	46	6	60	55	5
Actuarial gains (-)/losses from changes in demographic assumptions	11	1	10	175	202	-27
Actuarial gains (-)/losses from changes in financial assumptions	4,214	3,682	532	-228	75	-303
Actuarial gains (-)/losses from experience adjustments	-32	-52	20	-32	-17	-15
Actuarial gains (-)/losses	4,193	3,631	562	-85	260	-345
Past service cost, curtailments and settlements	-118	–	-118	-76	-71	-5
Pension benefits paid	-972	-782	-190	-1,385	-1,211	-174
Currency exchange-rate changes and other changes	45	-65	110	71	-8	79
Present value of the defined benefit obligation at December 31	36,195	31,770	4,425	31,645	27,852	3,793
Fair value of plan assets at January 1	25,462	22,532	2,930	27,215	24,197	3,018
Interest income from plan assets	502	387	115	529	426	103
Actuarial gains/ losses (-)	1,936	1,584	352	-1,781	-1,551	-230
Actual result on plan assets	2,438	1,971	467	-1,252	-1,125	-127
Contributions by the employer	663	582	81	696	585	111
Contributions by plan participants	51	46	5	60	55	5
Settlements	-105	–	-105	–	–	–
Pension benefits paid	-911	-745	-166	-1,323	-1,171	-152
Currency exchange-rate changes and other changes	162	68	94	66	-9	75
Fair value of plan assets at December 31	27,760	24,454	3,306	25,462	22,532	2,930
Funded status	-8,435	-7,316	-1,119	-6,183	-5,320	-863
thereof recognized in other assets	83	–	83	115	–	115
thereof recognized in provisions for pensions and similar obligations	-8,518	-7,316	-1,202	-6,298	-5,320	-978

F.56
Composition of plan assets

	At December 31, 2019			At December 31, 2018		
	Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
In millions of euros						
Equities[1]	7,399	6,379	1,020	6,766	5,945	821
Government bonds	5,797	4,895	902	5,176	4,308	868
Corporate bonds	11,305	10,355	950	9,746	8,924	822
Securitized bonds	59	43	16	49	29	20
Bonds	17,161	15,293	1,868	14,971	13,261	1,710
Other exchange-traded instruments	1	–	1	19	16	3
Total exchange-traded instruments	24,561	21,672	2,889	21,756	19,222	2,534
Alternative investments[2]	424	254	170	498	340	158
Real estate	488	380	108	486	388	98
Other non-exchange-traded instruments	566	510	56	351	260	91
Cash and cash equivalents	1,721	1,638	83	2,371	2,322	49
Total non-exchange-traded instruments	3,199	2,782	417	3,706	3,310	396
Fair value of plan assets	27,760	24,454	3,306	25,462	22,532	2,930

1 Including the shares in Renault and Nissan in the amount of €1,188 (in 2018: €1,528) million.
2 Alternative investments mainly comprise private equity.

F.57
Pension cost

	2019			2018		
	Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
In millions of euros						
Current service cost	-714	-609	-105	-700	-600	-100
Past service cost, curtailments and settlements	13	–	13	76	71	5
Net interest expense	-138	-92	-46	-90	-55	-35
Net interest income	4	–	4	3	–	3
	-835	-701	-134	-711	-584	-127

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 mortality tables of K. Heubeck. Comparable country-specific calculation methods are used for non-German plans.

Table ↗ F.58 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 ↗ F.59.

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 2020; 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 €1.0 billion in 2020.

The weighted average duration of the defined benefit obligations is shown in table ↗ F.60.

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 2019, the total cost from defined contribution plans amounted to €1.6 billion (2018: €1.6 billion). Of those payments €1.5 billion (2018: €1.5 billion) were 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. Table ↗ F.61 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.

F.58

Significant factors for the calculation of pension benefit obligations

	At December 31,		At December 31,	
	2019	2018	2019	2018
	German Plans	German Plans	Non-German Plans	Non-German Plans
In percent				
Discount rates	1.0	1.8	3.2	4.4
Expected increase in cost of living[1]	1.7	1.8	–	–

1 For German plans, expected increases in cost of living may affect – depending on the design of the pension plan – the obligation to the Group's active employees as well as 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.

F.59

Sensitivity analysis for the present value of defined benefit pension obligation

		At December 31, 2019			At December 31, 2018		
		Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
In millions of euros							
Sensitivity for discount rates	+ 0.25%	-1,412	-1,247	-165	-1,174	-1,047	-127
Sensitivity for discount rates	- 0.25%	1,490	1,330	160	1,252	1,115	137
Sensitivity for expected increases in cost of living	+ 0.10%	113	93	20	98	83	15
Sensitivity for expected increases in cost of living	- 0.10%	-112	-93	-19	-95	-82	-13
Sensitivity for life expectancy	+ 1 year	546	463	83	464	393	71
Sensitivity for life expectancy	- 1 year	-505	-405	-100	-417	-345	-72

F.60
Weighted average duration of the defined benefit obligations

	2019	2018
In years		
German plans	17	16
Non-German plans	16	16

F.61
Key data for other post-employment benefits

	2019	2018
In millions of euros		
Present value of defined benefit obligations	1,210	1,095
Fair value of reimbursement rights	12	27
Funded status	-1,198	-1,068
Net periodic cost for other post-employment benefits	-11	-66

23. Provisions for other risks

The development of provisions for other risks is summarized in table ↗ F.62.

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 from an updated risk assessment 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 2022.

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 outflow for non-current provisions for personnel and social costs is primarily expected within a period until 2030.

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. Additions in the financial year 2019 mainly resulted from 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 2022.

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 other taxes, provisions for environmental protection and obligations from outstanding commission for example to trade representatives, provided that no revenue has been realized with the recipient of the commission under IFRS 15. They also include provisions for anticipated losses on contracts and various other risks which cannot be allocated to any other class of provision. The increase in other provisions results in particular from the review and prioritization of the product portfolio at the Mercedes-Benz Vans segment.

24. Financing liabilities

The composition of financing liabilities is shown in table ↗ F.63.

Lease liabilities include assets and liabilities which were recognized until December 31, 2018 as finance leases in accordance with IAS 17. Future minimum lease payments under finance leases amounted to €477 million at December 31, 2018. The reconciliation of future minimum lease payments from finance lease arrangements to the corresponding liabilities at December 31, 2018 is shown in table ↗ F.64.

At December 31, 2019, lease liabilities include effects from first-time adoption of IFRS 16. Information on the adjustments is disclosed in Note 1 of the Notes to the Consolidated Financial Statements. Information on the maturities of lease liabilities is provided in Note 33.

F.62

Provisions for other risks

In millions of euros	Product warranties	Personnel and social costs	Litigation risks and regulatory proceedings	Other	Total
Balance at December 31, 2018	7,043	4,261	2,147	2,111	15,562
thereof current	3,080	1,971	1,149	1,628	7,828
thereof non-current	3,963	2,290	998	483	7,734
Additions	5,215	1,694	2,876	2,233	12,018
Utilizations	-3,423	-1,810	-103	-955	-6,291
Reversals	-210	-152	-62	-296	-720
Compounding and effects from changes in discount rates	45	155	17	21	238
Currency translation and other changes	38	100	27	-48	117
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

F.63

Financing liabilities

	At December 31, 2019			At December 31, 2018		
In millions of euros	Current	Non-current	Total	Current	Non-current	Total
Notes/bonds	17,806	67,819	85,625	15,090	61,400	76,490
Commercial paper	3,278	–	3,278	2,835	–	2,835
Liabilities to financial institutions	23,043	16,768	39,811	21,068	18,332	39,400
Deposits in the direct banking business	9,713	3,406	13,119	9,677	2,097	11,774
Liabilities from ABS transactions	6,911	7,021	13,932	6,782	5,670	12,452
Lease liabilities	703	3,537	4,240	27	320	347
Loans, other financing liabilities	1,147	628	1,775	761	843	1,604
	62,601	99,179	161,780	56,240	88,662	144,902

F.64

Reconciliation of minimum lease payments to liabilities from finance lease arrangements

In millions of euros	Future minimum lease payments	Interest included in future minimum lease payments	Liabilities from finance lease arrangements At December 31, 2018
Maturity			
within one year	38	11	27
between one and five years	162	56	106
later than five years	277	63	214
	477	130	347

25. Other financial liabilities

The composition of other financial liabilities is shown in table ↗ F.65.

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 ↗ F.66.

F.65

Other financial liabilities

	At December 31, 2019			At December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Derivative financial instruments used in hedge accounting	899	287	1,186	633	461	1,094
Financial liabilities recognized at fair value through profit or loss	45	7	52	51	5	56
Liabilities from residual value guarantees	1,138	921	2,059	1,149	943	2,092
Liabilities from wages and salaries	1,165	33	1,198	1,267	25	1,292
Accrued interest expenses	1,065	–	1,065	1,105	–	1,105
Deposits received	568	585	1,153	504	542	1,046
Other	2,872	279	3,151	2,948	399	3,347
Miscellaneous other financial liabilities	6,808	1,818	8,626	6,973	1,909	8,882
	7,752	2,112	9,864	7,657	2,375	10,032

F.66

Deferred income

	At December 31, 2019			At December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Deferral of sales revenue received from sales with residual-value guarantees	306	565	871	391	584	975
Deferral of advance rental payments received from operating lease arrangements	1,009	927	1,936	890	929	1,819
Other deferred income	309	106	415	299	99	398
	1,624	1,598	3,222	1,580	1,612	3,192

27. Contract and refund liabilities

Table ↗ F.67 shows the composition of contract and refund liabilities.

