

Annual Report 2022



Mercedes-Benz Group





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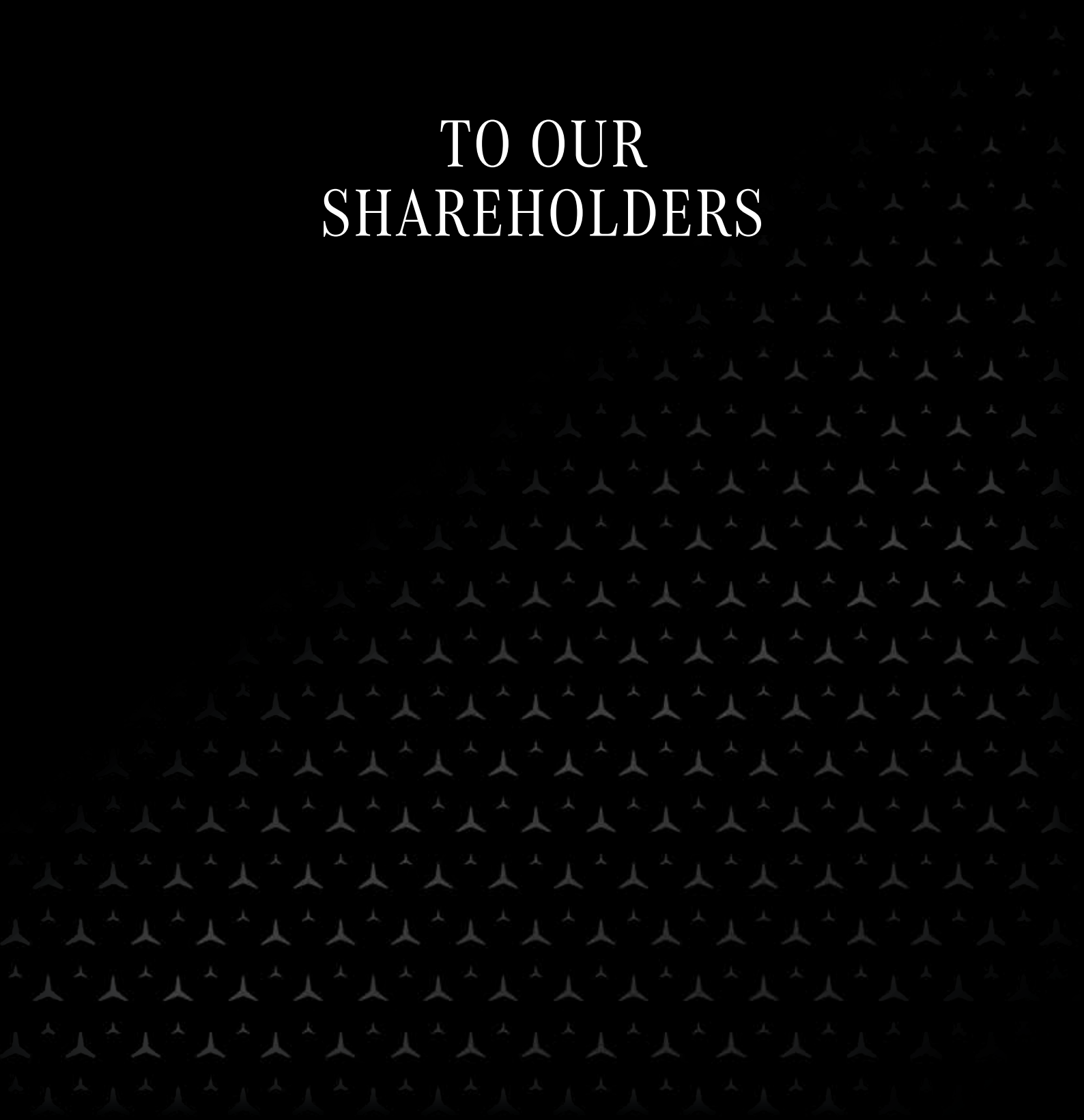
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TO OUR SHAREHOLDERS



TO OUR SHAREHOLDERS

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Ola Källenius

Chairman of the Board of Management of Mercedes-Benz Group AG

Dear Shareholders,

2022 was a year during which we were able to demonstrate our resilience in a challenging environment and achieve significant business success. At the same time, we systematically advanced the implementation of our strategy. In addition, the year 2022 marks a historic moment for us: since 1 February the name of our company has been Mercedes-Benz Group AG.

What had we resolved to achieve in 2022? We wanted to limit the effects of supply bottlenecks and continue working on our cost efficiency. With regard to our strategy, we set ourselves the goal of scaling up electric mobility, speeding up software development and reinforcing the positioning of Mercedes-Benz as a luxury brand.

We have made good progress in all of these areas. In order to minimize the effects of supply bottlenecks, we concluded contracts with a series of new semiconductor suppliers, for example. To safeguard our supply of raw materials, we are increasingly relying on direct procurement. For example, we plan to cooperate in the future with the Canadian government on the extraction of raw materials from sustainable sources. We have further increased our cost efficiency throughout the company. That has required clear prioritization and tremendous discipline.

We have more than doubled the number of deliveries of all-electric Mercedes-Benz passenger cars to our customers. We have expanded our portfolio of electric vehicles by adding two electric SUVs. We were also able to significantly increase the sales of our electric vans. In the area of software we have opened a new centre of expertise, forged ahead with the development of our own operating system and delivered the first conditionally automated cars with the Mercedes-Benz star to customers in Germany.

We have sharpened our focus with regard to our business model and our car portfolio. In the future we will concentrate even more clearly on the strengths of Mercedes-Benz — cutting-edge technology and our position at the leading edge of the market.

This course of action was reflected in our company's results. Our revenue amounted to €150.0 billion. Our EBIT grew by 28 percent to €20.5 billion. Our net liquidity in the industrial business was €26.6 billion. All in all, net profit amounted to €14.8 billion. The Board of Management and the Supervisory Board will propose a dividend of €5.20 per share at the Annual General Meeting.

These results were made possible thanks to the untiring commitment of our team. The year 2022 was marked by many challenges, ranging from the regional measures to combat Covid-19, to the uncertain and costly supply of energy in Europe and the continuing supply bottlenecks for semiconductors. We defied all of these challenges, thanks to our high degree of flexibility and immense adaptability. I would like to express my sincere thanks to all employees for this strong performance.

We have clear strategic priorities for 2023 as well. We want to safeguard the optimal “operating point” of our business system, continue scaling electric mobility, make our worldwide supply chains fit for the future, raise the customer experience at Mercedes-Benz to the next level and maintain cost discipline.

What will we be focusing on specifically?

In order to sustainably optimize our business system, we need to continue strengthening our resilience against external impacts. We anticipate headwinds in 2023 as well. But our goal remains unchanged: we want to grow profitably. We have established a good foundation for this in structural and financial terms. We are determined to continue on this path and to further accelerate the transformation of Mercedes-Benz. We want to grow even more strongly at the upper end of the segments in which we are represented.

We want to approximately double our unit sales of all-electric vehicles in 2023. To accomplish this, we are pushing ahead at full throttle with the transformation of our production and powertrain sites. One important precondition for the further ramp-up of electric mobility is that our supply chains are as stable and as flexible as possible. We place particular emphasis on supply discipline — on the reliability of our suppliers and partners — as well as on our own efforts to fulfill our customers’ wishes as quickly and completely as possible. We also assign a high priority to the supply of the raw materials and components that are needed for the smooth ramp-up of electric mobility and further profitable growth.

In terms of our goal to upgrade the customer experience at Mercedes-Benz to an even higher level, our focal areas for this year include the continued expansion of direct sales, which offer maximum comfort and full transparency when buying a car. The planned launch of our own global network of high-power charging stations shows that we have a holistic concept of electric mobility that takes our customers’ needs into account. The new E-Class will showcase a forerunner of the new MB.OS operating system and demonstrate what our Mercedes fans can look forward to in terms of software. All of these plans serve our overarching claim: we want to build the world’s most desirable cars.

We have further weatherproofed our company in the past year, and taken important strategic decisions. That was the qualifying session. Now the race is starting. I look forward to you continuing with us on this journey.

Sincerely yours,



Ola Källenius

The Board of Management



Ola Källenius

Chairman of the Board
of Management
Appointed until May 2024



Dr Jörg Burzer

Production & Supply
Chain Management
Appointed until
November 2024



Renata Jungo Brünger

Integrity & Legal Affairs
Appointed until
December 2024



Sabine Kohleisen

Human Resources &
Labour Director
Appointed until
November 2024



Markus Schäfer

Chief Technology Officer,
Development & Procurement
Appointed until May 2024



Britta Seeger

Marketing & Sales
Appointed until
December 2024



Hubertus Troska

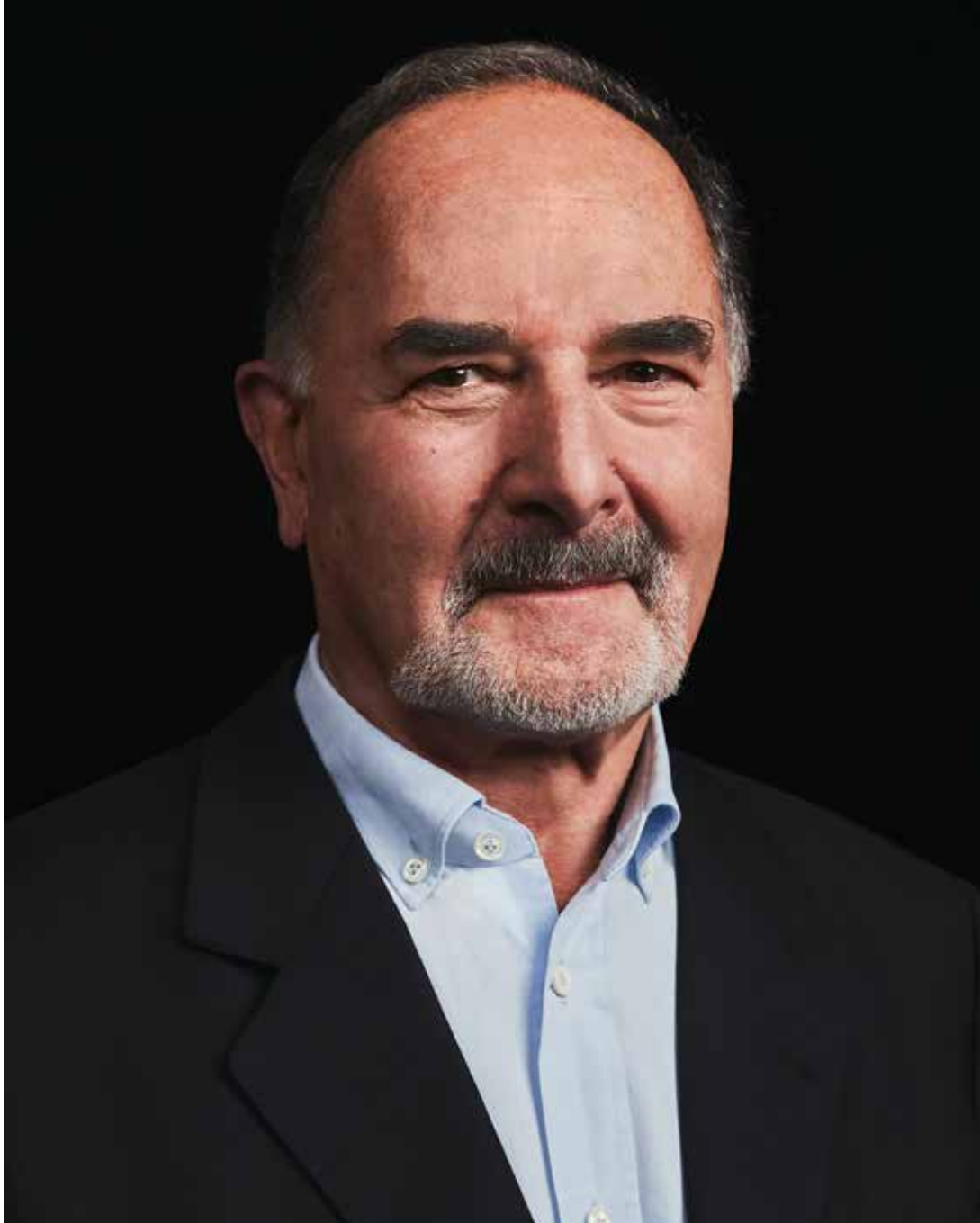
Greater China
Appointed until
December 2025



Harald Wilhelm

Finance & Controlling/
Mercedes-Benz Mobility
Appointed until March 2027

 Further information on the members of the Board of Management of Mercedes-Benz Group AG



Dr Ing. e.h. Dipl.-Ing. Bernd Pischetsrieder
Chairman of the Supervisory Board of Mercedes-Benz Group AG

Report of the Supervisory Board

Dear Shareholders,

2022 was a year in which Mercedes-Benz Group AG made substantial progress in implementing, further developing and honing its strategy. The positioning of Mercedes-Benz as a luxury brand continues to strengthen, and the company is accelerating along the path to an all-electric, software-driven future. In addition, the intensified activities in the ESG area demonstrate the company's commitment to society and the environment.

Of course, 2022 will also be remembered for the major challenges it posed, including the Russia-Ukraine war, increasing energy prices and rising inflation. Whilst we will continue to face uncertainties, the management team has thus far shown great ability to put countermeasures in place and offset these risks; I am convinced of its capability to continue to do so.

I look forward to the future with confidence and am sure that the company will continue to be successful thanks to the excellent Board of Management, executive team and employees.

Supervisory and advisory activities of the Supervisory Board

In the 2022 financial year, the Supervisory Board of Mercedes-Benz Group AG again performed, in full, the duties incumbent upon it by law, the articles of association and the rules of procedure.

In this context, the Supervisory Board continuously advised and monitored the Board of Management in the management of the company and provided support on strategically important issues for the further development of the company.

The Supervisory Board reviewed whether the individual company and Consolidated Financial Statements, the Combined Management Report including the Non-Financial Declaration and the other financial reporting complied with the applicable requirements.

Furthermore, after careful review and consultation, it approved numerous business transactions subject to its consent. This related in particular to the approval of a Mercedes-Benz high-power charging network in North America. This also included financial and investment planning, cooperation projects and the conclusion of contracts of particular importance to the company. The Board of Management informed the Supervisory Board about a large number of other measures and business transactions and discussed them intensively and in detail with the Supervisory Board; for example, the effects on the company of supply bottlenecks for certain semiconductor components and the initiated countermeasures.

The Board of Management regularly informed the Supervisory Board about all significant business developments of the Group and the divisions. During the reporting period, it kept the Supervisory Board continuously informed about all fundamental issues regarding corporate planning, including financial, investment, sales and personnel planning; current developments at Group companies; the development of revenue; the situation of the company and the divisions; the economic and political environment; and the current status and assessment of significant legal proceedings. In addition, the Board of Management continuously reported to the Supervisory Board on the profitability and liquidity situation of the company, the development of sales and procurement markets, the overall economic situation and developments on the capital markets and in the financial services sector. Other topics included the further development of

the product portfolio, securing the long-term competitiveness of the company and the further implementation of measures to ensure sustainable, future-oriented mobility. The Supervisory Board also dealt in detail with the political developments and conflicts in the main sales markets and the reaction to them in terms of business policy, the shareholder structure, the share-price development and its background, as well as the expected effects of the strategic projects on the share-price development.

Working culture and areas of Supervisory Board activity

In the 2022 financial year, the Supervisory Board held seven meetings, which were also held as video conferences due to the pandemic. Four meetings were held in person, with the option of participation in virtual form or via telephone, and three meetings were held as video conferences. Meeting attendance by the members was at a very high level, as can be seen in the detailed overview at the end of this report. The work of the Supervisory Board was characterized by open and intensive dialogue. The members of the Supervisory Board regularly prepared for upcoming resolutions using documents provided in advance by the Board of Management. The employee and shareholder representatives also regularly prepared the meetings in separate discussions, which were also attended by members of the Board of Management. In addition, the Supervisory Board was supported in depth by its Committees. At the meetings of the Supervisory Board, its members discussed the measures and transactions to be resolved in detail with the Board of Management. Executive sessions were regularly scheduled for the meetings so that topics could be discussed also in the absence of the Board of Management.

The Supervisory Board was informed of special events outside the regular meetings. In addition, the members of the Supervisory Board and the Board of Management held bilateral meetings to exchange views. The Board of Management also informed the Supervisory Board of the key indicators of the business development and of existing risks by means of written reports.

The members of the Supervisory Board assume responsibility for their training and further education measures in areas such as changes in the legal framework and forward-looking technologies that are required for the performance of their tasks and are supported in this by the company. In addition, new members of the Supervisory

Board have the opportunity to meet the members of the Board of Management and senior executives with specialist responsibility in a specifically designated onboarding programme for a bilateral exchange on fundamental and current topics in respect of the relevant areas of the Board of Management, thus gaining an overview of the topics relevant to the company and of the governance structure. ESG (environmental, social and governance) and sustainability-related thematic blocks are also an integral part of this programme. Furthermore, the members of the Supervisory Board are regularly informed about the regulatory environment relevant to their work on the Supervisory Board and other legal developments affecting them.

At its meeting on 23 February 2022, the Supervisory Board was first briefed on the impact of the escalating conflict between Russia and Ukraine on the company and its employees. In the presence of representatives of the auditor, the Supervisory Board then discussed the preliminary key figures of the 2021 company and Consolidated Financial Statements as well as the preliminary proposal to the 2022 Annual General Meeting for the appropriation of profits and noted them with approval. The Supervisory Board determined that there were no objections to their publication. Insofar as the preliminary key figures had not already been the subject of the ad hoc announcement of 11 February 2022 they were published along with the preliminary proposal for the appropriation of profits at the annual press conference on 24 February 2022. The Supervisory Board also passed resolutions relating to a number of other measures subject to its approval. In addition, the Board of Management provided information on the status of the fulfilment of the settlement in connection with diesel emissions agreed with the US authorities.

At the meeting on 10 March 2022, the Supervisory Board discussed the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report, including the Non-Financial Declaration for the 2021 financial year of Mercedes-Benz Group AG and the Group, each of which had been issued with an unqualified audit opinion by the auditor, as well as the Declaration on Corporate Governance, the Remuneration report, and the proposal for the appropriation of profits. The members of the Supervisory Board were provided with extensive documentation for their preparation.

The Audit Committee and the Supervisory Board reviewed these documents in detail and discussed them intensively in the presence of the auditor, who reported on the results of their audit and, in particular, addressed the key audit matters and the relevant audit procedures, including the conclusions drawn, and were available for additional questions and information. Following the final result of the review by the Audit Committee and its own review, the Supervisory Board concurred with the result of the audit by the auditor. It determined that there were no objections to be raised and adopted the Annual Financial Statements prepared by the Board of Management and the Combined Management Report, including the Non-Financial Declaration. The 2021 company financial statements of Mercedes-Benz Group AG were thus adopted. On this basis, the Supervisory Board endorsed the proposal of the Board of Management for the appropriation of distributable profits. The Supervisory Board also adopted the Report of the Supervisory Board, the Declaration on Corporate Governance and the Remuneration report, as well as its proposed resolutions on the agenda items for the 2022 Annual General Meeting. In this context, the resolutions required to hold a virtual General Meeting were also adopted.

In addition, the body dealt with the remuneration of the Board of Management on the basis of the remuneration system approved by the Annual General Meeting. Under the corporate governance agenda item, the other board positions and sideline activities of the Board of Management members that were presented at the meeting were approved. The meeting also dealt with the resolution on a product project. In the process, the Supervisory Board also dealt with the tender procedure as part of a selection and proposal process in accordance with the EU Statutory Audit Regulation for the selection of a new auditor for the 2024 financial year. The Board also discussed current legal issues.

At its meeting on 27 April 2022, the Supervisory Board again received reports on the impact of the war between Russia and Ukraine on the company, the supply situation for semiconductor components and raw materials, and the measures taken in each case. The Board of Management also provided information on the positive reactions to the company's ESG conference for investors and analysts, which was held for the first time on 11 April 2022. After the Supervisory Board had given its approval to a product project, the Board of Management provided an

overview of the current financial status, volumes and prices of the vehicle clusters in the current Mercedes-Benz Cars portfolio.

At the virtual Annual General Meeting on 29 April 2022, the candidates proposed by the Supervisory Board, Dame Veronica Anne (“Polly”) Courtice and Marco Gobetti, were elected to the Supervisory Board as shareholder representatives. In the subsequent Supervisory Board meeting, Ergun Lümali was elected Deputy Chairman of the Supervisory Board. In addition, elections were held to fill vacancies on the committees of the Supervisory Board.

By way of resolution using other customary means of communication, the Supervisory Board on 28 June 2022 approved the realignment of the production network to consistently implement the electric-only strategy.

The Supervisory Board held another meeting at the end of July 2022. At this meeting, it discussed in detail with the Board of Management the course of business and the results of the first half of the year. The Board of Management subsequently provided an overview of the current financial status, volumes and prices of the vehicle architectures of the future portfolio of Mercedes-Benz Cars as part of another project report. The Supervisory Board then approved the funds required for the consistent implementation of the electric-only strategy. The Supervisory Board also dealt in detail with the ESG and sustainability issues relevant to Mercedes-Benz and their embedding in the company. The Board of Management reported on the ongoing integration of internal reporting, risk management and decision-making processes, compliance and integrity, and remuneration, among other things.

Strategy meeting of the Supervisory Board

At the start of the two-day strategy meeting on 28/29 September 2022, the Supervisory Board was informed about the current situation of the company and in particular the activities relating to the possible disposal of the Russian business. Following a resolution on a product project, the Supervisory Board approved the Board of Management’s decision to hold the 2023 Annual General Meeting on a new legal basis in virtual format. Furthermore, the Board received reports on current legal issues and the fulfilment status of the settlement reached with the US authorities in connection with diesel exhaust emissions. Another item on the agenda was

cybersecurity. The meeting then focused on the company’s sustainable luxury strategy and its interpretation and implementation. Amongst the topics discussed were strategic approaches to further developing the brand and customer interaction (“selling desire”), to the product portfolio and technologies (“developing desire”) and to increasing profitability (“monetising desire”). With the involvement of the responsible executives, the members of the Supervisory Board and the Board of Management discussed in a constructive and open dialogue how the Mercedes-Benz Group will adapt to new challenges and which opportunities are to be exploited. The car software activities and the global production network were also discussed. The Supervisory Board and the Board of Management also discussed social challenges and corporate responsibility in the area of social justice. Both bodies agreed that social responsibility is an important aspect within the “S” in ESG and Mercedes-Benz can contribute to solving social problems.

By way of resolution with the aid of other customary means of communication, in October 2022 the Supervisory Board approved the Board of Management’s plans to sell the company’s business activities in Russia.

Also by way of resolution using other customary means of communication, the Supervisory Board resolved in November 2022, after carrying out the selection and proposal process in accordance with the EU Statutory Audit Regulation on the basis of the recommendation and preference of the Audit Committee and after its own assessment, to propose to the Annual General Meeting 2023 the appointment of PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Frankfurt a. M., as the new auditor of the annual financial statements, auditor of the Consolidated Financial Statements and auditor for the review of interim financial reports for the 2024 financial year.

Corporate planning meeting (Mercedes-Benz business planning)

At the meeting on 1 December 2022, the Supervisory Board discussed and approved the Mercedes-Benz business planning on the basis of comprehensive documentation and discussed existing opportunities and risks in connection therewith. The Supervisory Board then received an update on the China strategy. The geopolitical situation between China and the United States, decoupling risks, and social compliance activities were also addressed. The Supervisory Board also gave its approval to a number of product projects and other measures subject to its approval. It dealt with the report of the Board of Management on the development of ongoing and completed acquisitions and partnerships. The Supervisory Board also learned about the global scholarship programme beVisioneers – The Mercedes-Benz Fellowship, which offers young people, no matter what their background may be, training, mentoring, professional support and financing to launch their projects for positive changes to the environment. Other items on the agenda included remuneration, corporate governance and legal matters. Finally the body discussed the continuing further development of the technical compliance management system and the status of the fulfilment of the settlement agreed with the US authorities in connection with diesel emissions.

Corporate governance and declaration of compliance

During the 2022 financial year, the Supervisory Board continuously addressed the standards of good corporate governance.

In December 2022, the Supervisory Board adopted the regular 2022 declaration of compliance. With the exceptions explained there, all recommendations of the Code have been and are being complied with.

In the interests of good corporate governance, the members of the Supervisory Board of Mercedes-Benz Group AG are required to disclose to the Supervisory Board as a whole any conflicts of interest, in particular those that could arise as a result of an advisory or board function with customers, suppliers or lenders of Mercedes-Benz Group AG or other third parties.

There were no indications of actual conflicts of interests during the 2022 financial year. In the course of the Supervisory Board meeting on 1 December 2022, in which the approval of the establishment of a Mercedes-Benz high-power charging network in North America was discussed, as a precautionary measure only Ben van Beurden, who at that time was still Chief Executive Officer of Shell plc, neither took part in the discussion nor the vote on this agenda item.

The Supervisory Board regularly assesses how effectively the Supervisory Board and its committees perform their tasks. The next self-assessment is planned for 2023. Independently of the self-assessment of the Supervisory Board, the Audit Committee conducted a self-evaluation of its activities in 2022 on the basis of a comprehensive company-specific questionnaire. The positive results of this self-assessment were presented and discussed at the Audit Committee meeting on 16 February 2023.

German Act on the Equal Participation of Women and Men in Leadership Positions

For supervisory boards of listed companies with equal representation, such as that of Mercedes-Benz Group AG, the German Stock Corporation Act (AktG) prescribes a mandatory quota of at least 30% women. The quota is to be met by the Supervisory Board as a whole. If the representatives of the shareholders or the representatives of the employees object to the overall fulfilment vis-à-vis the Chairman of the Supervisory Board before an election, the minimum proportion for this election is to be fulfilled separately by the shareholder side and the employee side. At the Supervisory Board meeting on 27 April 2022, the shareholder representatives objected to the overall fulfilment with regard to the election of employee representatives to be held on the Supervisory Board in 2022/2023.

As at 31 December 2022, on the shareholder side of the Supervisory Board of Mercedes-Benz Group AG, Sari Baldauf, Liz Centoni, Dame Polly Courtice and Professor Dr Helene Svahn make up 40% women and the remainder 60% men. On the employee side, Nadine Boguslawski, Monika Tielsch and Elke Tönjes-Werner make up 30% women and the remainder 70% men. Thus, the Supervisory Board as a whole also fulfils the statutory quota both separately and as a whole.

At its meeting on 16 February 2023, the Supervisory Board dealt with the specific election proposals to the 2023 Annual General Meeting and, on the recommendation of the Nomination Committee, decided to propose to the 2023 Annual General Meeting that Stefan Pierer be elected to the Supervisory Board for the first time. In the event of the election of the proposed candidate, the statutory quota for women remains fulfilled both on the shareholder side and for the Supervisory Board as a whole.

For the composition of the Board of Management, the Supervisory Board set a target for the proportion of women of at least 25% in December 2020 and a dead line of 31 December 2025. Since August 2022, a legally mandated minimum participation requirement must be complied with when appointing members of the Board of Management. This requirement stipulates that at least one woman and at least one man must be a member of the Board of Management in listed companies with parity participation and more than three members on the Board of Management. Companies that are subject to the minimum proportion requirement are no longer obliged to set a target quota for the proportion of women on the board of management. Nevertheless, within the framework of the overall requirements profile for appointments to the Board of Management, the Supervisory Board has decided to go beyond the stipulations of the minimum proportion requirement and maintain the target quota for the proportion of women on the Board of Management that was set in 2020. As at 31 December 2022, three of the eight members of the Board of Management are women: Renata Jungo Brüngger, Sabine Kohleisen and Britta Seeger. The proportion of women on the Board of Management is now 37.5%, which means it exceeds the target that was set.

Corporate governance at the Mercedes-Benz Group is explained in detail in the Declaration on Corporate Governance.

Work in the committees

The **Presidential Committee** held three meetings in the past financial year. Two of the meetings were held in person and one meeting was held as a video conference. In particular, it discussed personnel matters and succession planning for appointments to the Board of Management. Furthermore, the Presidential Committee discussed the acceptance by members of the Board of Management of

board positions at other companies and institutions, corporate governance issues, D&O insurance and remuneration issues.

The **Audit Committee** held seven meetings in the year 2022. Four meetings were held in person, with the option of participation in virtual form or via telephone, and three meetings were held as video conferences. Further details of the Audit Committee's work can be found in the Report of the Audit Committee.

The **Legal Affairs Committee** held three meetings in the year 2022. Two meetings were held in person, with the option of participation in virtual form or via telephone, and one meeting was held as a video conference. In those meetings, it was informed in detail about legal matters relating to emissions and cartels and discussed these matters in the presence of the legal advisers of the Supervisory Board. It discussed the continuing further development of the technical compliance management system, also with respect to future technologies. The Committee received reports on the progress of the review of potential responsibilities in connection with diesel emissions and anti-trust matters from the legal advisers engaged for this purpose by the Supervisory Board. The Committee regularly reported to the Supervisory Board on its work and, after discussing and weighing the relevant aspects, made recommendations for resolutions to the Supervisory Board, taking the Group's best interests into account. The Committee also discussed the risks of a limitation of possible liability and took appropriate measures in the cases in point. As part of the settlement reached with the US authorities in connection with diesel emissions, the Committee was assigned specific tasks and decision-making competences with regard to the fulfilment of the obligations assumed in the settlement. The Committee also fulfilled these tasks in full and with great care.

The **Nomination Committee** held two meetings in the 2022 financial year, both of them as video conferences. The Committee specifically considered the recommendations for the election proposals of the Supervisory Board to the Annual General Meeting. In this context, it was guided by the interests of the company, taking all circumstances of the individual case into account, and striving to fulfil the overall profile of requirements, along with the diversity concept and competence profile for the entire Supervisory Board.

During the reporting period, there was no reason to convene the **Mediation Committee**.

Changes in the Supervisory Board and the Board of Management

At the virtual Annual General Meeting on 29 April 2022 the candidates proposed by the Supervisory Board, Dame Veronica Anne (“Polly”) Courtice and Marco Gobetti, were elected to the Supervisory Board to succeed Bader M. Al Saad and Dr Clemens Börsig, who then retired from the Supervisory Board. In the subsequent Supervisory Board meeting, Ergun Lümali was elected Deputy Chairman of the Supervisory Board and thus Deputy Chairman of the Mediation and Presidential Committees. Timotheus Höttges was elected to the Audit Committee and Dame Polly Courtice to the Legal Affairs Committee to succeed Dr Clemens Börsig, who left the Supervisory Board at the end of the Annual General Meeting. In addition, Roman Romanowski was elected to succeed Michael Brecht on the Legal Affairs Committee. Subsequently, the members of the Audit Committee elected Olaf Koch as the new Chairman of the Audit Committee. Finally, the members of the Legal Affairs Committee elected Olaf Koch as the new Chairman and Ergun Lümali as the new Deputy Chairman of this committee.

At the meeting of the Supervisory Board on 16 February 2023, the shareholder representatives resolved, on the basis of a corresponding recommendation by the Nomination Committee, to propose to the 2023 Annual General Meeting that Stefan Pierer be elected to the Supervisory Board. Furthermore, per the Supervisory Board guidelines regarding Board of Management appointments, the Supervisory Board appointed Renata Jungo Brüngger as a member of the Board of Management of Mercedes-Benz Group AG with responsibility for Integrity & Legal Affairs with effect from 1 January 2024 for a further one-year term.

Audit of the individual company and Consolidated Financial Statements

The Annual Financial Statements of Mercedes-Benz Group AG and the Combined Management Report for Mercedes-Benz Group AG and the Group for 2022 were duly audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, and issued with an unqualified audit opinion. This also applies to the 2022 Consolidated Financial Statements compiled in accordance with IFRS.

In a meeting of the Supervisory Board on 16 February 2023, the preliminary key figures of the 2022 company and Consolidated Financial Statements as well as the preliminary proposal to the 2023 Annual General Meeting for the appropriation of profits were discussed and noted with approval in the presence of representatives of the auditor. The Supervisory Board determined that there were no objections to their publication. The preliminary key figures for the 2022 financial year and the preliminary proposal for the appropriation of profits were published at the annual press conference on 17 February 2023. In the same meeting, the Supervisory Board also approved the share buyback programme proposed by the Board of Management.

At the meeting on 13 March 2023, the Supervisory Board discussed the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report, including the Non-Financial Declaration for Mercedes-Benz Group AG and the Group, each of which had been issued with an unqualified audit opinion by the auditor, as well as the Declaration on Corporate Governance, the Remuneration report, and the proposal for the appropriation of profits.

The members of the Supervisory Board were provided with extensive documentation for their preparation, including the Annual Report with the Consolidated Financial Statements compiled in accordance with IFRS, the Combined Management Report including the Non-Financial Declaration for Mercedes-Benz Group AG and the Group, as well as the Declaration on Corporate Governance, the Remuneration report, the Annual Financial Statements of Mercedes-Benz Group AG, the proposal of the Board of Management for the appropriation of profits, the audit opinions of KPMG AG Wirtschaftsprüfungsgesellschaft for the Annual Financial Statements of Mercedes-Benz Group AG and the consolidated financial statements, in each case including the Combined Management Report and information on the accounting-related internal control system, as well as drafts of the reports of the Supervisory Board and the Audit Committee.

The Audit Committee and the Supervisory Board reviewed these documents in detail and discussed them intensively in the presence of the auditors, who reported on the results of their audit and, in particular, addressed the key audit matters and the relevant audit procedures, including the conclusions drawn, and were available for additional questions and information. Following the final result of the review by the Audit Committee and its own review, the Supervisory Board concurred with the result of the audit by the auditor. It determined that there were no objections to be raised and adopted the financial statements prepared by the Board of Management and the Combined Management Report, including the Non-Financial Declaration. The 2022 Annual Financial Statements of Mercedes-Benz Group AG were thus adopted. On this basis, the Supervisory Board endorsed the proposal of the Board of Management for the appropriation of distributable profits. The Supervisory Board also adopted the Report of the Supervisory Board, the Declaration on Corporate Governance and the Remuneration report, as well as its proposed resolutions on the agenda items for the 2023 Annual General Meeting.

Appreciation

The Supervisory Board would like to thank all employees of the Mercedes-Benz Group and the management for their dedicated contribution to the results of the 2022 financial year, which were achieved in a challenging environment.

The Supervisory Board would also like to thank Dr Clemens Börsig and Bader M. Al Saad, who closely supported the company through their dedicated work on the Supervisory Board and left the Supervisory Board last year.

Stuttgart, March 2023

The Supervisory Board



Dr Bernd Pischetsrieder
Chairman

A.01

Individualized disclosure of attendance at meetings by members of the Supervisory Board of Mercedes-Benz Group AG in the 2022 financial year

2022	Meetings attended	Attendance (%)
Plenary Supervisory Board		
Dr Bernd Pischetsrieder (Chairman)	7/7	100
Bader M. Al Saad (until 29 April 2022)	3/3	100
Sari Baldauf	6/7	86
Michael Bettag	7/7	100
Ben van Beurden	4/7	57
Nadine Boguslawski	6/7	86
Dr Clemens Börsig (until 29 April 2022)	3/3	100
Michael Brecht	7/7	100
Dr Martin Brudermüller	6/7	86
Liz Centoni	5/7	71
Dame Veronica Anne Courtice (since 29 April 2022)	4/4	100
Marco Gobetti (since 29 April 2022)	4/4	100
Michael Häberle	7/7	100
Timotheus Höttges	6/7	86
Olaf Koch	7/7	100
Ergun Lümali	7/7	100
Roman Romanowski	7/7	100
Prof. Dr Helene Svahn	7/7	100
Monika Tielsch	7/7	100
Elke Tönjes-Werner	7/7	100
Dr Frank Weber	7/7	100
Roman Zitzelsberger	6/7	86
Presidential Committee		
Dr Bernd Pischetsrieder (Chairman)	3/3	100
Ben van Beurden	3/3	100
Michael Brecht (until 29 April 2022)	1/1	100
Ergun Lümali (since 29 April 2022)	2/2	100
Roman Zitzelsberger	2/3	67
Audit Committee		
Olaf Koch (Chairman)	7/7	100
Dr Clemens Börsig (former Chairman, until 29 April 2022)	3/3	100
Michael Brecht	7/7	100
Timotheus Höttges (since 29 April 2022)	4/4	100
Ergun Lümali	7/7	100

2022	Meetings attended	Attendance (%)
Nomination Committee		
Dr Bernd Pischetsrieder (Chairman)	2/2	100
Sari Baldauf	2/2	100
Ben van Beurden	2/2	100
Legal Affairs Committee		
Olaf Koch (Chairman)	3/3	100
Dr Clemens Börsig (former Chairman, until 29 April 2022)	1/1	100
Michael Brecht (until 29 April 2022)	1/1	100
Liz Centoni	3/3	100
Dame Veronica Anne Courtice (since 29 April 2022)	2/2	100
Michael Häberle	3/3	100
Ergun Lümali	3/3	100
Roman Romanowski (since 29 April 2022)	2/2	100

The Supervisory Board

Dr Bernd Pischetsrieder

Chairman of the Supervisory Board of Mercedes-Benz Group AG
Elected until 2024

Ergun Lümali*

Deputy Chairman of the Supervisory Board of Mercedes-Benz Group AG
Chairman of the Group Works Council of Mercedes-Benz Group AG
Chairman of the General Works Council of Mercedes-Benz Group AG
Chairman of the Works Council of the Mercedes-Benz Sindelfingen Plant
Elected until 2023

Sari Baldauf

Chair of the Board of Directors of Nokia Oyj
Elected until 2023

Michael Bettag*

Chairman of the Works Council of the Mercedes-Benz Nuremberg Own Retail Branch
Elected until 2023

Ben van Beurden

Former Chief Executive Officer of Shell plc
Elected until 2025

Nadine Boguslawski*

First Authorized Representative of IG Metall Stuttgart
Appointed until 2023

* Employee representatives

 **Further information on the members of the Supervisory Board of Mercedes-Benz Group AG**

To Our Shareholders

Michael Brecht*

Chairman of the Works Council of the Mercedes-Benz Gaggenau Plant
Elected until 2023

Dr Martin Bruder Müller

Chairman of the Board of Executive Directors of BASF SE
Elected until 2025

Liz Centoni

Chief Strategy Officer and GM, Applications Cisco, Inc.
Elected until 2025

Dame Veronica Anne (“Polly”) Courtice

Former Director of the University of Cambridge Institute for Sustainability Leadership
Elected until 2026
(since 29 April 2022)

Marco Gobbetti

Chief Executive Officer of Salvatore Ferragamo S.p.A.
Elected until 2026
(since 29 April 2022)

Michael Häberle*

Deputy Chairman of the Group Works Council of Mercedes-Benz Group AG
Deputy Chairman of the General Works Council of Mercedes-Benz Group AG
Chairman of the Works Council of the Mercedes-Benz Untertürkheim Plant
Elected until 2023

Timotheus Höttges

Chairman of the Board of Management of Deutsche Telekom AG
Elected until 2025

Olaf Koch

Partner and Managing Director of Zintinus GmbH
Elected until 2025

* Employee representatives

 **Further information on the members of the Supervisory Board of Mercedes-Benz Group AG**

Roman Romanowski*

Head of the Executive Legal Department at the Board of Management of IG Metall
Appointed until 2023

Prof. Dr Helene Svahn

Professor of Nanobiotechnology at the Royal Institute of Technology, Sweden
Elected until 2025

Monika Tielsch*

Member of the Works Council of the Mercedes-Benz Sindelfingen Plant (RD)
Appointed until 2023

Elke Tönjes-Werner*

Deputy Chairwoman of the Works Council of the Mercedes-Benz Bremen Plant
Elected until 2023

Dr Frank Weber*

Center Manager BodyTEC, Mercedes-Benz AG
Chairman of the Management Representatives
Committee, Mercedes-Benz Group
Elected until 2023

Roman Zitzelsberger*

District Manager of IG Metall Baden-Württemberg
Elected until 2023

* Employee representatives

 **Further information on the members of the Supervisory Board of Mercedes-Benz Group AG**

Retired from the Supervisory Board

Bader M. Al Saad

Chairman of the Board of Directors and Director General of the Arab Fund
for Economic & Social Development
Retired on 29 April 2022

Dr Clemens Börsig

Former Chairman of the Supervisory Board of Deutsche Bank AG
Retired on 29 April 2022

* Employee representatives

Objectives and Strategy

The world is changing at a dynamic rate. Sustainability and environmental and climate change mitigation are among the most urgent issues of our time. We are addressing these challenges. With our actions, we want to set benchmarks for tomorrow's sustainable mobility. We firmly believe that individual mobility will remain a basic human need. We also assume that the market for sustainable luxury in the automotive sector will continue to grow and that the transportation of people and goods will remain a key component of our economy. As a result, we expect the demand for transport and mobility solutions to continue to increase around the world. We see additional opportunities for growth and profit in the areas of financial services, fleet management, and digital networked mobility solutions.

Sustainability, integrity and diversity are the basis of our conduct

The company assumes responsibility for the economic, ecological and social effects of its business activities. In order to live up to this responsibility, the Mercedes-Benz Group utilizes a holistic ESG (environmental, social and governance) concept throughout all of its divisions. The company's goal here is to at least halve CO₂ emissions per passenger car over the entire vehicle life cycle by the end of this decade as compared to 2020 levels. The most important levers for accomplishing this are the electrification of the vehicle fleet ("Electric only" strategy), charging with green electricity, improving battery technology and the comprehensive use of recycling materials and energy from renewable sources in vehicle production. Our plans call for more than 70% of the energy requirement in production to be covered by energy from renewable sources by 2030, for example. This is to be achieved by expanding solar and wind power at our own locations and by concluding additional corresponding power purchase contracts. The transformation to balance sheet carbon-neutrality of the new vehicle fleet across all stages of the value chain and the associated expansion of electric mobility involve numerous challenges, among other things in connection with supply chains and the use of raw materials such as cobalt or lithium. Thanks to the introduction of its Human Rights Respect System, the Mercedes-Benz Group is continually increasing the transparency and taking appropriate

measures as needed, particularly with regard to raw materials that currently pose an increased risk of human rights violations. The goal here is to ensure compliance with the principles of human rights along the entire supply chain — from the mines in which raw materials are extracted to processing facilities and the company's own production plants.

The transformation to balance sheet carbon-neutrality is also changing the world of finance. Green finance and financial instruments such as green asset-backed securities and sustainable financial agreements that are linked to KPIs are becoming increasingly important. In line with its "Electric only" strategy, the Mercedes-Benz Group plans to significantly increase its investment in environmentally sustainable activities over the next few years. The analysis of ESG ratings for the company is an important instrument for identifying and correcting gaps in transparency.

Along with sustainability and integrity, diversity is another foundation of the sustainable business strategy of the Mercedes-Benz Group. The company is firmly convinced that sustained success can only be achieved with diverse teams. The promotion of women is one of the areas of action for the Diversity & Inclusion Management function at the Mercedes-Benz Group, which wants to fill more senior management positions (Level 3 and above) with qualified women and in the next step is looking to increase the share of women in such positions to at least 30% in the year 2030.

Mercedes-Benz Cars Strategy

Mercedes-Benz Cars' goal is to build the world's most desirable cars. The company is to further increase its structural profitability and take the lead in shaping the successful transformation to an all-electric and software-driven future. The customer experience is to be even more strongly highlighted than before, with the focus on the core business. In addition, the potential of digitalization for the customers is to be more extensively utilized. Sustainability, integrity and diversity are integral components of the Mercedes-Benz Cars strategy. The Mercedes-Benz Cars division's ambition is to make the entire Mercedes-Benz new vehicle fleet balance sheet carbon-neutral across all stages of the value chain by 2039.

Think and act like a luxury brand

Luxury has always been part of Mercedes-Benz' DNA, and the company's thoughts and actions will focus even more strongly on it in the future. Mercedes-Benz' claim as a luxury brand is to offer the most desirable vehicles

throughout all brands. Here, the understanding of luxury involves an extraordinary combination of pioneering technologies, exceptional aesthetics and integrated sustainability. It's very important to reach the target groups in the specific settings in which they are active and to then position the brand in these settings in an authentic and credible manner, create an emotional bond and get people excited about Mercedes-Benz Cars' brands. To this end, the division is working hard on strategically realigning its products and services across all brands. The complete customer journey remains in view here — from the first contact with the Mercedes-Benz Cars brands to the purchase and driving of the vehicles and the use of the range of services. Collaborations with partners also help the company to look beyond the automotive industry and thus gain inspiration and develop new ideas.

Focus on profitable growth

Mercedes-Benz Cars wants to make the accelerated transformation towards an all-electric future profitable and to continue its growth in the lucrative market segments. A clear positioning as a luxury brand will help its

A.02

The graphic is a dark-themed layout with white text. At the top, the title 'Mercedes-Benz Cars Strategy' is centered in a large serif font. Below it, the goal statement 'Our Goal: We will build the world's most desirable cars' is centered. The main body consists of six vertical grey bars, each representing a strategic pillar: 'Think and act like a luxury brand', 'Focus on profitable growth', 'Expand customer base by growing Top-End Luxury', 'Embrace customers and grow lifetime revenues', 'Lead in electric drive and digital experience', and 'Lower cost base, improve industrial footprint and increase supply chain resilience'. At the bottom, two lines of text are centered: 'Driven by a highly qualified and motivated team' and 'Sustainability, Integrity and Diversity as our foundation'.

Mercedes-Benz Cars Strategy

Our Goal: We will build the world's most desirable cars

Think and act like a luxury brand	Focus on profitable growth	Expand customer base by growing Top-End Luxury	Embrace customers and grow lifetime revenues	Lead in electric drive and digital experience	Lower cost base, improve industrial footprint and increase supply chain resilience
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Driven by a highly qualified and motivated team

Sustainability, Integrity and Diversity as our foundation

efforts to achieve structurally higher profitability across all product categories — Entry, Core and Top-End. Information on this can be found in the Corporate Profile section of the Combined Management Report with Non-Financial Declaration. Along with a clear focus on the customer, the important ways in which this can be accomplished are focusing and further developing the portfolio by allocating funds to the most profitable product categories, and achieving strong pricing. These means are also to be employed for the systematic electrification of our models, with appealing electric vehicles throughout the entire Mercedes-Benz brand portfolio. Further profitable growth is also being targeted in the highly profitable Top-End and Core product categories in particular. The consistent positioning as a luxury brand will also be used to achieve Mercedes-Benz Cars' goal of sustained high profitability as a company that can rely on its highly resilient business system, even in challenging times.

Expand customer base by growing Top-End Luxury

In the survey conducted at the end of 2022 by the brand consulting company Interbrand in the United States, Mercedes-Benz remained the most valuable luxury automotive brand in the world and was once again the only European brand in the Top 10 of the "Best Global Brands 2022". Not only the outstanding S-Class luxury saloon car but also Mercedes-Benz's entire attractive brand portfolio — in particular the exceptional Mercedes-AMG and Mercedes-Maybach brands, as well as the iconic G-Class product brand — contribute to this success. The Mercedes-Benz Cars Strategy is to be used to unfold the full potential of the Mercedes-Benz brand portfolio, accelerate the development of the Top-End product category and achieve additional EBIT growth. This is to be accomplished by creating even stronger interrelationships between the brands in order to exploit synergies and address the customers even more effectively. Mercedes-Benz Cars wants the Mercedes-EQ vehicles to position as a leading technology brand not only in the upper-range segment but also in all other vehicle segments.

Embrace customers and grow lifetime revenues

In order to intensify and further boost customer loyalty, the division is systematically creating unique customer experiences along its entire customer journey and addressing customers in an individualized and data-driven manner within the Mercedes-Benz ecosystem. The basic precondition for this is, among other things, the availability of thoroughly digitalized sales processes. In this way, all channels — online and offline, and from consulting to service — are to be flexibly adapted to the dynamic customer requirements and further developed. Moreover, customers are to be provided with tailored and market-specific offers that enthrall them about more than just the purchase of vehicles. These offers include such things as after-sales services and spare parts as well as over-the-air (OTA) updates and subscriptions to digital services. In this way, Mercedes-Benz Cars intends to continuously enhance the attractiveness of its products and increase its revenue throughout the product life cycle.

Lead in electric drive and digital experience

Mercedes-Benz Cars is endeavouring to become a leader for electric mobility and the digital experience. The "Electric only" strategy is intended to set the course for an all-electric future with ambitious product development goals and the market launch of new locally emission-free and software-driven technologies. The division is preparing to become all-electric wherever market conditions allow by the end of this decade. Today, all-electric vehicles are already offered in all of the vehicle segments in which the Mercedes-Benz brand is represented. Beginning in the middle of the decade, customers are to be offered an all-electric alternative for every model and all new vehicle architectures launched on the market are to be exclusively electric. The electrification of the Mercedes-Benz vehicles is to encompass the entire brand portfolio.

Mercedes-Benz Cars' expertise in the field of electric mobility is to be extended, and the vertical integration is also to be increased by insourcing drive-system technologies for electric vehicles. To ensure more efficient production and promote the future development of battery cells and modules, the division plans to work together with partners — such as in the joint venture with Automotive Cells Company SE (ACC) in Europe and with the strategic supplier Envision Automotive Energy Supply Corporation (AESC) in the United States — to build eight battery cell production plants worldwide. At the same

time, the preparation of the global manufacturing network for the production of all-electric vehicles is proceeding at full speed. Eight electric vehicle models from Mercedes-Benz have been rolling off the assembly lines at seven locations on three continents since 2022.

The Plug & Charge and Mercedes me Charge services are aimed at offering customers a convenient, seamless and reliable charging experience. At the same time, plans call for continually expanding the worldwide charging-services together with partners. For example, the plans also include investments in the development of a worldwide Mercedes-Benz charging network.

In order to further underscore the claim to leadership with regard to the digital experience, Mercedes-Benz Cars plans to introduce its own data-based and updatable Mercedes-Benz Operating System (MB.OS), starting in the middle of the decade. This will be a proprietary system in order to meet the customers' needs even better in the future. In this way, they will be able to access a unique brand experience that includes new digital services and product features while control of the interface with customers remains in the Mercedes-Benz ecosystem. MB.OS is intended to create the basis that will enable an even faster and more flexible response to customer requirements in the future, including during a product's life cycle — by means of over-the-air (OTA) updates, for example. Another aim is to establish smart connectivity between the vehicle, the cloud and the IoT world (Internet of Things). Data security and data protection play a key role for Mercedes-Benz Cars here. Today, Mercedes-Benz Cars already meets the demanding legal requirements for an internationally certifiable system approval for conditional driving automation according to SAE Level 3 (pursuant to UN R157) — the first automotive company in the world to do so. With the DRIVE PILOT system, the customers are offered not only enhanced ride comfort and safety but also the luxury of reduced driver stress and the freedom to carry out certain activities while driving. Further information on this can be found in the Non-Financial Declaration section of the Combined Management Report with Non-Financial Declaration.

Lower cost base, improve industrial footprint and increase supply chain resilience

The sustainably successful transformation of the company requires us to systematically forge ahead with the pursuit of our profitability and cash-flow objectives. Mercedes-Benz Cars wants to further optimize its break-even point and take additional steps towards reducing the cost base and improving the industrial footprint. To this end, work is also proceeding on further reducing fixed and variable costs as well as on lowering investments in property, plant and equipment in relation to total investment. As we have already stated, by 2025 the fixed costs are to be reduced by more than 20% relative to the comparable actual figures for Mercedes-Benz Cars in 2019. Among other things, this will be accomplished by consistently reducing complexity along the entire value chain. By the middle of the decade, plans call for reducing investments in property, plant and equipment and in research and development by more than 20% compared to 2019. With its strategic step to "Electric only", Mercedes-Benz is also shifting its capital allocation. The implementation of further cost reductions by standardizing battery platforms and creating scalable vehicle architectures is planned. Mercedes-Benz Cars also aims to play a more active role along its supply chains in order to safeguard and increase the resilience of these business activities. All of these measures are designed to help us achieve structurally higher profitability while at the same time lowering the level of volatility.

Driven by a highly qualified and motivated team

The global success of Mercedes-Benz is founded on the commitment of the employees. The Mercedes-Benz team is successfully driving forward the company's transformation — now and in future. That's why it's necessary to continually invest in the qualifications of the employees and put lifelong learning and the further education of employees at the centre of the sustainable personnel development approach. At the same time, colleagues are to be provided with a modern, flexible and appreciative working environment, so that they will remain motivated, capable and satisfied. Technological change always requires a cultural change. With the People Principles, the company puts the focus on the people and defines how to communicate, lead and collaborate.

Mercedes-Benz Vans Strategy

The goal of Mercedes-Benz Vans is to offer its customers the most desirable vans and services worldwide. We want the vans from Mercedes-Benz to represent far more than a capital investment to customers, and to continue arousing their enthusiasm.

The strategy is based on four pillars:

Target premium segments and focus on profitable growth

Mercedes-Benz Vans has greatly shaped the vans market worldwide since the very beginning. As part of the Mercedes-Benz brand family, the division continuously sharpens its profile as a premium supplier of future-oriented transport solutions for commercial and private customers. The vans marketed for private customers will in future be aligned with the luxury-segment positioning strategy of Mercedes-Benz Cars, while the commercial vans will be marketed within the framework of a premium strategy.

The V-Class and the EQV are already successfully established in the segment for privately used vans. The T-Class, which was launched in 2022 in the small van segment, is a vehicle for families and leisure-oriented private customers. The all-electric variant, the EQT (WLTP: combined electricity consumption: 18.99 kWh/100 km; combined CO₂ emissions: 0 g/km) is planned for 2023.

For commercial customers, Mercedes-Benz Vans offers premium vehicles in all van segments with the (e)Sprinter, the (e)Vito and the Citan. The all-electric variant of the Citan — the eCitan — is to follow in 2023, so that the complete portfolio will then also be available as electrified variants. In both the commercial and the private segment, Mercedes-Benz Vans stands for the highest levels of quality, reliability and sustainability.

A.03

Mercedes-Benz Vans Strategy

Our Goal: We offer the world's most desirable vans and services

Target

premium segments and focus on profitable growth

Embrace

customers and grow lifetime revenues

Lead

in electric drive and digital experience

Lower

total cost base and improve industrial footprint

Guided by economic, environmental and social sustainability

Accelerated by digitalization and data-driven business

Driven by a highly qualified and motivated team

Another key element of the strategy is the increased focus on high-sales and high-margin markets and segments. In parallel with the expansion of its activities in Europe, the segment also intends in future to further intensify its efforts in China and North America and to align its portfolio even more closely with the respective market requirements.

In addition, Mercedes-Benz Vans plans to focus more strongly on the growing premium segments in the most profitable sectors and to enter into attractive segments by offering additional products at the upper end of the portfolio.

Embrace customers and grow revenues during the life cycle

In order to intensify and further boost customer loyalty, Mercedes-Benz Vans has set itself the goal of systematically aligning the entire customer journey with the customers' sector-specific requirements. This basic principle is a major part of the positioning as a leading premium van manufacturer, and consequently Mercedes-Benz Vans will further develop its business model. This will involve accelerating the step-by-step transition to direct and online sales together with trading partners in order to address customers in a data-driven, direct and individual manner. Furthermore, Mercedes-Benz Vans has set itself the objective of generating additional revenue potentials along the entire customer life cycle. To accomplish this, commercial and private customers are already being offered customer services and spare parts along with an innovative portfolio of digital services that is to be continually expanded with further sector-specific services.

Lead in electric drive and the digital experience

Today and in future, Mercedes-Benz Vans intends to set new standards for sustainable electric mobility and digital solutions. With the eVito, the eVito Tourer, the eSprinter and the EQV, the Mercedes-Benz Vans portfolio is almost completely electrified. The electric portfolio is to be completed by the eCitan and the EQT (WLTP: combined electricity consumption: 18.99 kWh/100 km; combined CO₂ emissions: 0 g/km) in 2023. In order to make the portfolio sustainable and future-proof, the segment is focusing on the consistent further development of efficient all-electric vans. The launch of VAN.EA — a new, electric-only architecture which is intended to provide the basis for all future Mercedes-Benz vans — is planned for the middle of the decade.

Since the second half of 2022, the division has been gradually rolling out a sustainable repair concept for electric vehicles in all van segments to prolong the life cycles of the high-voltage batteries installed in its vehicles. To the “three Rs” in the circular economy of “reduce”, “reuse”, “recycle”, a fourth has thus been added: “repair”.

When it comes to customer-oriented and digital services, Mercedes-Benz Vans wants to further strengthen its position. The division plans to further expand the broad range of Mercedes me services for private and commercial customers. For private customers, the goal is to also guarantee the luxury aspiration in the range of digital services. In the commercial segment, the seamless coupling of vehicle data with the customers' data systems is to be made possible.

Lower the total cost base and improve the industrial footprint

Mercedes-Benz Vans aims to continuously improve its profitability and cash flow. At the same time, investments in the future and as the accelerated transformation to electric mobility are to be safeguarded. Processes are to be continuously improved, flexibility increased and the cost base reduced. For example, Mercedes-Benz Vans is fully exploiting the potential of digitalization in order to increase efficiency. At the same time, the segment is focusing on reducing complexity by means of processes such as the continuous review of our product portfolio while continuing to keep a close eye on customers' requirements. In addition, Mercedes-Benz Vans consistently examines its expenditures in order to safeguard competitiveness.

Mercedes-Benz Vans is realigning its European production network on the basis of the modular all-electric VAN.EA platform. To this end, the established Mercedes-Benz AG site in Jawor, Poland will be integrated into the Mercedes-Benz Vans production network.

The strategic actions are guided by three principles:

Guided by economic, environmental and social sustainability

As part of the Mercedes-Benz Group, Mercedes-Benz Vans has made sustainability an integral part of its strategy. In the process, Mercedes-Benz Vans takes account of all stakeholders: customers, employees, investors, business partners and society as a whole. Mercedes-Benz Vans has set ambitious goals for the sustainability areas of action.

One of the main goals formulated in Ambition 2039 is balance sheet carbon-neutrality. Here, efforts are underway to make the fleet of new private and commercial vans (sold by Mercedes-Benz AG or by Mercedes-Benz AG as the general contractor, including upfitter solutions) balance sheet carbon-neutral over the entire life cycle by 2039.

Accelerated by digitalization and data-driven business

Digitalization and a business model driven by data are highly relevant for Mercedes-Benz Vans, and were thus embedded in the segment's strategy as additional guiding principles. Mercedes-Benz Vans intends to use the comprehensive digital strategy to exploit the potentials of the digital transformation as effectively as possible. Among other things, this includes the optimal design of the digital customer experience, the expansion of the digital product and service portfolio as well as the optimization of internal business processes by means of digital technologies. In all of its activities, Mercedes-Benz Vans aims for the maximum networking and synergy effects with Mercedes-Benz Cars.

Driven by a highly qualified and motivated team

The employees form the basis of Mercedes-Benz Vans' success. Focussing on their motivation is important, especially in times of profound change. Mercedes-Benz Vans uses targeted qualification measures to continually prepare employees for the challenges of the future, and in the process creates a working environment in which individual potentials can be applied in the best possible way and outstanding results can be achieved.

Mercedes-Benz Mobility Strategy

Mercedes-Benz Mobility has a clear ambition: By 2025, we will be the number one financial and mobility service provider for luxurious driving in the electric era. Mercedes-Benz Mobility wants to be the company of choice for customers — not only for financing and leasing but also for fleet management and flexible rental and subscription services, as well as insurance and other vehicle-related services.

The “MBM 2025” strategy is structured with a focus on the customer and aims to make the transition to the electric era as simple and convenient as possible. To this end Mercedes-Benz Mobility is working on seamlessly and digitally integrating its product range into the Mercedes-Benz customer experience. The intention is to improve business efficiency by digitalising and automating processes and increasing the level of data-driven business activity. Mercedes-Benz Mobility seeks to be the employer of choice and aims to offer employees an exciting corporate culture based on trust, empowerment, motivation and development opportunities.

A.04

Mercedes-Benz Mobility Strategy

Our Goal: By 2025, we will be the number one financial and mobility service provider for luxurious driving in the electric era.

We support the sustainable transformation to **electric mobility** and generate further **service revenues** with our products

Our offerings are 100% **digital** and **seamlessly** integrated into the world of Mercedes-Benz

We are **digitalizing** our **processes end-to-end**, supported by strategic partnerships in technology and operations

We are developing into a **data-driven** company

We are strengthening our high-performance culture

Mercedes-Benz Mobility is supporting the transformation to electric mobility and generating additional income from services with its products

Even before a leasing contract expires, customers are actively informed that they can switch to an electric vehicle. Electric car rental and subscription services offer convenient and flexible options for people to enjoy the benefits of electric vehicles without committing to long-term ownership. The switch to electric mobility is even easier by additional services for vehicle charging. With Mercedes pay, Mercedes-Benz Mobility has also created a captive platform for payment services and is enabling the use of integrated payment processes within the Mercedes-Benz ecosystem.

Mercedes-Benz Mobility is making a seamlessly integrated customer experience possible

In the years ahead, Mercedes-Benz plans to sell more and more vehicles online. The mobility services from Mercedes-Benz Mobility will therefore be completely integrated into the digital customer journey. As a result, customers will be able not only to buy their preferred vehicles online but to obtain financing, leasing and insurance online as well.

Mercedes-Benz Mobility is automating and digitalizing internal processes

The product landscape is to be harmonized internationally. In addition, internal processes are to be systematically automated, thereby simplifying and accelerating them. In doing so, Mercedes-Benz Mobility is prioritizing information technology partnerships.

Mercedes-Benz Mobility is evolving into a data-driven company

Mobility services for customers in the luxury segment are planned to be data-based with a strong customer focus. That's why the necessary teams and skills are being developed in order to gain an even better understanding of the customers' needs and align the service offering with them more precisely.

Mercedes-Benz Mobility is enhancing a high-performance culture

The employees are the company's greatest strength on the road to a new era of individual mobility. This is why Mercedes-Benz Mobility continuously takes steps to promote and further develop its corporate culture. In the transformation we are always guided by our values — integrity, openness and respect, customer focus, financial and social responsibility, inspired and diverse employees, the will to achieve top performance and a commitment to sustainability.



COMBINED
MANAGEMENT REPORT
WITH
NON-FINANCIAL
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Corporate Profile

Business model

Overview

The Mercedes-Benz Group can look back on a tradition covering more than 135 years — a tradition that goes back to Gottlieb Daimler and Karl Benz, the inventors of the automobile, and features pioneering achievements in automotive engineering. Today, the company is a luxury car manufacturer that operates globally. In its capacity as a vehicle manufacturer, the Group is one of the largest suppliers of premium and luxury automobiles and vans. The Group's range of products and services is supplemented by financing and leasing products for end customers and dealers, fleet management services and insurance brokerage, as well as innovative and digital mobility services.

Table B.01 provides an overview of the Group's brand world.

B.01

The brand world of the Mercedes-Benz Group



Mercedes-Benz Group AG is the parent company of the Mercedes-Benz Group and has its headquarters in Stuttgart. Daimler AG was renamed as Mercedes-Benz Group AG with effect from 1 February 2022. Along with Mercedes-Benz Group AG, the Mercedes-Benz Group comprises all subsidiaries over which Mercedes-Benz Group AG can exercise a controlling influence either directly or indirectly. Detailed information on this topic can be found in the statement of investments pursuant to Section 313 of the German Commercial Code (HGB) in the Notes to the Consolidated Financial Statements. Mercedes-Benz Group AG defines the Group strategy, manages the Group and, as the Group parent company, ensures the effectiveness of legal, organizational and compliance-related functions throughout the Group.

The management reports for Mercedes-Benz Group AG and for the Group are combined within this annual report. The Combined Management Report includes the combined Non-Financial Declaration of Mercedes-Benz Group AG and of the Group.

The entry into the commercial register on 9 December 2021 completed the spin-off and hive-down of the Daimler commercial vehicle business and it was deconsolidated.

The Group structure subsequently changed: the Mercedes-Benz Cars, Mercedes-Benz Vans and Mercedes-Benz Mobility divisions began managing the business operations of the Mercedes-Benz Group. For the purposes of external reporting, and since 1 January 2022, the Mercedes-Benz Cars and Mercedes-Benz Vans segments have no longer been combined into the reportable segment Mercedes-Benz Cars & Vans, but are instead reported on as independent segments. The prior-year figures have been restated accordingly.

The reconciliation of the segments for the Group (reconciliation) presents the functions and services provided by the Group's headquarters. In addition, the reconciliation includes equity investments that are not allocated to the segments, gains and/or losses at the corporate level and the effects on earnings of eliminating intra-Group transactions between the segments.

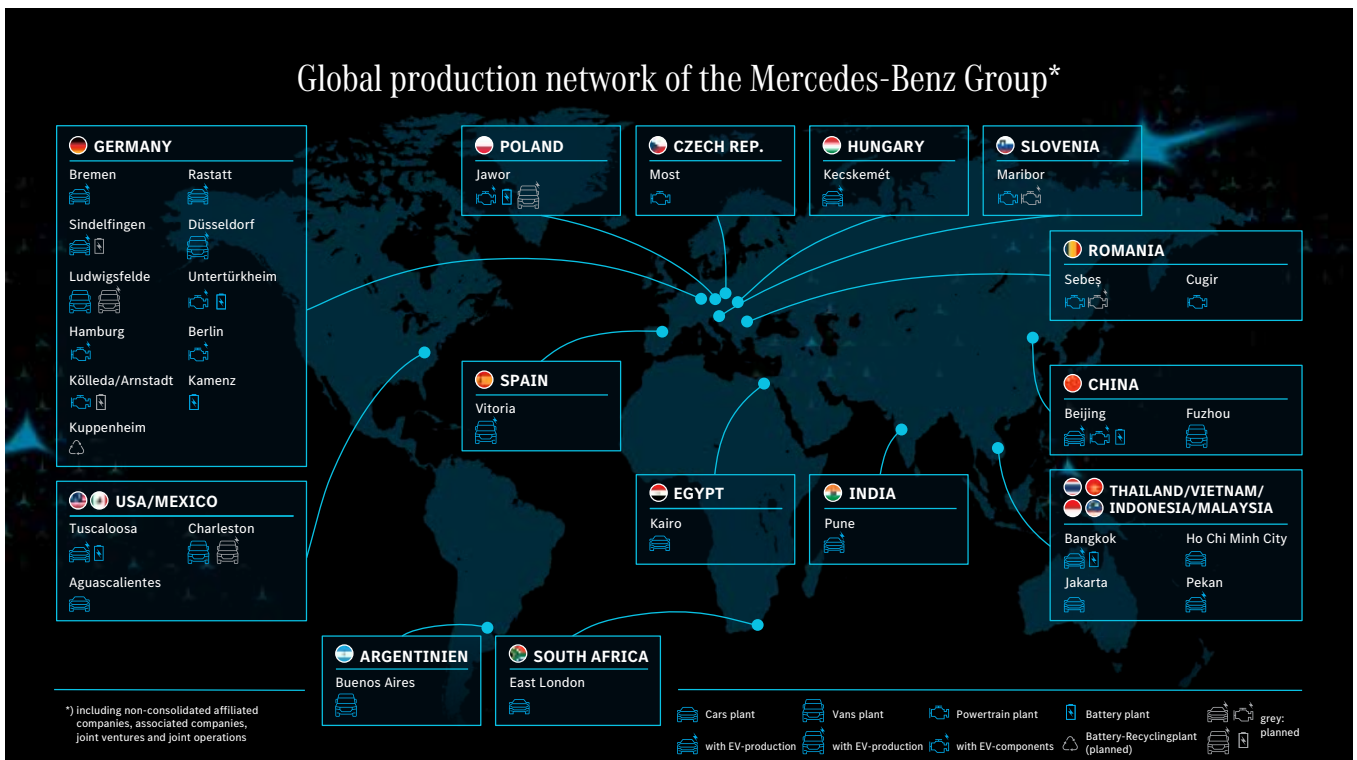
The Daimler Trucks & Buses segment, which was reported until the date of the spin-off and hive-down of Daimler's commercial vehicle business, was included in the previous year's Consolidated Statement of Income and the Consolidated Statement of Cash Flows under discontinued operations; the profit or loss from discontinued operations is contained in the reconciliation. Following the transfer of approximately 5% of the shares to the pension plan assets in January 2022, the Mercedes-Benz Group holds a minority interest of approximately 30% in Daimler Truck Holding AG¹ as of 31 December 2022. This minority holding of around 30% is included in the Consolidated Financial Statements using the equity method and is also shown in the reconciliation.

The financial services business contained in the Daimler commercial vehicle business was included as part of continuing operations in the Consolidated Statement of Income and the Consolidated Statement of Cash Flows until the date of its deconsolidation. Until then, it had been part of the Mercedes-Benz Mobility segment. Further information on the accounting method used for the spin-off and hive-down of the Daimler commercial vehicle business can be found in Note 3 of the Notes to the Consolidated Financial Statements.

The Mercedes-Benz Group sells vehicles and provides services in nearly every country in the world and has over 30 production facilities in Europe, North America and South America, Asia and Africa. The Group is continuously further developing its global production network on these continents and is aligning it to manufacture its repositioned product portfolio with a focus on electric vehicles. The Group is also simultaneously building up a global battery production network on three continents. The chart in B.02 provides an overview of Mercedes-Benz Cars and Mercedes-Benz Vans production locations around the globe.

¹ For the purposes of the voting rights quota pursuant to the German Securities Trading Act, the approximately 5% of the shares contributed to the pension-plan assets were allocated to the Mercedes-Benz Group.

B.02



Mercedes-Benz Cars

Mercedes-Benz Cars invests systematically in the development of efficient powertrains and is thus setting the course for an all-electric future. The brand with the three-pointed star is pursuing the goal of becoming all-electric by the end of this decade wherever market conditions allow. The strategic step to “Electric only” will enable Mercedes-Benz Cars to accelerate the transformation as we move into an all-electric, software-driven future. To this end, the electric platform Electric Vehicle Architecture (EVA), on which the EQS, EQS SUV, EQE and EQE SUV vehicle models are produced, was introduced in 2021. Beginning in the middle of the decade, the Mercedes Modular Architecture (MMA) platform, which is geared towards electric mobility, is to follow in the compact and mid-size segments. In 2025, Mercedes-Benz Cars plans to introduce two more all-electric platforms (BEV platform generations): the Mercedes-Benz Electronic Architecture (MB.EA) and the AMG Electronic Architecture (AMG.EA).

The segment also continues to move ahead at a fast pace with the intelligent networking of its vehicles and the development of autonomous driving systems and new mobility concepts. Sustainability is a fundamental principle and a firm component of the Mercedes-Benz Cars business strategy — a principle that guides all of our business activities.

At the same time, Mercedes-Benz Cars continues to focus its business model and product portfolio on the luxury segment. Mercedes-Benz Cars offers a broad range of products, and in 2022 the company introduced the three product categories of Top-End, Core and Entry. The Top-End¹ portfolio encompasses Mercedes-AMG, Mercedes-Maybach, the G-Class, the S-Class, the EQS Sedan, the GLS and the EQS SUV. Core represents the heart of the brand and comprises the Mercedes-Benz C-Class and E-Class model ranges and their derivatives. The Entry A-Class and B-Class models and their derivatives offer customers a point of entry into the compact vehicle portfolio.

In addition to the Mercedes-Benz brand, the brand portfolio encompasses the brands Mercedes-AMG, Mercedes-Maybach and Mercedes-EQ. The Mercedes me brand provides access to the digital services of Mercedes-Benz Cars.

Along with its production sites in Germany, Mercedes-Benz Cars also operates major manufacturing facilities in the United States, Hungary, Mexico and South Africa. Production in China is managed via the associated company Beijing Benz Automotive Co., Ltd.

The most important markets for Mercedes-Benz Cars in 2022 were China with 37% of unit sales, the United States (15%), Germany (11%), the other European markets (20%) and South Korea (4%).

¹ The Top-End category comprises all AMG models, including the AMG models of the various “Class” model ranges as well as their derivatives in the Core and Entry categories.

Mercedes-Benz Vans

Mercedes-Benz Vans is a global supplier of a complete portfolio of vans. The models offered in the commercial segment comprise the Sprinter large van, the Vito mid-size van (marketed as the Metris in the United States) and the Citan urban delivery van. The range of Mercedes-Benz vans in the private-customer segment consists of the V-Class full-size multi-purpose vehicle, Marco Polo camper vans and recreational vehicles and, since 2022, the T-Class.

Mercedes-Benz Vans has embedded its claim to electric mobility leadership in its strategy and is systematically electrifying all of its model series. Today, customers can already choose from four all-electric vans: the eSprinter, the eVito panel van, the eVito Tourer and the EQV multi-purpose vehicle. The all-electric variant EQT (WLTP: combined electricity consumption: 18.99 kWh/100 km; combined CO₂ emissions: 0 g/km) and the eCitan were presented in 2022. Mercedes-Benz Vans will then be offering all-electric vans in all segments. The new eSprinter has already been announced and is expected to be available in the United States and Canada in the second half of 2023 and then introduced successively to the European markets from the end of 2023.

The Mercedes-Benz Vans division has manufacturing facilities in Germany, Spain, the United States and Argentina and also produces vehicles in the Fujian Benz Automotive Co., Ltd. joint venture in China. The Citan and T-Class with the respective electric variants are produced in France through an alliance with Renault-Nissan-Mitsubishi.

The most important markets for Mercedes-Benz Vans in 2022 were Germany with 27% of unit sales, the other European markets (35% — European Union, United Kingdom, Switzerland, Norway), the United States (16%) and China (8%).

Mercedes-Benz Mobility

The Mercedes-Benz Mobility division supports the sale of the Mercedes-Benz Group's vehicle brands worldwide with custom mobility and financial services. These services range from leasing and financing packages for end customers and dealers to insurance solutions, flexible subscription and rental models and fleet management services for business customers, with the latter primarily offered via the Athlon brand. Furthermore, Mercedes-Benz Mobility is active in the area of innovative mobility services.

Mercedes-Benz Mobility has around 4.5 million leased and financed vehicles in 35 markets for its financing, leasing and insurance business alone. This is clear proof of its ability to offer outstanding services that meet a wide range of requirements. The mobility ecosystem is rounded off by flexible-use services such as Mercedes-Benz Rent (rental vehicles) as well as by investments in companies that offer mobility services. The YOUR NOW joint ventures CHARGE NOW and FREE NOW provide easy access to charging infrastructure and mobility services. With its investments in the premium ride-hailing providers StarRides and Blacklane, Mercedes-Benz Mobility also covers the segment of limousine ride services with premium and luxury vehicles. In addition, Mercedes pay, a company-owned platform for technically linking payment services, is enabling the use of seamlessly integrated payment processes for customers.

Important events

Daimler embarks on a new era as the Mercedes-Benz Group

On 1 February 2022 Daimler AG became Mercedes-Benz Group AG. With the change of name, the company is completing the realignment that began in 2021 with the spin-off and hive-down of Daimler's commercial vehicle business.

The new Mercedes-Benz Group is concentrating on its passenger cars from the Mercedes-Benz, Mercedes-AMG, Mercedes-Maybach and Mercedes-EQ brands as well as the vehicles manufactured by Mercedes-Benz Vans with the objective of thus fully utilizing the economic potential and making even better use of the competitive strengths in future.

Parallel to the renaming of Daimler AG, Daimler Mobility AG was also renamed Mercedes-Benz Mobility AG.

New battery plant sets stage for EQS SUV production in the United States

On 15 March 2022, Mercedes-Benz Cars opened a new battery plant in Bibb County, Alabama, a few months ahead of the start of production of new all-electric Mercedes-EQ vehicles in the United States. Mercedes-Benz is manufacturing the EQS SUV and EQE SUV in Alabama. The state-of-the-art battery factory in Bibb County will supply batteries for these new models.

Acquisition of a 33.33% stake in ACC

On 22 March 2022 Mercedes-Benz AG signed an agreement with PSA Automobiles SA, Opel Automobile GmbH and Saft EV SAS to acquire a 33.33% stake in Automotive Cells Company SE (ACC) through a capital contribution of approximately €390 million. The Group also committed itself to the provision of further funds up to €410 million. The transaction was completed on 12 May 2022. The investment in the European battery cell manufacturer ACC is being made in order to advance the development and production of high-performance battery cells and modules in the course of the transformation to "Electric only".

Mercedes-Benz Cars plans to reduce CO₂ emissions by more than 50% by the end of the decade

At the first digital ESG (Environmental, Social and Governance) Conference for investors and analysts on 11 April 2022, the Mercedes-Benz Group announced its plan to implement extensive measures in order to reduce CO₂ emissions and thus create lasting value for all stakeholders. The company's goal here is to at least halve CO₂ emissions per passenger car relative to 2020 over the entire vehicle life cycle by the end of this decade. The most important levers for accomplishing this are the electrification of the vehicle fleet, charging with green electricity, improving battery technology and the comprehensive use of recycling materials and energy from renewable sources in vehicle production.

First Annual General Meeting of Mercedes-Benz Group AG

At the first Annual General Meeting of Mercedes-Benz Group AG in the new Group structure on 29 April 2022, the shareholders approved a dividend of €5.00 for 2021 (2020: €1.35) per share. This includes a dividend of €0.70 from the Daimler commercial vehicle business. The total payout was approximately €5.35 billion (2020: €1.4 billion). The strong results in the 2021 financial year demonstrate the success of the strategic refocus on electric vehicles and the expansion of the top-end segment.

Mercedes-Benz Group strengthens the Supervisory Board with experts for sustainability and the luxury-goods industry

Bader M. Al Saad and Prof Dr Clemens Börsig stepped down from their positions on the Mercedes-Benz Group AG Supervisory Board at the end of the Annual General Meeting on 29 April 2022. Dame Veronica Anne ("Polly") Courtice and Marco Gobbetti were elected their successors.

From 1989, Dame Polly Courtice was the Deputy Director — and from 2000 to 2021, the Director — of the University of Cambridge Institute for Sustainability Leadership.

Marco Gobbetti has been the CEO of Salvatore Ferragamo S.p.A. since January 2022 and previously served as the chairman of various companies in the luxury goods industry, including Moschino, Givenchy and Burberry.

Long-term goals as a luxury car brand

On 19 May 2022, Mercedes-Benz Cars hosted a capital market day, “The Economics of Desire,” during which it provided further details of its strategic course. The company will focus the car business even more strongly on luxury, continue to elevate its product portfolio, accelerate on its path to a fully electric future and target structurally higher profitability and greater financial resilience.

Mercedes-Benz Cars aims to grow the unit sales share of its Top-End vehicles by around 60% by 2026 versus 2019. In addition, Mercedes-Benz Cars is aiming to achieve a return on sales of approximately 14% by the middle of the decade in favourable market conditions. Our strategic decision to become fully electric by 2030 — wherever market conditions allow — and the ambition to become net CO₂-neutral by 2039 should further enhance the connection between luxury and sustainability.

Mercedes-Benz Cars prepares car production network for all-electric portfolio

As announced in June 2022, Mercedes-Benz Cars is aligning its global production network to manufacture the repositioned product portfolio with a focus on luxury electric vehicles.

The Mercedes-Benz plants in Sindelfingen, Bremen, Rastatt and Kecskemét are scheduled to start the production of new electric models in the Top-End, Core and Entry product categories from the middle of the decade. The Mercedes-Benz Sindelfingen site is the lead plant for the Top-End product category and is scheduled to produce models based on the electric AMG.EA (AMG Electric Architecture) platform from 2025. The Mercedes-Benz plants in Bremen and Kecskemét are scheduled to manufacture vehicles in Europe based on the electric MB.EA (Mercedes-Benz Electric Architecture) platform. It is planned that the Rastatt and Kecskemét plants will also produce the repositioned models based on the MMA (Mercedes Modular Architecture) platform beginning in the middle of the decade. As part of the implementation of the Mercedes-Benz 2022 to 2026 Business Plan, the company is planning to invest more than €2 billion in the European production sites.

Another milestone in the ramp-up of all-electric vehicle production

Mercedes-Benz Cars is taking a further step towards an all-electric future with the development and production of next-generation high-performance battery cells and modules. As announced on 12 August 2022, Mercedes-Benz Cars is further expanding its battery cell partnership with Contemporary Amperex Technology Co., Ltd. (CATL) with a new production site in Hungary. The new CATL plant in Debrecen is scheduled to supply battery cells to European production sites in Germany and Hungary. It is an important part of the plan to build a total of eight cell factories worldwide by the end of the decade. The plants will have a total production capacity of more than 200 gigawatt hours.

Mercedes-Benz Group signs supply agreement with Rock Tech Lithium for ramp-up of electric car production

On 20 October 2022, the Mercedes-Benz Group concluded a supply agreement with the Canadian-German start-up Rock Tech Lithium Inc. in order to obtain lithium. The goal of the agreement is to secure the raw material needed for battery production within the framework of a strategic direct sourcing approach. The agreement shall make it possible for the Mercedes-Benz Group to ensure its battery partners are supplied with lithium hydroxide in order to rapidly scale up production of all-electric vehicles.

Mercedes-Benz Group initiates rotation of the auditor

External rotation of the auditor is required by law for the audit of the financial statements for 2024 at the latest, because the current auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, will reach the statutory maximum term when it audits the financial statements for 2023. To ensure compliance with the duty to appoint a different audit firm, a selection and proposal process was conducted in accordance with the EU Statutory Audit Regulation during the reporting period in order to appoint an auditor for 2024.

Based on the recommendation and preference of the Audit Committee, and on the basis of its own review, the Supervisory Board of Mercedes-Benz Group AG has decided to propose to the 2023 Annual General Meeting that Pricewaterhouse Coopers GmbH Wirtschaftsprüfungsgesellschaft be appointed as auditor for 2024.

Mercedes-Benz AG and Hydro pool their innovative capabilities

In December 2022 Mercedes-Benz AG signed a memorandum of understanding with the Norwegian aluminium manufacturer Norsk Hydro ASA that involves the use of a low-carbon technology roadmap between 2023 and 2030. This marks a key milestone on the road to decarbonization and a more environmentally compatible aluminium supply chain.

Mercedes-Benz AG and Hydro have also reached agreement on the gradual supply of very low CO₂-emission aluminium for use in automotive applications. As a result, the carbon footprint of the aluminium supplied by Hydro is expected to be nearly 70% lower than the European average as early as next year.

Mercedes-Benz Cars establishes production setup for electric drive systems

Plans call for plug-in hybrids and all-electric vehicles to account for approximately half of total unit sales as early as 2025. Conventional drive assemblies will therefore remain an important part of the Mercedes-Benz drive system portfolio over the medium term. As electrification increases, demand will shift towards electric mobility components, batteries and electric drive systems.

In June 2022, Mercedes-Benz Cars announced a realignment of its vehicle production plants in connection with future vehicle architectures. As of December 2022, the sites for production of electric drive systems — i.e. batteries, electric drive units and axles — have also been defined, with manufacturing operations scheduled to begin in 2024. As part of the implementation of the Mercedes-Benz Business Plan, the company plans to invest a mid-ten-digit euro sum in its European powertrain production sites.

The battery plants in Kamenz, Brühl (Untertürkheim site) and Beijing (China) are scheduled to produce batteries for the new models from the MMA and MB.EA platforms. Plans also call for the establishment of battery assembly operations at the Köllda site, subject to the support of the state government in Thuringia. The Untertürkheim, Sebes (Romania) and Beijing plants are to begin producing electric drive units for the new models from the MMA and MB.EA platforms in the middle of the decade. At the same time, the Untertürkheim plant will double its previously announced target production capacity for electric drives to one million units. The Mercedes-Benz plants in Hamburg and Untertürkheim (Mettingen section) are scheduled to remain the German core plants for the assembly of electric axles and components. Plans call for them to supply the production network of Mercedes-Benz body plants with next-generation systems. Beginning in the middle of the decade, the Mercedes-Benz plant in Berlin is to manufacture high-performance electric motors for the future AMG.EA platform.