28. Other liabilities

Table ↗ F.68 shows the composition of other liabilities.

F.67
Contract and refund liabilities

	At December 31, 2019	2018
In millions of euros		
Service and maintenance contracts and extended warranties	6,504	5,868
Other contract liabilities	1,337	1,167
Contract liabilities	7,841	7,035
Obligations from sales transactions	5,200	4,931
Other refund liabilities	590	553
Refund liabilities	5,790	5,484
Contract and refund liabilities	13,631	12,519
thereof long-term	6,060	5,438
thereof short-term	7,571	7,081

F.68
Other liabilities

	At December 31, 2019			At December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Income tax liabilities	1,128	582	1,710	1,095	636	1,731
Other tax liabilities	1,909	–	1,909	1,905	1	1,906
Miscellaneous other liabilities	183	4	187	169	1	170
	3,220	586	3,806	3,169	638	3,807

F.69
Changes in other operating assets and liabilities

In millions of euros	2019	2018
Provisions	5,217	742
Financial instruments	104	-36
Miscellaneous other assets and liabilities	320	171
	5,641	877

F.70
Cash flows included in cash provided by operating activities

In millions of euros	2019	2018
Interest paid	-725	-678
Interest received	337	257
Dividends received from equity-method investments	1,202	1,380
Dividends received from other shareholdings	94	49

F.71
Assets and liabilities disposed

In millions of euros	2019
Intangible assets	219
Equipment on operating leases	27
Other assets	297
Financial liabilities	140
Other liabilities	79

F.72
Changes in liabilities arising from financing activities

In millions of euros	2019	2018
Cash flows	9,404	17,456
Obtaining or losing control of subsidiaries	–	–
Changes in foreign exchange rates	2,130	411
Fair value changes	157	-256
Other changes	5,310	16

29. Consolidated Statement of Cash Flows

Calculation of funds
At December 31, 2019, cash and cash equivalents included restricted funds of €64 million (2018: €0 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 ↗ F.69.

The change in provisions in comparison to the prior year primarily resulted from provisions for warranties and customer goodwill obligations as well as provisions for litigation risks and regulatory proceedings. The increase relates to ongoing governmental and legal proceedings and measures taken with regard to Mercedes-Benz diesel vehicles in several regions, as well as an updated risk assessment for an expanded recall of vehicles with 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.

Table ↗ F.70 shows cash flows included in cash provided by operating activities. Furthermore, the cash effect of an off-balance-sheet ABS transaction carried out in 2019 is 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 and effects due to the review and prioritization of the product portfolio at the Mercedes-Benz Vans segment. 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.

Cash used for investing activities
The table ↗ F.71 shows the assets and liabilities disposed of in connection with the merger of the business units for mobility services.

In addition to the disposal of the assets and liabilities shown in table ↗ F.71 €106 million of cash and cash equivalents were disposed in connection with establishing the joint ventures due to the merger of the business units for mobility services.

Cash provided by financing activities
Cash provided by financing activities includes cash flows from hedging the currency risks of financial liabilities. In 2019, cash provided by financing activities included payments for the reduction of outstanding leasing liabilities of €701 million (2018: €37 million).

Table ↗ **F.72** includes changes in liabilities arising from financing activities, divided into cash and non-cash components. The increase in other changes in comparison to the prior year primarily resulted from the application of lessee accounting according to IFRS 16.

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, 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 these claims are asserted by way of class action suits. If the outcome of such legal proceedings is detrimental to Daimler, 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 may have an impact on the Group's reputation.

Diesel emission behavior: class-action and other lawsuits in the United States, Canada and Germany
As already reported, several consumer class-action lawsuits were filed against Mercedes-Benz USA, LLC (MBUSA) in Federal Courts in the United States in early 2016. The main allegation was the use of 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. Those consumer class actions were consolidated into one class action pending against both Daimler AG and MBUSA in the US District Court for the District of New Jersey, in which the plaintiffs asserted various grounds for monetary relief on behalf of a nationwide class of persons or entities who owned or leased certain models of Mercedes-Benz diesel vehicles as of February 18, 2016. Daimler AG and MBUSA moved to dismiss the lawsuit in its entirety. By order dated December 6, 2016, the court granted Daimler AG's and MBUSA's motion to dismiss and dismissed the lawsuit without prejudice, based on plaintiffs' failure to allege with sufficient specificity the advertising that they contended had misled them. Plaintiffs subsequently filed an amended class action complaint in the same court making similar allegations. The amended complaint also adds as defendants Robert Bosch LLC and Robert Bosch GmbH (collectively; "Bosch"), and alleges that Daimler AG and MBUSA conspired with Bosch to deceive US regulators and consumers. On February 1, 2019, the court granted in part and denied in part Daimler AG's and MBUSA's subsequent motion to dismiss. The case is ongoing as the court's decision merely addressed certain legal aspects of plaintiffs' claims and did not decide whether the plaintiffs can ultimately prove their claims, whether the plaintiffs' allegations are true, or whether their claims have merit.

On January 8, 2019, the Arizona State Attorney General filed a civil complaint in Arizona state court against Daimler AG and MBUSA making similar allegations that Arizona consumers had been deliberately deceived in connection with the advertising of Mercedes-Benz diesel vehicles. The state seeks monetary penalties for violation of Arizona's consumer protection laws.

Another consumer class-action lawsuit against Daimler AG and other companies of the Group containing similar allegations was filed in Canada in April 2016. On June 29, 2017, the court granted a procedural motion to certify certain issues for class treatment, and on March 12, 2018, the court ordered the parties to send a notice to the class by May 18, 2018, informing class members that the litigation is ongoing and that they will be bound by the outcome. That notice was sent, and class members had until July 20, 2018 to opt out of the class to avoid being bound by subsequent rulings in the case.

On July 14, 2017, an additional class action was filed in the Superior Court of California, Los Angeles County, against Daimler AG and other companies of the Group, alleging claims similar to the existing US class action. That action was removed to Federal Court and, on October 31, 2017, was transferred to the District of New Jersey. On December 21, 2017, the parties stipulated to dismiss, without prejudice, that lawsuit. It may be filed again under specific conditions.

Daimler AG and MBUSA, respectively, regard the foregoing lawsuits in the United States and Canada as being without merit and will defend against the claims.

In Germany, a multitude of lawsuits by investors alleging the violation of disclosure requirements is pending. Plaintiffs con-tend that Daimler AG did not immediately disclose inside in-formation 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 their Daimler shares would have been lower if Daimler had correctly complied with its disclosure duties. In this context, both investors as well as Daimler AG have filed motions to initiate a model proceeding in accordance with the Act on Model Proceedings in Capital Markets Disputes (KapMuG). Currently, no model proceeding is pending. Daimler AG also regards these lawsuits as being without merit and will defend against the claims.

Diesel emission behavior: governmental proceedings

As reported, several federal and state authorities and other institutions worldwide have inquired about and/or are/have been conducting investigations and/or administrative proceedings and/or have issued administrative orders or, in the case of the Stuttgart district attorney's office, a fine notice. These particularly relate to test results, the emission control systems used in Mercedes-Benz diesel vehicles and/or Daimler's interaction with the relevant federal and state authorities as well as related legal issues and implications, including, but not limited to, under applicable environmental, criminal and antitrust laws. These authorities and institutions include, amongst others, the U.S. Department of Justice (DOJ), which in April 2016 requested that Daimler AG review its certification and admissions processes related to exhaust emissions of diesel vehicles in the United States by way of an internal investigation in cooperation with the DOJ, the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB) and other US state authorities, the European Commission, the German Federal Cartel Office ("Bundeskartellamt"), as well as national antitrust authorities and other authorities of various foreign states as well as the German Federal Ministry of Transport and Digital Infrastructure (BMVI) and the German Federal Motor Transport Authority (KBA). 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. The Stuttgart district attorney's office is conducting criminal investigation proceedings against Daimler employees concerning the suspicion of fraud and criminal advertising, and, in May 2017, searched the premises of Daimler at several locations in Germany. 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, the Stuttgart district attorney's office 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.