Mercedes-Benz Vans is accelerating its electric transformation and restructuring its production network in Europe

The objective is to have all newly launched vans from Mercedes-Benz be exclusively electric from the middle of this decade. To this end, Mercedes-Benz Vans is developing a fundamentally new, modular and fully electric van architecture called VAN.EA (Van Electric Architecture). The company plans to invest accordingly in the development of this platform.

In December 2022, Mercedes-Benz Vans announced that it would be restructuring its production network in Europe, thereby marking a new milestone in its transformation into a provider of locally emission-free mobility. Mercedes-Benz Vans will build its first purely electric vehicle plant in the world at its existing site in Jawor, Poland. The new plant will focus solely on the production of all-electric vans. Plans call for the closed-body models in the segment for large all-electric vans to be produced in Jawor in the future on the basis of the modular VAN.EA platform. Through its consistent focus on the production of all-electric vans, the division is looking to gain a productivity edge and thus significantly improve its competitiveness.

Mercedes-Benz Vans and Rivian Automotive, Inc. (Rivian) signed a memorandum of understanding for a strategic partnership in the third quarter of 2022. In the agreement, the two companies stated their intention to invest in and jointly operate a factory in Central or Eastern Europe as part of a joint venture. The option to expand the factory further with Rivian in order to include production of large all-electric vans has been terminated for now by Rivian due to its reprioritization of projects in December 2022.

Global high-power charging network

In January 2023, Mercedes-Benz AG announced far-reaching plans to build a global high-power charging network in North America, Europe, China and other core markets. Construction of the first charging parks is to begin in the United States and Canada, followed by other regions around the globe. The goal is to create a global charging network by the end of the decade.

Intended sale of shares in the Russian subsidiaries

At the end of October 2022, Mercedes-Benz Group signed contracts with the Russian car dealer Avtodom AO for the sale of the shares in the Russian subsidiaries.

Completion of the transaction is subject to authorities' approval, which have not yet been fully granted, and the implementation of the contractually agreed conditions.

Mercedes-Benz Group AG resolves share buyback programme

On 16 February 2023, the Board of Management, with the approval of the Supervisory Board, resolved a share buyback programme. Beginning on 3 March 2023, own shares worth up to €4 billion (not including incidental costs) are intended to be acquired on the stock exchange over a period of up to two years and shall subsequently be cancelled. The share buyback programme will be based on the authorization by the Annual General Meeting of the Group on 8 July 2020, authorizing the Board of Management to acquire, with the approval of the Supervisory Board, own shares up to a maximum of 10% of the share capital until 7 July 2025.

Mercedes-Benz Group AG has separately agreed with Beijing Automotive Group Co., Ltd. and Geely Group that they will each keep their shareholdings in Mercedes-Benz Group AG below 10% by divesting their shares on a pro-rata basis concurrently with the share buyback programme.

Mercedes-Benz and Google join forces to create next-generation navigation experience

As announced on 22 February 2023, Mercedes-Benz plans to build its own branded navigation MB.OS using new in-car geospatial data and navigation capabilities from Google Maps Platform. With this partnership, Mercedes-Benz plans to be the first automaker to build its own branded navigation experience based on new in-car data and navigation capabilities from Google Maps Platform.

Performance measurement system

Various targets are defined on the basis of the Mercedes-Benz Group's corporate strategy and business strategy. Along with financial targets, these include sustainability-related targets in particular. The Group's performance measurement system is designed to help ensure that these targets can be reached and that permanent value can thus be created for the stakeholders. The information provided below primarily relates to the Group's financial performance measurement system. Information on sustainability targets and the measures being taken to achieve them can be found in the chapter Non-Financial Declaration.

Value-based financial management

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

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

As shown in B.03, value added can be calculated as the difference between the measure of operating profit (EBIT or net operating profit) and the cost of capital of the average net assets.

B.03

Calculation of value added

$$\text{Value added} = \text{Profit measure} - \frac{\text{Net assets} \times \text{Cost of capital (\%)}}{\text{Cost of capital}}$$

The return on net assets (RONA) is calculated from the ratio of EBIT to net assets. Value is created for our shareholders when RONA exceeds the cost of capital. The required rate of return on net assets, and thus the cost of capital rate, is derived from the minimum rates of return that equity investors and lenders expect on their invested capital. In contrast to cost of capital rates based on peer-group logic for purposes of the impairment test at the level of the cash-generating units, when determining the Group cost of capital rate for deriving the value added, the focus is on the use of company-specific data (in particular with respect to the capital structure). For 2022, this cost of capital rate of the Group remained unchanged at 8% after taxes. For the automotive divisions, this cost of capital rate remained unchanged at 12% before taxes; for Mercedes-Benz Mobility, an unchanged cost of equity of 12% before taxes was applied. Cost of capital rates are shown in Table B.04.

B.04

Cost of capital

	2022	2021
in %		
Group, after taxes	8	8
Automotive divisions, before taxes	12	12
Mercedes-Benz Mobility, before taxes	12	12

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

Financial performance measures

Profit measure

The measure of operating profit at the divisional level is EBIT (earnings before interest and income taxes). EBIT thus reflects the divisions' responsibility for profit and loss. EBIT that is calculated at the Group level takes into account centrally managed matters and eliminations.

In order to provide a more transparent presentation of our ongoing business, adjusted EBIT is also calculated and reported for both the Group and the divisions. The adjustments include individual items insofar as they lead to material effects in a reporting year. These individual items can relate in particular to legal proceedings and related measures, restructuring measures and M&A transactions.

Group EBIT minus the centrally managed income taxes equals net operating profit. Table B.12 in the chapter Profitability shows how net operating profit is calculated.

Return on sales

As one of the main factors influencing value added, return on sales is of particular importance for assessing the profitability of the automotive divisions. Return on sales is the ratio of EBIT to revenue, whereby vehicle sales are the primary source of revenue. The measure of profitability for Mercedes-Benz Mobility is not return on sales but return on equity (the ratio of EBIT to average equity on a quarterly basis). On the basis of adjusted EBIT, an adjusted return on sales is reported for the automotive divisions and an adjusted return on equity is reported for Mercedes-Benz Mobility.

Net assets

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

Cash flow

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

In order to provide a more transparent presentation of our ongoing business, the adjusted free cash flow of the industrial business and the adjusted CFBIT of the automotive divisions are also calculated and reported. An adjusted cash conversion rate (adjusted CCR) on the basis of adjusted CFBIT and adjusted EBIT is reported for the automotive divisions. The adjustments include individual items insofar as they lead to material effects in a reporting year. These individual items can relate in particular to legal proceedings and related measures, restructuring measures and M&A transactions.

Key performance indicators

The following indicators are the key financial performance indicators used to measure the operating financial performance of the **Mercedes-Benz Group**:

- Revenue
- EBIT
- Free cash flow of the industrial business

In addition the figure for the CO₂ emissions of our fleet of new cars in Europe¹ is a key non-financial performance indicator. This takes into account the very important role sustainability aspects play in the management of the Group.

The following key financial performance indicators have an emphasized relevance for the automotive divisions **Mercedes-Benz Cars** and **Mercedes-Benz Vans**:

- Investments in property, plant and equipment
- Research and development expenditure

Unit sales at Mercedes-Benz Cars and Mercedes-Benz Vans are used as an additional non-financial indicator for measuring the performance of the automotive divisions.

Adjusted return on equity and new business are the key performance indicators for **Mercedes-Benz Mobility**. New business here refers to the volume of leasing and financing contracts capitalized during the reporting period.

Declaration on Corporate Governance

The Declaration on Corporate Governance, which is combined for the company and the Group in accordance with Section 289f and Section 315d of the German Commercial Code, can be found in the chapter Declaration on Corporate Governance of the Annual Report as well as on the Internet at group.mercedes-benz.com/dcg.

Pursuant to Section 317 Subsection 2 Sentence 6 of the German Commercial Code (HGB), the purpose of the audit of the statements pursuant to Section 289f Subsections 2 and 5 and Section 315d of the HGB by the auditors is limited to determining whether such statements have actually been provided.

¹ Average CO₂ emissions of the new car fleet of newly registered Mercedes-Benz cars in Europe (European Union, Norway and Iceland) in the reporting year as measured on the basis of the WLTP, i.e. including vans that are registered as passenger cars.

Economic Conditions and Business Development

The world economy and automotive markets

The world economy

General economic conditions

During the year under review, the **world economy** was heavily impacted by Russia's war in Ukraine and the rapid rise in inflation rates around the globe. The war and the sanctions against Russia that followed led to a further deterioration of what was already a problematic supply chain situation, while massive increases in energy, raw-material and food prices intensified price pressures. Furthermore, the implementation of repeated series of far-reaching restrictions in China within the framework of that country's zero-Covid policy, which in turn repeatedly affected important segments of the Chinese economy, contributed to the further disruption of global supply chains.

In an effort to counteract the rise in inflation, most central banks (with the exception of the central bank in China) significantly increased their base rates throughout the year. All of the above factors had a noticeable negative effect on the world economy, causing year-on-year global economic growth to drop to about 3%. This situation also had a negative impact on global trade volume, which only increased by slightly under 4% in 2022 compared to the previous year.

Even the **United States** was unable to escape these developments. The US economy contracted in the first two quarters of 2022, for reasons including a record foreign trade deficit and the effects of the ongoing supply chain disruptions. At the same time, private consumption proved resilient over the year as a whole, despite high inflation and rising interest rates. The inflation rate reached its peak in June (9%). It subsequently declined gradually, but the annual average of 8% was higher than at any time since the early 1980s. It was in this environment that the US central bank — the Fed — significantly

increased its base rate by 425 basis points to 4.5% at the end of the year. Despite this increase, the US economy grew by 2.1% in 2022, thanks in large part to robust domestic demand.

The impact of the war in Ukraine was particularly noticeable in the **euro zone**. Nonetheless, the region was able to record surprisingly strong growth in the first half of the year. This positive development was primarily driven by a recovery in the service sector following the lifting of most Covid-related measures, as well as a dynamic development in countries such as France, Italy and Spain, all of which once again experienced an almost normal tourism season for the first time since the beginning of the pandemic. However, problems increased significantly throughout the course of the year as a result of high energy and food prices. In addition, a high level of insecurity regarding energy supplies had an increasingly negative effect on consumer sentiment and business confidence. This led to a pronounced weakening of growth at the end of 2022. Nevertheless, the euro zone's economy grew by 3.5% in 2022 as a whole due to the positive start to the year. Consumer prices also rose significantly, increasing by 8.4% on average compared to the prior year, although the increases differed greatly between the various member states. Inflation actually reached double-digit levels in the euro zone in the fourth quarter. The European Central Bank abandoned its zero interest-rate policy in the second half of the year and increased its base rate to 2.5% at the end of 2022.

In 2022, the **Chinese economy** was impacted by the country's rigorous zero-Covid strategy, slowed growth in the real estate sector and decreasing demand from abroad. As a result, the Chinese economy recorded year-on-year growth of only 3%. Unlike the case in the United States and Europe, price pressure in China remained very moderate (2%).

Development of exchange rates

Currency exchange rates were volatile in this environment. Against the US dollar, the euro moved between USD 0.95 and USD 1.15 in the course of the year. At the end of 2022, the euro was around 6% weaker than at the end of 2021. The range of fluctuation of the Chinese renminbi against the euro was 6.7 to 7.5. Year-on-year, the value of the euro increased by just under 2.5% against the renminbi.

Energy and raw-material prices

Prices for energy and raw materials rose tremendously as a consequence of the war in Ukraine and reached new record levels at certain times during the year. Oil cost approximately USD 85 per barrel at the end of the year, or almost 10% more than at the end of 2021. The average price for the year as a whole was more than 40% higher than that for the previous year. The European natural gas price was subject to even higher fluctuations and at one point stood at more than €300 per MWh. The price at the end of the year — approximately €75 — was nearly 10% higher than the price at the end of 2021. At times, prices for industrial raw materials rose by more than 25% compared to the end of the previous year. However, they then declined significantly over the year, reaching almost 20% below their price at the end of 2021.

Automotive markets

The economic conditions described above also affected the development of the global automotive market in the year under review. Sales markets were impacted by continuous supply chain disruptions and supply bottlenecks in particular, as well as by sluggish economic development throughout the course of the year.

In this environment, the global car market volume remained at about the same level as in the previous year, although developments differed greatly in the various regions. Unit sales in the European market fell by approximately 4% compared to what was already a low sales volume in 2021. The US light vehicle market recorded a decrease in unit sales of around 8%. The ongoing supply bottlenecks and the sharp increase in interest rates had the effect of damping market development. The Chinese market, in contrast, recorded a significant increase in unit sales. The Covid-19-related restrictions that were repeatedly implemented in the country did sometimes have a detrimental effect on the development of sales. However, government stimulus measures in the form of lower taxes on vehicle purchases led to a significant increase in unit sales compared to the previous year.

The factors mentioned above also affected the development of key van markets. In Europe, all segments of the van market relevant for Mercedes-Benz Vans recorded significant market contractions. The US market for large vans was slightly below the level of the previous year, while sales figures for mid-size vans in China were slightly above the previous year's level.

Business development

Mercedes-Benz Cars

In 2022, Mercedes-Benz Cars sold a total of 2,040,700 units (2021: 1,943,900) which was slightly higher than in the previous year. This growth in unit sales was due to the EQ models and, in particular, the fact that 2022 marked the first full year of sales for the new C-Class generation.

B.05

Mercedes-Benz Cars unit sales

	2022	2021	% change
In units			
Mercedes-Benz Cars unit sales			
(total, incl. smart)	2,040,700	1,943,900	+5
Top-End ¹	328,200	304,600	+8
% share of unit sales	16	16	
Core	1,116,600	1,029,000	+9
% share of unit sales	55	53	
Entry (incl. smart)	595,900	610,300	-2
% share of unit sales	29	31	
thereof			
Electrified vehicles (xEV)	333,500	271,800	+23
BEVs	149,200	89,500	+67
PHEVs	184,300	182,300	+1
% share of unit sales	16	14	

Top-End

Unit sales in the Top-End category accounted for 16% of total unit sales in 2022 – and at 328,200 units were also 8% higher than in the previous year (2021: 304,600). The main force driving this development was the S-Class: Global sales of the S-Class¹ rose to 117,500 units in 2022 (2021: 91,100 units). Sales of Mercedes-Maybach brand vehicles also rose significantly, to 23,400 units (2021: 16,600 units). Mercedes-AMG sold 137,700 vehicles (2021: 135,100 vehicles). Mercedes-AMG sold 137,700 vehicles (2021: 135,100) and sales of Mercedes-Maybach brand vehicles rose significantly, to 23,400 units (2021: 16,600). A total of 38,600 G-Class² vehicles were sold during the reporting year (2021: 40,500 vehicles). GLS sales totalled 59,700 units (2021: 61,700 units).

¹ The Top-End category comprises all AMG models.

² Including Mercedes-Maybach and Mercedes-AMG derivatives.

³ Including Mercedes-AMG derivatives.

Core

Sales of vehicles in the Core category increased by 9% to 1,116,600 units (2021: 1,029,000). As a result, this category now accounts for 55% of the overall portfolio's unit sales. Sales of C-Class vehicles³ rose by 27% to 303,000 saloons, estates, coupés and cabriolets (2021: 239,000). A total of 302,700 E-Class vehicles³ were sold during the reporting year (2021: 295,100), while sales of the GLC amounted to 369,200 units (2021: 350,300) and of the GLE to 200,100 units (2021: 208,200).

Entry

Mercedes-Benz Cars (incl. smart) sold 595,900 units in the Entry category in the year under review (2021: 610,300). Unit sales of the A-Class³ amounted to 261,000 vehicles (2021: 290,100) and of the B-Class to 29,100 units (2021: 32,700). Unit sales of these models were negatively affected by the limited availability of parts, as well as by logistics bottlenecks. Sales of the GLB amounted to 164,100 units (2021: 144,400) and of the GLA to 158,100 units (2021: 141,400). A total of 20,500 smart brand vehicles were sold during the reporting year (2021: 38,400) in the European market.

Electrified vehicles (xEV)

Electrified vehicles accounted for 16% of Mercedes-Benz Cars' total unit sales. This corresponds to unit sales of 333,500 vehicles (2021: 271,800) and an increase of 23%. Sales of **battery electric vehicles (BEVs)** of the Mercedes-Benz brand rose by 67% to 149,200 units in 2022 (2021: 89,500). The most important sales drivers were the EQA, with sales of 33,500 units (2021: 24,800), the EQB with 26,200 units (2021: 900), the EQE Saloon with 17,200 units and the EQS Saloon with 23,400 units (2021: 2,500). Sales of **plug-in hybrid vehicles (PHEVs)** totalled 184,300 units in the year under review (2021: 182,300).

Mercedes-Benz Cars unit sales by region and sales market

Compared to the prior year, unit sales of Mercedes-Benz Cars increased in the major sales regions. Unit sales in Europe amounted to 618,900 vehicles (2021: 602,400 vehicles). Sales in Germany recorded a slight decrease of 1% to 215,600 units. In China, the single largest market for Mercedes-Benz Cars, unit sales totalled 753,900 vehicles (2021: 734,700). Unit sales in North America surpassed the previous year's level with 344,200 vehicles (2021: 290,600). In the region's main market, the United States, sales rose by 20% to 300,800 units.

Mercedes-Benz Vans

Mercedes-Benz Vans finished 2022 with unit sales of 415,300 vehicles worldwide (2021: 386,200). Despite ongoing global challenges in the areas of parts supply and logistics, unit sales in 2022 were significantly higher than in the previous year due to the continued very high demand for Mercedes-Benz vans.

At 259,400 units, unit sales in the core region Europe (European Union, United Kingdom, Switzerland and Norway), were slightly above the figure for the prior year (2021: 246,000). Unit sales in Germany amounted to 113,200 vehicles (2021: 98,200).

Mercedes-Benz Vans set a new sales record of 66,400 vehicles in the United States (2021: 48,300).

In China, under the influence of local Covid-19 measures, 34,200 units (2021: 38,500) were sold.

Worldwide, it proved possible to increase unit sales of all-electric vans by 9% (2022: 15,000 units, 2021: 13,800 units). All-electric models thus accounted for a 4% share of total unit sales.

Mercedes-Benz Mobility

The Mercedes-Benz Mobility division had a contract volume of €132.4 billion — on a level with the previous year's figure — at the end of 2022 (31 December 2021: €133.7 billion), down by 1% or by 2% after adjusting for currency-translation effects. The figure for contract volume shows the total monetary amount of all leasing and financing contracts on a certain date. The reported contract volume as of 31 December 2021 had already been adjusted for a large part of the Daimler Trucks & Buses vehicle business after the spin-off and hive-down of the Daimler commercial vehicle business on 9 December 2021. The influence on volume of the parts of the Daimler commercial vehicle business still to be sold in 2022 was therefore relatively minor.

Mercedes-Benz Mobility concluded 1.4 million new financing and leasing contracts worth a total of €58.0 billion in the course of 2022. The total value of all new contracts was thus significantly below the prior-year level (-9%; -12% after adjusting for the effects of currency translation). The decisive factor in the decrease was increased competitive pressure in the financial services

sector against a background of rising interest rates. In addition, it must be taken into account that the new business for the year 2021 still included the division's new business with vehicles from Daimler Trucks & Buses until the spin-off and hive-down of the Daimler commercial vehicle business took effect. Whereas the spin-off and hive-down of the Daimler commercial vehicle business at the end of 2021 only affected the Americas region and Africa and Asia-Pacific (excluding China), the parts of the Daimler commercial vehicle business sold in 2022 mainly affected Europe.

At €10.2 billion, new business in Germany was slightly higher than in the previous year (+5%). At €25.3 billion, contract volume in Germany was at roughly the same level as at the end of 2021.

New financing and leasing contracts worth €13.0 billion (-23%) were concluded in the United States. In this market in particular, some of the decrease was due to the spin-off and hive-down of the Daimler commercial vehicle business. Contract volume in the United States at the end of December was at roughly the same level as at the end of 2021 and amounted to €34.6 billion. This was due to the effects of currency translation.

In China, new business of €11.9 billion (+15%) at year-end 2022 significantly exceeded the level of the previous year, while contract volume of €19.5 billion (+3%) was slightly higher.

New business in other markets totalled €23.0 billion (-14%), while contract volume amounted to €53.0 billion (-3%).

Order situation

Incoming orders were robust at Mercedes-Benz Cars at the end of 2022. On the product side, the EQ models, the new GLC and the SL were the main contributors to this development.

Orders remained at a high level at Mercedes-Benz Vans as of 31 December 2022. The demand for battery electric vans also showed a further increase at the end of 2022.

Investment and research activities

Investments in property, plant and equipment

During the year under review, investments in property, plant and equipment at the **Mercedes-Benz Group** amounted to €3.5 billion and were thus lower than in the previous year (2021: €4.6 billion).

In 2022, investments in property, plant and equipment at **Mercedes-Benz Cars** focussed on the market launch of the new GLC, the launch of production of the all-electric SUVs (EQS SUV and EQE SUV) and production preparations for the new E-Class. Considerable funds were also invested in the expansion of our battery production facilities. At €3.3 billion, investments in property, plant and equipment in 2022 were around 9% lower than in the prior year (2021: €3.6 billion).

The investments in property, plant and equipment at **Mercedes-Benz Vans** amounted to €0.2 billion in 2022 (2021: €0.2 billion) and were thus at the prior year's level. The investments at Mercedes-Benz Vans focused on issues such as the electrification of the van fleet and the expansion of production operations.

B.06

Investments in property, plant and equipment¹

	2022	2021	% change
In millions of euros			
Mercedes-Benz Group²	3,481	4,579	-24
thereof Mercedes-Benz Cars	3,265	3,589	-9
thereof Mercedes-Benz Vans	199	198	+1

1 The investments in property, plant and equipment correspond to additions to property, plant and equipment in the Consolidated Statement of Cash Flows in the Consolidated Financial Statements.

2 In 2021, Daimler's commercial vehicle business is included until the time of the spin-off and hive-down.

Research and development

Research and development expenditure at the **Mercedes-Benz Group** amounted to €8.5 billion in 2022 (2021: €9.1 billion), lower than in the previous year. €2.9 billion (2021: €2.4 billion) of the research and development costs were capitalized, representing a capitalization rate of 34% (2021: 27%).

Research and development expenditure at **Mercedes-Benz Cars** amounted to €8.0 billion (2021: €7.2 billion). Expenditure here focused mainly on the development of the new-generation BEV platform generation and the associated battery concept. In addition, the company intensified its research and development expenditure on digitalization and automated driving.

Research and development expenditure at **Mercedes-Benz Vans** amounted to €0.6 billion in 2022 (2021: €0.5 billion), which was higher than in the previous year. Activities relating to the planned electrification of the van fleet played a major role in 2022. This was mostly due to the new, modular and all-electric van architecture (VAN.EA).

B.07

Research and development

	2022	2021 ¹	% change
In millions of euros			
Research and development expenditure at the Mercedes-Benz Group	8,541	9,105	-6
thereof Mercedes-Benz Cars	7,986	7,207	+11
thereof Mercedes-Benz Vans	552	489	+13
Research and non-capitalized development costs	5,602	6,670	-16
Capitalized development costs	2,939	2,435	+21
Capitalization rate in %	34	27	

1 In 2021, Daimler's commercial vehicle business is included until the time of the spin-off and hive-down.

Profitability, Liquidity and Capital Resources, Financial Position

The Group comprises the segments Mercedes-Benz Cars, Mercedes-Benz Vans and Mercedes-Benz Mobility. The segments Mercedes-Benz Cars and Mercedes-Benz Vans were combined into one reportable segment until 31 December 2021 due to comparable longer-term average returns on sales and comparable sales development and capital intensity. After the spin-off and hive-down of the Daimler commercial vehicle business (commercial vehicle business) in December 2021, the two segments have been reported separately since 1 January 2022. The comparison period has been adjusted accordingly.

To provide a better insight into the Group's profitability, liquidity and capital resources, and financial position, a condensed Consolidated Statement of Income, a condensed Consolidated Statement of Cash Flows and a condensed Consolidated Statement of Financial Position are shown for the industrial business, for the segment Mercedes-Benz Mobility and the Mercedes-Benz Group. The industrial business comprises the segments Mercedes-Benz Cars and Mercedes-Benz Vans. In justified individual cases, effects on the profitability, liquidity and capital resources, and financial position of the corresponding segment are presented from an economic rather than a legal perspective. The effects from intra-Group eliminations between the industrial business and Mercedes-Benz Mobility, as well as items at the corporate level, are generally allocated to the industrial business.

Spin-off and hive-down of Daimler's commercial vehicle business in 2021

Substantial parts of the operating investments or business activities that were assigned to the commercial vehicle business were already legally assigned to Daimler Truck AG before the spin-off and hive-down took effect. As part of the spin-off and hive-down, the financial services business has also been split up. With the consent of the Board of Management and the Supervisory Board to the transaction, the items of the operating commercial vehicle business and the parts of the Mercedes-Benz Mobility segment that had already been legally assigned to Daimler Truck AG were classified as held for distribution from 30 July 2021 until the implementation of the spin-off and hive-down on 9 December 2021 and deconsolidated upon completion of the transaction.

Parts of the financial services business in connection with the commercial vehicle business were nottsold to Daimler Truck Holding AG or its subsidiaries until 2022. In addition, in individual countries, investments in operating entities or business operations of the commercial vehicle business were not sold until 2022.

If, on 31 December 2021, a sale was considered very likely to take place within the next twelve months, the corresponding assets and liabilities as of 31 December 2021 were reported in the **Consolidated Statement of Financial Position** as held for sale.

The continuing operations are presented in the **Consolidated Statement of Income**. Income and expenses related to assets and liabilities of the commercial vehicle business that were spun off and hived down or held for sale were classified as discontinued operations in 2021. This encompasses the Daimler Trucks & Buses segment until the date of the spin-off and hive-down. The profit or loss after taxes of the discontinued operations in 2021 is presented in a separate line below the profit from continuing operations. The profit or loss from discontinued operations is contained in the segment reporting in the reconciliation.

The scheduled depreciation and the equity-method measurement of the non-current assets classified as held for distribution or sale were also reported in the reconciliation in the previous year. In 2021, the segment earnings of Mercedes-Benz Mobility were thus reported independently of the effects of the spin-off and hive-down of the commercial vehicle business in the segment reporting.

In the **Consolidated Statement of Cash Flows**, the consolidated cash flows from continuing and discontinued operations are shown for the year 2021.

Detailed information on the spin-off and hive-down of the commercial vehicle business and the scope of the discontinued operations, the assets and liabilities spin-off as part of the deconsolidation, and the assets and liabilities classified as held for sale can be found in Note 3 of the Notes to the Consolidated Financial Statements.

Adjustment of individual items

In order to provide a more transparent presentation of the ongoing business, adjusted figures are also calculated and reported for both the Group and the segments. The adjustments include individual items insofar as they lead to material effects in a reporting year. These individual items can relate in particular to legal proceedings and related measures, restructuring measures and M&A transactions. Further information on the performance measurement system can be found in the Corporate Profile chapter of this Annual Report.

Profitability

Consolidated Statement of Income of the Mercedes-Benz Group

In 2022, the Group's **revenue** amounted to €150.0 billion (2021: €133.9 billion) and was thus substantially higher than the prior-year value. Adjusted for positive foreign exchange effects, revenue was also significantly higher than in the previous year.

The increase in revenue was primarily due to significantly improved pricing at the Mercedes-Benz Cars and Mercedes-Benz Vans segments.

B.08

Revenue by segment and region

	2022	2021	22/21
In millions of euros			% change
Mercedes-Benz Group	150,017	133,893	12
Segments			
Mercedes-Benz Cars	111,601	96,712	15
Mercedes-Benz Vans	17,217	14,735	17
Mercedes-Benz Mobility	26,954	27,941	-4
Reconciliation ¹	-5,755	-5,495	5
Regions			
Europe	56,487	51,044	11
thereof Germany	23,085	20,733	11
North America	40,091	33,105	21
thereof United States	35,829	29,284	22
Asia	45,558	40,126	14
thereof China	27,324	25,173	9
Other markets	7,881	9,618	-18

¹ The reconciliation includes eliminations of intra-Group revenues between the segments.

Cost of sales amounted to €116.0 billion (2021: €103.2 billion) in 2022, increasing by 12.4% compared with the previous year. The increase was mainly due to significantly increased raw-material prices, one-time expenses paid to suppliers and additional costs relating to inflation and supply chains.

Overall, **gross profit in relation to revenue** increased from €30.7 billion to €34.0 billion.

Selling expenses increased by €0.3 billion to €9.5 billion. As a proportion of revenue, selling expenses decreased from 6.9% to 6.3%.

In the past year, **general administrative expenses** decreased by €0.2 billion to €2.6 billion. As a proportion of revenue, general administrative expenses decreased from 2.1% to 1.7%.

Research and non-capitalized development costs of €5.6 billion in 2022 were at the prior-year level (2021: €5.5 billion). They were mainly related to the development of new models, advance expenditure for the renewal of existing models, and the further development of fuel-efficient and environmentally friendly drive systems as well as safety technologies, automated and autonomous driving and the digital connectivity of the products. As a proportion of revenue, research and non-capitalized development costs decreased from 4.1% to 3.7%. Further information on the Group's research and development expenditure is provided in the Investment and research activities chapter of this Combined Management Report.

Other operating income of €2.0 billion (2021: €1.2 billion) was above the level of the prior year. The earnings included income of €0.5 billion in connection with the restructuring of the sales activities in Canada and income of €0.4 billion (2021: expenses of €0.1 billion) in connection with the change in the shareholding structure of the motorsport business. In the prior year, the establishment of the fuel cell joint venture cellcentric had a positive effect of €0.6 billion on earnings. By contrast, other operating income in the prior year was impaired by the result attributable to the spin-off and hive-down of assets and liabilities of the Daimler commercial vehicles business of the Mercedes-Benz Mobility segment. The resulting loss (after deduction of transaction costs) amounted to €0.8 billion.

In 2022, the **gains/losses on equity-method investments** amounted to €1.7 billion (2021: €1.4 billion) and were thus above the prior-year level. In particular, the higher proportionate earnings of the investments in Daimler Truck Holding AG (Daimler Truck) and Beijing Benz Automotive Co., Ltd. (BBAC) led to a substantial increase in earnings.

As was the case in the prior year, the **other financial income/expense** amounted to €0.3 billion.

Earnings before interest and taxes (EBIT) amounted to €20.5 billion in 2022, which is significantly higher than in the previous year (2021: €16.0 billion). Exchange-rate effects had a positive net impact.

Net interest expense amounted to €0.2 billion, as was the case in the previous year.

The **tax expense** of €5.5 billion (2021: €4.8 billion) recognized under income taxes increased mainly due to the increased profit before income taxes. The effective tax rate for 2022 was 27.1% (2021: 30.1%). Note 10 of the Notes to the Consolidated Financial Statements includes further information on the factors affecting the tax rate.

The **profit from continuing operations** amounted to €14.8 billion in 2022, which is significantly higher than the prior-year value of €11.1 billion.

After income taxes **profit from discontinued operations** amounted to €12.3 billion in 2021. It essentially comprised the profit from the spin-off and hive-down of the assets and liabilities of the commercial vehicle business in the amount of €10.0 billion (after deduction of transaction costs). This also included the profit of the ongoing business activities of discontinued operations after taxes of €2.3 billion. The portion from the spin-off and hive-down attributable to Mercedes-Benz Mobility was reported in other operating income from continuing operations.

Net profit was thus €14.8 billion (2021: €23.4 billion). Net profit of €0.3 billion is attributable to **non-controlling interests** (2021: €0.4 billion). The net profit **attributable to shareholders of Mercedes-Benz Group AG** amounted to €14.5 billion (2021: €23.0 billion), leading to an increase in **earnings per share from continuing operations** to €13.55 (2021: €10.00). Earnings per share from continuing and discontinued operations amounted to €21.50 in 2021.

As in the prior year, the calculation of earnings per share is based on an average number of 1,069.8 million issued shares.

Further information on the individual items of the Consolidated Statement of Income is provided in Notes 5 ff. of the Notes to the Consolidated Financial Statements.

Table B.10 shows the composition of Group EBIT and the EBIT of the individual segments as well as the reconciliation and the reconciliation of EBIT to adjusted EBIT.

B.09

Condensed statement of income

	Mercedes-Benz Group		Industrial Business		Mercedes-Benz Mobility	
	2022	2021	2022	2021	2022	2021
In millions of euros						
Revenue	150,017	133,893	123,063	105,952	26,954	27,941
Cost of sales	-115,997	-103,218	-93,010	-80,328	-22,987	-22,890
Gross profit	34,020	30,675	30,053	25,624	3,967	5,051
Selling expenses	-9,482	-9,194	-8,760	-8,502	-722	-692
General administrative expenses	-2,584	-2,808	-1,855	-1,908	-729	-900
Research and non-capitalized development costs	-5,602	-5,467	-5,602	-5,467	-	-
Other operating income	2,034	1,153	1,925	973	109	180
Gains/losses on equity-method investments	1,732	1,352	1,941	1,492	-209	-140
Other financial income/expense	340	317	328	323	12	-6
EBIT	20,458	16,028	18,030	12,535	2,428	3,493
Interest expense	-154	-217	-150	-209	-4	-8
Profit from continuing operations before taxes	20,304	15,811	17,880	12,326	2,424	3,485
Income taxes	-5,495	-4,761	-4,868	-3,854	-627	-907
Profit from continuing operations after taxes	14,809	11,050	13,012	8,472	1,797	2,578
Profit/loss from discontinued operations after taxes	-	12,346	-	12,346	-	-
Net profit	14,809	23,396	13,012	20,818	1,797	2,578
thereof attributable to non-controlling interests	308	390				
thereof attributable to shareholders of Mercedes-Benz Group AG	14,501	23,006				
thereof from continuing operations	14,501	10,695				
thereof from discontinued operations	-	12,311				
Earnings per share (in euros)						
For profit attributable to shareholders of Mercedes-Benz Group AG						
Basic	13.55	21.50				
thereof from continuing operations	13.55	10.00				
thereof from discontinued operations	-	11.50				
Diluted	13.55	21.50				
thereof from continuing operations	13.55	10.00				
thereof from discontinued operations	-	11.50				

EBIT by segment

The EBIT of the **Mercedes-Benz Cars** segment increased to €16,340 million (2021: €12,487 million); adjusted EBIT was €16,245 million (2021: €12,689 million). The adjusted return on sales of 14.6% was higher than the adjusted prior-year figure of 13.1%.

Greatly improved pricing combined with a more advantageous product mix and a slight increase in sales volumes had a strong positive impact on gross profit. On the other hand, gross profit was impacted by significantly increased raw-material prices over the course of the year, one-time expenses paid to suppliers and additional costs relating to inflation and supply chains. As a result, gross profit in relation to revenue increased slightly from 23.7% to 23.9%. Other functional costs increased in 2022, due in particular to advance expenditure for future technologies and vehicles. By contrast, lower expenses from the discounting of non-current provisions contributed to an increase in earnings.

In 2022, adjusted EBIT was slightly lower than EBIT. Expenses in connection with adjustments of the business activities in Russia in the amount of €658 million, as well as effects from ongoing governmental and court proceedings and measures taken relating to Mercedes-Benz diesel vehicles of €110 million (2021: €274 million), negatively impacted the segment's earnings. In addition, restructuring expenses for personnel cost optimization programmes in the amount of €436 million had a negative impact on the segment result in the previous year. The M&A transactions, on the other hand, included income of €478 million in connection with the restructuring of the sales activities in Canada and income of €385 million (2021: expenses of €96 million) in connection with the change in the shareholding structure of the motorsport business. In the prior year, the establishment of the fuel cell joint venture cellcentric had a positive effect of €604 million on earnings in the M&A transactions.

The **Mercedes-Benz Vans** segment achieved EBIT of €1,897 million (2021: €1,143 million); adjusted EBIT was €1,927 million (2021: €1,229 million), which was also significantly higher than in the prior year. The adjusted return on sales of 11.2% was higher than the adjusted prior-year figure of 8.3%.

A substantially higher unit sales increase and a greatly improved sales structure combined with a more advantageous product mix had a very positive impact on gross profit. On the other hand, gross profit was impacted by significantly increased raw-material prices over the course of the year, one-time expenses paid to suppliers and additional costs relating to inflation and supply chains. Overall, gross profit in relation to revenue increased slightly from 20.4% to 21.3%. Other functional costs were slightly above the level of the previous year. The other operating income was positively impacted in particular by lower expenses in connection with the discounting of non-current provisions.

Adjusted EBIT reflected offsetting effects which, as in the prior year, resulted in slightly higher adjusted EBIT. Particularly expenses in connection with adjustments of the business activities in Russia in the amount of €51 million, as well as effects from ongoing governmental and court proceedings and measures taken relating to Mercedes-Benz diesel vehicles of €15 million (2021: €59 million), negatively impacted the segment's earnings.

In 2022, EBIT of the **Mercedes-Benz Mobility** segment amounted to €2,428 million (2021: €3,493 million); adjusted EBIT was €2,428 million (2021: €3,449 million). Adjusted return on equity of 16.8% was below the adjusted prior-year figure of 22.0%.

The main reasons for the development of revenue in 2022 were increased credit risk costs due to the weaker macroeconomic outlook and higher refinancing costs. The spin-off and hive-down of the commercial vehicle business and the resulting lower contract volume compared with the previous year also had a reducing effect on EBIT. On the other hand, exchange-rate effects and the improvement in operating performance of the fleet services business had a positive effect on earnings.

Among other things, adjusted EBIT in the prior year included a positive earnings contribution of €89 million from the sale of shares in Via Transportation Inc.

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

In 2022, items at the corporate level resulted in expenses of €225 (2021: €1,087 million). This includes the positive effect on earnings of €226 million from the equity-method investments in Daimler Truck Holding AG (2021: expenses of €1 million). Earnings in the previous year were also impacted by impairment losses of €120 million on the carrying amount of the investment in BAIC Motor. Detailed information on the equity-method measurement of the Daimler Truck Holding AG is provided in Note 14 of the Notes to the Consolidated Financial Statements. On the other hand, earnings were affected by adjustments due to material individual transactions, especially in the previous year. The M&A transactions include expenses of €844 million in connection with the sale of individual investments and business activities to Daimler Truck. In 2022, the associated expenses amounted to €268 million. Further information on this is provided in Note 3 of the Notes to the Consolidated Financial Statements.

The elimination of intra-Group transactions resulted in earnings of €18 million in 2022 (2021: expenses of €8 million).

The reconciliation from EBIT to adjusted EBIT is shown in table B.10.

B.10

EBIT Mercedes-Benz Group

	Mercedes-Benz Group	Mercedes-Benz Cars	Mercedes-Benz Vans	Mercedes-Benz Mobility	Reconciliation
In millions of euros					
2022					
Revenue	150,017	111,601	17,217	26,954	-5,755
Cost of sales	-115,997	-84,927	-13,549	-22,987	5,466
Gross profit	34,020	26,674	3,668	3,967	-289
Selling expenses	-9,482	-7,568	-1,359	-722	167
General administrative expenses	-2,584	-1,460	-252	-729	-143
Research and non-capitalized development costs	-5,602	-5,184	-415	-	-3
Other income/expense	4,106	3,878	255	-88	61
EBIT	20,458	16,340	1,897	2,428	-207
Legal proceedings (and related measures)	119	110	15	-	-6
Restructuring measures	-	-	-	-	-
M&A transactions	-631	-863	-36	-	268
Expenses in connection with adjustments of the business activities in Russia	709	658	51	-	-
Adjusted EBIT	20,655	16,245	1,927	2,428	55
Return on sales/return on equity (in %)					
		14.6%	11.0%	16.8%	
Adjusted return on sales/return on equity (in %)¹					
		14.6%	11.2%	16.8%	

	Mercedes-Benz Group	Mercedes-Benz Cars	Mercedes-Benz Vans	Mercedes-Benz Mobility	Reconciliation
In millions of euros					
2021					
Revenue	133,893	96,712	14,735	27,941	-5,495
Cost of sales	-103,218	-73,773	-11,729	-22,890	5,174
Gross profit	30,675	22,939	3,006	5,051	-321
Selling expenses	-9,194	-7,354	-1,292	-692	144
General administrative expenses	-2,808	-1,425	-233	-900	-250
Research and non-capitalised development costs	-5,467	-4,992	-442	-	-33
Other income/expense	2,822	3,319	104	34	-635
EBIT	16,028	12,487	1,143	3,493	-1,095
Legal proceedings (and related measures)	334	274	59	-	1
Restructuring measures	549	436	27	45	41
M&A transactions	247	-508	-	-89	844
Adjusted EBIT	17,158	12,689	1,229	3,449	-209
Return on sales/return on equity (in %)					
		12.9%	7.8%	22.3%	
Adjusted return on sales/return on equity (in %)¹					
		13.1%	8.3%	22.0%	

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

Value added

As described in the section Performance measurement system in chart B.03, value added is calculated as the difference between the measure of earnings and the cost of capital. The measure of earnings for the segments is EBIT and for the Group is net operating profit, which in addition to the EBIT of the segments also includes earnings effects for which the segments are not accountable or which are attributable to the discontinued operations, such as income taxes and other reconciliation items. The cost of capital used in the calculation of value added is based on average net assets multiplied by the cost-of-capital rate.

Table B.11 shows value added for the Mercedes-Benz Group and for the individual segments. The reconciliation of the segments' EBIT to net operating profit as well as the average net assets are shown in tables B.12 and B.13. Table B.14 shows how net assets are derived from the consolidated statement of financial position.

The **Mercedes-Benz Group's** value added amounted to €10.2 billion in 2022, representing a return on net assets of 25.5% (2021: 40.4%). This was once again substantially higher than the Group's required cost of capital rate of 8%. Adjusted for the earnings from discontinued operations before interest and taxes included in the prior year, the value added of the Mercedes-Benz Group increased, mainly due to the positive development of EBIT of the industrial business divisions. The Group's average net assets were virtually unchanged from the previous year.

At the **Mercedes-Benz Cars** segment, value added of €11.8 billion was significantly higher than the prior-year amount of €8.5 billion, primarily due to the very positive earnings development. The increase in average net assets of €5.2 billion had a slightly negative impact on value added. This was mainly due to higher average inventories and carrying amounts of equity-method investments partly offset by increasing average trade payables.

The value added of the **Mercedes-Benz Vans** segment increased substantially to €1.8 billion. This was mainly due to the very positive earnings development. Here the average net assets showed only a minor increase to €0.9 billion which was primarily due to slightly increased average inventories and decreasing average provisions.

At the **Mercedes-Benz Mobility** segment, value added amounted to €0.7 billion (2021: €1.6 billion). The segment's return on equity reached 16.8% (2021: 22.3%). The development of the return on equity primarily reflects the decrease in earnings of €1.1 billion. By contrast, the decrease in average total equity had a slightly positive effect on the return on equity.

B.11

Value added

	2022	2021	22/21
In millions of euros			Change
Mercedes-Benz Group	10,236	18,936	-8,700
Mercedes-Benz Cars	11,757	8,523	+3,234
Mercedes-Benz Vans	1,791	1,043	+748
Mercedes-Benz Mobility	692	1,634	-942

B.12

Reconciliation to net operating profit

	2022	2021	22/21
In millions of euros			Change
Mercedes-Benz Cars	16,340	12,487	+3,853
Mercedes-Benz Vans	1,897	1,143	+754
Mercedes-Benz Mobility	2,428	3,493	-1,065
EBIT of the segments	20,665	17,123	+3,542
Profit/loss from discontinued operations ¹	-	12,401	-12,401
Income taxes ²	-5,540	-4,822	-718
Other reconciliation ²	-207	-1,094	+887
Net operating profit Mercedes-Benz Group	14,918	23,608	-8,690

1 Adjusted for after-tax interest income.

2 To the extent not allocated to Mercedes-Benz Mobility.

B.13

Net assets (average)

	2022	2021	22/21
In millions of euros			% change
Mercedes-Benz Cars	38,189	33,031	+16
Mercedes-Benz Vans	885	835	+6
Mercedes-Benz Mobility ¹	14,466	15,681	-8
Net assets of the segments	53,540	49,547	+8
Daimler commercial vehicle business ²	-	7,625	-100
Equity-method investment in DTHAG ³	8,078	1,095	+638
Other equity-method investments ⁴	303	361	-16
Assets and liabilities from income taxes ⁵	-3,818	131	-3,015
Other reconciliation ⁵	422	-362	-217
Net assets Mercedes-Benz Group	58,525	58,397	+0

1 Equity.

2 Reported segment Daimler Trucks & Buses until the date of the spin-off and hive-down of the Daimler commercial vehicle business. In the fourth quarter of 2021, no amounts have been considered for the deconsolidated Daimler commercial vehicle business.

3 The investment in Daimler Truck Holding AG (DTHAG) was accounted for using the equity-method from the fourth quarter of 2021.

4 To the extent not allocated to the segments.

5 To the extent not allocated to Mercedes-Benz Mobility.

B.14

Net assets of the Mercedes-Benz Group at year-end

	At 31 December		
In millions of euros	2022	2021	22/21
			% change
Intangible assets ¹	15,275	14,387	+6
Property, plant and equipment ¹	26,942	27,496	-2
Leased assets ¹	14,038	14,400	-3
Inventories ¹	24,906	20,976	+19
Trade receivables ¹	7,328	6,875	+7
Less provisions for other risks ¹	-15,179	-15,097	+1
Less trade payables ¹	-11,101	-9,670	+15
Less other assets and liabilities ¹	-12,595	-14,391	-12
Assets and liabilities from income taxes ¹	-4,507	-1,815	+148
Total equity of Mercedes-Benz Mobility	13,576	14,448	-6
Mercedes-Benz Group	58,683	57,609	+2

1 To the extent not allocated to Mercedes-Benz Mobility.

Liquidity and capital resources

Principles and objectives of financial management

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

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

Liquidity management ensures the Group can meet its payment obligations at any time. For this purpose, the Group records the cash flows from operating and financial activities in a rolling plan. The resulting financial requirements are covered by the use of appropriate instruments for liquidity management (e.g. bank credit, commercial paper and notes); liquidity surpluses are invested in the money market or the capital market taking into account risk and return expectations. Our goal is to ensure the level of liquidity regarded as necessary at optimal costs. Besides operational liquidity, the Mercedes-Benz Group maintains additional liquidity reserves which are available in the short term. Those additional financial resources include a pool of receivables from the financial services business which are available for securitisation in the capital market and a contractually confirmed syndicated credit facility. Since December 2021, the Group also has liquidity reserves in the form of its shareholding in Daimler Truck Holding AG, which can be sold if the need arises.

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

Management of market-price risks aims to limit the impact of fluctuations in foreign exchange rates and interest rates on the earnings of the divisions and the Group. The Group's overall exposure to these market-price risks is determined to provide a basis for hedging decisions, which include the definition of hedging volumes and corresponding periods, as well as the selection of hedging instruments. The hedging strategy is specified at Group level and uniformly implemented. The decision-making body is the Treasury Risk Management Committee, which meets regularly.

Management of pension assets (plan assets) includes the investment of the assets to cover the corresponding pension obligations. The plan assets are legally separated from the Group's assets and are invested primarily in funds; they are not available for general business purposes. The plan assets are spread across a broad range of investment categories such as equities, fixed-interest securities, alternative investments and real estate, depending on the expected development of pension obligations and with the help of risk-return optimisation. The performance of the asset management is measured by comparison with defined benchmark indices. The investment risks are limited via a Group-wide guideline. In addition, there are local regulations for risk management for the individual plan assets. Additional information on pension plans and similar obligations is provided in Note 23 of the Notes to the Consolidated Financial Statements.

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

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

Further information on the management of market-price risk, credit risk and liquidity risk is provided in Note 34 of the Notes to the Consolidated Financial Statements.

Condensed statement of cash flows

Table B.15 shows the condensed statement of cash flows.

B.15

Condensed statement of cash flows¹

	Mercedes-Benz Group		Industrial Business		Mercedes-Benz Mobility	
	2022	2021	2022	2021	2022	2021
In millions of euros						
Cash and cash equivalents at beginning of period	23,182	23,048	18,034	20,344	5,148	2,704
Profit from continuing operations before taxes (2021: Profit from continuing and discontinued operations before taxes)	20,304	28,775	17,880	25,290	2,424	3,485
Depreciation and amortisation/impairments	6,521	6,980	6,397	6,837	124	143
Other non-cash expense and income and gains/losses on disposals of assets	-2,286	-12,198	-2,546	-12,315	260	117
Change in operating assets and liabilities						
Inventories	-4,111	-2,561	-4,103	-3,067	-8	506
Trade receivables and trade liabilities	1,029	1,694	921	1,696	108	-2
Receivables from financial services	-5,327	3,879	2	-50	-5,329	3,929
Vehicles on operating leases	3,810	1,428	-995	-1,615	4,805	3,043
Other operating assets and liabilities	358	-1,261	-125	-547	483	-714
Dividends received from equity-method investments	1,605	1,625	1,605	1,625	-	-
Income taxes paid	-5,009	-3,812	-4,137	-2,361	-872	-1,451
Cash flow from operating activities	16,894	24,549	14,899	15,493	1,995	9,056
Additions to property, plant and equipment and intangible assets	-6,899	-7,320	-6,838	-7,181	-61	-139
Investments in and disposals of shareholdings and other business operations	2,488	220	316	-34	2,172	254
Acquisitions and sales of marketable debt securities and similar investments	462	-1,309	490	-1,245	-28	-64
Repayment of financing of Daimler's commercial vehicles business	-	6,853	-	6,853	-	-
Cash and cash equivalents disposed of from the deconsolidation of Daimler's commercial vehicles business	-	-5,489	-	-5,254	-	-235
Other	496	819	478	802	18	17
Cash flow from investing activities	-3,453	-6,226	-5,554	-6,059	2,101	-167
Change in financing liabilities	-13,344	-17,200	-9,110	-13,455	-4,234	-3,745
Dividends paid	-5,669	-1,810	-5,550	-1,775	-119	-35
Other transactions with shareholders	-19	-49	-19	-49	-	-
Internal equity and financing transactions	-	-	1,305	2,746	-1,305	-2,746
Cash flow from financing activities	-19,032	-19,059	-13,374	-12,533	-5,658	-6,526
Effect of foreign exchange rate changes on cash and cash equivalents	88	870	89	789	-1	81
Cash and cash equivalents at end of period	17,679	23,182	14,094	18,034	3,585	5,148
thereof cash and cash equivalents classified as assets held for sale at end of period	-	62	-	-	-	62

¹ In the consolidated statement of cash flows, the consolidated cash flows from continuing and discontinued operations are presented. The cash flows from continuing and discontinued operations are shown in Note 3 to the Consolidated Financial Statements. A reconciliation from continuing and discontinued operations to profit/loss before income taxes is also included in Note 3 to the Consolidated Financial Statements.

Free cash flow of the industrial business

The free cash flow of the industrial business is regarded as a key performance indicator for the Mercedes-Benz Group. The free cash flow of the industrial business is derived from the reported cash flows from operating and investing activities in table B.16. The cash flows from sales and purchases of marketable debt securities and similar investments included in cash flow from investing activities are deducted, as those securities are allocated to liquidity and changes in them are thus not a part of the free cash flow. On the other hand, effects in connection with the recognition and measurement of right-of-use assets, which result from lessee accounting and are largely non-cash items, are included in the free cash flow of the industrial business. Other adjustments relate to effects from the financing of the Group's own dealerships and effects from internal deposits within the Group. In addition, the calculation of the free cash flow of the industrial business includes the cash flows to be shown under cash flow from financing activities in connection with the acquisition or disposal of interests in subsidiaries without loss of control.

In 2022, the free cash flow of the industrial business amounted to €8.1 billion and was thus on the same level as the previous year's figure of €7.9 billion.

The slight increase in free cash flow of the industrial business of €0.2 billion to €8.1 billion was influenced by a significant year-on-year improvement in profit from continuing operations before taxes. Cash inflows from the restructuring of sales activities in Canada amounting to €0.6 billion and the sale of dealerships in various countries amounting to €0.4 billion had a positive impact, while a cash outflow of €0.4 billion from the investment in Automotive Cells Company SE had an opposite effect (2021: cash inflow of €0.3 billion from the sale of cellcentric). In the previous year, the free cash flow was impacted by higher payments of €0.8 billion mainly resulting from the settlement of civil and environmental claims made by several US authorities in 2020 in connection with emission control systems used in certain diesel vehicles.

Negative effects resulted in addition from the development of working capital, mainly due to the increase in inventory levels as a result of high inventories in the course of delivery. Furthermore, income taxes paid increased in comparison to the prior year, due to the significant improvement in the profit from continuing operations in the reporting period. Also the higher investment in capital expenditure on property, plant and equipment and intangible assets affected the free cash flow of the industrial business negatively.

B.16

Free cash flow of the industrial business

	2022	2021	22/21
In millions of euros			Change
Cash provided by operating activities ¹	14,899	15,493	-594
Cash used for investing activities ¹	-5,554	-6,059	+505
Change in marketable debt securities and similar investments ¹	-490	1,245	-1,735
Right-of-use assets ¹	-696	-495	-201
Repayment of financing of Daimler's commercial vehicles business	-	-6,853	+6,853
Cash and cash equivalents disposed of in the deconsolidation of Daimler's commercial vehicles business	-	5,254	-5,254
Other adjustments ²	-31	-705	+674
Free cash flow of the industrial business	8,128	7,880	+248
Legal proceedings (and related measures)	878	1,661	-783
Restructuring measures	374	615	-241
M&A transactions	-86	-31	-55
Free cash flow of the industrial business adjusted	9,294	10,125	-831

1 For 2021 the consolidated cash flows from continuing and discontinued operations are presented.

2 For 2021 the free cash flow of the industrial business is adjusted by €0.7 billion for the free cash flow of the spin-off Daimler commercial vehicles business.

In the interest of greater transparency in reporting on the ongoing business, an **adjusted free cash flow of the industrial business** is also reported in table B.16. The adjustments from legal proceedings include payments by the industrial business in connection with ongoing governmental and legal proceedings and related measures taken with regard to Mercedes-Benz diesel vehicles. The adjustments from restructuring measures include payments made in connection with the personnel-cost-optimization programmes in the reporting period. The adjustments from M&A transactions encompass cash inflows from the restructuring of retail activities in Canada and the cash outflow from investing in Automotive Cells Company SE (2021: sale of cellcentric). The adjusted free cash flow of the industrial business amounted to a total of €9.3 billion (2021: €10.1 billion).

Free cash flow of the Mercedes-Benz Group

In 2022, the **free cash flow of the Mercedes-Benz Group** resulted in a cash inflow of €12.8 billion (2021: €16.9 billion). Besides the effects of the free cash flow of the industrial business, the free cash flow of the Mercedes-Benz Group is mainly affected by the leasing and sales-financing business of Mercedes-Benz Mobility.

In 2022, a cash inflow in the amount of €1.3 billion which related to the payments received from the sale of inter-company loans in connection with the sale of units of the truck financing business to Daimler Truck Holding AG or its subsidiaries and does not legally relate to Mercedes-Benz Mobility, was economically allocated to the **cash flow from investing activities of Mercedes-Benz Mobility**. An opposing repayment of the financing liabilities in the same amount was recognized in the cash flow from financing activities of Mercedes-Benz Mobility.

Cash flow from financing activities of the Mercedes-Benz Group

In the reporting period, the **cash flow from financing activities** (table B.15) resulted in a cash outflow of €19.0 billion (2021: €19.1 billion). The increase compared to previous year is due to the lower net-increase in financing liabilities due to the positive liquidity situation and was fully offset by the higher dividend payment made to the shareholders of Mercedes-Benz Group AG. Cash and cash equivalents decreased by €5.5 billion compared with 31 December 2021, after taking exchange-rate effects into account. Total liquidity, which also includes marketable debt securities and similar investments, decreased by €6.0 billion to €24.7 billion.

CFBIT and cash conversion rate of the automotive segments

As well as being calculated on the basis of the disclosed cash flows from operating and investing activities, **the free cash flow of the industrial business** can also be calculated on the basis of the cash flows before interest and taxes (CFBIT) of the automotive segments. The reconciliation from the CFBIT of the automotive segments to the free cash flow of the industrial business includes payments of taxes and interests of the industrial business. The other reconciliation items primarily comprise eliminations between the segments and items that are allocated to the industrial business but for which the automotive segments are not responsible. Table B.17 shows the reconciliation of the CFBIT of automotive segments to the free cash flow of the industrial business.

B.17

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

	2022	2021
In millions of euros		
CFBIT Mercedes-Benz Cars	10,718	9,344
CFBIT Mercedes-Benz Vans	1,731	826
Income taxes paid/refunded	-4,137	-1,870
Interests paid/received	-255	-164
Other reconciling items	71	-256
Free cash flow of the industrial business	8,128	7,880

The **CFBIT of the automotive segments** is derived from EBIT and the change in net assets, and also includes additions to right-of-use assets. Table B.18 shows the composition of CFBIT for Mercedes-Benz Cars and Mercedes-Benz Vans. The line Other mainly comprises the non-cash effective earnings impacts from the equity investment result from Beijing Benz Automotive Co., Ltd. (BBAC) and the as adjustments described M&A transactions, as well as payments made for payables and provisions recognized in the previous years. Opposite effects, include dividends received from BBAC.

B.18

CFBIT

	Mercedes-Benz Cars		Mercedes-Benz Vans	
	2022	2021	2022	2021
In millions of euros				
EBIT	16,340	12,487	1,897	1,143
Change in working capital	-2,936	-684	-167	-20
Net financial investments	208	-125	54	7
Net investments in property, plant and equipment and intangible assets	-6,715	-5,873	-364	-222
Depreciation and amortisation/ impairments	5,943	5,695	452	485
Other	-2,122	-2,156	-141	-567
CFBIT	10,718	9,344	1,731	826

Table B.19 shows the reconciliation from CFBIT to **adjusted CFBIT** and the **adjusted cash conversion rate**. Mercedes-Benz Cars achieved an adjusted cash conversion rate of 0.7 (2021: 0.8) and Mercedes-Benz Vans an adjusted cash conversion rate of 1.1 (2021: 1.3).

B.19

Reconciliation to CFBIT adjusted

	Mercedes-Benz Cars		Mercedes-Benz Vans	
	2022	2021	2022	2021
In millions of euros				
CFBIT	10,718	9,344	1,731	826
Legal proceedings (and related measures)	549	956	335	702
Restructuring measures	321	504	17	53
M&A transactions	-175	-90	-43	-
CFBIT adjusted	11,413	10,714	2,040	1,581
EBIT adjusted	16,245	12,689	1,927	1,229
Adjusted cash conversion rate¹	0.7	0.8	1.1	1.3

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

Net liquidity and net debt

As table B.20 shows, the **net liquidity of the industrial business** is calculated as the total amount as shown in the statement of financial position of cash, cash equivalents and the marketable debt securities and similar investments included in liquidity management, less the currency-hedged nominal amounts of financing liabilities.

To the extent that the Group's internal refinancing of the financial services business is provided by the companies of the industrial business, this amount is deducted in the calculation of the net debt of the industrial business.

Compared with 31 December 2021, the net liquidity of the industrial business increased by €5.6 billion to €26.6 billion. The increase is mainly due to the positive free cash flow of the industrial business and positive exchange-rate effects, which were partially offset by the dividend payment made to the shareholders of Mercedes-Benz Group AG.

B.20

Net liquidity of the industrial business

	31 Dec. 2022	31 Dec. 2021	22/21 Change
In millions of euros			
Cash and cash equivalents	14,094	18,034	-3,940
Marketable debt securities and similar investments	6,083	6,591	-508
Liquidity	20,177	24,625	-4,448
Financing liabilities	7,549	-3,877	+11,426
Liabilities from refinancing internal dealerships	-42	-36	-6
Market valuation and currency hedges for financing liabilities	-1,047	293	-1,340
Financing liabilities (nominal)	6,460	-3,620	+10,080
Net liquidity	26,637	21,005	+5,632

Net debt at Group level, which primarily results from refinancing the leasing and sales-financing business, decreased compared with 31 December 2021 by €6.7 billion to €88.1 billion. The derivation of net debt is shown in table B.21.

B.21

Net debt of the Mercedes-Benz Group

	31 Dec. 2022	31 Dec. 2021	22/21 Change
In millions of euros			
Cash and cash equivalents	17,679	23,182	-5,503
Marketable debt securities and similar investments	7,060	7,579	-519
Liquidity	24,739	30,761	-6,022
Financing liabilities	-111,837	-125,905	+14,068
Market valuation and currency hedges for financing liabilities	-1,048	327	-1,375
Financing liabilities (nominal)	-112,885	-125,578	+12,693
Net debt	-88,146	-94,817	+6,671

Contingent liabilities and other financial obligations

At 31 December 2022, the best estimate for potential obligations from contingent liabilities was €4.1 billion (2021: €2.7 billion).

In the context of its ordinary business activities, the Group has also entered into **other financial obligations** in addition to the liabilities shown in the Consolidated Statement of Financial Position at 31 December 2022. These financial obligations result from contractual commitments to acquire intangible assets, property, plant and equipment, and leased property, as well as irrevocable loan commitments.

Detailed information on contingent liabilities and other financial obligations is provided in Note 32 of the Notes to the Consolidated Financial Statements.

Refinancing

The funds raised by the Mercedes-Benz Group in the year 2022 primarily served to refinance the leasing and sales-financing business. For that purpose, the Mercedes-Benz Group made use of a broad spectrum of various financing instruments in various currencies and markets. They include bank loans, commercial paper in the money market, bonds, promissory-note loans, customer deposits at Mercedes-Benz Bank, and the securitisation of receivables in the financial services business (asset-backed securities).

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

The situation in the bond markets in the reporting year was significantly influenced by factors such as inflation and interest rate increases, energy supply in Europe, Covid-19 and supply chain constraints. The supporting measures taken by governments and central banks meant that risk premiums for companies with an investment-grade rating remained at a largely moderate level during the year.

In the reporting period, the Group covered its refinancing requirements through the issuance of bonds and other means. As can be seen in table B.22, they include a so-called benchmark issuance (a bond with a high nominal volume) by Mercedes-Benz North America LLC in the US-dollar area and Mercedes-Benz Finance Canada Inc.

In the Chinese market, Mercedes-Benz International Finance B.V. placed three so-called panda bonds with a total volume of CNY 6.5 billion. In addition, a large number of smaller bonds were issued in various currencies and markets.

The Mercedes-Benz Group also issued small volumes of **commercial paper** in 2022.

In the reporting year, **asset-backed securities (ABS)** were carried out successfully in Germany, Canada, Australia and Japan during the reporting period. ABS transactions with a total volume of CNY 24 billion were carried out in China. Further one transactions in Great Britain with a volume of GBP 1 billion was placed. In the United States the asset-back securities credit line with a volume of USD 4 billion was extended, as well as further ABS transactions of USD 1.5 billion were placed.

Bank credit was another important source of refinancing in 2022. These loans were provided by globally active banks as well as by banks operating nationally. The lenders also included supranational banks such as the European Investment Bank.

In addition, since July 2018, the Mercedes-Benz Group has had a syndicated **credit line** of €11 billion, which was converted into a sustainability-linked loan in October 2022. The credit line had not been utilized as of 31 December 2022.

The carrying amounts of the main refinancing instruments and the volume-weighted average interest rates are shown in table B.23. At 31 December 2022, these carrying amounts are mainly denominated in the following currencies: 46% in euros, 23% in US dollars and 15% in Chinese renminbi.

At 31 December 2022, the total of financing liabilities shown in the consolidated statement of financial position amounted to €111.8 billion (2021: €125.8 billion).

Detailed information on the amounts and terms of the main items of financing liabilities is provided in Notes 25 and 34 of the Notes to the Consolidated Financial Statements. Note 34 also provides information on the maturities of the other financial liabilities.

B.22

Benchmark issuances

Issuer	Volume	Month of issuance	Maturity
Mercedes-Benz Finance Canada Inc.	USD 750 million	11.2022	02.2027
Mercedes-Benz Finance North America LLC	USD 850 million	11.2022	11.2024
Mercedes-Benz Finance North America LLC	USD 650 million	11.2022	11.2025
Mercedes-Benz Finance North America LLC	USD 500 million	11.2022	11.2027

B.23

Refinancing instruments

	Average interest rates		Carrying values	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in %		In millions of euros	
Notes/bonds and liabilities from ABS transactions	2.53	1.56	70,984	84,769
Liabilities to financial institutions	3.03	2.54	24,738	23,997
Deposits in the direct banking business	0.91	0.25	10,538	13,591

Credit ratings

Mercedes-Benz Group AG had A ratings with all five agencies at the end of the year 2022. The long-term and short-term credit ratings for Mercedes-Benz Group AG and its finance companies remained unchanged in 2022. Table B.24 provides an overview of the credit ratings.

At the end of the financial year, S&P Global Ratings, Fitch Ratings and Scope Ratings changed their outlook for the long-term credit rating from stable to positive.

B.24

Credit ratings

	End of 2022	End of 2021
Long-term credit rating		
S&P	A-	A-
Moody's	A2¹	A3
Fitch	A-	A-
Scope	A	A
DBRS	A (low)	A (low)
Short-term credit rating		
S&P	A-2	A-2
Moody's	P-1¹	P-2
Fitch	F1	F1
Scope	S-1	S-1
DBRS	R-1 (low)	R-1 (low)

1 As of 24 February 2023

On 24 October 2022, **Fitch Ratings** (Fitch) raised the outlook for Mercedes-Benz Group AG from stable to positive and at the same time confirmed the long-term and short-term ratings at A- and F-1. Fitch justified this step with the expectation that the profitability and free cash flow of Mercedes-Benz Group AG will improve structurally. This should make the Group more resilient overall to negative macroeconomic developments and weaker demand, according to Fitch.

S&P Global Ratings (S&P) changed its outlook for the long-term rating from stable to positive on 16 November 2022. At the same time, it confirmed the long-term A- and short-term A-2 ratings of Mercedes-Benz Group AG and its subsidiaries included in the rating. S&P believes the Group's focus on cost reduction and model portfolio optimization could help mitigate the financial impact of emerging uncertainties, such as a likely slowdown in automobile demand, strong input cost inflation, and potential production stoppages due to component or energy supply shortages in the 2023-2024 period.

On 23 December 2022, **Scope Ratings** (Scope) raised the outlook for Mercedes-Benz Group AG from stable to positive and at the same time confirmed the long-term and short-term ratings at A and S-1. Scope justified this step with the expectation that the profitability of the Group in 2023 will improve structurally and show strong resilience despite the deteriorating market environment and inflationary pressure.

On 24 February 2023, **Moody's Investors Service** (Moody's) upgraded its long-term rating for Mercedes-Benz Group AG from A3 to A2 with a stable outlook. At the same time, Moody's lifted its short-term rating from P-2 to P-1. With this upgrade, Moody's is recognizing Mercedes-Benz Group's track record of improved margins over the past two years, the company's strategy to focus on higher margin premium and luxury vehicles while transforming its product portfolio to all-electric vehicles and its reduced financial debt.

Financial position

At €260.0 billion, the Group's **balance sheet total** was at the same level as in the previous year (2021: €259.8 billion); the exchange-rate effects amounted to €0.9 billion.

Table B.25 shows the condensed statement of financial position for the Mercedes-Benz Group as well as for the industrial business and Mercedes-Benz Mobility.

B.25

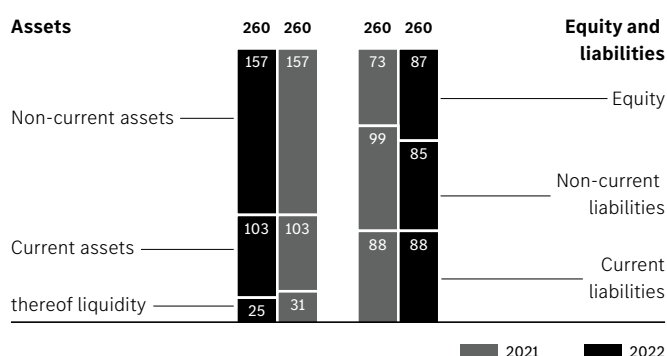
Condensed statement of financial position

	Mercedes-Benz Group		Industrial Business		Mercedes-Benz Mobility	
	At 31 December		At 31 December		At 31 December	
	2022	2021	2022	2021	2022	2021
In millions of euros						
Assets						
Intangible assets	15,869	15,005	15,275	14,386	594	619
Property, plant and equipment	27,250	27,859	26,942	27,497	308	362
Equipment on operating leases	41,552	44,471	14,038	14,400	27,514	30,071
Receivables from financial services	85,549	80,625	-66	-83	85,615	80,708
Equity-method investments	13,530	13,588	13,259	13,117	271	471
Inventories	25,621	21,466	24,906	20,976	715	490
Trade receivables	8,100	7,673	7,328	6,875	772	798
Cash and cash equivalents	17,679	23,120	14,094	18,034	3,585	5,086
Marketable debt securities and similar investments	7,060	7,579	6,083	6,591	977	988
thereof current	6,237	6,706	5,970	6,289	267	417
thereof non-current	823	873	113	302	710	571
Other financial assets	7,931	6,260	-5,140	-8,207	13,071	14,467
Other assets	9,874	9,043	772	-152	9,102	9,195
Assets held for sale	-	3,142	-	201	-	2,941
Total assets	260,015	259,831	117,491	113,635	142,524	146,196
Equity and liabilities						
Equity	86,540	73,167	72,964	58,719	13,576	14,448
Provisions	17,044	21,321	16,211	20,385	833	936
Financing liabilities	111,837	125,843	-7,549	3,877	119,386	121,966
thereof current	49,786	52,300	-20,668	-17,893	70,454	70,193
thereof non-current	62,051	73,543	13,119	21,770	48,932	51,773
Trade payables	12,204	10,655	11,101	9,670	1,103	985
Other financial liabilities	7,928	7,805	5,128	5,089	2,800	2,716
Contract and refund liabilities	10,554	9,909	10,234	9,567	320	342
Other liabilities	13,908	10,962	9,402	6,282	4,506	4,680
Liabilities held for sale	-	169	-	46	-	123
Total equity and liabilities	260,015	259,831	117,491	113,635	142,524	146,196

B.26

Balance sheet structure Mercedes-Benz Group

In billions of euros



Current assets accounted for 40% of the balance sheet total, which is at the prior-year level. Current liabilities accounted for 34% of the total balance sheet totals, which is also at the prior-year level.

Graphic B.26 shows the structure of the balance sheet by maturity.

Before eliminations between segments, Mercedes-Benz Mobility accounted for €142.5 billion (2021: €146.2 billion) of the balance sheet total. During the reporting period, all intra-group eliminations between the industrial business and Mercedes-Benz Mobility with regard to the balance sheet were allocated to the industrial business. The reported size of the industrial business is determined by generally subtracting the unconsolidated balance sheet total of Mercedes-Benz Mobility from the consolidated balance sheet total of the Group. Consequently, intra-Group matters relating to the relationship between the industrial business and Mercedes-Benz Mobility are generally allocated to Mercedes-Benz Mobility and included in its balance sheet. This method of presentation reduces the balance sheet total of the industrial business. At the same time, this means that the share of Mercedes-Benz Mobility's balance sheet total in the Consolidated Statement of Financial Position is shown as being higher than would be the case if Mercedes-Benz Mobility were presented on a consolidated basis.

Assets

The **intangible assets** of €15.9 billion (2021: €15.0 billion) particularly include €13.5 billion of capitalized development costs (2021: €12.7 billion). Of the development costs, a share of €12.7 billion (2021: €11.9 billion) was attributable to the Mercedes-Benz Cars segment and €0.8 billion (2021: €0.8 billion) to the Mercedes-Benz Vans segment. Development costs capitalized in the reporting year amounted to €2.9 billion (2021: €2.4 billion) and represent 34% (2021: 27%) of the Group's total research and development expenditure.

Property, plant and equipment decreased to €27.3 billion (2021: €27.9 billion), partly as a result of the adjustment and realignment of capacities within the global production network. In 2022, €3.5 billion (2021: €4.6 billion) was invested worldwide, particularly at our production and assembly sites for innovative products and new technologies, as well as for the modernization of the global production network. The German sites, investments in property, plant and equipment accounted to €2.3 billion (2021: €2.8 billion).

Equipment on operating leases and **receivables from financial services** rose to a total of €127.1 billion (2021: €125.1 billion). The increase adjusted for currency translation effects was €1.1 billion. At 49%, the leasing and sales-financing business as a proportion of total assets was slightly above the prior year's level of 48%.

Equity-method investments decreased to €13.5 billion (2021: €13.6 billion). Investments accounted for using the equity method comprise in particular the carrying amounts of our investments in Daimler Truck Holding AG and Beijing Benz Automotive Co., Ltd.

Inventories increased significantly from €21.5 billion to €25.6 billion as a result of higher stocks earmarked for delivery. As a result, the share of total assets is 10%, higher than the previous year's level of 8%. The increase relates in particular to finished goods, spare parts and products held for resale at €4.2 billion.

At €8.1 billion, **trade receivables** were higher than the prior-year-figure of €7.7 billion.

Compared to 31 December 2021, **cash and cash equivalents** decreased by €5.4 billion to €17.7 billion. The decrease was mainly due to the lower net refinancing and the dividend payment to the shareholders of Mercedes-Benz Group AG in the second quarter.

Marketable debt securities and similar investments decreased compared with 31 December 2021 from €7.6 billion to €7.1 billion as part of the liquidity management. Those assets include the debt instruments that are allocated to liquidity, most of which are traded in active markets. They generally have an external rating of A or better.

Other financial assets of €7.9 billion were above the previous year's level of €6.3 billion. They consist primarily of derivative financial instruments, equity instruments and debt instruments, shares in non-consolidated subsidiaries, and loans and other receivables from third parties. The increase is primarily due to higher positive market values of derivative financial instruments.

The **other assets** of €9.9 billion (2021: €9.0 billion) particularly include deferred taxes and tax refund claims.

Following the disposals in 2022 of parts of the financial services business and other activities remaining from the previous year, the Group no longer reports any **assets held for sale** and **liabilities held for sale** relating to the commercial vehicle business as of 31 December 2022.

Equity and liabilities

Compared to 31 December 2021, the Group's **equity** increased from €73.2 billion to €86.5 billion, mainly as a result of the positive earnings development. The increase in equity also resulted from the gains of €2.3 billion recognized directly in equity in connection with pension obligations and the gains of €1.7 billion recognized directly in equity from the measurement of derivative financial instruments after taxes. Opposing effect arose from the dividend of €5.3 billion paid to the shareholders of Mercedes-Benz Group AG. Equity attributable to the shareholders of Mercedes-Benz Group AG increased accordingly to €85.4 billion (2021: €72.0 billion).

Whereas the balance sheet total remained at the prior-year level, equity increased by 18% compared with the previous year. The Group's equity ratio of 31.1% was accordingly significantly above the level at the end of 2021 (26.1%); the equity ratio for the industrial business was 57.4% (2021: 47.0%). It is necessary to consider the fact that the equity ratios at the end of 2021 and 2022 are adjusted for the paid and proposed dividend payments.

Provisions significantly decreased to €17.0 billion from the previous year (2021: €21.3 billion). At 7%, they were also below the prior-year level of 8% of the balance sheet total.

The decrease was especially pronounced in the case of provisions for pensions and similar obligations, which were down from €5.4 billion to €1.0 billion, primarily due to the significantly increased discount rate. The funded status at 31 December 2022 was approximately 100%.

Provisions also relate to liabilities from product warranties of €6.6 billion (2021: €6.8 billion), from personnel and social costs of €4.6 billion (2021: €4.6 billion) and from liability and litigation risks and regulatory proceedings of €2.8 billion (2021: €2.6 billion), as well as provisions for other risks of €2.1 billion (2021: €1.9 billion).

Financing liabilities of €111.8 billion were significantly below the €125.8 billion of the previous year. The decrease was due to the lower net refinancing as a result of the positive cash flow situation. The financing liabilities break down to 48% bonds, 22% liabilities to financial institutions, 15% liabilities from ABS transactions and 9% deposits in the direct banking business. The decrease in deposits from the direct banking business is related to the discontinuation of the retail deposit business by 2024. The financing liabilities available on 31 December 2022 relate primarily to the refinancing requirements of the leasing and sales-financing business.

Trade payables increased compared to 31 December, 2021 from €10.7 billion to €12.2 billion, partly due to higher costs. The trade payables of the Mercedes-Benz Cars segment increased by €1.2 billion.

Other financial liabilities amounted to €7.9 billion (2021: €7.8 billion). They mainly comprise liabilities from residual-value guarantees, from payroll accounting, from derivative financial instruments, deposits received, and liabilities from accrued interest on financing liabilities.

The **contract and refund liabilities** of €10.6 billion were higher than the €9.9 billion of the previous year. They include in particular deferred revenue from service and maintenance contracts and extended warranties, as well as obligations from sales transactions that are within the scope of IFRS 15.

Other liabilities of €13.9 billion (2021: €11.0 billion) primarily include deferred taxes, tax liabilities and prepaid expenses. The increase was primarily the result of higher deferred taxes.

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

Net Assets

Table B.27 shows the derivation of net assets for the segments Mercedes-Benz Cars and Mercedes-Benz Vans. They relate to the operating assets and liabilities for which the automotive segments are responsible.

B.27

Derivation of net assets of the automotive segments

	Mercedes-Benz Cars		Mercedes-Benz Vans	
	At 31 December		At 31 December	
	2022	2021	2022	2021
In millions of euros				
Intangible assets	13,988	13,088	1,276	1,286
Property, plant and equipment	25,010	25,566	1,936	1,951
Inventories	22,419	18,790	2,558	2,300
Trade receivables	6,083	5,880	1,244	1,016
Other segment assets	24,408	23,171	3,022	2,865
Segment assets	91,908	86,495	10,036	9,418
Trade payables	9,838	8,648	1,259	952
Other segment liabilities	42,126	42,882	7,766	7,717
Segment liabilities	51,964	51,530	9,025	8,669
Net assets	39,944	34,965	1,011	749

Mercedes-Benz Group AG

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

In addition to reporting on the Mercedes-Benz Group, the development of Mercedes-Benz Group AG in the year 2022 is also described in this section.

Mercedes-Benz Group AG is the parent company of the Mercedes-Benz Group and has its headquarters in Stuttgart. In the course of last year's spin-off and hive-down of large parts of the Daimler commercial vehicles business (Project Focus), it was resolved to rename Daimler AG as Mercedes-Benz Group AG. This name change was entered in the commercial register on 1 February 2022.

Mercedes-Benz Group AG is closely linked with Mercedes-Benz AG and functions as an operating business entity that defines the Group's strategy. It also makes strategic decisions for business operations and, as the Group's parent company, ensures the effectiveness of organizational, legal and compliance-related functions throughout the Group.

The Annual Financial Statements of Mercedes-Benz Group AG are prepared in accordance with the German Commercial Code (HGB) and the provisions of the German Stock Corporation Act (AktG). The Consolidated Financial Statements are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). This results in some differences with regard to recognition and measurement methods, primarily in connection with provisions, financial instruments, the leasing business and deferred taxes.

For Mercedes-Benz Group AG net profit or loss is the main performance indicator.

Profitability

Net profit amounted to €8.9 billion (2021: €9.5 billion) and was thus below the expected range of the previous year's Outlook chapter. This is mainly due to financial income being lower than expected in the previous year's Outlook chapter.

The **profitability** of Mercedes-Benz Group AG in the year 2022 was characterized by a significantly higher income tax expense. An opposing effect resulted from an improved operating profit and a higher financial income.

Mercedes-Benz Group AG generated **revenue** of €1.4 billion, primarily from the provision of services to companies of the Group (2021: €1.5 billion).

Cost of sales amounted to €1.4 billion (2021: €1.5 billion) and primarily comprises expenses incurred for the services provided to companies of the Group.

General administrative expenses amounted to €0.8 billion (2021: €1.2 billion). The previous year's figure included expenses in the amount of €0.2 billion for Project Focus as well as expenses of €0.1 billion in connection with the transformation of the IT infrastructure.

Other operating income amounted to €0.3 billion (2021: €0.1 billion) and primarily comprises income from the sale of approximately 5% of the shares of Daimler Truck Holding AG to Mercedes-Benz AG with subsequent transfer to the Mercedes-Benz Pension Trust e. V. The previous year's figure included income from the sale of patents and brands to Daimler Truck AG.

Financial income increased by €0.5 billion to €11.8 billion. The increase in the financial income with respect to the previous year is primarily due to higher income from investments in subsidiaries and associated companies. This was the result in particular of higher profit transfers from subsidiaries. Despite the increase compared to the previous year, the financial income was lower than expected in the previous year's Outlook chapter due to lower dividends from subsidiaries.

The **income tax expense** amounted to €2.5 billion (2021: €0.7 billion). The rise is mainly due to the significant increase in operating profit subject to income tax within the tax group.

The **economic situation** of Mercedes-Benz Group AG mainly depends on the development of its subsidiaries. Mercedes-Benz Group AG participates in the operating profits and losses of its subsidiaries through dividend distributions and profit-and-loss transfers. Its economic situation therefore corresponds with that of the Mercedes-Benz Group, which is described in the chapter Overall Assessment of the Financial Year.

B.28

Condensed statement of income of Mercedes-Benz Group AG

	2022	2021
In millions of euros		
Revenue	1,422	1,488
Cost of sales	-1,407	-1,470
General administrative expenses	-752	-1,237
Other operating income	293	141
Operating profit/loss	-444	-1,078
Financial income	11,785	11,271
Income taxes	-2,464	-655
Net profit	8,877	9,538
Offset against other retained earnings	-	13,879
Reduction in assets due to the spin-off	-	-13,879
Transfer to other retained earnings	-3,314	-4,189
Distributable profit	5,563	5,349

Financial position, liquidity and capital resources

Total assets of €84.3 billion are €1.3 billion higher than in the previous year.

Non-current assets decreased during the year 2022 by €1.1 billion to €40.0 billion. This was caused by the €1.1 billion decrease in financial assets, which mainly resulted from capital repayments by Mercedes-Benz Bank AG and Mercedes-Benz Mobility AG to Mercedes-Benz Group AG and by impairments of investments in subsidiaries and associated companies.

Receivables, securities and other assets increased by €4.0 billion compared with 31 December 2021 to €36.6 billion. This was the result of an increase in receivables from subsidiaries of €5.7 billion, which in turn was caused by higher receivables from profit-and-loss transfer agreements and higher intra-Group financial receivables. By contrast, the amount of marketable securities recognized as current assets decreased by €1.1 billion and the other assets by €0.6 billion.

Cash and cash equivalents decreased from €9.0 billion to €7.5 billion.

Gross liquidity — defined as cash and cash equivalents and other marketable securities recognized as current assets, as well as fixed-term deposits presented under other assets — decreased by €2.1 billion to €13.3 billion as of the reporting date. The decrease in gross liquidity is primarily due to the decrease in cash and cash equivalents of €1.5 billion and the decrease in marketable securities recognized as current assets in the amount of €1.1 billion.

B.29

Balance sheet structure of Mercedes-Benz Group AG

	31 Dec. 2022	31 Dec. 2021
In millions of euros		
Assets		
Non-current assets	40,001	41,131
Receivables, securities and other assets	36,617	32,583
Cash and cash equivalents	7,450	9,047
Current assets	44,067	41,630
Prepaid expenses	188	231
Total assets	84,256	82,992
Equity and liabilities		
Share capital (conditional capital, €500 million)	3,070	3,070
Capital reserve	11,480	11,480
Retained earnings	16,854	13,540
Distributable profit	5,563	5,349
Equity	36,967	33,439
Provisions for pensions and similar obligations	401	128
Other provisions	2,713	1,775
Provisions	3,114	1,903
Trade payables	222	358
Other liabilities	43,940	47,271
Liabilities	44,162	47,629
Deferred income	13	21
Total equity and liabilities	84,256	82,992

The **Statements of Cash Flows** of Mercedes-Benz Group AG according to the German Commercial Code (HGB) are drawn up in line with the German accounting standard DRS 21. In an exception to DRS 21, dividends from subsidiaries as well as intra-Group offsetting of services from corporate functions are presented in Cash Flow from operating activities even when they are offset by means of cash pooling procedures. The same applies to capital increases and capital repayments from subsidiaries being presented in Cash Flow from investing activities. An offsetting recognition of cash pooling procedures takes place in Cash Flow from financing activities.