In the years 2018 and 2019, KBA issued various administrative orders holding that certain calibrations of specified functionalities in certain Mercedes-Benz diesel vehicles are to be qualified as impermissible defeat devices and ordered subsequent auxiliary provisions for the respective EC type approvals in this respect, including stops of the first registration and mandatory recalls. Daimler has filed timely objections against such administrative orders in order to have the open legal issues resolved, if necessary, also by a court of law. In the course of its regular market supervision, KBA is routinely conducting further reviews of Mercedes-Benz vehicles and is asking questions about technical elements of the vehicles. In light of the aforementioned administrative orders issued by KBA, it is likely that in the course of the ongoing and/or further investigations, KBA will issue additional administrative orders holding that other Mercedes-Benz diesel vehicles are also equipped with impermissible defeat devices. Daimler has (in view of KBA's interpretation of the law as a precaution) 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. The new calibrations requested by KBA are being processed, and for a certain 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 software updates may be reworked, further delivery and registration stops may be ordered or resolved by the Company as a precautionary measure, also with a view to the used car, leasing and financing businesses, under the relevant circumstances. Daimler has initiated further investigations and otherwise continues to fully cooperate with the authorities and institutions.

Except for the Stuttgart district attorney's office's administrative offense proceedings, the aforementioned inquiries, investigations, administrative proceedings and the replies to these related information requests, the objection proceedings against the administrative orders as well as Daimler's internal investigations are ongoing.

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.

Antitrust law proceedings (including actions for damages)
Starting on July 25, 2017, a number of class actions have been 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 anti-competitive 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 class action amended and consolidated their complaints into two pleadings, one on behalf of consumers and the other on behalf of dealers. On June 1, 2018, the court dismissed Mercedes-Benz U.S. International, Inc., Mercedes-Benz Vans, LLC, and Daimler North America Corp., pursuant to the parties' stipulation. Daimler AG and Mercedes-Benz USA, LLC (MBUSA) remain parties in the case. 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. 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 this context, Daimler AG may disclose that it filed a leniency application with the European Commission some time ago. In late October 2017, the European Commission conducted preannounced inspections with Daimler in Stuttgart (as well as further inspections with other manufacturers) in order to further clarify the facts of the case. 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 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.

On June 23, 2016, the German Federal Cartel Office carried out dawn raids at several car manufacturers and suppliers, including Daimler AG, with regard to steel purchasing. Daimler cooperated in full with the authority. In the fourth quarter of 2019, the proceedings were terminated by way of a settlement.

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. 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 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. In an order entered on June 21, 2019, the court dismissed all consumer claims against Daimler AG and some consumer claims against MBUSA. However, one of the multidistrict litigation complaints has been amended to assert 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. The motions to dismiss against that complaint are still pending. 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. The previously reported lawsuit filed by the State of New Mexico against MBUSA was dismissed without prejudice on June 22, 2017. It may, however, be filed again under specific conditions. 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.

Toll Collect
On July 4, 2018, through its subsidiary Daimler Financial Services AG (since July 23, 2019 Daimler Mobility AG), Daimler AG together with Deutsche Telekom AG notarized a settlement agreement (hereinafter: settlement) with the Federal Republic of Germany which settles all arbitration proceedings in connection with the involvement in the Toll Collect consortium, which have been ongoing since 2004 and on July 6, 2018, the arbitral tribunal issued an arbitration ruling on agreed terms terminating the Toll Collect arbitration proceedings on the basis of the settlement. The final operating permit for the toll system was granted within the scope of the settlement.

As a result of the settlement, in the second quarter of 2018, the profit/loss on equity-method investments in the Daimler Mobility segment includes expenses of €418 million. The EBIT of the Daimler Mobility segment was reduced in particular due to the existing 50% obligation of Daimler Financial Services AG to pay €550 million to Toll Collect GbR, which is partially offset by provisions recognized in previous years. In the third quarters of 2019 and 2018, Daimler Mobility AG recorded cash outflows of €200 million each. The last tranche of €150 million will be paid in the third quarter of 2020. All known and unknown claims from the toll agreement that arose until March 31, 2018 are settled under the settlement provided that the related damage occurred before March 31, 2018.

Irrespective of the settlement, the guarantees relating to the operating agreement or other additional agreements remain unchanged. No guarantee claims have been made so far.

Accounting estimates and management judgments
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, 2019, the best estimate for obligations from **contingent liabilities** was €1,600 million (2018: €761 million). The increase in contingent liabilities results from possible obligations under the Renewable Energies Act in the context of lease models, as well as from the legal proceedings described in Note 30.

Other financial obligations
At December 31, 2018, the Group reported **other financial obligations from non-cancelable rental agreements and operating leases** of €3,800 million according to IAS 17. At January 1, 2019, Daimler applies IFRS 16 for the first time, replacing IAS 17. The reconciliation to the opening balance for lease liabilities as at January 1, 2019, is based on other financial obligations from non-cancelable rental agreements and operating leases at December 31, 2018, as shown in table ↗ **F.06**. Further information on financial liabilities is provided in Notes 1 and 24.

At December 31, 2019, other financial obligations exist from the **acquisition of intangible assets, property, plant and equipment and lease property** of €4,613 million (2018: €5,048 million).

In addition, the Group had issued **irrevocable loan commitments** at December 31, 2019. 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 ↗ F.73 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:

F.73
Carrying amounts and fair values of financial instruments

	At December 31, 2019		At December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
In millions of euros				
Financial assets				
Receivables from financial services	103,661	104,930	96,740	97,144
Trade receivables	12,332	12,332	12,586	12,586
Cash and cash equivalents	18,883	18,883	15,853	15,853
Marketable debt securities and similar investments	8,655	8,655	9,577	9,577
Recognized at fair value through other comprehensive income	5,323	5,323	5,855	5,855
Recognized at fair value through profit or loss	2,858	2,858	3,059	3,059
Measured at cost	474	474	663	663
Other financial assets				
Equity instruments and debt instruments	860	860	748	748
Recognized at fair value through other comprehensive income	482	482	364	364
Recognized at fair value through profit or loss	378	378	384	384
Other financial assets recognized at fair value through profit or loss	27	27	109	109
Derivative financial instruments used in hedge accounting	1,191	1,191	1,033	1,033
Other receivables and miscellaneous other financial assets	3,328	3,328	3,177	3,177
	148,937	150,206	139,823	140,227
Financial liabilities				
Financing liabilities	157,540	159,288	144,902	144,933
Trade payables	12,707	12,707	14,185	14,185
Other financial liabilities				
Financial liabilities recognized at fair value through profit or loss	52	52	56	56
Derivative financial instruments used in hedge accounting	1,186	1,186	1,094	1,094
Miscellaneous other financial liabilities	8,491	8,491	8,844	8,844
Contract and refund liabilities				
Obligations from sales transactions	5,200	5,200	4,931	4,931
	185,176	186,924	174,012	174,043

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.

The discounting is based on the current interest rates at which similar loans with identical terms could have been obtained at December 31, 2019 and December 31, 2018.

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

Marketable debt securities and similar investments, other financial assets
Marketable debt securities are recognized at fair value through other comprehensive income or at fair value through profit or loss. *Similar investments* are measured at amortized cost and are not included in the measurement hierarchy, as their carrying amount is 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. The fair values of the equity instruments recognized through other comprehensive income are included in table ↗ **F.73** and comprise Sila Nanotechnologies Inc., BAIC BluePark New Energy Technology Co., Ltd as well as further investments not material on an individual basis. Daimler does not generally intend to sell its equity instruments which are presented at December 31, 2019.

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

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 the market interest rates appropriate to the remaining terms of the financial instruments.

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

Other financial receivables and other financial assets 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.

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 ↗ F.74 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 ↗ F.75 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 ↗ F.76 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.

F.74

Disclosure for recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement

	At December 31, 2019			At December 31, 2018		
	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]	1,218	-542	676	1,142	-574	568
Other financial liabilities[2]	1,238	-542	696	1,150	-574	576

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).

F.75

Measurement hierarchy of financial assets and liabilities recognized at fair value

	At December 31, 2019				At December 31, 2018			
	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]
In millions of euros								
Financial assets recognized at fair value								
Marketable debt securities	8,181	5,254	2,927	–	8,914	5,812	3,102	–
Recognized at fair value through other comprehensive income	5,323	2,396	2,927	–	5,855	2,753	3,102	–
Recognized at fair value through profit or loss	2,858	2,858	–	–	3,059	3,059	–	–
Equity instruments and debt instruments	860	275	270	315	748	338	304	106
Recognized at fair value through other comprehensive income	482	205	158	119	364	208	128	28
Recognized at fair value through profit or loss	378	70	112	196	384	130	176	78
Other financial assets recognized at fair value through profit or loss	27	–	27	–	109	–	109	–
Derivative financial instruments used in hedge accounting	1,191	–	1,191	–	1,033	–	1,033	–
	10,259	5,529	4,415	315	10,804	6,150	4,548	106
Financial liabilities recognized at fair value								
Financial liabilities recognized at fair value through profit or loss	52	–	52	–	56	–	56	–
Derivative financial instruments used in hedge accounting	1,186	–	1,186	–	1,094	–	1,094	–
	1,238	–	1,238	–	1,150	–	1,150	–

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.