Cash flow from operating activities resulted in a net cash outflow of €1.9 billion in 2022 (2021: cash inflow of €3.3 billion). The decrease compared to the previous year was due in particular to lower distributions from subsidiaries. Furthermore tax payments increased by €1.7 billion compared to the previous year.

Cash flow from investing activities resulted in a net cash inflow of €1.6 billion in 2022 (2021: cash outflow of €1.0 billion). The cash inflow was due in particular to the acquisitions and disposals of securities within the context of liquidity management (2022: €1.1 billion, 2021: cash outflow of €1.2 billion). Additionally corporate restructuring associated with the spin-off and hive-down of the Daimler commercial vehicle business had negatively impacted the cash flow from investing activities in 2021. Capital repayments and disposals of subsidiaries had had an opposing, positive effect on the cash flow in the previous year.

Cash flow from financing activities resulted in a net cash outflow of €1.3 billion in the reporting period (2021: €0.9 billion). The change is explained by the higher dividend payment to the shareholders of Mercedes-Benz Group AG and the increased repayment of external financing liabilities. On the other side the financing provided to subsidiaries in connection with central financial and liquidity management resulted in a positive effect on cash flow from financing activities.

Equity increased by €3.6 billion to €37.0 billion in 2022. This increase was a result of the net profit amounting to €8.9 billion, of which €3.3 billion was transferred to retained earnings pursuant to Section 58 Subsection 2 of the German Stock Corporation Act (AktG). On the other hand, equity decreased by €5.3 billion due to the dividend payment to the shareholders of Mercedes-Benz Group AG. The equity ratio as of the reporting date was 43.9% (2021: 40.3%). Mercedes-Benz Group AG held no treasury shares as of 31 December 2022.

Provisions increased by €1.2 billion to €3.1 billion. This was mainly due to the increase in provisions for contingent losses resulting from derivative financial instruments, income taxes and pension obligations.

Liabilities decreased by €3.4 billion to €44.2 billion. This was mainly due to the decrease of bonds in the amount of €6.6 billion. However, liabilities to subsidiaries increased by €3.3 billion.

Risks and opportunities

The business development of Mercedes-Benz Group AG mainly depends on the development of its worldwide subsidiaries and is therefore — through the profit and loss contributions from subsidiaries and associated companies — fundamentally subject to the same risks and opportunities as those of the Group. Mercedes-Benz Group AG generally participates in the risks of its subsidiaries and associated companies in line with the percentage of its respective equity interest. The risks and opportunities are described in the Risk and Opportunity Report. Risks may additionally arise from relations with subsidiaries and associated companies in connection with statutory or contractual liability obligations (in particular with regard to financing), from impairments of financial assets and from financial receivables from subsidiaries and associated companies. Based on the criteria stated in the Risk and Opportunity Report, the expected value of the risks (calculated by multiplying the possible impact and probability of occurrence of the risks) is assessed as medium.

Furthermore, pursuant to Section 133 Subsections 1 and 3 of the German Transformation Act (UmwG), Mercedes-Benz Group AG is jointly and severally liable for liabilities of €6.0 billion that were transferred to Mercedes-Benz AG and Daimler Truck AG in 2019. According to the current appraisal, due to the assessment of the credit ratings of Mercedes-Benz AG and Daimler Truck AG, an actual cash outflow for Mercedes-Benz Group AG is considered to be unlikely.

Outlook

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

Due to the interrelations between Mercedes-Benz Group AG and the companies of the Group, the statements in the Outlook chapter therefore reflect our expectations for the parent company as well.

For the year 2023, Mercedes-Benz Group AG expects to post a significantly higher net profit than for the year 2022, primarily as a result of significantly improved financial income to be brought about by higher profit transfers from major subsidiaries.

Non-Financial Declaration

As described in the Corporate Profile, the Combined Management Report includes the combined Non-Financial Declarations of Mercedes-Benz Group AG and of the Mercedes-Benz Group. The Mercedes-Benz Group publishes the Non-Financial Declaration in accordance with the provisions of sections 315b, 315c in connection with sections 289b–289e of the German Commercial Code (HGB). The Non-Financial Declaration contains the main information on the aspects of environmental, employee and social matters, combating corruption and bribery, and respect for human rights. The information provided in this declaration is presented in conformity with the GRI Standards of the Global Reporting Initiative, insofar as this complies with applicable law. Some aspects are presented in accordance with internal guidelines and definitions.

As was the case in the previous year, the Mercedes-Benz Group integrates the Non-Financial Declaration into the Combined Management Report of this Annual Report. Each year, it examines whether and how the integration of financial and non-financial key figures should be further developed. For the year under review, the Group Sustainability Board has decided to continue to publish more in-depth information about sustainability at the Mercedes-Benz Group in a separate Sustainability Report. It will be available on the Group's website on the internet (additional information group.mercedes-benz.com/sustainability). Information on the business model of the Mercedes-Benz Group can be found in the Corporate Profile chapter.

Sustainability as a force of change

The Mercedes-Benz Group aims to create value that is sustainable — economically, environmentally and socially. This is one of the core principles of the Group. It applies not only to the Group's own products and manufacturing locations but also to the entire upstream and downstream value chain. It has translated this approach into its sustainable business strategy, with which it firmly embeds sustainability considerations in the daily business activities. In this way, the Mercedes-Benz Group intends, among other things, to fulfil the demands and expectations of its stakeholders — i.e. customers, employees, investors, business partners, non-governmental organizations and society as a whole.

One of the most important transformation goals at the Mercedes-Benz Group is decarbonization, which the Group has made a firm component of its sustainable business strategy. At Mercedes-Benz Group, this goal is reflected in "Ambition 2039" and the "Electric Only" approach. By the end of this decade, Mercedes-Benz intends to be all-electric wherever market conditions allow.

Areas of action and the foundations of sustainability

The Mercedes-Benz Group acts in line with the sustainable business strategy adopted by the Board of Management of Mercedes-Benz Group AG in 2019 with the agreement of the Supervisory Board. Sustainability topics are thus an integral part of the business strategy.

The Mercedes-Benz Group has set itself ambitious goals and defined six strategic areas of action for reaching these goals. The strategic goals are based on the UN's 17 Sustainable Development Goals (SDGs) — especially SDGs 8 and 9 and 11 to 13 — among other factors. In addition, they take into account recognized international frameworks, the requirements of the external and internal stakeholders and global trends. Group-wide areas of action and areas of responsibility, as well as business-specific targets, processes and measures are derived from this analysis.

The Mercedes-Benz Group has also formulated strategic ambitions for each of the six areas of action.

- **Climate protection and air quality:** Plans call for the Mercedes-Benz new vehicle fleet to be CO₂-neutral on the balance sheet across the entire value chain by 2039 and to no longer have any relevant impact on NO₂ levels in urban areas by 2025.
- **Resource conservation:** The Mercedes-Benz Group wants to decouple resource consumption from business volume growth.
- **Sustainable urban mobility:** The Mercedes-Benz Group wants to contribute to the improvement of the quality of life in cities through its leading mobility and transport solutions.
- **Traffic safety:** The Mercedes-Benz Group is working to make its vision of accident-free driving a reality as it develops automated driving systems while also taking social and ethical issues into account.
- **Data responsibility:** The future of the Mercedes-Benz Group consists of sustainable, data-based business models. With these business models, it focuses on the needs of its customers and the responsible handling of data.
- **Human rights:** The Mercedes-Benz Group has assumed responsibility for respecting and upholding human rights along its automotive value chain.

The Mercedes-Benz Group has defined three enablers, or principles, that are crucial for achieving success in the six areas of action: integrity, people and partnerships.

Materiality analysis

A comprehensive materiality analysis was carried out in 2021 in order to determine which sustainability topics are particularly relevant for the Mercedes-Benz Group and its stakeholders. This was completed in 2022.

This materiality analysis addressed the six strategic areas of action as well as further potentially relevant sustainability topics and trends. A total of 17 topics were evaluated, and these were further divided into sub-topics.

The analysis consists of several components:

The basis for assessing the relevance of the sustainability topics and trends was a comprehensive desk analysis and an international online survey. The survey queried approximately 15,000 people from 52 countries who depicted relevant stakeholder groups such as employees, private and business customers, interested consumers, suppliers and business partners, investors, politicians and government officials, scientists, and representatives of government administrations and non-governmental organizations (NGOs). In addition, the Mercedes-Benz Group conducted around 20 interviews with both internal and external experts from the aforementioned stakeholder groups. The goals here were to assess the sustainability performance of the Group to date and identify sustainability trends in order to gauge the relevance of the sustainability topics. The Mercedes-Benz Group also took the first steps to evaluate the effects of its business activities on the environment and society. In order to assess topics from an outside-in perspective, the Mercedes-Benz Group analysed competitors, media reporting, key NGO positions, regulatory requirements and information relevant to capital markets.

In a subsequent step, the sustainability topics that resulted from this analysis were assessed by the Mercedes-Benz Group with regard to financial position, liquidity, cash flows, profitability and business development in order to define the topics for this Non-Financial Declaration. Consequently not all the strategic areas of action are illustrated in this Non-Financial Declaration.

Managing sustainability

The Mercedes-Benz Group manages the work in the strategic areas of action — alongside other tasks — by means of an internal reporting process that uses detailed scorecards. This process is supported by clear lines of responsibility in the management and organizational structures used at all of the divisions.

The Group Sustainability Board (GSB) is the central management body for all sustainability topics and reports to the Board of Management. The GSB is chaired jointly by Renata Jungo Brüngger (the Board of Management member responsible for Integrity and Legal Affairs) and Markus Schäfer (the Board of Management member responsible for Development and Procurement, who is also the Chief Technology Officer). The Chairman of the Board of Management and all other Board of Management members, as well as the managers of all relevant functions and departments, are members of the GSB.

The operational work is done by the Sustainability Competence Office (SCO), which consists of experts from the units managed by the two Co-chairs of the GSB as well as additional specialists from Corporate Strategy, Finance and Corporate Communications. The SCO provides advice to the specialist units and helps them complete the tasks assigned to them by the GSB. The SCO also monitors the progress made in the six areas of action and the three enablers defined in the sustainable business strategy. The results are reported to the GSB and the Board of Management of Mercedes-Benz Group AG in the form of detailed scorecards at least twice a year.

The Mercedes-Benz Group also uses the ten principles of the UN Global Compact (UNGC) as a fundamental guide for its business activities. As a founding member, it is strongly committed to the UN Global Compact.

The Mercedes-Benz Group's internal principles and policies are founded on this international frame of reference and other international principles, including the Core Labour Standards of the International Labour Organisation (ILO), the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The remuneration for the Board of Management and Level 1–3 executives, as well as for Level 4 managers in some cases, includes both financial and sustainability targets in the form of the variable components of the company bonus. These consist primarily of transformation targets including those involving CO₂ emissions, due diligence obligations in raw material procurement, and traffic safety in addition to further non-financial targets. These targets relate to the topics of customers, integrity and employee commitment and diversity. Further information can be found in the Remuneration report for 2022 (group.mercedes-benz.com/remuneration-bom).

Risk and opportunity management

Detailed information on, among other things, the risk and opportunity management system and the associated processes can be found in the Risk and Opportunity Report of this Annual Report.

Risk and opportunity management is a firm component of the Group-wide planning, controlling and reporting process. It is designed to support the sustained achievement of the corporate targets and to ensure risk awareness at the Mercedes-Benz Group. In identifying sustainability-related risks and opportunities, Mercedes-Benz Group is guided by the topics identified by the materiality analysis and thus includes the areas of action of the sustainable business strategy, for which concrete goals have been assigned. Sustainability-related risks and opportunities are understood to be conditions, events, or developments involving environmental, social or governance factors (ESG), the occurrence of which may have an actual or potential impact on the Mercedes-Benz Group's profitability, liquidity and capital resources. This further includes any risks and opportunities whose occurrence may have a positive or negative impact on the economy, the environment, or society.

Sustainability aspects — as they relate to the environment — include, among other things, the effects of climate conditions and changes, as well as the impact of the Group's transformation process as a result of changed political conditions, technological developments and changing markets.

Labour law standards, occupational and product safety, product liability and suppliers' compliance with labour law standards are examples of circumstances categorized

as social issues. The area of governance is concerned with matters such as honesty in tax affairs, measures taken to prevent corruption, and ensuring data protection.

ESG-related risks and opportunities associated with the Mercedes-Benz Group's own business activities, business relationships and products and services, and which are very likely to have a serious negative impact on the non-financial aspects in accordance with Sections 315c, 289c of the German Commercial Code (HGB), are not currently apparent. Climate-related risks and opportunities in connection with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) are environment factors and are thus also identified and assessed as part of the risk management process. Additional information is available in the TCFD report sustainabilityreport.mercedes-benz.com/2021/services/pages/downloads/files/tcf-d-mercedes-benz-sr21.pdf

Sustainable investment

The implementation of the Mercedes-Benz Group's sustainable business strategy requires a major amount of investment. For this reason, one of the Group's goals is to ensure that its securities are viewed by the capital market as a sustainable investment. To this end, the Mercedes-Benz Group maintains a continuous dialogue with players on the capital market as representatives of investors in equity and debt. Various platforms are used here. In 2022, the Mercedes-Benz Group presented this approach to investors and analysts at its first digital ESG (Environmental, Social and Governance) Conference.

The Investor Relations & Treasury unit at Mercedes-Benz Group AG works closely together with the company's in-house sustainability departments and is also integrated into the relevant committees. This is how the Mercedes-Benz Group is responding to the fact that sustainable investment has become a central investment strategy — in particular for institutional investors, who set especially high standards of transparency for external reporting according to ESG criteria.

In the reporting year, Mercedes-Benz Group AG converted the existing credit line of €11 billion into a sustainability linked loan (SLL). In this way, the company links its credit line to sustainability achievements in the area of climate change mitigation — for example, the global share of all-electric vehicles in the Mercedes-Benz fleet. The arrangement fee for the existing credit line is reduced if the Mercedes-Benz Group achieves the selected sustainability targets. With this transformation, the company also continues to implement its "Ambition 2039" in the area of sustainable financing.

In 2020, the Group developed a Group-wide Green Finance Framework in order to position the Mercedes-Benz Group even more effectively as a sustainable company worthy of investment and to enable it to utilize ESG-based capital for its business development. It makes it possible for the Group to finance investment targeted at the development, production and customer financing of all-electric vehicles through bonds and loans, for example. The Mercedes-Benz Group has issued green bonds in September 2020 and March 2021. In November 2022, Mercedes-Benz Group issued its first green bond outside the European market as a green panda bond in China.

The framework is based on the Green Bond Principles (the voluntary process guidelines of the International Capital Market Association — ICMA) and the Green Loan Principles, which are the joint voluntary process guidelines of the Loan Market Association (LMA) and the Asia Pacific Loan Market Association (APLMA). In addition, the Mercedes-Benz Group strives for the certification with the highest rating — Dark Green — for the planned 2023 framework update from the respected Centre for International Climate and Environmental Research (CICERO). It is planned to be developed to be consistent with the significant contribution to the environmental objective of climate change mitigation under the technical screening criteria of the EU taxonomy.

The Mercedes-Benz Group operates as an investor itself when it invests the company's pension assets. ESG criteria are also playing an increasingly important role in this area.

For German pension assets, the following objectives have been defined for the consideration of ESG criteria: Creation of transparency in dealing with sustainability aspects, exploitation of opportunities from sustainable developments and the appropriate consideration of sustainability risks. For the majority of German pension assets the investments are made by asset managers to whom the Mercedes-Benz Group issues individual mandates.

In coordination with the Investment Committees, the Mercedes-Benz Group pays, as part of its sustainability concept, increased attention to the consideration and transparency of sustainability aspects in the investment process. In addition, the risk and return aspects associated with sustainable investments are also taken into account. For liquid asset classes of the German pension assets, the Mercedes-Benz Group only works with investment managers who have signed the UN Principles for Responsible Investment. It also uses a negative list to exclude investing in companies and countries that do not fulfil the Group's core requirements. Furthermore, the Mercedes-Benz Group focuses on gradually integrating sustainability aspects — via benchmarks or sustainability performance indicators, for example — into its mandates. In 2022, the Mercedes-Benz Group also further expanded its ESG-themed investments and took its first steps to create an internal reporting system for various sustainability metrics for its German pension assets.

Tax obligation

The Mercedes-Benz Group views itself as a responsible company that endeavours to meet all of its global tax obligations and use public funding responsibly. In this way, the Group can also fulfil its social and ethical responsibilities.

The Group's tax strategy operates according to the following principles in particular:

- With efficient, high-quality and reliable expertise, processes, systems, methods and controls, the Mercedes-Benz Group wants to ensure that the tax obligations of the Group companies are met and integrity standards are maintained.
 - In line with the principle of being a good corporate tax citizen (i.e. fulfilling its responsibility as a taxpayer), the Mercedes-Benz Group conducts legal, proactive and non-aggressive tax planning activities on the basis of economic considerations ("tax follows business"). The Mercedes-Benz Group also strives to work cooperatively, transparently and constructively with the tax authorities. In this process, it maintains its legal standpoints and defend its interests wherever it believes such actions are appropriate and legitimate.
- The Group tax strategy drawn up by the board of management of the Mercedes-Benz Group AG defines the limits of action here, and this strategy is further specified and implemented by means of organizational and content-related policies, guidelines and instructions. The tax strategy is regularly reviewed for appropriate adjustments.
- The tax policies define the responsibilities, tasks and obligations of those individuals at the Group who deal with tax issues, and also contain specific provisions for ensuring that legal requirements are met, thus raising the awareness of tax issues among employees. Management is kept informed about relevant tax issues by means of monthly reports and regular communications, as well as when required. Moreover, it is involved in compliance processes:
- Regular communication between CFO and Head of Taxes
 - Regular information to the Supervisory Board on risks and opportunities as well as current regulatory issues
- The Code of Conduct stipulates that all intentional violations of external and/or internal tax guidelines must be reported and investigated. The same applies to any failure to make corrections to procedures performed in an erroneous manner, as outlined in our internally valid Treatment of Violations Policy. Further information can be found in the Integrity and Compliance chapter.

The Mercedes-Benz Group has established a Tax Compliance Management System (Tax CMS) in order to ensure effective tax compliance throughout the Group. The Tax CMS is a separate sub-unit of the general intra-Group Compliance Management System. The Tax CMS also operates an active tax-risk management system that is consistently applied throughout the Group in order to monitor and check whether tax obligations are being fulfilled, and also to support those responsible for ensuring such fulfilment. Another goal here is to identify and reduce tax risks at the Group, and thus the associated personal risks that may be faced by the employees active in this area. The system includes numerous measures — for example, continuous monitoring of tax risks and the incorporation of tax risk issues into the internal control system and the Group-wide risk management process in line with the company's risk management policy.

The Mercedes-Benz Group did not become aware of any criminally relevant material violations of tax laws during the reporting year.

Sustainability in the supply chain

The Mercedes-Benz Group is committed to the responsible procurement of production materials, non-production materials and services.

The Responsible Sourcing Standards (RSS) serve as the guideline for the sustainable supply chain management system at the Mercedes-Benz Group. The RSS define minimum requirements for suppliers, as well as the expectations we have of them. The Mercedes-Benz Group requires its direct suppliers to comply with the RSS for new tenders, communicate the associated provisions to their employees and to their own direct suppliers, and ensure the RSS are complied with in all areas in which they exert an influence. The goal here is to prevent, minimize or, if possible, put a stop to any negative effects on human rights worldwide.

The RSS also define environmental protection requirements that are meant to ensure resource conservation and prevent environmental damage caused by business activities, repair any damage that does occur, and compensate for such damage that cannot be avoided or repaired. Direct suppliers to the Mercedes-Benz Group must comply with the RSS, communicate the associated provisions to their employees and to their own direct suppliers, and ensure the RSS are complied with in all areas in which they exert an influence.

Measures in the supply chain

The Mercedes-Benz Group uses a variety of measures and concepts to ensure the fulfilment of its due diligence obligations in the supply chain. These include supplier screenings, audits, risk-based due diligence analyses and qualification modules for production material suppliers. The Mercedes-Benz Group uses these tools in order to increase the transparency of the supply chain and ensure that the internationally recognized human rights are upheld by business partners as well, and that other social standards and environmental requirements are met. Procurement units play a key role here. See the Social Compliance and Environmental Issues chapters for further information.

Complaint management

The Group offers employees and external whistleblowers various channels through which they can report suspected human rights violations and rule violations and also request remedy. With regard to supply chains, suspected violations of the Responsible Sourcing Standards can be reported via the Business Practices Office (BPO). If the misconduct or problem falls within the supplier's area of responsibility, the supplier must take measures to immediately correct or eliminate the problem. Further information about the Compliance Programme can be found in the Integrity and Compliance chapter.

Environmental issues

B.30

Target	Target horizon
Mercedes-Benz offers all-electric vehicles (BEVs) in all segments in which the brand is represented	2022
Increase the proportion of plug-in hybrids and all-electric vehicles to as high as 50% ¹	By the middle of this decade
All new vehicle architectures are electric	from 2025
An all-electric alternative is available for every model that Mercedes-Benz offers	2025
Mercedes-Benz is all-electric — wherever market conditions allow	By the end of this decade
Reduction of the CO ₂ emissions per car in the new vehicle fleet by at least 50% along all stages of the value chain ^{1,2}	By the end of this decade
Reduction of CO ₂ emissions at Mercedes-Benz plants (Scope 1 and 2) by 50% ³	2030
A fleet of new Mercedes-Benz cars and vans that are CO ₂ -neutral on the balance sheet along all stages of the value chain	2039

¹ When market conditions allow

² Compared to 2020, in relation to the entire value chain

³ Compared to 2018

As a player in the transport sector, the Mercedes-Benz Group supports the Paris Climate Agreement: It is convinced of the objectives of the agreement. About one fifth of all greenhouse gas emissions in Europe are produced as a result of the transport of people and goods on streets and roads. The Mercedes-Benz Group is taking deliberate measures to counteract this trend and has made climate change mitigation a core element of its business strategy. The Group's ambition is to make the entire Mercedes-Benz new vehicle fleet CO₂-neutral on the balance sheet across all stages of the value chain by 2039.

In order to achieve this goal, the Mercedes-Benz Group is transforming the products and services that are at the heart of its business activities. The company also takes into account climate change mitigation in all of the life cycle phases of its automobiles — from the supply chain and its own manufacturing operations to the use and disposal of the vehicles.

Climate change mitigation with vehicles

The Mercedes-Benz Group believes that the complete electrification of its product range is the most important lever for making its entire new vehicle fleet CO₂-neutral on the balance sheet across all stages of the value chain by 2039. By the end of this decade, the Mercedes-Benz

Group wants to be all-electric wherever market conditions allow. The strategic step to “Electric only” will accelerate the transformation of Mercedes-Benz to an all-electric and software-driven future. As early as November 2021, the Mercedes-Benz Group underscored its commitment to this transformation during the COP26 UN Climate Change Conference.

Responsibilities

The Board of Management of the Mercedes-Benz Group AG is responsible for setting strategic goals, including targets for reducing the CO₂ emissions, and for monitoring the progress made in achieving these goals. The Product Steering Board (PSB) is responsible for the car fleet. This body monitors the development of the CO₂ emissions of the car fleet in markets in which such emissions are regulated. It is also responsible for providing forecasts. In its evaluations, the PSB takes into account a variety of factors, including the increasing degree of vehicle electrification and the changes that have been made to legal requirements, for example those related to the introduction of the WLTP certification procedure. The PSB is assigned to the Committee for Model Policy and Product Planning (AMP). The Product Strategy unit ensures compliance with the CO₂ fleet emission limits for vans and reports on this regularly to the Van Executive Committee. The Committee for Model Policy and Product Planning and the Van Executive Committee both inform the Board of Management of Mercedes-Benz Group AG. The Board of Management then decides which measures need to be implemented. On the market side of the equation, price and volume control measures can also affect our ability to achieve our CO₂ targets over the short term. For this reason, such measures are also discussed with the Board of Management within the framework of regular reporting on the current state of CO₂ fleet compliance.

All-electric product range

The Mercedes-Benz Group's goal is to accelerate the pace of expansion of its range of electric vehicles. Its commitment to research and development work is correspondingly great. Altogether, the Mercedes-Benz Group wants to invest more than €60 billion between 2022 and 2026 for the transformation towards an all-electric and software-driven future.

Since 2018, Mercedes-Benz AG has been offering battery electric vehicles under the Mercedes-EQ brand. It is continuously expanding this brand's portfolio through the addition of more models. During the reporting year,

Mercedes-Benz reached an important strategic milestone and now offers an all-electric alternative for every segment in which Mercedes-Benz is active — i.e. the EQA and EQB for the compact segment, the EQC for the mid-range segment and the EQE and EQS for the premium segment. In August 2022, the all-electric model range was expanded to include the EQS SUV. This was followed in mid-2022 by the staggered global market launch of the EQE business saloon. The EQE 350 (WLTP: combined electrical consumption: 18.8–16.0 kWh/100 km; combined CO₂ emissions: 0 g/km) has an output of up to 300 kW and a range¹ of up to 645 km (according to WLTP).

Plug-in hybrids are an important transitional technology on the road to an all-electric future. Mercedes-Benz Cars offers an efficient drive-system package for this purpose: since 2021, customers have been able to choose between more than 20 model variants.

Mercedes-Benz is convinced of the ecological and economic advantages of all-electric vans and has firmly anchored its claim to leadership in electric mobility in its strategy. As a result, all of its model series are to be systematically electrified. Even today, body manufacturers and customers can already choose from a number of battery electric vans for both commercial and private use. These include the eVito panel van and eVito Tourer, the eSprinter and the EQV. From 2023, it is planned that they will be joined by the eCitan and EQT (WLTP: combined electrical consumption: 18.99 kWh/km; combined CO₂ emissions: 0 g/km).¹

Electrified vehicles (xEV) at Mercedes-Benz Cars accounted for 16% of the Group's worldwide unit sales in the year under review. Battery electric models accounted for 4% of unit sales at Mercedes-Benz Vans.

Development of CO₂ emissions in Europe

The Mercedes-Benz Group has defined the CO₂ emissions of its total new passenger car fleet in Europe as one of its significant non-financial performance indicators. For more information on how it expects the CO₂ emissions of its car fleet in Europe to develop in 2023, see the Outlook chapter.

In the reporting year, the average CO₂ emissions of the Mercedes-Benz passenger new car fleet in Europe (European Union, Norway and Iceland), applying the statutory regulations, are expected to amount to 115 g/km (including vans registered as passenger cars) and were thus at the same level as in the previous year. This means that the figures for Mercedes-Benz achieved the CO₂ targets in Europe in 2022.

In the reporting year, the average CO₂ emissions of vehicle category N1 light trucks in Europe (European Union, Norway and Iceland) as measured on the basis of the legal regulations are expected to amount to 209 g/km. This means that the figures for Mercedes-Benz will be below the CO₂ target.

Development of CO₂ emissions in the United States

In the United States, fleet values are regulated by two separate federal standards for limiting greenhouse gases and fuel consumption in vehicle fleets: the Greenhouse Gas Protocol (GHG) and the Corporate Average Fuel Economy (CAFE) standard. For the 2022 model year, the GHG fleet figure is 244 g CO₂/mi for the car fleet and 289 g CO₂/mi for the fleet of vans and SUVs registered as light trucks (on the basis of the most recent forecast). Because the portfolio of electrified vehicles (xEV) in the United States is still in an early stage of development, the Mercedes-Benz Group was not able to achieve its average fleet targets of 195 g CO₂/mi for the car fleet and 256 g CO₂/mi for the fleet of vans and SUVs registered as light trucks. However, the Mercedes-Benz Group was able to offset the remaining difference through the purchase of external credits.

Development of CO₂ emissions in China

In China, domestic and imported cars are reported separately and according to fleet consumption values, unlike in Europe and the United States. This means the figures for the imported fleet are the relevant figures for our wholly owned subsidiary Mercedes-Benz China (MBCL). The target was 7.01 l/100 km; the figure that was actually achieved was 8,33 l/100 km (8.17 l/100 km including off-cycle technologies). MBCL plans to purchase external credits in order to close consumption gaps in the fleet's target achievement at short notice. The aim of the Mercedes-Benz Group with regard to the portfolio expansion for all-electric vehicles and plug-in hybrids is to achieve the emission targets in China in the medium term, together with the joint-venture partner Beijing Benz Automotive (BBAC).

¹ Electricity consumption and range were determined on the basis of Commission Regulation (EU) 2017/1151.

Climate change mitigation in the supply chain

The Mercedes-Benz Group implements various projects and measures in order to avoid and reduce CO₂ emissions in its supply chains for services as well as for production and non-production materials.

For this reason, in 2020, Mercedes-Benz Cars and Mercedes-Benz Vans already sent out to suppliers of production materials the ambition letter, a declaration of intent on balance sheet carbon-neutral products and established approval as a prerequisite for awarding contracts. By signing this document, they commit themselves to supply Mercedes-Benz AG only with products that are CO₂-neutral on the balance sheet by 2039 at the latest — and thus to the Mercedes-Benz Group's "Ambition 2039".

Approximately 86%¹ of all suppliers of production material for Mercedes-Benz Cars and Mercedes-Benz Vans registered in the system (as measured on the basis of annual planning procurement volume that, in turn, is based on target figures updated bi-weekly) have signed the ambition letter. CO₂ neutrality on the balance sheet is incorporated into the terms of contract, and the ambition letter is a key criterion for the awarding of contracts.

Progress on climate change mitigation in the supply chain is reported at regular intervals in the Group Sustainability Board (GSB). Further information can be found in the Managing sustainability section.

Resource conservation in the supply chain

The supply chain plays an important role in efforts to conserve resources. The Mercedes-Benz Group wants to decouple resource consumption from economic growth. To achieve this goal, it is relying on the support of its suppliers. With their help, the Group wants to continuously increase the proportion of secondary and renewable materials in its vehicles.

Steel, aluminium and plastics have been identified as particularly important materials in Mercedes-Benz vehicles. We need large volumes of these materials for the production of our vehicles, and their extraction and processing also consume large amounts of energy and resources. In 2020, Mercedes-Benz AG defined

secondary material targets for these resources for Mercedes-Benz Cars and Mercedes-Benz Vans and anchored these in the requirements for all contract awards.

Suppliers of production materials to Mercedes-Benz Cars and Mercedes-Benz Vans are expected to operate with an environmental management system that is certified according to ISO 14001 or EMAS. Depending on the specific risks, this also applies to suppliers of non-production materials and services.

With its Responsible Sourcing Standards, the Mercedes-Benz Group has also incorporated other environmental requirements into its supplier agreements, including stipulations relating to compliance with environmental due diligence obligations and the use of resource-efficient production methods.

Mercedes-Benz Cars and Mercedes-Benz Vans are also cooperating with organizations such as CDP (formerly Carbon Disclosure Project) so that it can depict the environmental impact of its supply chains even more transparently. The suppliers have been reporting on their environmental impact and climate change mitigation efforts within the framework of the CDP Supply Chain Programme since 2019. CDP provides the corresponding tools for recording, assessing and publishing environmental and climate data.

Climate change mitigation in production

The Mercedes-Benz Group formulates the holistic goal of making the mobility of the future more sustainable in its sustainable business strategy. One of the most important targets is the reduction of greenhouse gas emissions. This applies not only to mobility solutions but also to the Group's own production plants. By pursuing its goal of making its own production processes CO₂-neutral on the balance sheet, the Mercedes-Benz Group intends to act in accordance with the Paris Climate Agreement.

Thus the CO₂ emissions arising from Mercedes-Benz' production operations and the energy supply of the brand's plants will be consistently reduced or, wherever possible, completely eliminated. In order to accomplish this, Mercedes-Benz is relying on the purchase of green electricity, the expansion of other renewable energy sources at its locations and the implementation of a sustainable heating supply system. Production at all manufacturing locations operated by the Mercedes-Benz Group has

¹ The key figures were audited in order to obtain limited assurance as part of a separate assurance engagement of the sustainability report.

been CO₂-neutral regarding Scope 1¹ und Scope 2² since the reporting year.³ Since early 2022, all CO₂ emissions (Scope 1 and Scope 2) at production facilities operated by the Mercedes-Benz Group that have been as yet unavoidable have been offset by means of carbon offsets from qualified climate change mitigation projects.³ Remaining emissions are particularly released by the CHP facilities that use natural gas to produce electricity and heat.

For the procurement of green electricity, the Mercedes-Benz Group in Germany currently relies on a mix of solar, wind and hydroelectric power for external electricity purchases.

In order to continue to cover the energy requirements in production with renewable energies, the Mercedes-Benz Group is, among other things, planning to expand solar and wind energy at its own locations.

During the reporting year, Mercedes-Benz Cars and Mercedes-Benz Vans employed a bundle of measures that enabled them to reduce CO₂ emissions in production (Scope 1 and Scope 2) from 946,038 tons in 2021 to 537,821 tons in the year under review, and thus by 43% compared to the previous year.³

In the reporting year, the Mercedes-Benz Group already achieved its target of reducing CO₂ emissions at its own plants (Scope 1 and Scope 2) by 50% by 2030 compared to 2018.³ It is therefore aiming to save even more CO₂ emissions by 2030.

Resource conservation in production

The increasing demand for mobility is also leading to an increase in the worldwide consumption of resources — with negative consequences for the environment and society. That's why the goal of the Mercedes-Benz Group is to increasingly decouple its consumption of resources from the growth of its production volume. In order to improve its environmental footprint in production operations, the Group therefore plans to use less energy and water and fewer raw materials. Accordingly, the

Mercedes-Benz Group is intensifying its efforts to use lower volumes of raw materials and other materials at its sites.

For its production sites worldwide, the Mercedes-Benz Group has set reduction targets for energy and water consumption, total waste volume and waste volume for disposal per vehicle. In order to achieve its goals, the Group uses Group-wide resource management with its environmental and energy management systems to ensure that appropriate measures are developed, adapted to challenges where necessary, and monitored.

In order to ensure efficient, high-quality, and environmentally friendly manufacturing operations, the Group has established environmental management systems in accordance with EMAS or ISO 14001 at its production sites around the world. Since 2012, it has also introduced energy management systems certified in accordance with the DIN EN ISO 50001 standard at its German production sites. These energy management systems are certified at regular intervals. The Mercedes-Benz Group is currently also implementing ISO 50001 systems at a number of individual sites outside Germany. In accordance with the standard, it has embedded environmental and energy management within its organization.

The effectiveness of the management systems is monitored by external auditors as part of the certification process (ISO 14001, EMAS, ISO 50001), as well as in the environmental sector by internal environmental risk assessments (environmental due diligence process). The company also has a standardized process in place for reviewing and assessing its consolidated production sites every five years. The results of this process are reported to the respective plant and company management so that any necessary optimizations can be carried out.

Travel restrictions and lockdown regulations due to the Covid-19 pandemic limited the number of site inspections that could be carried out in 2021. Van production sites were evaluated during the year under review. The inspections that had to be cancelled will now be carried out over the next few years so that the Mercedes-Benz Group can maintain the five-year cycle for its production sites. We are continuing the internal reporting process and the controlling of the improvement measures as before.

1 Scope 1 emissions are direct greenhouse gas emissions from sources for which the company is directly responsible or that it directly controls.

2 Scope 2 emissions are indirect greenhouse gas emissions from purchased energy, such as electricity, steam, district heating or cooling, fuels that are generated externally but consumed by the company.

3 The key figures were audited in order to obtain limited assurance as part of a separate assurance engagement of the sustainability report.

Employee issues

B.31

Target	Target horizon
Human resources work in the transformation	
Shape the transformation of the Group in a responsible, socially acceptable and future-oriented manner for Mercedes-Benz Group employees	Ongoing
Ensure permanently constructive cooperation between company and employee representative bodies	Ongoing
Further develop and firmly embed within the Group the People Principles for cooperation The goal here is to establish a common understanding of an agile and innovative management culture in the transformation	Ongoing
Ensure remuneration structures in line with market rates through compliance with our global Corporate Compensation Policy	Ongoing
Support and enhance flexible and modern working-time arrangements	Ongoing
Training and professional development	
Ensure high quality and a needs-based range of professions covered by our training programmes and dual work-study programmes	Ongoing
Restructure and periodically further develop the qualification programmes available to our employees	Ongoing
Diversity and equal opportunity	
Equal opportunity for all employees in the Group	
Increase the proportion of women in executive management positions ¹ to 30%	2030
Occupational health and safety	
Ensure employees can work in a healthy and safe environment	Ongoing
Utilize a globally standardized accident documentation system and introduce it to the German production sites.	2023

¹ Management Level 3 and higher — Mercedes-Benz Group worldwide (headcounts, fully consolidated companies).

Human resources work in the transformation

The Mercedes-Benz Group is in the midst of a transformation towards locally emission-free and networked mobility. This transformation affects not only products, technologies and business models. Working processes and structures are changing just as fundamentally as employee tasks, job profiles and cooperation within the Mercedes-Benz Group.

A total of 168,797 employees¹ around the world are using their skills, innovation and dedication to help ensure that the Group can successfully overcome the associated challenges.

Together with them and their essential motivation as well as willingness to change, this transformation is a huge opportunity for a sustainably successful company. The Mercedes-Benz Group's goal here is to shape the necessary changes for its employees in a responsible, socially acceptable and future-oriented way.

The Mercedes-Benz Group therefore also invests continuously in qualification measures for its employees and recruits new staff whose qualification profiles will be needed in the future. In order to attract such employees and retain them for the long term, the Mercedes-Benz Group takes measures to create an attractive and future-oriented working environment for its employees, among other ways by offering them modern and flexible forms of work that it continuously enhances. Particularly in challenging times such as those we now live in, respectful and trust-based cooperation between the workforce and the management is extremely important. The Mercedes-Benz Group therefore promotes a diverse and inclusive corporate and management culture. The Group also wants to make possible a safe and healthy working environment.

Responsible transformation

Depending on their product portfolio and the size of their operations, the Mercedes-Benz Group sites, and thus the company's various groups of employees, are affected to different degrees by digitalization and the transformation of the mobility and transport sector into a system of electric mobility.

For the transformation to be successful, it needs to have a final destination and a roadmap for getting there. For this reason, the various sites (currently the major component and assembly plants) are developing goals for the transformation process. The sites are also identifying key topics that will then be translated into specific measures and subsequently implemented. Examples of such measures include qualification and retraining programmes. The Digital Pioneers initiative is part of this approach. In 2022, production employees in Berlin and

¹ Workforce from 31.12.2022 not incl. temporary workers during vacations, integrated master's degree students, interns, working students, doctoral candidates, senior experts and trainees

Stuttgart-Untertürkheim were able to undergo customized retraining able to undergo customized retraining on digitalization topics. For further information, see Training and professional development, new qualification and learning programmes for employees.

Another goal at the Mercedes-Benz Group is to get employees on board for the changes that are coming in the transformation, and also motivate and enable them to actively participate in the change process. To this end, it launched the initiative TransformatiON – Gemeinsam aufbrechen (TransformatiON – Setting off together) in the Powertrainverbund (powertrain network) in 2022. TransformatiON uses information, interaction, dialogue and feedback as central elements that are offered in new formats and via new channels. These formats and channels are being developed with the help of Transformation Ambassadors – employees from various units and functions who are actively participating in the change process and serve as contacts for their colleagues.

However, change requires security more than anything else. That's why the company signed an agreement that gives the employees at Mercedes-Benz Group AG, Mercedes-Benz AG and Mercedes-Benz Intellectual Property GmbH & Co. KG a job-security guarantee for the period until 2029. The agreement excludes the possibility of business-related layoffs until 31 December 2029.

Cooperation and management culture

The Mercedes-Benz Group believes that the interplay of strategy and corporate culture offers a key competitive advantage. The company therefore works constantly to improve its management culture and the way people throughout the organization cooperate.

The "Leadership 2020" initiative that was launched back in 2016 (later known as "Leadership 20X") laid the basis for the Mercedes-Benz Group's future success. Working groups with a diverse composition of employees and managers agreed with the Board of Management of the Mercedes-Benz Group AG on how good leadership should be understood and which structural changes and tools are needed in order to transform the way we currently work (Game Changer). One of the results of the working groups was People Principles for cooperation: Pioneering Spirit, Agility, Purpose, Empowerment, Customer Orientation, Co-Creation, Learning and Driven to Win. The

initiative was completed in 2021, but the principles are still used as a basis for leadership and cooperation at the Mercedes-Benz Group.

The resulting framework, within which the Group is looking to further develop its culture, is an integral part of the processes for human resources development and decision-making, as well as the organizational structures and work methods and tools. The units use the shared basis of the People Principles to focus on their own specific areas and develop measures to be taken.

The Group wants to enable managers to perform their important roles in the technical, strategic and cultural transformation. The new hybrid world of work poses different challenges for the leadership culture within the Group. In order to support managers as much as possible in their roles and their tasks, the Mercedes-Benz Group offers them in-class and online training courses that focus on the opportunities and the framework of leadership. The company also continuously further develops these courses.

"Gear-up – increase your leadership impact", for example, is a digital development programme that addresses in a targeted manner the new challenges relating to leadership with regard to innovation, cooperation, sustainable development and personal resilience. Another programme known as "Shaping the Future – Leading for Success" focuses on the topic of strategy implementation and shaping the transformation. More specifically, this involves the complex environment and the challenges that arise from it in terms of management and leadership. In this programme, internal and external specialists give lectures that generate momentum and offer space for discussions and exchanges. Both programmes are offered to executives who have been nominated in advance by their division and HR.

Attractive and transparent remuneration

The Mercedes-Benz Group remunerates work in accordance with the same principles at all of its companies around the world. The Corporate Compensation Policy, which is valid for all groups of employees, establishes the framework conditions and minimum requirements for the design of the remuneration systems. Among other things, it stipulates that the amount of the remuneration is determined on the basis of the requirements of the job profile in question (taking into account, for example, the person's knowledge, expertise, responsibilities and

decision-making authority) and, where appropriate, performance. However, it does not take account of gender, origin or other personal characteristics. The internal auditing department conducts random annual internal audits to determine if selected aspects of the policy are being complied with. Here, the Group also takes into consideration local market conditions and benchmark data, because the Mercedes-Benz Group wants to offer its employees salaries and benefits that are customary in the industry and the respective markets.

The variable remuneration of management (managers of Levels 1-3 and Level 4 executives) is based not only on financial targets but also on transformation goals and non-financial targets.

Modern working-time arrangements

The Mercedes-Benz Group continuously further develops its working culture — and thus its working-time arrangements as well. It will increasingly make use of hybrid forms of work in the future and thus enable its employees, depending on their tasks and the work processes they use, to work either remotely or on site in their offices.

This common creative freedom should contribute to the enhancement of the performance and satisfaction of the employees at the Mercedes-Benz Group in Germany. With its comprehensive company-wide agreement on mobile work that has been in force since 2016, and in a process of constant dialogue with the works council, the Group creates the necessary framework for hybrid working models.

In Germany, the Mercedes-Benz Group also offers a wide range of part-time working arrangements — for example, employees can reduce their working hours and spread their daily, weekly or monthly hours over a period of one to five days, or work in a blocked part-time arrangement (alternation between full-time work and time off).

The Mercedes-Benz Group also promotes job-sharing arrangements at all levels, especially in Germany. In addition, employees at Mercedes-Benz Group AG, Mercedes-Benz AG and Mercedes-Benz Intellectual Property GmbH & Co. KG can agree to take a sabbatical ranging from three months to one year. Subsequent reinstatement is guaranteed. Employees who wish to obtain additional

qualifications — including pursuing a course of study at a university — can also make arrangements to take a three to five-year leave with guaranteed reinstatement.

Employee involvement and co-determination

The Mercedes-Benz Group is committed to fulfilling its social responsibilities and makes every effort to take into account both the economic interests of the Group and the interests of its employees. For this reason, the Mercedes-Benz Group in Germany works with the employee representative body to get employees actively involved in the Group's affairs. One of the goals here is to ensure constructive cooperation between corporate management and the employee representative body. Corporate management and the employee representative body also maintain an ongoing dialogue.

The Mercedes-Benz Group acknowledges its employees' right to form employee representative bodies and conduct collective bargaining in order to regulate working conditions. It also recognizes their right to strike in accordance with the applicable laws. Important partners here include the local works councils, the General Works Council, the European Works Council and the World Employee Committee (WEC). Collective bargaining agreements exist for the majority of employees throughout the Group. Such agreements apply to all non-exempt employees subject to collective bargaining agreements at Mercedes-Benz Group AG and Mercedes-Benz AG and at other units at the Group.

The results of the ongoing dialogues, and thus the rights of employees as well, are defined, among other things, in a number of plant and company-wide agreements that address a multitude of issues such as mobile working, family leave and home health care.

Within the framework of the "Electric only" approach, for example, a new European production setup for the coming years was agreed on in 2022. The agreement provides for production operations for the repositioned product portfolio to be focussed on electric vehicles in the luxury segment. The focus on next-generation electric platforms is a decisive step towards securing the future of European vehicle sites and the jobs there.

In 2002, Mercedes-Benz Group AG issued its own Group-wide Principles of Social Responsibility, which are based on the International Labour Organization's (ILO) work and social standards. These principles were completely

reworked and comprehensively supplemented in 2021 and republished as the Principles of Social Responsibility and Human Rights.

Reported violations of the Integrity Code or internal regulations, as well as legal regulations, that pose a high risk to the Mercedes-Benz Group and its employees are followed up by the whistleblowing system, the Business Practices Office (BPO). You can find more information about the BPO in the Integrity and Compliance chapter.

As a participant in the UN Global Compact, the Mercedes-Benz Group has committed itself, among other things, to respecting key employee rights.

Results

The Group-wide employee survey is a key indicator of where the Mercedes-Benz Group stands with regard to various issues from the point of view of employees, and where there is still potential for improvement. One of the topics addressed is corporate culture. The Mercedes-Benz Group generally conducts the survey at least every two years; the last survey was carried out in 2021. A shorter representative sample survey known as the Pulse Check is conducted between the major surveys. These surveys ensure that the Group companies receive extensive feedback from their employees. Other channels are also open for employees and managers to provide feedback.

Measures are derived as part of the follow-up process to the employee survey. For example, one measure from the 2021 Employee Survey was the introduction of a strength assessment for all managers at the Group worldwide. This assessment helps managers identify their individual strengths and learn how to better understand them. They can use the lessons learned to develop themselves personally, strengthen their teams and promote the corporate culture.

During the year under review, the Mercedes-Benz Group also expanded its leadership programme to include elements that enable managers to identify coming leadership challenges and requirements, and obtain the qualifications to address them.

The transformation of the economy creates challenging tasks for companies, and the past year was no different in this regard. It has shown the importance of constructive partnerships between the workforce and the

management, as well as between the corporate management and the employee representative body, because this is the only way that viable solutions can be found. With this in mind, the Mercedes-Benz Group and the employee representative body succeeded in reaching long-term agreements in 2022. Among other things, the new production setup that was agreed on provides for various assembly plants throughout Europe to begin manufacturing products with new technologies. This will safeguard the future of the sites in question as well as the jobs they offer.

In addition, goals have been set for the plants in Hamburg and Berlin. Initial measures have already been launched and implemented on this basis — in particular, qualification measures such as the Digital Pioneers initiative.

International standards apply at the Mercedes-Benz Group, such as the principle of equal pay for work of equal value in the respective company, regardless of gender difference.

The internal auditing department conducts random annual internal audits to determine whether selected aspects of the Corporate Compensation Policy are being complied with. The company did not become aware of any material violations of the policy during the reporting year.

In 2022 the expenses for employees in the company worldwide for a workforce numbering 171,382 on average (including temporary workers during holidays) amounted to:

- €13.684 billion on wages and salaries
- €2.239 billion on social welfare services, and
- €0.578 billion on retirement benefits

Training and professional development

The transformation is changing numerous job profiles, tasks and requirements profiles. This is transforming the qualifications needed for many positions. The range of the portfolio of training professions offered by the Mercedes-Benz Group in Germany, and the courses of study offered in dual work-study programmes, is also changing as a result.

The Mercedes-Benz Group invests extensively in training and professional development programmes for its employees and continuously adjusts its qualification and HR development programmes. The company has also launched a worldwide qualification offensive known as Turn2Learn, whose goal is to maintain the competitiveness of the Mercedes-Benz Group over the long term.

Organization and agreements

Mercedes-Benz Group AG, Mercedes-Benz AG and Mercedes-Benz Intellectual Property GmbH & Co. KG structure their training and qualification processes throughout Germany in line with various company-wide agreements. These are, among others a company-wide agreement on qualification and the 2022 company-wide agreement on the integration of external learning platforms into the Mercedes-Benz Group's qualification programmes. Both of the aforementioned agreements are designed to strengthen the responsibility managers and employees share for qualification measures. In addition, the agreements serve to standardize the qualification process, structure it more efficiently and integrate external training elements into the learning portfolio.

The Mercedes-Benz Group employs a sustainable personnel planning and development approach because it needs highly qualified employees with the right skills, whether in the field of electric mobility or in one of the many digital disciplines that are becoming increasingly important.

What kinds of expertise and skills does Mercedes-Benz AG need in order to successfully implement the transformation? Does the company have the right personnel with the right skills at its disposal? These and other important questions are being addressed by the Tech-Academy Production and Supply Chain Management at Mercedes-Benz Cars, for example.

Trainees and students

During the reporting year trainees and participants of dual work-study programmes began their professional training at the Mercedes-Benz Group in Germany. Professional training is carried out in a dual system — i.e. in plants/offices and at trade schools. The Mercedes-Benz Group also offers dual work-study programmes for internationally recognized bachelor courses of study at various company sites throughout Germany. The lectures are supplemented by practical assignments in Germany and abroad.

The Mercedes-Benz Group has established a Mercedes-Benz Training System for Germany that standardizes training content across all sites and divisions. Regular checks are made to see that the content is user-friendly and up to date and that duplication does not occur. Hybrid formats allow for both in-class learning and online course components. The goal here is to create high-quality and efficient training programmes that are attractive to trainees and participants in dual work-study programmes.

Mercedes-Benz Group training programmes are fundamentally needs-based. For example, the Group analysed the requirements of future IT professions and used this as a basis for expanding its portfolio to include digital training professions for IT in the industrial sector, and it also introduced a course of study that focuses on the interface between IT and electrical engineering (embedded systems). In 2022, it also tested the use in training programmes of content relating to artificial intelligence by offering an additional qualification module, among other things.

New qualification and learning programmes for employees

The Mercedes-Benz Group offers its employees an extensive range of professional and personal development opportunities. It conducts a large number of training programmes to make sure that its people have the right skills. It also continuously improves these programmes in order to ensure that its employees remain employable over the long term in a changing environment — and that they never lose their innovative capability. The Mercedes-Benz Group is now realigning its qualification approach within the framework of its Turn2Learn initiative, which puts lifelong learning and the further education of employees at the centre of its sustainable personnel development activities. In light of the transformation, the Mercedes-Benz Group in Germany is placing a focus on qualifications that are crucial for the digitalization of the Group and the successful implementation of its sustainable business strategy. The Turn2Learn initiative addresses the qualification system throughout the entire Mercedes-Benz Group. Among other things, the initiative is being used to combine and optimize existing training and education programmes, which are being supplemented by large-scale opportunities for e-learning via external learning platforms. Within the framework of this qualification system, employees can, for example, define their own learning paths for targeted and forward-looking

professional further education and training. When selecting the formats, the Mercedes-Benz Group seeks to enable employees to exercise as much self-determination as possible.

The Tech Academy Production and Supply Chain Management at Mercedes-Benz Cars analyses current and future personnel requirements for production areas and inter-departmental functions — for example, in the areas of quality assurance and production planning, as well as for logistics at Mercedes-Benz Cars. The Tech Academy uses the analyses to develop future-oriented qualification and retraining measures in line with the needs of specific target groups. Cooperation between the Tech Academy and representatives from specialist production units at Mercedes-Benz Cars led to the establishment of the Transformation Hub in mid-2021. This working group manages all qualification and retraining measures across all units and departments. It also uses personnel requirements analyses to develop skills profiles for key functions that need to be filled.

A Tech Academy that offers needs-based future-oriented training components has also been established for employees in the development units at the Mercedes-Benz Group in Germany.

Within the sales organization of Mercedes-Benz Group AG, the Mercedes-Benz Global Training business unit serves as the central pillar for the development and qualification of employees of the German and international retail operations. In addition to the training and certification of sales and service personnel as well as dealership management, the unit provides comprehensive advanced training and various product training courses. Moreover, it focuses, among other things, on qualification content for electrical systems/electronics and high voltage. For employees at headquarters and in its own sales companies, Mercedes-Benz Group AG offers continuing education programmes that have been comprehensively expanded as part of the Turn2Learn initiative — for example in the areas of digitalization and data science.

Results

The Mercedes-Benz Group in Germany seeks to ensure that its professional training and dual work-study programmes are of high quality. It also wants to make sure it can offer a modern needs-based range of professions in both areas. That's why the company has redefined the

portfolio of professions for its training programmes and for the Dual University for the period until 2025, and has also modified the professions, the courses of study and the recruitment figures for each professional group. The further development of training content in 2022 also involved the design and launch at the training locations of new internal qualification components for trainees that address topics such as cybersecurity, programming and data-based decision-making. These components also include extensive qualification programmes for the trainees themselves.

In order to expand the existing range of qualification programmes for Mercedes-Benz Group employees, the employee representative body and corporate management concluded a company-wide agreement in 2022 that governs the use of learning platforms. This has made it possible for a large number of employees worldwide to obtain licences to access such external platforms. In the reporting year, qualification measures continued to focus on digitalization and electric mobility.

Diversity and equal opportunity

The Mercedes-Benz Group is committed to tolerance, openness and fairness, and promotes diversity and equal opportunity. With appropriate measures and activities, it wants to foster a working environment in which employees, regardless of their age, ethnic origins and nationality, gender and gender identity, physical or intellectual capacity, religion and worldview, sexual orientation and social origins can freely develop their talents.

This approach is embedded in the Mercedes-Benz Group's Integrity Code and in the Principles of Social Responsibility and Human Rights, for example.

Strategic areas of action

Diversity and equal opportunities are parts of the business strategy of the Mercedes-Benz Group. Sustainability, integrity and diversity serve as the foundation of this strategy. The overarching strategic areas of action for promoting diversity and equal opportunities involve the advancement of women, internationality and equal opportunities. The area of action internationality was newly developed during the reporting year.

The Mercedes-Benz Group would like to fill more senior management positions with qualified women. The target here is to increase the share of women in such positions to 30% by 2030.

The Mercedes-Benz Group is firmly convinced that a fair and appreciative environment makes it possible to harness the full potential of a diverse workforce — and this is why the company promotes equal opportunities.

The Mercedes-Benz Group also seeks to promote internationality, a global way of thinking and the cultural diversity of its workforce in order to go on being an attractive employer in the future. In doing so, the Group seeks to bring together various points of view at all levels of the hierarchy.

Active management of diversity and equal opportunities at the Group

The Mercedes-Benz Group expects its employees to treat one another in a respectful, open and fair manner. Managers serve as role models here and thus have a special responsibility for ensuring a corporate culture marked by appreciation. The Mercedes-Benz Group presented its understanding of diversity and equal opportunity in its “Uniqueness makes us strong” mission statement, which was signed by all members of the Board of Management.

The framework and processes here are designed by the Group-wide functions Integrity and Diversity and Inclusion Management, the latter of which is part of Human Resources. They define strategic areas of action in cooperation with the Board of Management of Mercedes-Benz Group AG and initiates overarching projects, training programmes and awareness-raising measures.

The Mercedes-Benz Group also encourages its employees to take on international assignments. The Global Mobility Policy, which was developed for the purpose, is used among other things to adequately support the assignees.

The diversity and inclusion management system is grounded in the principle of equal opportunity for all employees. The idea here is to always attract the most highly qualified specialists and managers to the Group and support their professional development, regardless of their age, ethnicity, gender, sexual orientation and identity, and psychological and physical capability.

Mercedes-Benz Group employees who have been victims of discrimination, bullying or sexual harassment, or who observe improper behaviour by colleagues, can report such violations of policy to their supervisors, the HR department, the counselling service, their plant medical services organization, the Works Council or the Management Representative Committee. Additional points of contact include the infopoint integrity and the Group's Business Practices Office (BPO) whistleblower system. The BPO is responsible for violations of laws and regulations.

An external online counselling platform was established in the reporting year to supplement these internal points of contact in this area. Mercedes-Benz Group employees in Germany can use the platform to obtain information on sexual harassment, discrimination and bullying. They can also use an anonymous chat function to obtain advice. The platform, which is initially available in Germany, is intended to support preventive activities at the Mercedes-Benz Group and help increase awareness of the various issues among employees.

Awareness-raising and qualification measures for employees

The Mercedes-Benz Group utilizes various measures to make employees around the world more aware of issues relating to diversity and equal opportunities. These include, among other things, awareness-raising and qualification programmes, information events and special mentorship programmes for women.

Since 2021, the Mercedes-Benz Group has been using an e-learning tool that aims to increase awareness of the need for appreciative interaction as well as possible obstacles, and to show how each employee can contribute to this development. This training tool is available to employees worldwide and is offered in 11 languages.

The Mercedes-Benz Group also uses its internal communication channels to raise awareness of important issues. For example, the company launched a communication campaign in Germany to accompany the introduction of the new online counselling platform that offers information and anonymous support to employees who have experienced or are aware of cases of sexual harassment, discrimination or bullying. The campaign used a variety of in-house media to remind all employees to treat one another with respect.

Each year, the Group devotes a day specifically to diversity: the Mercedes-Benz Group's Diversity Day. Consciously experiencing diversity, taking in new perspectives and understanding how all employees can profit from diversity and equal opportunity — these are central objectives of the Mercedes-Benz Group. Diversity Day took place for the tenth time in the reporting year. During the event, employees were invited to discuss various topics and ask questions. Diversity Day was also used as an occasion to conduct other local diversity-related activities around the world.

Results

The Mercedes-Benz Group uses relevant data from its human resources reporting systems to review the progress made in increasing the proportion of women in top management positions. The results are reported to the Board of Management of the Mercedes-Benz Group AG in a standardized form on a regular basis.

As early as 2006, the Mercedes-Benz Group set itself the target of continuously and sustainably increasing the proportion of women in executive positions (Level 3 and higher) worldwide to 20% by the end of 2020. This goal was achieved, and the Board of Management of Mercedes-Benz Group AG therefore decided during the reporting year to further increase the proportion of women in executive positions at the company to 30% by 2030.

As of 31 December 2022, women occupied 24.7% of the senior management positions at the Mercedes-Benz Group worldwide.¹

The diversity concepts employed for the Board of Management and the Supervisory Board are presented in the Declaration on Corporate Governance according to sections 289f, 315d of the German Commercial Code (HGB).

Occupational health and safety

The Mercedes-Benz Group wants to ensure its employees can work in a safe and healthy environment. Whether it's ergonomic workplace design, health maintenance

programmes or occupational safety training, the Group's overarching goal is to avoid health risks and maintain its employees' health over the long term.

The Mercedes-Benz Group thus utilizes a holistic occupational health and safety management system that also includes a quality management system. The focus here is mainly on preventive measures that it continuously reviews and develops further.

During the year under review, the Mercedes-Benz Group strategically realigned its occupational health and safety management system and defined new objectives and targets. Among other things, well-being was added as an additional strategic area of action and defined within the Group for the first time. In line with the definition, the topic is divided into the areas of emotional, physical, social and financial well-being.

Requirements, policies, organization and responsibilities

The Mercedes-Benz Group's occupational safety strategy includes standards for the design of workplaces and work processes. The goal here is to systematically reduce occupational and health-related risks. The Mercedes-Benz Group operates on the basis of globally uniform guidelines for risk prevention. The Group's occupational health and safety policy, which includes the Minimum Standards for Corporate Health & Safety, as well as the occupational health and safety guidelines that are defined in a Group-wide agreement, serve as overarching, internationally valid regulations. All of these policies, as well as all applicable laws in each country where the company operates, must be complied with. The internal guidelines are all based on international standards and national laws and emphasize the managers' obligation to act responsibly. Moreover, they underscore the employees' own responsibility.

Occupational health and safety issues throughout the Group are managed by the Health & Safety unit, which is part of Human Resources and under the direction of the Chief Physician at the Mercedes-Benz Group in Germany.

The Mercedes-Benz Group records information about work accidents and risks by means of its accident documentation systems.

¹ Headcounts, fully consolidated companies

Occupational health and safety issues are also discussed on a regular basis in various committees, such as the Occupational Safety, Environment and Health Commission, as well as with works council representatives and representatives of the Group.

Dealing with Covid-19

In order to curb the spread of Covid-19, employees at Mercedes-Benz Group sites were provided with information on various measures and rules. In Germany, they were put into effect in connection with the Infection Protection Act. During the reporting year, the Group repeatedly reviewed and refined its hygiene strategy, which is based on risk assessment. Among other things, this strategy was modified in response to changes to the legal framework and pandemic-related developments.

As early as 2020, the Mercedes-Benz Group expanded its global accident documentation system to include an emergency documentation module for recording Covid-19 cases. This module includes an integrated digital reporting process for infections that enables the rapid documentation of all Covid-19 cases among the employees and thus a fast follow-up of possible contacts by the plant medical service and managers.

Risk management

The Mercedes-Benz Group wants to prevent its employees from experiencing accidents or impaired health. The Health & Safety unit is therefore pursuing a preventive approach and assesses the potential risks of workplaces and work processes at an early stage. The Health & Safety unit operates a safety risk management system at the Group's own production plants that is aligned with the Group's Policy on Occupational Health and Safety. Health & Safety also defines instruments and risk assessment processes that are implemented at the local level.

In addition, a standardized procedure is used to determine whether the Group policy regarding occupational health and safety has been duly implemented throughout the organization. To this end, each site that employs more than 500 people or has a corresponding risk level is visited and evaluated approximately every five years.

Risk assessments are an important tool with which the Mercedes-Benz Group evaluates potential risks. The Mercedes-Benz Group is digitalizing parts of this risk management process using an online tool that is being made available all over the world. The tool is provided by the European Agency for Safety and Health at Work (EU-OSHA) and was expanded for the company's purposes. It shows the specific risks that can arise in a particular area of responsibility. The user then only needs to decide whether the suggested measures suffice to reduce the risk to an acceptable level. On this basis, the user then only needs to decide whether the suggested measures suffice to reduce the risk to an acceptable level. This risk assessment is then used as a basis for automatically generating instruction documents. The Mercedes-Benz Group also assesses the mental and ergonomic stress caused by workplaces and the respective working environment.

Company health management and mental health

The Mercedes-Benz Group offers their employees in Germany occupational health advice and screening as well as measures and services from the company's own health programme and social counselling service. The Mercedes-Benz Group wants to promote both the mental and physical health of its employees with its company health management system in Germany. This objective is promoted with the help of campaigns, counselling and qualification offerings, as well as with preventive, therapeutic and rehabilitation measures. In 2021, a Group agreement on mental health in the workplace was reached for Germany between the works council and the Group management with the goal of maintaining and promoting the employees' mental health. Internationally, the Mercedes-Benz Group focuses on medical care and the coordination of pandemic-related measures and prevention strategies as well as ergonomics.

At the Mercedes-Benz Group, occupational medicine includes programmes and measures for the prevention of work-related illnesses and occupational diseases as well as for the promotion of health in the workplace.

Raising awareness of occupational safety issues

The Mercedes-Benz Group uses media such as videos, various information portals and online training courses to increase its employees' awareness of ergonomics and occupational safety issues. It provides new employees with initial instruction regarding the safety-relevant aspects of their workplaces. They are subsequently required to participate in safety-awareness briefings that are held on a regular basis.

The Mercedes-Benz Group launched a new project known as "We Work SAFE!" during the reporting year. The goal here is to establish a sustainable culture of safety that will lead to a long-term reduction in the number of work accidents. Various working groups are developing measures that will raise employees' awareness of the importance of this issue. These measures include the Principles of Safety at Work that apply throughout the Group. The project also makes intensive use of internal communication channels and training programmes promoting a culture of safety. Reporting channels are also being further standardized and digitalized.

Results

Various measures, which include safety and hygiene rules, testing strategies and offers of vaccination in connection with Covid-19, have been implemented in an attempt to protect employees as well as possible.

During the reporting year, the Sindelfingen site obtained the voluntary ISO 45001 certification of its management system for the first time. Irrespective of any external certification audits, the Mercedes-Benz Group reviews the safety standards at its own production locations about every five years to check whether they comply with the standards of the binding corporate policy concerning occupational health and safety and whether a functioning occupational health and safety management system (OHSMS) is in place. During the reporting year, the Mercedes-Benz Vans production sites in Düsseldorf and Ludwigsfelde (both in Germany), Vitoria (Spain), Ladson (United States) and Buenos Aires (Argentina) were evaluated as planned.

An effective reporting procedure helps the Mercedes-Benz Group achieve its occupational health and safety targets. In addition to its German accident documentation system, the Mercedes-Benz Group introduced an accident documentation system in 2019 that international sites and subsidiaries can use to report accidents. The Mercedes-Benz Group uses the figures provided by the system to produce monthly reports on Group-wide accident statistics in line with applicable data protection regulations. During the reporting year, the Mercedes-Benz Group's production sites had an accident frequency of 4.8.^{1 2}

In the year under review, preparations were also made for the application of the international accident documentation system at the German sites. The aim is to use a uniform system worldwide starting in 2023.

Every accident is analysed in order to determine the sequence of events. The affected units are also required to initiate preventive measures. Data on accidents from which other sites can learn and derive measures is sent to all occupational safety experts at all locations worldwide.

1 Number of work-related accidents that resulted in at least one lost day per 1 million hours of attendance

2 The key figures were audited in order to obtain limited assurance as part of a separate assurance engagement of the sustainability report.

Social issues

Traffic safety

B.32

Target	Target horizon
Further improve accident-prevention systems	Ongoing
Make vehicles even safer for occupants during an accident and afterwards	Ongoing
Make vehicles even safer for other road users, such as pedestrians	Ongoing
Increase overall traffic safety by means of safety initiatives	Ongoing
Expand the automation of driving functions for SAE Level 2-4	Ongoing
Continue the integration of social and ethical aspects into Level 2-4 automated driving systems	Ongoing

Safety is part of the brand essence of Mercedes-Benz. Accident-free driving — this vision drives the Mercedes-Benz Group and is a fixed element of its sustainable business strategy. The Group’s driver assistance systems are intended to offer drivers and passengers a high level of safety. These systems can help drivers avoid or safely manage critical situations on the road in order to protect both vehicle occupants and other road users.

Holistic safety concept

The Mercedes-Benz Group utilizes its holistic Integral Safety concept in its vehicle development activities. This concept was first used in the late 1990s to describe how Mercedes-Benz had divided the utilization of safety systems into four phases: Assistance during driving, Preparation for a possible accident, Protection during an accident and Help after an accident. The Group’s safety measures establish a bridge between active and passive safety within these four phases — i.e. between accident prevention (phases 1 and 2) and protection when an accident occurs (phases 3 and 4). The objectives and decisions in the area of traffic safety are ensured and made by the Steering Committee Integral Safety (LK IS). It reports directly to the Research & Development Executive Committee of Mercedes-Benz Cars.

Cooperation to further improve vehicle safety

The goal of increasing safety on the road can only be achieved through collaboration, and that is why the Mercedes-Benz Group establishes partnerships and participates in research projects. The Mercedes-Benz Group has been involved in the Tech Center i-protect strategic cooperation project since 2016. The project includes partners from business, government and scientific institutes. Within this cooperation, for example, the Mercedes-Benz Group is working on projects such as new restraint systems for future vehicle interiors. It is also utilizing digital accident research methods and trying out new approaches, such as the use of accident simulations involving digital models of human beings.

Integrated approach

Fewer accidents, greater traffic safety: this is one of the objectives associated with the utilization of automated and autonomous vehicle systems. In pursuing these goals, ethical and legal risks associated with automated systems must not be disregarded and are therefore already taken into account by the Mercedes-Benz Group in product development at Mercedes-Benz Cars. The company is implementing data protection principles and standards along the entire value chain in accordance with the “privacy by design” maxim. The Group is also integrating ethical considerations into conditionally automated and highly automated driving systems through the use of its “ethics by design” principle and continuously further developing these systems.

The Group uses an integrated approach to answer the technical, legal, ethical and certification and safety-relevant questions relating to automated driving at Mercedes-Benz Cars. An interdisciplinary team assesses the possible impact of new technologies and develops and implements balanced solutions to deal with the effects.

Driver assistance systems ensure greater safety

Mercedes-Benz assistance and safety systems aim to offer a high level of safety. For example, Mercedes-Benz vehicles equipped with driving assistance systems support drivers when they steer, brake and accelerate (SAE Level 2). Driving assistance systems can react differently to the danger of a collision, depending on the situation. The Active Brake Assist system, which comes as standard equipment in Mercedes-Benz cars, is a good example of this. Active Brake Assist can help reduce the severity of — or even entirely prevent — accidents involving vehicles

ahead or pedestrians crossing the carriageway. Moreover, the speed limit assistant was integrated into further models in 2022, and its features have also been expanded.

Top marks and an award

Models from Mercedes-Benz Cars repeatedly earn top marks in safety tests conducted by independent institutes. Of particular note in this regard are the marks Mercedes-Benz regularly receives from the American Insurance Institute for Highway Safety (IIHS). The IIHS rating¹ assesses crash safety and accident-prevention and lighting systems.

The Mercedes-Benz E-Class and GLE-Class received the 2022 TOP SAFETY PICK+ award for the 2022 model year, while the GLC was given the 2022 TOP SAFETY PICK distinction.

In addition, the Mercedes EQE received top ratings twice: The maximum rating of five stars in the Euro NCAP² safety ratings and the overall rating of “very good” for the optional driving assistance package in the special rating for assistance systems as well as a special Euro NCAP Advanced Award³ for its Car-to-X communication system.

The new T-Class from Mercedes-Benz Vans participated in the independent Euro NCAP⁴ safety test in July 2022. With its performance in the four categories of occupant safety, child safety, pedestrian protection and assistance systems it received five out of five stars.

Conditionally automated driving

With the DRIVE PILOT, the Mercedes-Benz Group is aiming to take a decisive step toward conditionally automated driving (SAE Level 3).⁵ The DRIVE PILOT was released for sale in Germany in May 2022 after the German Federal Motor Transport Authority issued the new system a licence to operate as an SAE Level 3 system on the basis of the internationally valid UN-R157 regulation. Since that time, customers who drive a Mercedes-Benz S-Class or EQS with corresponding optional equipment

can switch to conditional driving automation (SAE Level 3) in congested traffic as well as in traffic jams (up to 60 km/h) on selected stretches of German motorways.

Responsible and transparent representation of interests

B.33

Target	Target horizon
Use political advocacy responsibly to achieve sustainable corporate goals and to facilitate the opinion-forming process at national and international level	Ongoing
Milestone: support sustainable corporate goals with regard to “Electric only” and locally emission-free production through political representation of interests	2039
Make lobbying activities comprehensible and verifiable on the basis of defined evaluation criteria	2022
Milestone: continue stakeholder interviews and derive necessary measures for future political representation of interests	2022

Climate change mitigation and resource conservation are two of the existential challenges of our times. At the same time, the more ambitious the targets set by governments become, the less likely it is that they can be reached through the efforts of the automotive industry and its companies alone. The political framework is the key here, so a cooperative dialogue needs to be maintained between government, business and industry, and society at large — and this is exactly what the External Affairs unit at the Mercedes-Benz Group seeks to accomplish.

As an actor in the transport sector, the Mercedes-Benz Group supports the Paris Climate Agreement: It is convinced of the goals of the agreement.

Accordingly, the Group’s political advocacy is clearly aligned with its sustainable business strategy.

1 More information IIHS:
 E-Class [iihs.org/ratings/vehicle/mercedes-benz/e-class-4-door-sedan/2023](https://www.iihs.org/ratings/vehicle/mercedes-benz/e-class-4-door-sedan/2023),
 GLC [iihs.org/ratings/vehicle/mercedes-benz/glc-4-door-suv/2022](https://www.iihs.org/ratings/vehicle/mercedes-benz/glc-4-door-suv/2022),
 GLE [iihs.org/ratings/vehicle/mercedes-benz/gle-class-4-door-suv/2023](https://www.iihs.org/ratings/vehicle/mercedes-benz/gle-class-4-door-suv/2023)
 2 More information test results according to Euro NCAP:
 EQE [euroncap.com/en/results/mercedes-benz/eqe/47133](https://www.euroncap.com/en/results/mercedes-benz/eqe/47133)
 3 More information Car-2-x communication [euroncap.com/en/ratings-rewards/euro-ncap-advanced-rewards/2022-mercedes-benz-car-to-x-communication/](https://www.euroncap.com/en/ratings-rewards/euro-ncap-advanced-rewards/2022-mercedes-benz-car-to-x-communication/)
 4 More information test results according to Euro NCAP:
 T-Class [euroncap.com/en/results/mercedes-benz/t-class/46257](https://www.euroncap.com/en/results/mercedes-benz/t-class/46257)
 5 The system performs all driving tasks in specific circumstances. Even at SAE level 3, the driver must be able to resume all driving tasks at any time when prompted.

With the legally required registration in the German Lobby Register, the Mercedes-Benz Group AG has committed itself, in addition to its own lobbying principles, to comply with the Code of Conduct for Interest Representatives under the Lobby Register Act. It has made further commitments by voluntarily accrediting its political representatives in the EU Parliament's transparency register. The Group also uses its own Mercedes-Benz Group Climate Policy Report (additional information group.mercedes-benz.com/investors/share/esg/) to inform about its political positions. In addition, the Mercedes-Benz Group publishes further information regarding its stance on relevant, strategic issues affecting its stakeholders on the corporate website (additional information group.mercedes-benz.com/company/advocacy/). Here too, it adheres to the principles of transparent representation of interests.

Governance

The External Affairs (EA) unit is the central coordinating body for political dialogue at the national and international levels. It is located in Stuttgart and falls under the responsibility of the Chairman of the Board of Management. The EA unit shapes the Mercedes-Benz Group's relations via a global network with offices in Berlin, Brussels, Beijing and Washington, as well as corporate representations in various markets.

The Mercedes-Benz Group uses Group-wide established compliance processes to address risks in connection with the political representation of its interests. The

Business Practices Office (BPO) whistleblower system accepts complaints and reports relating to compliance issues.

The Mercedes-Benz Group conducts mandatory training courses on a regular basis to ensure the employees comply with statutory requirements and internal guidelines and policies. The Integrity and Legal Affairs unit is responsible for such courses. EA supports the courses when needed by contributing its political expertise. At the beginning of their employment, employees outside External Affairs whose positions also require them to represent Mercedes-Benz in the political environment of their market (e.g. plant management positions) usually participate in a special onboarding process (in the form of an interactive online training module) that prepares them for their tasks and makes them aware of relevant policies.

Party donations and political contributions

In addition, the Mercedes-Benz Group's Lobbying, Political Contributions and Party Donations policy defines responsible approaches to be used in connection with grants, donations to political parties, and other instruments for representing the company's interests in the political realm. The company also has a Donations and Sponsorships Policy in place.

Mercedes-Benz Group AG did not make any financial or non-financial contributions to political parties during the reporting period. This decision was not based on current political or economic events.

B.34

Examples of instruments of stakeholder dialogue

Information	Dialogue	Participation
<ul style="list-style-type: none"> - Sustainability Report as well as regional reports - Corporate website - Employee portal and internal communication channels - Press and public relations work - Blogs and social media - Plant tours, receptions, Mercedes-Benz Museum - Environmental declarations by the plants - Capital market communication - Climate Policy Report - Sustainability rankings and ratings 	<ul style="list-style-type: none"> - Annual Sustainability Dialogue (Germany/regions) - Local dialogue with residents and municipalities - Internal dialogue sessions on integrity and compliance - Supplier Portal - Membership of sustainability initiatives and networks - Specialist conferences on societal topics and debates - Topic- and project-related discussions - Dialogue formats on future-oriented questions: think tanks, hackathons, ideation challenges - Sustainability Forum - Capital market events: capital market days, investor conferences, roadshows 	<ul style="list-style-type: none"> - Stakeholder consultation in topic-related working groups - Advisory Board for Integrity and Sustainability - Peer review within the framework of sustainability initiatives such as the UN Global Compact

Dialogue and events

For the Mercedes-Benz Group, stakeholder engagement is one of the keys to achieving a sustainable transformation. Discussions with individuals involved in political decisions preferentially focus on finding sustainable solutions for addressing social challenges.

Within the framework of the responsible political representation of its interests, the Mercedes-Benz Group continuously seeks to establish and maintain a dialogue with government representatives and politicians at its locations worldwide, and it continued to do so in the reporting year. The Mercedes-Benz Group also shares ideas and information with other interest groups and individuals, including groups that are active in politics and society, opinion leaders, experts, citizens, representatives from business and non-governmental organizations (NGOs). Together with these stakeholders, the Mercedes-Benz Group supports the opinion-forming process at both national and international level in order to promote the sustainable business goals and the transformation of the automotive industry. It also addresses future-oriented questions relevant to the Group that go beyond the core automotive issues and feeds these back to the Group management in the context of strategy work.

In order to facilitate open discussions with a wide range of interest groups, External Affairs also conducts its own events at regional, national and international levels.

Within the framework of its responsible approach to the representation of its interests and the forward-looking handling of risks, the Mercedes-Benz Group engages in a targeted dialogue with local stakeholders from government and society when planning new projects or when the need arises to address issues relating to its sites. Board members are also involved in the local dialogue. Through stakeholder mapping, the positions of relevant stakeholders are analysed in advance. The main objective here is to reconcile the interests of the sites in question with the wishes and concerns of local residents and establish conditions that benefit all of the parties involved.

Further information on stakeholders along the supply chain can be found in the chapter Social Compliance.

The Regional Political Dialogue is a long-standing event format from External Affairs. The challenges and opportunities associated with the transformation of the

automotive industry, as well as the current corporate strategy were discussed with representatives of state and local governments in July 2022.

Along with its own events in connection with the political representation of its interests, the Mercedes-Benz Group also participates in external events in order to engage with various stakeholders. Among other things, the Group participates in the platform for the state government of Baden-Württemberg's strategic dialogue for the automotive industry.

In addition to the direct dialogue with politicians and government representatives and representatives of interest groups that promote sustainable development, the Mercedes-Benz Group remained active in various sustainability initiatives and networks in 2022. Some of the most important initiatives here are the UN Global Compact (UNGC), econsense — Forum Nachhaltige Entwicklung der Deutschen Wirtschaft e.V. — Forum for Sustainable Development of German Business, and the World Business Council for Sustainable Development.

Results

During the reporting year, the Mercedes-Benz Group achieved its goal of “making lobbying activities comprehensible and verifiable on the basis of defined evaluation criteria”. The Group developed a catalogue of criteria that can be used to assess whether its lobbying positions correspond to its strategy, for example.

The Mercedes-Benz Group also achieved another milestone in 2022 — “continuing stakeholder interviews and deriving necessary measures for the future political representation of its interests”. The stakeholder interviews revealed that the Mercedes-Benz Group is viewed as a trustworthy discussion partner in the political realm. Nevertheless, the interviews still revealed potential for improvement. In order to effectively utilize its potential for improvement here, the Mercedes-Benz Group has published further information regarding its advocacy positions on the most important issues affecting the Group and its stakeholders on the Internet (additional information [🌐 group.mercedes-benz.com/company/advocacy](https://group.mercedes-benz.com/company/advocacy)).

The Mercedes-Benz Group is also continuously further developing its partnership portfolio in order to achieve its sustainable business targets. During the Sustainability Dialogue in 2022, participants in the Partnership workshop (including representatives from the Advisory Board for Integrity and Sustainability and representatives from government, business and NGOs) defined criteria for ensuring effective partnerships. These include the following: a clear target for the partnership, a systematic approach, defining performance measures, building up mutual trust, an open exchange of knowledge (open source) and the scalability of the approaches to a solution.

Sustainability Dialogue

As a globally operating organization, the Mercedes-Benz Group wants to contribute to the achievement of the Sustainable Development Goals of the United Nations. An important instrument for implementing these goals is the communication with stakeholders in the form of the Sustainability Dialogue, which has been held annually in Stuttgart since 2008 and brings various stakeholder groups together with members of the Board of Management of Mercedes-Benz Group AG and executive management.

The Mercedes-Benz Group held the Sustainability Dialogue as a hybrid event in 2022. More than 200 external and internal participants in a total of seven working groups engaged in discussions of various topics both on-site in Sindelfingen and online and also participated in a public stakeholder dialogue.

In addition, organizational and thematic preparations were made for the Sustainability Dialogues in China and India scheduled for early 2023.

The Advisory Board as an important source of support

The Advisory Board for Integrity and Sustainability has been providing support for the company's sustainability work since 2012. The board's members are independent external specialists from the fields of science and business, as well as from civic organizations, and include experts who possess specialized knowledge regarding environmental and social policy, the development of transport, traffic and mobility, and human rights and ethical issues. The members of the Advisory Board support the Mercedes-Benz Group with constructive criticism on questions related to integrity and corporate responsibility. The Advisory Board convenes several times a year in

meetings that are chaired by the member of the Board of Management responsible for Integrity and Legal Affairs. One of these meetings specifically serves to share information with other members of the Board of Management and members of the Supervisory Board. As part of a Sustainable Strategy Week, the responsible managers from the various specialist units meet with the Advisory Board members to discuss the areas of action and enablers identified in the sustainable business strategy and also talk about targets, strategies, measures and the results achieved with these. The Advisory Board also holds regular meetings with managers and other employees to discuss specific topics. Two new working groups were established in the reporting year in order to strengthen this dialogue. The goal here is to promote more extensive discussions on the topics of "Integrity and employees" and "Climate change mitigation and resource conservation". In 2022, the Advisory Board also addressed, among other things, the new Corporate Citizenship Strategy, the social dimension of sustainability and its impact on the Mercedes-Benz Group, and the topic of climate neutrality.

Fellowship programme for young people

"beVisioneers — The Mercedes-Benz Fellowship" (additional information [🌐 bevisioneers.world](https://www.bevisioneers.world)) — this is the name under which The DO School Fellowships gGmbH (The DO School) has designed a support programme. It is funded by Mercedes-Benz AG through donations to The DO School and implemented by the organization's team of experts. Mercedes-Benz AG chose The DO School after a multi-stage selection process and based on the organization's experience and expertise in designing and implementing global support programmes.

The programme's long-term goal is to build a global community of people whose sustainability projects have a positive impact on the environment. The programme is being funded by the proceeds from the auction of a Mercedes-Benz 300 SLR Uhlenhaut Coupé from 1955 during the reporting year. The vehicle was sold for €135 million. Most of the auction proceeds are used to secure the programme's funding through annual donations to The DO Fellowship gGmbH.

Integrity and compliance

B.35

Target	Target horizon
<p>The Mercedes-Benz Group's integrity-related activities are designed to help the company achieve the following key targets:</p> <ul style="list-style-type: none"> – Minimizing risks through knowledge of and compliance with the Integrity Code – All employees and managers behave and act in an ethical and responsible manner – Discussions and dialogue concerning current key integrity topics – Feedback from integrity analyses is incorporated into measures designed to strengthen the culture of integrity 	Ongoing
<p>The Mercedes-Benz Group's compliance-related activities are designed to help the company achieve the following key targets in particular:</p> <ul style="list-style-type: none"> – Respect for and upholding of human rights – Compliance with corruption prevention regulations – Maintenance and promotion of fair competition – Ensuring product compliance with technical and regulatory requirements – Adherence to data protection laws – Compliance with all applicable embargoes and sanctions – Prevention of money laundering and the financing of terrorism 	Ongoing

Companies only stay successful if their actions are ethical and legally responsible. This is especially the case during times of upheaval and change like those that companies are currently experiencing. Hence, integrity and compliance are very important to the Mercedes-Benz Group.