F.76

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

	At December 31, 2019				At December 31, 2018			
	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]
In millions of euros								
Fair values of financial assets measured at cost								
Receivables from financial services	104,930	–	104,930	–	97,144	–	97,144	–
Fair values of financial liabilities measured at cost								
Financing liabilities	159,288	66,203	93,085	–	144,933	62,961	81,972	–
thereof bonds	87,139	65,187	21,952	–	76,468	62,862	13,606	–
thereof liabilities from ABS transactions	14,024	1,016	13,008	–	12,474	99	12,375	–
thereof other financing liabilities	58,125	–	58,125	–	55,991	–	55,991	–

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

Measurement categories

The carrying amounts of financial instruments according to measurement categories are shown in table ↗ F.77.

The table ↗ F.77 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 ↗ F.78 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, among others the fair value change of our equity interest in Aston Martin Lagonda Global Holdings plc.

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 (without the interest income/expense shown below) primarily comprise impairment losses (including reversals of impairment losses) of €551 million (2018: €407 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 (without the interest income/expense shown below) primarily comprise the effects of currency translation.

F.77

Carrying amounts of financial instruments according to measurement categories

	At December 31, 2019	2018
In millions of euros		
Assets		
Financial assets measured at (amortized) cost	108,344	102,359
Receivables from financial services[1]	73,327	70,080
Trade receivables	12,332	12,586
Cash and cash equivalents	18,883	15,853
Marketable debt securities and similar investments	474	663
Other receivables and miscellaneous other financial assets	3,328	3,177
Financial assets recognized at fair value through other comprehensive income	5,805	6,219
Marketable debt securities and similar investments	5,323	5,855
Equity and debt instruments	482	364
Financial assets recognized at fair value through profit or loss	3,263	3,552
Marketable debt securities and similar investments	2,858	3,059
Equity and debt instruments	378	384
Other financial assets recognized at fair value through profit or loss[2]	27	109
Liabilities		
Financial liabilities measured at (amortized) cost	183,831	172,391
Trade payables	12,707	14,185
Financing liabilities[3]	157,540	144,555
Miscellaneous other financial liabilities[4]	8,384	8,720
Obligations from sales transactions	5,200	4,931
Financial liabilities recognized at fair value through profit or loss[2]	52	56

1 This does not include lease receivables of €30,334 million (2018: €26,660 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 €4,240 million (2018: liabilities from finance leases of €347 million) as these are not assigned to a measurement category.
4 This does not include liabilities from financial guarantees of €107 million (2018: €124 million) as these are not assigned to a measurement category.

F.78

Net gains/losses

In millions of euros	2019	2018
Equity and debt instruments recognized at fair value through profit or loss	-79	136
Other financial assets and financial liabilities recognized at fair value through profit or loss[1]	-150	240
Equity instruments recognized at fair value through other comprehensive income	3	2
Other financial assets recognized at fair value through other comprehensive income	3	-17
Financial assets measured at (amortized) cost	-493	-469
Financial liabilities measured at (amortized) cost	204	105

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

F.79

Total interest income and total interest expense

In millions of euros	2019	2018
Total interest income	5,876	5,189
thereof from financial assets and liabilities measured at (amortized) costs	5,719	5,100
thereof from financial assets recognized at fair value through other comprehensive income	157	89
Total interest expense	-3,550	-3,171
thereof from financial assets and liabilities measured at (amortized) costs	-3,550	-3,171
thereof from financial assets recognized at fair value through other comprehensive income	–	–

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 ↗ **F.79**.

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 were 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 ↗ **F.80** shows the amounts for the transactions designated as hedging instruments.

F.80

Amounts for the transactions designated as hedging instruments

	Foreign currency risk		Interest rate risk		Commodity risk
	Cash flow hedges[1]	Hedges of net investments in foreign operations	Cash flow hedges[1]	Fair value hedges[2]	Cash flow hedges[1]
In millions of euros					
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	–
Financial liabilities current	–	–	–	–	–
Fair value changes[3]	-1,558	-1	-204	848	113
December 31, 2018					
Carrying amount of the hedging instruments					
Other financial assets current	366	–	58	57	43
Other financial assets non-current	86	–	59	364	–
Other financial liabilities current	425	–	15	163	30
Other financial liabilities non-current	161	–	41	237	22
Financial liabilities current	–	25	–	–	–
Fair value changes[3]	-1,021	1	-18	122	-41

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.

F.81

Fair Value Hedges

	Interest rate risk 2019	2018
In millions of euros		
Carrying amounts of the hedged items		
Financing liabilities current	13,831	14,217
Financing liabilities non-current	28,407	29,086
thereof hedge adjustments		
Financing liabilities current	461	-72
Financing liabilities non-current	478	100
Fair value changes of the hedged items[1]	-846	-121
Accumulated amount of hedge adjustments from inactive hedges remaining in the statement of financial position	-40	23

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

F.82

Ineffectiveness of fair value hedges

	Interest rate risk 2019	2018
In millions of euros		
Cost of sales	–	–
Interest expense	2	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 ↗ **F.81**.

The amounts relating to hedge ineffectiveness for items designated as fair value hedges are shown in table ↗ **F.82**.

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 ↗ **F.83.**

The gains and losses on items designated as cash flow hedges as well as the amounts relating to hedge ineffectiveness are included in table ↗ **F.84**.

F.83

Cash flow hedges and hedges of net investments in foreign operations

	2019 Foreign currency risk	Interest rate risk	Commodity risk	2018 Foreign currency risk	Interest rate risk	Commodity risk
In millions of euros						
Fair value changes of the hedged items[1]	1,533	204	-115	1,024	83	39
Thereof hedges of net investments in foreign operations	1			-1		
Balance of the reserves for derivative financial instruments (before taxes)						
Continuing hedges	-745	-78	53	-91	-4	9
Thereof hedges of currency risks in the automotive business[2]	-401	–	-17	–	–	–
Thereof hedges of net investments in foreign operations	–			4		
Discontinued/terminated hedges	-271	-3	–	-311	-4	–
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/Mercedes-Benz Vans and Daimler Trucks/Daimler Buses. Further information is provided in the section related to exchange rate risk in Note 33.

F.84

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
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**	–
2018						
Gains and losses recognized in other comprehensive income[1]	-1,159	56	82	-70	53	-40
Hedge ineffectiveness recognized in the Statement of Income	2	–	–	–	–	-1
Reclassification of hedge effectiveness from other comprehensive income to the Statement of Income						
For hedges for which the hedged future cash flows are no longer expected to occur	-8	–	–	–	1	-1
For hedges that have been transferred because the hedged item has affected profit or loss[2]	-533	–	-91	55	-63	-73

1 The amount in other financial income/expense, net includes minus €1 million (2018: €1 million) for hedges of net investments in foreign operations.
2 The amount in other financial income/expense, net includes minus €3 million (2018: minus €10 million) for hedges of net investments in foreign operations.

F.85

Reconciliation of reserves for derivative financial instruments

In millions of euros	
Balance at January 1, 2018	1,171
Changes in fair values (before taxes)	-1,081
Foreign currency risk	-1,023
Interest rate risk	-18
Commodity price risk – inventory purchases	-40
Reclassification to profit and loss (before taxes)	-641
Foreign currency risk	-634
Interest rate risk	-7
Reclassification to cost of acquisition of non-financial assets (before taxes)	-81
Foreign currency risk – procurement	-63
Commodity price risk – inventory purchases	-18
Other	–
Taxes on changes in fair values and reclassifications	537
Balance at December 31, 2018	-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

Table ↗ F.85 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 €0 million (2018: minus €11 million).

At December 31, 2019, the balance of reserves for hedges of net investments in foreign operations amounted to €189 million (2018: €187 million).

The maturities of the interest rate hedges and cross currency interest rate hedges as well as of the commodity hedges 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 ↗ F.86.

At December 31, 2019, Daimler utilized derivative instruments with a maximum maturity of 48 months (2018: 34 months) as hedges for currency risks arising from future transactions.

Nominal values of derivative financial instruments

Table ↗ F.86 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 ↗ F.87.

Hedging 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 mostly do not classify for hedge accounting.

Even if derivative financial instruments do not or no longer qualify for hedge accounting, these instruments are still hedging financial risks from the operating business. A hedging instrument is terminated when the hedged item 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.

F.86

Nominal amounts of derivative financial instruments

	At December 31, 2019 Maturity of nominal amounts				At December 31, 2018 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	26,945	10,877	–	37,822	29,063	9,935	–	38,998
Interest rate risk	20,421	42,215	7,654	70,290	15,926	36,602	12,055	64,583
Fair value hedges	12,653	29,805	7,654	50,112	6,173	24,763	12,055	42,991
Cash Flow Hedges	7,768	12,410	–	20,178	9,753	11,839	–	21,592
Commodity risk	259	140	–	399	285	215	–	500

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 operating business (trade receivables). Furthermore, the Group is exposed to liquidity and country risks relating to its credit and market risks or a deterioration of its operating business 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.

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 operating business or refinancing activities. 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.

Any 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 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.