A corporate culture of integrity

The automotive industry is in a state of radical change. New fields of business are developing and new technologies are raising new questions — both ethical and legal. Moreover, the Covid-19 pandemic has led to profound changes all over the world. In such times of change and uncertainty, value-based action matters more than ever.

That's why integrity is a central element of the Mercedes-Benz Group corporate culture and an enabler that forms an integral part of the company's sustainable business strategy. For the Group, this involves more than just obeying laws and regulations. The Mercedes-Benz Group also aligns all its actions with shared principles, which in particular include fairness, responsibility, respect, openness and transparency.

Integrity in daily business activities

At the Mercedes-Benz Group, integrity, compliance and legal affairs are combined into a single Board of Management division. The Integrity and Legal Affairs division supports all corporate units in their efforts to embed these topics in daily business activities.

The Integrity Management & Corporate Responsibility unit works to promote and enhance integrity within the Mercedes-Benz Group and create a shared understanding of integrity. The goal is to avoid possible risks that can arise due to unethical behaviour and thus to contribute to the company's long-term success. The Head of Integrity Management & Corporate Responsibility reports directly to the member of the Board of Management responsible for Integrity and Legal Affairs.

Corporate principles and the Integrity Code

The Mercedes-Benz Group encourages and enables its employees to consistently uphold its corporate principles. The Integrity Code, which is valid throughout the Group, provides them with guidance because it serves as the shared standard of values, defines the guidelines for all conduct and helps the company make the right decisions.

The Integrity Code is binding on all employees of the Mercedes-Benz Group and the Group companies. Employees from a variety of units all over the world helped to formulate the Integrity Code. It is available in ten languages and includes, among other things, regulations concerning corruption prevention measures, upholding human rights, data management and compliance with technical product requirements. Employees can view the Integrity Code on the employee portal, along with details on how it should be applied and other key information such as FAQs, points of contact and contact persons.

The Mercedes-Benz Group has also formulated a special set of requirements for managers in the Integrity Code. In particular, it expects managers to serve as role models through their ethical behaviour and thus offer guidance for employees.

During the reporting year, the Group revised the content of the Code of Conduct to include topics such as animal welfare issues. The revised Code of Conduct was communicated to employees in early 2023.

Information, dialogue and training

The Mercedes-Benz Group established its Infopoint Integrity in 2015 in order to promote a culture of integrity at the company. Infopoint Integrity is the central point of contact for questions concerning ethical behaviour. Infopoint Integrity works together with specialists including experts in the fields of legal and HR issues, data protection, compliance, diversity and sustainability. It either provides direct support or connects employees with the appropriate contact partners.

During the reporting year, the Mercedes-Benz Group restructured cooperation and activities in the Integrity Network. The Integrity Network is made up of representatives from the business units and serves as a shared communication platform, with the aim of embedding integrity in everyday business life. The focus in 2022 was on establishing this realignment. The Integrity Management controls the Integrity Network and provides the representatives with content, tools and dialogue formats as needed.

Employees can also access the Integrity Toolkit via the employee portal. The Toolkit contains formats for dialogue events, tools for self-reflection, case studies and further information about the topic of integrity.

The Group sets great particular emphasis on direct discussions, and once again conducted a variety of dialogue events with employees at all levels of the hierarchy and with external stakeholders. These dialogue events were conducted virtually because of the protective measures in force due to the Covid-19 pandemic.

In addition, the employees in administrative areas at Mercedes-Benz Group AG and Group companies regularly complete a mandatory web-based training course about integrity that is based on the Integrity Code. Because managers serve as role models, they perform an especially important task with regard to compliance, integrity, legal matters and sustainability. In order to help them as much as possible to carry out this role, the training programme also includes a special mandatory management module.

Employee survey

The results of the 2021 employee survey on Integrity & Compliance have been incorporated into various follow-up measures. The managers of the Mercedes-Benz Group are responsible for the implementation. To support them in their task, the Integrity Management & Corporate Responsibility unit offered webinars in the reporting year. These webinars presented the results of the survey, provided more detailed explanations and featured tools for possible follow-up activities. The culture of integrity within the Mercedes-Benz Group is to be reassessed in 2023.

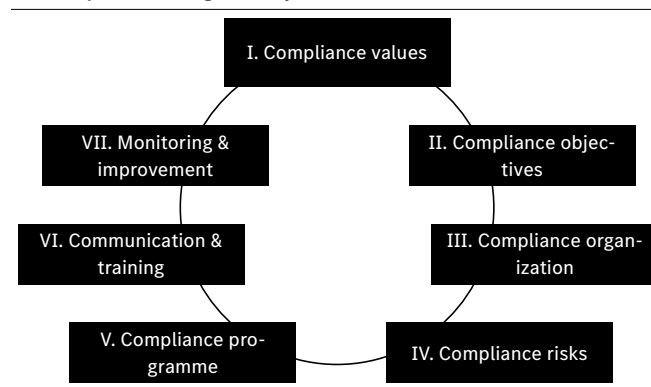
Value-based compliance management

Value-based compliance is an indispensable part of the Mercedes-Benz Group's daily business activities and is firmly embedded in its corporate culture. The company is strongly committed to responsible conduct. It expects its employees to comply with laws, regulations and voluntary self-commitments. The Mercedes-Benz Group has also laid down these expectations in a binding form in its Integrity Code.

Through its Compliance Management System (CMS), the Mercedes-Benz Group aims to promote compliance with laws and policies at the company. The necessary measures are defined by the compliance and legal organizations in a process that also takes the company's business requirements into account in an appropriate manner.

B.36

The Compliance Management System



Focal points of the Compliance Management System

Combating corruption. The Mercedes-Benz Group has committed itself to fighting corruption — because corruption undermines fair competition and thereby harms it and society. The Mercedes-Benz Group's corruption prevention measures extend beyond compliance with national laws and also encompass the guidelines from the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997) and the United Nations Convention against Corruption (2003).

The Corruption Prevention Compliance Programme at the Mercedes-Benz Group is based on the Group-wide Content Management System (CMS). In order to ensure an independent external assessment of the Corruption Prevention Compliance Programme, the Mercedes-Benz Group AG commissioned KPMG AG Wirtschaftsprüfungsgesellschaft to audit the Compliance Management System for corruption prevention in accordance with Standard 980 of the Institute of Public Auditors in Germany. This audit, which was based on the principles of appropriateness, implementation and effectiveness, was successfully completed at the end of 2019.

Promoting fair competition. The Group-wide Antitrust Compliance Programme is oriented to national and international standards for ensuring fair competition. The programme establishes a binding, globally valid company standard that defines how matters of antitrust law are to be assessed. By means of an advisory hotline, guidelines and practical support, Mercedes-Benz Group AG helps its employees around the world to recognize situations that might be critical from an antitrust perspective and to act in compliance with all regulations.

Responsibility for designing and implementing measures for addressing possible antitrust risks lies primarily with the respective Group company's management. The Mercedes-Benz Group monitors the management activities of the respective company within the framework of Group management. To supplement this, the Compliance, Legal Product & Technology and Corporate Audit units conduct monitoring activities at the company's divisions.

In order to ensure an independent external assessment of the Antitrust Compliance Programme, Mercedes-Benz Group AG commissioned KPMG AG Wirtschaftsprüfungsgesellschaft to audit the Compliance Management System for antitrust law in accordance with Standard 980 of the Institute of Public Auditors in Germany. This audit, which was based on the principles of appropriateness, implementation and effectiveness, was successfully completed for the second time at the end of 2021, after having also been conducted in 2016.

Compliance with technical and regulatory requirements

For Mercedes-Benz Cars and Mercedes-Benz Vans, technical compliance means adhering to technology-related laws, regulatory requirements and standards. The objective here is to identify risks within the product creation process (product development and certification) at an early stage and to implement preventive measures. For this purpose, the Group has established a technical Compliance Management System (tCMS) in its automotive divisions. The Mercedes-Benz Group's objective is to ensure that Mercedes-Benz Cars and Mercedes-Benz Vans comply with all legal and regulatory requirements throughout the entire product development and certification process. The tCMS defines values, principles, structures and processes in order to provide employees with guidance and orientation, especially with regard to challenging questions on how to interpret technical regulations.

The "Speak up" and "Judgement calls" commitment statements jointly formulated by the integrity management team and the development units provide all employees in the development and certification units with a basis for a common understanding of responsible behaviour in the product creation process and are firmly embedded within the respective organizations by means of additional measures within the units.

In order to ensure an independent external assessment of the tCMS, Mercedes-Benz Group AG commissioned KPMG AG Wirtschaftsprüfungsgesellschaft to audit the tCMS with a focus on relevance to emissions in accordance with Standard 980 of the Institute of Public Auditors in Germany. This audit, which was based on the principles of appropriateness, implementation and effectiveness, was successfully completed at the end of 2020.

Responsible use of data Data responsibility is more than data protection. The key aims are the sustainable design of data-based business models and the responsible handling of data in the interests of customers, employees and other stakeholders. In order to achieve these aims, the Mercedes-Benz Group has introduced measures such as establishing the Group-wide Data Governance System. This system primarily consists of the data governance structure, the data model, the data culture and a data compliance management system. The Data Compliance Management System supports the Mercedes-Benz Group in the systematic risk-based planning, implementation and continuous monitoring of measures to ensure compliance with the data protection requirements. It takes into account the existing applicable data-protection regulations.

The implementation of data governance in the divisions of the Mercedes-Benz Group is the responsibility of the various bodies for data and data analytics. Within Mercedes-Benz Group AG, a Digital Governance Board that includes members of the Board of Management has been created. Since the beginning of 2022, this board has been continuing the work previously conducted by the former Data Governance Committee. The body defines the framework for Group-wide core topics of digital governance and thus supports the digital transformation of the Group. The Chief Officer Corporate Data Protection at the Mercedes-Benz Group performs the tasks required by law to ensure compliance with data protection rules.

The Mercedes-Benz Group sets a high standard for the handling of customers' personal data. Customers use the Mercedes me Privacy Center, which was introduced in 2021, to obtain an even faster and more straightforward overview of what personal data of theirs is stored by the company. They can decide for which purposes Mercedes-Benz is allowed to use this data. The focus here is on user-friendliness. The customer can directly navigate to his or her available choices via three intuitive categories. This service underlines the principles of choice and transparency as set out in the data vision and stands for the responsible handling of data. On the basis of its data vision and the principles of its data vision, the Mercedes-Benz Group focused on strengthening customers' trust in the Mercedes-Benz Group's data processing in the year under review.

Sanctions compliance, export controls and the prevention of money laundering and the financing of terrorism. Money laundering and the financing of terrorism cause tremendous damage — to the economy and society in equal measure. Even an accusation of money laundering can compromise the Group's reputation and have financial consequences for the Mercedes-Benz Group, as well as for its shareholders and stakeholders. For this reason, the prevention of money laundering and the financing of terrorism, and the implementation of appropriate measures to combat both, are defined as central compliance goals in the Group's Integrity Code.

In order to effectively combat and prevent money laundering, the Mercedes-Benz Group established a two-pillar model (trade in goods and mobility services) which aims to take into account the different regulatory requirements in the area of goods trading on the one hand and the area of financial services on the other. It uses an integrated compliance approach to check applicable sanction lists and restrictions on certain goods and implements measures for the prevention of money laundering and the financing of terrorism. On the one hand, these measures aim to prevent supranational and national sanctions and embargoes from being evaded; on the other, money laundering, the financing of terrorism, organized crime and other types of corporate crime are to be combated.

Compliance organization

The compliance organization at the Mercedes-Benz Group is structured functionally, regionally and along the value chain. As a result, it can provide effective support — for example, by means of guidelines and advice. Contact persons are available to each function and region. In addition, a global network of local contact persons makes sure that the Group's compliance standards are met. The contact persons help the management at the companies implement the Mercedes-Benz Group's compliance programme at their respective sites.

Moreover, the Compliance Board provides guidance regarding overarching compliance topics and monitors activities to see whether the Group's compliance measures are effective. The Board's mission is to react promptly to changes in business models and the business environment, deal with regulatory developments and continuously enhance the CMS. The Compliance Board consists of representatives of the compliance and

legal affairs departments. It meets regularly and as needed, and is chaired by the Chief Compliance Officer and Vice President Legal Product & Technology.

The Chief Compliance Officer and Vice President Legal Product & Technology reports directly to the member of the Board of Management for Integrity and Legal Affairs and to the Audit Committee of the Supervisory Board. He also reports regularly to the Board of Management of Mercedes-Benz Group AG at regular intervals and as needed on matters such as the status of the CMS and its further development, as well as the BPO whistleblower system.

In addition, the Chief Compliance Officer and Vice President Legal Product & Technology reports to the Group Risk Management Committee. From the Mercedes-Benz Group's perspective, the structure of the reporting lines safeguards the compliance officers' independence from the business divisions.

Compliance risks

The Mercedes-Benz Group examines and evaluates its companies and corporate departments systematically each year in order to reduce compliance risks. In this process, the Mercedes-Benz Group uses, for example, centrally available information about its companies, such as revenue, business models and relations with business partners. If necessary, other locally sourced information is supplemented. The results of these analyses are the foundation of the Group's compliance risk control.

Compliance programme

The compliance programme comprises principles and measures that are designed to reduce compliance risks and prevent violations of laws and regulations. The individual measures are based on the knowledge gained through the Group's systematic compliance risk analysis. The Mercedes-Benz Group focuses, among other things, on the following aspects: the continuous raising of awareness of compliance issues, the systematic tracking of information received regarding misconduct, and the formulation of clear standards for the behaviour of business partners. All of these points are addressed in greater detail in a later section.

The BPO whistleblower system

The Business Practices Office (BPO) whistleblower system enables all employees worldwide, as well as business partners and third parties, to report violations of the rules. The BPO is available around the clock to receive information, which can be sent by e-mail or normal mail or by filling out a special online form. External toll-free hotlines are also available in Brazil, Japan, South Africa and the United States. Reports can also be submitted anonymously if local laws permit this. In Germany, whistleblower reports can also be submitted to an external neutral intermediary in addition to the BPO.

The information provided to the BPO whistleblower system enables the Mercedes-Benz Group to learn about potential risks and thus to prevent damage to the Group and its employees and business partners, as well as to protect individuals who might be harmed by misconduct. A globally valid corporate policy defines BPO procedures and the corresponding responsibilities. This policy aims to ensure a fair and transparent process that takes into account the principle of proportionality for the affected parties, while also giving protection to whistleblowers. It also defines a standard for the Mercedes-Benz Group's evaluation of incidents of misconduct and decisions about their consequences.

If the initial risk-based assessment of an incident categorizes it as a low-risk rule violation for the Mercedes-Benz Group, the BPO hands the case over to the responsible unit — for example, the HR department, Corporate Security or Corporate Data Protection. The respective unit investigates the incident and deals with the case on its own authority. Examples of rule violations with a low risk include theft, breach of trust, and undue enrichment valued at less than €100,000 — if the violation does not fall into the category of corruption.

If the BPO's risk-based initial assessment categorizes an incident as a rule violation with a high risk for the Mercedes-Benz Group or for individuals affected by the violation, the BPO hands the case over to an investigation unit. The BPO provides support for the subsequent investigation until the case is closed. Examples of high-risk rule violations include offences related to corruption, breaches of antitrust law and violations of anti-money laundering regulations, as well as infringements of binding technical provisions or environmental protection

regulations. Personal matters, such as incidents of sexual harassment or human rights violations, are also considered high-risk rule violations.

In an effort to constantly increase trust in the BPO whistleblower system and make it even better known to employees, the Mercedes-Benz Group uses a variety of communication measures. Here, the company also takes into account the knowledge gained from the most recent employee survey. The Group provides informational materials such as country-specific information cards, pocket guides and an instructional video that is available in ten different languages. The Mercedes-Benz Group also holds dialogue events at which it provides employees with information about the BPO. In addition, the company regularly informs employees about the type and number of reported violations and makes case studies available on a quarterly basis.

Sales partners and suppliers

The Mercedes-Benz Group expects not only its employees to comply with laws and regulations. The Group also requires its sales partners and suppliers to adhere to clear compliance requirements, because it regards integrity and conformity with regulations as a precondition for trust-based cooperation. The Business Partner Standards describe in detail exactly what the Mercedes-Benz Group expects of its business partners.

In the selection of direct sales partners and in existing sales partnerships, the Group ensures that its business partners comply with laws and observe ethical principles. In order to monitor this, the Mercedes-Benz Group uses a globally standardized, risk-based Sales Business Partner Due Diligence Process. During the reporting year, the Group subjected all of the new sales partners to a due diligence audit. In addition, it audits the existing sales partners as part of the monitoring process. Monitoring in this area is designed to ensure that the company can identify possible integrity violations by its sales partners. The Mercedes-Benz Group also reserves the right to terminate cooperation with, or terminate the selection process for, any sales partner who fails to comply with the Group's standards. In addition, the Mercedes-Benz Group works with its procurement units to continuously improve processes for selecting and cooperating with suppliers.

The Mercedes-Benz Group's Responsible Sourcing Standards replaced the Supplier Sustainability Standards in the reporting year and therefore now apply to the suppliers. On the basis of these standards and the Integrity Code, the Mercedes-Benz Group makes a Compliance Awareness Module available to each of its suppliers and sales partners. These modules are intended to sensitize them to current integrity and compliance requirements such as those related to anti-corruption measures and technical compliance. Through these measures, the Mercedes-Benz Group also offers its suppliers and sales partners assistance for dealing with possible compliance risks.

Communication and training

Mercedes-Benz Group offers an extensive range of compliance training courses that are based on its Integrity Code — for example, courses for employees in administrative areas and for members of the Supervisory Board and the executive management of Group companies.

The contents and topics of the training courses are tailored to the roles and functions of the respective target group. Mercedes-Benz Group AG regularly analyses the need for its training programme, expands or adapts it as necessary and conducts evaluations.

Effectiveness

Each year, the Mercedes-Benz Group checks the processes and measures of the CMS and conducts analyses to find out whether the measures are appropriate and effective. For these activities, the Mercedes-Benz Group relies on information about the Group companies as well as additional locally gathered information. The Group also monitors their processes regularly on the basis of key performance indicators such as the duration and quality of individual processes. To determine these indicators, the Mercedes-Benz Group checks, among other things, whether formal requirements are being met and whether the content is complete. It also takes into account the knowledge gained through both internal and independent external assessments.

If changed risks or new legal requirements call for adjustments, the Mercedes-Benz Group adapts the CMS accordingly. The Group companies implement the improvement measures derived from this process. The companies also regularly monitor these measures to determine their effectiveness and inform the responsible management committees about the results of their monitoring process.

Reported violations

The Business Practices Office (BPO) whistleblower system enables all employees, as well as business partners and third parties, to report misconduct anywhere in the world. A total of 72 new cases were opened during the reporting year (2021: 33 cases). Overall, 19 cases were closed “with merit”. In these cases, the initial suspicion was confirmed. Of these cases, two were in the Environmental Violations category, one was in the Data Protection category and four were in the Reputational Damage category. In ten cases, accusations of inappropriate behaviour of employees toward third parties were confirmed — e.g. racism or sexual harassment. One case fell into the category of Antitrust Law. Another case fell into the category of Injury to Physical Integrity. With regard to those cases that are closed “with merit”, the Mercedes-Benz Group decides on appropriate response measures in line with the principles of proportionality and fairness. The personnel measures in 2022 included admonishments, warnings and terminations without notice.

Social compliance

B.37

Target	Target horizon
Define and implement protective measures for addressing 100% of the Mercedes-Benz Group’s production raw materials that pose an increased risk of human rights violations	2028
Milestone: review 70% of all the production raw materials used by the Mercedes-Benz Group that pose an increased risk of human rights violations and define any necessary remediation measures	2025
Milestone: review 50% of all the production raw materials used by the Mercedes-Benz Group that pose an increased risk of human rights violations and define any necessary remediation measures	2023
Review 100% of the merchandise groups from the service supply chains that we use and which pose a higher risk of human rights violations	2026

The goal of the Mercedes-Benz Group is to combine achieving business success with acting responsibly toward the environment, people and society — and doing so along the entire value chain.

The expansion of electric mobility in particular is also further increasing public interest in respect for human rights within the automotive supply chain, because the production of battery cells requires the use of raw materials such as lithium and cobalt. These raw materials often come from countries where there is a risk that they are mined under conditions that could be critical from a human rights standpoint.

In addition to the interest expressed by consumers and civil organizations, the Mercedes-Benz Group is also observing increasing interest in human rights issues by investors and rating agencies. Human rights issues are increasingly having an influence on investment decisions.

Respect for human rights has key importance for the Mercedes-Benz Group and is an obligation as well as a mission for the Group. The company has therefore made upholding human rights an area of action of its sustainable business strategy. The Mercedes-Benz Group also introduced a corresponding risk-based system to ensure ongoing human rights due diligence. The measurable targets and key figures for the system are defined in the sustainable business strategy.

Policy commitment

Respect for human rights is a fundamental component of responsible corporate governance at the Mercedes-Benz Group. The Mercedes-Benz Group is committed to ensuring that human rights are respected and upheld along the entire value chain in all Group companies and by partners and suppliers. The Principles of Social Responsibility and Human Rights reflect this voluntary self-commitment. They supplement and specify the principles of human rights and good working conditions in the Mercedes-Benz Group’s Integrity Code. The Principles of Social Responsibility and Human Rights apply to all employees worldwide.

Additional information about requirements along the supply chain can also be found in the chapter Sustainability as a driver of change.

Organizational embedding

The Social Compliance department serves as the centre of competence for human rights. This department works closely with the specialist units responsible for operational implementation of the company's human rights due diligence obligations, and with the procurement units in particular. Overarching activities relating to human rights issues are managed by the Mercedes-Benz Group AG Board of Management division Integrity and Legal Affairs. The division is responsible for drawing up the Principles of Social Responsibility and Human Rights and it also manages human rights due diligence obligations within the Mercedes-Benz Group via the Group's Human Rights Respect System (HRRS). The responsible member of the Board of Management regularly obtains information and corresponding reports about the Group's human rights activities. group.mercedes-benz.com/sustainability/human-rights/hrrs/

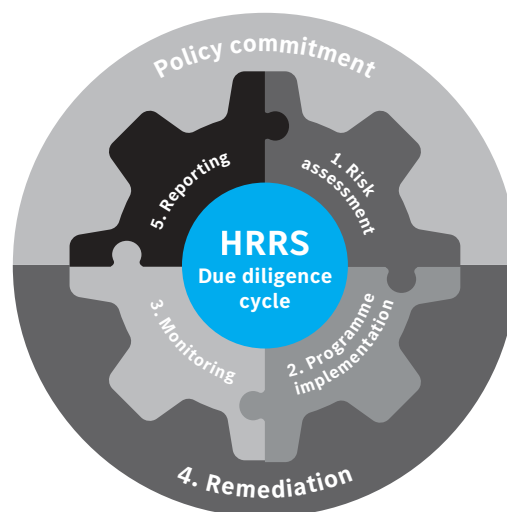
During the reporting year, the Mercedes-Benz Group resolved for the first time to designate a Human Rights Officer. The Human Rights Officer is responsible for monitoring compliance with the Principles of Social Responsibility and Human Rights and the HRRS and reports to the member of the Board of Management responsible for Integrity and Legal Affairs. The Human Rights Officer is also a member of the Group Sustainability Board and reports annually and as needed to the Mercedes-Benz Group AG Board of Management on particularly relevant human rights issues and the status of implementation of the Principles of Social Responsibility and Human Rights. The Chief Compliance Officer serves as the Human Rights Officer at the Mercedes-Benz Group.

Examination of human rights risks

The **Human Rights Respect System (HRRS)** is the Mercedes-Benz Group's approach to fulfilling its human rights due diligence obligations. It encompasses the protection of the Mercedes-Benz Group's own employees via the Social Compliance Management System (Social CMS) in Group companies, as well as the processes used to monitor human rights due diligence in supply chains. The Mercedes-Benz Group utilizes this human rights due diligence approach to examine Group companies and their direct suppliers (tier 1) and also, from a risk-based standpoint, indirect suppliers (beyond tier 1).

The HRRS is to be understood as a due diligence cycle that basically consists of four steps: 1. Risk assessment, 2. Programme implementation, 3. Monitoring, and 4. Reporting. It is designed to identify risks and possible and actual negative effects of business activities on human rights early on, to systematically avoid such effects and, if necessary, to initiate countermeasures.

B.38 Human Rights Respect System



The Mercedes-Benz Group continues to expand the HRRS step by step and also involves external stakeholders in this process. The stakeholders include rights holders such as employees and their representatives, as well as local residents. The Mercedes-Benz Group also holds talks with international NGOs and other organizations concerning the human rights risks arising from the extraction of certain raw materials.

The Mercedes-Benz Group uses the **Social Compliance Management System** (Social CMS) to identify and address in particular human rights risks that can arise among employees in its own Group companies. The Group has integrated the Social CMS and the topic of human rights at its Group companies into its central and systematic compliance risk management process. Within the framework of this process, the Mercedes-Benz Group develops packages of risk specific measures that are then assigned to the affected Group companies and modified as needed. The Compliance Responsibles in the global compliance network are also incorporated into the process. Using the information thus gained as a basis, the Mercedes-Benz Group produces an overall risk analysis for the Group companies.

Human rights risks in the supply chains

Production materials. The Mercedes-Benz Group focuses especially on critical raw materials when assessing human rights risks in the production-material supply chain.

The 24 critical raw materials that were identified during a preliminary risk assessment will be gradually examined in more detail between now and 2028. This review basically consists of three steps:

1. Increasing transparency along the raw material supply chains — especially with regard to certain key components such as battery cells. To this end, Mercedes-Benz AG contacts the suppliers of the relevant components, for example, and asks them to disclose their structure of subcontractors.
2. Identification of risk hotspots in these supply chains, e.g. on the basis of the specific risks in the individual mining countries.
3. Definition and implementation of measures for the risk hotspots and review of whether they are effective over the long term.

The Procurement department of Mercedes-Benz AG monitors the human rights compliance of direct suppliers of production materials. Procurement regularly conducts risk analyses that also include on-site CSR audits and an annual database research procedure. Its objective here is to identify possible violations of sustainability and compliance rules at an early stage on the basis of the latest supplier data. Should any red flags be revealed, Mercedes-Benz Procurement initiates an extensive

examination of the situation. If the supplier does not sufficiently remedy the criticized processes, the company makes individual decisions regarding the next steps. In especially serious cases, these decisions can also be made by management bodies. As a last resort, this can also lead to the discontinuation of Mercedes-Benz AG's business relationship with a supplier.

The Mercedes-Benz AG also continued to conduct audits at production material suppliers in 2022, when a total of 825 on-site audits were completed. Some of these audits were conducted virtually due to the Covid-19 pandemic.

Services. The Mercedes-Benz Group also ensures that its service providers share responsibility for respecting human rights and for other sustainability-related aspects. International Procurement Services (IPS) evaluates all new service providers in risk countries and critical procurement segments to determine whether they fulfil social and environmental standards, are ethical in their business operations, and properly implement policies.

The Group used a preliminary risk analysis as a basis for identifying 27 services that are potentially critical from a human rights standpoint. In cooperation with a team of experts, the results of this analysis were then used to create a list of questions. Service providers are required to answer these questions. The goal of the Mercedes-Benz Group here is to identify any increased human rights risks for certain services and sectors. This gives the Group a transparent overview of the risks and enables it to initiate targeted analyses of the status quo and engage in a productive dialogue with relevant service providers.

The Mercedes-Benz Group also audits its service providers' due diligence activities. These audits focus on assessments of service providers in high-risk countries. The Group supplements its assessments with document checks and database research in order to ensure the information is plausible. During the year under review, the on-site audits and screenings of direct suppliers of the Mercedes-Benz Group that were conducted by IPS discovered no specific suspected cases of child labour or forced labour, nor were there any indications of violations of the right to collective bargaining or freedom of association.

Raising awareness of human rights issues

The Mercedes-Benz Group uses the Integrity Code and the Principles of Social Responsibility and Human Rights to provide its employees with information about the topic of human rights principles and to raise their awareness of human rights risks. The provisions of the Integrity Code and the Principles are binding on all employees. During the reporting year, the Principles were integrated into existing training concepts, such as the mandatory web-based basic module Integrity@Work.

Since 2018, the Mercedes-Benz Group has been cooperating with the Drive Sustainability initiative on the implementation of measures to make production material suppliers in various focus countries more aware of the importance of sustainability, for example by providing such suppliers with information on this issue. The Group selected the respective countries jointly with the initiative. During the reporting year, supplier training courses that had been scheduled to take place in Mexico and the United States were held as web-based events due to the Covid-19 pandemic.

Complaint management

The Group offers employees and external whistleblowers various channels through which they can report suspected human rights violations and rule violations and also request remedy. These channels thus also help the company identify and assess human rights risks throughout the organization. Both the company BPO (Business Practices Office) whistleblower system and the World Employee Committee are available to receive reports of suspected human rights violations.

EU taxonomy

One of the important goals of the Commission Action Plan on Financing Sustainable Growth in the context of the European Green Deal is to divert capital flows to sustainable investments. This is also the logic behind the EU taxonomy regulation (EU 2020/852) that came into force in mid-2020. This regulation governs the establishment of a standardized and legally binding classification system that defines which economic activities in the EU are considered to be aligned with the taxonomy — and thus environmentally sustainable with regard to the six environmental objectives established by the regulation.

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

Companies that are required to publish a Non-Financial Declaration must also comply with the taxonomy regulation. According to Article 8 of the taxonomy regulation, the taxonomy-aligned proportions of revenue, capital expenditure and operating expenditure accounted for by environmentally sustainable economic activities are to be reported on an annual basis.

Taxonomy eligibility

Taxonomy eligibility is assessed in an initial step. For an economic activity to be taxonomy-eligible, that activity must be mentioned and explained in further detail in the delegated acts for the taxonomy regulation. Descriptions of relevant activities and technical screening criteria are currently available as delegated act (EU 2021/2139) for the first two environmental objectives (climate change mitigation and climate change adaptation). Climate change mitigation in particular is to be regarded as the relevant environmental objective for the Mercedes-Benz Group.

On the basis of the descriptions contained in the delegated act relating to climate change mitigation, the following taxonomy-eligible economic activities have been identified for the Group:

- Economic activity 3.3: encompasses manufacture of low-carbon transport technologies in connection with the production of cars and vans
- Economic activity 6.5: encompasses leasing and financing of low-carbon cars and vans
- Economic activity 6.6: encompasses leasing and financing of low-carbon trucks

In a final Interpretation Document that the European Commission published on 6 October 2022, the Commission stated that the term “low-carbon” only relates to the assessment of taxonomy alignment within the framework of the technical screening criteria and is not relevant for reporting on taxonomy eligibility. With regard to auto-makers in particular and as an example, the document shows that the activity “manufacture of low-carbon vehicles” also includes vehicles with combustion engines. For the Mercedes-Benz Group, this clarification by the European Commission means that the manufacture of all Group vehicles is reported as taxonomy-eligible.

Economic activity 6.5 relates to leasing and sales financing of all vehicles purchased from third parties.

Economic activity 6.6 mainly comprises the continuing Daimler Truck portfolio at Mercedes-Benz Mobility.

Economic activities in certain energy sectors as specified in the complementary delegated act to climate objectives exist at Mercedes-Benz Group only to an immaterial extent and exclusively serve the operation of economic activity 3.3.

Taxonomy alignment

In a further step, taxonomy alignment must be assessed for taxonomy-eligible economic activities. Only taxonomy-eligible activities can be considered as environmentally sustainable activities, or as being taxonomy-aligned, provided they meet certain technical screening criteria. Here, the fulfilment of certain technical screening criteria with regard to the relevant economic activities must make a substantial contribution to an environmental objective defined by the taxonomy regulation and, on the basis of defined “do no significant harm” criteria (DNSH criteria), also exclude the possibility of significant interference with another environmental objective. It must also be ensured that minimum standards are met with regard to issues such as upholding human rights or combating corruption (minimum safeguards).

Fulfilment of a substantial contribution to the climate change mitigation environmental objective

According to the delegated act, all vehicles complying with the limit value of 50g CO₂/km per vehicle (in accordance with the WLTP) as defined in the technical screening criteria make a substantial contribution to the climate change mitigation environmental objective. At Mercedes-Benz Group all-electric vehicles as well as the majority of plug-in hybrid vehicles are below this threshold. These vehicles are hereafter referred to as “low-carbon vehicles”.

Exclusion of the possibility of significant interference on the basis of the “do no significant harm” criteria

Compliance with DNSH criteria is used in a second step to demonstrate that the economic activities in question do not significantly interfere with other environmental objectives.

In connection with economic activity 3.3, the fulfilment of these criteria was basically assessed at the level of those consolidated production sites where low-carbon vehicles or associated components are currently being manufactured or will be manufactured in the future.

In connection with economic activity 6.5, the analysis of the criteria has to be performed on the basis of the respective low-carbon vehicles.

Climate change adaptation. A climate risk assessment was conducted for relevant production sites in order to analyse physical climate risks on the basis of significant climate-related hazards. Adaptation measures were then evaluated on the basis of the identified risk exposure. The analysis took into account recognized scenarios from the Intergovernmental Panel on Climate Change (IPCC), including one scenario that depicts the biggest physical impacts. Various time horizons (e.g. 2040) and a trend analysis were examined. The verification of the DNSH criteria for economic activity 6.5 is essentially based on the consideration of relevant conditions of use and the environment, such as heat and cold requirements in the context of vehicle development and testing.

Sustainable use and protection of water and maritime resources. With regard to the production of low-carbon vehicles, the Mercedes-Benz Group ensures fulfilment of the DNSH criteria mainly through the use of established environmental management systems and internal environmental risk assessments (environmental due diligence process). The company has established environmental management systems at its production sites around the world in accordance with EMAS or ISO 14001. These environmental management systems are certified at regular intervals. As part of the internal environmental risk assessments, consolidated production sites are evaluated according to a number of factors, including those relating to water quality. Recommendations for minimizing risks are then drawn up and the progress is appropriately monitored. The Group also uses external data sources to identify sites that are subject to risks regarding water scarcity.

Transition to a circular economy. With regard to economic activity 3.3, the EU taxonomy regulation requires an assessment and, if possible, the application of measures that promote the transition to a circular economy, including the use of secondary materials, high durability of products and waste management in production. When developing products, the Mercedes-Benz Group considers the concept of circular economy from the very start and has set itself the overarching goal of increasing its use of secondary materials. In line with the relevant provisions, and in accordance with ISO 22628, 85% of the materials used in Mercedes-Benz cars and light commercial vehicles can be recycled and 95% can be reused or recovered. Among other things, this complies with the requirements of economic activity 6.5.

The Mercedes-Benz Group is intensifying its efforts to use lower volumes of raw materials and other materials at its production sites as well. In accordance with the waste hierarchy, the company's primary goal is to avoid waste. For its production sites worldwide, the Mercedes-Benz Group has set reduction targets for factors such as total waste volume and waste volume for disposal per vehicle. Waste management is also a component of the Group's internal environmental risk assessments.

Pollution prevention and control. With regard to the DNSH criteria, the EU taxonomy for economic activity 3.3 under Annex C of the delegated act relating to climate change mitigation refers to the concept of avoiding the manufacturing, placing on the market or use of restricted substances subject to current European legislation on chemicals, as well as of other groups of substances that go beyond that (defined under sections f) and g) in the mentioned annex). However these requirements contain an exemption rule which is applied by Mercedes-Benz Group. With regard to the regulation of chemicals, the Group has established internal guidelines and approval and monitoring procedures for production-related and product-related activities. The Mercedes-Benz Group has also defined specifications for substitution analyses, and thus for the use of less critical hazardous substances.

For economic activity 6.5, the DNSH criteria refer to compliance with various product-related European regulations and directives on, among other things, emission limits and rolling resistance coefficients — as well as rolling noise requirements for tyres. Only all-electric vehicles in the area of application of those EU laws are currently considered in the taxonomy-aligned scope of economic activity 6.5.

In due consideration of a further FAQ document of the EU Commission (published as a Draft Commission Notice on December 19, 2022) only tyres corresponding to the two highest classes for rolling resistance coefficients available on the market and at the same time the highest class for external rolling noise available on the market fulfill DNSH requirements for the respective vehicles. For the analysis the time of market placement was used. For the assessment of the respective classes available on the market, the data of the European Product Database for Energy Labelling (EPREL) shall be used. For vans, such an assessment of tyre classes available on the market for the respective vehicles according to EPREL database has been performed. For passenger cars, the theoretical two

highest fuel efficiency classes and the highest external rolling noise class were analyzed without considering EPREL data. On this basis, the entire vehicle portfolio of all-electric vehicles without differentiating between economic activities and therefore without differentiating between sales and leasing vehicles has been analysed and assessed. Thus a proportionate share of passenger cars with the respective highest tyre classes has been determined.

Protection and restoration of biodiversity and ecosystems. To demonstrate the requirements for economic activity 3.3 with regard to the environmental objective of biodiversity and ecosystems, ecologically sensitive or protected areas in the neighbourhood are documented and taken into account as part of the internal environmental risk assessments. Furthermore, examination of the surrounding areas is part of the location planning process.

Fulfilment of minimum safeguards

An economic activity can only be classified as environmentally sustainable within the meaning of the taxonomy if it is also conducted in accordance with certain minimum standards that are based on international frameworks. Here, Article 18 of the taxonomy regulation references the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights (including the basic principles and rights from the eight core conventions defined in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work), and the International Bill of Human Rights. The taxonomy regulation itself does not further specify the standards.

The report published by the Platform on Sustainable Finance in October 2022 (Final Report on Minimum Safeguards) assists companies with the interpretation of the scope and application of the minimum standards. This report forms the foundation for the application of minimum standards and the associated reporting at Mercedes-Benz Group. Key issue areas here are human rights and labour rights (see the chapter Social compliance, p. 115 and the chapter Occupational health and safety, p. 101), the prevention of corruption and the promotion of fair competition (see the chapters Compliance management system, p. 110 Combating corruption, p. 111 and Promoting fair competition, p. 111), and responsible tax practices (see the chapter Tax obligation, p. 88). The verification of compliance here basically involves

demonstrating the existence of suitable due diligence processes on group level and the fact that no judicial rulings in the final instance have been made due to serious violations in the aforementioned areas.

Reporting on the taxonomy-aligned proportions of environmentally sustainable economic activities

The sections below present information on the proportion of revenue, capital expenditure and operating expenditure accounted for by environmentally sustainable economic activities at the Mercedes-Benz Group.

The individual figures for revenue, capital expenditure and operating expenditure are precisely allocated to a specific economic activity and environmental objective. This prevents double counting.

The calculations for the key figures are based on the Consolidated Financial Statements in accordance with IFRS. Due to an exemption granted by the EU, only the proportions of taxonomy-eligible economic activities were obliged to be reported in the previous year. The provision of comparative information is not yet legally required in the reporting year.

Revenue

B.39

Revenue¹

Economic activities	Absolute revenue	Proportion of revenue	Criteria for a material contribution		DNSH criteria ("do no significant harm")	Minimum safeguards	Taxonomy aligned proportion of revenue 2022	Category: Enabling activity (E)/ Transitional activity (T)
			Climate change mitigation	Climate change adaptation				
	In millions of euros	in %	in %	in %	Yes/No	Yes/No	in %	E/T
A. TAXONOMY-ELIGIBLE ACTIVITIES								
A.1 Environmentally sustainable activities (Taxonomy-aligned)								
3.3 Manufacture of low-carbon technologies for transport	14,660	10	100	0	Yes	Yes	10	E
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	334	0	100	0	Yes	Yes	0	T ²
Revenue of environmentally sustainable activities (Taxonomy-aligned) (A.1)	14,994	10	100	0			10	
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)								
3.3 Manufacturing of low-carbon technologies for transport	108,206	72						
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	22,773	15						
6.6 Freight transport services by road	854	1						
Revenue of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	131,833	88						
Total (A.1 + A.2)	146,827	98						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES								
Revenue of Taxonomy-non-eligible activities (B)	3,190	2						
Total A + B	150,017	100						

1 The key figures were audited in order to obtain limited assurance as part of a separate assurance engagement of the sustainability report. An exception to this is the total (total A + B) which was audited with reasonable assurance as a Group key figure.

2 Only the share attributable to our plug-in hybrid vehicles is a transitional activity.

Taxonomy eligibility of revenue

For the share of taxonomy-eligible revenue (under A in the table), the taxonomy-eligible revenue is considered in relation to the total revenue of the Group.

In this process, the denominator takes into account all the revenue generated at the consolidated companies that are to be included in the calculations. The revenue, as disclosed in the consolidated statement of income, amounted to €150,017 million in the reporting year (see Note 5 in the Notes to the Consolidated Financial Statements).

The numerator was calculated by examining this revenue to determine how much of it was generated in connection with manufacturing or the leasing or financing of vehicles. This applies to almost all of the revenue generated by the Mercedes-Benz Group. Excluded from this are in particular revenues from the sale of used vehicles, which Mercedes-Benz Group has purchased from third parties.

Taxonomy alignment of revenue

In order to calculate the taxonomy-aligned proportion of economic activities (under A1 in the table), revenues were examined to determine the extent to which they were generated with low-carbon vehicles in order to assess whether a substantial contribution had been made to climate change mitigation. Compliance with DNSH criteria was also assessed.

For the major proportion of the revenue, in particular from the new and used vehicle business and leasing and sales financing activities, a direct attribution was made of the revenue accounted for by low-carbon vehicles. With regard to other revenue components, especially revenue from the spare parts business and service and maintenance contracts, or attribution of discounts granted for large procurement volumes, it is not possible to directly assign revenue to low-carbon vehicles. In these cases, suitable allocations were therefore used for the various revenue components. These classifications are based on current or historical vehicle sales data for the fleet that is currently on the market and data on production volumes.

By the end of this decade, the Mercedes-Benz Group intends to be all-electric wherever market conditions allow. The strategic step to “Electric only” will accelerate the transformation of the company to an all-electric and software-driven future. In line with this strategy and the associated planned sales figures for low-emission vehicles, the Mercedes-Benz Group expects the share of the revenue generated by low-carbon vehicles to rise significantly in the years ahead. Further information can be found in the chapter Environmental issues.

Capital expenditure

B.40

Capital expenditure¹

Economic activities	Absolute Capital expenditure	Proportion of Capital expenditure	Criteria for a material contribution		DNSH criteria ("do no significant harm")	Minimum safeguards	Taxonomy aligned proportion of Capital expenditure in 2022	Category: Enabling activity (E)/ Transitional activity (T)
			Climate change mitigation	Climate change adaptation				
	In millions of euros	in %	in %	in %	Yes/No	Yes/No	in %	E/T
A. TAXONOMY ELIGIBLE ACTIVITIES								
A.1 Environmentally sustainable activities (Taxonomy-aligned)								
3.3 Manufacture of low-carbon technologies for transport	3,732	20	100	0	Yes	Yes	20	E
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	325	2	100	0	Yes	Yes	2	T ²
Capital expenditure of environmentally sustainable activities (Taxonomy-aligned) (A.1)	4,057	22	100	0			22	
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)								
3.3 Manufacturing of low-carbon technologies for transport	4,092	22						
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	10,220	56						
Capital expenditure of taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	14,312	78						
Total (A.1 + A.2)	18,369	100						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES								
Capital expenditure of Taxonomy-non-eligible activities (B)	0	0						
Total A + B	18,369	100						

1 The key figures were audited in order to obtain limited assurance as part of a separate assurance engagement of the sustainability report. An exception to this is the total (total A + B) which was audited with reasonable assurance as a Group key figure.

2 Only the share attributable to our plug-in hybrid vehicles is a transitional activity.

Taxonomy eligibility of capital expenditure

For the share of taxonomy-eligible capital expenditure (under A in the table), the taxonomy-eligible capital expenditure is considered in relation to the total relevant capital expenditure of the Group.

Here, the denominator of the key figure for capital expenditure is calculated by taking into account all additions to intangible assets, property, plant and equipment, equipment on operating leases and additions to rights-of-use assets as defined in IFRS 16, including the additions to the named assets within the framework of corporate acquisitions. Equipment on operating leases only takes into account vehicles acquired by a dealer from outside the Group. Goodwill acquired is not taken into account here. If a divestment is planned, capital expenditure on non-current assets is only taken into account until the point in time at which they were first classified as available for sale or disbursement in accordance with IFRS 5. The relevant additions to the assets to be taken into account amounted to €18,369 million in the 2022 reporting year (see Notes 11, 12 and 13 in the Notes to the Consolidated Financial Statements).

According to the aforementioned interpretation document issued by the European Commission, which was finally published on 6 October 2022, the definition of an economic activity is characterized by the achievement of an output. In line with the Mercedes-Benz Group's business model, the numerator was therefore determined by examining whether capital expenditure is made in connection with the manufacturing of vehicles or the implementation of transport solutions for people and goods. This applies to nearly all of our investments.

Taxonomy alignment of capital expenditure

In order to calculate the taxonomy-aligned proportion of economic activities (under A1 in the table), capital expenditure was examined to determine the extent to which it was associated with low-carbon vehicles in order to assess whether a substantial contribution had been made to climate change mitigation. Compliance with DNSH criteria was also assessed.

The capital expenditure items shown below are included as an aggregation across the various economic activities:

B.41

Capital expenditure in 2022

	In the denominator in millions of euros (total capital expenditure)	In the numerator in millions of euros (taxonomy-aligned capital expenditure) ¹	Taxonomy-aligned capital expenditure in % ¹
Property, plant and equipment	3,421	1,507	44
Intangible assets	3,480	1,874	54
Right-of-use assets (IFRS 16)	923	391	42
Equipment on operating leases	10,545	285	3
Total	18,369	4,057	22

¹ The key figures were audited in order to obtain limited assurance as part of a separate assurance engagement of the sustainability report.

The size of the share of taxonomy-aligned expenditure of total capital expenditure is mainly impacted by the additions to the leased objects. As a result, this share only partially reflects our investments in sustainable products for the future.

A separate additional review of the taxonomy-aligned investments in intangible assets (mainly in capitalized research and development expenditure) and property, plant and equipment of the Mercedes-Benz Group shows much higher shares of taxonomy-eligible investments (table B.41). On the basis of our "Electric only" strategy, the Mercedes-Benz Group intends to further increase these investments in the coming years.

All of the capital expenditure at the Mercedes-Benz Group included in the numerator relates to assets or processes in the context of already existing technologies and in connection with already existing taxonomy-aligned economic activities. For most of the capital expenditure relating to the industrial business, a direct attribution was made to all-electric or low-carbon hybrid vehicle projects. In the case of capital expenditure in assets that are used to produce both vehicles with combustion engines and low-carbon vehicles, suitable allocations based on planned vehicle sales figures for the respective model series or vehicle platforms were used. Capital expenditure that is not directly related to the manufacturing process was allocated on the basis of the planned sales figures for low-carbon vehicles. With regard to financial services, it is possible to match the additions to the leased products directly to low-carbon vehicles.

Operating expenditure

B.42

Operating expenditure¹

Economic activities	Absolute operating expenditure	Proportion of operating expenditure	Criteria for a material contribution		DNSH criteria ("do no significant harm")	Minimum safeguards	Taxonomy-aligned proportion of operating expenditure in 2022	Category: Enabling activity (E)/ Transitional activity (T)
			Climate change mitigation	Climate change adaptation				
	In millions of euros	in %	in %	in %	Yes/No	Yes/No	in %	E/T
A. TAXONOMY ELIGIBLE ACTIVITIES								
A.1 Environmentally sustainable activities (Taxonomy-aligned)								
3.3 Manufacture of low-carbon technologies for transport	2,340	35	100	0	Yes	Yes	35	E
Operating expenditure of environmentally sustainable activities (Taxonomy-aligned) (A.1)	2,340	35	100	0			35	
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)								
3.3 Manufacturing of low-carbon technologies for transport	4,324	65						
Operating expenditure of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	4,324	65						
Total (A.1 + A.2)	6,664	100						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES	0	0						
Operating expenditure of Taxonomy-non-eligible activities (B)								
Total A + B	6,664	100						

¹ The key figures were audited in order to obtain limited assurance as part of a separate assurance engagement of the sustainability report.

Taxonomy eligibility of operating expenditure

For the share of taxonomy-eligible operating expenditure (under A in the table), the taxonomy-eligible operating expenditure is considered in relation to the relevant operating expenditure of the Group.

The operating expenditure to be taken into account in the denominator corresponds to a figure that was exclusively calculated within the framework of taxonomy reporting.

These operating expenditure include non-capitalized research and development expenditure and expenses from short-term leasing agreements. In addition, expenditure from building renovation measures and certain maintenance and repair expenses (basically labour and material costs as well as purchased services) relating to property, plant and equipment in accordance with the delegated act specifying Article 8 of the taxonomy regulation are included. These components of the relevant operating expenditure were collated exclusively from our manufacturing companies on the basis of materiality considerations. The operating expenditure at the Group companies that is to be taken into account is included, with the exception of companies that have been separately disclosed as discontinued operations in the statement of income.

In a manner similar to the approach taken for capital expenditure, the relevant operating expenditure was also examined here for the determination of the numerator on the basis of the materiality considerations mentioned above to determine whether they are related to the manufacture of vehicles. This applies to nearly all operating expenditure.

Taxonomy alignment of operating expenditure

In order to calculate the taxonomy-aligned proportion of economic activities (under A1 in the table), operating expenditure was examined to determine the extent to which it was associated with low-carbon vehicles in order to assess whether a substantial contribution had been made to climate change mitigation. Compliance with DNSH criteria was assessed.

The non-capitalized research and development expenditure can mostly be directly incorporated into the calculation of the numerator on the basis of its allocation to all-electric or low-carbon hybrid vehicle projects. Appropriate allocations based on anticipated future sales figures of the low-carbon share of the model series or the vehicle platform were used for research and development expenditure that cannot be directly allocated (model series or vehicle platforms that include plug-in hybrids as well as purely combustion engine vehicles). It was also not possible to directly match the other components of relevant operating expenses to low-carbon vehicles. The inclusion in the numerator is based on suitable allocations of current production volumes.

Overall Assessment of the Financial Year

The **Mercedes-Benz Group** had a successful year in 2022 despite continuing bottlenecks in semiconductors and logistic, regional Covid-19 measures and geopolitical challenges and consistently continued the transformation towards an all-electric and software-driven future.

Due to increased unit sales, substantially improved pricing in connection with a more advantageous product mix and ongoing cost discipline, the Group recorded an increase in EBIT of 28% compared to the previous year. In particular, the strong demand for Top-End and electric models from Mercedes-Benz Cars exceeded supply, which, as was the case in the previous year, was limited due to the ongoing shortage of semiconductors as well as logistics bottlenecks. As a result, the Group already upwardly adjusted its forecasts for revenue, EBIT and the Free cash flow of the industrial business in 2022.

In the reporting year, the average CO₂ emissions of the registered Mercedes-Benz passenger new car fleet in Europe (European Union, Norway and Iceland) as measured on the basis of legal regulations amounted to 115 g/km¹ and thus remained at the same level as in the prior year. The figures for the Group were below the CO₂ target values of 127 g/km in Europe in 2022.

The substantially improved pricing in combination with a more advantageous product mix led to higher revenue at **Mercedes-Benz Cars** than had been anticipated at the beginning of the reporting year. These developments, along with solid margins, also led to an upward adjustment during the year of the forecast for adjusted return on sales. Due to the negative effects that semiconductor issues in the supply chain had on working capital, the adjusted cash conversion rate was below the forecast range. The figures for investments in property, plant and equipment and research and development expenditure were expected slightly higher than in the prior year. Investments in property, plant and equipment were

slightly lower than in 2021 due to a policy of consistent cost management in product projects. The new-generation BEV platform and the associated battery concept, as well as the focus on digitalization and automated driving, led to a significant increase in expenditure on research and development compared to the previous year.

A continued very high demand for vans resulted in unit sales significantly above those of the previous year at **Mercedes-Benz Vans**. The positive business development with considerably improved pricing and a more advantageous product mix led to significantly higher figures for revenue, adjusted return on sales and the adjusted cash conversion rate than had been expected at the beginning of the year. The figures for investments in property, plant and equipment and research and development expenditure were expected substantially higher than in the previous year. At the end of the year, investments in property, plant and equipment were at the prior year level, because investments planned for 2022 as expected have been partially transferred in 2023.

Mercedes-Benz Mobility had a successful year in 2022, despite an increase in credit-risk costs due to the weaker economic outlook and decreasing interest margins that resulted from the increase in interest rates. The parts of the Daimler commercial vehicle business that were to be transferred in 2022 were sold as planned.

New business at Mercedes-Benz Mobility was significantly lower than in the previous year. The original forecast of a slight decrease in new business could not be met due to the general increase in interest rates and the associated higher competitive pressure. Contract volume was at the same level as the previous year. At the beginning of the reporting year, Mercedes-Benz Mobility had expected contract volume to decline slightly. The main reason for the deviation from the forecast was exchange-rate effects, which were more positive than expected.

¹ Based on internal data.

Table B.43 provides an overview of the actual development of the figures as forecasted in the 2021 Annual Report.

B.43

Comparison between the figures forecast for 2022 and their actual development

	Forecast for 2022	In-year adjustments	Actual development in 2022
The Mercedes-Benz Group			
Revenue	Slightly higher than the prior-year level	Q2: Significantly higher than the prior-year level	€150,017 million (+12%) Significantly higher than the prior-year level
EBIT	At the prior-year level	Q2: Slightly higher Q3: Significantly higher than the prior-year level	€20,458 million (+28%) Significantly higher than the prior-year level
Free cash flow of the industrial business	Slightly lower than the prior-year level	Q2: At the prior-year level	€8,128 million (+3%) At the prior-year level
CO ₂ emissions of the new car fleet in Europe	At the prior-year level		115 g/km¹ (+0%) At the prior-year level
Mercedes-Benz Cars			
Unit sales	Slightly higher than the prior-year level		2,040,719 vehicles (+5%) Slightly higher than the prior-year level
Revenue	Slightly higher than the prior-year level	Q2: Significantly higher than the prior-year level	€111,601 million (+15%) Significantly higher than the prior-year level
Adjusted return on sales	11.5% – 13%	Q2: 12% – 14% Q3: 13% – 15%	14.6%
Adjusted cash conversion rate	0.8 – 1.0		0.7
Investments in property, plant and equipment	Slightly higher than the prior-year level	Q1: At the prior-year level Q2: Significantly lower than the prior-year level	€3,265 million (-9%) Slightly lower than the prior-year level
Research and development expenditure	Slightly higher than the prior-year level	Q2: Significantly higher than the prior-year level	€7,986 million (+11%) Significantly higher than the prior-year level
Mercedes-Benz Vans			
Unit sales	Slightly higher than the prior-year level		415,344 vehicles (+8%) Significantly higher than the prior-year level
Revenue	Slightly higher than the prior-year level	Q2: Significantly higher than the prior-year level	€17,217 million (+17%) Significantly higher than the prior-year level
Adjusted return on sales	8% – 10%	Q3: 9% – 11%	11.2%
Adjusted cash conversion rate	0.6 – 0.8	Q3: 0.8 – 1.0	1.1
Investments in property, plant and equipment	Significantly higher than the prior-year level		€199 million (+1%) At the prior-year level
Research and development expenditure	Significantly higher than the prior-year level		€552 million (+13%) Significantly higher than the prior-year level
Mercedes-Benz Mobility			
New business	Slightly lower than the prior-year level	Q1: Significantly lower than the prior-year level Q2: Slightly lower than the prior-year level	€58,031 million (-9%) Significantly lower than the prior-year level
Contract volume	Slightly lower than the prior-year level	Q3: At the prior-year level	€132,379 million (-1%) At the prior-year level
Revenue	Slightly lower than the prior-year level		€26,954 million (-4%) Slightly lower than the prior-year level
Adjusted return on equity	16% – 18%		16.8%

1 Based on internal data.

Takeover-Relevant Information and Explanation

(Report pursuant to Section 315a and Section 289a of the German Commercial Code (HGB))

Composition of share capital

The issued share capital of Mercedes-Benz Group AG amounted to approximately €3,070 million as of 31 December 2022. It is divided into 1,069,837,447 registered shares, each of which accounts for approximately €2.87 of the share capital. Pursuant to Section 67 Sub-section 2 of the German Stock Corporation Act (AktG), rights and obligations relating to the Company exist from the shares only for those persons and entities entered in the register of shareholders. With the exception of treasury shares, from which the Company does not have any rights, all shares confer equal rights to their holders.

Each share confers the right to one vote and, if applicable, with the exception of any new shares potentially not entitled to dividends, to an equal portion of the profits in accordance with the dividend payout approved by the Annual General Meeting. The rights and obligations arising from the shares are derived from the provisions of applicable law, in particular Sections 12, 53a ff., 118 ff. and 186 of the German Stock Corporation Act (AktG). There were no treasury shares at 31 December 2022.

Restrictions on voting rights and on the transfer of shares

The Company does not have any rights from treasury shares. In the cases described in Section 136 of the German Stock Corporation Act (AktG), the voting rights of treasury shares are nullified by law.

Shares in Mercedes-Benz Group AG acquired by employees within the context of the employee share programme may not be disposed of until the end of the following year. Eligible participants in the Performance Phantom Share Plans (PPSPs) of Executive Level 1 and eligible members of the Board of Management are obliged by the Plans' terms and conditions and by the Stock Ownership Guidelines to acquire the Company's shares with a part of their Plan income or out of their own funds up to a defined target volume and to hold them for the duration of their employment at the Group.

Provisions of applicable law and of the articles of association concerning the appointment and dismissal of members of the Board of Management and amendments to the articles of association

Members of the Board of Management are appointed and dismissed on the basis of Sections 84 and 85 of the German Stock Corporation Act (AktG) and Section 31 of the German Codetermination Act (MitbestG). In accordance with Section 84 of the German Stock Corporation Act (AktG), the members of the Board of Management are appointed by the Supervisory Board for a maximum period of office of five years. The rules of procedure of the Supervisory Board stipulate that the initial appointment of members of the Board of Management is generally limited to three years. Reappointment or the extension of a period of office is permissible, in each case for a maximum of five years.

Pursuant to Section 31 of the German Codetermination Act (MitbestG), the Supervisory Board appoints the members of the Board of Management with a majority comprising at least two thirds of its members' votes. If no such majority is obtained, the Mediation Committee of the Supervisory Board has to make a suggestion for the appointment within one month of the vote by the Supervisory Board in which the required majority was not reached. The Supervisory Board then appoints the members of the Board of Management with a majority of its own members' votes. If no such majority is obtained, voting is repeated and the Chair of the Supervisory Board then has two votes. The same procedure applies for dismissals of members of the Board of Management.

In accordance with Article 5 of the articles of association, the Board of Management has at least two members. The number of members is decided by the Supervisory Board. Pursuant to Section 84 Subsection 2 of the German Stock Corporation Act (AktG), the Supervisory Board can appoint a member of the Board of Management as the Chairperson of the Board of Management. If a required member of the Board of Management is lacking, an affected party can apply in urgent cases for that member to be appointed by the court pursuant to Section 85 Subsection 1 of the German Stock Corporation Act (AktG). Pursuant to Section 84 Subsection 3 of the German Stock Corporation Act (AktG), the Supervisory Board can revoke the appointment of a member of the Board of Management and of the Chairperson of the Board of Management if there is an important reason to do so.

Pursuant to Section 179 of the German Stock Corporation Act (AktG), the articles of association can only be amended by a resolution of an Annual General Meeting. Unless otherwise required by applicable law or the articles of association, resolutions of the Annual General Meeting are passed pursuant to Section 133 of the German Stock Corporation Act (AktG) and pursuant to Article 16 Sentences 1 and 2 of the articles of association with a simple majority of the votes cast and, if required, with a simple majority of the share capital represented. Pursuant to Article 16 Sentence 3 of the articles of association, the dismissal of a shareholder-elected member of the Supervisory Board requires a majority of at least three quarters of the votes cast. Pursuant to Section 179 Subsection 2 of the German Stock Corporation Act (AktG), any amendment to the purpose of the Company also requires a three-quarters majority of the share capital represented at the Annual General Meeting; no use is

made in the articles of association of the possibility to stipulate a larger majority of the share capital. Amendments to the articles of association that only affect the wording can be decided upon by the Supervisory Board in accordance with Article 7 Subsection 2 of the articles of association. Pursuant to Section 181 Subsection 3 of the German Stock Corporation Act (AktG), amendments to the articles of association take effect upon being entered in the commercial register.

Authorization of the Board of Management to issue or buy back shares

By resolution of the Annual General Meeting of 5 April 2018, the Board of Management was authorized, with the consent of the Supervisory Board, to increase the share capital of the Company in the period until 4 April 2023, wholly or in partial amounts, on one or several occasions, by up to €1 billion by issuing new registered shares of no par value in exchange for cash or non-cash contributions, and, with the consent of the Supervisory Board under certain conditions and within defined limits, to exclude shareholders' subscription rights (Approved Capital 2018). Subscription rights can, under these defined conditions, be excluded in the event of a capital increase against non-cash contributions for the purpose of an acquisition, and in the case of a capital increase against cash contributions, if the issue price of new shares is not significantly below the market price at the time of issue.

The total number of shares issued against cash and/or non-cash contributions under this authorization with the exclusion of shareholders' subscription rights may not exceed 10% of the share capital at the time when this authorization takes effect. This limit is to include shares which (i) are issued or sold during the period of this authorization with the exclusion of subscription rights in direct or analogous application of Section 186 Subsection 3 Sentence 4 of the German Stock Corporation Act (AktG) and which (ii) are or can or must be issued to service bonds with conversion or option rights or conversion or option obligations, provided that the bonds are issued after this authorization takes effect with the exclusion of shareholders' subscription rights with analogous application of Section 186 Subsection 3 Sentence 4 of the German Stock Corporation Act (AktG).

No use has yet been made of Approved Capital 2018.

By resolution of the Annual General Meeting on 8 July 2020, the Board of Management was authorized, with the consent of the Supervisory Board, to issue during the period until 7 July 2025 convertible bonds and/or bonds with warrants or a combination of those instruments (commercial paper) in a total nominal amount of up to €10 billion with a maximum term of ten years, and to grant the owners/lenders of those bonds conversion or option rights to new, registered shares of no par value in the Company with a corresponding amount of the share capital of up to €500 million, in accordance with the terms and conditions of those convertible bonds or bonds with warrants. The bonds may be issued in exchange for consideration in cash, but also for consideration in kind, in particular for interests in other companies. The respective terms and conditions may also provide for mandatory conversion or an obligation to exercise the option rights. The bonds can be issued once or several times, wholly or in instalments, or simultaneously in various tranches. They can also be issued by subsidiaries of the Company pursuant to Section 15ff. of the German Stock Corporation Act (AktG).

Among other things, the Board of Management was also authorized under certain circumstances, within certain limits and with the consent of the Supervisory Board, to exclude shareholders' subscription rights to the bonds. Subscription rights can, under these defined conditions, be excluded when bonds are issued in exchange for non-cash contributions, particularly within the framework of a merger or acquisition, and when bonds are issued in exchange for cash contributions if the issue price is not significantly below the theoretical market price of the bonds at the time of the issuance.

Any issuance of bonds with the exclusion of subscription rights may only be carried out under the authorization if the arithmetical proportion of the share capital attributable to the total of the new shares to be issued on the basis of such a bond does not exceed 10% of the share capital at the time when this authorization takes effect or — if this value is lower — at the time when it is exercised. If, during the period of the authorization until it is exercised, use is made of other authorizations to issue or sell shares in the Company or to issue rights enabling or requiring subscription to shares in the Company and subscription rights are excluded, this is to be counted towards the aforementioned 10% limit.

In order to service the debt of the convertible bonds and/or bonds with warrants issued as a result of the authorization, the Annual General Meeting of 8 July 2020 also approved a conditional increase in the share capital of up to €500 million (Conditional Capital 2020).

No use was made of this authorization to issue convertible and/or warrant bonds during the reporting period.

By a further resolution of the Annual General Meeting on 8 July 2020, the Board of Management was authorized, with the consent of the Supervisory Board, to acquire the Company's own shares until 7 July 2025 for all legal purposes in a volume of up to 10% of the share capital at the time of the resolution of the Annual General Meeting or — if this amount is lower — at the time when the authorization is exercised. With the consent of the Supervisory Board, the shares can be used, with the exclusion of shareholders' subscription rights, for, among other things, corporate mergers and acquisitions, or can be sold for cash to third parties at a price that is not significantly below the market price at the time of the sale. The acquired shares can also be used to service debt on convertible bonds and/or bonds with warrants, or can be issued to employees of the Company and employees and members of executive bodies of subsidiaries pursuant to Section 15ff. of the German Stock Corporation Act (AktG). The Company's own shares can also be cancelled.

During the period of the authorization, the total of the Company's own shares used with the exclusion of shareholders' subscription rights may not exceed 10% of the share capital at the time when the authorization takes effect or — if this amount is lower — at the time when it is exercised. If, during the period of the authorization until it is exercised, use is made of other authorizations to issue or sell shares in the Company or to issue rights enabling or requiring subscription to shares in the Company and subscription rights are excluded, this is to be counted towards the aforementioned 10% limit.

In a volume of up to 5% of the share capital existing at the time of the resolution of the Annual General Meeting, the Board of Management was authorized, with the consent of the Supervisory Board, to acquire the Company's own shares also with the application of derivative financial instruments (put or call options, forwards or a combination of these financial instruments), whereby the terms of the derivatives may not exceed 18 months and must be terminated at the latest on 7 July 2025.

No use was made of this authorization to acquire the Company's own shares during the reporting period.

Material agreements subject to change of control

Mercedes-Benz Group AG has concluded various material agreements, as listed below, that include clauses regulating the possible event of a change of control, as can occur as a result of a takeover bid:

- A non-utilized syndicated credit line for a total amount of €11 billion, which the lenders are entitled to terminate if (i) Mercedes-Benz Group AG becomes a subsidiary of another company, or (ii) Mercedes-Benz Group AG becomes controlled either individually or jointly by one or more persons acting together. For the purposes of the syndicated credit line, subsidiary in relation to a company means another company (i) that is controlled directly or indirectly by the first-mentioned company, (ii) of which more than 50% of the subscribed share capital (or other equity) is held directly or indirectly by the first-mentioned company, or (iii) which is a subsidiary of another subsidiary of the first-mentioned company. Control for the purposes of the syndicated credit line means (i) the right to determine the affairs of a company, (ii) the right to control the composition of the managing board or similar bodies, or (iii) the right to control the composition of the supervisory board (if elected by the shareholders).

- A master cooperation agreement on wide-ranging strategic cooperation with Renault S.A., Renault-Nissan B.V. and Nissan Motor Co., Ltd., as well as with Mitsubishi Motors Corporation. In the case of a change of control of one of the parties to the agreement, each of the other parties has the right to terminate the agreement. A change of control as defined by the master cooperation agreement occurs if a third party or several third parties acting jointly acquire, legally or economically, directly or indirectly, at least 50% of the voting rights in the company in question or are authorized to appoint a majority of the members of its managing board. Under the master cooperation agreement, several cooperation agreements were concluded between Mercedes-Benz Group AG on the one side and Renault and/or Nissan on the other, which provide for the right of termination for a party to the agreement in the case of a change of control of another party. With the exception of the master cooperation agreement, the aforementioned cooperation agreements were transferred from the former Daimler AG to Mercedes-Benz AG in 2019.
- An agreement with BAIC Motor Co., Ltd. related to a jointly held company for the production and distribution of cars of the Mercedes-Benz brand in China, by which BAIC Motor Co., Ltd. is given the right to terminate the agreement or exercise a put or call option in the case that a third party acquires one third or more of the voting rights in Mercedes-Benz Group AG.
- An agreement between Mercedes-Benz Group AG, BMW AG and Audi AG related to the acquisition of the companies of the HERE Group and the associated establishment of There Holding B.V. In the event of a change of control of one of the parties to the agreement, the agreement obliges the party in question to offer its shares in There Holding B.V. to the other parties to the agreement (shareholders). A change of control of Mercedes-Benz Group AG occurs if one person gains control over Mercedes-Benz Group AG, whereby control is defined as (i) having control of more than 50% of the voting rights, (ii) being able to control more than 50% of the voting rights eligible to vote at the General Meetings on all or nearly all matters, or (iii) the right to determine the majority of the members of the Board of Management or of the Supervisory Board. A change of control also occurs if competitors of the HERE Group or certain possible competitors of the HERE Group in the technology industry acquire a shareholding of at least 25% of Mercedes-Benz Group AG. If none of the other parties acquire these shares, the agreement gives them the right to dissolve There Holding B.V.
- An agreement between Mercedes-Benz Group AG and BMW AG which contains basic provisions for joint ventures between Mercedes-Benz Mobility Services GmbH and group companies of BMW AG in the field of mobility services (one joint venture each in the areas of ride hailing and charging as well as a joint venture that is structured as a holding for the aforementioned joint ventures). A change of control is defined as the acquisition by a third party of more than 50% of the voting rights or shares, or the conclusion of a control agreement over Mercedes-Benz Group AG by a third party. In the event of a change of control, the contract includes mechanisms that can lead to sole ownership by one of the shareholders through a shoot-out process.

Outlook

The statements made in the Outlook chapter are based on the plans of the Mercedes-Benz Group for 2023 as approved by the Board of Management with the agreement of the Supervisory Board. That plan is based on the premises the Company sets regarding the economic situation and the development of automotive markets. It involves assessments made by the Group, which are based on analyses by various renowned economic research institutes, international organisations and industry associations, as well as on the internal market analyses of the Mercedes-Benz Group sales companies.

There is a large degree of uncertainty connected with the premises regarding the economic situation and the development of automotive markets. The risks and opportunities that can arise as a result of deviations from the forecasts of the development of the world economy and automotive markets that are presented below are described in the Risk and Opportunity Report.

The continuous planning process makes it possible for the Group to ensure that available opportunities can be exploited and that the organization can respond appropriately to unexpected risks. This in turn means that expectations regarding anticipated business development can be adjusted in line with the latest forecasts of the development of automotive markets.

The world economy and automotive markets

The world economy

The Group expects the world economy to continue to grow at a noticeably slower pace in 2023. Especially during the first few months of the year, high inflation is likely to continue to lead to higher interest rates in most regions around the world. More unfavourable financing conditions, declining real income and ongoing high prices for food and energy are expected to dampen consumer spending and slow down business activity.

In the euro zone, where high inflation rates are likely to persist, this development should cause the economy to continue its weakness the beginning of the year, with the consequence that total economic output for the year as a whole would then grow only marginally. While the situation with industry supply chains is expected to improve gradually, lower demand from abroad and the ECB's tight monetary policy will likely hold back any recovery to speak of.

A mild recession is also expected for the US economy in 2023 as a result of aggressive interest rate hikes and their impact, especially in the all-important real estate sector. Nevertheless, for the year as a whole the Mercedes-Benz Group expects the economy to expand slightly, key economic figures for the year as a whole to remain more or less at the same level as in 2022 thanks in part to a noticeable decrease in inflation and the positive effect this will have on the purchasing power of private households.

The Chinese economy is expected to grow at a noticeably stronger rate in this year due to the relaxation of the Covid-19 restrictions and government's targeted economic support measures. The continuing consolidation of the property sector and weaker demand from abroad will, however, dampen this growth somewhat.

In view of all these developments, the global economy is likely to grow by some 2% in 2023, which means growth will remain significantly below the long-term trend.

Automotive markets

These unfavourable macroeconomic conditions are likely to have a noticeable negative effect on demand in automotive markets around the world. Conversely, in terms of supply, disruptions of supply chains, as well as other supply bottlenecks, are expected to show signs of easing step by step later in the year. Given the fact that order backlogs remain high in many places, most markets should develop somewhat more positively than the economic outlook would indicate.

We can therefore expect to see slight growth in the global **car market** compared with the previous year. The market in Europe is also expected to expand slightly following three consecutive years of contraction. The US light vehicle market is also likely to grow slightly and thus partially recover from the decrease in unit sales recorded in the previous year. In China too, market volume is expected to increase slightly thanks to the lifting of the Covid-19 restrictions and the resulting improved economic prospects.

Key **van markets** are expected to develop more positively this year than in 2022. In Europe, the market segment for mid-size and large vans is likely to experience slight overall growth. The Mercedes-Benz Group also believes it is likely that unit sales in the European segment for small vans will increase significantly from the very low level of sales recorded in 2022. In the United States, the market segment for large vans should grow slightly. The Chinese segment for mid-size vans is expected to show significant growth.

Outlook for key performance indicators

Mercedes-Benz Cars

Mercedes-Benz Cars expects **unit sales** in 2023 to be at the level of the previous year. There is a special focus on the Top-End models this year. In 2023, Mercedes-Benz Cars also plans to offer battery electric vehicles in all of the vehicle segments in which the brand is represented. This will enable the proportion of battery electric vehicles in all product categories (Top-End, Core and Entry) to be increased.

Given a continued advantageous product mix and effective pricing, but also additional costs due to inflation and supply chain issues, Mercedes-Benz Cars expects this sales development to lead to an **adjusted return on sales** of between 12% and 14%.

The **adjusted cash conversion rate** for Mercedes-Benz Cars is expected to be within a range of between 0.8 and 1.0 for the year 2023.

Investments in property, plant and equipment at

Mercedes-Benz Cars focus on the new vehicle architectures, with the main drivers here being the new E-Class and the launch of the MMA architecture. Investments in property, plant and equipment at Mercedes-Benz Cars are expected to increase significantly compared to the previous year.

At Mercedes-Benz Cars, a large proportion of the **research and development expenditure** is to flow into the electrification of the product portfolio, the expansion of digitalization, and automated driving. In addition, plans call for investments to be made in the renewal of the product portfolio. As a result of these investments, research and development expenditure is expected to increase slightly in 2023.

Mercedes-Benz Vans

Mercedes-Benz Vans expects **unit sales** in 2023 to continue at the prior-year level. The proportion of battery electric vans in total sales can be increased by the new battery electric models eCitan and EQT (WLTP: combined electricity consumption: 18.99 kWh/100 km; combined CO₂ emissions: 0 g/km) and the new eSprinter.

The forecast for **adjusted return on sales** of 9% to 11% at Mercedes-Benz Vans is based on the forecast of unit sales and on advantageous pricing, with consideration also given to the expected high inflation effects.

The **adjusted cash conversion rate** for the Mercedes-Benz Vans division is expected to be within a range of 0.5 to 0.7.

The Mercedes-Benz Vans division anticipates a significant increase in **investments in property, plant and equipment in 2023**. This increase will be primarily driven by the planned transition to a fully electric Mercedes-Benz van fleet of the next generation, as well as green investment within the framework of Ambition 2039 with the goal of accountable CO₂ neutrality.

In terms of research and development, Mercedes-Benz Vans is focusing on electric drive systems, automated driving and digitalization. Mercedes-Benz Vans expects to see a significant increase in **research and development expenditure** in 2023.

Mercedes-Benz Mobility

Mercedes-Benz Mobility expects a slight decrease in **contract volume** and a slight increase in **new business** in 2023.

Adjusted return on equity is expected to be within a range of between 12% and 14% in 2023. Significantly lower interest income due to rising interest rates is the main driver of the forecast decrease in comparison to the previous year.

The Mercedes-Benz Group

The Mercedes-Benz Group expects to generate **revenue** in 2023 that is on the level of the previous year. The Group assumes that revenue at Mercedes-Benz Cars will also be at the prior-year level. Revenue at Mercedes-Benz Vans is expected to slightly increase as compared to the previous year. In contrast, the Group assumes that revenue at Mercedes-Benz Mobility will be significantly lower than in the previous year.

Based on the development of the different segments, the Group expects **EBIT** to be slightly lower than in the previous year in what will remain be a challenging market environment.

The Mercedes-Benz Group expects the **free cash flow of the industrial business** in 2023 to be at the prior year's level. Although tax payments are expected to be higher than in the prior year, these payments will likely be significantly more than offset by the positive contributions made by Mercedes-Benz Cars.

CO₂ emissions of the new car fleet in Europe

After having fulfilled the CO₂ requirements in 2022 as well, the Mercedes-Benz Group expects that its new car fleet's average CO₂ emissions in Europe (European Union, Norway and Iceland) will decrease significantly compared to the previous year in 2023. With the further expansion of the fleet of electric vehicles, it can be assumed that the CO₂ requirements in Europe will once again be fulfilled in 2023.

The chart in B.44 provides an overview of the key figures

B.44

Outlook for key figures for 2023

	2022 reporting year	Forecast for 2023
Mercedes-Benz Group		
Revenue ¹	€150,017 million	At the prior-year level
EBIT ¹	€20,458 million	Slightly lower than the prior-year level
Free cash flow of the industrial business ¹	€8,128 million	At the prior-year level
CO ₂ emissions of the new car fleet in Europe ¹	115 g/km	Significantly lower than the prior-year level
Mercedes-Benz Cars		
Unit sales ¹	2,040,700 vehicles	At the prior-year level
Revenue	€111,601 million	At the prior-year level
Adjusted return on sales	14.6%	12%-14%
Adjusted cash conversion rate	0.7	0.8-1.0
Investments in property, plant and equipment ¹	€3,265 million	Significantly higher than the prior-year level
Research and development expenditure ¹	€7,986 million	Slightly higher than the prior-year level
Mercedes-Benz Vans		
Unit sales ¹	415,344 vehicles	At the prior-year level
Revenue	€17,217 million	Slightly higher than the prior-year level
Adjusted return on sales	11.2%	9%-11%
Adjusted cash conversion rate	1.1	0.5-0.7
Investments in property, plant and equipment ¹	€199 million	Significantly higher than the prior-year level
Research and development expenditure ¹	€552 million	Significantly higher than the prior-year level
Mercedes-Benz Mobility		
New business ¹	€58,031 million	Slightly higher than the prior-year level
Contract volume	€132,379 million	Slightly lower than the prior-year level
Revenue	€26,953 million	Significantly lower than the prior-year level
Adjusted return on equity ¹	16.8%	12%-14%

¹ key performance indicator

Dividend

In line with a sustainable dividend policy, the Mercedes-Benz Group sets the dividend based on a distribution ratio of 40% of the net profit attributable to Mercedes-Benz Group shareholders. The free cash flow from the industrial business is also taken into consideration when setting the dividend.

At the Annual General Meeting to take place on 3 May 2023, the Board of Management and the Supervisory Board will propose the payment of a dividend of €5.20 per share for the year 2022 (previous year: €5.00). The dividend for the previous year included a portion of the dividend of €0.70 from the Daimler commercial vehicle business. In total, this represents a distribution of €5.6 billion (previous year: €5.3 billion).

Overall statement on future development

The Mercedes-Benz Group will continue to concentrate on achieving profitable growth in the coming years, particularly in the market for luxury cars and premium vans, as well as for sales financing. A frictionless ramp-up of electromobility has a high priority. High advance expenditure will still be required for the necessary transformation towards a net CO₂-neutral future.

The Company will continue to face strained supply chains and bottlenecks for key intermediate goods for vehicle production in the near future. The further macroeconomic and the geopolitical developments also harbour substantial uncertainties. In order to be able to successfully overcome these challenges, the Company will continue to rigorously implement its measures for boosting efficiency and for the related reduction in fixed costs. The Mercedes-Benz Group and the segments remain committed to their challenging margin targets.

Against this backdrop and supported by the Group's brand strengths and innovative capabilities, the Mercedes-Benz Group looks forward with confidence to the year 2023.

Risk and Opportunity Report

The Mercedes-Benz Group is exposed to a large number of risks that are directly linked with the business activities of Mercedes-Benz Group AG and its subsidiaries or that result from external influences. The Group understands a risk as the danger that events, developments or actions will prevent the Group or one of its segments from achieving its targets. This includes monetary and non-monetary risks. At the same time, it is important to identify opportunities in order to safeguard and enhance the competitiveness of the Mercedes-Benz Group. The Group defines an opportunity as the possibility, due to events, developments or actions, of safeguarding or surpassing the planned targets of the Group or of a segment.

In order to identify business risks and opportunities at an early stage and to assess and manage them actively, the Board of Management applies appropriate and effective management and control systems, which have been brought together in an overall risk and opportunity management system. Risks and opportunities are not offset.

B.45

Assessment of the risk and opportunities based on the expected value for each category

Level	Expected value
Low	<500 million
Medium	≥ €500 million to €1 billion
High	≥ €1 billion

Risk and opportunity management system and internal control system

Risk and opportunity management system

The **risk management system** is intended to systematically and continually identify, assess, control, monitor and report on risks threatening the Mercedes-Benz Group's existence and other material risks jeopardizing the Group's success, in order to support the achievement of corporate targets and to enhance risk awareness at the Group. This also includes risks and opportunities involving environmental, social and governance factors (ESG).

The **opportunity management system** at the Mercedes-Benz Group is based on the risk management system. The objective of opportunity management is to recognize the possible opportunities arising in business activities resulting from positive developments at an early stage, and to use them in the best possible way for the Group by taking appropriate measures. By taking advantage of opportunities, planned targets should be met or exceeded.

The risk and opportunity management system is integrated into the value-based management and planning system of the Mercedes-Benz Group and is a fixed component of the overall planning, management and reporting process in the companies, segments and corporate functions. The responsibility for operational risk management and for the risk management processes is borne by the segments, corporate functions, organizational units and companies. They report on the specific risks and opportunities to the next-higher level unit on a regular basis. Significant, unexpected risks must be reported immediately. Risks and opportunities are managed within the Group by means of measures taken by the units responsible.

The profitability of a measure is assessed before its implementation. The possible impact and probability of occurrence of all risks and opportunities relevant to the individual entities and the related measures that have been initiated are continually monitored. Through the segments, this information is passed on to Group Risk Management for reporting to the Board of Management, the Audit Committee and the Supervisory Board. Mercedes-Benz Group AG monitors implementation by the segments as part of its legal, regulatory and compliance functions.

As part of the planning process, risks and opportunities are noted within an observation horizon of up to five years. In addition, strategic risks and opportunities are also taken into account in the risk management process. The reporting of risks and opportunities in this report generally relates to a period of one year. The assessment of individual risks and opportunities takes place on the basis of their probability of occurrence and possible impact on the Mercedes-Benz Group. Multiplying the probability of occurrence by the possible impact results in the expected monetary value, which forms the basis for the classification of the risk and opportunity categories in the levels Low, Medium or High. The expected monetary value is also used and reported as an additional assessment dimension within the framework of internal risk and opportunity reporting. In principle, the quantification of risks and opportunities in this report is carried out by summarizing the expected values of the individual risks and opportunities in categories (cf. overview B.45). The assessment and reporting of the level of risks and opportunities takes into account both planned and already effective risk-reducing measures (net view) and is considered in relation to EBIT, unless otherwise indicated.

Risk and opportunity management is based on the principle of completeness. This means that at the level of the individual entities, all identified risks and opportunities enter the risk management process.

The scope of consolidation for risk and opportunity management generally corresponds to the scope of the Consolidated Financial Statements. The group of companies included in the consolidation is being expanded from a risk perspective. The risks and opportunities of the segments and operating units, important associated companies, joint ventures, joint operations and the corporate departments are included.

In order to assess the Group's **risk-bearing capacity**, the potential effects of the risks on earnings, with consideration of correlation effects, are analysed using a Monte Carlo simulation (confidence level: 99%). In the case of symmetrical risk and opportunity profiles, the potential effects on earnings of the opportunities are also included. The aggregated risks and opportunities are compared with the reported equity of the Mercedes-Benz Group as a risk cover.