F.87
Average prices of hedging instruments for the major risks

	At December 31, 2019	2018
Foreign currency risk		
USD per €	1.17	1.18
CNY per €	8.14	8.37
GBP per €	0.88	0.88
Interest rate risk		
Fair value hedges		
Average interest rate – €	-0.92%	-0.82%
Average interest rate – USD	-0.21%	0.46%
Cash flow hedges		
Average interest rate – €	-0.84%	-0.59%
Average interest rate – USD	-0.57%	-0.07%
Commodity risk		
Platinum (in € per troy ounce)	814	819
Palladium (in € per troy ounce)	1,245	688
Aluminum (in € per ton)	–	1,606

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (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 ↗ F.88 shows the maximum risk positions.

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.

F.88

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

	see also Note	Maximum risk position 2019	Maximum risk position 2018
In millions of euros			
Liquid assets		**27,538**	25,430
Receivables from financial services	14	**103,661**	96,740
Trade receivables	19	**12,332**	12,586
Derivative financial instruments used in hedge accounting (assets only)	16	**1,191**	1,033
Derivative financial instruments not used in hedge accounting (assets only)	16	**27**	109
Other receivables and financial assets	16	**3,328**	3,177
Irrevocable loan commitments		**2,038**	2,051
Financial guarantees		**728**	672

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 specified otherwise.

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 as well as the treatment of unsecured loans and non-performing claims. The limitation of concentration risks is implemented primarily by means of global limits, which refer to single customer exposures. As of December 31, 2019, exposure to the biggest 15 customers did not exceed 4.4% (2018: 3.8%) of the total portfolio.

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.

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.

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. For receivables from financial services, significant modifications of financial assets only occurred in rare cases and immaterial volume.

The allowance ratio increased compared to the low level of the previous year.

Trade receivables
Trade receivables are mostly receivables from worldwide sales activities 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 part 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 export business, Daimler also evaluates its customers' creditworthiness by means of an internal rating process under 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 2019 and 2018, 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 retailers and end customers. At December 31, 2019, irrevocable loan commitments amounted to €2,038 million (2018: €2,051 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 €728 million at December 31, 2019 (2018: €672 million) and include liabilities recognized at December 31, 2019 in the amount of €107 million (2018: €124 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.

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 operating business. Additionally, the possibility to securitize receivables of 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, 2019, liquidity amounted to €27.5 billion (2018: €25.4 billion). In 2019, significant cash inflows resulted from the operations of the industrial business. Furthermore, a dividend payment 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, income taxes paid and a fine notice concluding the administrative offense proceedings against Daimler AG. At Daimler Mobility, cash outflows mainly resulted from the portfolio growth of the leasing and sales finance activities and from the merger of the mobility services of Daimler Group and BMW Group. Cash inflows and outflows in connection with the cash flow of the financing activities were also effective.

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 the operating business.

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, 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 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 beyond the original term grants additional financial flexibility for Daimler until 2024. The term can be extended for another year until 2025. As of December 31, 2019, the credit line is still not utilized.

In addition, customer deposits at Mercedes-Benz Bank are used as a further source of refinancing.

Table ↗ **F.89** 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, 2019.

Information on the Group's financing liabilities is also provided in Note 24.

F.89

Liquidity runoff for liabilities and financial guarantees[1]

	Total	2020	2021	2022	2023	2024	≥ 2025
In millions of euros							
Financing liabilities[2]	171,904	65,925	38,789	22,508	10,729	8,857	25,096
thereof lease liabilities	4,949	792	661	540	459	382	2,115
Derivative financial instruments[3]	90	709	-48	-191	-121	-99	-160
Trade payables[4]	12,707	12,704	2	1	–	–	–
Miscellaneous other financial liabilities excluding accrued interest and liabilities from financial guarantees	7,454	5,653	788	377	261	141	234
Obligations from sales	5,200	5,200	–	–	–	–	–
Irrevocable loan commitments[5]	2,038	2,038	–	–	–	–	–
Financial guarantees[6]	728	728	–	–	–	–	–
	200,121	92,957	39,531	22,695	10,869	8,899	25,170

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 net cash outflows of the derivative financial instruments is shown for the respective year. For individual periods, this may also include negative cash flows from derivatives with an overall positive fair value.
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) and via insurance of equity investments in high-risk countries. 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 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 implemented in the segments according to the respective risk volumes. 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. 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.

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. Market uncertainty still exists about when the new interest rates will be available, how they will be calculated and how their application will affect financial transactions. Daimler regularly discusses current developments of alternative risk-free interest rates with its international banking partners.

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 and earnings 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 is converted into the currency in which the costs 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/Mercedes-Benz Vans, which generate a major portion of their revenue in foreign currencies and incur manufacturing costs primarily in euros. Daimler Trucks/Daimler Buses are also exposed to transaction risks, but only to a minor degree because of their global production network. 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 individual 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 operating business (future transactions), Daimler continually assesses its exposure to exchange rate risks and hedges a portion of those risks by using derivative financial instruments. Daimler's Foreign Exchange Committee (FXCo) manages the Group's exchange rate risk and its hedging transactions through currency derivatives. The FXCo consists of representatives of the relevant segments and central functions. The Corporate Treasury department aggregates foreign currency exposures from Daimler's subsidiaries and operative units and implements the FXCo'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/Mercedes-Benz Vans and Daimler Trucks/Daimler 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/Mercedes-Benz Vans or Daimler Trucks/Daimler Buses, designated hedging relations are reviewed with respect to any requirements to discontinue hedge accounting.

Risk Controlling regularly informs the Board of Management of the actions taken by Corporate Treasury based on the FXCo's decisions.

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 FXCo 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 2019, foreign exchange management showed an unhedged position in the automotive business in calendar year 2020 for the underlying forecasted cash flows in US dollars of 27%, for the underlying forecasted cash flows in Chinese renminbi of 40% and for the underlying forecasted cash flows in British pounds of 26%.

The hedged position of the operating vehicle businesses is influenced by the amount of derivative currency contracts held. The derivative financial instruments used to cover foreign currency exposure are primarily forward foreign exchange contracts and currency options. 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.

F.90

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

				2019				2018
	Period-end	High	Low	Average	Period-end	High	Low	Average
In millions of euros								
Exchange rate risk (from derivative financial instruments)	333	528	333	422	568	695	568	633
Interest rate risk	131	156	34	94	26	45	26	36
Commodity price risk (from derivative financial instruments)	18	25	17	21	14	23	14	18

Table ↗ **F.90** shows the period-end, high, low and average value at risk figures of the exchange rate risk for the 2019 and 2018 portfolios of derivative financial instruments, which were entered into primarily in connection with the operative vehicle businesses. 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. See also table ↗ **F.86**.

Hedge accounting. When designating derivative financial instruments, a hedge ratio of 1 is applied. In addition, the respective volume 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. In the case of options for currency hedging, the option premium is 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. 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 is not reflected in the change of the hedged currency risk.

- Changes in the timing of the hedged transactions.

Until year-end 2018, the designation of hedge relationships for a specific currency and maturity had no further differentiation in respect of the expected cash flows by segment. 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/Mercedes-Benz Vans and to Daimler Trucks/Daimler 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. The accumulated hedging gains/losses subject to redesignation as of December 31, 2018 remained in the other reserves for derivative financial instruments because the hedged future cash flows are still expected to occur. Further information can be found in table ↗ **F.83**. There were no material effects in 2019.

In 2019, the development of the value at risk from foreign currency hedging was mainly driven by decreases in foreign currency rate volatilities and hedge volumes.

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 principally offset each other, these financial instruments are not included in the value at risk calculation presented.

Effects of currency translation. 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, the Group does not match funding in terms of maturities in order to take advantage of market opportunities. As a result, Daimler is exposed to risks due to changes in interest rates.

An asset/liability committee consisting of members of the Daimler Mobility, Mercedes-Benz Cars and Daimler Trucks 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 Mobility 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 ↗ **F.90** shows the period-end, high, low and average value at risk figures of the interest rate risk for the 2019 and 2018 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.

In the course of 2019, changes in the value at risk of interest rate risks were 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 mitigated with the use of derivative financial instruments.

For precious metals, central commodity management shows an unhedged position of 55% of the forecasted commodity purchases at year-end 2019 for calendar year 2020. The corresponding figure at year-end 2018 was 39% for calendar year 2019.

Table ↗ **F.90** shows the period-end, high, low and average value at risk figures of the commodity price risk for the 2019 and 2018 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 ↗ **F.86**.

In 2019, the value at risk of commodity derivatives ranged close to the previous year's level.

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 of the Group.

34. Segment reporting

Reportable segments
The reportable segments of the Group are Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans, Daimler Buses and Daimler Mobility (formerly Daimler Financial Services). The segments are largely organized and managed separately, according to nature of products and services provided, brands, distribution channels and profile of customers.