In identifying **sustainability-related risks and opportunities**, Mercedes-Benz Group AG is guided by the topics identified by the materiality analysis and thus includes the areas of action of the sustainable business strategy, for which concrete goals have been assigned. Sustainability-related risks and opportunities are understood to be conditions, events or developments involving environmental, social or governance factors (ESG), the occurrence of which may have an actual or potential impact on the Mercedes-Benz Group's profitability, cash flows and financial position, as well as on its reputation. ESG-related risks associated with business activities, business relationships and products and services, and which are very likely to have a serious negative impact on non-financial aspects in accordance with Section 289c of the German Commercial Code (HGB), are not currently apparent.

Climate-related risks and opportunities in connection with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) are part of the environment area and are thus also identified and assessed as part of the risk management process.

Internal control system

The Mercedes-Benz Group's internal control system includes, in addition to the accounting-related internal control system, controls for further business processes. There are also internal controls for Group-wide Corporate Security processes and the Group-wide compliance management system. Sustainability-related aspects are also part of the internal control system. Moreover, the structure and processes of the internal control system are independently checked by **Internal Auditing**.

The security risk management of **Corporate Security** is integrated into the risk management system of the Mercedes-Benz Group. The aim is to identify and evaluate security-relevant risks on the basis of a risk-oriented view and to control them by means of mitigating measures. To this end, Corporate Security implemented internal security controls at its sites worldwide. In addition, Corporate Security established internal controls for the use of cloud solutions and the functionality of a holistic information security management system (ISMS).

The **compliance management system**, which has an interface to the risk management system, is aligned with the risk situation of the Mercedes-Benz Group and aims to promote rule-compliant behaviour within the company. The compliance management system makes a significant contribution to the integration of compliance into our operating business units and their processes. Further information on the compliance management system of the Mercedes-Benz Group can be found in the Non-Financial Declaration chapter.

The **internal control system with regard to the accounting process** has the objective of ensuring the appropriateness and effectiveness of accounting and financial reporting. It is designed in line with the internationally recognized framework for internal control systems of the Committee of Sponsoring Organizations of the Treadway Commission (COSO Internal Control – Integrated Framework), is continually developed further, and is an integral part of the accounting and financial reporting processes in the segments, corporate functions, organizational units and companies. The system includes principles and procedures as well as preventive and detective controls.

Appropriateness and effectiveness of the internal control and risk management system

The **Group Risk Management Committee (GRMC)** is responsible for ensuring the continuous improvement of the risk management system and the internal control system (including the compliance management system) and for assessing their appropriateness and effectiveness with regard to the Group's risk situation and the scope of the business activities. As of 31 December 2022, the GRMC was composed of representatives from Accounting & Financial Reporting, the Legal Affairs department, Compliance, Corporate & Information Security and the members responsible for finance of the Boards of Management at Mercedes-Benz Group AG, Mercedes-Benz AG and Mercedes-Benz Mobility AG. It is chaired by the Mercedes-Benz Group AG Board of Management members who are responsible for Finance & Controlling / Mercedes-Benz Mobility and for Integrity and Legal Affairs. The Internal Auditing department contributes material findings on the internal control and risk management system.

The Board of Management, Audit Committee and Supervisory Board are informed regularly and as needed about potential significant control weaknesses, the appropriateness and effectiveness of the control mechanisms and the risk situation. The Audit Committee and the Supervisory Board of Mercedes-Benz Group AG and the Supervisory Boards of Mercedes-Benz AG and Mercedes-Benz Mobility AG are responsible for monitoring the internal control and risk management system including its appropriateness and effectiveness. The Internal Auditing department monitors whether the statutory conditions and the Group's internal policies concerning the control and risk management system of the Group are adhered to. If required, measures are initiated in cooperation with the respective management. External auditors audit the system for the early identification of risks, which is integrated in the risk management system, for its general suitability to identify risks threatening the existence of the Group. In addition, in the context of the audit of the consolidated financial statements, they report to the Audit Committee and the Supervisory Board on any significant weaknesses that have been recognized in the accounting-related internal control and risk management system.

Continuous monitoring of the processes and systems of the internal control and the risk management system is in effect to resolve identified weaknesses and ensure continuous improvement of the processes and systems. As a result of the complex process landscape and the high rate of change of the legal requirements concerning non-financial information, in particular the maturity of the internal control system with regard to the sustainability-relevant aspects is not yet on the level of the accounting-related internal control system. As of the reporting date, there are no indications in all material respects of an overall inappropriateness or ineffectiveness of the internal control and risk management system.

Risks and opportunities

The following section describes risks and opportunities that could have a significant influence on the profitability, cash flows and financial position of the Mercedes-Benz Group in the following year. In general, the reporting of risks and opportunities takes place in relation to the individual segments Mercedes-Benz Cars, Mercedes-Benz Vans and Mercedes-Benz Mobility. If no segment is explicitly mentioned, the risks and opportunities described relate to all the segments.

In addition to the risks and opportunities described below, risks and opportunities that are not yet known or classified as not material can also influence profitability, cash flows and financial position in the future.

Table B.46 provides an overview of the expected monetary values of the individual categories.

B.46

Category ¹	Expected Value for 2023		Expected Value for 2022	
	Risk	Opportunity	Risk	Opportunity
Industry and business risks and opportunities				
General market risks and opportunities	High	High	Medium	High
Risks and opportunities relating to the legal and political framework	High	Low	High	-
Procurement-market risks and opportunities	High	Low	Low	Low
Company-specific risks and opportunities				
Risks and opportunities from research and development	Low	Low	Low	-
Production risks and opportunities	Medium	Low	Low	-
Risks and opportunities from purchasing and logistics	High	Low	High	Low
Information technology risks and opportunities	Low	Low	Low	-
Personnel risks and opportunities	Low	Low	Low	-
Risks and opportunities related to equity investments and cooperations with partnerships	Medium	Low	Medium	-
Financial risks and opportunities				
Exchange-rate risks and opportunities	Low	Low	Low	Low
Interest-rate risks and opportunities	Low	Low	Low	Low
Commodity-price risks and opportunities	Low	Low	Low	Low
Credit risks	Low	-	Low	-
Country risks	High	-	High	-
Risks of restricted access to capital markets	Low	-	Low	-
Risks and opportunities from changes in credit ratings	Low	Low	Low	Low
Risks and opportunities relating to pension plans	High	High	Medium	Medium

¹ Risks from legal proceedings and tax risks and opportunities are not presented in the table as they are not comparable with other risk categories due to various parameters. A detailed presentation of risks from legal proceedings is to be found in the section Legal risks.

Economic conditions

Like the majority of economic research institutes, the Mercedes-Benz Group expects the growth of the global economy to continue to slow down considerably in 2023. The assumptions regarding the overall economic environment and the development of the automotive markets in 2023 are described in detail in the Outlook chapter.

The economic environment constitutes the framework conditions for the risks and opportunities listed in the following categories and is included as a premise in the quantification of these risks and opportunities.

The global economic conditions continue to be characterized by an exceptional degree of uncertainty. In addition to unexpected macroeconomic developments, uncertainties for the global economy and the business development of the Mercedes-Benz Group may arise in particular from geopolitical events and trade policy. Besides the Russia-Ukraine war, examples of this include a further exacerbation of tensions between the United States and China and a further deterioration of political relations between the European Union and China. In addition, as in the previous year, the further course of the Covid-19 pandemic may lead to disruptions in global supply chains. Other availability bottlenecks, in particular those affecting semiconductors, remain a large source of uncertainty. Volatile energy and commodity prices, persistently high or repeatedly rising inflation rates, sharply rising interest rates and an even more pronounced slowdown in economic growth may also have an impact on the risks and opportunities described in the individual categories.

Industry and business risks and opportunities

General market risks and opportunities

The risks and opportunities for the economic development of automotive markets are strongly affected by the cyclical situation of the global economy. The assessment of market risks and opportunities is linked to assumptions and forecasts about the overall development of markets in the regions in which the Mercedes-Benz Group is active. The economic conditions form the basis for the assessment of the existing risks and opportunities. The possibility of markets developing better or worse than assumed in the planning, or of changing market conditions, generally exists for all segments of the Group.

Possible declines in **vehicle sales** may be caused in particular by the partially unstable macroeconomic environment and in the context of political or economic uncertainties. As a result of the Covid-19 pandemic, there are still risks with a negative impact on the sales development of Mercedes-Benz Cars. Rising energy prices, a persistently high inflation rate and volatile exchange rates may also lead to market uncertainty or a loss of purchasing power and have a negative impact on demand in the automotive sector. A lower-than-expected market acceptance of electric vehicles can also lead to risks in the development of unit sales and have a negative impact on earnings. This could also endanger the achievement of specific CO₂ targets. Industrial policy measures to strengthen local value creation in various countries as well as government purchase incentives for locally produced electric vehicles can also result in competitive disadvantages and declining vehicle sales in the respective markets. The development of markets, unit sales and inventories is continually analysed and monitored by the automotive divisions; if necessary, specific marketing and sales programmes are implemented.

Volatilities with regard to market developments can also lead to the overall market or regional conditions for the automotive industry developing better than assumed in the internal forecasts and premises, resulting in business opportunities in the market. Opportunities may also arise from an improvement in the competitive situation or a more positive development of demand. The utilization of opportunities is supported by sales and marketing campaigns.

The loss of important **dealerships and vehicle importers** can lead to customer demand not being fully served and lower unit sales. Due to the tense economic situation of some dealers and vehicle importers, possible loss of revenue for Mercedes-Benz Cars cannot be ruled out. To counter these risks at an early stage, the financial situation of strategically relevant dealers and vehicle importers is continuously monitored.

The launch of new products by competitors, more aggressive pricing policies and poorer effective pricing for products such as electric vehicles can lead to increasing **competitive and price pressure** in the automotive segments and have a negative impact on profitability. The discontinuation or reduction of government subsidies for electric vehicles can also negatively affect their pricing and cut profit margins. Continuous monitoring is carried out in order to recognize risks at an early stage. Depending on the situation, product-specific and possibly regionally different measures are taken to support weaker markets. There is also a risk of delayed market introduction of new technologies in vehicles. Opportunities exist in particular in the Mercedes-Benz Cars segment due to better-than-planned effective pricing of vehicles.

In connection with the sale of vehicles, the Mercedes-Benz Group offers customers a wide range of **financing and leasing options**. The resulting risks for the Mercedes-Benz Mobility segment are mainly due to borrowers' worsening creditworthiness, so receivables might not be recoverable in whole or in part because of customers' insolvency (default or credit risk). The Mercedes-Benz Group counteracts credit risks by means of creditworthiness checks on the basis of standardized scoring and rating methods, the collateralization of receivables, and effective risk management with a firm focus on monitoring both internal and macroeconomic leading indicators.

In connection with leasing agreements, risks and opportunities also arise due to the development of the used vehicle market. These result when the market value of a leased vehicle at the end of the agreement term differs from the residual value that was originally calculated and forecast on the basis of specific assumptions at the time the agreement was concluded and used as a basis for the leasing instalments. Residual-value management processes have been defined to counteract these risks relating to **vehicles' residual values**. Depending on the region and the current market situation, the measures taken generally include continuous market monitoring as well as, if required, price-setting strategies or sales promotion measures designed to regulate vehicle inventories. The quality of market forecasts is verified by periodic comparisons of internal and external sources, and, if required, the determination of residual values is adjusted and further developed with regard to methods, processes and systems.

The market risks increase from Medium to High compared with the previous year especially due to the uncertain macroeconomic environment.

Risks and opportunities relating to the legal and political framework

Risks and opportunities from the legal and political framework have a considerable influence on the Mercedes-Benz Group's future business success. Regulations concerning vehicles' emissions, fuel consumption, safety and certification, as well as tariff aspects and taxes in connection with the sale or purchase of vehicles or vehicle parts, play an important role.

The Mercedes-Benz Group constantly monitors the development of the legal and political framework and attempts to anticipate foreseeable requirements and long-term objectives at an early stage in the product development process. In particular, changes in the legal and political framework at short notice can be associated with additional costs or higher investments.

Legal limits on the fuel consumption and/or CO₂ emissions of car fleets exist in many markets, although the target values differ from market to market. Non-compliance with regulations applicable in the various markets might result in significant penalties and reputational harm, and might even mean that vehicles with conventional drive systems could not or could no longer be registered in the relevant markets. The Mercedes-Benz Group counteracts these risks through the transformation towards electric mobility and the associated realignment of its products.

Mercedes-Benz Cars and Mercedes-Benz Vans face the described risks with respect to regulations concerning mandatory targets for the average fleet fuel consumption and CO₂ emissions of new vehicles especially in the markets of China, Europe and the United States. The Mercedes-Benz Group gives these targets due consideration in its product and sales planning. We assume that the ambitious statutory targets can be met. In some markets, the modalities for target achievement granted by law, including the acquisition of external credits, will have to be utilized. The market success of alternative drive systems is greatly influenced not only by customer acceptance but also by regional market conditions such as the battery-charging infrastructure, state support and tax conditions.

Political tensions and the associated danger of **geopolitical conflicts** have increased and are associated with far-reaching risks for the business development of the Mercedes-Benz Group. A further escalation and possible geographical expansion of the Russia-Ukraine war could have a negative impact on purchasing and logistics processes and on the production and sales programme. A possible bottleneck in energy supply in the EU could subsequently lead to potential production losses at the Mercedes-Benz Cars and Mercedes-Benz Vans plants. Moreover, there is an increasing risk of possible cyberattacks as a result of political tensions. The above-mentioned risks are monitored on an ongoing basis and mitigation measures, such as substituting other energy sources for gas or implementing energy-saving measures, are initiated accordingly; possible scenarios are continuously adjusted to the current geopolitical situation and analysed.

Individual countries may attempt to defend and improve their competitiveness in the world's markets by increasingly resorting to **interventionist and protectionist measures**. For example, setting up or expanding production facilities, increasing local purchasing or the requirement to carry out local research and development can result in significantly increased investment or higher running costs. In addition, barriers to market access such as more difficult or delayed certification processes or very complicated tariff procedures can make it more difficult to import into those countries. Investing in those countries can limit the impact of protectionist measures.

Procurement-market risks and opportunities

Risks and opportunities relating to procurement arise for the automotive segments in particular from fluctuations in **prices of commodities, raw materials and energy**. Certain raw materials and components are required for the manufacture of vehicles and parts and are purchased on the world market. The level of costs depends on the price development of commodities, raw materials and energy. Inflation-related increases in raw-material and energy prices are expected for 2023 and are associated with significant cost-side risks. They can also lead to higher logistics costs. Furthermore, intense competition for specific raw materials in the course of the introduction of new technologies can lead to increasing costs or possible shortages in the supply chain. Moreover, raw-material markets can be impacted by uncertainties and political crises — combined with possible supply bottlenecks — as well as by volatile demand for specific raw materials. In general, the ability to pass on the higher costs of commodities and other materials in the form of higher prices for manufactured vehicles is limited because of strong competitive pressure in the international automotive markets. Rising raw-material prices may therefore have a negative impact on the profit margins of the vehicles sold and thus lead to lower earnings in the respective segment. In order to counteract possible loss of revenue, Mercedes-Benz Group continuously monitors the development of raw-material and energy prices and enters into negotiations with suppliers.

Procurement-market risks are rising from Low to High as a result of possible inflation-related price increases among other factors.

Company-specific risks and opportunities

Risks and opportunities from research and development

Technical developments and innovations are of key importance for the safe and sustainable mobility of the future. The transformation towards electric mobility and comprehensive digitalization of vehicles has resulted in ambitious development targets and the market launch of new technologies. In addition to the resulting opportunities, decisions in favour of certain technologies and the continuously growing scope of emission, consumption and safety requirements to be met are associated with risks.

In 2020, Mercedes-Benz Group AG and Mercedes-Benz USA, LLC (MBUSA) reached agreements with various US authorities to settle civil and environmental claims regarding emission control systems of certain diesel vehicles, which have taken legal effect. We refer to our further explanations under Legal and tax risks and opportunities. With the settlement reached, Mercedes-Benz Group AG and MBUSA have agreed to, among other things, pay civil penalties, conduct an emission modification programme for affected vehicles, provide extended warranties, undertake a nationwide mitigation project, take certain corporate compliance measures and make other payments. If the aforementioned obligations are not complied with, there will be the risk that cost-intensive measures will have to be taken and/or significant stipulated penalties will become due.

Production risks and opportunities

Due to the increasing technical complexity and the goal of maintaining and constantly enhancing quality standards for the luxury vehicles of the Mercedes-Benz Group, both risks and opportunities can arise in the automotive segments in connection with the launch and manufacture of products. Production interruptions, for example due to disruptions in the supply chain or a bottleneck in the energy supply, cannot be ruled out as a result. In addition, the further development of the Covid-19 pandemic may have a negative impact on production. For the **launch of new products** — especially in the course of the transformation toward electric mobility and the integration of new technologies — the necessary components and equipment scopes as well as the required production capacities must be available. To reduce the attendant risks, the related processes are continuously evaluated and improved.

Warranty and goodwill cases could arise if the quality of the products or the parts installed in the products does not meet requirements despite appropriate quality assurance processes, if regulations are not fully complied with, or if support cannot be provided in the required form in the event of problems and product maintenance. The Mercedes-Benz Group recognizes appropriate provisions for warranty and goodwill cases. Nevertheless, it cannot be ruled out that recalls and field measures will lead to expenses. Possible claims in connection with such risks are examined and, if necessary, the appropriate measures are initiated for the affected products.

Due to existing uncertainties and possible interruptions in production caused by the impact of potential energy shortages, production risks have increased from Low to Medium.

Risks and opportunities from purchasing and logistics

Interruptions in global supply chains, bottlenecks in the supply of intermediate goods, and production stoppages or underutilization of suppliers' production capacities can have a negative impact on business activities in the automotive divisions. The increasing risk of cyberattacks within the supply chain also means that disruptions in the supply chain and, as a result, production stoppages and losses of unit sales cannot be ruled out. Opportunities could arise, for example due to capacity costs being lower than planned.

Interruptions in global supply chains, especially those caused by bottlenecks for electronic components and other important intermediate goods, as well as possible failures in supply by energy providers, can cause bottlenecks at Mercedes-Benz Cars and Mercedes-Benz Vans. To avoid such **bottleneck situations for intermediate goods**, capacity bottlenecks are countered by planning ahead. Supplier management is undertaken for the prevention of risks with the aim of ensuring the quantity and quality of the components required to produce the vehicles. Lack of availability and quality problems with certain vehicle parts can lead to production downtimes and cause costs that result in negative effects on profitability.

The financial situation of some suppliers remains difficult. The reasons for this are continuing uncertainties in connection with rising commodity, raw-material and energy prices, the lack of availability of components, and the further impact of the Covid-19 pandemic. The resulting possible **production stoppages or under-utilization of production capacities at suppliers** can also cause disruption of the supply chain in the automotive segments and prevent vehicles from being completed and delivered to customers on time. Supplier risk management aims to identify potential financial bottlenecks for suppliers at an early stage and to initiate suitable countermeasures. Specifically, depending on the warning signals recorded and the internal classification, regular reporting dates on which key performance indicators are reported to the Mercedes-Benz Group and any support measures can be determined if necessary are agreed upon with suppliers. If suppliers cannot cover their fixed costs, there is also the risk that they may demand compensation payments. Necessary capacity expansions at suppliers could also require a contribution to cover costs.

Due to the **transformation to electric mobility** and the increasing outsourcing of important components, there is also a risk that these will not be available on time in the planned quantity and required quality, thus delaying the start of production of new series. This could have negative effects on profitability.

Information technology risks and opportunities

The systematically pursued digitalization strategy enables the Mercedes-Benz Group to utilize new opportunities to increase customer utility and the value of the company. Nonetheless, the high degree of penetration of all business units by information technology (IT) also harbours risks for our business and production processes and the units' products and services. Extensive changes in the existing system landscape, for example the focus on strategic partnerships for the transformation of the IT infrastructure, can also lead to risks.

The ever-growing threat from cybercrime and the spread of aggressive malicious code brings risks that can affect the availability, integrity and confidentiality of information and IT-supported operating resources. Despite extensive precautions, in the worst-case scenario this can lead to a temporary interruption of IT-supported business processes with severe negative effects on the Group's earnings. In addition, the loss or the misuse of sensitive data may under certain circumstances lead to a loss of reputation. In particular, stricter regulatory requirements such as the EU General Data Protection Regulation and related legislation may, among other things, give rise to claims by third parties and result in costly regulatory requirements and penalties with an impact on earnings. It is essential for the globally active Mercedes-Benz Group and its wide-ranging business and production processes that information is available and can be exchanged in an up-to-date, complete and correct form. The internal IT security framework is oriented according to international standards and also draws on industry standards and good practices for its protective measures. New regulatory requirements for cybersecurity and cybersecurity management systems are taken into account in the further development of processes and policies. Appropriately secure IT systems and a reliable IT infrastructure must be used to protect information. Cyber threats must be identified and dealt with as appropriate for their criticality over the entire life cycle of the applications and the IT systems. Special attention is paid to risks that in the event of their occurrence give rise to an interruption of business processes due to IT system failures

and to the loss and the falsification of data. The advancing digitalization and networking of the means of production is accompanied by coordinated technical and organizational security measures.

Due to growing requirements concerning the confidentiality, integrity and availability of data, the Mercedes-Benz Group has implemented various preventive and corrective measures so that the related risks, such as possible reputational damage, are minimized. For example, the Group reduces potential disruptions to operational processes in computer centres by mirroring data, decentralizing data storage, off-site data backups and IT systems configured for high availability. Emergency plans are drawn up, employees trained and regularly made aware in order to remain capable of action. Specific threats are analysed and countermeasures are coordinated at a globally active Cyber Intelligence and Response Centre. The protection of products and services against the danger of hacking and cybercrime is continually developed.

Personnel risks and opportunities

Competition for highly qualified staff and management is still very intense in the industry and the regions in which the Mercedes-Benz Group operates. The Group's future success also depends on the extent to which it succeeds over the long term in recruiting, integrating and retaining specialist employees. The established human resources instruments take such personnel risks into consideration. One focus of human resources management is the targeted personnel development and further training of the workforce. Among other things, employees benefit from a wide range of training opportunities and the transparency created within the framework of performance management. In order to remain successful as a company, the way we work together and our leadership culture undergo continuous development.

In addition to the demographic development, the digital transformation also requires that the company continues to adapt to changes and derives measures such as securing a qualified next generation of specialists and managers, especially with regard to technical developments. This requirement is addressed through various measures, including targeted qualification. We counter economic, market and competitive fluctuations by means of established time and flexibility instruments so that we can react to the situation appropriately.

Risks and opportunities related to equity investments and partnerships

Cooperation with partners in shareholdings and partnerships is of key importance to the Mercedes-Benz Group, both in the transformation towards electric mobility and comprehensive digitalization, and in connection with mobility solutions. Especially with new technologies, these shareholdings help us utilize synergies and improve cost structures in order to respond successfully to the competitive situation in the automotive industry.

The Mercedes-Benz Group generally participates in the risks and opportunities of shareholdings in line with its equity interest, and is also subject to share-price risks and opportunities if such companies are listed on a stock exchange. After the spin-off and hive-down of the Daimler commercial vehicle business, this also applies to the Group's remaining minority shareholding in Daimler Truck Holding AG.

The remeasurement of a holding can lead to risks and opportunities for the segment to which it is allocated. Furthermore, ongoing business activities, especially the integration of employees, technologies and products, can result in risks. In addition, further financial obligations or an additional financing requirement can arise. The shareholdings are subject to a monitoring process so that, if required, decisions can be promptly made on whether or not measures can be taken to support or ensure profitability. The recoverable value of investments in shareholdings is also regularly monitored.

Financial risks and opportunities

The following section deals with the financial risks and opportunities of the Mercedes-Benz Group. These risks and opportunities can have negative or positive effects on the profitability, cash flows and financial position of the Group.

In principle, the Group's operating and financial risk exposures underlying its financial risks and opportunities can be divided into symmetrical and asymmetrical risk and opportunity profiles. With the symmetrical risk and opportunity profiles (e.g. currency exposures), risks and opportunities exist equally, while with the asymmetrical risk and opportunity profiles (e.g. credit and country exposures), the risks outweigh the opportunities.

The Mercedes-Benz Group is generally exposed to risks and opportunities from changes in market prices such as currency exchange rates, interest rates and commodity prices. Market price changes can have a negative or positive influence on the Group's profitability, cash flows and financial position. The Mercedes-Benz Group systematically manages and monitors market-price risks and opportunities primarily directly in the context of its business operations and financing activities, and applies derivative financial instruments for hedging purposes where needed, thus limiting both market-price risks and opportunities.

In addition, the Group is exposed to credit-, country- and liquidity-related risks, risks of restricted access to capital markets and risks from changes in credit ratings. As part of the risk management process, the Mercedes-Benz Group regularly assesses these risks by considering changes in key economic indicators and market information. Consideration of the pension plan assets to cover retirement and healthcare benefits is included in the section "Risks and opportunities relating to pension plans".

Exchange-rate risks and opportunities

The Mercedes-Benz Group's global orientation means that its business operations and financial transactions are connected with risks and opportunities related to fluctuations in currency exchange rates. This applies in particular to fluctuations of the euro against the US dollar, Chinese renminbi, British pound and other currencies such as those of growth markets. An exchange-rate risk or opportunity arises in business operations primarily when revenue is generated in a currency different from that of the related costs (transaction risk). Regularly updated currency risk exposures are successively hedged with suitable financial instruments (predominantly currency forwards) in accordance with exchange-rate expectations, which are continually reviewed, whereby both risks and opportunities are limited. Any over-collateralization caused by changes in exposure is reversed by suitable measures without delay. Exchange-rate risks and opportunities also exist in connection with the translation into euros of the net assets, revenues and expenses of the companies of the Group outside the euro zone (translation risk); these risks are not generally hedged.

Interest-rate risks and opportunities

Changes in interest rates can create risks and opportunities for business operations as well as for financial transactions. The Mercedes-Benz Group employs a variety of interest-rate sensitive financial instruments to manage the cash requirements of its business operations on a day-to-day basis. Most of these financial instruments are held in connection with the financial services business of Mercedes-Benz Mobility. Interest-rate risks and opportunities arise when fixed-interest periods are not congruent between the asset and liability sides of the balance sheet. By means of refinancing coordinated with the terms of the financing agreements, the risk of maturity mismatch is minimized from both an interest-rate and a liquidity perspective. Remaining interest-rate risks are managed with the use of derivative financial instruments. The funding activities of the industrial business and the financial services business are coordinated at the Group level. Derivative interest-rate instruments such as interest-rate swaps are used to achieve the desired interest-rate maturities and asset/liability structures (asset and liability management).

Commodity-price risks and opportunities

As describe in the section on “Procurement-market risks and opportunities”, the Mercedes-Benz Group is exposed to risks arising from changes in prices of raw materials. A small part of the commodity-price risks, mainly from the purchase of precious metals, is reduced by the use of derivative financial instruments.

Credit risks

Credit risk describes the risk of financial loss resulting from a counterparty failing to meet its contractual payment obligations. Credit risk includes both the direct risk of default and the risk of a deterioration in creditworthiness, as well as concentration risks.

The Group is exposed to credit risks which result primarily from its financial services activities and from the operations of its vehicle business. The risks from leasing and sales financing are dealt with in the General market risks and opportunities section.

Credit risks also arise from the Group's liquid assets. Should defaults occur, this would adversely affect the Group's profitability, liquidity and capital resources, and financial position. The limit methodology for liquid funds deposited with financial institutions has been continuously further developed in recent years. In connection with investment decisions, priority is placed on the borrowers' very high creditworthiness and on balanced risk diversification. Most liquid assets are held in investments with an external rating of A or better.

Country risks

Country risk describes the risk of financial loss resulting from changes in political, economic, legal or social conditions in the respective country, for example due to sovereign measures such as expropriation or a ban on currency transfers. The Mercedes-Benz Group is exposed to country risks that primarily result from cross-border financing or collateralization for subsidiaries or customers, from investments in subsidiaries and joint ventures, and from cross-border trade receivables. Country risks also arise from cross-border cash deposits with financial institutions. The Group addresses these risks by setting country limits (e.g. for hard-currency portfolios of Mercedes-Benz Mobility companies). The Mercedes-Benz Group also has an internal rating system that divides all countries in which it operates into risk categories. The value at risk for the country risk reflects the risk assessments in connection with the business activities in Russia.

Risks of restricted access to capital markets

Liquidity risks arise when a company is unable to fully meet its financial obligations. In the normal course of business, the Mercedes-Benz Group uses bonds, commercial paper and securitized transactions, as well as bank loans in various currencies, primarily with the aim of refinancing its leasing and sales-financing business. An increase in the cost of refinancing would have a negative impact on the competitiveness and profitability of the financial services business to the extent that the higher refinancing costs cannot be passed on to customers; a limitation of the financial services business would also have negative consequences for the vehicle business. Access to capital markets in individual countries may be limited by government regulations or by a temporary lack of absorption capacity. In addition, pending legal proceedings as well as the Group's own business policy considerations and developments may temporarily prevent the Group from covering any liquidity requirements by means of borrowing in the capital markets. Contractually agreed credit lines are available as refinancing instruments. The risk of limited capital market access is unchanged from the previous year.

Risks and opportunities from changes in credit ratings

Risks and opportunities exist in connection with potential downgrades or upgrades to credit ratings by the rating agencies, and thus to the Mercedes-Benz Group's creditworthiness. Downgrades could have a negative impact on the Group's financing if such a downgrade leads to an increase in the costs for external financing or restricts the Group's ability to obtain financing. A credit rating downgrade could also discourage investors from investing in Mercedes-Benz Group AG or from purchasing bonds issued by Mercedes-Benz Group AG or another company of the Group.

Risks and opportunities relating to pension plans

The companies of the Mercedes-Benz Group grant defined-benefit pension commitments, which are covered by plan assets, as well as healthcare commitments to a small extent. The balance of pension obligations less plan assets constitutes the carrying amount or funded status of those employee benefit plans. The measurement of pension obligations and the calculation of net pension expense are based on certain assumptions. Even small changes in those assumptions such as a change in the discount rates or changed inflation assumptions have a negative or positive effect on funded status and Group equity in the current financial year, and lead to a change in the periodic net pension expense in the following financial year. The fair value of plan assets is determined to a large degree by developments in the capital markets. Unfavourable or favourable developments, especially relating to share prices and fixed-interest securities, reduce or increase the carrying value of plan assets. A change in the composition of plan assets can also have a positive or negative impact on the future development of the fair value of plan assets. Risk management for the plan assets takes place through broad diversification of investments, the selection of various asset managers on the basis of quantitative and qualitative analyses, and the ongoing monitoring of returns and risks. The structure of pension obligations is taken into consideration during the determination of the investment strategy for the plan assets in order to reduce fluctuations of the funded status. Capital market volatility has risen significantly since the previous year due to the war in Ukraine and the interest rate policy of the central banks. As a result, the impact of the risks and opportunities in connection with pension plans has increased from Medium to High.

Legal and tax risks and opportunities

The Group continues to be exposed to legal and tax risks. Provisions are recognized for those risks if and insofar as they are likely to be utilized and the amounts of the obligations can be reasonably estimated.

Legal risks

Regulatory risks

The automotive industry is subject to extensive governmental regulations worldwide. Laws in various jurisdictions govern occupant safety and the environmental impact of vehicles, including emissions levels, fuel economy and noise, as well as the emissions of the plants where vehicles or parts thereof are produced. In case regulations applicable in the different regions are not complied with, this could result in significant penalties and reputational harm or the inability to certify vehicles in the relevant markets. The cost of compliance with these regulations is considerable, and in this context, Mercedes-Benz continues to expect a significant level of costs.

Risks from legal proceedings in general

Mercedes-Benz Group AG and its subsidiaries are confronted with various legal proceedings and claims as well as governmental investigations and orders (legal proceedings) on a large number of topics, including vehicle safety, emissions, fuel economy, financial services, dealer, supplier and other contractual relationships, intellectual property rights (especially patent infringement lawsuits), warranty claims, environmental matters, antitrust matters (including actions for damages) as well as investor litigation. Product-related litigation involves claims alleging faults in vehicles. Some of these claims are asserted by way of class actions. If the outcome of such legal proceedings is detrimental to Mercedes-Benz or such proceedings are settled, the Group may encounter substantial financial burdens, e.g. from damages payments or service actions, recall campaigns, monetary penalties or other costly actions. Some of these proceedings and related settlements may also have an impact on the company's reputation.

Risks from legal proceedings in connection with diesel exhaust gas emissions – governmental proceedings

Mercedes-Benz is continuously subject to governmental information requests, inquiries, investigations, administrative orders and proceedings relating to various laws and regulations in connection with diesel exhaust emissions.

The corresponding activities of various authorities worldwide, which were already reported in the past, are partly ongoing, as described below. These activities particularly relate to test results, the emission control systems used in Mercedes-Benz diesel vehicles and/or the interactions of Mercedes-Benz with the relevant authorities as well as related legal issues and implications, including, but not limited to, under applicable environmental, criminal, consumer protection and antitrust laws.

In the United States, Mercedes-Benz Group AG and Mercedes-Benz USA, LLC (MBUSA) reached agreements in the third quarter of 2020 with various authorities to settle civil environmental claims regarding the emission control systems of certain diesel vehicles. These agreements have become final and effective. The authorities take the position that Mercedes-Benz failed to disclose Auxiliary Emission Control Devices (AECs) in certain of its US diesel vehicles and that several of these AECs are illegal defeat devices.

As part of these settlements, Mercedes-Benz has denied the allegations by the authorities and has not admitted liability, but has agreed to, among other things, pay civil penalties, conduct an emission modification programme for the affected vehicles and take certain other measures. The failure to meet certain of those obligations may trigger additional stipulated penalties. In the first quarter of 2021, Mercedes-Benz paid the civil penalties.

As already reported, in April 2016, the U.S. Department of Justice (“DOJ”) requested that Mercedes-Benz conduct an internal investigation. Mercedes-Benz conducted such internal investigation in cooperation with DOJ’s investigation; DOJ’s investigation remains open. In addition, further US state authorities have opened investigations pursuant to both local environmental and consumer protection laws and have requested documents and information.

In Canada, the Canadian environmental regulator Environment and Climate Change Canada (“ECCC”) is conducting an investigation in connection with Diesel exhaust emissions based on the suspicion of potential violations of, amongst others, the Canadian Environmental Protection Act as well as potential undisclosed AECs and defeat devices. Mercedes-Benz continues to cooperate with the investigating authorities.

In Germany, the Stuttgart public prosecutor’s office issued a fine notice against Mercedes-Benz in September 2019 based on a negligent violation of supervisory duties, thereby concluding the related administrative offense proceedings against Mercedes-Benz. The Stuttgart public prosecutor’s office is still conducting criminal investigation proceedings against Mercedes-Benz employees on the suspicion of, amongst others, fraud. In July 2021, the local court of Böblingen issued penal orders against three Mercedes-Benz employees based on, amongst others, fraud, which have become final.

Between 2018 and 2020, the German Federal Motor Transport Authority (“KBA”) issued subsequent auxiliary provisions for the EC type approvals of certain Mercedes-Benz diesel vehicles, and ordered mandatory recalls as well as, in some cases, stops of the first registration. In autumn 2022, the KBA issued further decisions regarding vehicles equipped with an OM607 EU6 or EU5 diesel engine. In each of those cases, it held that certain calibrations of specified functionalities are to be qualified as impermissible defeat devices. Mercedes-Benz has a contrary legal opinion on this question and has filed timely objections against the KBA’s administrative orders and determinations mentioned above. Insofar as the KBA has not remedied the objections, Mercedes-Benz has filed lawsuits with the competent administrative court to have the controversial questions at issue clarified in a court of law. Irrespective of such objections and the lawsuits that are now pending, Mercedes-Benz continues to cooperate fully with the KBA. The new calibrations requested by the KBA were developed by Mercedes-Benz and assessed and approved by the KBA; the related recalls were initiated. It cannot be ruled out that under certain circumstances, software updates may have to be reworked, or further delivery and registration stops may be ordered or resolved by the company as a precautionary measure, also with regard to the used-car, leasing and financing businesses. In the course of its regular market supervision, the KBA routinely conducts further reviews of Mercedes-Benz vehicles and asks questions about technical elements of the vehicles. In addition, Mercedes-Benz continues to be in a dialogue with the German Ministry for Digital and Transport (BMDV) to conclude the analysis of the diesel-related emissions matter and to further the update of affected customer vehicles. In light of the aforementioned administrative orders issued by the KBA, and continued discussions with the KBA and the BMDV, it cannot be ruled out completely that additional administrative orders may be issued in the course of the ongoing and/or further investigations. Since 1 September 2020, this also applies to responsible authorities of other member states and the European Commission, which conduct market surveillance under the new European Type Approval Regulation and can take measures upon assumed non-compliance, irrespective of the place of the original type approval, and also to the British market surveillance authority DVSA (Driver and Vehicle Standards Agency).

In addition to the aforementioned authorities, national cartel authorities and other authorities of various foreign States, including the South Korean Ministry of Environment, the South Korean competition authority (Korea Fair Trade Commission) and the Seoul public prosecutor's office (South Korea) are conducting various investigations and/or procedures in connection with Diesel exhaust emissions. In this context, South Korean authorities have made determinations and imposed sanctions against Mercedes-Benz. Mercedes-Benz has lodged an appeal against the determinations and the sanctions of the South Korean administrative authorities (the Ministry of the Environment and the Korea Fair Trade Commission). The proceedings described in this paragraph are still ongoing.

Mercedes-Benz continues to fully cooperate with the authorities and institutions. Irrespective of such cooperation and in light of the past developments, it is possible that further regulatory, criminal and administrative investigative and enforcement actions and measures relating to Mercedes-Benz and/or its employees will be taken or administrative orders will be issued. Additionally, further delays in obtaining regulatory approvals necessary to introduce new or recertify existing vehicle models could occur.

Regarding the proceedings and processes still in progress, Mercedes-Benz cannot at this time make any statement to their outcome. In light of the legal positions taken by U.S. regulatory authorities and the KBA as well as the South Korean Ministry of Environment, amongst others, it cannot be ruled out that, besides these authorities, one or more authorities worldwide will reach the conclusion that other passenger cars and/or vans with the brand name Mercedes-Benz or other brand names of the Mercedes-Benz Group are equipped with impermissible defeat devices. Likewise, such authorities could take the view that certain functionalities and/or calibrations are not proper and/or were not properly disclosed. It cannot be ruled out that Mercedes-Benz will become subject to, as the case may be, significant additional fines and other sanctions, measures and actions. The occurrence of the aforementioned events in whole or in part could cause significant collateral damage including reputational harm. Further, due to negative allegations or findings with respect to technical or legal issues by one of the various governmental agencies, other agencies — or also plaintiffs — could also adopt such allegations or findings. Thus, a negative allegation or finding in one

proceeding carries the risk of being able to have an adverse effect on other proceedings, also potentially leading to new or expanded investigations or proceedings, including lawsuits.

In addition, the ability of Mercedes-Benz to defend itself in proceedings could be impaired by concluded proceedings and their underlying allegations as well as by results or developments in any of the information requests, inquiries, investigations, administrative or criminal orders, legal actions and/or proceedings discussed above.

Risks from legal proceedings in connection with diesel exhaust gas emissions — civil court proceedings

As previously reported, the State of Arizona filed a lawsuit in January 2019 claiming that, amongst others, Mercedes-Benz Group AG and MBUSA deliberately deceived consumers in connection with advertising Mercedes-Benz diesel vehicles. In the fourth quarter of 2022, Mercedes-Benz Group AG and MBUSA reached a binding settlement with the State of Arizona. In a separate lawsuit filed by the Environmental Protection Commission of Hillsborough County, Florida in September 2020, the plaintiff claims that, amongst others, Mercedes-Benz Group AG and MBUSA violated municipal regulations prohibiting vehicle tampering and other conduct by using alleged devices claimed to impair the effectiveness of emissions control systems. The lawsuit was dismissed in the third quarter of 2022. The plaintiff has appealed the decision.

Consumer class actions containing allegations similar to those raised by the State of Arizona were filed against Mercedes-Benz Group AG in Israel in February 2019 as well as against Mercedes-Benz Group AG and further Group companies in the United Kingdom since May 2020, in the Netherlands, in Portugal as well as in November 2022 in Australia. The plaintiffs assert that Mercedes-Benz had used devices that impermissibly impair the effectiveness of emission control systems in reducing nitrogen-oxide (NO_x) emissions and which cause excessive emissions from vehicles with diesel engines.

In Germany, a large number of customers of diesel vehicles have filed lawsuits for damages or rescission of sales contracts based on similar allegations. They refer to, in particular, the KBA's recall orders mentioned above. The development of case numbers is declining, however an increase in the future cannot be ruled out. Based on similar allegations, the Federation of German Consumer Organisations (Verbraucherzentrale Bundesverband e.V.) filed a model declaratory action (Musterfeststellungsklage) against Mercedes-Benz Group AG with the Stuttgart Higher Regional Court in July 2021. Such action seeks a ruling that certain preconditions of alleged consumer claims are met. Mercedes-Benz Group AG defends itself against the federation's allegations.

Furthermore, class actions have been filed in Canada alleging anticompetitive behaviour relating to vehicle technology, costs, suppliers, markets and other competitive attributes, including diesel emissions control technology. In 2022, the proceedings in the United States were concluded in favour of Mercedes-Benz Group AG and MBUSA.

Mercedes-Benz Group AG and the respective other affected companies of the Group regard the pending lawsuits set out above as being without merit and continue to defend themselves against them.

In addition, investors from Germany and abroad have filed lawsuits for damages with the Stuttgart Regional Court alleging the violation of disclosure requirements (main proceedings) and also raised out-of-court claims for damages. Mercedes-Benz Group AG regards these lawsuits and out-of-court claims as being without merit and will defend itself against them. In December 2021, the Stuttgart Higher Regional Court initiated model case proceedings under the German Act on Model Case Proceedings in Disputes under Capital Markets Law (KapMuG) (model case proceedings). Multiple investors have used the possibility to register claims in a considerable amount with the model case proceedings in order to suspend the period of limitation. Mercedes-Benz Group AG remains of the view to have duly fulfilled its disclosure obligations under capital markets law and defends itself against the investors' allegations also in these model case proceedings.

If court proceedings have an unfavourable outcome for Mercedes-Benz, the Group may encounter substantial financial burdens, e.g. from damages payments, remedial works or other cost-intensive measures. Court proceedings can also have an adverse effect on the reputation of the Group.

Furthermore, the ability of Mercedes-Benz to defend itself in the court proceedings could be impaired by the settlements of the diesel-related lawsuits in the US and in Canada, as well as by unfavourable allegations, findings, results or developments in any of the governmental or other court proceedings discussed above.

Risks from other legal proceedings

In September 2021, individual persons associated with Deutsche Umwelthilfe e.V. (“DUH”) filed a lawsuit before the Stuttgart Regional Court against Mercedes-Benz AG. They claim injunctive relief, demanding that Mercedes-Benz AG refrain from distributing passenger cars with combustion engines after November 2030 and reduce its respective sales prior to this point in time. In the third quarter of 2022, the Regional Court of Stuttgart dismissed the claim in its entirety. The plaintiffs have appealed the decision. Mercedes-Benz AG will continue to defend itself against the plaintiffs’ allegations.

As legal proceedings are fraught with a large degree of uncertainty, it is possible that after their final resolution, some of the provisions we have recognized for them could prove to be insufficient. As a result, substantial additional expenditures may arise. This also applies to legal proceedings for which the Group has seen no requirement to recognize a provision.

It cannot be ruled out that the regulatory risks and risks from legal proceedings discussed above, individually or in the aggregate, may materially adversely impact the profitability, cash flows and financial position of the Group or any of its segments.

Although the final result of any such litigation may influence the Group’s earnings and cash flows in any particular period, Mercedes-Benz believes that any resulting obligations are unlikely to have a sustained effect on the Group’s financial position.

Further information on legal proceedings is provided in the chapter Consolidated Financial Statements in Note 30 of the Notes to the Consolidated Financial Statements.

Tax risks and opportunities

Mercedes-Benz Group AG and its subsidiaries operate in many countries worldwide and are therefore subject to numerous different statutory provisions and tax audits. Any changes in legislation and jurisdiction, as well as different interpretations of the law by the fiscal authorities, especially in the field of cross-border transactions, may be subject to considerable uncertainty. It is therefore possible that the provisions recognized will not be sufficient, which could have negative effects on the Group’s net profit and cash flows.

Positive effects on the Group’s net profit and cash flows are also possible as a result of retroactive legislation, future court rulings or changes in the opinions of the tax authorities.

Any changes or interventions by the fiscal authorities are continuously monitored by the tax department and measures are taken if required. The monitoring, management and avoidance of tax risks is supported by a tax-compliance management system (tax CMS).

In addition, if future taxable income is not earned or is too low, there is a risk that the tax benefit from loss carryforwards and tax-deductible temporary differences may not be recognized or may no longer be recognized in full; this could have a negative impact on net profit. However, there is an accounting opportunity that tax benefits currently not recognized in full may be utilized or recognized in future years and could thus also have a positive impact on the Group’s net profit.

Overall assessment of the risk and opportunity situation

The overall view of the Group's risk and opportunity situation is the sum of the described individual risks and opportunities in all risk and opportunity categories.

In addition to the risks described, unforeseeable events can have a negative impact on the business activities and thus on the Mercedes-Benz Group's profitability, liquidity and capital resources, financial position and reputation, and non-financial key figures as well as on society and the environment.

No risks are recognizable — neither on the reporting date nor at the time of preparing the Consolidated Financial Statements — that either alone or in combination with other risks could endanger the continued existence of the Group.

Forward-looking statements

This document contains forward-looking statements that reflect our current views about future events. The words "anticipate", "assume", "believe", "estimate", "expect", "intend", "may", "can", "could", "plan", "project", "should" and similar expressions are used to identify forward-looking statements. These statements are subject to many risks and uncertainties, including an adverse development of global economic conditions, in particular a decline of demand in our most important markets; a deterioration of our refinancing possibilities on the credit and financial markets; events of force majeure including natural disasters, pandemics, acts of terrorism, political unrest, armed conflicts, industrial accidents and their effects on our sales, purchasing, production or financial services activities; changes in currency exchange rates, customs and foreign trade provisions; a shift in consumer preferences towards smaller, lower-margin vehicles; a possible lack of acceptance of our products or services which limits our ability to achieve prices and adequately utilize our production capacities; price increases for fuel, raw materials or energy; disruption of production due to shortages of materials or energy, labour strikes or supplier insolvencies; a decline in resale prices of used vehicles; the effective implementation of cost-reduction and efficiency-optimization measures; the business outlook for companies in which we hold a significant equity interest; the successful implementation of strategic cooperations and joint ventures; changes in laws, regulations and government policies, particularly those relating to vehicle emissions, fuel consumption and safety; the resolution of pending governmental investigations or of investigations requested by governments and the outcome of pending or threatened future legal proceedings; and other risks and uncertainties, some of which are described under the heading "Risk and Opportunity Report" in this Annual Report. If any of these risks and uncertainties materializes or if the assumptions underlying any of our forward-looking statements prove to be incorrect, the actual results may be materially different from those we express or imply by such statements. We do not intend or assume any obligation to update these forward-looking statements since they are based solely on the circumstances at the date of publication.

EU taxonomy

The EU taxonomy regulation and the adopted delegated acts along with the supplementary interpretation documents of the European Commission contain formulations and terms that are still subject to considerable uncertainties and for which clarifications have not yet been published in all cases. Among others, this refers to the classification of economic activities, interpretation of do-no-significant-harm-criteria and to the assessment of the economic substance of financial investments. Due to the immanent risk that uncertain legal terms could be differently interpreted, uncertainty is attached to the legal certainty of the interpretation.

Statements regarding electricity and fuel consumption and CO₂ emissions

The consumption was determined on the basis of the regulation 2017/1151/EU. Further information on official fuel consumption and on the official specific CO₂ emissions of new cars can be taken from "Leitfaden über den Kraftstoffverbrauch, die CO₂-Emissionen und den Stromverbrauch neuer Personenkraftwagen" dat.de/fileadmin/media/LeitfadenCO2/GuideCO2.pdf

References made in this Management Report

Insofar as the references made in this Management Report relate to parts of the Annual Report that were not included in the external audit (components outside the Annual Financial Statements and Consolidated Financial Statements and the Combined Management Report), or to the Mercedes-Benz Group website or other reports or documents, these were not part of the external audit.

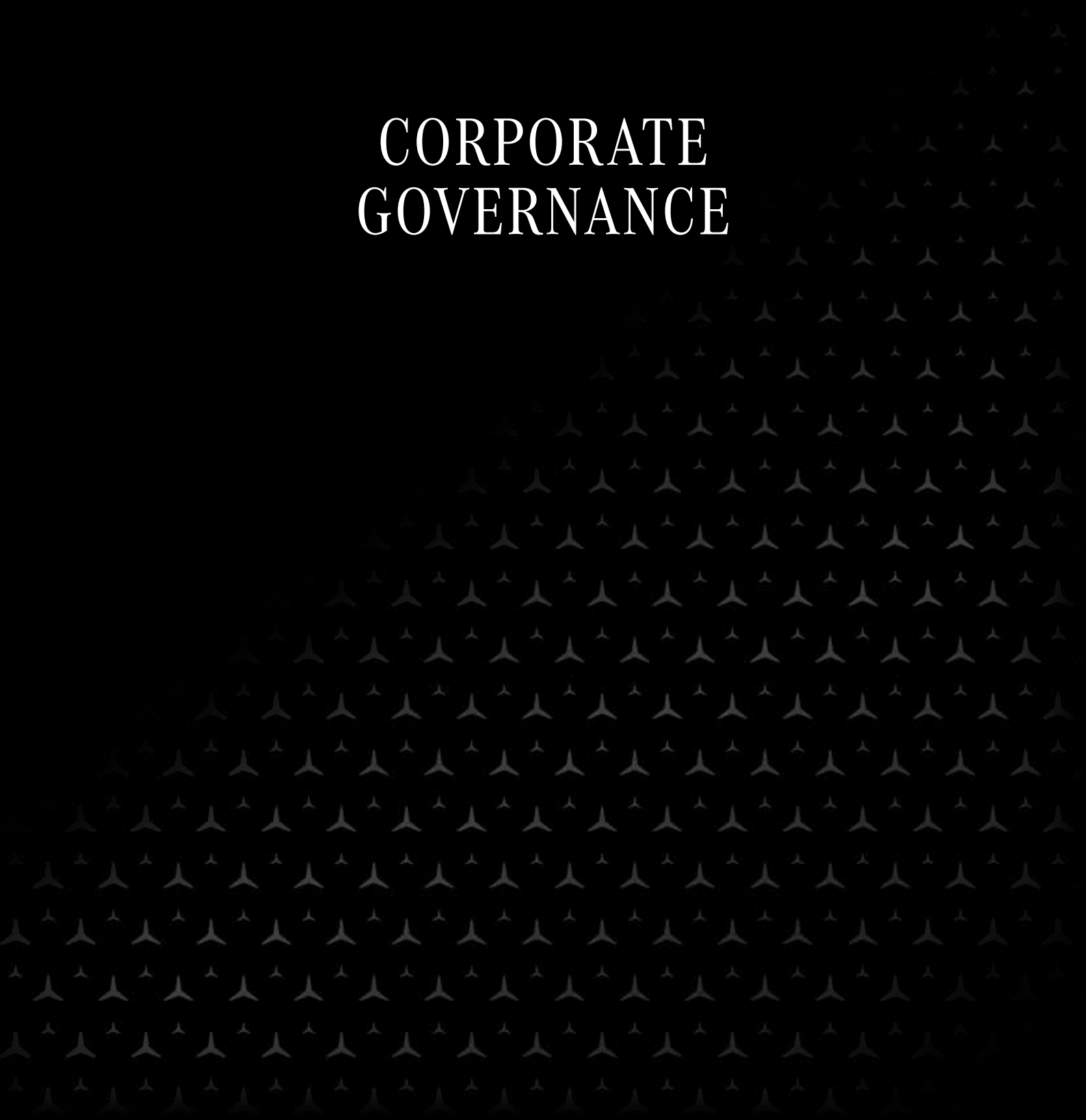
The disclosures on the appropriateness and effectiveness of the internal control and risk management system in the Risk and Opportunity Report chapter, which are not part of the Management Report, were also not included in the audit of the financial statements.



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CORPORATE GOVERNANCE



CORPORATE GOVERNANCE

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Report of the Audit Committee

Dear Shareholders,

As Chairman of the Audit Committee, I am pleased to report to you on the tasks and activities of this Committee in the 2022 financial year.

Accountability

On the basis of the statutory provisions, the German Corporate Governance Code and the rules of procedure of the Supervisory Board and its committees, the Audit Committee deals in particular with issues of accounting, financial reporting and non-financial reporting. In addition, it is concerned with the audit of the financial statements and it reviews the quality, qualifications and independence of the auditor. It also discusses the effectiveness and operation of the risk management system, the internal control system, the internal audit system and the compliance management system. After the election of the auditor by the Annual General Meeting, the Audit Committee engages the auditor to conduct the annual audit and the auditor's review of interim financial statements. In addition, the Audit Committee agrees the important audit issues and negotiates the audit fees with the auditor. The Audit Committee also engages the auditor to conduct the voluntary audit of the Non-Financial Declaration as part of the management report. Another focus of the Audit Committee's work and meetings in the 2022 financial year was the preparation and implementation of the selection and proposal process under the EU Statutory Audit Regulation to determine a recommendation and preference for the selection of a new auditor for the 2024 financial year. The tender process was carried out at an early stage in order to guarantee a timely and diligent transfer of the mandate while maintaining the independence requirements. After careful review of the shortlisted applicants, the Audit Committee resolved in its meeting in November to recommend two auditing firms to the Supervisory Board, with a preference for PricewaterhouseCoopers GmbH to be appointed auditor for the audit mandate for the 2024 financial year that was the subject of the tendering process.

Equal representation

In the 2022 financial year, the shareholder side consisted of Olaf Koch and Dr Clemens Börsig, who served as Chairman of the Audit Committee until his departure from the Supervisory Board at the end of the Annual General Meeting on 29 April 2022. Timotheus Höttges was elected to the Audit Committee as the successor to Dr Clemens Börsig. All those mentioned are independent and have expertise in the field of accounting and the auditing of financial statements, including sustainability reporting and the auditing of such reporting. In the past financial year, the employees were represented by Michael Brecht as Deputy Chairman of the Committee and by Ergun Lümali as a member.

Meetings and participants

The Audit Committee met seven times in the 2022 financial year. The Chairman of the Supervisory Board attended all meetings as a permanent guest. Other permanent participants, in compliance with the statutory requirements, were the Chairman of the Board of Management, the members of the Board of Management responsible for Finance and Controlling and for Integrity and Legal Affairs, and the representatives of the auditor. Executive Sessions, in which the Audit Committee discussed topics with the auditor in the absence of the Board of Management, were also held on a regular basis. The heads of specialist departments such as Accounting, Internal Audit, Compliance and Legal also provided information on individual items on the agenda. Regular executive sessions also took place with the auditor without the presence of the Board of Management.

Particularly in preparation for upcoming meetings, the Chairman of the Audit Committee held regular discussions with the auditor as well as individual discussions, for example with the aforementioned members of the Board of Management, the Head of Internal Auditing, the Head of Compliance, the Head of Legal Affairs and, if required, with the heads of other specialist departments.

Information for the Supervisory Board

The Chairman of the Audit Committee informed the Supervisory Board in each of its subsequent meetings of the activities of the Committee as well as the content of the meetings and discussions.

Topics in the year 2022

In the meeting on 23 February 2022, the Audit Committee discussed the preliminary key figures of the 2021 Annual Financial Statements, the Consolidated Financial Statements and the preliminary proposal of the Board of Management on the appropriation of profits. After careful review, the Committee took note and approved the figures presented, determined that there were no objections to the proposed publication and recommended that the Supervisory Board, which met afterwards, endorse this view. Insofar as the preliminary key figures had not already been the subject of the ad hoc announcement of 11 February 2022 they were published along with the preliminary proposal for the appropriation of profits at the annual press conference on 24 February 2022.

In its meeting on 10 March 2022, the Committee reviewed and discussed in detail the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report, including the Non-Financial Declaration for Mercedes-Benz Group AG and the Group for the 2021 financial year, the Remuneration report, the Declaration on Corporate Governance and the proposal for the appropriation of profits, all of which were issued with an unqualified audit opinion by the auditor. The representatives of the auditor reported on the results of the audit and in particular addressed the key audit matters and the relevant audit procedures, including the conclusions drawn, and were available to answer additional questions and provide information. The audit opinions on the company and Consolidated Financial Statements (including the key audit matters in the audit opinions) and on the accounting-related internal control system, as well as significant accounting matters, were discussed together with the auditor. Furthermore, the Audit Committee discussed the effectiveness of the internal control and risk management system.

After intensive review and discussion, the Audit Committee recommended that the Supervisory Board adopt the prepared financial statements, the Combined Management Report including the Non-Financial Declaration, the Remuneration report, the Declaration on Corporate Governance and the proposal of the Board of Management

for the payment of a dividend of €5.00 per dividend-bearing no-par-value share. The Audit Committee also adopted the report of the Audit Committee on the 2021 financial year.

In this meeting, the Audit Committee also resolved to recommend to the Supervisory Board, and subsequently to the Annual General Meeting, that KPMG AG Wirtschaftsprüfungsgesellschaft be appointed to audit the financial statements and the Consolidated Financial Statements, and to review the interim financial reports for the 2022 financial year as auditor for the audit of interim financial reports for the 2023 financial year in the period up to the Annual General Meeting in the 2023 financial year. The discussion of the quality of the audit and the results of the independence review, which did not reveal any indications of bias or threats to independence, were taken into account. Subject to the election resolution of the Annual General Meeting, the Committee also discussed the proposal for the fee agreement to be made with the auditor for the 2022 financial year. In addition, the Committee dealt with the report on the total fees paid to the auditor for audit and non-audit services in the 2022 financial year (including the non-audit fee cap) and set the approval framework for the engagement of the auditor for non-audit services. Finally, the Audit Committee discussed the 2022 annual audit plan of the Internal Audit Department, the reports issued by the Compliance and Legal departments and the agenda items for the 2022 Annual General Meeting that fall within the scope of its responsibility.

During 2022, the Audit Committee discussed the interim financial reports and the results of the audit review with the Board of Management and the auditor in the quarterly meetings prior to their publication. In addition, the Committee received reports from the Internal Audit, Compliance and Legal departments. The Board of Management also regularly reported to the Committee on the current status of material legal proceedings, including antitrust and diesel emissions-related proceedings. In addition, the Audit Committee received regular reports on possible violations of rules, which employees and external parties reported to the BPO (Business Practices Office) whistle-blowing system.

In April 2022 the Committee initially considered the interim financial report for the first quarter of 2022. The agenda then concerned the plans to discontinue the Mercedes-Benz Bank's deposit banking business with

private customers. The Audit Committee also received reports from the Internal Audit and Legal departments and from the Compliance unit. The report issued by the Compliance department included an update on the Human Rights Respect System that focused in particular on the implementation of measures required by the Act on Corporate Due Diligence in Supply Chains (LkSG), as well as the proposal of the European Commission regarding corporate sustainability due diligence.

In its meeting in June 2022, the Audit Committee discussed aspects of the risk management system and particularly addressed the further integration of ESG topics and the accompanying training measures to increase ESG awareness. Methods, processes and adjustments to the internal control system were also discussed. With regard to the compliance management system, methods for more extensive integration of social compliance aspects were presented, among other things. The meeting also focused on the report on ESG and sustainability reporting activities, including the requirements of the EU taxonomy and the measures taken to ensure these requirements are met. Furthermore, the Audit Committee received comprehensive reports from the Treasury and Tax departments. Another topic of the meeting was a discussion of the planning of the audit of the financial statements, including the main audit areas for the 2022 financial year. In addition, the Committee discussed current accounting topics.

At its meeting in July 2022, the Committee dealt with the results of the second quarter of 2022 and the risk report. Furthermore, the Committee received the quarterly reports from the Compliance, Internal Audit and Legal departments. In this context, it was informed in detail of measures relating to human rights and social compliance, as well as measures in connection with the Act on Corporate Due Diligence in Supply Chains. In addition, the Audit Committee discussed the annual report of the Group Data Protection Officer with the Board of Management.

In October 2022, the Committee dealt with the interim financial report for the third quarter of 2022. Furthermore, the Committee carried out the annual review of the approved non-audit services of the auditor and used audit quality indicators to analyse the quality of the audits. The agenda also included a discussion of the amendments to the German Corporate Governance Code and a report on asset and credit risks. Finally, the Committee received the quarterly reports from the Compliance, Internal Audit and Legal departments.

The Audit Committee held a further meeting in November. After careful review, the Audit Committee resolved to recommend two auditing firms to the Supervisory Board, with a preference for PricewaterhouseCoopers GmbH to be appointed auditor for the audit mandate for the 2024 financial year that was the subject of the tendering process.

Company and Consolidated Financial Statements for 2022

In its meeting on 16 February 2023, the Audit Committee discussed the preliminary key figures of the company and the Consolidated Financial Statements for 2022 as well as the preliminary proposal of the Board of Management on the appropriation of profits. After careful review, the Committee took note and approved the figures presented, determined that there were no objections to the proposed publication and recommended that the Supervisory Board, which met afterwards, endorse this view. The preliminary key figures and the preliminary proposal for the appropriation of profits were published at the annual press conference on 17 February 2023.

In a further meeting on 13 March 2023, the Committee reviewed and discussed in detail the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report, including the Non-Financial Declaration for Mercedes-Benz Group AG and the Group for the 2022 financial year, the Remuneration report, the Declaration on Corporate Governance and the proposal for the appropriation of profits, all of which were issued with an unqualified audit opinion by the auditor. The representatives of the auditor reported on the results of the audit and in particular addressed the key audit matters and the relevant audit procedures, including the conclusions drawn, and were available to answer additional questions and provide information. The audit opinions on the company and Consolidated Financial Statements (including the key audit matters in the

audit opinions) and on the accounting-related internal control system, as well as significant accounting matters, were discussed together with the auditor. Furthermore, the Audit Committee discussed the effectiveness of the internal control and risk management system. After intensive review and discussion, the Audit Committee recommended that the Supervisory Board adopt the prepared financial statements, the Combined Management Report including the Non-Financial Declaration, the Remuneration report, the Declaration on Corporate Governance and the proposal of the Board of Management for the payment of a dividend of € 5.20 per dividend-bearing no-par-value share.

Self-assessment

The Audit Committee also conducted a self-evaluation of its activities on the basis of a comprehensive company-specific questionnaire in 2022. The positive results of this self-assessment were presented and discussed in the meeting on 16 February 2023.

Stuttgart, March 2023

The Audit Committee



Olaf Koch
Chairman

Declaration on Corporate Governance

In the Declaration on Corporate Governance pursuant to Sections 289f, 315d of the German Commercial Code (HGB), the Board of Management and the Supervisory Board report on the Corporate Governance of the Company in 2022. The statements are applicable to Mercedes-Benz Group AG and the Group, unless indicated otherwise below. Pursuant to Section 317 Subsection 2 Sentence 6 HGB, the review of the statements by the auditor is to be limited to whether the legally required statements were made. This Declaration on Corporate Governance is, in addition to the no longer current declarations of the past five years, available at [🌐 group.mercedes-benz.com/dcg](https://group.mercedes-benz.com/dcg).

Declaration by the Board of Management and the Supervisory Board of Mercedes-Benz Group AG pursuant to Section 161 of the German Stock Corporation Act on the German Corporate Governance Code

Mercedes-Benz Group AG complies with the recommendations of the German Corporate Governance Code as amended on 28 April 2022 and published in the official section of the Federal Gazette on 27 June 2022, with the exception of recommendations C.4 and C.5 (maximum number of mandates of Supervisory Board). Mercedes-Benz Group AG shall continue to comply with the recommendations in the future subject to the aforementioned deviations.

Since issuing the last Declaration of Compliance in December 2021, Mercedes-Benz Group AG has complied with the recommendations of the German Corporate Governance Code as amended on 16 December 2019 and published in the official section of the Federal Gazette on 20 March 2020, with the exception of recommendations C.4 and C.5 (maximum number of mandates of Supervisory Board).

Maximum number of Supervisory Board mandates (C.4 and C.5)

According to recommendation C.4, a member of the Supervisory Board who is not a member of the board of management of a listed company shall not hold more

than a total of five mandates on the supervisory boards of listed companies outside the Group or comparable functions, in the course of which the chairmanship of a supervisory board shall count twice. According to recommendation C.5, members of the board of management of listed companies should not hold more than two mandates on the supervisory boards of listed companies outside the Group or comparable functions and should not chair the supervisory board of a listed company outside the Group. Whether the total number of mandates held by members of the Board of Management and the Supervisory Board in non-Group listed companies and comparable functions is still deemed to be appropriate is to be assessed more properly on a case-by-case basis rather than by means of a rigid upper threshold, particularly in view of the fact that it is not always possible to make a clear distinction between the mandates to be considered here. Aside from that, the individual workload to be expected from the aggregate of the mandates held does not necessarily increase in proportion to their number.

Stuttgart, December 2022

For the Supervisory Board	For the Board of Management
Dr Bernd Pischetsrieder	Ola Källenius
Chairman	Chairman

This Declaration of Compliance is, in addition to the no longer current Declarations of Compliance of the past five years, also available on the website of the company at [🌐 group.mercedes-benz.com/dcg](https://group.mercedes-benz.com/dcg).

Remuneration report, remuneration system

The 2022 remuneration report and the opinion of the auditor pursuant to Section 162 of the German Stock Corporation Act (AktG) are available at group.mercedes-benz.com/remuneration-bom. The applicable remuneration system for the members of the Board of Management for 2022 pursuant to Section 87a Subsections 1 and 2 Sentence 1 of the German Stock Corporation Act (AktG), which was approved by the Annual General Meeting on 8 July 2020, are also available there. The resolution adopted by the Annual General Meeting on 31 March 2021 pursuant to Section 113 Subsection 3 of the German Stock Corporation Act (AktG) on the remuneration of the members of the Supervisory Board is available at group.mercedes-benz.com/remuneration-sb.

Essential principles and practices of corporate governance

German Corporate Governance Code

Beyond the statutory requirements of German stock corporation, co-determination and capital market legislation, Mercedes-Benz Group AG has complied and continues to comply with the recommendations of the German Corporate Governance Code (“Code”) subject to the exceptions stated and justified in the Declaration of Compliance.

Mercedes-Benz Group AG has fully complied and continues to comply with the suggestions of the Code.

Principles of our business activity

The Mercedes-Benz Group conducts its business in accordance with Group-wide standards that go beyond the requirements of the law and the German Corporate Governance Code. Only those who act in an ethically and legally responsible manner remain successful in the long term — this is especially true in times of upheaval and change such as those as we are currently experiencing. Hence, integrity and compliance are very important to the Mercedes-Benz Group. In order to achieve long-term and sustainable corporate success on this foundation, it is the goal of the Mercedes-Benz Group to ensure that its business operations are in harmony with the interests of the environment and society. As one of the world’s leading automakers, the Mercedes-Benz Group also wants to be at the forefront when it comes to sustainability. The company defines the most important principles in its Code of Conduct, which provides orientation for all employees of Mercedes-Benz Group AG and the Group and assists them in making the right decisions, even in difficult business situations.

The Code of Conduct

Employees from various divisions around the world were involved in the creation of the new Code of Conduct in 2019. The policy sets out the core corporate principles for conduct in day-to-day business and the way people deal with each other within the company and with business partners and customers. In addition to respect for the law and the legal system, these corporate principles also include, for example, fairness, transparency, practical diversity, and responsibility. In addition to the corporate principles, the Code of Conduct contains, inter alia, regulations regarding the respect and safeguarding of human rights as well as the handling of conflicts of interests, and

prohibits corruption in any form whatsoever. The policy has binding effect for all companies and employees of the Mercedes-Benz Group worldwide. It is available on the internet at group.mercedes-benz.com/compliance/integrity-code.

In addition, the company agreed on the Principles of Social Responsibility with the International Works Council. They are applicable at Mercedes-Benz Group AG as well as throughout the entire Group. In this agreement, the Mercedes-Benz Group commits to the principles of the UN Global Compact, including the internationally recognized human and labour rights regulated therein, freedom of association, sustainable environmental protection and the prohibition of child and forced labour. In addition, the company is committed to upholding equal opportunities and the principle of “equal pay for work of equal value” for employees.

Expectations regarding business partners

The Mercedes-Benz Group also formulates clear requirements for its business partners, because conduct with integrity and in compliance with the rules is a prerequisite for any trust-based cooperative venture. Therefore, when selecting its direct business partners, the Company makes sure that they comply with the law, follow ethical principles, and in this sense also have an impact on the supply chain. For the Mercedes-Benz Group’s expectations of its business partners, please also see group.mercedes-benz.com/company/compliance/business-partners.html.

Advisory Board for Integrity and Sustainability

The Mercedes-Benz Group established an Advisory Board for Integrity and Sustainability. The board’s members are independent external experts in the fields of environmental and social policy, transport and mobility development, and human rights and ethics and provide the Mercedes-Benz Group with constructive and critical support with issues relating to integrity, sustainability and corporate responsibility. The Advisory Board meets several times a year under the direction of the member of the Board of Management responsible for Integrity and Legal Affairs. One of these annual meetings specifically serves to exchange information with other members of the Board of Management and members of the Supervisory Board. A regular exchange of information and opinions between the Advisory Board and company managers and employees takes place in other meetings devoted to specific topics. Two working groups were established in the reporting year in order to strengthen this dialogue. Their goal is to promote more extensive discussions on the topics of “Integrity and employees” and “Climate protection and resource conservation”. In 2022, the Advisory Board also addressed the new Corporate Citizenship Strategy, the role the Mercedes-Benz Group plays in society and the impact the geopolitical situation is having on the company.

Internal control, risk and compliance management systems within the Group

The Mercedes-Benz Group has appropriate and effective internal control, risk and compliance management systems in place that are commensurate with the size and global presence of the company, the scope of its business operations, and its risk situation, and are geared towards the continuous and systematic management of entrepreneurial risks and opportunities. These systems also take risks and opportunities associated with social and environmental factors into account. In identifying sustainability-related risks and opportunities, Mercedes-Benz Group AG is guided by the topics identified by the materiality analysis and thus includes the areas of action of the sustainable business strategy, for which concrete goals have been assigned. Sustainability-related data are systematically recorded and social and environmental impacts of the company's activities are identified and assessed as part of thematic risk assessments, for example in life cycle assessments along the entire life cycle of vehicles or in the Human Rights Respect System.

The risk management system is part of the overall planning, control and reporting process. This is to ensure that the executive management recognizes significant risks at an early stage and can initiate countermeasures in a timely fashion. Internal Audit monitors compliance with legal framework conditions and corporate standards by means of targeted audits and initiates appropriate measures where necessary. Further information on risk management can be found in the Risk and Opportunity Report in the 2022 Annual Report.

In addition to the accounting-related internal control system, the internal control system also includes in particular the Compliance Management System as well as an independent assessment of the structure and processes of the internal control system by Internal Auditing. Further explanations of the internal control system are available in the Risk and Opportunity Report in the Combined Management Report 2022.

The aim of the Compliance Management System (CMS) is to promote compliance with legislation and policies within the company and among its employees, to prevent misconduct and to systematically minimize compliance risks on the basis of the culture of integrity. Detailed information on the Mercedes-Benz Compliance Management System can be found in the Non-Financial Declaration chapter of the 2022 Annual Report.

At least once a year, the Audit Committee of the Supervisory Board of Mercedes-Benz Group AG discusses the effectiveness and functionality of the internal control and risk management system, the internal auditing system, and the Compliance Management System with the Board of Management. In each case, these systems and processes or similar ones are also examined with regard to the sustainability risks and opportunities they address, taking into account the areas of action of the sustainable business strategy as well as the ecological and social impact of the business activities conducted by Mercedes-Benz Group AG and the Group. The chairman of the Audit Committee shall report back to the Supervisory Board about the work of the committee at the latest at the next meeting of the Supervisory Board. The Supervisory Board also deals with the risk management system on the occasion of the audit of the company and Consolidated Financial Statements. The Chairman of the Supervisory Board maintains contact with the Board of Management between meetings of the Supervisory Board, in particular with the Chairman of the Board of Management, in order to discuss issues of risk management and compliance, in addition to the strategy and business development of the Group. In addition, the Board of Management regularly informs the Audit Committee and the Supervisory Board about significant risks to the Company and the Group. The Legal Affairs Committee of the Supervisory Board supports the Supervisory Board in the performance of its duties with regard to the complex emissions and antitrust-related proceedings with which Mercedes-Benz Group AG and its subsidiaries are confronted.

Accounting and auditing

The Mercedes-Benz Group compiles its Consolidated Financial Statements and interim financial reports in accordance with the principles of International Financial Reporting Standards (IFRS) as applicable in the European Union. The Annual Financial Statements of Mercedes-Benz Group AG are compiled in accordance with the accounting provisions of the German Commercial Code (HGB). In addition to the half-yearly financial report, the Mercedes-Benz Group also compiles quarterly financial reports. The Consolidated Financial Statements and the Annual Financial Statements of Mercedes-Benz Group AG are audited by an auditor, and interim financial reports are subject to review by an auditor. The Consolidated Financial Statements and the consolidated management reports are publicly accessible on the website of the Company within 90 days; the interim financial reports are publicly accessible within 45 days after the end of the respective reporting period.

On the basis of the recommendation of the Audit Committee, the Supervisory Board submits a proposal to the Annual General Meeting for the appointment of the auditor of the financial statements, the auditor of the Consolidated Financial Statements, and the auditor for the review of the interim financial reports.

Before submitting its recommendation for the election proposal to the Annual General Meeting, the Audit Committee of the Supervisory Board obtains a declaration from the proposed auditor as to whether and, if so, which business, financial or personal relationships exist between the auditor and its boards and committees and audit managers on the one hand and the Company and members of its boards and committees on the other hand that could give rise to concerns of partiality. The declaration also specifies which other services were provided to the Group in the previous financial year and to what extent and which ones have contractually been stipulated for the following year.

The auditor informs the Chairman of the Audit Committee without delay of any and all findings and occurrences of significance for the duties of the Supervisory Board that come to the attention of the auditor during the performance of the audit of the financial statements. Furthermore, the auditor informs the Audit Committee and annotates in the audit report if, during the performance of the audit, the auditor discovers facts that reveal an inaccuracy in the Declaration of Compliance of the Board of Management and the Supervisory Board with the German Corporate Governance Code.

At the Annual General Meeting on 29 April 2022, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was appointed as auditor of the financial statements, auditor of the Consolidated Financial Statements, and auditor for the review of interim financial reports for the 2022 financial year and of interim financial reports for the 2023 financial year in the period up to the next Annual General Meeting in the 2023 financial year. KPMG AG Wirtschaftsprüfungsgesellschaft has audited the Company and Consolidated Financial Statements of Mercedes-Benz Group AG since the 1998 financial year; Alexander Bock has been the responsible auditor since the 2021 financial year. To ensure compliance with the duty to appoint a different audit firm, a selection and proposal process was conducted in accordance with the EU Statutory Audit Regulation during the reporting period in order to appoint an auditor for the 2024 financial year. On the basis of this process, the recommendation and preference of the Audit Committee, and its own review, the Supervisory Board has decided to propose to the 2023 Annual General Meeting that PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft be appointed as auditor for the 2024 financial year.

Composition and working method of the Board of Management

Under the German Stock Corporation Act (AktG), Mercedes-Benz Group AG has a dual management system that provides for a strict personnel and functional separation between the Board of Management as the management body and the Supervisory Board as the supervisory body (two-tier board). The Board of Management manages the Company, whilst the Supervisory Board supervises and advises the Board of Management.

Board of Management

In accordance with the articles of association of Mercedes-Benz Group AG, the Board of Management consists of at least two members. The Supervisory Board shall determine the exact number. As of 31 December 2022, the Board of Management consisted of eight members. In December 2020, the Supervisory Board set a target for the proportion of women on the Board of Management in accordance with the German Act on the Equal Participation of Women and Men in Leadership Positions and a deadline for achieving this target. In August 2021, the German Second Leadership Positions Act (FüPoG II) came into force. According to the said Act, at least one woman and at least one man must be a member of the Board of Management in listed companies with parity participation and more than three members on the Board of Management. Compliance with this minimum participation requirement when appointing individual or multiple members of the Board of Management has been mandatory since 1 August 2022. Companies that are subject to the minimum proportion requirement no longer have to set a target quota for the proportion of women on the board of management. Nevertheless, the Supervisory Board has decided that the target quota for 2020 should remain in place as one aspect of the overall profile of requirements for appointments to the Board of Management.

Details on the overall profile of requirements and the participation of women on the Board of Management are presented in separate sections in this Declaration on Corporate Governance.

Without prejudice to the overall responsibility of the Board of Management, the individual members of the Board of Management shall manage their departments on their own responsibility within the framework of the guidelines adopted by the Board of Management as a whole. Certain matters defined by the Board of Management as a whole shall nevertheless be dealt with by the Board of Management as a whole and shall require its approval. In addition, each member of the Board of Management has the right to demand that any matter he or she deems important be discussed by the Board of Management as a whole or that a decision be made on that matter by the Board as a whole. The work of the Board of Management is coordinated by the chairman of the Board of Management. There were no committees of the Board of Management during the reporting period.

Information in terms of the areas of responsibility and the curricula vitae of the members of the Board of Management is available on the website of Mercedes-Benz Group AG at group.mercedes-benz.com/company/corporate-governance/board-of-management.

The Board of Management manages Mercedes-Benz Group AG and the Group, in consideration of the interests of the shareholders, the employees and the other stakeholders, with the goal of sustainable added value. With the approval of the Supervisory Board, it determines the strategic orientation of the Company, which also takes into account long-term financial targets and environmental and social targets and objectives. The use of this approach has led to the definition of the strategic areas of action climate protection and air quality, resource conservation, sustainable urban mobility, traffic safety, data responsibility and human rights as integral components of the sustainable business strategy. Along with financial targets, the corporate planning decided on by the Board of Management with the approval of the Supervisory Board also includes corresponding sustainability-related targets.

The internal control and risk management systems established by the Board of Management, which are appropriate and effective in relation to the scope of the Company's business operations and its risk situation, also address sustainability-related targets. Further information on sustainability can be found on the Company's website at group.mercedes-benz.com/sustainability.

The Board of Management ensures compliance with statutory provisions, official regulations, and internal policies within the Company, and works to ensure that they are also observed by the Group companies (compliance). It has established a comprehensive Compliance Management System geared to the risk situation of the Company, the basic features of which are presented in the Non-Financial Declaration chapter of the 2022 Annual Report. The components of the Compliance Management System include the BPO (Business Practices Office) whistleblowing system, which gives employees and external whistleblowers worldwide the opportunity to report violations of the rules.

The Board of Management compiles the interim financial reports of the Company, the Annual Financial Statements of Mercedes-Benz Group AG, the Consolidated Financial Statements and the Combined Management Report with Non-Financial Declaration of the Company and the Group. Together with the Supervisory Board, it prepares the Remuneration report and issues an annual Declaration of Compliance with the German Corporate Governance Code.

The Board of Management and the Supervisory Board work to ensure the well-being of the Company in a relationship based on trust. The Board of Management informs the Supervisory Board regularly, comprehensively and in a timely manner about all strategic issues of relevance to the Company as a whole, including issues relating to the sustainability strategy, planning, profitability, business development, the situation of the Company, the internal control system, the risk management system and compliance. The Supervisory Board has defined the information and reporting duties of the Board of Management in more detail.

For certain types of transactions defined by the Supervisory Board, the Board of Management requires the prior approval of the Supervisory Board.

Each member of the Board of Management is bound to serve the interests of the Company and is subject to a non-competition clause throughout the entire term of their contract. When making decisions, they may not pursue personal interests and they may not exploit the Company's business opportunities for their own benefit. Members of the Board of Management must disclose without delay to the Chairman of the Supervisory Board and the Chairman of the Board of Management any

personal interest they may have in a particular business activity conducted by the Company, as well as any and all other conflicts of interest, and they must also report such information to all other members of the Board of Management.

Members of the Board of Management may only perform ancillary activities if these are approved by the Supervisory Board's Presidential Committee.

The Board of Management has adopted rules of procedure, available on the website of the Company at group.mercedes-benz.com/company/corporate-governance, which among other things govern the procedure to be followed when adopting resolutions and contain provisions designed to avoid conflicts of interest.

Diversity and equal opportunities

Diversity management has been part of the corporate strategy since 2005. The Mercedes-Benz Group relies on the diversity and variety of its employees because they form the basis of an efficient and successful company. Our diversity and inclusion activities aim to bring together the right people to meet challenges, to create a working culture that promotes the performance, motivation and satisfaction of employees and managers, and to contribute to the development of new target groups for our products and services. Through appropriate framework conditions and specific measures — from training formats for employees and managers, workshops, conferences and policies to target group-specific awareness-raising and communication measures — diversity and inclusion management thus contributes significantly to the further development of the corporate culture at the Mercedes-Benz Group.

The targeted promotion of women had already been a central focus of attention in diversity management before the German Act on the Equal Participation of Women and Men in Leadership Positions came into force. In compliance with the statutory requirements, the Board of Management of Mercedes-Benz Group AG has set targets for the proportion of women at the two management levels of the Mercedes-Benz Group AG below the Board of Management and a deadline for attaining these targets. The specific details are presented in a separate section of this Declaration on Corporate Governance. Independently of the statutory requirements, the Company had already set itself the goal in 2006 of increasing the proportion of women in senior management positions within the Group

to at least 20% by 2020. This goal was achieved, and during the reporting period the Company set itself the new goal of appointing women to fill at least 30% of its senior management positions by 2030. As of 31 December 2022, the proportion of women in senior management positions at the Mercedes-Benz Group worldwide was 24.7% (active workforce without holiday workers).

Composition and working method of the Supervisory Board and its committees

Supervisory Board

In accordance with the German Co-Determination Act (MitbestG), the Supervisory Board of Mercedes-Benz Group AG consists of 20 members. Half of them are elected by the shareholders at the Annual General Meeting and half by the employees of the German companies of the Group. Shareholder representatives and employee representatives are by law equally bound to serve the interests of the Company.

Curricula vitae of the individual members of the Supervisory Board and their other mandates are published on the Internet at group.mercedes-benz.com/company/corporate-governance/supervisory-board. This information is also updated every year.

The Supervisory Board shall be composed in such manner that its members as a whole are familiar with the industry in which the Company operates and have the knowledge, skills, and professional experience necessary for the proper performance of their duties. According to the German Act on the Equal Participation of Women and Men in Leadership Positions, the Supervisory Board of Mercedes-Benz Group AG must be composed of at least 30% women and at least 30% men. The specific details are presented in a separate section of this Declaration on Corporate Governance.

In addition, the Supervisory Board has developed an overall profile of requirements for its own composition, which includes a competence profile and a diversity concept for the Board as a whole, including an age limit. The specific details of the overall profile of requirements are also summarized in a separate section of this Declaration on Corporate Governance. The proposals of the Supervisory Board for the election of shareholder representatives by the Annual General Meeting, for which the Nomination Committee submits recommendations, aim to fulfil the overall profile of requirements for the Supervisory Board as a whole.

The members of the Supervisory Board assume responsibility for the training and further education measures required for their tasks, e.g. on topics relating to changes in the legal framework and forward-looking technologies, and are supported in this by the Company. New members of the Supervisory Board have the opportunity to meet the members of the Board of Management and senior executives with specialist responsibility in an onboarding programme for a bilateral exchange on fundamental and current topics in respect of the relevant areas of the Board of Management, thus gaining an overview of the relevant topics of the Group as well as the governance structure. The key components of this programme include ESG (environmental, social, governance) and sustainability-related thematic blocks.

The Supervisory Board supervises and advises the Board of Management in the management of the business. At regular intervals, the Supervisory Board discusses business development, the situation of the Company, and planning and strategy, including the sustainability strategy and its implementation. The Supervisory Board also reviews and discusses the internal control and risk management systems and monitors compliance with statutory provisions, official regulations and internal policies within the Company.

The Supervisory Board has also specified in more detail the information and reporting duties of the Board of Management vis-à-vis the Supervisory Board, the Audit Committee and — between meetings of the Supervisory Board — vis-à-vis the Chairman of the Supervisory Board. The Supervisory Board has reserved the right of approval for transactions of fundamental importance.

The Supervisory Board's monitoring and advisory activities relate in particular to sustainability issues associated with the ESG dimensions (environmental, social and governance factors). At regular intervals, the Supervisory Board obtains reports from the Board of Management on the status of implementation of the integrated sustainable corporate strategy and also examines the risks and opportunities for the Company that result from social and environmental factors and, increasingly, the ecological and social effects of the Company's business activities. The Supervisory Board also addresses sustainability reporting in the form of the Non-Financial Declaration in the Combined Management Report.

The duties of the Supervisory Board include the appointment and, if necessary, the dismissal of the members of the Board of Management. Initial appointments have generally been made in the past, and since 2021 have always been made, for a maximum of three years.

With regard to the composition of the Board of Management, the Supervisory Board observes the statutory requirements for the equal participation of women and men. The specific details are presented in a separate section of this Declaration on Corporate Governance. Furthermore, with regard to the composition of the Board of Management, the Supervisory Board adopted a diversity concept embedded in an overall profile of requirements. Its specific details are also summarized in a separate section of this Declaration on Corporate Governance.

On the basis of a proposal issued by the Presidential Committee, the Supervisory Board determines the system of remuneration for the Board of Management and on the basis of this system also determines the total individual remuneration of the individual members of the Board of Management. It also defines the targets for variable remuneration components, including non-financial and sustainability-oriented parameters. Furthermore, the Supervisory Board regularly reviews both the remuneration system and the total individual remuneration of the individual members of the Board of Management in order to ensure that these remain appropriate. The remuneration system for the members of the Board of Management, which was approved by a majority of 95.33% at the Annual General Meeting in 2020, can be viewed at group.mercedes-benz.com/remuneration-bom. The Remuneration report that was prepared jointly by the Board of Management and the Supervisory Board

(including the opinion of the auditor pursuant to Section 162 of the German Stock Corporation Act) are also available there.

The Supervisory Board examines the Annual Financial Statements, the Consolidated Financial Statements with Non-Financial Declaration, and the Combined Management Report of the Company and the Group as well as the proposal for the appropriation of the distributable profits. After discussions with the auditor and in consideration of the audit opinions of the auditor and the audit results of the Audit Committee, the Supervisory Board shall declare whether any objections are to be raised after the final result of its own review. If this is not the case, the Supervisory Board approves the Annual Financial Statements and the Combined Management Report; the financial statements are deemed to have been adopted with the approval of the Supervisory Board. The Supervisory Board shall report to the Annual General Meeting on the results of its own review as well as on the nature and scope of the supervision of the Board of Management during the past financial year. The Report of the Supervisory Board on the 2022 financial year is available in the Annual Report and at group.mercedes-benz.com/company/corporate-governance/supervisory-board.

The Supervisory Board has adopted Rules of Procedure that, in addition to its duties and responsibilities, specifically regulate the convening and preparation of its meetings as well as the procedure for the adoption of resolutions and contain provisions that are intended to avoid conflicts of interest. The Rules of Procedure of the Supervisory Board are available on the internet at group.mercedes-benz.com/company/corporate-governance.

For the meetings of the Supervisory Board during the reporting period, regular Executive Sessions were again scheduled in order to be able to discuss topics even in the absence of the Board of Management. Pursuant to the German Act on Strengthening Financial Market Integrity (FISG), which entered into force on 1 July 2021, the Board of Management does not participate in meetings of the Supervisory Board and its committees to which the auditor is called in as an expert, unless the Supervisory Board or the committee deems its participation necessary. Meetings of the Supervisory Board and its committees should as a rule take place in person. In justified exceptional cases the meetings can be held in the form of a video conference or a conference call or with the use

of other comparable means of telecommunication or individual members can participate in a meeting using such means. In view of the Covid-19 pandemic, which continued to be an issue during the reporting period, more extensive use of such remote formats had once again to be made in 2022.

Every member of the Supervisory Board must disclose any conflicts of interest they may have without delay to the Chairman of the Supervisory Board. Conflicts of interest and the manner in which they are dealt with are disclosed in the Report of the Supervisory Board.

The Supervisory Board regularly assesses how effectively the Supervisory Board and its committees perform their duties. The next self-assessment is scheduled to be conducted in 2023. Independently of the self-assessment of the Supervisory Board, the Audit Committee also carried out a self-evaluation of its activities again in 2022 on the basis of an extensive Company-specific questionnaire. The positive results of this self-assessment were presented and discussed at the Audit Committee meeting on 16 February 2023.

At 31 December 2022, in addition to the Mediation Committee to be established by law, there are four other committees of the Supervisory Board that perform the tasks assigned to them in the name of and on behalf of the Supervisory Board as a whole, to the extent permitted by law. The relevant committee chairpersons shall report on the work of the committees to the plenary meeting of the Supervisory Board at the latest at the next meeting of the Supervisory Board following the committee meeting. The Supervisory Board has adopted separate rules of procedure for all its committees. They are available on the internet at group.mercedes-benz.com/company/corporate-governance.

Presidential Committee

The Presidential Committee consists of the Chairman of the Supervisory Board, the Deputy Chairman of the Supervisory Board, and two other members elected by the Supervisory Board. As of 31 December 2022, the Presidential Committee consisted of Dr Bernd Pischetsrieder (Chairman), Ergun Lümali (Deputy Chairman), Ben van Beurden and Roman Zitzelsberger.

The Presidential Committee makes recommendations to the Supervisory Board for the appointment of members to the Board of Management, in consideration of the

overall profile of requirements defined by the Supervisory Board with the diversity concept, including the requirements for the proportion of women on the Board of Management. It submits proposals to the Supervisory Board for the structure of the remuneration system for the Board of Management and for the appropriate individual total remuneration of the individual members of the Board of Management. The Presidential Committee is responsible for the contractual matters of the members of the Board of Management and decides on the granting of approval for ancillary activities of members of the Board of Management.

In addition, the Presidential Committee advises and decides on corporate governance issues, on which it also makes recommendations to the Supervisory Board. It supports and advises the Chairman of the Supervisory Board and his Deputy and prepares the meetings of the Supervisory Board within the scope of its responsibilities.

Nomination Committee

The Nomination Committee consists of the Chairman of the Supervisory Board and two other members elected to the Supervisory Board by the shareholder representatives by a majority of the votes cast. As of 31 December 2022, they are Dr Bernd Pischetsrieder (Chairman of the Nomination Committee), Sari Baldauf and Ben van Beurden. The Nomination Committee is the only committee of the Supervisory Board composed exclusively of shareholder representatives. It makes recommendations to the Supervisory Board for proposals to the Annual General Meeting for the election of shareholder representatives on the Supervisory Board. In this respect, it takes the statutory requirements for the participation of women into account and strives to fulfil the overall profile of requirements for the Supervisory Board as a whole.

Audit Committee

The Audit Committee consists of four members elected by the Supervisory Board by a majority of the votes cast. As of 31 December 2022, they are the shareholder representatives Olaf Koch (Chairman of the Audit Committee) and Timotheus Höttges as well as the employee representatives Michael Brecht (Deputy Chairman) and Ergun Lümali.

The members of the Audit Committee as a whole are very familiar with the industry in which the Company operates.

Pursuant to the German Stock Corporation Act (AktG), at least one member of the Audit Committee must have expertise in the field of accounting and auditing and at least one other member must have expertise in the audit of financial statements. In accordance with the German Corporate Governance Code, expertise in the field of accounting shall involve specialized knowledge of and experience with the use of accounting principles and internal control and risk management systems, while expertise in relation to the audit of financial statements shall also involve specialized knowledge of and experience with the same. In addition, specialized knowledge of and experience with financial reporting and financial statement auditing shall include sustainability reporting and the audit of sustainability reports. The Chairman of the Audit Committee shall have expertise as described in at least one of the aforementioned fields.

Throughout the course of his career, Olaf Koch has held management positions in the field of finance and controlling in his capacity as a chief financial officer, and he later served for many years as the Chairman of the Board of Management of Metro AG and Chairman of the Audit Committee of Hugo Boss AG. He thus has specialized knowledge and experience with regard to the use of financial reporting principles and internal control and risk management systems and the audit of financial statements. This also includes sound knowledge of sustainability reporting and the audit of sustainability reports. For example, Olaf Koch introduced a sustainability target system and sustainability reporting at Metro AG, which led to the company maintaining a top position in the Dow Jones Sustainability Index for many years. He also monitors and contributes to the development of sustainability reporting and the audit of sustainability reports and he actively contributes his expertise to the work conducted by the Audit Committee.

Due to the many years he has spent serving in executive positions in the field of finance, most recently as Chief Financial Officer of Deutsche Telekom AG and as CEO since 2014, Timotheus Höttges also has specialized knowledge and experience with regard to the use of financial reporting principles and internal control and risk management systems and the audit of financial statements. This also includes extensive knowledge of sustainability reporting and the audit of sustainability reports, which he gained in his principal activity as CEO of Deutsche Telekom AG. He also monitors and contributes to the development of sustainability reporting and the audit of sustainability reports and he actively contributes his expertise to the work conducted by the Audit Committee.

Both Olaf Koch, the Chairman of the Audit Committee, and Timotheus Höttges, in his capacity as the other shareholder representative on the Audit Committee, are independent. Further information on the evaluation of the independence of members of the Supervisory Board is summarised in the section on the overall profile of requirements for the composition of the Supervisory Board in this Declaration on Corporate Governance.

The Audit Committee is responsible for monitoring the accounting and the accounting process, and for the audit of the financial statements, in particular the selection and independence of the auditor and the quality of the audit. At least once a year, it discusses the effectiveness and operation of the internal control and risk management system, the internal auditing system and the Compliance Management System with the Board of Management. It receives regular reports on the work of internal auditing and the compliance organization. In addition, each member of the Audit Committee may obtain information directly from the heads of those corporate departments of the Company that are responsible within the Company for tasks relating to the Audit Committee in accordance with its Rules of Procedure via the Chairman of the Committee. The Chairman of the Committee shall communicate the information obtained to all members of the Audit Committee. If such information is obtained, the Board of Management shall be informed accordingly without delay.

At least quarterly, the Audit Committee receives the report of the BPO (Business Practices Office) whistleblowing system on complaints and information on possible violations of the rules by top executives and other employees according to a defined catalogue of statutory provisions. It regularly obtains information on the processing of the said complaints and information.

The Audit Committee discusses the interim financial reports and the information provided by the auditor about the review of the interim financial reports with the Board of Management and the auditor. On the basis of the opinion of the auditor, the Audit Committee reviews the annual Company Financial Statements, the annual Consolidated Financial Statements, and the Management Report with Non-Financial Declaration of the Company and the Group and discusses them together with the auditor. The Audit Committee submits its recommendations regarding the adoption of the Annual Financial Statements of Mercedes-Benz Group AG, the approval of the Consolidated Financial Statements, and the proposal for the appropriation of profits to the Supervisory Board. The Committee also makes recommendations on the proposal of the Supervisory Board for the election of the auditor, assesses the suitability, qualifications, and independence of the auditor, and, after appointment by the Annual General Meeting, engages the auditor for the audit of the Consolidated Financial Statements and the Annual Financial Statements as well as for the review of interim financial reports. In this respect, it also agrees on the fee and coordinates the key areas of the audit with the auditor.

The Chairman of the Audit Committee meets regularly with the auditor to discuss the progress of the audit and then reports to the Audit Committee on the results of these discussions. The Audit Committee also discusses topics with the auditor even in the absence of the Board of Management.

The auditor shall report to the Audit Committee on any and all accounting matters considered critical and on any material weaknesses in the internal control and risk management system relating to the accounting process identified during the audit. The Audit Committee also addresses reporting on non-financial topics in the Management Report.

Finally, the Audit Committee approves in advance permissible services that the auditors or their subsidiaries perform for Mercedes-Benz Group AG or its Group

companies and that are not directly related to the audit of the annual accounts (or the review of interim financial statements).

Transactions between the Company and related parties within the meaning of Section 111 b of the German Stock Corporation Act (AktG) require the prior approval of the Audit Committee, unless the law or a rule of the Supervisory Board stipulates that the approval of the plenary Supervisory Board or another committee is required.

Legal Affairs Committee

The Committee is composed of six members elected by the Supervisory Board by a majority of the votes cast. As of 31 December 2022, the members of the Committee are the shareholder representatives Olaf Koch (Chairman), Liz Centoni and Dame Polly Courtice as well as the employee representatives Ergun Lümali, Michael Häberle and Roman Romanowski. The Committee coordinates the exercising of the rights and obligations of the Supervisory Board with regard to the ongoing emission and cartel-related proceedings against the Company and Group companies. It prepares resolutions of the Supervisory Board in this regard and makes corresponding resolution recommendations. As part of the agreement in principle reached in 2020 with various US authorities to terminate civil and environmental proceedings in connection with emission control systems of certain diesel vehicles, the Committee was assigned further tasks and decision-making competences with regard to the fulfilment of the obligations assumed in the agreement in principle. The said other tasks include, inter alia, the steering and monitoring of the Post Settlement Audit Teams that were set up in the context of the agreement in principle.

Mediation Committee

By law, the Mediation Committee consists of the Chairman of the Supervisory Board, Dr Bernd Pischetsrieder, the Deputy Chairman of the Supervisory Board, Ergun Lümali, and two members elected by a majority of the votes cast, one by the employee representatives and one by the shareholder representatives on the Supervisory Board. As of 31 December 2022, they are Ben van Beurden for the shareholder side and Roman Zitzelsberger for the employee side. The Committee was established for the sole purpose of performing the task set out in Section 31 Subsection 3 of the German Co-Determination Act (MitbestG). As in previous years, the Mediation Committee had no reason to take action in the 2022 financial year.

German Act on the Equal Participation of Women and Men in Leadership Positions, as amended by the German Second Act on Leadership Positions

The requirements of the German Equal Participation of Women and Men in Leadership Positions Act are to be fulfilled at the Company level. The following information therefore relates to the Board of Management of Mercedes-Benz Group AG, two management levels of Mercedes-Benz Group AG below its Board of Management, and the Supervisory Board of Mercedes-Benz Group AG.

By resolution of 3 December 2020, the Supervisory Board of Mercedes-Benz Group AG set a target for the proportion of women on the Board of Management of at least 25% by 31 December 2025. Since August 2022, a legally mandated minimum participation requirement must be complied with when appointing members of the Board of Management. This requirement stipulates that at least one woman and at least one man must be a member of the Board of Management in listed companies with parity participation and more than three members on the Board of Management. Companies that are subject to the minimum proportion requirement are no longer obliged to set a target quota for the proportion of women on the board of management. Nevertheless, within the framework of the overall requirements profile for appointments to the Board of Management, the Supervisory Board has decided to go beyond the stipulations of the minimum proportion requirement and maintain the target quota for the proportion of women on the Board of Management that was set in 2020. As of 31 December 2022, three of the eight members of the Board of Management are women: Renata Jungo Brüngger, Sabine Kohleisen and Britta Seeger. The proportion of women on the Board of Management is now 37.5%, which means it exceeds the target that was set.

With 11.8% of women at the first (two women of a total of 17 executives) and 22.5% at the second level of management of Mercedes-Benz Group AG (16 women of a total of 71 executives) below the Board of Management at the time of the resolution, the Board of Management of Mercedes-Benz Group AG, by a resolution dated 25 November 2020, set a target for the proportion of women of at least 20% for the first and at least 25% for the second level below the Board of Management by

31 December 2025. As of 31 December 2022, the first level of management of Mercedes-Benz Group AG below the Board of Management consists of 13 executives, of whom one is a women, corresponding to a percentage of women of 7.6%. At the second level of management of Mercedes-Benz Group AG below the Board of Management, 17 out of a total of 50 executives are women as of 31 December 2022, corresponding to 34%.

The change in the total number of executives at the relevant management level of Mercedes-Benz Group AG between 25 November 2020 and 31 December 2022 is mainly due to the spin-off and hive-down of the Daimler commercial vehicles business that has meanwhile been carried out and the associated transfers to Daimler Truck.

Based on the assumption of a total of 13 executives at management level 1 of Mercedes-Benz Group AG as of 31 December 2025, the set target quota of at least 20% results in a target of 3 women for this level. Based on the assumption of a total of 50 executives at management level 2 of Mercedes-Benz Group AG as of 31 December 2025, the set target quota of 25% results in a target of 13 women for this level.

The Supervisory Boards of listed companies with equal representation must be composed of at least 30% women and at least 30% men. The quota is to be met by the Supervisory Board as a whole. If the representatives of the shareholders or the representatives of the employees object to the Chairman of the Supervisory Board prior to the election then the minimum share for this election shall be fulfilled separately by the shareholders and the employees. At the Supervisory Board meeting on 27 April 2022, the shareholder representatives objected to the overall fulfilment with regard to the election of employee representatives to the Supervisory Board in 2022/2023.

In the Supervisory Board of Mercedes-Benz Group AG, as of 31 December 2022, 40% of the members on the shareholder side (Sari Baldauf, Liz Centoni, Dame Polly Courtice and Professor Dr Helene Svahn) are women and 60% are men. The situation on the employee side at this time is 30% women (Nadine Boguslawski, Monika Tielsch and Elke Tönjes-Werner) and 70% men. As Sari Baldauf will leave the Supervisory Board by the end of the Annual General Meeting 2023, the Supervisory Board discussed at its meeting on 16 February 2023 the specific election proposal for her succession and, on the recommendation of the Nomination Committee, resolved to propose to the 2023 Annual General Meeting that Stefan Pierer be elected to the Supervisory Board for the first time. In the event of the election of the proposed candidate, the statutory quota for women remains fulfilled both on the shareholder side and for the Supervisory Board as a whole.

In addition to Mercedes-Benz Group AG itself, other Group companies are subject to co-determination and have set their own targets for the proportion of women on their respective Supervisory Boards and Boards of Management, and at the two levels below the Board of Management, as well as a deadline for achieving these targets, and have published them in accordance with the statutory requirements.

Overall profiles of requirements for the composition of the Board of Management and the Supervisory Board

With regard to the composition of the Board of Management and the Supervisory Board, Mercedes-Benz Group AG considers competence profiles and diversity concepts with regard to aspects such as age and gender. The Supervisory Board has combined these profiles and concepts in the overall profiles of requirements for the Board of Management and the Supervisory Board described below. The profiles of requirements are reviewed annually and also serve as a basis for long-term succession planning.

Board of Management

The objective of the profile of requirements for the Board of Management is to ensure that the composition of the Board of Management is as diverse and complementary as possible. The Board of Management as a whole shall possess the knowledge, skills, and experience necessary for the proper performance of its duties and at the same time embody the Company's management philosophy on the basis of the various personal backgrounds and skills of its members. The key factor for the decision on filling a specific board position is always the interest of the Company, taking any and all circumstances of the individual case into account.

The profile of requirements for the Board of Management remained the same in the reporting period as in the previous year and included the following aspects:

- The members of the Board of Management shall have **diverse educational and professional backgrounds**, preferably with at least two members with a technical background. As of 31 December 2022, the Board of Management comprises two graduate engineers, Markus Schäfer and Dr Jörg Burzer. Ola Källenius has demonstrated his technical expertise on a sustained basis since taking over the Group Research & Mercedes-Benz Cars Development department on 1 January 2017.
- On 3 December 2020, the Supervisory Board set a target for the **proportion of women** on the Board of Management of at least 25% by 31 December 2025. In August 2022, the previous statutory obligation to set a target quota for the proportion of women was replaced by a statutory minimum participation requirement of one woman (and one man) for boards of management consisting of more than three persons at listed companies with equal co-determination. Nevertheless, within the framework of the overall requirements profile for appointments to the Board of Management, the Supervisory Board has decided to go beyond the stipulations of the minimum proportion requirement and maintain the target quota for the proportion of women on the Board of Management that was set in 2020. As of 31 December 2022, three of the eight members of the Board of Management are women: Renata Jungo Brüngger, Sabine Kohleisen and Britta Seeger. The proportion of women on the Board of Management is now 37.5%, which means it exceeds the target that was set.

- For the **last possible age-related appointment or reappointment** of a member of the Board of Management, the completion of the 62nd year of life at the time of the beginning of a (new) term of office generally serves as a guideline. When determining this age limit, the Supervisory Board deliberately opted for a flexible benchmark in order to preserve the necessary leeway for appropriate decisions in individual cases. As of 31 December 2022, all eight members of the Board of Management fall below this standard age limit.
- In addition, attention shall be paid to a sufficient **generational mix** among the members of the Board of Management; if possible, at least three members of the Board of Management shall be 57 years of age or younger at the beginning of the relevant term of office. This applies to all members of the Board of Management in office as from 31 December 2022, with the exception of Sabine Kohleisen and Hubertus Troska.
- In the composition of the Board of Management, attention shall also be paid to **internationality** in the sense of different cultural backgrounds or international experience through several years of stays abroad; if possible, at least one member of the Board of Management shall be of international origin. Notwithstanding the many years of international experience of the vast majority of the members of the Board of Management, this goal had already been achieved by 31 December 2022, simply because of the international origins of Ola Källenius and Renata Jungo Brüngger and the focus of Hubertus Troska's activities in China.
- As a rule, and subject to disclosure of a deviation in the annual Declaration of Compliance with the German Corporate Governance Code, members of the Board of Management **shall not hold more than two mandates on Supervisory Boards in non-Group listed companies or comparable functions** and shall not chair a Supervisory Board of a non-Group listed company. For the purpose of the profile of requirements, mandates on Supervisory Boards in joint ventures, the performance of which is part of the departmental responsibility of a member of the Board of Management, are not considered to be comparable functions.

Of the non-Group memberships of Supervisory Boards and other Supervisory Bodies held by Hubertus Troska, only BAIC Motor Corporation Ltd. is listed on the stock exchange. With the exception of the mandate at Beijing

Foton Daimler Automotive Co., Ltd., his other mandates outside the Group are mandates in non-listed joint ventures within his departmental responsibility. In the opinion of the Supervisory Board, these mandates, as well as the mandate at Beijing Foton Daimler Automotive Co., Ltd., which is part of the Daimler Truck Group, do not pose any requirements comparable to mandates on supervisory boards of listed companies outside the Group in terms of the requirements profile. The same applies to the non-Group mandates of Markus Schäfer with the exception of the mandate at the listed Farasis Energy (Ganzhou) Co. Ltd. Markus Schäfer resigned from the latter mandate during the reporting period.

Of the non-Group memberships of Supervisory Boards and other Supervisory Bodies held by Britta Seeger, only Deutsche Lufthansa AG is listed on the stock exchange. In the opinion of the Supervisory Board, the other mandates outside the Group are mandates within the scope of her departmental responsibilities that, in terms of the profile of requirements, do not pose any demands comparable to a mandate on the Supervisory Board of a listed company outside the Group.

Renata Jungo Brüngger and Harald Wilhelm each hold two mandates on Supervisory Boards in non-Group listed companies, including Daimler Truck Holding AG. They are also both members of the Supervisory Board of the non-listed Daimler Truck AG, a wholly owned subsidiary of Daimler Truck Holding AG. The shareholder representatives on the Supervisory Boards of Daimler Truck Holding AG and Daimler Truck AG are identical. Against this background, in the opinion of the Supervisory Board, membership of the Supervisory Board of Daimler Truck AG does not impose any additional requirements comparable to the mandate at Daimler Truck Holding AG in terms of the profile of requirements. A deviation from the recommendation of the German Corporate Governance Code that members of boards of management of listed companies should not hold more than two mandates on supervisory boards in non-group listed companies or comparable functions and should not chair a supervisory board is stated and justified in the 2022 Declaration of Compliance, notwithstanding the assessments of the Supervisory Board for the purposes of the profile of requirements.

The criteria of the profile of requirements shall be taken into account when filling positions on the Board of Management. The Presidential Committee draws up a short-list of available candidates on the basis of a target profile, taking the specific qualification requirements and the requirements profile into account, it conducts interviews with them, and it then submits a candidate proposal to the Supervisory Board together with the reasons for its recommendation for the decision-making. The decisive factor is always the interest of the Company, in consideration of any and all circumstances of the individual case.

In the view of the Supervisory Board, fundamental individual suitability criteria for a position on the Board of Management are, in particular, personality, integrity, convincing leadership qualities, professional qualifications for the department to be taken over, past performance, knowledge of the Company, and the ability to adapt business models and processes in a changing world.

Together with the Board of Management, the Supervisory Board also ensures long-term succession planning for the Board of Management, with due consideration of the profile of requirements and the circumstances of the individual case. The Presidential Committee of the Supervisory Board regularly discusses talents and exceptional leaders of the Company. The contract terms and renewal options of current members of the Board of Management are discussed, as well as possible successors. On the basis of a potential analysis and in consideration of the criteria of the profile of requirements, executives from the management level below the Board of Management as well as special high potentials are assessed and the next development steps are discussed and determined together with the Board of Management. The process of succession planning also includes regular reporting by the Board of Management on the proportion and development of female managers, especially at the first and second management levels below the Board of Management. The Board of Management is responsible for proposing a sufficient number of suitable candidates to the Supervisory Board. Mercedes-Benz Group AG aims to predominantly fill positions on the Board of Management with managers developed within the Company. Nevertheless, potential external candidates are also evaluated and included in the selection process on a case-by-case basis, with the support of external recruitment consultancy firms.

Supervisory Board

The Supervisory Board as a whole must be familiar with the industry in which the Company operates.

The aim of the profile of requirements for the Supervisory Board in its entirety is also to ensure that the composition of the Supervisory Board is as diverse and complementary as possible. The Supervisory Board shall, as a whole, understand the business model of the Company and possess the knowledge, skills, and experience necessary to properly provide qualified supervision and advice to the Board of Management. The Supervisory Board has updated and sharpened its profile of requirements in line with the recommendations contained in the most recent version of the German Corporate Governance Code, among other things with regard to the recommendation that sustainability expertise be fully incorporated into the competence profile for the Supervisory Board and that the status of implementation of this competence profile in the form of a qualification matrix be disclosed in the Declaration on Corporate Governance.

Overall, the members of the Supervisory Board shall complement one another in terms of their expertise and professional experience in such a way that the Board as a whole can draw on the broadest possible pool of experience and diverse specialist knowledge. Furthermore, the Supervisory Board considers the diversity of its members in terms of age, gender, internationality and other personal characteristics as an important prerequisite for an effective working relationship. The decision of the Supervisory Board on the election proposal to the Annual General Meeting shall always be based on the interests of the Company, taking any and all circumstances of the individual case into account.

The updated profile of requirements for the Supervisory Board includes the following aspects:

- **Standard limit of membership duration**
As a rule, only candidates who have not already been members of the Supervisory Board for 12 years at the time of their (re-)election shall be proposed for election to the Supervisory Board for a full term of office. On 31 December 2022, this requirement was fulfilled for all members of the Supervisory Board in office.
- **Diversity**
 - **Gender ratio:** By law, at least 30% of the members of the Supervisory Board must be women and at least 30% must be men. The quota is to be met by the Supervisory Board as a whole, unless the representatives of the shareholders or the representatives of the employees object to the overall fulfilment. If such an objection is made, then the minimum proportion

for the next election in the given case is to be fulfilled separately by the shareholder side and the employee side. As of 31 December 2022, there are four women on the side of the shareholders and three women on the side of the employees. This puts the proportion of women on the side of the shareholders at 40% and on the side of the employees at 30%. The proportion of women for the Supervisory Board as a whole is 35%.

- **Generational mix:** In addition, attention shall be paid to a sufficient generational mix amongst the members of the Supervisory Board. At least 30% of the members of the Supervisory Board shall be no more than 62 years of age at the time of their election or re-election. Except for Dr Bernd Pischetsrieder, Dame Polly Courtice and Marco Gobetti, all other members (17 members, or more than 30%) of the Supervisory Board in office on 31 December 2022 were aged 62 or younger at the time of their election or re-election for the current term of office.
- **Internationality:** At least 30% of shareholder representatives shall be of international origin (non-German citizenship) or have international experience. All shareholder representatives in office on 31 December 2022 have international experience. Moreover, the target has already been exceeded simply because of the international background of six shareholder representatives — Sari Baldauf, Ben van Beurden, Liz Centoni, Dame Polly Courtice, Marco Gobetti and Professor Dr Helene Svahn — who together account for 60% of the shareholder representatives.
- **Educational and professional background:** The members of the Supervisory Board should have different educational and professional backgrounds. As of 31 December 2022, the members of the Supervisory Board display a broad range of educational and professional backgrounds. Dr Bernd Pischetsrieder, Ben van Beurden, Dr Martin Bruder Müller, Liz Centoni, Prof. Dr Helene Svahn, Dr Frank Weber and Roman Zitzelsberger have university degrees in mechanical engineering, chemistry, biotechnology and/or electrical engineering. Other employee representatives have completed relevant professional training. On the shareholder side, Timotheus Höttges, Olaf Koch and Sari Baldauf have university degrees in economics, and Michael Bettag on the employee side also holds such a degree. The diverse range of educational and

professional backgrounds is rounded out on the shareholder side by Dame Polly Courtice and Marco Gobetti, who are proven experts in the areas of sustainability and the luxury goods segment, respectively, while the employee side of the Supervisory Board includes a lawyer, a social economist and a process manager.

- **Formal suitability**

- **Independence:** In order to ensure independent advice to and supervision of the Board of Management by the Supervisory Board, more than half of the shareholder representatives on the Supervisory Board shall be independent of the Company and the Board of Management, subject to the disclosure of a deviation from the corresponding recommendation of the German Corporate Governance Code in the Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG).

A shareholder representative on the Supervisory Board shall be independent of the Company and its Board of Management if he or she has no personal or business relationship with the Company or its Board of Management that could give rise to a material and not merely temporary conflict of interests. The assessment of independence is incumbent on the shareholder representatives on the Supervisory Board themselves. In this respect, four indicators must be taken into account that may point to a lack of independence: membership of the Board of Management within the last two years prior to the appointment as a member of the Supervisory Board; a significant business relationship with the Company or a company dependent on it, e.g. as a customer, supplier, lender or consultant; a close family relationship to a member of the Board of Management; membership of the Supervisory Board for more than twelve years (all criteria relate to both the members of the Supervisory Board and their close family members). However, the shareholder side is expressly at liberty to regard the member of the Supervisory Board in question as independent even if one or even several negative indicators are fulfilled — however this assessment should then be substantiated in the Declaration on Corporate Governance.

On the basis of the information known to the Supervisory Board, the shareholder representatives are of the opinion that there are no specific indications of relevant personal or business relationships or circumstances, in particular with regard to the Company or members of the Board of Management or other members of the Supervisory Board, that could constitute a material and not merely temporary conflict of interests and therefore argue against the independence of any member of the Supervisory Board on the shareholder side. During the reporting period, the shareholder representatives Ben van Beurden, Dr Martin Brudermüller, Liz Centoni, and Timotheus Höttges in particular do not have any such material business relationship with Mercedes-Benz Group AG or any company dependent on Mercedes-Benz Group AG (e.g. as a supplier, customer, lender or consultant) in a responsible function of a company outside the Group. No former member of the Board of Management was a member of the Supervisory Board during the reporting period. No member of the Supervisory Board holds board functions or performs advisory tasks for significant competitors.

No other mandates formerly held by Dr Bernd Pischetsrieder could be seen during the reporting period as constituting a material and not merely temporary conflict of interest.

Sari Baldauf has been a member of the Supervisory Board for more than twelve years. Nevertheless, the shareholder representatives on the Supervisory Board are convinced that she has always maintained the necessary critical distance from the Board of Management of Mercedes-Benz Group AG during the reporting period, as well as the required clear, alert and critical view in her supervision of the Board of Management. Her conduct in office demonstrates that she fulfils her office as a member of the Supervisory Board and the Nomination Committee in an exemplary manner. In addition, her many years of experience and expertise are essential for the Supervisory Board to fulfil its role as a critical overseer and at the same time an authoritative and trustworthy advisor to the Board of Management.

As a result, according to the assessment of the shareholders' side, at 31 December 2022, all shareholder representatives on the Supervisory Board were to be deemed to be independent, namely Dr Bernd

Pischetsrieder, Sari Baldauf, Ben van Beurden, Dr Martin Brudermüller, Liz Centoni, Dame Polly Courtice, Marco Gobetti, Timotheus Höttges, Olaf Koch and Professor Dr Helene Svahn.

- **Standard age limit:** As a rule, only candidates who are not older than 72 years at the time of their (re-) election shall be proposed for election to the Supervisory Board for a full term of office. Upon the establishment of this age limit, the Supervisory Board deliberately decided against a rigid maximum age limit and in favour of a flexible standard limit that preserves the necessary leeway for an appropriate assessment of the circumstances of the individual case, that defines the group of potential candidates in a sufficiently broad manner, and that also allows for re-election. None of the members of the Supervisory Board in office on 31 December 2022 exceeded the standard age limit at the time of their election.
- **Expertise and experience**
 - **Two finance experts:** At least one member of the Audit Committee must have expertise in the field of accounting and at least one other member must have expertise in the audit of financial statements. Expertise in the field of accounting should involve specialized knowledge of and experience with the use of accounting principles and internal control and risk management systems, while expertise in relation to the audit of financial statements must also involve specialized knowledge of and experience with the same. In addition, specialized knowledge of and experience with financial reporting and financial statement auditing shall include sustainability reporting and the audit of sustainability reports. On the shareholder side, the Audit Committee has two finance experts as members — Olaf Koch and Timotheus Höttges — whose current or past relevant duties at (listed) companies, as well as continuing education activities, ensure they have specialized knowledge of and experience with accounting and the audit of financial statements. The same applies to their specialized knowledge of and experience with sustainability reporting and the audit of sustainability reports. Further details on the expertise of the two finance experts can be found in the information on the composition and working method of the Audit Committee in this Declaration on Corporate Governance.

– **Other special areas of expertise:** The Supervisory Board shall, as a whole, possess expertise and experience in areas of particular relevance to the Company. At least three members of the Supervisory Board shall bring knowledge and experience in each of the following areas:

- Finance (e.g. accounting, controlling, risk management, auditing, M&A)
- Strategy
- Digitalization/IT (e.g. software, processes, data security)
- Transformation (e.g. products, working models)
- Human resources (e.g. human resources management, employee issues, world of work)
- Sustainability/ESG (in particular: the environment: green production and logistics, climate and decarbonization strategy; social: people plan, sustainable supply chains; governance: sustainable corporate governance, sustainable finance)
- Industry (e.g. production, procurement)
- Innovation, research and development, technology
- Sales/brands
- Capital markets

The specification examples in the parentheses for the areas shown above are not complete; in addition, expertise does not have to be demonstrated for every specified item in the parentheses for each area.

On the basis of the qualification matrix (Figure C.01), the Supervisory Board as a whole in its current composition meets the defined requirements pertaining to its expertise/experience. More than three members of the Supervisory Board have relevant knowledge and/or experience in each of the areas of expertise shown above. The explanations shown below regarding the members of the Supervisory Board who are mentioned by name should therefore be viewed as examples.

In the area of **finance**, Ben van Beurden and Dr Martin Bruder Müller in particular possess special expertise, as do the two finance experts Olaf Koch and Timotheus Höttges and the other members of the Audit Committee — Ergun Lümali and Michael Brecht.

With regard to **strategy**, Dr Bernd Pischetsrieder in particular has proven sector-specific strategy expertise as a result of his previous professional experience. In terms of the corporate strategy that is geared towards sustainability and the luxury vehicle segment, the ESG expertise of Dame Polly Courtice, as well as Marco Gobetti's experience in the luxury-goods industry, deserve special mention. In addition, Roman Zitzelsberger and Ergun Lümali in particular have extensive experience with strategy issues — Roman Zitzelsberger due to the mandates he has held in various supervisory boards and Ergun Lümali due to the many years he has served on the Company's Supervisory Board.

In the area of **digitalization/IT**, Liz Centoni and Timotheus Höttges, among others, are able to contribute expertise and experience gained through their professional activities at Cisco and Deutsche Telekom, respectively. The same can be said for Monika Tielsch due to her activity as a works council member in the R&D unit, where the MB.OS operating system is being developed.

Dr Martin Bruder Müller and Ben van Beurden in particular have extensive expertise in the area of **transformation**. Both continue to push ahead with the process of transformation at the companies where they serve as chairman of the board of management. In their capacity as works council chairmen at key Mercedes-Benz production plants, both Ergun Lümali and Michael Häberle use their expertise to help manage the transformation at the Mercedes-Benz Group.

Sari Baldauf in particular possesses sound knowledge of **human resources** due to her extensive previous professional experience in this area, and she has contributed her knowledge as a Board member, especially as a member of the Nomination Committee. Dr Frank Weber also possesses expertise in the area of human resources, as he has served for many years as Chairman of the Management Representative Committee at the Mercedes-Benz Group. The knowledge and experience of the IG Metall (German Metalworkers' Union) representatives Nadine Boguslawski, Roman Romanowski and Roman Zitzelsberger in the area of human resources has also proved valuable for the work conducted by the Supervisory Board.

In the area of **sustainability/ESG**, Dame Polly Courtice contributes the expertise she has gained in ESG matters as a result of having served for many years as Director of the University of Cambridge Institute for Sustainability Leadership. Dr Martin Bruder Müller, Ben van Beurden and Timotheus Höttges in particular contribute to the Supervisory Board their knowledge of and experience with environmental (E) issues. All of them deal extensively with sustainability issues (in particular those relating to climate protection and decarbonization) at the companies in which they serve as chairman of the board of management. Dame Polly Courtice and in particular the employee representatives on the Supervisory Board possess expertise in the fields shown above that relate to the social (S) component of ESG. With regard to governance (G), Olaf Koch and Roman Romanowski contribute to the Supervisory Board the expertise they have gained throughout their professional careers.

In the area of **industry**, Dr Bernd Pischetsrieder in particular has extensive sector-specific knowledge that he has gained as a member of the Supervisory Board as well as through the many years he served in executive positions at other companies in the automotive industry. Dr Martin Bruder Müller's many years of experience in the chemical industry also deserves special mention here. In addition, Ergun Lümali possesses expertise relevant to the area of industry due to the many years he has spent as Chairman of the Works Council at the Mercedes-Benz Sindelfingen plant.

With regard to **innovation, research and development**, the proven expertise of Prof. Dr Helene Svahn deserves to be especially highlighted. Liz Centoni also possesses specialized knowledge in this area due to the many years she has spent in executive positions at Cisco. Finally, Monika Tielsch and Michael Häberle, among others, also contribute to the Supervisory Board the expertise they have gained in this area throughout their careers.

Dr Bernd Pischetsrieder possesses extensive sector-specific knowledge in the area of **sales/brands**, and Marco Gobetti contributes his extensive brand expertise to the work conducted by the Supervisory Board. Michael Bettag has many years of experience in sales.

The area of **capital markets** is extremely well covered by Dr Bernd Pischetsrieder, Dr Martin Bruder Müller, Ben van Beurden, Olaf Koch and Timotheus Höttges in particular, as all of them serve or have served as chairmen of listed companies.

Ergun Lümali and Michael Brecht, among others, also possess expertise with regard to capital markets after having served as members of the Supervisory Board for many years.

C.01

	Dr Bernd Pischetsrieder	Sari Baldauf	Ben van Beurden	Dr Martin Bruder Müller	Liz Centoni
Tenure					
Joined board in	2014	2008	2021	2021	2021
Term limit not breached	✓	✓	✓	✓	✓
Diversity					
Gender	Male	Female	Male	Male	Female
Year of birth	1948	1955	1958	1961	1964
Nationality	German	Finnish	Dutch	German	US
International experience ¹	✓	✓	✓	✓	✓
Educational and professional background	Mechanical engineering	Business administration	Chemical engineering	Chemistry	Chemistry /MBA/ software engineering
Formal suitability					
Independence ²	✓	✓	✓	✓	✓
Age limit not breached	✓	✓	✓	✓	✓
Competencies/experience					
Finance (e.g. accounting, controlling, risk management, audit, M&A)					
	✓	✓	✓	✓	✓
Strategy					
	✓	✓	✓	✓	✓
Digitalization/IT (e.g. software, processes, data protection)					
		✓	✓	✓	✓
Transformation (e.g. product, working models)					
	✓	✓	✓	✓	✓
HR (e.g. Personnel management, employee matters, working environment)					
	✓	✓	✓	✓	✓
Sustainability/ESG⁴					
	✓	✓	✓	✓	✓
Industry (e.g. production, procurement)					
	✓		✓	✓	
Innovation, research & development, technology					
	✓	✓	✓	✓	✓
Sales/brand					
	✓				✓
Capital market					
	✓	✓	✓	✓	

1 Only relevant for shareholder representatives.

2 Within the meaning of the DCGK (German Corporate Governance Code); only relevant for shareholder representatives.

4 Especially: environment: green production and logistics, climate and decarbonization strategy; social: People Plan, sustainable supply chains; governance: sustainable corporate governance, sustainable finance.

	Dame Polly Courtice	Marco Gobbetti	Timotheus Höttges	Olaf Koch	Prof. Dr Helene Svahn
Tenure					
Joined board in	2022	2022	2020	2021	2021
Term limit not breached	✓	✓	✓	✓	✓
Diversity					
Gender	Female	Male	Male	Male	Female
Year of birth	1952	1958	1962	1970	1974
Nationality	British / South African	Italian	German	German	Swedish
International experience ¹	✓	✓	✓	✓	✓
Educational and professional background	History/marketing/sustainability	International management/sales	Business administration / MBA	Business administration	Biotechnology / electrical engineering
Formal suitability					
Independence ²	✓	✓	✓	✓	✓
Age limit not breached	✓	✓	✓	✓	✓
Competencies/experience					
Finance (e.g. accounting, controlling, risk management, audit, M&A)					
		✓	✓ ³	✓ ³	✓
Strategy	✓	✓	✓	✓	✓
Digitalization/IT (e.g. software, processes, data protection)					
			✓	✓	
Transformation (e.g. product, working models)					
	✓	✓	✓	✓	✓
HR (e.g. Personnel management, employee matters, working environment)					
	✓	✓	✓	✓	✓
Sustainability/ESG⁴					
	✓	✓	✓	✓	✓
Industry (e.g. production, procurement)					
					✓
Innovation, research & development, technology					
	✓	✓	✓	✓	✓
Sales/brand					
	✓	✓	✓	✓	
Capital market					
		✓	✓	✓	✓

1 Only relevant for shareholder representatives.

2 Within the meaning of the German Corporate Governance Code; only relevant for shareholder representatives.

3 Finance expert in accordance with Section 100 Subsection 5 of the German Stock Corporation Act (AktG), Recommendation D.3 DC (German Corporate Governance Code).

4 Especially: environment: green production and logistics, climate and decarbonization strategy; social: people plan, sustainable supply chains; governance: sustainable corporate governance, sustainable finance.

	Ergun Lümali	Michael Bettag	Nadine Boguslawski	Michael Brecht	Michael Häberle
Tenure					
Joined board in	2014	2015	2021	2012	2018
Term limit not breached	✓	✓	✓	✓	✓
Diversity					
Gender	Male	Male	Female	Male	Male
Year of birth	1962	1961	1977	1965	1969
Nationality	German	German	German	German	German
Educational and professional background	Construction mechanics / compensation and service policy	Business management	Electronics engineer	Automotive fitter / management	Mechanical engineering / business administration
Formal suitability					
Age limit not breached	✓	✓	✓	✓	✓
Competencies/experience					
Finance (e.g. accounting, controlling, risk management, audit, M&A)					
	✓	✓		✓	✓
Strategy					
	✓	✓	✓	✓	✓
Digitalization/IT (e.g. software, processes, data protection)					
Transformation (e.g. product, working models)					
	✓	✓	✓	✓	✓
HR (e.g. Personnel management, employee matters, working environment)					
	✓	✓	✓	✓	✓
Sustainability/ESG⁴					
	✓	✓	✓	✓	✓
Industry (e.g. production, procurement)					
	✓		✓	✓	✓
Innovation, research & development, technology					
	✓		✓		✓
Sales/brand					
		✓		✓	
Capital market					
	✓			✓	

4 Especially: environment: green production and logistics, climate and decarbonization strategy; social: people plan, sustainable supply chains; governance: sustainable corporate governance, sustainable finance.

	Roman Romanowski	Monika Tielsch	Elke Tøjnes-Werner	Dr Frank Weber	Roman Zitzelsberger
Tenure					
Joined board in	2021	2021	2013	2013	2015
Term limit not breached	✓	✓	✓	✓	✓
Diversity					
Gender	Male	Female	Female	Male	Male
Year of birth	1974	1967	1963	1961	1966
Nationality	German	German	German	German	German
Educational and professional background	Lawyer	Socioeconomics / mediation	Process manager	Mechanical engineering / production	Mechanical engineering / management
Formal suitability					
Age limit not breached	✓	✓	✓	✓	✓
Competencies/experience					
Finance (e.g. accounting, controlling, risk management, audit, M&A)					
	✓			✓	✓
Strategy	✓	✓	✓	✓	✓
Digitalization/IT (e.g. software, processes, data protection)					
	✓	✓	✓	✓	
Transformation (e.g. product, working models)					
	✓	✓	✓	✓	✓
HR (e.g. Personnel management, employee matters, working environment)					
	✓	✓	✓	✓	✓
Sustainability/ESG⁴					
	✓	✓	✓	✓	✓
Industry (e.g. production, procurement)					
		✓	✓	✓	✓
Innovation, research & development, technology					
		✓		✓	✓
Sales/brand					
		✓			
Capital market					
					✓

⁴ Especially: environment: green production and logistics, climate and decarbonization strategy; social: people plan, sustainable supply chains; governance: sustainable corporate governance, sustainable finance.

Proposals by the Supervisory Board for the election of shareholder representatives by the Annual General Meeting, for which the Nomination Committee makes recommendations, shall take the aspects outlined above into account and aim to fill the profile of requirements for the Board as a whole. The Nomination Committee shall draw up a short-list of available candidates on the basis of a target profile, taking the specific qualification requirements and the aforementioned criteria into account, hold structured discussions with them and, whilst doing so, also obtain assurances that the proposed candidate has sufficient time to be able to exercise the mandate with due diligence. Subsequently, the Nomination Committee submits a candidate proposal to the Supervisory Board together with the reasons for its recommendation for decision-making. The decision of the Supervisory Board on the election proposal to the Annual General Meeting shall always be based on the interests of the Company, taking any and all circumstances of the individual case into account.

Stefan Pierer who will be proposed to the General Meeting 2023 for election for the first time meets and strengthens the Supervisory Board's requirement profile. The Supervisory Board is convinced that Stefan Pierer will strongly support the Company's transformation with his in-depth industry know-how and his expertise in product and brand development.

The terms of office of the shareholder representatives on the Supervisory Board of Mercedes-Benz Group AG end at different times ("staggered board"). Every year, the Annual General Meeting elects one or more shareholder representatives. The staggered board opens up the possibility of adapting the composition of the Supervisory Board more flexibly to a changing environment. In addition, it facilitates the search for suitable candidates, because not all seats on the shareholder side have to be filled at a single Annual General Meeting. The Nomination Committee of the Supervisory Board regularly reviews which mandates end at which point in time and whether the relevant mandate holders are eligible and willing to serve a further term of office, taking the aforementioned criteria into account. In the search for new candidates, the Nomination Committee relies on independent external recruitment consultancy services.

Shareholders and Annual General Meeting

The shareholders exercise their membership rights, in particular their voting rights, at the Annual General Meeting. Each share of Mercedes-Benz Group AG entitles the holder to one vote. Documents and information about the Annual General Meeting are available at [🌐 group.mercedes-benz.com/am](https://group.mercedes-benz.com/am).

As part of our comprehensive investor relations and public relations work, we are in close contact with our shareholders. We inform shareholders, financial analysts, shareholder associations, the media, and the interested public comprehensively and regularly about the situation of the Company and inform them immediately of any significant changes in the business. The Chairman of the Supervisory Board is also prepared, within reason, to hold discussions with investors on topics specific to the Supervisory Board.

In addition to other communication channels, we make intensive use of the website of the Company for our investor relations work. All key information published in the 2022 financial year, including annual, quarterly and half-yearly financial reports, press releases, voting rights notifications by major shareholders, presentations and audio recordings from analyst and investor events and conference calls, as well as the financial calendar, are available at [🌐 group.mercedes-benz.com/investors](https://group.mercedes-benz.com/investors). The dates of important publications, such as the annual report and interim financial reports, as well as the dates of the Annual General Meeting, the annual press conference and analysts' conferences are announced well in advance in the financial calendar.



EQE SUV

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Consolidated Statement of Income

D.01

	Note	2022	2021
In millions of euros			
Revenue	5	150,017	133,893
Cost of sales	6	-115,997	-103,218
Gross profit		34,020	30,675
Selling expenses	6	-9,482	-9,194
General administrative expenses	6	-2,584	-2,808
Research and non-capitalised development costs	6	-5,602	-5,467
Other operating income	7	3,323	2,888
Other operating expense	7	-1,289	-1,735
Gains/losses on equity-method investments, net	14	1,732	1,352
Other financial income/expense, net	8	340	317
Earnings before interest and taxes (EBIT)	35	20,458	16,028
Interest income	9	273	212
Interest expense	9	-427	-429
Profit from continuing operations before taxes		20,304	15,811
Income taxes	10	-5,495	-4,761
Profit from continuing operations		14,809	11,050
Profit/loss from discontinued operations after taxes		-	12,346
Net profit		14,809	23,396
thereof profit attributable to non-controlling interests		308	390
thereof profit attributable to shareholders of Mercedes-Benz Group AG		14,501	23,006
thereof from continuing operations		14,501	10,695
thereof from discontinued operations		-	12,311
Earnings per share (in euros)			
For profit attributable to shareholders of Mercedes-Benz Group AG	37		
Basic		13.55	21.50
thereof from continuing operations		13.55	10.00
thereof from discontinued operations		-	11.50
Diluted		13.55	21.50
thereof from continuing operations		13.55	10.00
thereof from discontinued operations		-	11.50

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

Consolidated Statement of Comprehensive Income/Loss

D.02

	2022	2021
In millions of euros		
Net profit	14,809	23,396
Currency translation adjustments (restated)	297	3,120
Debt instruments		
Unrealized gains/losses pre-tax	-47	-4
Taxes on unrealized gains/losses and on reclassifications	14	-
Debt instruments after tax	-33	-4
Derivative financial instruments		
Unrealized gains/losses pre-tax	877	-1,765
Reclassifications to profit and loss pre-tax	1,489	537
Taxes on unrealized gains/losses and on reclassifications	-688	362
Derivative financial instruments after tax	1,678	-866
Gains/losses on equity-method investments		
Unrealized gains/losses pre-tax	200	-
Taxes on unrealized gains/losses and on reclassifications	-12	-
Gains/losses on equity-method investments after tax	188	-
Items that may be reclassified to profit/loss (restated)	2,130	2,250
Equity instruments		
Unrealized gains/losses pre-tax	-440	64
Taxes on unrealized gains/losses and on reclassifications	43	-18
Equity instruments after tax	-397	46
Actuarial gains/losses from pensions and similar obligations		
Actuarial gains/losses from pensions and similar obligations pre-tax	3,558	4,702
Taxes on actuarial gains/losses from pensions and similar obligations	-1,240	-1,122
Actuarial gains/losses from pensions and similar obligations after tax	2,318	3,580
Gains/losses on equity-method investments		
Unrealized gains/losses pre-tax	430	-
Taxes on unrealized gains/losses and on reclassifications	-144	-
Gains/losses on equity-method investments after tax	286	-
Items that will not be reclassified to profit/loss	2,207	3,626
Other comprehensive income/loss after taxes (restated)	4,337	5,876
thereof income/loss attributable to non-controlling interests after taxes	-32	75
thereof income/loss attributable to shareholders of Mercedes-Benz Group AG after taxes (restated)	4,369	5,801
Total comprehensive income (restated)	19,146	29,272
thereof income/loss attributable to non-controlling interests	276	465
thereof income/loss attributable to shareholders of Mercedes-Benz Group AG (restated)	18,870	28,807

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

Consolidated Statement of Financial Position

D.03

At 31 December

2022 2021

In millions of euros

Assets			
Intangible assets	11	15,869	15,005
Property, plant and equipment	12	27,250	27,859
Equipment on operating leases	13	41,552	44,471
Equity-method investments	14	13,530	13,588
Receivables from financial services	15	48,237	46,955
Marketable debt securities and similar investments	16	823	873
Other financial assets	17	4,478	3,181
Deferred tax assets	10	3,725	3,434
Other assets	18	1,677	1,536
Total non-current assets		157,141	156,902
Inventories	19	25,621	21,466
Trade receivables	20	8,100	7,673
Receivables from financial services	15	37,312	33,670
Cash and cash equivalents		17,679	23,120
Marketable debt securities and similar investments	16	6,237	6,706
Other financial assets	17	3,453	3,079
Other assets	18	4,472	4,073
Assets held for sale	3	-	3,142
Total current assets		102,874	102,929
Total assets		260,015	259,831

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	At 31 December	
	2022	2021
In millions of euros		
Equity and liabilities		
Share capital	3,070	3,070
Capital reserves	11,718	11,723
Retained earnings (restated)	67,695	55,926
Other reserves (restated)	2,932	1,232
Treasury shares	-	-
Equity attributable to shareholders of Mercedes-Benz Group AG	85,415	71,951
Non-controlling interests	1,125	1,216
Total equity	21 86,540	73,167
Provisions for pensions and similar obligations	23 1,021	5,359
Provisions for other risks	24 6,438	7,909
Financing liabilities	25 62,051	73,543
Other financial liabilities	26 2,524	1,808
Deferred tax liabilities	10 6,910	4,488
Deferred income	27 1,234	1,175
Contract and refund liabilities	28 3,656	3,980
Other liabilities	29 1,238	727
Total non-current liabilities	85,072	98,989
Trade payables	12,204	10,655
Provisions for other risks	24 9,585	8,053
Financing liabilities	25 49,786	52,300
Other financial liabilities	26 5,404	5,997
Deferred income	27 1,391	1,486
Contract and refund liabilities	28 6,898	5,929
Other liabilities	29 3,135	3,086
Liabilities held for sale	3 -	169
Total current liabilities	88,403	87,675
Total equity and liabilities	260,015	259,831

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

Consolidated Statement of Cash Flows

D.04

	2022	2021
In millions of euros		
Profit from continuing operations before taxes (2021: Profit from continuing and discontinued operations before taxes)	20,304	28,775
Depreciation and amortisation/impairments	6,521	6,980
Other non-cash expense and income	-1,296	-11,503
Gains (-)/losses (+) from disposals of assets	-990	-695
Change in operating assets and liabilities		
Inventories	-4,111	-2,561
Trade receivables and trade payables	1,029	1,694
Receivables from financial services	-5,327	3,879
Vehicles on operating leases	3,810	1,428
Other operating assets and liabilities	358	-1,261
Dividends received from equity-method investments	1,605	1,625
Income taxes paid	-5,009	-3,812
Cash flow from operating activities	16,894	24,549
Additions to property, plant and equipment	-3,481	-4,579
Additions to intangible assets	-3,418	-2,741
Proceeds from disposals of property, plant and equipment and intangible assets	469	826
Investments in shareholdings	-849	-573
Proceeds from disposals of shareholdings and other business operations	3,337	793
Acquisition of marketable debt securities and similar investments	-2,622	-5,694
Proceeds from sales of marketable debt securities and similar investments	3,084	4,385
Repayment of financing of Daimler's commercial vehicles business	-	6,853
Cash and cash equivalents disposed of from the deconsolidation of Daimler's commercial vehicles business	-	-5,489
Other	27	-7
Cash flow from investing activities	-3,453	-6,226
Change in short-term financing liabilities	172	1,463
Additions to long-term financing liabilities	38,429	42,196
Repayment of long-term financing liabilities	-51,945	-60,859
Dividend paid to shareholders of Mercedes-Benz Group AG	-5,349	-1,444
Dividends paid to non-controlling interests	-320	-366
Other	-19	-49
Cash flow from financing activities	-19,032	-19,059
Effect of foreign exchange rate changes on cash and cash equivalents	88	870
Net increase/decrease in cash and cash equivalents	-5,503	134
Cash and cash equivalents at beginning of period	23,182	23,048
Cash and cash equivalents at end of period	17,679	23,182
Less cash and cash equivalents classified as assets held for sale at end of year	-	62
Cash and cash equivalents at end of period (Consolidated Statement of Financial Position)	17,679	23,120

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

Consolidated Statement of Changes in Equity

D.05

In millions of euros	Share capital	Capital reserves	Retained earnings (restated)	Currency translation (restated)	Other reserves Equity instruments/ debt instruments
Balance at 1 January 2021 (restated)	3,070	11,551	46,948	-1,353	206
Net profit	-	-	23,006	-	-
Other comprehensive income/loss before taxes	-	-	4,702	3,044	61
Deferred taxes on other comprehensive income	-	-	-1,122	-	-18
Total comprehensive income/loss	-	-	26,586	3,044	43
Dividends	-	-	-1,444	-	-
Changes from the spin-off and hive-down of Daimler's commercial vehicle business	-	-	-16,253	-	-
Acquisition of treasury shares	-	-	-	-	-
Issue and disposal of treasury shares	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	172	-	-	-
Other	-	-	89	-	-47
Balance at 31 December 2021 (restated)	3,070	11,723	55,926	1,691	202
Balance at 1 January 2022 (restated)	3,070	11,723	55,926	1,691	202
Net profit	-	-	14,501	-	-
Other comprehensive income/loss before taxes	-	-	3,991	470	-489
Deferred taxes on other comprehensive income	-	-	-1,383	-	55
Total comprehensive income/loss	-	-	17,109	470	-434
Dividends	-	-	-5,349	-	-
Changes in the consolidated group	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-
Issue and disposal of treasury shares	-	-	-	-	-
Other	-	-5	9	-	-9
Balance at 31 December 2022	3,070	11,718	67,695	2,161	-241

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

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Derivative financial instruments	Treasury share	Equity attributable to shareholders of Mercedes-Benz Group AG (restated)	Non-controlling interests	Total equity (restated)	
In millions of euros					
269	-	60,691	1,557	62,248	Balance at 1 January 2021 (restated)
-	-	23,006	390	23,396	Net profit
-1,228	-	6,579	75	6,654	Other comprehensive income/loss before taxes
362	-	-778	-	-778	Deferred taxes on other comprehensive income
-866	-	28,807	465	29,272	Total comprehensive income/loss
-	-	-1,444	-366	-1,810	Dividends
-	-	-16,253	-502	-16,755	Changes from the spin-off and hive-down of Daimler's commercial vehicle business
-	-48	-48	-	-48	Acquisition of treasury shares
-	48	48	-	48	Issue and disposal of treasury shares
-	-	172	13	185	Changes in ownership interests in subsidiaries
-64	-	-22	49	27	Other
-661	-	71,951	1,216	73,167	Balance at 31 December 2021 (restated)
-661	-	71,951	1,216	73,167	Balance at 1 January 2022 (restated)
-	-	14,501	308	14,809	Net profit
2,425	-	6,397	-32	6,365	Other comprehensive income/loss before taxes
-700	-	-2,028	-	-2,028	Deferred taxes on other comprehensive income
1,725	-	18,870	276	19,146	Total comprehensive income/loss
-	-	-5,349	-340	-5,689	Dividends
-	-	-	-29	-29	Changes in the consolidated group
-	-48	-48	-	-48	Acquisition of treasury shares
-	48	48	-	48	Issue and disposal of treasury shares
-52	-	-57	2	-55	Other
1,012	-	85,415	1,125	86,540	Balance at 31 December 2022

Notes to the Consolidated Financial Statements

1. Significant accounting policies

General information

The Mercedes-Benz Group is a vehicle manufacturer with a worldwide product range of premium cars. Its product portfolio is rounded off by a range of financial services and mobility services. Mercedes-Benz Group AG is the parent company of the Mercedes-Benz Group.

Following approval by the Extraordinary General Meeting on 1 October 2021, the former Daimler AG was renamed Mercedes-Benz Group AG effective 29 January 2022. The commercial register entry took place on 1 February 2022.

Mercedes-Benz Group 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 Mercedes-Benz Group AG are presented in euros (€). Unless otherwise stated, all amounts are stated in millions of euros. All figures shown are rounded.

The Board of Management of Mercedes-Benz Group AG authorized the Consolidated Financial Statements for publication on 13 March 2023.

Basis of preparation

Applied IFRS

The Consolidated Financial Statements of Mercedes-Benz Group AG and its subsidiaries (“the Mercedes-Benz Group” or “the Group”) as of 31 December 2022 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) as of 31 December 2022.

IFRS issued, EU endorsed and adopted in the reporting period

New standards and interpretations to be applied in 2022 had no material impact on the Consolidated Financial Statements in the reporting year.

IFRS issued, EU endorsed and not yet adopted in the reporting period

In May 2017, the IASB issued the standard **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 1 January 2023. Early adoption is permitted but the Mercedes-Benz Group has not done so. The Mercedes-Benz Group currently does not expect any material impacts on the Group’s profitability, liquidity and capital resources, and financial position due to the application of IFRS 17.

IFRS issued, not yet EU endorsed and not yet adopted in the reporting period

In September 2022, the IASB published **Lease Liability in a Sale and Leaseback Transaction (Amendments to IFRS 16)**. The amendments specify how the subsequent measurement of the right-of-use asset and the lease liability for a seller-lessee in a sale and leaseback transaction is to be performed in accordance with IFRS 16. The changes are mandatory for years beginning on or after 1 January 2024. Earlier application is permitted, but not planned in the Mercedes-Benz Group. No significant effects on the profitability, liquidity and capital resources, and financial position are expected.

In addition, other standards were published which are not expected to have any significant 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 generally classified as current if they are expected to be realized or settled within one year. Deferred tax assets and liabilities as well as assets and provisions for pensions and similar obligations are presented as non-current items.

The Consolidated Statement of Income is presented using the cost-of-sales method.

Principles of consolidation

The Consolidated Financial Statements include the financial statements of Mercedes-Benz Group AG and the financial statements of all subsidiaries, including structured entities, which are directly or indirectly controlled by Mercedes-Benz Group 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 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 Mercedes-Benz Group AG and its companies included in the Consolidated Financial Statements are prepared using uniform recognition and measurement principles. All intra-Group assets and liabilities, equity, income and expenses as well as cash flows from transactions between consolidated entities are entirely eliminated in the course of the consolidation process.

Business combinations and changes in equity interests

Business combinations are accounted for using the purchase method. In connection with obtaining control, non-controlling interest in the acquiree is in principle recognized at the proportionate share of the acquiree's identifiable assets, which are measured at fair value.

Changes in equity interests in subsidiaries that reduce or increase the Mercedes-Benz Group's percentage ownership without a change of control are accounted for as equity transactions between owners. If the Group loses control of a subsidiary, the difference between the carrying amounts of the transferred assets and liabilities and the consideration received is generally reported in other operating income or expense.

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 the Mercedes-Benz Group has joint control together with a partner (joint arrangements), it is necessary to differentiate between 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).

If 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 the Mercedes-Benz Group's Consolidated Financial Statements with a one to three-month time lag taking into account significant events or transactions.

Entities measured at amortized cost

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

Foreign currency translation

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

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

The exchange rates of the US dollar and the Chinese renminbi – the most significant foreign currencies for the Mercedes-Benz Group – developed as shown in table D.06.

D.06

Exchange rates

	2022		2021	
	USD	CNY	USD	CNY
	€1 =	€1 =	€1 =	€1 =
Average exchange rate on 31 December	1.0666	7.3582	1.1326	7.1947
Average exchange rates during the respective period				
First quarter	1.1217	7.1212	1.2048	7.8080
Second quarter	1.0647	7.0427	1.2058	7.7840
Third quarter	1.0070	6.8982	1.1788	7.6260
Fourth quarter	1.0205	7.2582	1.1435	7.3102

Hyperinflation and changes of the reported effect of inflation on equity

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

Besides Argentina, Turkey is also considered as in hyperinflation since the second quarter of 2022. The effects of taking into account the devaluation of the monetary balance sheet items of Turkish subsidiaries will therefore be recognized in profit or loss starting in the second quarter of 2022 and are included in the Consolidated Statement of Income under other operating expenses or other operating income.

With the first-time application of IAS 29 to the Argentine subsidiaries as of 1 January 2018, the Mercedes-Benz Group had recognized the effects from the consideration of the inflation effect on the equity of the subsidiaries directly in the retained earnings.

In accordance with IAS 29, the inflation effect can be recognized directly in retained earnings as a separate effect from the translation effect in accordance with IAS 21. However, if there is a close economic connection, both effects can also be presented as a currency effect in accordance with IAS 21. In this case, both effects are presented on a net basis in other comprehensive income.

In connection with the first-time application of hyperinflation accounting also for Turkish subsidiaries and thus a greater relevance of hyperinflation accounting, the inflation effect on equity will be netted with the translation effect from the second quarter of 2022 with no effect in income reported in the difference amount from the currency translation. In accordance with IAS 8, the method is changed retrospectively.

Tables D.07 and D.08 show the changes in the items in the Consolidated Statement of Changes in Equity as of 1 January and 31 December of the reporting period as a result of the change in presentation. Table D.07 also shows the impact on retained earnings and other reserves in the Consolidated Statement of Financial Position as of 31 December 2021.

Table D.09 shows the impact on the rows in the Consolidated Statement of Comprehensive Income.

D.07

Impact on the items of the Consolidated Statement of Changes in Equity

	2022	2021
In millions of euros		
Retained earnings:		
Derecognition of inflation effect		
Balance at 1 January before retrospective adjustment	56,190	47,111
Retrospective adjustment in line other	-264	-163
Balance at 1 January after retrospective adjustment	55,926	46,948
Balance at 31 December before retrospective adjustment	-	56,190
Retrospective adjustment in line other	-	-264
Balance at 31 December after retrospective adjustment	-	55,926
Other reserves:		
Difference amount from the currency translation:		
Recognition of inflation effect		
Balance at 1 January before retrospective adjustment	1,427	-1,516
Retrospective adjustment in line other comprehensive income/loss before taxes and in line total comprehensive income/loss	264	163
Balance at 1 January after retrospective adjustment	1,691	-1,353
Balance at 31 December before retrospective adjustment	-	1,427
Retrospective adjustment in line other comprehensive income/loss before taxes and in line total comprehensive income/loss	-	264
Balance at 31 December after retrospective adjustment	-	1,691

D.08

Impact on the items of the Consolidated Statement of Changes in Equity

	2022	2021
In millions of euros		
Equity attributable to shareholders of Mercedes-Benz Group AG		
Balance at 1 January before retrospective adjustment	71,951	60,691
Retrospective adjustment in line other comprehensive income/loss before taxes and in line total comprehensive income/loss	264	163
Retrospective adjustment in line other	-264	-163
Balance at 1 January after retrospective adjustment	71,951	60,691
Balance at 31 December before retrospective adjustment	-	71,951
Retrospective adjustment in line other comprehensive income/loss before taxes and in line total comprehensive income/loss	-	264
Retrospective adjustment in line other	-	-264
Balance at 31 December after retrospective adjustment	-	71,951
Total equity		
Balance at 1 January before retrospective adjustment	73,167	62,248
Retrospective adjustment in line other comprehensive income/loss before taxes and in line total comprehensive income/loss	264	163
Retrospective adjustment in line other	-264	-163
Balance at 1 January after retrospective adjustment	73,167	62,248
Balance at 31 December before retrospective adjustment	-	73,167
Retrospective adjustment in line other comprehensive income/loss before taxes and in line total comprehensive income/loss	-	264
Retrospective adjustment in line other	-	-264
Balance at 31 December after retrospective adjustment	-	73,167

D.09

Impact on the lines of the Consolidated Statement of Comprehensive Income/Loss

	2022	2021
In millions of euros		
Gains/losses from currency translation before retrospective adjustment	270	3,019
Retrospective adjustment	27	101
Gains/losses from currency translation after retrospective adjustment	297	3,120
Items that may be reclassified to profit/loss in the Statement of Income in the future, before retrospective adjustment	2,103	2,149
Retrospective adjustment	27	101
Items that may be reclassified to profit/loss in the Statement of Income in the future, after retrospective adjustment	2,130	2,250
Other comprehensive income/loss after taxes, before retrospective adjustment	4,310	5,775
Retrospective adjustment	27	101
Other comprehensive income/loss after taxes, after retrospective adjustment	4,337	5,876
thereof income/loss attributable to shareholders of Mercedes-Benz Group AG after taxes, before retrospective adjustment	4,342	5,700
Retrospective adjustment	27	101
thereof income/loss attributable to shareholders of Mercedes-Benz Group AG after taxes, after retrospective adjustment	4,369	5,801
Total comprehensive income/loss before retrospective adjustment	19,119	29,171
Retrospective adjustment	27	101
Total comprehensive income/loss after retrospective adjustment	19,146	29,272
thereof income/loss attributable to shareholders of Mercedes-Benz Group AG, before retrospective adjustment	18,843	28,706
Retrospective adjustment	27	101
thereof income/loss attributable to shareholders of Mercedes-Benz Group AG, after retrospective adjustment	18,870	28,807

Accounting policies

Revenue recognition

Revenue from sales of vehicles, spare 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, spare parts and other related products is made when the customer obtains control of these products.

Dealers may finance their vehicle inventory by means of dealer inventory financing provided by Mercedes-Benz Mobility. Furthermore, end customers may be credit financed by Mercedes-Benz Mobility. Receivables from sales financing with customers and dealers are presented in receivables from financial services. Further information is provided in Note 15.

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

- Sales of vehicles by which the Mercedes-Benz Group is obliged to repurchase the vehicles in the future are accounted for as operating leases. This also applies to a call option that grants the Mercedes-Benz Group the right to repurchase.
- Sales of vehicles including a put option (an entity's obligation to repurchase the asset at the customer's request) are reported as operating leases if the customer has a significant economic incentive to exercise that right at contract inception. Otherwise, a sale with a right of return is reported. The Mercedes-Benz Group considers several factors when assessing whether the customer has a significant economic incentive to exercise his or her right. Among 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 the Mercedes-Benz Group provides customers with a guaranteed minimum resale value that they receive on resale (residual-value guarantee) do not constraint the customers in their ability to direct the use of, and obtain substantially all of the benefits from, the asset. At contract inception of a sale with a residual-value guarantee, revenue therefore has to be recognized, reduced by a potential compensation payment to the customer (revenue deferral).

Under a contract manufacturing agreement, the Mercedes-Benz Group sells assets to a third-party manufacturer from which the Mercedes-Benz Group 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.

For certain products sold by the Group, it offers extended, separately priced warranties that go beyond the statutory period, as well as service and maintenance contracts. Usual for such contracts is an advance payment or the payment of constant instalments over the term of the contract. 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 future loss on these contracts is recognized in the current financial year if the expected costs for outstanding services under the contract exceed unearned revenue.

For multiple-element arrangements, such as when vehicles are sold with free or reduced-in-price maintenance contracts 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, the Mercedes-Benz Group primarily uses price lists with consideration of average price reductions granted to its customers.

Depending on the sales model, vehicles may be initially sold to non-Group dealers. Subsequently an end customer can decide to enter into a leasing contract with Mercedes-Benz Mobility regarding such a vehicle. The vehicle is therefore sold by the non-Group dealer to Mercedes-Benz Mobility and, in a separate transaction, a leasing contract is entered into with the customer. When control of the vehicle is transferred to the non-Group dealer, the Mercedes-Benz Group 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.

The Mercedes-Benz Group 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 asset or service to a customer and payment by the customer will be no longer than one year.

Revenue also includes revenue from the rental and leasing business as well as interest from the financial services business at Mercedes-Benz 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.

The Mercedes-Benz Group uses a variety of sales promotion programmes 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 programmes 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 subsidised 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 acquisition or manufacturing costs 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. Cash-effective government grants are shown in cash flow from operating activities.

Gains/losses 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. The Mercedes-Benz Group's share of dilution gains and losses resulting from the Group's non-participation or under-proportionate participation in capital measures of companies in which shares are held and are accounted for using the equity method are also included in gains/losses 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

Other financial income/expense, includes all income and expense from financial transactions which are included neither in interest income nor in interest expense, and which for Mercedes-Benz Mobility are included neither in revenue nor in cost of sales.

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

Interest income and interest expense

Interest income and interest expense include interest income from investments in securities and from cash and cash equivalents as well as interest expense from liabilities. Furthermore, interest and changes in fair values related to interest-rate hedging activities as well as income and expense resulting from the allocation of premiums and discounts are included. The interest components of defined benefit pension commitments and 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.

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

Expense from the compounding of interest on provisions for other risks is presented in other financial income/expense.

Income taxes

Income taxes are comprised of current income taxes and deferred taxes.

Current income taxes are calculated based on the respective local taxable income and local tax rules for the period. In addition, current income taxes presented for the period include adjustments for uncertain tax payments or tax refunds for periods not yet finally assessed; however, excluding interest expenses and interest refunds and penalties on the underpayment of taxes. In cases for which it is probable that amounts declared as expenses in the tax returns might not be recognized (uncertain tax positions), a liability for income taxes is recognized. The amount is based on the best estimate of the expected tax payment (expected amount 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 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. Deferred tax assets are recognized to the extent that it is probable that there will be future taxable income available against which the deductible temporary differences, tax-loss carryforwards and tax credits can be utilized. Deferred tax liabilities for taxable temporary differences in connection with investments in subsidiaries, branches, associates and interests in joint arrangements are not recognized if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

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, the Mercedes-Benz Group takes into consideration, among other things, the projected earnings from business activities, the effects on earnings of the reversal of taxable temporary differences, and realizable tax strategies. On each reporting date, the Mercedes-Benz Group carries out impairment tests on deferred tax assets on the basis of the planned taxable income in future financial years. Deferred tax assets are only recognized if it is more likely than not that future tax benefits can be realized.

Earnings per share

Basic earnings per share are calculated by dividing profit attributable to shareholders of Mercedes-Benz Group AG by the weighted average number of shares outstanding. As nothing occurred in the years 2022 and 2021 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 capitalized if the recognition criteria according to IAS 38 are met. Subsequent to initial recognition, the asset is carried at acquisition or manufacturing costs less accumulated amortization and accumulated impairment losses. Capitalized development costs include all direct costs and pro-rata allocable overheads. Capitalized development costs for vehicles and vehicle components 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. Possible impacts from the transformation of the automotive industry, such as the transition to electric drive systems, are also taken into account. 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.

As part of the periodic review of the useful lives of intangible assets, the planned transition to fully electric vehicles made it necessary to reassess the useful lives of the capitalized development expenditure as of year-end 2021 and to adjust them for individual vehicle projects.

This change in estimates has been applied from 1 January 2022. The positive effect on earnings before interest and taxes (EBIT) amounted to €0.2 billion in 2022. A positive effect on EBIT of €0.2 billion is also expected for 2023.

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

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.

Depreciable property, plant and equipment are written down by scheduled depreciation over the corresponding useful life, generally on a straight-line basis. The useful lives of property, plant and equipment are shown in table D.10.

D.10

Useful lives of property, plant and equipment

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

The Group's automotive businesses are subject to global competitive pressure and technological change. Our continuous efforts to increase efficiency include improving the utilization of our production facilities. Within the context of the regular review of useful lives, those for scheduled depreciation of property, plant and equipment were reassessed and partially extended at the end of 2020.

This change in estimate has been applied since 1 January 2021 and led to a positive impact on earnings before interest and taxes (EBIT) of €0.8 billion in 2021. The effect is mainly included in cost of sales and is almost exclusively attributable to the reportable segment Mercedes-Benz Cars and Mercedes-Benz Vans. The effect for the year 2022 is €0.3 billion.

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 transfer of 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.

The Mercedes-Benz Group as lessee

The Mercedes-Benz Group as a lessee recognizes for generally all lease contracts right-of-use assets as well as lease liabilities for the outstanding lease payments.

The Mercedes-Benz Group applies both recognition exemptions for leases with a lease term of twelve months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. The lease payments associated with those leases are generally recognized as an expense on a straight-line basis over the lease term.

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

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

- fixed payments including de facto fixed payments, less lease incentives receivables from the lessor;
- variable lease payments linked to an index or interest rate;
- amounts expected to be payable under residual-value guarantees;
- the exercise price of purchase options, when exercise is estimated to be reasonably certain, and
- contractual penalties for the termination of a lease if the lease term reflects the exercise of a termination option.

The Mercedes-Benz Group generally also applies the option for contracts comprising lease components as well as non-lease components not to split these components.

Lease payments are discounted at the rate implicit in the lease if that rate can readily be determined. Otherwise, discounting is at the incremental borrowing rate. The Mercedes-Benz Group generally applies the incremental borrowing rate. This incremental borrowing rate as a risk-adjusted interest rate is derived on a maturity- and currency specific basis. 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), a duration adjustment is used in order to account for that difference.

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

In the subsequent measurement of a lease liability, the carrying amount is increased to reflect interest on the lease liability and reduced to reflect the lease payments made. According to IFRS 16, the depreciation of right-of-use assets is recognized within functional costs. The interest due on the lease liability is a component of interest expense. Extension and termination options are part of a number of leases particularly of real estate. Such contract terms offer the Group 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 their exercise is 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 the **Mercedes-Benz Group** leases them back from the buyer. Accordingly, only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor is recognized.

The Mercedes-Benz Group as lessor

Based on the risks 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).

For operating leases the economic ownership of the vehicle remains at the Mercedes-Benz Group. Additionally, an operating lease may have to be reported with sales of vehicles for which the Group enters into a repurchase obligation:

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

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

As part of the residual-value management process, especially for operating lease contracts, certain assumptions are regularly made at local and corporate levels regarding the expected level of prices, based upon which the cars to be returned in the leasing business are evaluated. If changing market developments lead to a negative deviation from assumptions, there is a risk of lower residual values of used cars. Depending on the region and the current market situation, the risk-mitigation measures taken generally include continuous market monitoring as well as, if required, price-setting strategies or sales-promotion measures designed to regulate vehicle inventories. Market forecasts are 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 the (amortized) cost of production, presented within the line item equipment on operating leases and depreciated over the contract term on a straight-line basis with consideration of the expected residual values. Changes in the expected residual values lead either to prospective adjustments of the scheduled depreciation or, if necessary, to an impairment loss. The vehicles are allocated to the segment which bears substantially all of the residual-value risk.

Operating leases also relate to vehicles, primarily Group products that Mercedes-Benz 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 Mercedes-Benz Mobility segment. If these vehicles are Group products and are subsidized and these subsidies are passed on in the lease agreement with the external customer, the subsidies are deducted from the acquisition cost. 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 dealers is estimated by the Group as being of the magnitude of the respective addition to leased equipment at Mercedes-Benz Mobility. In 2022, additions to leased equipment from these vehicles at Mercedes-Benz Mobility amounted to approximately €9 billion (2021: approximately €10 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.

The leased equipment of the Mercedes-Benz Mobility segment also includes commercial vehicles (produced by Daimler Truck) which had been acquired from external dealers or other third parties not related to the Mercedes-Benz Group prior to the spin-off and hive-down of the Daimler commercial vehicle business. Mercedes-Benz Mobility usually receives a residual-value guarantee from Daimler Truck for this leased equipment in connection with the obligation to return the respective commercial vehicles to Daimler Truck. Such leased equipment is depreciated over the contractual term on a straight-line basis to the guaranteed residual value. The residual-value guarantee does not affect classification as an operating lease as Daimler Truck is a related party to Mercedes-Benz Mobility after the spin-off.

Additionally, Mercedes-Benz Mobility will continue the leasing and sales-financing business for Daimler Truck's commercial vehicles in some markets. To this end, Mercedes-Benz Mobility acquires these vehicles from Daimler Truck and leases them to the end customers. Insofar as a mandatory vehicle return to Daimler Truck has been agreed, there is a rental contract (head lease) between Mercedes-Benz Mobility and Daimler Truck. The contract between Mercedes-Benz Mobility and the end customer constitutes a sublease in this respect.

Accounting for and classification of a sublease depend on whether the contracts were concluded before or after the legal spin-off and hive-down of Daimler's commercial vehicle business. The leases that were concluded before the legal spin-off and hive-down are continued as operating leases. The head lease is presented under leased equipment as a right of use, which was recognized at fair value at the spin-off date and subsequently depreciated on a straight-line basis. In addition, a residual-value receivable from the companies of the Daimler Truck Group is recognized. However, the leasing contracts concluded after the legal spin-off and hive-down are classified and accounted for as finance leases. The net investment in the lease corresponds to the right-of-use asset from the head lease. In addition to the finance lease, Mercedes-Benz Mobility recognizes a residual-value receivable from the Daimler Truck Group in the amount of the guaranteed residual value. The head lease is not recorded separately.

Impairment of non-current non-financial assets

The Mercedes-Benz Group 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, the Mercedes-Benz Group 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).

An assessment 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, the Mercedes-Benz Group 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 scheduled depreciation) if no impairment loss had been recognized in prior years.

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, which basically correspond to the segments. 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, the Mercedes-Benz Group in a first step determines the respective recoverable amount as value in use and compares it with the respective carrying amount (including goodwill). If value in use is lower than the carrying amount, fair value less costs of disposal is additionally calculated to determine the recoverable amount.

Value in use is measured by discounting expected future cash flows from the continuing use of the cash-generating units using a risk-adjusted interest rate. Future cash flows are determined on the basis of the long-term planning, which is approved by management and which is valid at the date when the impairment test is conducted. This planning, which covers the period up to and including 2027, is based on assumptions, including those regarding future market shares, the general development of respective markets as well as the products' profitability, taking into consideration the effects of the transformation of the automotive industry. Furthermore, in determining value in use, a risk assessment is performed, which includes for example market risks and risks related to the legal and political framework. The planning assumptions are checked for plausibility with regard to the historical development as well as external sources of information. The rounded risk-adjusted interest rates used to discount cash flows, which are calculated for each cash-generating unit, are 9% (2021: 8%) after taxes for the cash-generating units of the automotive business. For the cash-generating unit Mercedes-Benz Mobility, a risk-adjusted interest rate of 10% (2021: 9%) after taxes is applied. Whereas the discount rate for the cash-generating unit Mercedes-Benz Mobility represents the cost of equity, the risk-adjusted interest rate for the cash-generating units of the automotive business is based on the weighted average cost of capital (WACC). This is calculated based on the capital asset pricing model (CAPM), taking into account current market expectations. In calculating the risk-adjusted interest rate for impairment-test purposes, specific peer group information is used for beta factors, capital-structure data and cost of debt. Periods not covered by the forecast are taken into account by recognizing a residual value (terminal value), which does not include any growth rates. In line with the detailed planning period, the derivation of the terminal value also considers assumptions regarding the impacts of the transformation of the automotive industry as well as possible regulatory changes, e.g. in connection with sustainability aspects.

In addition, sensitivity analyses are conducted. These sensitivity analyses show for the cash-generating units Mercedes-Benz Cars and Mercedes-Benz Vans that even in the case of reasonably possible changes in key assumptions (e.g. products' profitability, sales and weighted average cost of capital) compared to the original planning, no need for impairment exists. For the cash-generating unit Mercedes-Benz Mobility, these sensitivity analyses show that even in the case of reasonably possible changes in operational key assumptions (e.g. profitability and portfolio development) compared to the original planning, no need for impairment exists. In the event of the cost of equity increasing by around one percentage point in addition to such a change in operational key assumptions, the recoverable amount would correspond to the carrying amount.