The vehicle segments develop and manufacture passenger cars, trucks, vans and buses. The Mercedes-Benz Cars segment comprises premium vehicles of the Mercedes-Benz brand including the brands Mercedes-AMG and Mercedes-Maybach, and small cars under the smart brand, as well as the brand Mercedes me. Electric products are marketed under the EQ brand. Daimler Trucks distributes its trucks under the brand names Mercedes-Benz, Freightliner, FUSO, Western Star and BharatBenz. Furthermore, buses under the brands Thomas Built Buses and FUSO are included in the Daimler Trucks range of products. The vans of the Mercedes-Benz Vans segment are primarily sold under the brand name Mercedes-Benz and also under the Freightliner brand. Daimler Buses sells completely built-up buses under the brand names Mercedes-Benz and Setra. In addition, Daimler Buses produces and sells 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 principally is 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. Although amortization of capitalized borrowing costs is included in cost of sales, it is not included in EBIT. The performance measure used by the Group's internal management and reporting structure for the automotive segments is return on sales.

Intersegment revenue is generally recorded at values that approximate market terms.

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).

Daimler Mobility's performance is measured on the basis of return on equity, which is the usual procedure in the banking business.

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.

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 since it is not considered as part of EBIT.

Reconciliation
Reconciliation includes corporate items for which headquarters are responsible. Transactions between the segments are eliminated in the context of consolidation and the eliminated amounts are included in the reconciliation.

The effects of certain legal proceedings and compliance issues are excluded from the operating results and liabilities of the segments if such items are not indicative of the segments' performance, since the related results of operations may be distorted by the amount and the irregular nature of such events.

Reconciliation also includes corporate projects, profits and losses on derivative financial transactions allocated to headquarters and equity interests not allocated to the segments.

Information related to geographic areas
With respect to information about 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.

Table ↗ F.91 presents segment information as of and for the years ended December 31, 2019 and 2018.

Mercedes-Benz Cars
In the year 2019, the Mercedes-Benz Cars segment's earnings include expenses of €1,882 million due to a reassessment of risks relating to ongoing governmental and legal proceedings and measures taken with regard to Mercedes-Benz Cars diesel vehicles in various regions and markets. Furthermore, expenses in connection with an updated risk assessment for an expanded recall of vehicles with Takata airbags caused a reduction in earnings of €600 million. In addition, the remeasurement at fair-value of shares in Aston Martin Lagonda Global Holdings plc had a negative impact on EBIT.

Daimler Trucks
In the reporting year, there were no significant non-cash effects on earnings at the Daimler Trucks segment.

Mercedes-Benz Vans
In the year 2019, EBIT at the Mercedes-Benz Vans segment was reduced by a reassessment of risks relating to ongoing governmental and legal proceedings and measures taken with regard to Mercedes-Benz diesel vehicles in various regions and markets (€2,200 million). Furthermore, earnings were reduced by expenses in connection with the review and prioritization of the product portfolio (€828 million) and an updated risk assessment for an expanded recall of vehicles with Takata airbags (€341 million).

Daimler Buses
There were no significant non-cash effects on earnings at the Daimler Buses segment in 2019.

Daimler Mobility
In the year 2019, the merger of the mobility services of Daimler Group and BMW Group affected earnings positively by €718 million. Effects of €405 million from the realignment of the YOUR NOW group affected EBIT negatively. In the prior-year period, the negative effect of €418 million from the conclusion of the Toll Collect arbitration proceedings reduced EBIT. The interest income and interest expense of Daimler Mobility are included in revenue and cost of sales, and are presented in Notes 4 and 5.

F.91
Segment information

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Mobility	Total Segments	Reconciliation	Daimler Group
In millions of euros								
2019								
External revenue	89,683	38,393	13,770	4,562	26,337	172,745	–	172,745
Intersegment revenue	4,194	1,842	1,031	171	2,309	9,547	-9,547	–
Total revenue	93,877	40,235	14,801	4,733	28,646	182,292	-9,547	172,745
Segment profit/loss (EBIT)	3,359	2,463	-3,085	283	2,140	5,160	-831	4,329
thereof profit/loss on equity-method investments	1,146	–	54	3	-766	437	42	479
thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks	-145	-65	-19	-6	-3	-238	–	-238
Segment assets	84,406	24,187	9,685	3,819	174,821	296,918	-18,344	278,574
thereof carrying amounts of equity-method investments	3,053	527	276	10	1,107	4,973	976	5,949
Segment liabilities	51,741	14,308	9,092	2,467	159,838	237,446	-21,120	216,326
Additions to non-current assets	18,222	2,334	1,532	363	16,254	38,705	3	38,708
thereof investments in intangible assets	3,135	113	255	30	103	3,636	–	3,636
thereof investments in property, plant and equipment	5,629	971	240	134	87	7,061	138	7,199
Depreciation and amortization of non-current assets	7,007	1,837	856	250	6,763	16,713	101	16,814
thereof amortization of intangible assets	1,664	260	350	25	82	2,381	–	2,381
thereof depreciation of property, plant and equipment	3,918	942	341	89	72	5,362	8	5,370

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Mobility	Total Segments	Recon-ciliation	Daimler Group
2018								
External revenue	89,467	36,456	12,842	4,421	24,176	167,362	–	167,362
Intersegment revenue	3,636	1,817	784	108	2,093	8,438	-8,438	–
Total revenue	93,103	38,273	13,626	4,529	26,269	175,800	-8,438	167,362
Segment profit/loss (EBIT)	7,216	2,753	312	265	1,384	11,930	-798	11,132
thereof profit/loss on equity-method investments	1,108	43	44	1	-452	744	-88	656
thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks	-7	-9	-11	-2	-3	-32	1	-31
Segment assets	76,352	23,558	9,868	3,780	165,316	278,874	-18,818	260,056
thereof carrying amounts of equity-method investments	2,928	512	241	8	209	3,898	962	4,860
Segment liabilities	48,047	15,069	6,330	2,502	152,506	224,454	-20,929	203,525
Additions to non-current assets	16,494	2,460	1,633	431	14,431	35,449	51	35,500
thereof investments in intangible assets	2,553	86	368	56	103	3,166	1	3,167
thereof investments in property, plant and equipment	5,684	1,105	468	144	64	7,465	69	7,534
Depreciation and amortization of non-current assets	6,105	1,622	599	235	6,236	14,797	90	14,887
thereof amortization of intangible assets	1,437	267	185	20	104	2,013	1	2,014
thereof depreciation of property, plant and equipment	3,138	798	255	75	24	4,290	1	4,291

F.92
Reconciliation to Group figures

	2019	2018
In millions of euros		
Total of segments' profit (EBIT)	5,160	11,930
profit/loss on equity-method investments	42	-88
Other corporate items	-850	-669
Eliminations	-23	-41
Group EBIT	4,329	11,132
Amortization of capitalized borrowing costs[1]	-16	-15
Interest income	397	271
Interest expense	-880	-793
Profit before income taxes	3,830	10,595
Total of segments' assets	296,918	278,874
Carrying amount of equity-method investments[2]	976	962
Income tax assets[3]	5,658	4,227
Other corporate items and eliminations	-24,978	-24,007
Segment assets Group	278,574	260,056
Unallocated financial assets (including liquidity) and assets from pensions and similar obligations[3]	23,864	21,563
Total assets Group	302,438	281,619
Total of segments' liabilities	237,446	224,454
Income tax liabilities[3]	3,099	2,556
Other corporate items and eliminations	-24,219	-23,485
Segment liabilities Group	216,326	203,525
Unallocated financial liabilities and liabilities from pensions and similar obligations[3]	23,271	12,041
Total equity Group	62,841	66,053
Total equity and liabilities Group	302,438	281,619

1 Amortization of capitalized borrowing costs is not considered in the internal performance measure "EBIT" but is included in cost of sales.
2 This mainly comprises the carrying amount of the investment in BAIC Motor.
3 Unless allocated to Daimler Mobility.

F.93
Revenue and non-current assets by region

	Revenue		Non-current assets	
	2019	2018	2019	2018
In millions of euros				
Europe	69,541	68,496	69,478	63,559
thereof Germany	26,339	24,802	49,335	45,281
NAFTA	52,196	47,952	28,497	27,095
thereof United States	45,422	41,152	25,228	24,239
Asia	40,657	40,627	4,565	2,807
thereof China	18,954	19,790	544	219
Other markets	10,351	10,287	2,063	1,764
	172,745	167,362	104,603	95,225

Reconciliation

Reconciliation of the segment amounts to the respective items included in the Consolidated Financial Statements is shown in table ↗ **F.92**.

In 2019, the line item *Other corporate items* includes, amongst other things, expenses of €425 million in connection with ongoing governmental and legal proceedings and measures taken with regard to Mercedes-Benz diesel vehicles. In the prior year, the impairment of Daimler's equity investment in BAIC Motor Corporation Ltd. by €150 million impacted earnings negatively. Furthermore, expenses in connection with "Project Future" are included in both years.

Revenue and non-current assets by region

Revenue from external customers and non-current assets by region are shown in table ↗ **F.93**.

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 ↗ **F.94**.

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, for instance 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.

F.94
Average net assets

	2019	2018
In millions of euros		
Mercedes-Benz Cars	32,418	26,289
Daimler Trucks	10,274	8,240
Mercedes-Benz Vans	2,412	3,355
Daimler Buses	1,440	1,233
Daimler Mobility[1]	13,961	12,466
Net assets of the segments	60,505	51,583
Equity-method investments[2]	980	1,066
Assets and liabilities from income taxes[3]	2,720	1,707
Other corporate items and eliminations[3]	-459	-547
Net assets Daimler Group	63,746	53,809

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 €2,377 million (2018: €7,249 million). The weighted average number of shares outstanding (basic and diluted) amounts to 1,069.8 million (2018: 1,069.8 million).

F.95
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]	
	2019	2018	2019	2018	2019	2018	2019	2018
In millions of euros								
Associated companies	13,505	13,475	628	855	3,324	2,679	116	131
thereof LSHAI	7,230	8,011	476	647	1,288	981	24	30
thereof BBAC	5,880	4,850	132	64	1,966	1,571	78	85
Joint ventures	884	997	187	100	213	208	78	444

1 After total loss allowances of €66 million (2018: €53 million).
2 Including liabilities from default risks from guarantees for related parties.

F.96
Remuneration of the members of the Board of Management and the Supervisory Board

	2019	2018
In millions of euros		
Remuneration of the Board of Management		
Fixed remuneration (base salary)	8.9	9.5
Short-term variable remuneration (50% of annual bonus)	1.0	2.5
Mid-term variable remuneration (50% of annual bonus, “deferral”)	0.9	1.9
Variable remuneration with a long-term incentive effect (PPSP)	11.7	1.6
Post-employment benefits (service cost)	2.0	2.4
Termination benefits	–	–
	24.5	17.9
Remuneration of the Supervisory Board[1]	4.6	4.2
	29.1	22.1

1 As of the year 2019, including remuneration for the members of the Supervisory Board of Mercedes-Benz AG and of Daimler Truck AG according to Section 314 Subsection 1 No. 6a of the German Commercial Code (HGB).

37. Related party disclosures

Related parties (persons or companies) 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 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 ↗ **F.95**.

Associated companies
A large proportion of the Group’s sales of goods and services with associated companies as well as of its receivables relates to business relations with LSH Auto International Limited (LSHAI) and with Beijing Benz Automotive Co., Ltd. (BBAC), which is allocated to Mercedes-Benz Cars.

The purchases of goods and services shown in table ↗ **F.95** were primarily from LSHAI.

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 Mercedes-Benz Vans, and with DAIMLER KAMAZ RUS OOO, which is allocated to Daimler Trucks.

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 2019 and 2018.

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 board members.

38. Remuneration of the members of the Board of Management and the Supervisory Board

Remuneration granted in 2019 to the members of the Board of Management and the Supervisory Board who were active in 2019 is shown in table ↗ **F.96**.

Expenses for variable remuneration of the Board of Management with a long-term incentive effect, as shown in table ↗ **F.96**, 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 2015 to 2018. In 2019, the active members of the Board of Management were granted 266,128 (2018: 145,775) phantom shares in connection with the PPSP; the fair value of these phantom shares at the grant date was €13.3 million (2018: €10.2 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 €24.2 million (2018: €24.7 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 2019 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 2019.

The payments made in 2019 to former members of the Board of Management of Daimler AG and their survivors amounted to €19.5 million (2018: €16.2 million). The pension provisions for former members of the Board of Management and their survivors amounted to €355.8 million as of December 31, 2019 (2018: €270.2 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.
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F.97
Auditor fees

	2019	2018
In millions of euros		
Audit services	52	46
thereof KPMG AG Wirtschaftsprüfungs-gesellschaft	28	23
Other attestation services	15	10
thereof KPMG AG Wirtschaftsprüfungs-gesellschaft	12	8
Tax services	2	2
thereof KPMG AG Wirtschaftsprüfungs-gesellschaft	1	1
Other services	6	8
thereof KPMG AG Wirtschaftsprüfungs-gesellschaft	4	6
	75	66

39. Auditor fees

The shareholders of Daimler AG elected KPMG AG Wirtschaftsprüfungsgesellschaft as the external auditor at the Annual Shareholders' Meeting held on May 22, 2019. Table ↗ F.97 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 include attestation services required by law or by contractual agreement, or voluntarily assigned services. In addition to reviews of non-accounting-related IT systems and processes, they also include attestation services in connection with "Project Future." Furthermore, audits in connection with compliance management systems, the issuance of comfort letters, and non-financial disclosures and reports were commissioned.

Tax services primarily relate to value-added tax advisory.

Other services mainly relate to non-accounting-relevant IT- and process consulting and quality assurance.

40. Events after the reporting period

Personnel measures in production-related and administrative areas in the years 2020 to 2022
In January 2020, Daimler agreed with the General Works Council on a general company agreement that, among other things, regulates voluntary agreements on termination of employment primarily for employees in indirect areas (i.e. in administration and production-related areas). Discussions with employees on voluntary agreements on termination of employment will begin in the second quarter of 2020.

Establishment of joint venture smart Automobile Co., Ltd.
Mercedes-Benz AG and Zhejiang Geely Holding Group established the joint venture smart Automobile Co., Ltd. in December 2019. The two companies are expected to contribute equal shares of RMB 2.7 billion each to the equity of the joint venture in the first half of 2020. The equity interest of Mercedes-Benz AG will mainly consist of the contribution of the smart brand, which will have a positive impact on earnings before taxes of approximately €0.1 billion to €0.2 billion at the future Mercedes-Benz Cars & Vans segment.

Sale of 30% of the shares in HERE
In December 2019, There Holding B.V. (THBV) and HERE International B.V. (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 is expected to be completed in the first half of 2020 after receiving the approval of the relevant authorities. The completion is expected to lead to a gain of €0.1 billion.

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-12-2019.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.98. 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.

F.98

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
I. Consolidated subsidiaries			
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, lda	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 Rental Germany GmbH	Düsseldorf, Germany	100.00	
Athlon Sweden AB	Malmö, Sweden	100.00	
Athlon Switzerland AG	Schlieren, Switzerland	100.00	
AutoGravity Corporation	Irvine, USA	80.00	
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	
Conemaugh Hydroelectric Projects, Inc.	Wilmington, USA	100.00	
DA Investments Co. LLC	Wilmington, USA	100.00	
DAF Investments, Ltd.	Wilmington, USA	100.00	
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	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
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 Management UK Limited	Milton Keynes, United Kingdom	100.00	
Daimler Fleet Services A.S.	Istanbul, Turkey	100.00	
Daimler Fleetboard GmbH	Stuttgart, Germany	100.00	5
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	
Daimler Insurance Services GmbH	Stuttgart, Germany	100.00	5
Daimler Insurance Services Japan Co., Ltd.	Tokyo, Japan	100.00	
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 Corporation	Wilmington, USA	100.00	
Daimler Ladungsträger GmbH	Sindelfingen, 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 Bernardo do Campo, Brazil	100.00	
Daimler Mobility Services GmbH	Leinfelden-Echterdingen, Germany	100.00	5
Daimler Motors Investments LLC	Wilmington, USA	100.00	
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 Securitisation Australia Pty Ltd	Mulgrave, Australia	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	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
Daimler Truck China Limited	Beijing, China	100.00	
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	Wilmington, USA	100.00	
Daimler Trucks Remarketing Corporation	Portland, USA	100.00	
Daimler Trucks Retail Trust 2018-1	Wilmington, USA	0.00	3
Daimler Trucks Retail Trust 2019-1	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 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	
Deutsche Accumotive GmbH & Co. KG	Kirchheim unter Teck, Germany	100.00	5
EHG Elektroholding GmbH	Stuttgart, Germany	100.00	5
EvoBus (Schweiz) AG	Kloten, 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	
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	
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

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
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	
Invema Assessoria Empresarial Eireli	São Bernardo do Campo, Brazil	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 CORP DVB GmbH	Stuttgart, Germany	100.00	5
LEONIE FS DVB GmbH	Stuttgart, Germany	100.00	5
LEONIE FSM DVB GmbH	Stuttgart, Germany	100.00	5
LEONIE TB DVB GmbH	Stuttgart, Germany	100.00	5
Li-Tec Battery GmbH	Kamenz, 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	
MDC Power GmbH	Kölleda, Germany	100.00	5
MDC Technology GmbH	Arnstadt, Germany	100.00	5
Mercedes AMG High Performance Powertrains Ltd	Brixworth, United Kingdom	100.00	
Mercedes pay AG	Zug, Switzerland	100.00	
Mercedes pay S.A.	Luxembourg, Luxembourg	100.00	
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 2017-A	Wilmington, USA	0.00	3
Mercedes-Benz Auto Lease Trust 2018-A	Wilmington, USA	0.00	3
Mercedes-Benz Auto Lease Trust 2018-B	Wilmington, USA	0.00	3