Equity-method investments

The initial recognition of interests in investments accounted for using the equity method is generally made with their acquisition costs. If the Group loses control of a subsidiary and subsequently presents it at equity, the fair value of the retained shares represents the acquisition cost.

On the date of acquisition, a positive difference between cost of acquisition and the Mercedes-Benz Group'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 re-measured at fair value.

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

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

Discontinued operations and non-current assets held for distribution or sale and disposal groups

The Group reports **discontinued operations** if part of a company is held for distribution or sale or has already been disposed of and the part of a company represents a separate significant business or geographical business area.

The Mercedes-Benz Group makes use of the option to disclose the cash flows from discontinued operations not separately in the Consolidated Statement of Cash Flows, but in the Notes to the Consolidated Financial Statements.

The Group classifies non-current assets or disposal groups as **held for distribution** if it has committed to distribute non-current assets or disposal groups and an active plan for the execution of the sale has been decided on and started by the responsible management level and is most likely to result in a sale.

The Group classifies non-current assets or disposal groups **as held for sale** if the carrying amount will be recovered principally through an extremely likely sale transaction rather than through continuing use. In this case, the assets or disposal groups are no longer depreciated as planned, but are measured at the lower of carrying amount and fair value less costs to sell. Immediately before classification as held for sale, it is assessed if the assets are impaired based on the applicable individual regulations. 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.

Inventories

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

In the case of manufactured inventories and work in progress, manufacturing cost also includes production overheads based on normal capacity.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments in the form of financial assets and financial liabilities are generally presented separately. Financial instruments are recognized as soon as the Mercedes-Benz Group 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, the Mercedes-Benz Group uses the transaction date as the date of initial recognition or derecognition.

Upon initial recognition, financial instruments are measured at fair value. For the purpose of subsequent measurement, financial instruments are allocated to one of the categories mentioned in IFRS 9 Financial Instruments (financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss). Transaction costs directly attributable to acquisition or issuance are considered when determining the carrying amount if the financial instruments are not measured at fair value through profit or loss.

Financial assets

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

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

Financial assets at fair value through profit or loss.

Financial assets recognized 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, cheques 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, these 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 net profit when the financial assets at amortized cost are impaired or derecognized. Interest effects from the application of the effective-interest method are also recognized in profit or loss as well as effects from foreign currency translation.

Financial assets at fair value through other comprehensive income. Financial assets at fair value through other comprehensive income are non-derivative financial assets with contractual cash flows that consist solely of payments of principal and interest on the nominal amount outstanding and which are held to collect the contractual cash flows as well as to sell the financial assets, e.g. to achieve a defined liquidity target (business model “hold to collect and sell”). This category also includes equity instruments not held for trading for which the option to recognize 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 recognized at fair value, with unrealized gains or losses being recognized in other comprehensive income/loss. Upon the disposal of debt instruments, the accumulated gains and losses recognized in other comprehensive income/loss resulting from measurement at fair value are recognized in profit or loss. Interest earned on financial assets at fair value through other comprehensive income is generally reported as interest income using the effective-interest method. Changes in the fair value of equity instruments measured at fair value through other comprehensive income are not recycled to profit or loss, but reclassified to retained earnings upon disposal. Dividends are recognized in profit or loss when the right to payment has been established.

Impairment of financial assets

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

Stage 1: expected credit losses within the next twelve months

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

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

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

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 debtor.

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.

The Mercedes-Benz Group 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 stages 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,
- 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 calculated using a statistical model with 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 future expectations. 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 in whole or in part, for example, after the end of insolvency proceedings or after a court decision of uncollectibility.

Significant modification of financial assets (e.g., with a change in the present value of the contractual cash flows of 10%) also leads to derecognition of the financial assets with a simultaneous recognition of new financial assets. This is expected 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 is recalculated and a modification gain or loss is 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 financial institutions, 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.

Insofar as the Mercedes-Benz Group enters into reverse factoring agreements in which trade receivables of a supplier are transferred to a financial intermediary, changes in the presentation of the original trade payables may occur. That would be the case if these liabilities differed in nature and function from other trade payables. As a result, these liabilities would be presented separately.

Financial liabilities at fair value through profit or loss.

Financial liabilities recognized 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.

Contracts for the purchase or sale of non-financial items are regularly qualified as executory contracts and thus treated as suspended transactions, although they fulfil the definition of a derivative. If such contracts do not meet the criteria for executory contracts they are recorded as derivatives. The measurement of these derivatives is recognized at fair value through profit or loss, where the value is derived from the difference between the contractually agreed price and the current expectations for the future market price at the reference date. These valuation effects are reported in the cost of sales insofar as they result from procurement contracts relevant to production.

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 the Mercedes-Benz Group 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 recognized as assets if their fair value is positive and as liabilities if their fair value is negative.

If the requirements for hedge accounting set out in IFRS 9 are met, the Mercedes-Benz Group 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, highly probable future cash flows from expected transactions or variable cash flows to be paid or received related to a recognized asset or liability are 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. The effectiveness of the hedge is assessed at the start of and during the hedging relationship.

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

Effects from hedging are presented in the item of the Statement of Income in which the underlying transaction is effective.

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

Under IFRS 9, with cash-flow hedges, amounts recognized in other comprehensive income as effective hedging gains or losses from hedging instruments are removed from the reserves for derivative financial instruments and directly included in the initial cost or carrying amount of the hedged item at initial recognition if the hedged item, e.g. the 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. Insofar as currency translation effects recognized in profit or loss due to trade receivables and payables are connected with the underlying transactions, simultaneously occurring hedging gains/losses are reclassified in the Consolidated Statement of Income.

The ineffective portions of fair-value changes are recognized directly in profit or loss.

For derivative instruments designated in a hedge relationship, certain components can be excluded from designation and the changes in these components' fair value are then deferred in other comprehensive income under IFRS 9. This may apply for example to the time value of options, the forward element of a forward contract or cross-currency basis spreads.

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

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

Pensions and similar obligations

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

The balance of defined benefit commitments 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 commitments and other post-employment benefit obligations, which mainly result from entitlements acquired during the year under review, are taken into consideration in functional costs in the Consolidated Statement of Income. Differences between the assumptions made and actual developments as well as changes in actuarial assumptions for the measurement of defined benefit plans and similar obligations result in actuarial gains and losses, which are recognized in equity through other comprehensive income.

The discount factors used to calculate the present values of defined benefit pension obligations are to be determined – with maturities and currencies matching the pension payments – by reference to market yields at the end of the reporting period on high-quality fixed-rate 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

Provisions are 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 recognition 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 programme is initiated. Estimates for accrued warranty costs are particularly based on historical experience. Other assumptions include, but are not limited to, the amount of potential repair costs. The provisions are regularly adjusted to reflect new information.

Restructuring provisions are set up in connection with programmes 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.

Benefits on termination of employment 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.

Refund liabilities. A refund liability occurs if the Mercedes-Benz Group 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 the Mercedes-Benz Group does not expect to be entitled and is thus not included in the transaction price.

Share-based payment

Share-based payment comprises cash-settled liability awards.

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

Presentation in the Consolidated Statement of Cash Flows

To the extent that the reverse factoring agreements entered into by the Mercedes-Benz Group do not result in a change in the presentation of the original trade payables, the cash flows from these agreements are presented in cash flow from operating activities. Interest paid as well as interest and dividends received are also classified as cash flow from operating activities. The cash flows from short-term marketable debt securities with high turnover rates and significant amounts are offset and presented within cash flow from investing activities.

Reported segments

The Group comprises the segments Mercedes-Benz Cars, Mercedes-Benz Vans and Mercedes-Benz Mobility. Until 31 December 2021, the Mercedes-Benz Cars and Mercedes-Benz Vans segments were aggregated into one reportable segment due to their comparable long-term average return on sales as well as their comparable revenue development and capital intensity. After the spin-off and hive-down of the Daimler commercial vehicle business in December 2021, the two segments are reported separately with effect from 1 January 2022. The comparison periods have been adjusted accordingly.

Consideration of sustainability related aspects in connection with the recognition and measurement of assets and liabilities

With “Ambition 2039” the Mercedes-Benz Group has set itself the target of a CO₂-neutrality for the new vehicle fleet by 2039 in its business strategy. With the strategic step to “Electric only”, the Mercedes-Benz Group is accelerating its transformation into an all-electric and software-driven future. Recognition and measurement of the Group’s assets and liabilities take into account climate-related risks and developments associated with the transformation, which also include the climate targets set in the Paris Climate Agreement.

Accounting estimates and management judgments in connection with sustainability-related aspects are taken into consideration in particular in the accounting of assets and liabilities described below:

The determination and review of the useful lives of the capitalized development costs are based on the expected product life cycle. Changes in the originally envisaged product life cycles can result from the transformation to all-electric vehicles. Due to the resolutions regarding the accelerated transformation new developments in the area of conventional powertrains are reduced and already capitalized development expenditure will partly be used for longer. For this reason the useful lives of specific development expenditures have been extended with effect from 1 January 2022, which resulted in a positive effect on EBIT in the amount of €0.2 billion for 2022. An effect in the same amount is expected for 2023.

In the same way, the useful lives of property, plant and equipment assets are regularly reviewed in the light of the transformation to all-electric vehicles. This did not require any material adjustments of the useful lives up to the reporting date as the production facilities of the Group are basically flexible in use.

In the context of controlling and further developing the production network, efforts are also being made to compensate for potential effects of the transformation at affected sites. No significant obligations to dismantle or remove production facilities and plants that would give rise to a provision existed on the reporting date .

The residual value of leased vehicles that are classified as operating leases is determined by the value that could be achieved for an asset that possesses the expected conditions of the leased asset at the end of the leasing period on the reporting date. Only developments that can be observed up to the reporting date are considered. Due to the transformation to all-electric vehicles, changes to the residual value of both conventionally powered and all-electric vehicles due to changing customer behaviour, new regulatory requirements and further technological development can result over time. The development of the residual values did not give rise to any indications that the transformation had a negative effect on the residual values during the financial year.

The expected proceeds from the disposal of vehicles pledged as collateral were taken into account in the determination of expected credit losses for receivables from financial services. The expected proceeds from the disposal were based on an estimate of the market value at the expected time of a possible default. There were no indications of a reduction of these estimated market values that could be traced to effects of climate change or of changing customer behaviour as of the reporting date.

As of the reporting date, there were no material provisions for payments to authorities that could result from exceeding local regulations regarding vehicle emission limits.

The impairment test on the level of the cash-generating units is based on the corporate planning of the Mercedes-Benz Group. The “Electric only” strategy of the Group taken account of herein provides for a step by step substitution of vehicles with combustion engines by electric vehicles. For the purposes of the impairment test, further sales risks and risks regarding the availability and the future price of components and raw materials were also taken into account. Additional corporate planning parameters in connection with the transformation affect the investment requirements and the currently higher variable costs of all-electric vehicles in comparison with vehicles with conventional powertrains. The simultaneous development, model refinement and production of electric and conventionally powered vehicles results in a higher investment requirement, particularly in the detail planning period until 2027, in comparison with focussing on conventionally powered vehicles. No growth was assumed in the derivation of the terminal value, due in part to the not yet completely predictable effects of the competitive situation and customer behaviour in the course of the transition to electric mobility. The impairment test carried out taking account of the transformation effects described did not result in any impairment requirement for the cash-generating units.

2. Accounting estimates and management judgments

In the Consolidated Financial Statements, it is to a certain degree necessary to make estimates and management judgments 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 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 mainly refer to future sales, growth in the respective markets and the profitability of the products, which are also highly dynamic and thus uncertain as a result of the transition to electric mobility. Therefore, a risk assessment and sensitivity analyses are performed when deriving the value in use. On the basis of the impairment tests carried out in 2022, 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 investment. See Note 14 for the presentation of carrying amounts and fair values of equity-method investments in listed companies.

Recoverable amount of equipment on operating leases

The Mercedes-Benz Group 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 term of the lease contract.

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 current 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. 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).

Further external information, e.g. in connection with the Covid-19 pandemic, which cannot be depicted in the scenarios, is - as far as necessary - included in the assessment through subsequent adjustments. Changes to the estimation and assessment of these factors influence the allowance for credit losses with a resulting impact on the Group's net profit. See also Notes 15 and 34 for further information.

Product warranties

The recognition and measurement of provisions for product warranties is generally connected with many 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 programmes are initiated. In order to determine the extent of these provisions, assumptions have to be made concerning the type and extent of future warranty claims and goodwill cases, 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 24.

Liability and litigation risks and regulatory proceedings

Various legal proceedings, claims and governmental investigations are pending against Mercedes-Benz Group AG and its subsidiaries on a wide range of topics. If the outcome of such legal proceedings is detrimental to the Mercedes-Benz Group, 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. The Mercedes-Benz Group 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 threatened proceedings will have to be restated due to new expected developments. Changes in estimates and premises can have a material effect on the Group's future profitability. It is also possible that provisions recognized for some legal proceedings may turn out to be insufficient once such proceedings have ended. The Mercedes-Benz Group may also become liable for payments in legal proceedings for which no provisions were established. Although the final resolution of any such proceedings could have a material effect on the Mercedes-Benz Group's earnings and cash flows for a particular reporting period, from the current assessment, the Mercedes-Benz Group does not expect this to result in any sustained impact on the Group's financial position. Further information on liability and litigation risks and regulatory proceedings is provided in Note 31.

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 23 for further information.

Income taxes

The calculation of income taxes of Mercedes-Benz Group 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 judgments by taxpayers on the one hand and local tax authorities on the other. Different judgments 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.

3. Spin-off and hive-down of Daimler's commercial vehicle business

On 30 July 2021, the Board of Management of Daimler AG, with the approval of the Supervisory Board, decided on the spin-off and hive-down of substantial parts of the commercial vehicle business, including the related financial services business (Daimler's commercial vehicle business). The majority of the shareholders of Daimler AG approved the spin-off and hive-down agreement at the Extraordinary General Meeting on 1 October 2021.

With the completion of the spin-off and hive-down upon entry into the Commercial Register on 9 December 2021, the shareholders of the former Daimler AG received 65% of the shares in the newly founded Daimler Truck Holding AG. 35% of the shares remained with the Mercedes-Benz Group. Daimler Truck Holding AG is the parent company of the Daimler Truck Group (Daimler Truck).

In January 2022, about 5% of the shares of Daimler Truck Holding AG were transferred via Mercedes-Benz AG to Mercedes-Benz Pension Trust e.V. (Daimler Pension Trust e.V. before the company was renamed). The Mercedes-Benz Group holds a minority interest of about 30% in Daimler Truck Holding AG as of 31 December 2022. For the purposes of the voting rights quota pursuant to the German Securities Trading Act, the approximately 5% of the shares contributed to the pension-plan assets are allocated to the Mercedes-Benz Group.

On the basis of the contracts concluded in connection with the transaction, Mercedes-Benz Group AG no longer has a controlling influence on that company since the entry of the spin-off and hive-down in the Commercial Register. The shares are included in the Consolidated Financial Statements using the equity method and are presented as an investment allocated in the reconciliation of the segments to the Group.

Deconsolidation of the major part of Daimler's commercial vehicle business in 2021

For substantial parts of the commercial vehicle business, its equity investments or business operations were already legally assigned to Daimler Truck AG before the spin-off and hive-down took effect. As part of the spin-off and hive-down, the financial services business has also been split up. With the consent of the Board of Management and the Supervisory Board for the transaction, these items of the commercial vehicle business and the parts of the Mercedes-Benz Mobility segment that had already been legally assigned to Daimler Truck AG, were classified as held for distribution from 30 July 2021 until the date of the spin-off and hive-down and were deconsolidated upon completion of the transaction. As part of the spin-off and hive-down, 136 companies left the consolidated Group in 2021.

The scheduled depreciation and amortization and the equity-method measurement of the non-current assets classified as held for distribution since 31 July 2021 were discontinued as of this date.

The fair value of 65% of the shares of Daimler Truck Holding AG (hereinafter: spin-off liabilities) has been determined by an independent expert third party (level 3 of the hierarchy level of fair values). The fair value of the spin-off liabilities totals €16,253 million. The 35% of the shares that remained after the spin-off and hive-down were measured at €8,752 million. The derecognized net carrying amounts total €15,125 million. This includes assets and liabilities previously eliminated and now to be reported due to the deconsolidation.

The deduction of directly allocable transaction costs of €132 million and further adjustments of €532 million (in particular currency and elimination effects) resulted in a gain from the spin-off and hive-down of €9,216 million. The profit was allocated based on the allocation of the fair value of Daimler's commercial vehicle business to the respective parts of the segments being disposed of. In 2021, the gain from the spin-off and hive-down of assets and liabilities of the commercial vehicle business was included in profit from discontinued operations in the amount of €9,998 million (after transaction costs). The loss from the transfers of assets and liabilities of the Mercedes-Benz Mobility segment of €782 million (after transaction costs) was included in other operating expenses from continuing operations.

The profit attributable to the 35% shareholding in Daimler Truck Holding AG that remained after the spin-off and hive-down amounted to €3,458 million.

The carrying amounts of derecognized consolidated assets and liabilities at the time of disposal are shown in table D.11. The derecognition was presented as non-cash transaction in 2021.

D.11

Disposed of assets and liabilities of Daimler's commercial vehicle business

	2022	2021
In millions of euros		
Intangible assets	9	1,773
Property, plant and equipment	21	8,058
Equipment on operating leases	501	3,887
Receivables from financial services	2,426	15,759
Equity-method investments	-	1,406
Inventories	92	8,132
Trade receivables	60	3,354
Cash and cash equivalents	130	5,489
Marketable debt securities and similar investments	1	145
Other financial assets	25	1,070
Other assets	75	2,868
Provisions for pensions and similar obligations	-	2,636
Provisions for other risks	11	4,662
Financing liabilities	609	7,801
Trade payables	58	3,879
Other financial liabilities	71	2,724
Contract and refund liabilities	25	3,344
Other liabilities	78	1,504

In connection with the deconsolidation, **cash and cash equivalents** of €5,489 million were disposed of. This includes strengthening the liquidity and share capital of the Daimler Truck Group on the basis of contractual arrangements by way of a capital increase.

Assets and liabilities sold in 2022

If a sale within the next twelve months was highly probable, the corresponding assets and liabilities were reported as held for sale according to IFRS 5 as of 31 December 2021. The assets and liabilities held for sale shown in the Consolidated Statement of Financial Position at 31 December 2021 are shown in table D.12.

Scheduled depreciation and amortization and the equity-method measurement of the non-current assets classified as held for sale since 31 July 2021 are discontinued as of the date of classification.

The remaining financial services activities of the Daimler commercial vehicles business were sold to Daimler Truck Holding AG or its subsidiaries in 2022. At the Mercedes-Benz Mobility segment, assets of €3,191 million and liabilities of €746 million were disposed of.

In addition, in individual countries, investments in operating entities or business operations of the commercial vehicle business were sold to external third parties. Assets of €149 million and liabilities of €106 million, mainly from the Mercedes-Benz Cars segment, were disposed of.

The carrying amounts of derecognized consolidated assets and liabilities at the time of disposal are shown in table D.11.

The Group received €2,355 million from the (partially still preliminary) purchase prices, including the repayment of the existing intragroup financing liabilities of the companies and business activities within the Mercedes-Benz Group.

The valuation and sale of the Mercedes-Benz Mobility companies resulted in net expenses of €-184 million in 2022 which were reported in the reconciliation in the segment reporting. Income of €32 million was realized for the operating investments and business activities disposed of in the reporting year, in particular in the Mercedes-Benz Cars segment. In total, expenses from the realization of the currency reserve of €58 million were recognized.

D.12

Assets and liabilities of Daimler's commercial vehicle business held for sale

	At 31 De- cember 2021
In millions of euros	
Equipment on operating leases	533
Receivables from financial services	2,228
Cash and cash equivalents	62
Other financial assets	179
Other assets	140
Assets held for sale	3,142
Financial liabilities	107
Other liabilities	62
Liabilities held for sale	169

Profit from discontinued operations in 2021

In 2021, continuing operations were presented in the Consolidated Statement of Income; the profit or loss from discontinued operations after tax was shown in a separate line after the profit from continuing operations. Eliminations from transactions between continuing and discontinued operations were allocated to discontinued operations in 2021. In the case of transfers of fixed assets, the elimination was assigned to the selling activity.

Profit/loss from discontinued operations after taxes comprised the profit/loss of the ongoing business activities of the discontinued operations and the gain from the spin-off and hive-down of the discontinued operations after directly related transaction costs. Table D.13 shows the composition of profit from discontinued operations after taxes.

Profit from the ongoing business activities of discontinued operations included income and expenses in connection with the assets and liabilities of the Daimler commercial vehicle business that were spun off in 2021 or are classified as held for sale. Expenses also included costs of €132 million attributable to profit from the ongoing business of discontinued operations in connection with the spin-off and hive-down. No amounts of other segments were included – in particular of Mercedes-Benz Mobility – as these operations do not constitute a separate significant business unit.

Income taxes were allocated to the taxable entity or in accordance with the applicable tax apportionment system. Income taxes of the ongoing business of discontinued operations essentially comprised the tax expenses on the pre-tax earnings of the foreign companies. Due to the applicable income-tax group, the domestic companies largely did not recognize any tax expense or benefit. The effective tax rate is 20.7%.

The **profit/loss from the disposal of discontinued operations** included the gain from the spin-off and hive-down of the assets and liabilities of the Daimler commercial vehicle business of €9,998 million, which was reduced by directly allocable transaction costs of €100 million and by recycling of an other comprehensive loss of €150 million. The loss from the spin-off and hive-down of the assets and liabilities of the Mercedes-Benz Mobility segment was reported in the other operating expense of continuing operations.

D.13

Profit/loss from discontinued operations after taxes

	2021
In millions of euros	
Revenue ¹	34,078
Functional costs	-31,404
Other operating income	10,342
Other operating expense	-189
Gains/losses on equity-method investments	144
Other financial income/expense	70
Earnings before interest and taxes (EBIT)	13,041
Interest income/expense	-77
Profit/loss from discontinued operations before taxes	12,964
Income taxes	-618
Profit/loss from discontinued operations after taxes	12,346
thereof profit/loss of the ongoing business of discontinued operations before taxes ²	2,966
Income taxes	-614
thereof profit/loss of the ongoing business of discontinued operations after taxes	2,352
thereof gain on the spin-off and hive-down, after transaction costs	9,998
Income taxes	-4
thereof profit from discontinued operations after taxes	9,994

- Revenue includes eliminations between continuing and discontinued operations. The revenue of the Daimler commercial vehicle business amounted to €36,219 million.
- Contrary to the EBIT of the Daimler commercial vehicle business, the scheduled depreciation and the equity-method measurement were no longer included in the profit/loss from the ongoing business of discontinued operations before income taxes.

Consolidated Statement of Cash Flows for the year 2021

The Consolidated Statement of Cash Flows presented consolidated cash flows from continuing and discontinued operations for the prior-year period.

The cash flows from discontinued operations in 2021 were calculated as the difference between the consolidated cash flows from continuing and discontinued operations and the consolidated cash flows from continuing operations taking into account all elimination entries between continuing and discontinued operations in the discontinued operations.

Table D.14 shows the reconciliation of profit/loss before income taxes from continuing operations in the Consolidated Statement of Income to profit before income taxes from continuing and discontinued operations in the Consolidated Statement of Cash Flows.

The individual cash flows are presented in table D.15.

D.14

Reconciliation to profit/loss from continuing and discontinued operations before taxes

	2021
In millions of euros	
Profit from continuing operations before taxes	15,811
Profit/loss from discontinued operations before taxes	12,964
Profit from continuing and discontinued operations before taxes	28,775

D.15

Cash flow from continuing and discontinued operations

	2021		
	Cash flow from discontinued operations	Cash flow from continuing operations	Cash flow total
In millions of euros			
Cash flow from operating activities	987	23,562	24,549
Cash flow from investing activities	3,548	-9,774	-6,226
Cash flow from financing activities	-744	-18,315	-19,059

4. Consolidated Group

Composition of the Group

Table D.16 shows the composition of the Group. A detailed list of the companies included in the Consolidated Financial Statements and of the equity investments of the Mercedes-Benz Group pursuant to Section 313 of the German Commercial Code (HGB) is provided in the statement of investments. Further information is provided in Note 42.

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

Structured entities

The structured entities of the Group are rental companies, asset-backed-securities (ABS) companies and special funds. The purpose of the rental companies is primarily the acquisition, renting-out and management of assets. The ABS companies are primarily used for the Group's refinancing. The receivables transferred to structured entities usually results from the 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 33 (2021: 34) controlled structured entities, of which all are fully consolidated. In addition, as in the previous year the Group has relationships with one non-controlled structured entity.

Acquisition of a 33.33% stake in ACC

On 22 March 2022 Mercedes-Benz AG signed an agreement with PSA Automobiles SA, Opel Automobile GmbH and Saft EV SAS to acquire a 33.33% stake in Automotive Cells Company SE (ACC) through a capital contribution of approximately €390 million. The Group also committed itself to the provision of further funds up to €410 million. The transaction was completed on 12 May 2022. The investment in the European battery cell manufacturer ACC was being made in order to advance the development and production of high-performance battery cells and modules in the course of the transformation to "Electric only". The shares in the joint venture ACC are included in the Consolidated Financial Statements using the equity method and are allocated to the Mercedes-Benz Cars segment.

Sale of retail activities

In December 2021, the contractual arrangements on the sale of the retail activities in Canada were concluded. The transaction became effective in February 2022 and the Group recognized other operating income of €514 million, which was mainly allocated to the Mercedes-Benz Cars segment. The cash inflow amounted to €608 million and was also mainly allocated to the Mercedes-Benz Cars segment. Parts of the purchase price were financed by Mercedes-Benz Financial Services in Canada and led to a cash outflow of €393 million at the Mercedes-Benz Mobility segment.

In addition, other retail activities in various countries were sold in 2022. The sales gave rise to a gain of €107 million and to cash inflows of €362 million, especially in the Mercedes-Benz Cars segment.

Sale of interests in Mercedes-Benz Grand Prix Ltd.

In the fourth quarter of 2021, the Mercedes-Benz Group signed the contractual agreements with Motorsports Invest Ltd. and INEOS Industries Holdings Ltd. on the sale of shares of Mercedes-Benz Grand Prix Ltd. Due to the entry into effect in the year 2021 of a part of the contractual arrangements that had been previously entered into, the Group had already reported expenses before taxes of €96 million in the other operating expenses, which were included in the Mercedes-Benz Cars segment, in the prior year.

With the remaining contractual arrangements coming into effect in January 2022, the Group lost control over Mercedes-Benz Grand Prix Ltd. and is including its remaining 33.3% equity interest in the Consolidated Financial Statements using the equity method. The sale of the shares resulted in a gain of €385 million in the Mercedes-Benz Cars segment, which is presented in other operating income.

Foundation of the fuel-cell joint venture cellcentric

In November 2020, the Volvo Group and Daimler Truck AG signed a binding agreement on the establishment of a joint venture for fuel-cell activities.

Upon completion of the transaction in March 2021, profit before taxes of €1,215 million, of which €624 million was accounted for in particular by the remeasurement of the interest in cellcentric that was held by Mercedes-Benz Group at that time, and a cash inflow of €634 million were recognized. An income of €604 million was recognized in other operating income at the Mercedes-Benz Cars segment. The portion attributable to the Daimler Trucks & Buses segment reported at that point in time until spin-off and hive-down of the Daimler commercial vehicles business of €611 million was reported in profit/loss from discontinued operations.

D.16

Composition of the Group

	At 31 December	
	2022	2021
Consolidated subsidiaries	262	281
Germany	48	48
International	214	233
Unconsolidated subsidiaries	64	70
Germany	27	29
International	37	41
Joint operations accounted for using proportionate consolidation	1	1
Germany	-	-
International	1	1
Joint ventures accounted for using the equity method	8	9
Germany	3	4
International	5	5
Associated companies accounted for using the equity method	11	11
Germany	4	4
International	7	7
Joint operations, joint ventures, associated companies accounted for at (amortized) cost and substantial other investments recognized at fair value	24	24
Germany	13	12
International	11	12
Total	370	396

Discontinuation of business activities in Russia and intended sale of shares in the Russian subsidiaries

On 2 March 2022, the Mercedes-Benz Group decided to stop exporting cars and vans to Russia and to cease local production in Russia until further notice.

A degree of discretion has been exercised in the consideration and subsequent derivation of the effects of the sanctions and counter-sanctions on the business activities in Russia. The recognition and valuation of the assets and liabilities as a result of the discontinuation of the business activities in Russia, in particular the processing of existing transactions, resulted in expenses of around €0.7 billion in the automotive segments in 2022. Total expenses of around €0.2 billion resulted from the measurement of credit default risks and increased refinancing expenses in the segment Mercedes-Benz Mobility. The bulk of the expenses is included in cost of sales.

At the end of October 2022, Mercedes-Benz Group signed contracts with the Russian car dealer Avtodom AO for the sale of the shares in the Russian subsidiaries.

The assets of approximately €1.2 billion and liabilities of around €1.2 billion in connection with the business activities in Russia reported in the Consolidated Statement of Financial Position of 31 December 2022 will be sold on completion of the transaction. These include financing liabilities to banks of around €0.4 billion. The Group has provided a global guarantee for these liabilities, which will expire on completion of the transaction.

Completion of the transaction is subject to authorities' approval, which have not yet been fully granted, and the implementation of the contractually agreed conditions.

The group expects a loss in the low hundreds of millions of euros range on the sale becoming effective. No significant effects are expected on the liquidity and capital resources.

The Group continuously monitors the sanctions to be complied with and the resulting consequences in order to limit risks to the profitability, cash flows and financial position to the greatest extent possible.

5. Revenue

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

Revenue from contracts with customers (revenue according to IFRS 15) is disaggregated by the two categories - type of products and services and geographical regions - and presented in table D.17. The category type of products and services corresponds to the reported segments.

Other revenue primarily comprises revenue from the rental and leasing business of €11,698 million (2021: €11,915 million), interest from the financial services business at Mercedes-Benz Mobility in an amount of €4,533 million (2021: €5,171 million) and effects from currency hedging. Interest from the financial services business includes financial income on the net investment in leases of €783 million (2021: €914 million).

Revenue according to IFRS 15 includes revenue that was included in contract liabilities at 31 December 2021 in an amount of €2,965 million (2021: €2,434 million) and revenue from performance obligations fully (or partially) satisfied in previous periods in an amount of €442 million (2021: €339 million).

Revenue related to performance obligations that were unsatisfied (or partially unsatisfied) by the end of the reporting period that is expected to be recognized within three years amounted to €6,437 million at 31 December 2022 (2021: €6,170 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. The number of vehicles in the financial year, for which the expected original delivery time will exceed twelve months, was immaterial and are therefore not part of the disclosed amount. 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.

The increase in revenue was primarily due to the significantly improved pricing at the Mercedes-Benz Cars and Mercedes-Benz Vans segments.

The composition of the revenue in the Consolidated Statement of Income is shown by segment in table D.90 and by region in table D.94 in Note 35.

D.17

Revenue

	Mercedes- Benz Cars	Mercedes- Benz Vans	Mercedes- Benz Mobility	Total segments	Reconci- liation ¹	Mercedes- Benz Group
In millions of euros						
2022						
Europe	36,290	10,216	5,219	51,725	-3,146	48,579
North America	25,216	3,594	6,361	35,171	-82	35,089
Asia	42,996	1,091	136	44,223	-9	44,214
Other markets	5,722	1,599	80	7,401	-	7,401
Revenue according to IFRS 15	110,224	16,500	11,796	138,520	-3,237	135,283
Other revenue	1,377	717	15,158	17,252	-2,518	14,734
Total revenue	111,601	17,217	26,954	155,772	-5,755	150,017

	Mercedes- Benz Cars	Mercedes- Benz Vans	Mercedes- Benz Mobility	Total segments	Reconci- liation ¹	Mercedes- Benz Group
In millions of euros						
2021 ²						
Europe	32,217	9,190	4,719	46,126	-2,822	43,304
North America	18,386	2,268	6,421	27,075	-33	27,042
Asia	36,832	956	191	37,979	-26	37,953
Other markets	7,104	1,463	120	8,687	179	8,866
Revenue according to IFRS 15	94,539	13,877	11,451	119,867	-2,702	117,165
Other revenue	2,173	858	16,490	19,521	-2,793	16,728
Total revenue	96,712	14,735	27,941	139,388	-5,495	133,893

¹ The reconciliation includes eliminations of intra-Group revenues between the segments.

² In 2021, the reconciliation includes the parts of Daimler's commercial vehicle business remaining in the Mercedes-Benz Group after the spin-off and hive-down which are not presented under discontinued operations (revenue according to IFRS 15: €438 million).

6. Functional costs

Cost of sales

Items included in cost of sales are shown in table D.18.

D.18

Cost of sales

	2022	2021
In millions of euros		
Expense of goods sold	-100,385	-88,942
Depreciation of equipment on operating leases	-7,360	-7,448
Refinancing costs at Mercedes-Benz Mobility	-1,863	-2,009
Impairment losses on receivables from financial services	-536	-188
Other cost of sales	-5,853	-4,631
	-115,997	-103,218

In 2022, the cost of sales were primarily affected by significantly increased raw-material prices, one-time expenses paid to suppliers and additional costs relating to inflation and supply chains.

The amortization expense of capitalized development costs in the amount of €2,052 million (2021: €1,945 million) is presented in expense of goods sold.

Selling expenses

In 2022, selling expenses amounted to €9,482 million (2021: €9,194 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 €2,584 million in 2022 (2021: €2,808 million). They consist of expenses which are not attributable to production, sales or research and development functions, and include 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 €5,602 million in 2022 (2021: €5,467 million) and primarily comprise personnel expenses and material costs.

In all functional cost areas, there were effects due to expenses from cost-optimization programmes in connection with the measures agreed with the General Works Council of the former Daimler AG in December 2019 to reduce costs and reduce jobs in a socially responsible manner. Expenses of €140 million (2021: €436 million) were mainly attributable to the Mercedes-Benz Cars segment. Table D.19 provides an overview of the composition of these expenses.

D.19

Expenses associated with cost optimization programmes

	2022	2021
In millions of euros		
Cost of sales	-107	-259
Selling expenses	-20	-103
General administrative expenses	-24	-105
Research and non-capitalized development costs	-11	-82
	-162	-549

Personnel expenses and average number of employees

Personnel expenses included in the Consolidated Statement of Income for 2022 amounted to €16,501 million in 2022 (2021: €22,888 million for continuing and discontinued operations). Personnel expenses comprise wages and salaries in the amount of €13,684 million (2021: €18,528 million), social-security contributions in the amount of €2,239 million (2021: €3,357 million) and expenses from pension obligations in the amount of €578 million (2021: €1,003 million). The average numbers of people employed are shown in table D.20.

D.20

Average number of employees¹

	2022	2021
Mercedes-Benz Cars ²	137,942	141,052
Mercedes-Benz Vans	19,247	19,631
Mercedes-Benz Mobility	9,724	10,524
Daimler Trucks & Buses ³	-	74,186
Central Functions & Services	4,469	5,375
	171,382	250,768

1 Average number for the active workforce. Average number for quarters 1-4.

2 Proportionally including 2,107 (2021: 2,299) employees from a proportionately consolidated company.

3 Until the spin-off and hive-down of the Daimler commercial vehicle business reported segment Daimler Trucks & Buses; no employees are included in the fourth quarter 2021.

7. Other operating income and expense

The composition of **other operating income** is shown in table D.21.

D.21

Other operating income

	2022	2021
In millions of euros		
Income from costs recharged	1,258	1,310
Government grants	63	141
Gains on sales of property, plant and equipment	771	259
Rental income not relating to sales financing	83	76
Income from company transactions	576	631
Other miscellaneous income	572	471
	3,323	2,888

Income from costs recharged to third parties includes income from licenses and patents, as well as shipping costs and other costs recharged to third parties, with related expenses primarily within functional costs. See Note 38 for further information about the recharged costs to Daimler Trucks Holdings AG in 2022.

In 2022 and 2021, the use of short-time-work in Germany led to claims for reimbursement, which are included in other operating income from government grants.

In 2022 income from sale of retail activities in Canada, which is presented in other operating income and mainly allocated to the Mercedes-Benz Cars segment, amounts €514 million. It is included in gains on sales of property, plant and equipment. The sale of shares in Mercedes-Benz Grand Prix Ltd. resulted in income of €385 million in the segment Mercedes-Benz Cars. It is included in income from company transactions. In the income from company transactions was included in 2021 the effect from the fuel-cell joint venture cellcentric GmbH & Co. KG (cellcentric) with €604 million. For further information see Note 4.

The composition of **other operating expense** is shown in table D.22.

D.22

Other operating expense

	2022	2021
In millions of euros		
Losses on sales of property, plant and equipment	-138	-170
Spin-off and hive-down of the Daimler commercial vehicle business	-184	-782
Other miscellaneous expense	-967	-783
	-1,289	-1,735

In 2021 the higher other operating expenses are mainly due to the deconsolidation of assets and liabilities of the Mercedes-Benz Mobility segment in connection with the spin-off and hive-down of Daimler's commercial vehicle business of €782 million (including transaction costs of €32 million). Included in the year 2022 is an expense of €184 million from the fair-value measurement less transaction costs of the Mercedes-Benz Mobility disposal groups to the Daimler Truck Group.

Other miscellaneous expenses include, among other things, expenses in connection with ongoing governmental and court proceedings and measures taken relating to Mercedes-Benz diesel vehicles, expenses from hyperinflation accounting and other operating expenses passed on to third parties. In 2021, an expense of €96 million resulted from the effectiveness of parts of the contractual arrangements to sell shares in Mercedes-Benz Grand Prix Ltd.

See Note 3 (Spin-off and hive-down of the Daimler commercial vehicle business) and 4 (Mercedes-Benz Grand Prix) for further information.

8. Other financial income/expense

Table D.23 shows the components of other financial income/expense, net.

D.23

Other financial income/expense, net

	2022	2021
In millions of euros		
Income and expense from compounding and effects from changes in discount rates of provisions for other risks	545	95
Miscellaneous other financial income/expense, net	-205	222
	340	317

In the current year, miscellaneous other financial income/expense, net primarily included expenses from the measurement of other financial assets while the prior-year period included in particular income in connection with the measurement of equity instruments at fair value.

9. Interest income and interest expense

Table D.24 shows the components of interest income and interest expense.

D.24

Interest income and interest expense

	2022	2021
In millions of euros		
Interest income		
Net interest income on the net assets of defined benefit pension plans	12	4
Interest and similar income	261	208
	273	212
Interest expense		
Net interest expense on the net obligation from defined benefit pension plans	-60	-54
Interest and similar expenses	-367	-375
	-427	-429

10. Income taxes

Table D.25 shows the components of income tax expense.

D.25

Components of income tax expense

	2022	2021
In millions of euros		
Current taxes	-5,520	-3,284
Deferred taxes	25	-1,477
	-5,495	-4,761

The current tax expense includes tax benefits recognized for prior periods at German and foreign companies of €504 million (2021: €286 million).

The composition of deferred taxes is shown in table D.26.

D.26

Composition of deferred taxes

	2022	2021
In millions of euros		
Deferred taxes due to temporary differences	287	-397
Deferred taxes due to tax-loss carryforwards and tax credits	-262	-1,080
	25	-1,477

For German companies, in 2022 and 2021, deferred taxes were calculated using a federal corporate income tax rate of 15%, a solidarity tax surcharge of 5.5% on each year's federal corporate income taxes, and a trade tax rate of 14%. In total, the tax rate applied for the calculation of German deferred taxes in both years amounted to 29.825%. For non-German companies, the deferred taxes at period-end were calculated using the tax rates of the respective countries.

Table D.27 shows a reconciliation of expected income-tax expense to actual income-tax expense. In order to determine the expected income-tax expense, the unchanged applicable German combined statutory tax rate of 29.825% is multiplied by the profit before taxes.

D.27

Reconciliation of expected income-tax expense to actual income-tax expense

	2022	2021
In millions of euros		
Expected income-tax expense	-6,056	-4,716
Foreign tax-rate differential	311	353
Trade tax-rate differential	-22	44
Tax-law changes	87	126
Change of unrecognized deferred tax assets including write-down of deferred tax assets	3	-307
Tax-free income and non-deductible expenses	393	208
Tax expense/income due to applicable income tax group with discontinued operations	-	-79
Other	-211	-390
Actual income-tax expense	-5,495	-4,761

The Group did not recognize the total amount of deferred tax assets in 2022 and 2021. The decrease compared with the previous year is due in particular to the expiry in 2021 of tax-loss carryforwards previously considered to be recoverable. This resulted in tax expenses and the non-recognition of deferred tax income. The respective amounts are included in the line item change of unrecognized deferred tax assets including write-down of deferred tax assets.

Tax-free income and non-deductible expenses include all reconciling items of foreign and German companies relating to tax-free income and non-deductible expenses, e.g. tax-free results of the equity-method investments. The increase compared to the prior year is, among other things, due to the effect from the non-deductible loss on the spin-off and hive-down of assets and liabilities of the Mercedes-Benz Mobility segment that was included in 2021.

The other items include, among other things, effects from withholding taxes on dividends, patents and licenses.

Deferred tax assets and deferred tax liabilities are offset if the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and if there is the right to set off current tax assets against current tax liabilities. In the presentation of deferred tax assets and liabilities in the Consolidated Statement of Financial Position, no difference is made between current and non-current. In the Consolidated Statement of Financial Position, deferred tax assets and liabilities are presented as shown in table D.28.

D.28

Deferred tax assets and liabilities

	At 31 December	
	2022	2021
In millions of euros		
Deferred tax assets	3,725	3,434
Deferred tax liabilities	-6,910	-4,488
Deferred tax assets/Deferred tax liabilities, net	-3,185	-1,054

In respect of each type of temporary difference and in respect of each type of unutilized tax-loss carryforwards and unutilized tax credits, the deferred tax assets and liabilities before offset are summarized in table D.29.

D.29

Split of deferred tax assets and liabilities before offset

	At 31 December	
	2022	2021
In millions of euros		
Intangible assets	78	58
Property, plant and equipment	201	184
Equipment on operating leases	2,368	2,329
Inventories	1,326	1,123
Receivables from financial services	360	361
Miscellaneous assets, mainly other financial assets	4,615	4,356
Tax-loss carryforwards and unused tax credits	368	662
Provisions for pensions and similar obligations	178	237
Other provisions	802	1,161
Liabilities	2,369	2,541
Deferred income	359	357
Miscellaneous liabilities	-	-
	13,024	13,369
Unrecognized deferred tax assets	-214	-263
thereof on temporary differences	-23	-41
thereof on tax-loss carryforwards and tax credits	-191	-222
Deferred tax assets, gross	12,810	13,106
Development costs	-4,038	-3,776
Other intangible assets	-78	-84
Property, plant and equipment	-2,533	-2,252
Equipment on operating leases	-3,413	-4,092
Inventories	-29	-28
Receivables from financial services	-1,549	-1,327
Miscellaneous assets	-687	-670
Provisions for pensions and similar obligations	-2,940	-1,385
Other provisions	-221	-215
Miscellaneous liabilities	-507	-331
Deferred tax liabilities, gross	-15,995	-14,160
Deferred tax assets/deferred tax liabilities, net	-3,185	-1,054

The development of deferred tax assets and deferred tax liabilities, net, is shown in table D.30.

D.30

Changes in deferred tax assets/deferred tax liabilities, net

	2022	2021
In millions of euros		
Deferred tax assets/deferred tax liabilities, net as of 1 January	-1,054	2,610
Deferred tax expense/benefit from continuing operations in the Consolidated Statement of Income	25	-1,477
Deferred tax expense/benefit from discontinued operations in the Consolidated Statement of Income	-	-1
Change in deferred tax assets/liabilities on equity instruments/debt instruments included in other comprehensive income/loss	57	-18
Change in deferred tax assets/liabilities on equity-method investments included in other comprehensive income/loss	-156	-
Change in deferred tax assets/liabilities on derivative financial instruments included in other comprehensive income/loss	-688	362
Change in deferred tax assets/liabilities on actuarial gains/losses from defined benefit pension plans included in other comprehensive income/loss	-1,240	-1,122
Disposed of deferred tax assets/liabilities of Daimler's commercial vehicle business	-	-1,243
Other changes ¹	-129	-165
Deferred tax assets/deferred tax liabilities, net as of 31 December	-3,185	-1,054

¹ The other changes primarily relate to changes due to the effects of currency translation.

Taking into account the items recognized in other comprehensive income/loss (including items from equity-method investments), the expense for income taxes is comprised as shown in table D.31.

D.31

Tax expense in equity

	2022	2021
In millions of euros		
Income tax expense from continuing operations in the Consolidated Statement of Income	-5,495	-4,761
Income tax expense from discontinued operations in the Consolidated Statement of Income	-	-618
Income tax expense/benefit recognized in other reserves in Group equity	-2,028	-778
	-7,523	-6,157

In the Consolidated Statement of Financial Position, unrecognized deferred tax assets attributable mainly to foreign companies decreased by €49 million compared to 31 December 2021. This decrease is due in particular to adjustments to tax-loss carryforwards for previous years, especially as a result of expiration. This was partly offset by changes in foreign currency translation with no impact on profit and loss.

At 31 December 2022, unrecognized deferred tax assets in the Consolidated Statement of Financial Position relate, among other things, to corporate income-tax-loss carryforwards of €92 million. €4 million of unrecognized deferred tax assets relates to corporate income-tax-loss carryforwards which expire in 2023, €14 million relates to tax-loss carryforwards which expire at various dates from 2024 through 2027, €1 million relates to tax-loss carryforwards which expire at various dates from 2028 through 2042, and €73 million relates to tax-loss carryforwards which can be carried forward indefinitely. A large proportion of the unrecognized deferred tax assets relates to tax-loss carryforwards for state and local taxes at the US companies as well as to temporary differences. The Mercedes-Benz Group believes that it is more likely than not that it will be unable to utilize those deferred tax assets.

The Group had tax losses in 2022 and prior years at several subsidiaries in a number of countries. After offsetting the deferred tax assets with deferred tax liabilities, the deferred tax assets recognized for those entities amounted to €4 million. The Mercedes-Benz Group believes it is more likely than not that future taxable income will be sufficient to allow utilization of these deferred tax assets. The Group's current estimate of the amount of deferred tax assets that is considered realizable may change in the future, necessitating higher or lower unrecognized deferred tax assets.

From the current perspective, the retained earnings of non-German subsidiaries are largely intended to be reinvested in those operations. The Group did not recognize deferred tax liabilities on retained earnings which are intended to be reinvested of non-German subsidiaries of €27,469 million (2021: €24,892 million). 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, further 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. Estimating the amount of taxable temporary differences for these undistributed foreign earnings would require a disproportionate effort.

The Group has various unresolved issues concerning open tax years with the tax authorities in a number of jurisdictions. The Mercedes-Benz Group 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 the Mercedes-Benz Group might receive tax refunds for previous years. In particular, from 2012 to 2021, Mercedes-Benz Group AG incurred currency exchange rate-related losses from the financing of Group companies based abroad totalling €2.1 billion, which were compensated by corresponding hedging instruments. For the years until 2021, the German tax authorities consider that exchange rate-related losses from the financing of Group companies are generally not to be recognized, while the compensating profits from the hedging activities remain taxable. In 2021, the German Modernization of Corporate Income Tax Act stipulated that such exchange rate losses are generally deductible. However, this only applies from 2022 onwards. The Company does not share the legal opinion represented by the tax authorities for the years up to 2021. In the meantime, a lawsuit has also been filed with the Finance Court.

11. Intangible assets

Intangible assets developed as shown in table D.32.

At 31 December 2022, goodwill of €389 million (2021: €389 million) relates to the Mercedes-Benz Mobility segment, goodwill of €337 million (2021: €352 million) relates to the Mercedes-Benz Cars segment and goodwill of €23 million (2021: €23 million) relates to the Mercedes-Benz Vans segment.

Non-amortizable intangible assets primarily relate to goodwill and development costs for projects which have not yet been completed (carrying amount at 31 December 2022: €4,496 million; 2021: €4,201 million). In addition, other intangible assets with a carrying amount of €190 million (2021: €135 million) are not amortizable. These non-amortizable intangible assets are distribution rights in the vehicle segments with indefinite useful lives. The Group plans to continue to use these assets unchanged.

D.32

Intangible assets

In millions of euros	Goodwill (acquired)	Develop- ment costs (internally generated) ²	Other intangible assets (acquired)	Total
Acquisition/manufacturing costs				
Balance at 1 January 2021	1,484	21,666	4,878	28,028
Additions	171	2,378	355	2,904
Reclassification to assets of the Daimler commercial vehicle business held for distribution or sale	-787	-2,770	-1,009	-4,566
Disposals	-	-2,118	-347	-2,465
Other changes ¹	26	-1	-2	23
Balance at 31 December 2021	894	19,155	3,875	23,924
Additions	-	2,983	497	3,480
Disposals	-4	-360	-186	-550
Other changes ¹	-14	-45	10	-49
Balance at 31 December 2022	876	21,733	4,196	26,805
Depreciation/impairment				
Balance at 1 January 2021	263	8,559	2,807	11,629
Additions	-	2,073	490	2,563
Reclassification to assets of the Daimler commercial vehicle business held for distribution or sale	-139	-2,066	-682	-2,887
Disposals	-	-2,106	-278	-2,384
Other changes ¹	6	-2	-6	-2
Balance at 31 December 2021	130	6,458	2,331	8,919
Additions	-	2,061	348	2,409
Disposals	-1	-317	-68	-386
Other changes ¹	-2	-6	2	-6
Balance at 31 December 2022	127	8,196	2,613	10,936
Carrying amount at 31 December 2021	764	12,697	1,544	15,005
Carrying amount at 31 December 2022	749	13,537	1,583	15,869

¹ Primarily changes from currency translation.

² Including capitalized borrowing costs on development costs of €79 million (2021: €45 million). Amortization amounted to €9 million (2021: €10 million).

The goodwill reported in 2021 in the line items reclassification to assets held for distribution or sale of the Daimler commercial vehicle business comprises the goodwill of the cash-generating units Daimler Trucks and Daimler Buses reported until spin-off and hive-down of Daimler's commercial vehicle business. In addition, parts of the goodwill of the cash-generating unit Mercedes-Benz Mobility are allocated, which were determined on the basis of relative values of the disposed of and remaining business operations. Before classification as held for sale or distribution, all assets and liabilities were measured in accordance with the applicable IFRS.

Table D.33 shows the line items of the Consolidated Statement of Income in which total amortization expense for intangible assets is included.

D.33

Amortisation expense for intangible assets in the Consolidated Statement of Income¹

	2022	2021
In millions of euros		
Cost of sales	2,265	2,402
Selling expenses	54	53
General administrative expenses	69	75
Research and non-capitalised development costs	21	33
	2,409	2,563

¹ The prior year includes the amortization of intangible assets of Daimler's commercial vehicle business until 31 July 2021.

12. Property, plant and equipment

Property, plant and equipment as shown in the Consolidated Statement of Financial Position with a carrying amount of €27,250 million (2021: €27,859 million) also includes right-of-use assets, that the Group received as lessee.

Property, plant and equipment, excluding right-of-use assets, developed as shown in table D.34.

In 2022, government grants of €96 million (2021: €69 million) were deducted from the carrying amount of property, plant and equipment.

D.34

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

	Land, land rights and buildings, including buildings on land owned by others	Technical equipment and machinery	Other equipment, factory and office equipment	Advance payments and construction in progress	Total
In millions of euros					
Acquisition/manufacturing costs					
Balance at 1 January 2021	19,968	28,662	34,273	3,906	86,809
Additions	164	640	1,424	1,802	4,030
Reclassifications	517	1,277	668	-2,462	-
Reclassification to assets of the Daimler commercial vehicle business held for distribution or sale	-4,821	-6,704	-6,934	-627	-19,086
Disposals	-282	-836	-1,394	-252	-2,764
Other changes ¹	-141	-221	357	-172	-177
Balance at 31 December 2021	15,405	22,818	28,394	2,195	68,812
Additions	112	467	1,375	1,467	3,421
Reclassifications	165	893	972	-2,030	-
Disposals	-389	-984	-1,165	-130	-2,668
Other changes ¹	37	-23	122	15	151
Balance at 31 December 2022	15,330	23,171	29,698	1,517	69,716
Depreciation/impairment					
Balance at 1 January 2021	9,647	18,588	26,815	223	55,273
Additions	418	1,657	1,638	2	3,715
Reclassifications	-	3	-3	-	-
Reclassification to assets of the Daimler commercial vehicle business held for distribution or sale	-2,415	-4,869	-5,375	-10	-12,669
Disposals	-179	-767	-1,223	-	-2,169
Other changes ¹	-291	-255	275	-215	-486
Balance at 31 December 2021	7,180	14,357	22,127	-	43,664
Additions	331	1,498	1,637	18	3,484
Reclassifications	-	7	-7	-	-
Disposals	-117	-848	-1,024	-1	-1,990
Other changes ¹	-52	-13	99	-	34
Balance at 31 December 2022	7,342	15,001	22,832	17	45,192
Carrying amount at 31 December 2021	8,225	8,461	6,267	2,195	25,148
Carrying amount at 31 December 2022	7,988	8,170	6,866	1,500	24,524

¹ Primarily changes from currency translation. In 2021, there were opposing effects from the deconsolidation of property, plant and equipment at the segment Mercedes-Benz Cars, which was impaired in 2020. They amounted to approximately €1.0 billion before depreciation and impairment.

Table D.35 shows the composition of the right-of-use assets.

D.35

Right-of-use assets

	At 31 December	
	2022	2021
In millions of euros		
Land, land rights and buildings	2,241	2,320
Technical equipment and machinery	451	356
Other equipment, factory and office equipment	34	35
	2,726	2,711

The tables D.36, D.37 and D.38 show additional disclosures related to lessee accounting.

D.36

Additions and depreciation for right-of-use assets

	2022	2021
In millions of euros		
Additions to right-of-use assets	923	918
Depreciations for		
land, land rights and buildings	482	573
technical equipment and machinery	134	112
other equipment, factory and office equipment	21	30
	637	715

D.37

Expenses related to lessee accounting

	2022	2021
In millions of euros		
Interest expense from lease transactions	54	51
Expenses from short-term leases	20	31
Expenses from leases of low-value assets	11	14
Expenses from variable lease payments	27	15

D.38

Cash outflows related to lessee accounting

	2022	2021
In millions of euros		
Total cash outflow for lease contracts	625	868
Future cash outflows that are not reflected in the lease liabilities	1,876	608

Further information on lessee accounting is provided in Notes 1, 25 and 34.

13. Equipment on operating leases

The development of equipment on operating leases is shown in table D.39.

D.39

Equipment on operating leases

In millions of euros

Acquisition/manufacturing costs

Balance at 1 January 2021	62,604
Additions	20,265
Reclassification to assets of the Daimler commercial vehicle business held for distribution or sale	-6,748
Disposals	-21,864
Other changes ¹	3,350
Balance at 31 December 2021	57,607
Additions ²	17,263
Disposals	-20,200
Other changes ¹	1,356
Balance at 31 December 2022	56,026

Depreciation/impairment

Balance at 1 January 2021	15,052
Additions	8,073
Reclassification to assets of the Daimler commercial vehicle business held for distribution or sale	-2,479
Disposals	-8,040
Other changes ¹	530
Balance at 31 December 2021	13,136
Additions	7,360
Disposals	-6,341
Other changes ¹	319
Balance at 31 December 2022	14,474

Carrying amount at 31 December 2021 44,471

Carrying amount at 31 December 2022 41,552

¹ Primarily changes from currency translation.

² The additions include €6,718 million that were not acquired from external dealers.

The carrying amount of the equipment on operating leases includes leased right-of-use assets from recognized head leases with the Daimler Truck Group of €0.5 billion (2021: €1.1 billion).

At 31 December 2022, equipment on operating leases with a carrying amount of €9,663 million was pledged as security for liabilities from ABS transactions (2021: €12,915 million). These liabilities related to a securitization transaction of future lease payments on leased vehicles (see also Note 25).

Leasing payments

Future lease payments to the Mercedes-Benz Group for equipment on operating leases are due as presented in table D.40.

D.40

Maturity of undiscounted lease payments for equipment on operating leases

	At 31 December	
	2022	2021
In millions of euros		
Maturing		
Within one year	7,307	8,092
Between one and two years	5,390	5,343
Between two and three years	2,170	2,962
Between three and four years	861	1,167
Between four and five years	222	246
Later than five years	122	89
Total lease payments	16,072	17,899

14. Equity-method investments

Table D.41 shows the carrying amounts and profits/losses from equity-method investments.

Table D.42 presents key figures on interests in associated companies accounted for using the equity method in the Group's Consolidated Financial Statements.

D.41

Summarized carrying amounts and gains/losses on equity-method investments

	Associated companies	Joint ventures	Total
In millions of euros			
At 31 December 2022			
Equity-method carrying amount ¹	12,539	991	13,530
Equity-method gains/losses ¹	1,934	-202	1,732
At 31 December 2021			
Equity-method carrying amount ¹	12,652	936	13,588
Equity-method gains/losses ¹	1,539	-187	1,352

¹ Including investor-level adjustments.

D.42

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

	Daimler Truck ³	BBAC	Others	Total
In millions of euros				
At 31 December 2022				
Equity interest (in %)	30.0	49.0	-	-
Stock-market price ¹	7,149	-	-	-
Equity-method carrying amount ²	8,199	2,973	1,367	12,539
Equity-method gains/losses ²	226	1,711	-3	1,934
At 31 December 2021				
Equity interest (in %)	35.0	49.0	-	-
Stock-market price ¹	9,301	-	-	-
Equity-method carrying amount ²	8,762	2,753	1,137	12,652
Equity-method gains/losses ²	-1	1,553	-13	1,539

¹ Proportionate stock-market prices.

² Including investor-level adjustments.

³ Figures for the equity-method gains/losses of Daimler Truck in the year 2021 are for the period of 10 December to 31 December 2021.

Associated companies

Daimler Truck

The Daimler Truck Group is one of the world's largest commercial vehicle manufacturers. Its product portfolio comprises light-, medium- and heavy-duty trucks, city buses and intercity buses, coaches and bus chassis. In addition financial services aligned to the product portfolio are offered. The investment is reported in the reconciliation of the reportable segments of the Group.

As of 31 December 2021, the Mercedes-Benz Group held a 35% stake in Daimler Truck Holding AG. In January 2022, about 5% of the shares of Daimler Truck Holding AG were transferred to Mercedes-Benz Pension Trust e.V. and contributed to the pension plan assets. As a result of this transaction, the shareholding in Daimler Truck for the equity-method inclusion declined to approximately 30% and thus the equity-method carrying amount decreased by €1,250 million.

The extraordinary contribution of €1,309 million into pension plan assets corresponded to the fair value of the contributed assets at the contribution date. The gain of €59 million from the contribution was not cash effective and is shown under gains/losses on equity-method investments, which are reported in the reconciliation.

Further information is provided in Notes 3 and 38.

BBAC

Beijing Benz Automotive Co., Ltd. (BBAC) produces and distributes Mercedes-Benz 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 2022, the shareholders of BBAC resolved to pay out a dividend of €653 million for the second half of 2021. The distribution of a further dividend from financial year 2022 of €761 million was approved in the fourth quarter. The distributions correspondingly reduced the shareholding's carrying amount. The dividend payments caused a cash inflow of €1,431 million due to the exchange rate. In the previous year, two dividends totalling €1,533 million were resolved that led to a cash inflow of €1,523 million as a result of exchange rate effects.

The Mercedes-Benz Group plans to contribute additional equity of approximately €0.2 billion in accordance with the shareholding ratio at BBAC.

Other associated companies

Due to the business development of **BAIC Motor Corporation Ltd. (BAIC Motor)**, the Group recognized an impairment of €120 million on the carrying amount of its investment in BAIC Motor in the fourth quarter of 2021. The expenses were included in the line item gains/losses on equity-method investments. The investment is reported in the reconciliation of the reportable segments of the Group.

In March 2021, Daimler Financial Services Investment Company LLC sold all its shares in **Via Transportation Inc.**, United States to external shareholders. The sale resulted in income before taxes of €89 million, which was reported in the line item gains/losses on equity-method investments, net. The company had been allocated to the Mercedes-Benz Mobility segment.

Table D.43 shows summarized aggregated financial information according to IFRS for the significant associated companies accounted for using the equity method after purchase price allocation, which was the basis for equity-method accounting in the Group's Consolidated Financial Statements.

D.43

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

	Daimler Truck ¹		BBAC ²	
	2022	2021	2022	2021
In millions of euros				
Information on the statement of income				
Revenue	50,945	28,418	24,820	21,288
Profit/loss after taxes	2,763	2,265	3,649	3,205
Other comprehensive income/loss	1,320	1,196	52	-34
Total comprehensive income/loss	4,083	3,461	3,701	3,171
Information on the statement of financial position and reconciliation to the equity-method carrying amounts				
Non-current assets	38,957	33,561	7,101	7,179
Current assets	32,371	28,370	9,361	8,197
Non-current liabilities	22,451	17,962	1,122	1,112
Current liabilities	21,150	18,816	8,592	8,116
Equity (including non-controlling interests)	27,727	25,153	6,748	6,148
Equity (excluding non-controlling interests) attributable to the Group	8,107	8,579	3,306	3,013
Unrealized profit (-)/loss (+) on sales to/purchases from	-	-	-332	-258
Other reconciliation effects including equity-method goodwill and impairments on the investment	92	183	-1	-2
Equity-method carrying amount	8,199	8,762	2,973	2,753

1 Daimler Truck:

Figures for the statement of income relate to the period of 1 January to 31 December.

Figures for the statement of financial position and the reconciliation to the equity-method carrying amounts relate to the balance sheet date of 31 December and include investor level adjustments.

2 BBAC:

Figures for the statement of income relate to the period of 1 January to 31 December.

Figures for the statement of financial position and the reconciliation to the equity-method carrying amounts relate to the balance sheet date of 31 December and include investor level adjustments.

Joint ventures

The increase of the carrying amount of the joint ventures is mainly due to the completion of the acquisition of a 33.33% stake in **Automotive Cells Company SE (ACC)** in May 2022. Further information is provided in Note 4.

In the fourth quarter of 2021, the shareholders Daimler Greater China Ltd. and BYD Automotive Industry Co., Ltd (BYD) signed a contract on the structural realignment of the joint venture **Shenzhen DENZA New Energy Automotive Co. Ltd. (DENZA)**. In the first quarter of 2022 the Mercedes-Benz Group contributed additional equity of €0.1 billion to its investment in DENZA in accordance with its shareholding of 50% at that time. At 30 June 2022 the Group transferred 40% of the shares of DENZA to BYD. After the equity transfer, the Mercedes-Benz Group holds an equity interest of 10% while BYD holds 90%. Now DENZA is included in the Consolidated Financial Statements as equity instrument under IFRS 9. The company is allocated to the Mercedes-Benz Cars segment. The transaction has not had material effects on profitability, liquidity and capital resources and financial position.

Table D.44 shows summarized aggregated financial information for the other minor equity-method investments after purchase-price allocation and on a pro-rata basis.

Further information on equity-method investments is provided in Note 38.

D.44

Summarized aggregated financial information on minor equity-method investments

	Associated companies		Joint ventures	
	2022	2021	2022	2021
In millions of euros				
Summarized aggregated financial information (pro rata)				
Profit/loss after taxes	13	30	-193	-109
Other comprehensive income/loss	-60	38	-	3
Total comprehensive income/loss	-47	68	-193	-106

15. Receivables from financial services

Table D.45 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 the Mercedes-Benz Group.

Receivables from sales financing with dealers represent loans for floor financing programmes for vehicles purchased from the Mercedes-Benz Group. In addition, these receivables also relate to the financing of other assets that the dealers purchased from third parties, in particular used vehicles or property.

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 flow from operating activities in the Consolidated Statement of Cash Flows.

Table D.46 shows the maturities of the future contractual lease payments and the development of lease payments to the carrying amounts of receivables from finance-lease contracts.

In 2022, the Mercedes-Benz Group recognized a gain of €177 million (2021: €203 million) from the difference between the additions to receivables from finance-lease contracts and the carrying amounts of the underlying assets.

Loss allowances

The development of loss allowances for receivables from financial services due to expected credit losses is shown in table D.47.

The carrying amounts of receivables from financial services based on modified contracts that are shown in stages 2 and 3, amounted to €223 million at 31 December 2022 (2021: €392 million). In addition, carrying amounts of €135 million in connection with contractual modifications were reclassified at 31 December 2022 from stages 2 and 3 into stage 1 (2021: €210 million).

Credit risks

Information on credit risks included in receivables from financial services is shown in table D.48.

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 net carrying amounts of the credit-impaired contracts are primarily backed by the underlying vehicles.

Further information on impairments, financial risks and types of risks is provided in Note 34.

At 31 December 2022, receivables from financial services with a carrying amount of €11,931 million (2021: €10,378 million) were pledged mostly as collateral for liabilities from ABS transactions (see also Note 25).

D.45

Receivables from financial services

	At 31 December 2022			At 31 December 2021		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Sales financing with customers	19,188	32,223	51,411	18,463	32,055	50,518
Sales financing with dealers	11,198	3,504	14,702	7,726	2,432	10,158
Finance-lease contracts	7,009	12,296	19,305	7,327	12,117	19,444
Residual-value receivables	439	890	1,329	550	914	1,464
Gross carrying amount	37,834	48,913	86,747	34,066	47,518	81,584
Loss allowances	-522	-676	-1,198	-396	-563	-959
Net carrying amount	37,312	48,237	85,549	33,670	46,955	80,625

D.46

Development of the receivables from finance-lease contracts

	At 31 December	
	2022	2021
In millions of euros		
Contractual future lease payments	17,426	17,060
thereof due		
within one year	6,527	6,808
between one and two years	5,168	4,737
between two and three years	2,699	2,540
between three and four years	1,776	1,733
between four and five years	1,044	965
later than five years	212	277
Unguaranteed residual values	3,663	4,011
Gross investment	21,089	21,071
Unearned finance income	-1,784	-1,627
Gross carrying amount	19,305	19,444
Loss allowances	-454	-259
Net carrying amount	18,851	19,185

D.47

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

	12-month expected credit loss (Stage 1)	not credit impaired (Stage 2)	Lifetime expected credit loss credit impaired (Stage 3)	Total
In millions of euros				
Balance at 1 January 2021	453	254	891	1,598
Additions	204	46	253	503
Remeasurement changes	-47	68	318	339
Utilisation	-20	-18	-211	-249
Reversals	-275	-118	-419	-812
Transfer to stage 1	135	-89	-46	-
Transfer to stage 2	-34	59	-25	-
Transfer to stage 3	-5	-38	43	-
Assets of the Daimler commercial vehicle business held for distribution	-91	-33	-269	-393
Currency translation and other changes	19	11	21	51
Balance at 31 December 2021¹	339	142	556	1,037
Additions	158	39	215	412
Remeasurement changes	39	89	330	458
Utilisation	-2	-14	-104	-120
Reversals	-174	-58	-250	-482
Transfer to stage 1	61	-41	-20	-
Transfer to stage 2	-25	41	-16	-
Transfer to stage 3	-5	-25	30	-
Currency translation and other changes	-27	-3	-77	-107
Balance at 31 December 2022	364	170	664	1,198

1 Including the part of the gross carrying amount that was reclassified to the "Assets held for sale" item of the Consolidated Statement of Financial Position.

D.48

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 31 December 2022				
Gross carrying amount	80,852	4,277	1,618	86,747
thereof				
not past due	80,192	3,061	268	83,521
past due 30 days and less	631	537	239	1,407
past due 31 to 60 days	20	464	46	530
past due 61 to 90 days	9	215	42	266
past due 91 to 180 days	-	-	425	425
past due more than 180 days	-	-	598	598
At 31 December 2021¹				
Gross carrying amount	79,271	3,053	1,566	83,890
thereof				
not past due	78,742	2,033	353	81,128
past due 30 days and less	521	394	93	1,008
past due 31 to 60 days	8	430	54	492
past due 61 to 90 days	-	194	50	244
past due 91 to 180 days	-	2	368	370
past due more than 180 days	-	-	648	648

¹ Including the part of the gross carrying amount that was reclassified to the "Assets held for sale" item of the Consolidated Statement of Financial Position.

16. Marketable debt securities and similar investments

The marketable debt securities and similar investments with a carrying amount of €7,060 million (2021: €7,579 million) are part of the Group's liquidity management and comprise financial instruments recognized at fair value through other comprehensive income, at fair value through profit or loss, or at amortized cost.

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

At 31 December 2022, the Group held marketable debt securities and similar investments in the amount of €0.1 billion (2021: €0.4 billion) which can be used as collateral for open-market transactions with the Deutsche Bundesbank.

Further information on marketable debt securities and similar investments is provided in Note 33.

17. Other financial assets

The line item other financial assets presented in the Consolidated Statement of Financial Position is comprised as shown in table D.49.

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 31 December 2022, other financial assets included receivables with a carrying amount of €461 million (2021: €908 million) that were pledged as collateral for liabilities.

Further information on other financial assets is provided in Note 33.

D.49

Other financial assets

	At 31 December 2022			At 31 December 2021		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Equity instruments and debt instruments	-	1,439	1,439	-	1,576	1,576
recognized at fair value through other comprehensive income	-	768	768	-	911	911
recognized at fair value through profit or loss	-	671	671	-	665	665
Derivative financial instruments used in hedge accounting	468	1,995	2,463	128	892	1,020
Other financial assets recognized at fair value through profit or loss	442	142	584	38	23	61
Other receivables and miscellaneous other financial assets	2,543	902	3,445	2,913	690	3,603
	3,453	4,478	7,931	3,079	3,181	6,260

18. Other assets

Non-financial other assets are comprised as shown in table D.50.

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

D.50

Other assets

	At 31 December 2022			At 31 December 2021		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Reimbursements due to income tax refunds	577	402	979	591	398	989
Reimbursements due to other tax refunds	2,509	37	2,546	2,282	40	2,322
Other expected reimbursements	174	153	327	187	155	342
Prepaid expenses	451	83	534	445	121	566
Asset from defined benefit pension plans	-	738	738	-	608	608
Other	761	264	1,025	568	214	782
	4,472	1,677	6,149	4,073	1,536	5,609

19. Inventories

Inventories are comprised as shown in table D.51.

D.51

Inventories

	At 31 December	
	2022	2021
In millions of euros		
Raw materials and manufacturing supplies	2,909	2,488
Work in progress	3,491	3,969
Finished goods, spare parts and products held for resale	19,058	14,829
Advance payments to suppliers	163	180
	25,621	21,466

Inventories increased significantly compared to 31 December 2021 as a result of high levels of inventory intended for delivery.

The amount of write-down of inventories to net realizable value recognized as an expense in cost of sales was €543 million in 2022 (2021: €231 million). Inventories that are expected to be recovered or settled after more than twelve months amounted to €724 million at 31 December 2022 (2021: €755 million) and are primarily spare parts.

To secure obligations from partial retirement and long-term working accounts, a number of company cars and demonstration vehicles included in inventories of Mercedes-Benz AG in the amount of €854 million is pledged as collateral to Mercedes-Benz Pension Trust e.V. as of 31 December 2022 (2021: €791 million).

20. Trade receivables

Trade receivables are comprised as shown in table D.52.

D.52

Trade receivables

	At 31 December	
	2022	2021
In millions of euros		
Gross carrying amount	8,290	7,818
Loss allowances	-190	-145
Net carrying amount	8,100	7,673

At 31 December 2022, €48 million of the trade receivables mature after more than one year (2021: €32 million).

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

Loss allowances

The development of loss allowances due to expected credit losses for trade receivables is shown in table D.53.

D.53

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

	Lifetime expected credit loss		Total
	not credit impaired	credit impaired	
	(Stage 2)	(Stage 3)	
In millions of euros			
Balance at 1 January 2021	101	123	224
Additions	17	44	61
Remeasurement changes	-	6	6
Utilisation	-15	-14	-29
Reversals	-19	-46	-65
Transfer to stage 2	-4	4	-
Transfer to stage 3	-	-	-
Assets of the Daimler commercial vehicle business held for distribution	-26	-28	-54
Currency translation and other effects	2	-	2
Balance at 31 December 2021	56	89	145
Additions	32	87	119
Remeasurement changes	2	6	8
Utilisation	-4	-21	-25
Reversals	-16	-38	-54
Transfer to stage 2	-	-	-
Transfer to stage 3	-4	4	-
Currency translation and other effects	4	-7	-3
Balance at 31 December 2022	70	120	190

Credit risks

Information on credit risks included in trade receivables is shown in table D.54.

D.54

Credit risks included in trade receivables

	Lifetime expected credit loss		Total
	not credit impaired	credit impaired	
	(Stage 2)	(Stage 3)	
In millions of euros			
At 31 December 2022			
Gross carrying amount	7,923	367	8,290
thereof			
not past due	6,691	41	6,732
past due 30 days and less	659	5	664
past due 31 to 60 days	224	-	224
past due 61 to 90 days	108	-	108
past due 91 to 180 days	108	39	147
past due more than 180 days	133	282	415
At 31 December 2021¹			
Gross carrying amount	7,731	117	7,848
thereof			
not past due	6,788	2	6,790
past due 30 days and less	566	1	567
past due 31 to 60 days	102	-	102
past due 61 to 90 days	36	1	37
past due 91 to 180 days	56	36	92
past due more than 180 days	183	77	260

¹ Including the part of allowances that was reclassified to the "Assets held for sale" item of the Consolidated Statement of Financial Position.

Further information on financial risk and types of risk is provided in Note 34.

21. Equity

The Consolidated Statement of Changes in Equity is shown in D.05.

Share capital

The share capital (authorized capital) is divided into no-par-value shares. All shares are fully paid up. Each no-par-value share confers the right to one vote at the Annual General Meeting of Mercedes-Benz Group 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 General Meeting. Each share represents a proportionate amount of approximately €2.87 of the share capital.

Since 1 January 2021, there has been no change in the number of shares outstanding/issued. The number at 31 December 2022 is 1,070 million, unchanged from 31 December 2021.

Approved capital

The Annual General Meeting held on 5 April 2018 authorized the Board of Management, with the consent of the Supervisory Board, to increase the share capital of Mercedes-Benz Group AG in the period until 4 April 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)). The Board of Management was also authorized, among other things, 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 General Meeting on 8 July 2020, the Board of Management is authorized, with the consent of the Supervisory Board, until 7 July 2025 to issue convertible and/or warrant bonds or a combination of these instruments ("bonds") with a total face value of up to €10.0 billion and a maturity of no more than ten years. The Board of Management is allowed to grant the holders of these bonds conversion or warrant rights for new registered no-par-value shares in Mercedes-Benz Group 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 instalments, or simultaneously in various tranches as well as by subsidiaries of the Company within the meaning of Sections 15 et seq. of the German Stock Corporation Act (AktG). Among other things, the Board of Management is authorized with the consent of the Supervisory Board to exclude shareholders' subscription rights for the bonds under certain conditions and within defined constraints.

In order to fulfil the conditions of the above-mentioned authorization, the Annual General Meeting on 8 July 2020 also resolved to increase the share capital conditionally by an amount of up to €500 million (Conditional Capital 2020).

No use was made of this authorization to issue convertible and/or warrant bonds in the reporting period.

Treasury shares

By resolution of the Annual General Meeting on 8 July 2020, the Board of Management is authorized, with the consent of the Supervisory Board, until 7 July 2025 to acquire treasury shares in a volume up to 10% of the share capital issued as of the day of the resolution or — if this is lower — of the share capital existing at the time of the authorization being exercised, to be used for all permissible purposes. The shares can be used, among other things, with the exclusion of shareholders' subscription rights, for business combinations or to acquire companies or to be sold to third parties for cash at a price that is not significantly lower than the stock-exchange price of the Company's shares. The acquired shares can also be used to fulfil obligations from issued convertible bonds and/or bonds with warrants and to be issued to employees of the Company and employees and board members of the Company's subsidiaries pursuant to Sections 15 et seq. of the German Stock Corporation Act (AktG). The treasury shares can also be cancelled.

In a volume up to 5% of the share capital issued as of the day of the resolution of the Annual General Meeting, the Board of Management is authorized, with the consent of the Supervisory Board, to acquire treasury shares also by using derivatives (put options, call options, forward purchases or a combination of these instruments), whereby the term of a derivative must not exceed 18 months and must not end later than 7 July 2025.

On the basis of the aforementioned authorization, the Board of Management, with the approval of the Supervisory Board, resolved a share buyback programme on 16 February 2023. Beginning on 3 March 2023, own shares worth up to €4 billion (not including incidental costs) are intended to be acquired on the stock exchange over a period of up to two years and shall subsequently be cancelled. Mercedes-Benz Group AG has separately agreed with Beijing Automotive Group Co., Ltd. and Geely Group that they will each keep their shareholdings in Mercedes-Benz Group AG below ten percent by divesting their shares on a pro-rata basis concurrently with the share buyback programme.

Employee share purchase plan

In the first quarter of 2022, as in the previous year, Mercedes-Benz Group AG purchased 0.7 million Mercedes-Benz shares for the employee share purchase plan pursuant to Section 71 Subsection 1 No. 2, of the German Stock Corporation Act (AktG). The purchase was carried out without utilizing the authorization to acquire treasury shares granted by the Annual General Meeting on 8 July 2020. The shares, which were reissued to employees, were purchased for a price of €48 million and represented €1.9 million or 0.06% of the share capital (2021: 0.7 million Mercedes-Benz shares representing €1.9 million or 0.06% of the share capital were purchased for a price of €48 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 Mercedes-Benz Group's Consolidated Financial Statements, less any profits distributed. In addition, the effects of remeasuring defined benefit plans as well as the related deferred taxes are presented within retained earnings.

Dividend

Under the German Stock Corporation Act (AktG), the dividend is paid out of the distributable profit reported in the Annual Financial Statements of Mercedes-Benz Group AG (parent company only) in accordance with the German Commercial Code (HGB). For the year ended 31 December 2022, the management will propose to the shareholders at the Annual General Meeting the payment of €5,563 million of the distributable profit of Mercedes-Benz Group AG as a dividend to the shareholders, equivalent to €5.20 per no-par-value share entitled to a dividend (2021: €5,349 million and €5.00 per no-par-value share entitled to a dividend). As the dividend resolution for 2021 at the Annual General Meeting followed the proposal €5,349 million, equivalent to €5.00 per no-par-value share have been paid out as a dividend to the shareholders in 2022.

Other reserves

Other reserves comprise accumulated unrealized gains/losses from currency translation of the financial statements of the consolidated foreign companies and accumulated unrealized gains/losses on financial assets, derivative financial instruments and equity-method investments.

Table D.02 shows the details of changes in other reserves in other comprehensive income/loss.

22. Share-based payment

At 31 December 2022, the Group has the 2019-2022 Performance Phantom Share Plans (PPSP) outstanding. As instruments of share-based payment with cash settlement, the PPSP are measured at their fair values on the balance sheet date. They are paid out at the end of their contractually defined periods; an earlier, proportionate payout is only possible under certain conditions when a beneficiary leaves the company. PPSP 2018 was paid out as planned in the first quarter of 2022.

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 Mercedes-Benz Group shares compared to an automobile-related index (Auto-STOXX). The fair value of this medium-term annual bonus, which depends on that development, is measured by using the intrinsic value at the reporting date.

The pre-tax effects of share-based payment arrangements for the executives of the Group and the members of the Board of Management of Mercedes-Benz Group AG on the Consolidated Statement of Income and Consolidated Statement of Financial Position are shown in table D.55.

The details shown in table D.55 do not represent any paid or committed remuneration, but refer to expenses calculated according to IFRS.

D.55

Effects of share-based payment from continuing operations

	Expense		Provision	
	2022	2021	2022	2021
At 31 December				
In millions of euros				
PPSP	-233	-427	654	515
thereof PPSP of the members of the Board of Management	-17	-20	43	28
Medium-term component of annual bonus of the members of the Board of Management	-8	-7	15	12
	-241	-434	669	527

Performance Phantom Share Plans

In 2022, as in previous years, the Group issued a Performance Phantom Share Plan (PPSP), under which eligible board members and employees of the Mercedes-Benz Group 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 after the end of the term, the phantom shares earn a dividend equivalent to the amount of the actual dividend paid on real Mercedes-Benz Group shares in the respective year. The amount of cash paid after the end of the holding period is based on the final number of vested phantom shares (determined after three years according to the degree of target achievement of specific performance indicators) multiplied by the quoted price of the Mercedes-Benz Group's ordinary shares (calculated as an average price over a specified period after the end of the four-year plan period). The vesting period is therefore four years. For the existing plans, the quoted price of the phantom shares to be used for the payout is limited to 2.5 times the phantom 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 equivalents.

For the issued PPSP plans, the degree of target achievement is determined on the basis of the relative share performance, which measures the performance development of the Mercedes-Benz Group share compared with the development of a performance index based on a group of competitors including the Mercedes-Benz Group, and the return on sales (RoS) of the Mercedes-Benz Group compared with the average revenue-weighted RoS of a group of competitors.

Special rules apply for the members of the Board of Management: the Mercedes-Benz Group's RoS must be not only equal to but higher than that of the competitors in order to obtain the same target achievement as the other plan participants. Furthermore, 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 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 Provisions for other risks in the Consolidated Statement of Financial Position. Since payment per vested phantom share depends on the quoted price of Mercedes-Benz Group AG's share, that quoted price essentially represents the fair value of each phantom share at the balance sheet date. The proportionate remuneration expenses from the PPSP recognized in the individual years are measured based on the price of Mercedes-Benz Group AG shares and the estimated target achievement.

With the completion of the spin-off and hive-down of the Daimler commercial vehicle business in 2021, the outstanding PPSP plans were continued as Group-specific plans. In this context, the plan conditions for the PPSP 2019 to PPSP 2021 plans that are still outstanding have been adjusted in 2021.

In the case that participants have been transferred from a company of the Mercedes-Benz Group to a company of Daimler Truck Group or vice versa, the provision has also been transferred against a compensation payment to the extent possible. The PPSP is ultimately paid out by the new employer company. In the case that the provision could not be transferred, a reimbursement agreement is in place for the portion of the PPSP that was earned in a company of the respective other group prior to the spin-off.

23. Pensions and similar obligations

Commitments specific to various countries for defined benefit pension plans and defined contribution pension commitments exist at the Mercedes-Benz Group.

Furthermore, certain foreign subsidiaries, mainly in the United States, provide their employees with post-employment healthcare benefits with defined entitlements, which have to be accounted for as defined benefit plans.

Table D.56 shows the composition of provisions for pensions and similar obligations.

D.56

Composition of provisions for pensions and similar obligations

	At 31 December	
	2022	2021
In millions of euros		
Provision for pension benefits	683	4,914
Provision for post-employment healthcare benefits	338	445
	1,021	5,359

Defined benefit pension plans

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

The Group's main pension plans are described below.

Pension plans and pension plan assets

Most employees in Germany have defined benefit pension commitments; 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 non-exempt employees depends on the tariff classification in the respective year or on their respective income; for executives it depends on their respective income. For the commitments to retirement benefits made prior to 2011, the contributions continue to be converted into capital components and credited to the individual pension accounts with the application of fixed factors related to each employee's age. The conversion factors include a fixed value increase. For the commitments to retirement benefits made as of 2011, the Company guarantees at a minimum the value of the contributions paid into a cash-balance plan. Pension payments are made either as a life annuity, twelve annual instalments, 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 commitments are funded by investment funds. Contractual trust arrangements (CTA) exist between Mercedes-Benz Group AG as well as some subsidiaries in Germany and the Mercedes-Benz Pension Trust e.V. The Mercedes-Benz Pension Trust e.V. acts as a collateral trust fund.