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
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 Receivables Trust 2015-1	Wilmington, USA	0.00	3
Mercedes-Benz Auto Receivables Trust 2016-1	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 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 Canada Inc.	Toronto, Canada	100.00	
Mercedes-Benz Capital Rus OOO	Moscow, Russian Federation	100.00	
Mercedes-Benz Cars Ceská republika s.r.o.	Prague, Czech Republic	100.00	
Mercedes-Benz Cars Nederland B.V.	Utrecht, Netherlands	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	99.98	
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	95.01	
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	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
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.	Utrecht, 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	
Mercedes-Benz Financial Services Sp. zo.o.	Warsaw, Poland	100.00	
Mercedes-Benz Financial Services Taiwan Ltd.	Taipei, Taiwan	100.00	
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 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	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
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 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	
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	Petaling Jaya, Malaysia	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 Belgium Luxembourg NV/SA	Brussels, Belgium	100.00	
Mercedes-Benz Trucks Center Sint-Pieters-Leeuw NV/SA	Sint-Pieters-Leeuw, Belgium	100.00	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
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 POLSKA SPÓŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Warsaw, Poland	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 Vertrieb NFZ GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Vertrieb PKW GmbH	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 Truck and Bus Corporation	Kawasaki, Japan	89.29	
MITSUBISHI FUSO TRUCK EUROPE – Sociedade Europeia de Automóveis, S.A.	Tramagal, Portugal	100.00	
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	
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	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
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 Canada GP Inc.	Mississauga, Canada	100.00	
Silver Arrow Canada LP	Mississauga, Canada	100.00	
SILVER ARROW CHINA 2017-2 RETAIL AUTO LOAN ASSET BACKED NOTES TRUST c/o CITIC TRUST CO., LTD.	Beijing, China	0.00	3
SILVER ARROW CHINA 2018-1 RETAIL AUTO LOAN ASSET BACKED NOTES TRUST c/o FOTIC: China Foreign Economy and Trade Trust Co., LTD.	Beijing, China	0.00	3
SILVER ARROW CHINA 2018-2 RETAIL AUTO LOAN ASSET BACKED NOTES TRUST c/o FOTIC: China Foreign Economy and Trade Trust Co., LTD.	Beijing, China	0.00	3
SILVER ARROW CHINA 2019-1 RETAIL AUTO LOAN ASSET BACKED NOTES TRUST c/o FOTIC: China Foreign Economy and Trade Trust Co., LTD.	Beijing, China	0.00	3
Silver Arrow Lease Facility Trust	Wilmington, USA	0.00	3
Silver Arrow Merfina 2019-2 s.r.l.	Milan, Italy	0.00	3
Silver Arrow S.A.	Luxembourg, Luxembourg	0.00	3
Silver Arrow UK Trust 2018-1	Luxembourg, Luxembourg	0.00	3
smart France S.A.S.	Hambach, France	100.00	
smart Vertriebs gmbh	Berlin, Germany	100.00	5
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.	Baltimore, USA	75.61	
Trona Cogeneration Corporation	Wilmington, USA	100.00	
Ucafleet S.A.S	Le Bourget, France	65.00	
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]			
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	73.53	
CoROS Corp.	Menlo Park, USA	100.00	
Cúspide GmbH	Stuttgart, Germany	100.00	
Daimler AG & Co. Anlagenverwaltung OHG	Schönefeld, Germany	100.00	7
Daimler Automotive de Venezuela C.A.	Valencia, Venezuela	100.00	
Daimler Brand & IP Management Verwaltung GmbH	Stuttgart, Germany	100.00	
Daimler Commercial Vehicles (Thailand) Ltd.	Bangkok, Thailand	100.00	
Daimler Commercial Vehicles Africa Ltd.	Nairobi, Kenya	100.00	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
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	
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 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	
Deutsche Accumotive Verwaltungs-GmbH	Kirchheim unter Teck, Germany	100.00	
Dreizehnte Vermögensverwaltungsgesellschaft DVB mbH	Stuttgart, Germany	100.00	
Dritte Vermögensverwaltung PV GmbH	Stuttgart, Germany	100.00	
DTB Tech & Data Hub, Unipessoal Lda	Tramagal, Portugal	100.00	
EvoBus Reunion S. A.	Le Port, France	96.00	
EvoBus Russland OOO	Moscow, Russian Federation	100.00	
EXOKNOX GmbH	Stuttgart, Germany	100.00	
Fleetboard Logistics GmbH	Volkach, Germany	100.00	
LAB1886 GmbH	Stuttgart, Germany	100.00	
Lab1886 USA LLC	Wilmington, USA	100.00	
Lapland Car Test Aktiebolag	Arvidsjaur, Sweden	100.00	
LEONIE DMS DVB GmbH	Stuttgart, Germany	100.00	
MB GTC GmbH Mercedes-Benz Gebrauchtteile Center	Neuhausen auf den Fildern, Germany	100.00	
MBition GmbH	Berlin, Germany	100.00	
Mercedes Benz Otomotiv Ticaret ve Hizmetler A.S.	Istanbul, Turkey	66.91	
Mercedes-Benz Adm. Consorcios Ltda.	São Bernardo do Campo, Brazil	100.00	
Mercedes-Benz Camiones y Buses Argentina SAU.	Buenos Aires, Argentina	100.00	
Mercedes-Benz CarMesh GmbH	Berlin, Germany	100.00	
Mercedes-Benz Cars & Vans Brasil – Indústria e Comércio De Veículos Ltda.	São Bernardo do Campo, Brazil	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	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
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 Mobility Korea Ltd.	Seoul, South Korea	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 Servicios S.A.U	Buenos Aires, Argentina	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 & Buses Romania S.R.L.	Bucharest, Romania	100.00	
Mercedes-Benz Trucks MENA Holding GmbH	Stuttgart, Germany	100.00	
Mercedes-Benz Trucks Österreich GmbH	Eugendorf, Austria	100.00	
Mercedes-Benz Trucks Portugal S.A.	Sintra, Portugal	100.00	
Mercedes-Benz Vans Mobility S.L.	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	
MercedesService Card Beteiligungsgesellschaft mbH	Kleinostheim, Germany	51.00	
Mitsubishi Fuso Bus Manufacturing Co., Ltd.	Toyama, Japan	100.00	
Montajes y Estampaciones Metálicas, S.L.	Esparraguera, Spain	51.00	
NAG Nationale Automobil-Gesellschaft Aktiengesellschaft	Stuttgart, Germany	100.00	
PABCO Co., Ltd.	Ebina, Japan	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	
SportChassis LLC	Clinton, USA	0.00	3
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	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
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	
Blitz 18-353 GmbH	Munich, Germany	50.00	8
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	25.00	
MB Service Japan Co., Ltd.	Hitachi, Japan	33.40	
Polomex, S.A. de C.V.	Garcia, Mexico	26.00	
SelecTrucks of Atlanta LLC	McDonough, USA	50.00	
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	
ViaVan Technologies B.V.	Amsterdam, Netherlands	50.00	
Wagenplan B.V.	Almere, Netherlands	50.00	
Wei Xing Tech. Co., Ltd.	Hangzhou, China	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	30.57	
Bolt Technology OÜ	Tallinn, Estonia	9.44	
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	20.00	
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	29.71	
Toll4Europe GmbH	Berlin, Germany	15.00	
Verimi GmbH	Berlin, Germany	14.79	
Via Transportation Inc.	New York, USA	12.20	
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	
BDF IP Holdings Ltd.	Burnaby, Canada	33.00	
Beijing Mercedes-Benz Sales Service Co., Ltd.	Beijing, China	51.00	
ChargePoint Inc.	Campbell, USA	5.74	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
COBUS Industries GmbH	Wiesbaden, Germany	40.82	
Esslinger Wohnungsbau GmbH	Esslingen am Neckar, Germany	26.57	
European Center for Information and Communication Technologies – EICT GmbH	Berlin, Germany	25.00	
EvoBus Hungária Kereskedelmi Kft.	Budapest, Hungary	33.33	
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	
Laureus World Sports Awards Limited	London, United Kingdom	50.00	
MercedesService Card GmbH & Co. KG	Kleinostheim, Germany	51.00	
MFTB Taiwan Co., Ltd.	Taipei, Taiwan	33.40	
Momenta Global Limited	Grand Cayman, Cayman Islands	5.10	
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.	New York, USA	15.13	
REV Coach LLC	Wilmington, USA	20.00	
Sila Nanotechnologies Inc.	Dover, USA	11.66	
SK Gaming Beteiligungs GmbH	Cologne, Germany	33.33	
smart Automobile Co., Ltd.	Ningbo, China	50.00	
smart-BRABUS GmbH	Bottrop, Germany	50.00	
STARCAM s.r.o.	Most, Czech Republic	51.00	
TASIAP GmbH	Stuttgart, Germany	60.00	
tiramizoo GmbH	Munich, Germany	15.95	
Toyo Kotsu Co., Ltd.	Sannoseki, Japan	28.20	
Turo Inc.	San Francisco, USA	5.17	
VfB Stuttgart 1893 AG	Stuttgart, Germany	11.75	
Volocopter GmbH	Bruchsal, Germany	10.17	
what3words Ltd.	London, United Kingdom	10.95	

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 exemption 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 respectively several consolidated subsidiaries are the partners with unlimited liability. Furthermore, Daimler AG or one respectively several consolidated subsidiaries are the partners with unlimited liability in MOST Cooperation GbR i.L., Karlsruhe (Germany).
8 In January 2020, the company was renamed YOUR NOW Holding GmbH.