In 2018, Mercedes-Benz Group AG transferred certain defined benefit obligations and plan assets of retired employees and their survivors to Mercedes-Benz Pensionsfonds AG (previously Daimler Pensionsfonds AG; pension fund). These benefits are 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 Mercedes-Benz Group AG.

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

Outside Germany, there are plans relating to final salaries as well as plans relating to salary-based components. Most of the obligations outside Germany from defined benefit pension commitments are funded by investment funds.

The funded status of pension obligations with the split between German and international plans is shown in table D.57.

D.57

Development of funded status

	2022			2021		
	Total	Germany	International	Total	Germany	International
In millions of euros						
Present value of the defined benefit obligations	20,444	19,137	1,307	28,504	26,580	1,924
Fair value of plan assets	20,526	19,268	1,258	24,212	22,392	1,820
Funded status	82	131	-49	-4,292	-4,188	-104
Actuarial loss due to asset ceiling	-27	-	-27	-14	-	-14
Net defined benefit liability	55	131	-76	-4,306	-4,188	-118
thereof recognized in Other assets	738	609	129	608	469	139
thereof recognized in Provisions for pensions and similar obligations	-683	-478	-205	-4,914	-4,657	-257

Risks from defined benefit pension plans and pension plan assets

The general requirements with regard to retirement benefit models are included in policies with Group-wide validity. Accordingly, the committed benefits are intended to contribute to additional financial security during retirement, and in the case of death or invalidity to be capable of being planned and fulfilled by the respective company of the Group and to have a low-risk structure. In addition, a committee exists that approves new pension plans and amendments to existing pension plans as well as policies relating to company retirement benefits.

The obligations from defined benefit pension commitments and the pension plan assets can be subject to fluctuations over time. This can have a negative or a positive effect on the funded status. Fluctuations in the defined benefit pension obligations result at the Mercedes-Benz 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 the plan assets is predominantly determined by the situation on the capital markets. Unfavourable developments, especially of equity prices and fixed-interest securities, could reduce that fair value. The diversification of investment funds, the engagement of asset managers using quantitative and qualitative analyses, and the continual monitoring of performance and risk help to reduce the associated investment risk. As long as the commitments of the defined benefit pension plans remain overfunded by the plan assets, the Mercedes-Benz Group will only make additional pension contributions when legally and economically necessary.

As a general principle, it is the Group's objective to design new pension commitments as defined benefit plans based on capital components or on contributions, or as defined contribution plans.

Reconciliation of the net obligation from defined benefit obligations

The development of the present value of the defined benefit obligations and of the fair value of plan assets is shown in table D.58. The development in 2021 includes effects of the Daimler commercial vehicle business until the date of deconsolidation and presents continuing and discontinued operations.

Composition of plan assets

Plan assets are used solely to fulfil pension obligations and to cover the administration costs of the plan assets. The composition of the Group's pension plan assets is shown in table D.59.

Market prices are usually available for equity instruments 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 investment strategy for the pension plan assets is generally oriented towards the structure of the pension obligations.

D.58

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

	At 31 December	
	2022	2021
In millions of euros		
Present value of the defined benefit obligations at 1 January	28,504	39,846
Current service cost	522	823
Interest cost	324	258
Contributions by plan participants	41	31
Actuarial gains (-)/losses from changes in demographic assumptions	-50	-14
Actuarial gains (-)/losses from changes in financial assumptions	-7,860	-3,604
Actuarial gains (-)/losses	-7,910	-3,618
Past service cost, curtailments and settlements	-1	7
Pension benefits paid	-933	-1,077
Reduction of the present value of the defined benefit obligations resulting from the spin-off of Daimler's commercial vehicle business	-	-8,094
Currency exchange-rate changes and other changes	-103	328
Present value of the defined benefit obligations at 31 December	20,444	28,504
Fair value of plan assets at 1 January	24,212	28,870
Interest income from plan assets	291	188
Actuarial gains/ losses (-)	-4,507	1,055
Actual profit/loss on plan assets	-4,216	1,243
Contributions by the employer	1,448	852
Contributions by plan participants	40	30
Pension benefits paid	-890	-1,014
Reduction of the fair value of plan assets resulting from the spin-off of Daimler's commercial vehicle business	-	-6,097
Currency exchange-rate changes and other changes	-68	328
Fair value of plan assets at 31 December	20,526	24,212

D.59

Composition of plan assets

	At 31 December	
	2022	2021
In millions of euros		
Equity instruments ¹	6,733	7,124
Government bonds	2,569	4,219
Corporate bonds	8,588	10,221
Securitized bonds	140	183
Bonds	11,297	14,623
Other exchange-traded instruments	106	22
Exchange-traded instruments	18,136	21,769
Alternative investments and other non-exchange-traded instruments	609	592
Real estate	642	570
Cash and cash equivalents	1,139	1,281
Non-exchange-traded instruments	2,390	2,443
Fair value of plan assets	20,526	24,212

1 Including the shares in Nissan in the amount of €434 million (2021: €665 million).

Pension costs

The components of pension costs included in the Consolidated Statement of Income are shown in table D.60. In 2021, it encompassed the pension costs for continuing operations.

D.60

Pension costs

	At 31 December	
	2022	2021
In millions of euros		
Current service cost	-522	-604
Past service cost, curtailments and settlements	1	-9
Net interest expense	-45	-41
Net interest income	12	4
	-554	-650

Measurement assumptions

The measurement date for the defined benefit pension obligations and plan assets is generally 31 December. The measurement date for the periodic pension cost is generally 1 January. 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 Heubeck 2018 G mortality tables. Comparable country-specific calculation methods are used for international plans.

Table D.61 shows the significant weighted average measurement factors used to calculate pension benefit obligations.

Sensitivity analysis

An increase or decrease in the main actuarial assumptions would affect the present value of the defined benefit pension obligations as shown in table D.62.

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.

Calculation of the sensitivity of life expectancy by means of fixed (non-age-dependent) factors for a reference person results in a life expectancy one year higher or one year lower.

Effect on future cash flows

In January 2022, around 5% of the shares in Daimler Truck Holding AG were contributed to the German pension plan assets, which are held on trust by Mercedes-Benz Pension Trust e.V. The contribution was a non-cash transaction and amounted to €1.3 billion. For the year 2023, the Mercedes-Benz Group plans to make contributions of €0.1 billion; the final amount is usually set in the fourth quarter of a financial year. The pensions benefits paid are expected to amount to €1.0 billion in 2023.

The weighted average duration of the defined benefit obligations amounts to 13 years (2021: 16 years).

Defined contribution pension plans

Under defined contribution pension plans, the Mercedes-Benz Group makes defined contributions to external insurance policies or investment funds. There are fundamentally no further contractual obligations or risks for the Mercedes-Benz Group in excess of the defined contributions. The Group also pays contributions to governmental pension schemes. In 2022, the total costs from defined contribution plans amounted to €1.0 billion (2021 from continuing and discontinued operations: €1.5 billion). Of those payments, €1.0 billion (2021 from continuing and discontinued operations: €1.3 billion) was related to state pension plans.

D.62

Sensitivity analysis for the present value of defined benefit obligations

		At 31 December	
		2022	2021
In millions of euros			
Sensitivity to discount rates	+ 0.25%	-569	-1,046
Sensitivity to discount rates	- 0.25%	597	1,112
Sensitivity to expected increases in cost of living	+ 0.10%	54	88
Sensitivity to expected increases in cost of living	- 0.10%	-53	-88
Sensitivity to life expectancy	+ 1 year	304	467
Sensitivity to life expectancy	- 1 year	-271	-411

D.61

Significant factors for the calculation of pension benefit obligations

	At 31 December		At 31 December	
	2022	2021	2022	2021
	Germany	Germany	Inter-national	Inter-national
in %				
Discount rates	3.8	1.1	5.3	2.7
Expected increase in cost of living ¹	2.2	1.8	-	-

¹ For German plans — depending on the design of the specific plan — expected increases in cost of living may affect the obligation to the Group's active employees as well as to retirees and their survivors. For most international plans, expected increases in cost of living do not have a material impact on the amount of the obligation.

24. Provisions for other risks

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

Product warranties

The Mercedes-Benz Group issues various types of product warranties, under which it generally guarantees the performance of products delivered and services rendered for a certain period. The provision for these product warranties covers expected costs for legal and contractual warranty claims as well as expected costs for goodwill concessions and recall campaigns. This also includes measures relating to Mercedes-Benz diesel vehicles in various regions as well as recalls, in particular for an extended recall of Takata airbags. The utilization date of product warranties depends on the incidence of the warranty claims and can span the entire term of the product warranties and the goodwill period. The cash outflows in relation to non-current provisions are primarily expected within a period until 2025.

Personnel and social costs

Provisions for personnel and social costs primarily comprise expected expenses of the Group for employee anniversary bonuses, profit-sharing bonuses for non-exempt employees and variable remuneration for management as well as early-retirement and partial-retirement plans. The additions recorded to the provisions for profit-sharing bonuses and variable remuneration in the reporting year usually result in cash outflows in the following year. The cash outflows for non-current provisions for personnel and social costs are primarily expected within a period until 2033.

Liability and litigation risks and regulatory proceedings

Provisions for liability and litigation risks and regulatory proceedings comprise costs for various legal proceedings, claims and governmental investigations, which can lead in particular to payments of compensation, punitive damages or other costly actions. They primarily include risks from litigation and regulatory proceedings in relation to Mercedes-Benz diesel vehicles. The cash outflows in relation to non-current provisions are primarily expected within a period until 2025.

Further information on liability and litigation risks and regulatory proceedings is provided in Note 31.

Other

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

D.63

Provisions for other risks

	Product warranties	Personnel and social costs	Litigation risks and regulatory proceedings	Others	Total
In millions of euros					
Balance at 31 December 2021	6,786	4,621	2,638	1,917	15,962
thereof current	3,438	1,996	1,139	1,480	8,053
thereof non-current	3,348	2,625	1,499	437	7,909
Additions	3,484	2,336	711	1,366	7,897
Utilization	-3,317	-1,845	-428	-794	-6,384
Reversals	-277	-93	-223	-298	-891
Compounding and effects from changes in discount rates	-116	-354	-50	-25	-545
Currency translation and other changes	16	-52	107	-87	-16
Balance at 31 December 2022	6,576	4,613	2,755	2,079	16,023
thereof current	3,204	2,422	2,217	1,742	9,585
thereof non-current	3,372	2,191	538	337	6,438

25. Financing liabilities

The composition of financing liabilities is shown in table D.64.

Information on the maturities of lease liabilities as of 31 December 2022 is provided in Note 34.

D.64

Financing liabilities

	At 31 December 2022			At 31 December 2021		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Notes/bonds	12,104	41,995	54,099	15,141	51,225	66,366
Commercial paper	2,174	10	2,184	57	-	57
Liabilities to financial institutions	17,488	7,250	24,738	14,897	9,100	23,997
Deposits in the direct banking business	9,529	1,009	10,538	11,559	2,032	13,591
Liabilities from ABS transactions	7,433	9,452	16,885	9,572	8,831	18,403
Lease liabilities	598	2,047	2,645	496	2,066	2,562
Loans, other financing liabilities	460	288	748	578	289	867
	49,786	62,051	111,837	52,300	73,543	125,843

26. Other financial liabilities

The composition of other financial liabilities is shown in table D.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 33.

D.65

Other financial liabilities

	At 31 December 2022			At 31 December 2021		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Derivative financial instruments used in hedge accounting	672	1,611	2,283	333	1,087	1,420
Financial liabilities recognized at fair value through profit or loss	25	146	171	104	26	130
Liabilities from residual value guarantees	475	258	733	653	212	865
Liabilities from wages and salaries	946	6	952	1,045	10	1,055
Accrued interest expenses	663	-	663	741	-	741
Deposits received	230	424	654	264	408	672
Other	2,393	79	2,472	2,857	65	2,922
Miscellaneous other financial liabilities	4,707	767	5,474	5,560	695	6,255
	5,404	2,524	7,928	5,997	1,808	7,805

27. Deferred income

The composition of deferred income is shown in table D.66.

D.66

Deferred income

	At 31 December 2022			At 31 December 2021		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Deferred income resulting from repurchase agreements that are accounted for as operating leases	95	141	236	86	90	176
Deferral of advance rental payments received from operating lease arrangements	985	962	1,947	1,132	957	2,089
Other deferred income	311	131	442	268	128	396
	1,391	1,234	2,625	1,486	1,175	2,661

28. Contract and refund liabilities

Table D.67 shows the composition of contract and refund liabilities.

D.67

Contract and refund liabilities

	At 31 December	
	2022	2021
In millions of euros		
Service and maintenance contracts and extended warranties	4,161	4,171
Other contract liabilities	1,672	1,640
Contract liabilities	5,833	5,811
Obligations from sales transactions	4,481	3,855
Other refund liabilities	240	243
Refund liabilities	4,721	4,098
Contract and refund liabilities	10,554	9,909
thereof non-current	3,656	3,980
thereof current	6,898	5,929

29. Other liabilities

Table D.68 shows the composition of other liabilities.

D.68

Other liabilities

	At 31 December 2022			At 31 December 2021		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Income tax liabilities	1,416	1,232	2,648	1,457	722	2,179
Other tax liabilities	1,564	4	1,568	1,473	1	1,474
Miscellaneous other liabilities	155	2	157	156	4	160
	3,135	1,238	4,373	3,086	727	3,813

30. Consolidated Statement of Cash Flows

Calculation of funds

At 31 December 2022, cash and cash equivalents included restricted funds of €187 million (2021: €36 million). The restricted funds primarily relate to subsidiaries where exchange controls apply so that the Group has restricted access to the funds.

Cash flow from operating activities

Changes in other operating assets and liabilities are shown in table D.69.

The increase in miscellaneous other assets and liabilities compared with the previous year resulted in particular from financial assets and liabilities. Significant positive effects resulted from assets in connection with the securitization of receivables and from contractual liabilities for price discounts. This was partially offset by lower negative effects in other financial liabilities and the contract liabilities for service and maintenance agreements. In the prior year major negative effects resulted from non-financial claims for reimbursement and liabilities in connection with VAT. Further major negative effects were primarily related to financial assets.

Table D.70 shows cash flows included in Cash flow from operating activities.

The other non-cash expense and income shown in the reconciliation of income before income taxes to cash flow from operating activities in the reporting year primarily comprised the Group's share in the profit/loss of companies accounted for using the equity method, the result from the fair value measurement of equity instruments and the result of the remeasurement of the shares of Mercedes-Benz Grand Prix Ltd., that the Mercedes-Benz Group continues to hold. In addition, the other non-cash expense and income was impacted by the depreciation of the remaining financial services volumes of the Daimler commercial vehicle business, sold to Daimler Truck Holding AG or its subsidiaries in 2022. In the previous year, this item was affected in particular by the deconsolidation result from the spin-off and hive-down of the Daimler commercial vehicle business, the Group's share in the profit/loss of companies accounted for using the equity method and the result of the remeasurement

of the interest in Daimler Truck Fuel Cell GmbH & Co. KG held by the Mercedes-Benz Group at that time.

Cash flow from financing activities

Cash flow from financing activities includes cash flows from hedging the currency risks of financing liabilities. Cash flow from financing activities includes payments for the reduction of outstanding leasing liabilities of €565 million (2021: €743 million).

Table D.71 includes changes in liabilities arising from financing activities, divided into cash and non-cash components.

D.69

Changes in other operating assets and liabilities

	2022	2021
In millions of euros		
Provisions	355	-100
Financial instruments	-104	-29
Miscellaneous other assets and liabilities	107	-1,132
	358	-1,261

D.70

Cash flows included in Cash flow from operating activities

	2022	2021
In millions of euros		
Interest paid	-486	-367
Interest received	231	154
Dividends received from equity-method investments	1,605	1,625
Dividends received from other shareholdings	130	28

D.71

Changes in liabilities arising from financing activities

	2022	2021
In millions of euros		
Cash flows	-13,344	-17,200
Change of control in subsidiaries ¹	-596	-7,801
Changes in foreign exchange rates	580	4,634
Fair value changes	145	255
Other changes	-1,211	304

1 In the previous year deconsolidation effect of the Daimler commercial vehicle business.

31. Legal proceedings

Mercedes-Benz Group AG and its subsidiaries are confronted with various legal proceedings, claims as well as governmental investigations and orders (legal proceedings) on a large number of topics, including vehicle safety, emissions, fuel economy, financial services, dealer, supplier and other contractual relationships, intellectual property rights (including but not limited to patent infringement actions), warranty claims, environmental matters, antitrust matters (including actions for damages) as well as investor litigation. Product-related litigation involves claims alleging faults in vehicles. Some of these claims are asserted by way of class actions. If the outcome of such legal proceedings is detrimental to Mercedes-Benz or such legal proceedings are settled, the Group may encounter substantial financial burdens, e.g. from damages payments or service actions, recall campaigns, monetary penalties or other costly actions, which would adversely affect the earnings of Mercedes-Benz Group AG. Legal proceedings and related settlements may also have an impact on the company's reputation.

Diesel emission behaviour: governmental proceedings

Mercedes-Benz is continuously subject to governmental information requests, inquiries, investigations, administrative orders and proceedings relating to various laws and regulations in connection with diesel exhaust emissions.

The corresponding activities of various authorities worldwide, which were already reported in the past, are partly ongoing, as described below. These activities particularly relate to test results, the emission control systems used in Mercedes-Benz diesel vehicles and/or the interactions of Mercedes-Benz with the relevant authorities as well as related legal issues and implications, including, but not limited to, under applicable environmental, criminal, consumer protection and antitrust laws.

In the United States, Mercedes-Benz Group AG and Mercedes-Benz USA, LLC (MBUSA) reached agreements in the third quarter of 2020 with various authorities to settle civil environmental claims regarding the emission control systems of certain diesel vehicles. These agreements have become final and effective. The authorities take the position that Mercedes-Benz failed to disclose Auxiliary Emission Control Devices (AECs) in certain of its US diesel vehicles and that several of these AECs are illegal defeat devices.

As part of these settlements, Mercedes-Benz has denied the allegations by the authorities and has not admitted liability, but has agreed to, among other things, pay civil penalties, conduct an emission modification programme for the affected vehicles and take certain other measures. The failure to meet certain of those obligations may trigger additional stipulated penalties. In the first quarter of 2021, Mercedes-Benz paid the civil penalties; provisions have been recognized for the emission modification programme and other measures.

As already reported, in April 2016, the U.S. Department of Justice (DOJ) requested that Mercedes-Benz conduct an internal investigation. Mercedes-Benz conducted such internal investigation in cooperation with DOJ's investigation; DOJ's investigation remains open. In addition, further US state authorities have opened investigations pursuant to both local environmental and consumer protection laws and have requested documents and information.

In Canada, the Canadian environmental regulator Environment and Climate Change Canada (ECCC) is conducting an investigation in connection with diesel exhaust emissions based on the suspicion of potential violations of, amongst others, the Canadian Environmental Protection Act, as well as undisclosed AECs and defeat devices. Mercedes-Benz continues to cooperate with the investigating authorities.

In Germany, the Stuttgart public prosecutor's office issued a fine notice against Mercedes-Benz in September 2019 based on a negligent violation of supervisory duties, thereby concluding the related administrative offence proceedings against Mercedes-Benz. The Stuttgart public prosecutor's office is still conducting criminal investigation proceedings against Mercedes-Benz employees on the suspicion of, amongst others, fraud. In July 2021, the local court of Böblingen issued penal orders against three Mercedes-Benz employees based on, amongst others, fraud, which have become final.

Between 2018 and 2020, the German Federal Motor Transport Authority (KBA) issued subsequent auxiliary provisions for the EC type approvals of certain Mercedes-Benz diesel vehicles, and ordered mandatory recalls as well as, in some cases, stops of the first registration. In autumn 2022, the KBA issued further decisions regarding vehicles equipped with an OM607 EU6 or EU5 diesel engine. In each of those cases, it held that certain calibrations of specified functionalities are to be qualified as impermissible defeat devices. Mercedes-Benz has a contrary legal opinion on this question and has filed timely objections against the KBA's administrative orders and determinations mentioned above. Insofar as the KBA has not remedied the objections, Mercedes-Benz has filed lawsuits with the competent administrative court to have the controversial questions at issue clarified in a court of law. Irrespective of such objections and the lawsuits that are now pending, Mercedes-Benz continues to cooperate fully with the KBA. The new calibrations requested by the KBA were developed by Mercedes-Benz and assessed and approved by the KBA; the related recalls were initiated. It cannot be ruled out that under certain circumstances, software updates may have to be reworked, or further delivery and registration stops may be ordered or resolved by the company as a precautionary measure, also with regard to the used car, leasing and financing businesses. In the course of its regular market supervision, the KBA routinely conducts further reviews of Mercedes-Benz vehicles and asks questions

about technical elements of the vehicles. In addition, Mercedes-Benz continues to be in a dialogue with the German Federal Ministry for Digital and Transport (BMDV) to conclude the analysis of the diesel-related emissions matter and to further the update of affected customer vehicles. In light of the aforementioned administrative orders issued by the KBA, and continued discussions with the KBA and the BMDV, it cannot be ruled out completely that additional administrative orders may be issued in the course of the ongoing and/or further investigations. Since 1 September 2020, this also applies to other responsible authorities of other member states and the European Commission, which conduct market surveillance under the new European Type Approval Regulation and can take measures upon assumed non-compliance, irrespective of the place of the original type approval, and also to the British market surveillance authority DVSA (Driver and Vehicle Standards Agency).

In addition to the aforementioned authorities, national cartel authorities and other authorities of various foreign states, including the South Korean Ministry of Environment, the South Korean competition authority (Korea Fair Trade Commission) and the Seoul public prosecutor's office (South Korea) are conducting various investigations and/or procedures in connection with diesel exhaust emissions. In this context, South Korean authorities have made determinations and imposed sanctions against Mercedes-Benz. Mercedes-Benz has lodged an appeal against the determinations and the sanctions of the South Korean administrative authorities (the Ministry of Environment and the Korea Fair Trade Commission). The proceedings described in this paragraph are still ongoing.

Mercedes-Benz continues to fully cooperate with the authorities and institutions.

Diesel emission behaviour: Consumer actions and other lawsuits in the United States, Germany and other states

As previously reported, the State of Arizona filed a lawsuit in January 2019 claiming that, amongst others, Mercedes-Benz Group AG and MBUSA deliberately deceived consumers in connection with advertising Mercedes-Benz diesel vehicles. In the fourth quarter of 2022, Mercedes-Benz Group AG and MBUSA reached a binding settlement with the State of Arizona. In a separate lawsuit filed by the Environmental Protection Commission of Hillsborough County, Florida in September 2020, the plaintiff claims that, amongst others, Mercedes-Benz Group AG and MBUSA violated municipal regulations prohibiting vehicle tampering and other conduct by using alleged devices claimed to impair the effectiveness of emission control systems. The lawsuit was dismissed in the third quarter of 2022. The plaintiff has appealed the decision.

Consumer class actions containing allegations similar to those raised by the State of Arizona were filed against Mercedes-Benz Group AG in Israel in February 2019 as well as against Mercedes-Benz Group AG and further Group companies in the United Kingdom since May 2020, in Portugal as well as in November 2022 in Australia. The plaintiffs assert that Mercedes-Benz had used devices that impermissibly impair the effectiveness of emission control systems in reducing nitrogen-oxide (NO_x) emissions and which cause excessive emissions from vehicles with diesel engines.

Furthermore, since June 2020, class actions making similar allegations have been filed against Mercedes-Benz Group AG and other Group companies in the Netherlands. These have later been consolidated into one class action. The plaintiffs, foundations under the laws of the Netherlands, act in the name of Dutch claimants and base their claim on a law according to which said claimants participate in the class action without taking action themselves (opt-out). On 22 June 2022, the court ruled in a partial judgment that claimants must actively register for the lawsuit (opt-in) and that, due to the applicability of the previous legal regime, only a determination of claims can be obtained. In this regard, the decision has been appealed by the plaintiffs. Furthermore, the court ruled, that instead of customers from the entire EU area, only such customers may participate in the lawsuit who purchased their vehicles in the Netherlands. This part of the decision is final, which significantly reduces the number of potential claimants. At the same time, this development leads to a material reduction of the risk associated with the class action. Therefore, it no longer qualifies for separate reporting in the Notes to the Consolidated Financial Statements, which is why Mercedes-Benz will no longer report on this proceeding in the future.

In Germany, a large number of customers of diesel vehicles have filed lawsuits for damages or rescission of sales contracts. They assert that the vehicles contained illegal defeat devices and/or showed impermissibly high emission or consumption values. They refer to, in particular, the KBA's recall orders (see above). The development of case numbers is declining, however an increase in the future cannot be ruled out. Based on similar allegations, the Federation of German Consumer Organizations (Verbraucherzentrale Bundesverband e. V.) filed a model declaratory action (Musterfeststellungsklage) against Mercedes-Benz Group AG with the Stuttgart Higher Regional Court in July 2021. Such action seeks a ruling that certain preconditions of alleged consumer claims are met. Mercedes-Benz Group AG defends itself against the federation's allegations.

Mercedes-Benz Group AG and the respective other affected companies of the Group regard the lawsuits set out above as being without merit and continue to defend themselves against the claims.

In addition, investors from Germany and abroad have filed lawsuits for damages with the Stuttgart Regional Court alleging the violation of disclosure requirements (main proceedings) and also raised out-of-court claims for damages. The investors allege that Mercedes-Benz Group AG did not immediately disclose inside information in connection with the emission behaviour of its diesel vehicles and that it had made false and misleading public statements. They further claim that the purchase price of the financial instruments acquired by them (in particular Mercedes-Benz shares, formerly Daimler AG shares) would have been lower if Mercedes-Benz Group AG had complied with its disclosure obligations. Mercedes-Benz Group AG regards these allegations and claims as being without merit and will defend itself against them. In this context, the Stuttgart Higher Regional Court initiated model case proceedings under the German Act on Model Case Proceedings in Disputes under Capital Markets Law (KapMuG) in December 2021 (model case proceedings). The purpose of the model case proceedings is to reach a decision that is binding for the main proceedings regarding common factual and legal questions. The main proceedings before the Stuttgart Regional Court will be suspended until a decision is reached on the questions submitted, insofar as they cannot be dismissed independently of the questions to be decided in the model case proceedings. The decision in the model case proceedings is binding for the suspended main proceedings. Multiple investors have used the possibility to register claims in a considerable amount with the model case proceedings in order to suspend the period of limitation. Mercedes-Benz Group AG remains of the view to have duly fulfilled its disclosure obligations under capital markets law and defends itself against the investors' allegations also in these model case proceedings.

Accounting assessment of the legal proceedings in connection with diesel emission behaviour

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 Mercedes-Benz's position. For recognized provisions, this does not apply to the extent a settlement has been reached or a proceeding has been concluded.

Other legal proceedings

Starting in July 2017, a number of class actions were filed in the United States and Canada against Mercedes-Benz Group 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 behaviour relating to vehicle technology, costs, suppliers, markets, and other competitive attributes, including diesel emissions control technology, since the 1990s. In June 2022, the proceedings in the United States were dismissed with final effect in favour of Mercedes-Benz. Mercedes-Benz also regards the remaining lawsuits pending in Canada as being without merit, and will continue to defend itself against them. This contingent liability cannot currently be measured.

As already reported, class actions in connection with Takata airbags are pending in the United States and Israel. The lawsuits are based on allegations that, along with Takata entities and many other companies that sold vehicles equipped with Takata airbag inflators, Mercedes-Benz entities and others were allegedly negligent in selling such vehicles, purportedly not recalling them quickly enough, and failing to warn consumers about a potential defect and/or to provide an adequate replacement airbag inflator. One of the complaints in the United States also asserts claims by automotive recyclers who allege injury because they are not able to re-sell salvaged airbag inflators that are subject to the Takata recall. Meanwhile, a further class action filed in Argentina was dismissed, it may however be refiled. In February 2023, the class actions in Canada were partially dismissed. Mercedes-Benz Group AG continues to regard the pending claims as being without merit, and the affected Group companies will continue to defend themselves against the claims. Contingent liabilities were disclosed to a low extent for this topic.

In October 2021, a number of Australian Mercedes-Benz dealers lodged a claim against Mercedes-Benz Australia/Pacific Pty Ltd (MBAuP) with a Federal Court in Australia. They allege that MBAuP forced the dealers to accept a change in their business model from a dealership model to an agency model and thus deprived them of the goodwill they created through their investments in the Australian Mercedes-Benz dealership network. They seek reinstatement of the dealership model or, alternatively, compensation for the damage they allegedly incurred. MBAuP considers those claims to be without merit and continues to defend itself against the claims.

In May and July 2022, class actions were filed in the United States alleging claims based on a voluntary recall of certain Mercedes-Benz ML-, GL- and R-Class vehicles produced during the 2004-2015 model years for potentially corroded brake boosters. Among other things, the plaintiffs allege that the brake boosters in such vehicles could corrode and lead to reduced braking force. They allege failure to disclose the claimed defect and assert various claims. A similar class action was filed in Israel. Mercedes-Benz considers the lawsuits to be without merit and defends itself against them.

Accounting estimates and management judgments relating to all legal proceedings

Mercedes-Benz Group AG and its subsidiaries recognize provisions in connection with pending or threatened proceedings to the extent an obligation 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. Mercedes-Benz 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 Mercedes-Benz's operating results and cash flows for a particular reporting period, Mercedes-Benz believes that it should not exert a sustained influence on the Group's financial position.

32. Contingent liabilities and other financial obligations

Contingent liabilities

At 31 December 2022, the best estimate for obligations from **contingent liabilities** was €4,122 million (2021: €2,747 million). Compared to the previous year, there was an increase in contingent liabilities of around €1,041 million as a result of discontinuing the business activities in Russia. The other contingent liabilities are mainly related to the legal proceedings and product warranties described in Note 31.

Other financial obligations

At 31 December 2022, other financial obligations exist from the **acquisition of intangible assets, property, plant and equipment and lease property** of €5,729 million (2021: €4,098 million).

In addition, the Mercedes-Benz Group issued **irrevocable loan commitments** at 31 December 2022. These loan commitments had not been utilized as of that date. Further information with respect to these commitments is provided in Note 34.

33. Financial instruments

The carrying amounts and fair values of financial instruments presented in the following tables refer to Group amounts, including assets and liabilities held for sale. Figures for gains or losses and changes in financial instruments in 2021 refer to continuing and discontinued operations.

Carrying amounts and fair values of financial instruments

Table D.72 shows the carrying amounts and fair values of the respective classes of the Group's financial instruments.

D.72

Carrying amounts and fair values of financial instruments

	At 31 December 2022		At 31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
In millions of euros				
Financial assets				
Receivables from financial services	85,549	86,343	82,853	84,386
Trade receivables	8,100	8,100	7,703	7,703
Cash and cash equivalents	17,679	17,679	23,182	23,182
Marketable debt securities and similar investments	7,060	7,060	7,579	7,579
Recognized at fair value through other comprehensive income	1,641	1,641	2,364	2,364
Recognized at fair value through profit or loss	4,460	4,460	4,937	4,937
Measured at cost	959	959	278	278
Other financial assets				
Equity instruments and debt instruments	1,439	1,439	1,707	1,707
Recognized at fair value through other comprehensive income	768	768	1,042	1,042
Recognized at fair value through profit or loss	671	671	665	665
Other financial assets recognized at fair value through profit or loss	584	584	61	61
Derivative financial instruments used in hedge accounting	2,463	2,463	1,020	1,020
Other receivables and miscellaneous other financial assets	3,113	3,113	3,258	3,258
	125,987	126,781	127,363	128,896
Financial liabilities				
Financing liabilities				
Trade payables	12,204	12,204	10,682	10,682
Other financial liabilities				
Financial liabilities recognized at fair value through profit or loss	171	171	130	130
Derivative financial instruments used in hedge accounting	2,283	2,283	1,420	1,420
Miscellaneous other financial liabilities	5,454	5,454	6,264	6,264
Contract and refund liabilities				
Obligations from sales transactions	4,481	4,481	3,860	3,860
	133,785	132,010	145,699	148,093

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.

Discounting is based on the current interest rates at which similar loans with identical terms could have been obtained at 31 December 2022 and 31 December 2021.

Trade receivables and cash and cash equivalents

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

Marketable debt securities and similar investments, other financial assets

Marketable debt securities are recognized at fair value through other comprehensive income or at fair value through profit or loss. Similar investments are measured at amortized cost and are not included in the measurement hierarchy, as their carrying amounts are a reasonable approximation of fair value due to the short terms of these financial instruments and the fundamentally low credit risk.

Equity instruments are recognized at fair value through other comprehensive income or at fair value through profit or loss. Equity instruments recognized at fair value through other comprehensive income are included in table D.72 and primarily comprise the shares in Sila Nanotechnologies Inc., Momenta Global Limited and Farasis Energy (Ganzhou) Co., Ltd. The remaining investments recognized at fair value through other comprehensive income comprise further investments not material on an individual basis.

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

Other financial assets recognized at fair value through profit or loss relate to 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 the market interest rates appropriate to the remaining terms of the financial instruments. The measurement 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 and the fundamentally lower credit risk of these financial instruments, it is assumed that the fair values approximate the carrying amounts.

Financing liabilities

Financing liabilities are measured at amortized cost. 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.

Reverse factoring agreements did not change the relevant characteristics of a trade payable for the Group for the liabilities concerned. As a result, there were no re-classifications of these trade payables to financing liabilities.

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 current. Due to the short maturities of these financial instruments, it is assumed that their fair values are equal to the 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 counterparties.

Table D.73 shows the carrying amounts of the derivative financial instruments subject to the described arrangements as well as the possible financial effects of netting in accordance with the master netting arrangements.

Measurement hierarchy

Table D.74 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 the reporting period, the Group reviews the necessity for reclassification between the fair-value hierarchies. In 2021, the investment in ChargePoint, Inc. which is recognized at fair value through profit or loss was reclassified from Level 2 to Level 1 as a result of the initial public offering of this company.

For the determination of the credit risk from derivative financial instruments which are allocated to the Level 2 measurement hierarchy, portfolios managed on the basis of net exposure are applied.

Table D.75 shows into which measurement hierarchies (according to IFRS 13) the fair values of the financial assets and liabilities are classified, which are not recognized at fair value in the Consolidated Statement of Financial Position.

D.73

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

	At 31 December 2022			At 31 December 2021		
	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	3,047	-2,045	1,002	1,081	-477	604
Other financial liabilities ²	2,454	-2,045	409	1,550	-477	1,073

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 17).

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 26).

D.74

Measurement hierarchy of financial assets and liabilities recognized at fair value

	At 31 December 2022				At 31 December 2021			
	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	6,101	5,849	252	-	7,301	6,395	906	-
Recognized at fair value through other comprehensive income	1,641	1,392	249	-	2,364	1,468	896	-
Recognized at fair value through profit or loss	4,460	4,457	3	-	4,937	4,927	10	-
Equity instruments and debt instruments	1,439	457	339	643	1,707	850	227	630
Recognized at fair value through other comprehensive income	768	341	215	212	1,042	643	145	254
Recognized at fair value through profit or loss	671	116	124	431	665	207	82	376
Other financial assets recognized at fair value through profit or loss	584	-	578	6	61	-	60	1
Derivative financial instruments used in hedge accounting	2,463	-	2,463	-	1,020	-	1,020	-
	10,587	6,306	3,632	649	10,089	7,245	2,213	631
Financial liabilities recognized at fair value								
Financial liabilities recognized at fair value through profit or loss	171	-	171	-	130	-	130	-
Derivative financial instruments used in hedge accounting	2,283	-	2,283	-	1,420	-	1,420	-
	2,454	-	2,454	-	1,550	-	1,550	-

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 an active market either directly (i.e., as prices) or indirectly (i.e., derived from prices).

3 Fair value measurement is based on inputs for which no observable market data is available.

D.75

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

	At 31 December 2022				At 31 December 2021			
	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	86,343	-	86,343	-	84,386	-	84,386	-
Fair values of financial liabilities measured at cost								
Financing liabilities	107,417	38,729	68,688	-	125,737	60,702	65,035	-
thereof bonds	52,668	38,729	13,939	-	68,645	60,157	8,488	-
thereof liabilities from ABS transactions	16,839	-	16,839	-	18,425	545	17,880	-
thereof other financing liabilities	37,910	-	37,910	-	38,667	-	38,667	-

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 an active market either directly (i.e., as prices) or indirectly (i.e., derived from prices).

3 Fair value measurement is based on inputs for which no observable market data is available.

Measurement categories

The carrying amounts of financial instruments according to measurement categories are shown in table D.76.

D.76

Carrying amounts of financial instruments according to measurement categories

	At 31 December	
	2022	2021
In millions of euros		
Assets		
Financial assets measured at (amortized) cost	96,549	96,955
Receivables from financial services ¹	66,698	62,534
Trade receivables	8,100	7,703
Cash and cash equivalents	17,679	23,182
Marketable debt securities and similar investments	959	278
Other receivables and miscellaneous other financial assets	3,113	3,258
Financial assets recognized at fair value through other comprehensive income	2,409	3,406
Marketable debt securities and similar investments	1,641	2,364
Equity instruments and debt instruments	768	1,042
Financial assets recognized at fair value through profit or loss	5,715	5,663
Marketable debt securities and similar investments	4,460	4,937
Equity instruments and debt instruments	671	665
Other financial assets recognized at fair value through profit or loss ²	584	61
Liabilities		
Financial liabilities measured at (amortized) cost	131,324	144,134
Trade payables	12,204	10,682
Financing liabilities ³	109,192	123,343
Miscellaneous other financial liabilities ⁴	5,447	6,249
Obligations from sales transactions	4,481	3,860
Financial liabilities recognized at fair value through profit or loss ²	171	130

1 This does not include lease receivables of €18,851 million (2021: €20,319 million) as these are not assigned to a measurement category.

2 These amounts relate to derivative financial instruments that are not included in hedge accounting.

3 This does not include liabilities from lease transactions of €2,645 million (2021: €2,562 million) as these are not assigned to a measurement category.

4 This does not include financial guarantees of €7 (2021: €15 million) as these are not assigned to a measurement category.

The table D.76 does not include the carrying amounts of derivative financial instruments used in hedge accounting as these financial instruments are not assigned to a measurement category.

Net gains or losses

Table D.77 shows the net gains/losses on financial instruments included in the Consolidated Statement of Income for the continuing and discontinued operations (excluding derivative financial instruments used in hedge accounting).

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

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

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

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

Net gains/losses on financial assets measured at (amortized) cost (excluding the interest income/expense shown below) primarily comprise impairment losses (including reversals of impairment losses) of minus €610 million (2021: minus €157 million) that are charged to cost of sales, selling expenses and other financial income/expense, net. Foreign currency gains and losses are also included.

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

D.77

Net gains/losses

	2022	2021
In millions of euros		
Equity and debt instruments recognized at fair value through profit or loss	-173	205
Other financial assets and financial liabilities recognized at fair value through profit or loss ¹	94	27
Equity instruments recognized at fair value through other comprehensive income	4	3
Other financial assets recognized at fair value through other comprehensive income	-7	-8
Financial assets measured at (amortized) cost	-651	66
Financial liabilities measured at (amortized) cost	-172	152

¹ Amounts relate to derivative financial instruments that are not used in hedge accounting.

Total interest income and total interest expense

Total interest income and total interest expense of the continuing and discontinued operations for financial assets or financial liabilities that are not recognized at fair value through profit or loss are shown in table D.78.

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

D.78

Total interest income and total interest expense

	2022	2021
In millions of euros		
Total interest income	4,571	5,106
thereof from financial assets and liabilities measured at (amortized) costs	4,550	5,093
thereof from financial assets recognized at fair value through other comprehensive income	21	13
Total interest expense	-1,980	-2,279
thereof from financial assets and liabilities measured at (amortized) costs	-1,980	-2,279
thereof from financial assets recognized at fair value through other comprehensive income	-	-

Information on derivative financial instruments

Use of derivatives

The Mercedes-Benz Group uses derivative financial instruments exclusively for hedging financial risks that arise from its operating or refinancing activities or from its liquidity management. These are mainly interest-rate risks, currency risks and commodity price risks, which have been defined as risk categories. For these hedging purposes, the Group mainly uses currency forward transactions, cross-currency interest-rate swaps, interest-rate swaps, options and commodity forwards.

Table D.79 shows the amounts for the transactions designated as hedging instruments.

D.79

Amounts for the transactions designated as hedging instruments

	Currency risk		Interest-rate risk	Commodity price risk	
		Hedges of net investments			
	Cash-flow hedges ¹	in foreign operations	Cash-flow hedges ²	Fair-value hedges ²	Cash-flow hedges ¹
In millions of euros					
At 31 December 2022					
Carrying amount of the hedging instruments					
Other financial assets current	442	-	72	-47	1
Other financial assets non-current	456	-	1,654	-115	-
Other financial liabilities current	629	-	7	36	-
Other financial liabilities non-current	376	-	45	1,190	-
Fair value changes³	1,321	-	1,334	-1,820	5
At 31 December 2021					
Carrying amount of the hedging instruments					
Other financial assets current	53	-	46	24	5
Other financial assets non-current	140	-	200	551	1
Other financial liabilities current	277	-	46	10	-
Other financial liabilities non-current	1,042	-	37	8	-
Fair value changes³	-1,763	-	266	-717	-

1 Includes the following hedging instruments: currency forwards, currency options, currency swaps and commodity forwards.

2 Includes the following hedging instruments: interest-rate swaps, cross-currency interest-rate swaps.

3 Gains and losses from hedging instruments used for recognizing hedge ineffectiveness.

Fair-value hedges

The Group uses fair-value hedges primarily for hedging interest-rate risks.

The amounts of the items hedged with fair-value hedges are included in table D.80.

Neither in the current year nor in the previous year were there any results attributable to the ineffective portion of the hedge with fair-value hedges.

D.80

Fair-value hedges

	Interest-rate risk	
	2022	2021
In millions of euros		
Carrying amounts of the hedged items		
Financing liabilities current	3,395	4,433
Financing liabilities non-current	17,943	20,404
thereof hedge adjustments		
Financing liabilities current	-33	8
Financing liabilities non-current	-1,192	558
Fair-value changes of the hedged items ¹	1,820	717
Accumulated amount of hedge adjustments from inactive hedges remaining in the statement of financial position	8	-31

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

Cash-flow hedges and hedges of net investments in foreign operations

The Mercedes-Benz Group uses cash-flow hedges for hedging currency risks, interest-rate risks and commodity price risks.

The Group also partially hedges the currency risk of selected investments with the application of derivative or non-derivative financial instruments.

The amounts related to items designated as cash-flow hedges and as hedges of net investments in foreign operations are shown in table D.81.

The gains and losses on items designated as cash-flow hedges as well as the amounts relating to hedge ineffectiveness are included in table D.82.

D.81

Cash-flow hedges and hedges of net investments in foreign operations

	2022			2021		
	Currency risk	Interest-rate risk	Commodity price risk	Currency risk	Interest-rate risk	Commodity price risk
In millions of euros						
Fair-value changes of the hedged items ¹	-1,319	-1,334	-5	1,755	-266	-
thereof hedges of net investments in foreign operations	-	-	-	-	-	-
Balance of the reserves for derivative financial instruments (before taxes)						
Continuing hedges	1,339	1,501	1	-959	162	5
thereof hedges of commodity price risks in the automotive business ²	-	-	1	-	-	2
Discontinued/terminated hedges	-229	-4	-	-268	-10	-
thereof hedges of net investments in foreign operations	-270	-	-	-270	-	-

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

2 Further information is provided in the section on exchange-rate risk in Note 34.

D.83

Reconciliation of reserves for derivative financial instruments

	Reserves for derivative financial instruments	Thereof reserves for hedge costs
In millions of euros		
Balance at 1 January 2021	266	-7
Unrealized gains/losses before tax	-1,711	-227
Currency risk	-1,981	-227
Interest-rate risk	270	-
Reclassification to profit and loss before tax	537	133
Currency risk	509	133
Interest-rate risk	28	-
Reclassification to cost of acquisition of non-financial assets before tax	-101	-10
Currency risk — procurement	-69	-10
Commodity price risk — inventory purchases	-32	-
Disposal due to spin-off of the Daimler commercial vehicle business before tax	-23	8
Other changes	-2	1
Taxes on changes in fair values and reclassifications	392	28
Balance at 31 December 2021	-642	-74
Unrealized gains/losses before tax	878	-1,772
Currency risk	-446	-1,767
Interest-rate risk	1,320	-5
Commodity price risk — inventory purchases	4	-
Reclassification to profit and loss before tax	1,490	428
Currency risk	1,479	428
Interest-rate risk	11	-
Reclassification to cost of acquisition of non-financial assets before tax	-83	-42
Currency risk — procurement	-74	-42
Commodity price risk — inventory purchases	-9	-
Other changes	-1	-1
Taxes on changes in fair values and reclassifications	-658	413
Balance at 31 December 2022	984	-1,048

At 31 December 2022, the balance of reserves for hedges of net investments in foreign operations amounted to €189 million (2021: €189 million).

The maturities of the derivative financial instruments generally correspond with those of the underlying transactions. The realization of the underlying transactions of the cash-flow hedges is expected to correspond with the maturities of the hedging transactions shown in table D.84.

At 31 December 2022, the Mercedes-Benz Group utilized derivative financial instruments with a maximum maturity of 57 months (2021: 35 months) as hedges for currency risks arising from future transactions.

Nominal values of derivative financial instruments used in hedge accounting

Table D.84 shows the nominal values of derivative financial instruments used in hedge accounting 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 of the hedging instruments classified by risk categories for the main risks are included in table D.85.

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

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

Explanations of the hedging of exchange-rate risks, interest-rate risks and commodity price risks can be found in Note 34 in the sub-item finance market risk.

D.84

Nominal amounts of derivative financial instruments used in hedge accounting

	At 31 December 2022				At 31 December 2021			
	Maturity of nominal amounts				Maturity of nominal amounts			
	<1 year	1 year up to 5 years	>5 years	Total	<1 year	1 year up to 5 years	>5 years	Total
In millions of euros								
Currency risk	27,727	27,945	-	55,672	25,057	11,878	-	36,935
Interest-rate risk	5,764	30,967	6,857	43,588	13,927	26,944	6,701	47,572
Fair-value hedges	4,174	15,229	3,521	22,924	5,113	16,214	3,444	24,771
thereof major hedging instruments affected by the reform of the interest-rate benchmark								
in the currency USD	1,195	2,813	1,336	5,344	2,031	3,775	1,257	7,063
Cash-flow hedges	1,590	15,738	3,336	20,664	8,814	10,730	3,257	22,801
thereof major hedging instruments affected by the reform of the interest-rate benchmark ¹								
in the currency USD	-	2,578	1,336	3,914	5,236	4,589	1,258	11,083
Commodity price risk	7	-	-	7	48	9	-	57

1 The volumes of risk exposure in cash-flow hedges directly affected by the reform of the interest-rate benchmark are generally in line with the reported nominal values of the hedging instruments because of the basic hedging ratio of 1. Further information on the reform of the interest-rate benchmark is provided in Note 34.

D.85

Average prices of hedging instruments for the major risks

	At 31 December	
	2022	2021
Currency risk		
USD per €	1.10	1.18
CNY per €	7.37	7.90
GBP per €	0.87	0.87
Interest-rate risk		
Fair-value hedges		
Average interest rate — €	-0.95%	1.07%
Average interest rate — USD	-1.46%	2.43%
Cash-flow hedges		
Average interest rate — €	2.08%	-0.18%
Average interest rate — USD	1.87%	-0.51%
Commodity price risk		
Platinum (in USD per troy ounce)	884	893
Palladium (in USD per troy ounce)	-	1,577

34. Management of financial risks

General information on financial risks

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

The Mercedes-Benz Group has established internal policies 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 analyse 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. The Mercedes-Benz Group uses derivative financial instruments exclusively for hedging financial risks that arise from its business operations or refinancing activities or liquidity management. Without these derivative financial instruments, the Group would be exposed to higher financial risks. Additional information on financial instruments and especially on the volumes of the derivative financial instruments used is included in Note 33. The Mercedes-Benz Group regularly evaluates its financial risks with due consideration of changes in key economic indicators and up-to-date market information.

The market sensitive instruments, including equity and debt securities, that the plan assets hold to finance pension and other post-employment healthcare benefits, are not included in the following quantitative and qualitative analysis. See Note 23 for additional information on the Mercedes-Benz Group's pension and post-employment healthcare benefits.

Credit risk

Credit risk describes the risk of financial loss resulting from a counterparty failing to meet its contractual payment obligations. Credit risk includes both the direct risk of default and the risk of a deterioration in creditworthiness as well as concentration risks.

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts at the balance sheet date (without consideration of collateral, if available). There is also a risk of default from irrevocable loan commitments which had not been utilized as of that date, as well as from financial guarantees. The maximum risk position in these cases is equal to the expected future cash outflows. Table D.86 shows the maximum risk positions at the balance sheet date.

Liquid assets

Liquid assets consist of cash and cash equivalents and marketable debt securities and similar investments. With the investment of liquid assets, banks and issuers of securities are selected very carefully and diversified in accordance with a limit system. Liquid assets are mainly held at financial institutions within and outside Europe with high creditworthiness, as bonds issued by German federal states and as money market funds. In connection with investment decisions, priority is placed on the borrower's very high creditworthiness and on balanced risk diversification. The limits and their utilization are reassessed continuously. In this assessment, the Mercedes-Benz Group 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 under IFRS, which is based on expected credit risk.

Receivables from financial services

The Mercedes-Benz Group'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. The Mercedes-Benz Group manages its credit risk irrespective of whether it is related to a financing contract or to an operating lease or a finance lease contract. For this reason, statements concerning the credit risk of Mercedes-Benz Mobility refer to the entire financing and leasing business, unless otherwise specified.

Exposure to credit risk from financing and lease activities is monitored based on the portfolio subject to credit risk. The portfolio subject to credit risk consists of wholesale and retail receivables from financial services and the portion of the operating lease portfolio that is subject to credit risk. Receivables from financial services comprise claims arising from finance lease contracts and repayment claims from financing loans. The operating lease portfolio is reported under equipment on operating leases in the Group's Consolidated Statement of Financial Position. Lease payments due from operating lease contracts are recognized in receivables from financial services.

The Mercedes-Benz Mobility segment has policies setting the framework for effective risk management at a global as well as a local level. In particular, these policies deal with minimum requirements for all risk-relevant credit processes, the definition of financing products offered, the evaluation of customer quality, requests for collateral and the treatment of unsecured loans and non-performing claims. The limitation of concentration risks is implemented primarily by means of global limits, which refer to customer exposures. To comply with these limits, Mercedes-Benz Mobility applies approval standards and measures to avoid concentration risks. Only one customer was granted a credit line in the form of a large loan. The Mercedes-Benz Mobility portfolio consists of a large number of small and medium-sized enterprises and private customers from more than 30 countries. At 31 December 2022, this segment accounted for 75% of the 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, Mercedes-Benz 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 lesser extent, residual debt insurances, are essential elements for credit decisions.

D.86

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

	Note	Maximum risk position	
		2022	2021
In millions of euros			
Liquid assets		24,739	30,761
Receivables from financial services	15	85,549	82,853
Trade receivables	20	8,100	7,703
Derivative financial instruments used in hedge accounting (assets only)	33	2,463	1,020
Derivative financial instruments not used in hedge accounting (assets only)	33	584	61
Other receivables and financial assets	33	3,113	3,258
Irrevocable loan commitments		3,234	3,044
Financial guarantees		551	829

If, in connection with contracts, a worsening of payment behaviour 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. Internal restructuring policies and practices are based on the indicators or criteria which, in the judgment of local management, indicate that repayment will probably continue and that the total proceeds expected to be derived from the renegotiated contract exceed the expected proceeds to be derived from repossession and remarketing. In the case of receivables from financial services, significant modifications of financial assets were only made in rare cases and to an insignificant extent.

The allowance ratio increased slightly compared to the previous year due to poorer economic forecasts for 2023 and the sharp increase in provisions for the portfolios of the Russian Mercedes-Benz Mobility companies. A largely constant default rate in the portfolio continues to have a stabilizing effect.

For information on credit risks included in receivables from financial services, see Note 15. Information on the measurement of expected credit losses is provided in Note 1.

Trade receivables

Trade receivables are mostly receivables from worldwide sales of vehicles and spare parts. The credit risk from trade receivables encompasses the default risk of customers, e.g. dealers and general distribution companies, as well as other corporate and private customers.

In order to identify credit risks, the Mercedes-Benz Group assesses the creditworthiness of customers. The Mercedes-Benz Group manages its credit risk from trade receivables using appropriate IT applications and databases on the basis of internal policies which have to be followed globally.

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

For trade receivables from the export business, the Mercedes-Benz Group also evaluates its customers' creditworthiness by means of an internal rating process with consideration of the respective country risk. In this context, the Annual 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, the Mercedes-Benz Group 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, according to which 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 20.

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. The Mercedes-Benz Group 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, the Mercedes-Benz Group 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 2021 and 2022, the Mercedes-Benz Group is exposed to credit risk only to a small extent.

Irrevocable loan commitments

The Mercedes-Benz Mobility segment in particular is exposed to credit risk from irrevocable loan commitments to end customers and retailers. At 31 December 2022, irrevocable loan commitments amounted to €3,234 million (2021: €3,044 million). These loan commitments had a maturity of less than one year and are not subject to a material credit risk based on the current state of knowledge.

Financial guarantees

The maximum potential obligations resulting from financial guarantees amount to €551 million at 31 December 2022 (2021: €829 million) and include liabilities recognized at 31 December 2022 in the amount of €7 million (2021: €15 million). Financial guarantees principally represent contractual arrangements. These guarantees generally provide that in the event of default or non-payment by the primary debtor, the Group will be required to settle such financial obligations generally up to a contractually agreed amount.

Liquidity risk

Liquidity risk comprises the risk that a company cannot meet its financial obligations in full.

The Mercedes-Benz Group manages its liquidity by holding adequate volumes of liquid assets and by maintaining syndicated credit facilities in addition to the cash inflows generated by its business operations. Additionally, the possibility to securitize receivables of the financial services business (ABS transactions) also reduces the Group's liquidity risk. Liquid assets comprise cash and cash equivalents and marketable debt securities and similar investments. The Group can dispose of these liquid assets at short notice.

Insofar as reverse factoring agreements are entered into, they have no influence on the liquidity risk of the Mercedes-Benz Group, as they relate to a large number of investors and have no impact on the payment terms of the trade payables concerned.

The funds raised are used to finance working capital and capital expenditure as well as the cash needs of the leasing and sales-financing business and unexpected liquidity needs. In accordance with internal policies, the refunding of the leasing and sales-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 31 December 2022, liquidity amounted to €24.7 billion (2021: €30.8 billion). In 2022, significant cash inflows resulted from the Mercedes-Benz Cars and Mercedes-Benz Vans segments. Furthermore, sales of shareholdings and other business activities as well as dividends received from Beijing Benz Automotive Co., Ltd. had a positive effect on liquidity. Cash outflows resulted in particular from the repayment of financing liabilities due to the positive liquidity situation. In addition, the investments made in intangible assets and property, plant and equipment and the income taxes paid, as well as the higher dividend payment to the shareholders of Mercedes-Benz Group AG compared to the previous year, had an impact and reduced liquidity. Moreover, there were negative effects from the leasing and sales financing business at Mercedes-Benz Mobility.

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 the Mercedes-Benz Group to manage its liquidity surplus and liquidity requirements according to the actual needs of the Group and of the companies of the Group. The Group's short-term and mid-term liquidity management takes into account the maturities of financial assets and financial liabilities and estimates of cash flows from business operations.

In general, the Mercedes-Benz Group makes use of a broad spectrum of financial instruments to cover its funding requirements. Depending on funding requirements and market conditions, the Mercedes-Benz Group issues commercial paper, bonds (including green bonds), debt obligations and financial instruments secured by receivables in various currencies. Bank credit facilities are also used to cover financing requirements. Potential downgrades of the Mercedes-Benz Group's credit ratings could have a negative impact on the Group's financing. Since July 2018, the Mercedes-Benz Group has had at its disposal a syndicated credit facility with a volume of €11 billion from a consortium of international banks, which was converted into a sustainability-linked loan in October 2022. It grants the Mercedes-Benz Group additional financial flexibility until 2025. As of 31 December 2022, this credit line had not been utilized.

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

Table D.87 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 31 December 2022.

Information on the Group's financing liabilities is also provided in Note 25.

D.87

Liquidity runoff for liabilities and financial guarantees¹

	Total	2023	2024	2025	2026	2027	≥ 2028
In millions of euros							
Financing liabilities ²	119,867	51,922	26,001	13,015	7,078	5,506	16,345
thereof lease liabilities (undiscounted)	2,944	647	447	372	298	247	933
Derivative financial instruments ³	1,180	749	310	100	6	15	-
thereof with gross settlement	1,069	683	276	91	4	15	-
Cash outflows	30,478	17,089	9,884	2,614	634	257	-
Cash inflows	-29,409	-16,406	-9,608	-2,523	-630	-242	-
thereof with net settlement	111	66	34	9	2	-	-
Cash outflows	111	66	34	9	2	-	-
Trade payables ⁴	12,204	12,200	2	2	-	-	-
Miscellaneous other financial liabilities excluding accrued interest and liabilities from financial guarantees	4,804	4,037	375	196	96	76	24
Obligations from sales transactions	4,481	4,481	-	-	-	-	-
Irrevocable loan commitments ⁵	3,234	3,234	-	-	-	-	-
Financial guarantees ⁶	551	551	-	-	-	-	-
	146,321	77,174	26,688	13,313	7,180	5,597	16,369

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 the Mercedes-Benz Group can be required to pay. The customer deposits of Mercedes-Benz Bank are mostly considered in this analysis to mature within the first year.
(b) The cash flows of floating-interest financial instruments are estimated on the basis of forward rates.
- ² The stated cash flows of financing liabilities consist of their undiscounted principal and interest payments.
³ The undiscounted sum of the cash flows of the derivative financial liabilities is shown for the respective year.
⁴ The cash outflows of trade payables are undiscounted.
⁵ The maximum available amounts are stated.
⁶ The maximum potential obligations under the issued financial 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.

The Mercedes-Benz Group 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.

The Mercedes-Benz Group manages these risks via country exposure limits (e.g., for hard currency portfolios of financial services entities). An internal rating system serves as a basis for the Mercedes-Benz Group's risk-oriented country exposure management; it assigns all countries to risk classes, with consideration of both external ratings and capital market indications of country risks.

Finance-market risks

The global nature of its businesses exposes the Mercedes-Benz Group 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.

The Mercedes-Benz Group manages market risks to minimize the impact of fluctuations in foreign exchange rates and interest rates on the earnings of the Group and its segments. The Group calculates its overall net-exposure to these market risks to provide the basis for hedging decisions, which include the selection of hedging instruments and the determination of hedging volumes and the corresponding periods. The hedging strategy is specified at Group level and uniformly implemented in the segments. Decisions regarding, for example, currencies and asset-liability management (interest rates) are made by a committee that meets regularly. Net-exposures are the basis for the hedging strategies and are updated regularly. The Mercedes-Benz Group usually counteracts the risk of short-term fluctuations in raw-material prices by means of price escalation clauses in the supply contracts. Power purchase agreements are also concluded to reduce electricity price risks. Power purchase agreements are purchase agreements that include fixed purchase prices of the electricity generated by a specific plant for generating wind or solar power. To a limited extent, derivative financial instruments are used to hedge precious metal purchases.

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

Despite market uncertainty, the existing benchmark interest rates for USD, for example, are still applied as reference rates in financial markets and have an impact on the valuation of financial transactions. This also applies for financial instruments in hedging relationships with a maturity beyond the end of 2022. With EURIBOR as well as GBP, CHF and JPY LIBOR reform already implemented, the contractual adjustment of financial instruments was made by means of a corresponding interest rate risk reference by 31 December 2021. The material share of interest rate risk hedging relationships that is still affected by the benchmark reform is based on the USD currency.

The Mercedes-Benz Group expects the conversion of the outstanding reference rates of hedging instruments and their underlying transactions to be identical and without any material delay. The Mercedes-Benz Group continues to consider the economic relationship and thus the continuation of hedge accounting to be still existing as of 31 December 2022.

The nominal values of the affected hedging instruments that are included in a hedging relationship can be found in table D.84.

D.88

Unreformed contracts in the course of the IBOR-reform

	USD LIBOR	
	Total amount of unreformed contracts	
	At 31 December	
	2022	2021
In millions of euros		
Financial assets	-	-
Financial liabilities	4,790	6,986
Derivatives	9,258	18,146

The effect of the application of the new interest rates on the Consolidated Financial Statements is being reviewed on an ongoing basis. In order to conduct financial transactions based on the new indices, the Mercedes-Benz Group is preparing its IT-systems accordingly. Uncertainty still exists about future market standards with interest conventions for individual financial products (cash products and interest derivatives) that reference the new risk-free rates. Contracts that have not been converted are shown in table D.88.

As part of its risk management system, the Mercedes-Benz Group employs value-at-risk analyses. In performing these analyses, the Mercedes-Benz Group 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, the Mercedes-Benz Group 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, the Mercedes-Benz Group 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 the Mercedes-Benz Group's businesses exposes cash flows to risks arising from fluctuations in exchange rates. These risks primarily relate to fluctuations between the euro and the US dollar, the Chinese renminbi, the British pound and other currencies such as currencies of growth markets. In the operating vehicle business, the Group's exchange rate risk primarily arises when revenue is generated in a currency that is different from the currency in which the revenue related costs are incurred (transaction risk). 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. The risk exposures serve as a basis for analysing exchange rate risks at Group level. In addition, the Group is indirectly exposed to a transaction risk from its equity-method investments.

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

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

The Group's targeted hedge ratios for forecast operating cash flows in foreign currencies are generally determined using a step-by-step method. Depending on the nature of the underlying risks, the hedging rates decrease the further the expected cash flows are in the future. 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 step-by-step method aims to limit risks for the Group from unfavourable movements in exchange rates while preserving sufficient flexibility to participate in favourable developments. Based on this step-by-step method and depending on the market outlook, the committee determines the hedging horizon, which usually varies from one to five years, as well as the average hedge ratios. Reflecting the character of the underlying risks, the hedge ratios decrease with increasing maturities. At year-end 2022, currency management for calendar year 2023 showed an unhedged position in the automotive business in calendar year 2023 of 17% of the underlying forecasted cash flows in US dollars and an unhedged position of 28% of the underlying forecasted cash flows in British pounds, while the forecasted cash flows in Chinese renminbi were almost fully hedged with an unhedged position of 1%.

To cover foreign currency exposure risks of the vehicle business operations forward foreign exchange contracts and currency options are primarily used. The Mercedes-Benz Group's policies call for a mixture of these financial instruments depending on the assessment of market conditions. Value at risk is used to measure the exchange rate risk inherent in these derivative financial instruments.

Table D.89 shows the period-end, high, low and average value-at-risk figures of the exchange rate risks for the 2022 and 2021 portfolios of derivative financial instruments, which were entered into primarily in connection with the vehicle business operations. Average exposure has been computed on an end-of-quarter basis. The offsetting transactions underlying the derivative financial instruments are not included in the following value-at-risk presentation, since they primarily comprise forecasted cash-flows. See also table D.84.

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 instrument by ensuring consistency of currency, volume and maturity. Option premiums and also forward components are not designated into the hedging relationship, but the hedging costs are deferred in other comprehensive income and recognized in profit or loss at the due date of the underlying transaction or recognized as adjustment of acquisition cost of non-financial assets. The effectiveness of the hedge is assessed at the start of and during the hedging relationship. Possible sources of ineffectiveness of the hedging relationship are:

- Changes in the credit risk on the measurement of the used hedging instrument which are not reflected in the change of the hedged currency risk.
- Changes in the timing of the hedged transactions.

Please refer to table D.81. There were no significant effects on earnings in 2022 and 2021.

D.89

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

	2022				2021			
	Period-end	High	Low	Average	Period-end	High	Low	Average
In millions of euros								
Exchange rate risk (from derivative financial instruments)	932	1,598	932	1,165	512	512	326	381
Interest rate risk	275	492	275	351	202	217	149	188
Commodity price risk (from derivative financial instruments)	0	4	0	2	4	12	4	8

The development of the value at risk from foreign currency hedging in 2022 was primarily determined by the increase in volatilities and the volume of hedging transactions.

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 the Mercedes-Benz Group's internal policies. The Group uses appropriate derivative financial instruments (e.g. cross-currency interest rate swaps) to hedge against currency risk.

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

Effects of currency translation risk. For purposes of Mercedes-Benz Group'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 profit/loss (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 carrying amounts caused by exchange rates. In general, the Mercedes-Benz Group does not hedge against exchange rate translation risk.

Interest-rate risk

The Mercedes-Benz Group 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 Mercedes-Benz Mobility segment. The Mercedes-Benz Mobility companies enter into transactions with customers that primarily result in fixed-rate receivables. The Mercedes-Benz Group's general policy is to match the refinancing of interest-bearing assets in terms of maturities and interest rates wherever economically feasible. However, for a narrowly limited portion of the receivables portfolio in selected and developed markets, Mercedes-Benz Mobility does not match refinancing in terms of maturities in order to take advantage of market opportunities. This results in the Mercedes-Benz Group being exposed to interest rate risks.

A committee consisting of representatives of the relevant segments and the corporate functions manages the interest rate risk by setting targets for the interest rate risk position. The Corporate Treasury department and the local Mercedes-Benz Group companies are jointly responsible for achieving these targets. As separate functions, the Treasury Controlling and the Mercedes-Benz Mobility Controlling & Reporting department monitor target achievement on a monthly basis. In order to achieve the targeted interest rate risk positions in terms of maturities and interest rate fixing periods, the Mercedes-Benz Group also uses derivative financial instruments such as interest rate swaps. The interest rate risk position is assessed 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. The Mercedes-Benz Group steers the funding activities of the automotive segments and the financial services business at Group level.

Table D.89 shows the period-end, high, low and average value-at-risk figures of the interest rate risk for the 2022 and 2021 portfolios of interest rate sensitive primary financial instruments and derivative financial instruments of the Group, including the financial instruments of the financial services business. Liabilities from leasing contracts for which the Mercedes-Benz Group acts as a lessee are not included in the value-at-risk of the interest rate risk. Average exposure has been computed on an end-of-quarter basis.

In the course of 2022, changes in 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 hedging instruments, the Mercedes-Benz Group generally applies a hedge ratio of 1. The respective volumes, interest curves, currencies and maturity dates of the underlying transaction and the hedging instrument are generally 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. In the case of hedging for ABS transactions of private placements, the risk of the market interest rate component is partly protected, which historically covers on average more than 70% of the change in value of the total interest rate. The effectiveness of the hedge is assessed at the beginning and during the hedging relationship using the hypothetical derivative method. Possible sources of ineffectiveness of the hedging relationship are:

- Effects of the credit risk on the fair value of the hedging instruments in use which are not reflected in the change in the hedged interest rate risk.
- No perfect match for individual parameters of the underlying hedged transactions and the hedging instruments used.
- Premiums on hedging instruments for hedging ABS transactions.

There were no material effects on earnings in the years 2021 and 2022.

Commodity-price risk

The Mercedes-Benz Group is exposed to the risk of changes in commodity prices in connection with procuring raw materials and manufacturing supplies used in production. The Mercedes-Benz Group usually counteracts the risk of short-term fluctuations in raw-material prices by means of price escalation clauses in the supply contracts. The Mercedes-Benz Group also concludes power purchase agreements for wind and solar energy in order to protect itself from fluctuations in energy prices and ensure long-term, sustainable procurement of electricity. The value of these contracts is based on the difference between the fixed purchase price and the future expected electricity prices. A small portion of the raw-material price risk relating to the forecasted procurement of precious metals is hedged with the use of derivative financial instruments. The Mercedes-Benz Group has decided to suspend these hedging strategies for precious metals until further notice and to phase out existing hedges.

Table D.89 shows the period-end, high, low and average value-at-risk figures for the 2022 and 2021 portfolio of derivative financial instruments used to hedge commodity price risk. Average exposure has been computed on an end-of-quarter basis. The transactions underlying the derivative financial instruments are not included in the value-at-risk presentation. See also table D.84.

In 2022, the decrease of the value at risk from commodity hedging was caused by a decrease in the hedging volume.

Hedge accounting. When designating derivative hedging instruments, the Mercedes-Benz Group 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. The effectiveness of the hedge is assessed at the start of and during the hedging relationship. Possible sources of ineffectiveness of the hedging relationship are:

- Effects of the credit risk on the fair value of the hedging instrument in use which are not reflected in the change in the hedged commodity price risk.
- Changes in the timing of the hedged transactions.

The nominal volumes of hedging instruments not designated in a hedging relationship, in 2022 amount to €12 billion (2021: €12 billion) for derivatives used to hedge interest rate risks and €15 billion (2021: €8 billion) for derivatives used to hedge exchange rate risks, as well as €644 million (2021: €17 million) for derivatives used to hedge commodity price risks.

Equity-price risk

The Mercedes-Benz Group predominantly holds investments in shares of companies which are classified as long-term investments, some of which are accounted for in the Consolidated Financial Statements using the equity method, such as the share in Daimler Truck Holding AG and BAIC Motor. These investments are not included in a market risk assessment by the Group.

35. Segment reporting

Reported segments

The Group comprises the segments Mercedes-Benz Cars, Mercedes-Benz Vans and Mercedes-Benz Mobility.

Until 31 December 2021, the Mercedes-Benz Cars and Mercedes-Benz Vans segments were aggregated into one reportable segment due to their comparable long-term average return on sales as well as their comparable revenue development and capital intensity. After the spin-off and hive-down of the Daimler commercial vehicle business in December 2021, the two segments have been reported separately from 1 January 2022. The segment figures for 2021 have been restated accordingly.

The segment information relates to continuing operations. The reported segment Daimler Trucks & Buses until spin-off and hive-down of the Daimler commercial vehicle business is included in the discontinued operations in 2021 and is therefore not part of the segment information presented.

The breakdown of segments corresponds to the internal organizational and reporting structure.

The vehicle segments develop and manufacture premium and luxury passenger cars and vans. In addition to the Mercedes-Benz brand, the brand portfolio of the Mercedes-Benz Cars segment encompasses the brands Mercedes-AMG, Mercedes-Maybach and Mercedes-EQ. The Mercedes me brand provides access to the digital services of Mercedes-Benz Cars. At Mercedes-Benz Vans, the vans are sold under the Mercedes-Benz brand. Corresponding spare parts and accessories are also sold.

The Mercedes-Benz Mobility segment supports the sales of the Mercedes-Benz Group's vehicle brands worldwide. The product range mostly contains made-to-measure mobility and financial services. These services range from leasing and financing packages for end customers and dealers to insurance solutions, flexible subscription and rental models and fleet management services for business customers, with the latter primarily offered via the Athlon brand. Furthermore, Mercedes-Benz Mobility is active in the area of innovative mobility services.

Reconciliation

The reconciliation includes functions and services provided by the Group's headquarters as well as by companies of the Group not allocated to the segments (e. g. Daimler Truck Holding AG). In addition, the reconciliation includes items at the corporate level and the effects on earnings of eliminating intra-Group transactions between the segments.

Internal management and reporting structure

The internal management and reporting structure at the Mercedes-Benz Group is principally based on the accounting policies according to IFRS that are described in Note 1.

The measure of the Group's net profit or loss used by the Mercedes-Benz Group'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 gains/losses on equity-method investments, as well as other financial income/expense.

In justified individual cases, effects on the Group's Consolidated Statement of Income, Consolidated Statement of Financial Position, and Consolidated Statement of Cash Flows are not allocated to the corresponding segment based on a legal point of view, but the segment report rather follows an economic approach.

Intersegment revenue is generally recorded at prices that approximate market terms.

Transactions between the segments are generally eliminated in the reconciliation. The elimination of effects connected with intra-Group transfers of equity investments normally takes place in the segments involved. The effects on earnings at the Group are normally recognized in the corresponding segment upon completion of the external transaction. Some simplifications have been made in the segment reporting with regard to accounting for leasing agreements in connection with intra-Group transactions.

Segment assets principally comprise all assets. The assets of the Mercedes-Benz Cars and Mercedes-Benz Vans segments exclude income-tax assets, assets from defined benefit pension plans and other post-employment benefit plans, and certain financial instruments (including liquidity). Segment liabilities principally comprise all liabilities. The Mercedes-Benz Cars and Mercedes-Benz Vans reporting segments' liabilities exclude income-tax liabilities, liabilities from defined benefit pension plans and other post-employment benefit plans, and certain financial instruments (including financing liabilities).

The residual-value risks associated with the Group's operating leases and receivables from financial services are generally borne by the segments, which manufactured the leased vehicles. Risk sharing is based on agreements between Mercedes-Benz Cars, Mercedes-Benz Vans and Mercedes-Benz 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 insofar 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.

Tables D.90 and D.91 present segment information for the years ended 31 December 2022 and 2021.

D.90

Segment information

	Mercedes- Benz Cars	Mercedes- Benz Vans	Mercedes- Benz Mobility	Total Segments	Recon- ciliation	Mercedes- Benz Group
In millions of euros						
2022						
External revenue	107,359	16,427	26,231	150,017	-	150,017
Intersegment revenue	4,242	790	723	5,755	-5,755	-
Total revenue	111,601	17,217	26,954	155,772	-5,755	150,017
Segment profit/loss (EBIT)	16,340	1,897	2,428	20,665	-207	20,458
thereof gains/losses on equity-method investments	1,586	122	-209	1,499	233	1,732
thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks	457	86	2	545	-	545
Segment assets	91,908	10,036	142,524	244,468	-8,138	236,330
thereof carrying amounts of equity-method investments	4,479	328	271	5,078	8,452	13,530
Segment liabilities	51,964	9,025	128,948	189,937	-12,290	177,647
Additions to non-current assets	12,687	1,295	11,277	25,259	-173	25,086
thereof investments in intangible assets	3,197	179	43	3,419	-1	3,418
thereof investments in property, plant and equipment	3,265	199	18	3,482	-1	3,481
Depreciation and amortization of non-current assets	7,213	620	6,130	13,963	-72	13,891
thereof amortization of intangible assets	2,143	186	68	2,397	3	2,400
thereof depreciation of property, plant and equipment	3,800	266	56	4,122	-1	4,121

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D.91

	Mercedes- Benz Cars	Mercedes- Benz Vans	Mercedes- Benz Mobility	Total Segments	Recon- ciliation	Mercedes- Benz Group
In millions of euros						
2021¹						
External revenue	92,884	13,655	26,902	133,441	452	133,893
Intersegment revenue	3,828	1,080	1,039	5,947	-5,947	-
Total revenue	96,712	14,735	27,941	139,388	-5,495	133,893
Segment profit/loss (EBIT)	12,487	1,143	3,493	17,123	-1,095	16,028
thereof gains/losses on equity-method investments	1,478	107	-140	1,445	-93	1,352
thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks	89	7	-2	94	1	95
Segment assets	86,495	9,418	146,196	242,109	-8,693	233,416
thereof carrying amounts of equity-method investments	3,733	323	471	4,527	9,061	13,588
Segment liabilities	51,530	8,669	131,748	191,947	-16,140	175,807
Additions to non-current assets	13,028	1,198	13,125	27,351	2,115	29,466
thereof investments in intangible assets	2,396	60	61	2,517	224	2,741
thereof investments in property, plant and equipment	3,589	198	78	3,865	714	4,579
Depreciation and amortisation of non-current assets	7,209	670	6,183	14,062	1,004	15,066
thereof amortisation of intangible assets	2,102	210	79	2,391	161	2,552
thereof depreciation of property, plant and equipment	3,593	275	64	3,932	498	4,430

¹ In 2021, the key figures are presented as continuing operations with the exception of additions to and amortization of non-current assets. The additions to and depreciation on assets contain the scope of the Daimler commercial vehicle business up to the time of the spin-off and hive-down.

Reconciliation

Table D.92 shows the reconciliation of EBIT according to segment reporting to the Consolidated Statement of Income.

The reconciliation of segment assets and liabilities to relevant amounts for the Group is shown in table D.93

The **gains/losses on equity-method investments** includes the positive profit contribution of €226 million (2021: loss of €1 million) from Daimler Truck Holding AG. Earnings in the previous year are reduced by impairments of the carrying amount of the investment in BAIC Motor of €120 million.

The line item **other reconciling items** includes expenses in connection with the sale individual investments and business activities to Daimler Truck Holding AG or its subsidiaries (2021: spin-off and hive-down of the Daimler Trucks & Buses segment reported until this point in time).

D.92

Reconciliation of EBIT to Group figures

	2022	2021
In millions of euros		
Total of segments' profit/loss (EBIT)	20,665	17,123
Profit/loss from spin-off and hive-down (after transaction costs)	-	-782
Gains/losses on equity-method investments	233	-93
Other reconciling items	-458	-212
Eliminations	18	-8
EBIT as shown in the Consolidated Statement of Income	20,458	16,028

D.93

Reconciliation of segment assets and liabilities to Group figures

	2022	2021
In millions of euros		
Total of segment assets	244,468	242,109
Equity-method investment in DTHAG	8,199	8,762
Other equity-method investments ¹	253	299
Income-tax assets ²	3,107	2,906
Other reconciling items and eliminations	-19,697	-20,660
Segment assets Group	236,330	233,416
Unallocated financial assets (including liquidity) and assets from pensions and similar obligations ²	23,685	26,415
Total assets Group	260,015	259,831
Total of segment liabilities	189,937	191,947
Income-tax liabilities ²	7,614	4,721
Other reconciling items and eliminations	-19,904	-20,861
Segment liabilities Group	177,647	175,807
Unallocated financial liabilities and liabilities from pensions and similar obligations ²	-4,172	10,857
Total equity Group	86,540	73,167
Total equity and liabilities Group	260,015	259,831

- 1 This mainly comprises the carrying amount of BAIC Motor.
2 Unless these are attributable to Mercedes-Benz Mobility.

Revenue and non-current assets by region

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

Revenue from external customers and non-current assets by region are shown in table D.94.

D.94

Revenue and non-current assets by region

	Revenue		Non-current assets	
	2022	2021	2022	2021
In millions of euros				
Europe	56,487	51,044	61,983	62,058
thereof Germany	23,085	20,733	45,587	44,421
North America	40,091	33,105	19,722	22,181
thereof United States	35,829	29,284	17,883	20,010
Asia	45,558	40,126	2,159	1,660
thereof China	27,324	25,173	537	564
Other markets	7,881	9,618	807	1,436
	150,017	133,893	84,671	87,335

36. Capital management

Net assets and value added represent the basis for capital management at the Mercedes-Benz Group. The assets and liabilities of the segments in accordance with IFRS provide the basis for the determination of net assets at Group level. Mercedes-Benz Cars and Mercedes-Benz Vans are accountable for the net operating assets; all assets, liabilities and provisions for which they are responsible for in day-to-day operations are therefore allocated to them. Performance measurement at Mercedes-Benz 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.

Average annual net assets are calculated on the basis of average quarterly net assets. The average quarterly net assets are calculated as an average of the net assets at the beginning and the end of the quarter and are shown in table D.95.

D.95

Average net assets

	2022	2021
In millions of euros		
Mercedes-Benz Cars	38,189	33,031
Mercedes-Benz Vans	885	835
Mercedes-Benz Mobility ¹	14,466	15,681
Net assets of the segments	53,540	49,547
Daimler commercial vehicle business ²	-	7,625
Equity-method investment in DTHAG ³	8,078	1,095
Other equity-method investments ⁴	303	361
Assets and liabilities from income taxes ⁵	-3,818	131
Other corporate items and eliminations ⁵	422	-362
Net assets of the Mercedes-Benz Group	58,525	58,397

1 Equity.

2 Reported segment Daimler Trucks & Buses until spin-off and hive-down of the Daimler commercial vehicle business. In the fourth quarter of 2021, no amounts have been considered for the deconsolidated Daimler commercial vehicle business.

3 The equity-method investment in DTHAG was taken into account from the fourth quarter of 2021.

4 To the extent not allocated to the segments.

5 To the extent not allocated to Mercedes-Benz Mobility.

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, thus creating additional value. The required rate of return on net assets, and thus the cost of capital rate, is derived from the minimum rates of return that equity investors and lenders expect on their invested capital. In the reporting period, the cost of capital used for the internal capital management amounted to 8% after taxes.

The objective of capital management is to increase value added, among other things, by optimizing the cost of capital. This is achieved on the one hand by the management of the net assets, e.g. by optimizing working capital, which is within the operational responsibility of the segments. In addition, taking into account legal regulations, the Mercedes-Benz Group strives to optimize the costs and risks of its capital structure and, consequently, the cost of capital rate. 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.

37. Earnings per share

The calculation of basic and diluted earnings per share is based on net profit attributable to shareholders of Mercedes-Benz Group AG. Following the expiration of the stock option plan in 2014, dilutive effects no longer exist. The profit attributable to shareholders of Mercedes-Benz Group AG (basic and diluted) amounts to €14,501 million (2021: €10,695 million). The weighted average number of shares outstanding (basic and diluted) amounts to 1,069.8 million (2021: 1,069.8 million).

38. Related-party disclosures

Related parties (companies or persons) are deemed to be associated companies, joint ventures and unconsolidated subsidiaries, as well as persons who exercise a significant influence on the financial and business policy of the Mercedes-Benz Group. The latter category includes all persons in key positions and their close family members. At the Mercedes-Benz Group, those persons are the members of the Board of Management and of the Supervisory Board and their close family members.

Related companies

Business transactions with related companies are generally carried out at market terms. Most of the goods and services supplied between the Group and related companies comprise transactions with associated companies and joint ventures and are shown in table D.96.

Associated companies

As shown in table D.96, the business relationships with associated companies mainly relate to Daimler Truck Holding AG (Daimler Truck), which is allocated to the reconciliation, and to LSH Auto International Limited (LSHAI) and Beijing Benz Automotive Co., Ltd. (BBAC), which are allocated to the Mercedes-Benz Cars segment.

Upon the spin-off and hive-down taking effect in December 2021, Daimler Truck Holding AG was reported as an associated company. There are numerous relationships in the scope of ordinary business between the Mercedes-Benz Group and Daimler Truck, for example, the purchase and sale of goods and services and leasing agreements. In addition, there is an interim provision of services by corporate functions that are included under other operating income. These services include in particular IT (€276 million), logistics (€181 million) and human resources (€85 million).

The leased equipment of the Mercedes-Benz Mobility segment include commercial vehicles produced by Daimler Truck which have been acquired from external dealers or other third parties not related to the Mercedes-Benz Group. Mercedes-Benz Mobility usually receives a residual-value guarantee from Daimler Truck for this leased equipment in connection with the obligation to return the respective commercial vehicles to Daimler Truck. At 31 December 2022 this guarantee was €383 million (31 December 2021: €685 million).

Additionally, the Mercedes-Benz Group will continue the leasing and sales-financing business for Daimler Truck's commercial vehicles in some markets. To this end, Mercedes-Benz Mobility acquires these vehicles from Daimler Truck and leases them to the end customers. Insofar as a mandatory vehicle return to Daimler Truck has been agreed, a leasing contract (head lease) between Mercedes-Benz Mobility and Daimler Truck is shown. The contract between Mercedes-Benz Mobility and the end customer constitutes a sublease in this respect. The receivables and right-of-use assets shown in Table D.96 include demands for the repurchase of vehicles of €1,312 million (31 December 2021: €1,617 million) shown in receivables from financial services and right-of-use assets of €548 million (31 December 2021: €1,060 million) vis-à-vis Daimler Truck shown in leased assets. These right-of-use assets were depreciated as planned by €399 million in 2022. Furthermore, table D.96 shows right-of-use-assets of Daimler Greater China Ltd. vis-à-vis BBAC of €94 million (31 December 2021: €103 million) resulting from a leasing contract.

As described in Note 3, further sales and transfers of operating interests and business activities took place in 2022. Effects on earnings from these transactions are not included in the table D.96.

In addition, the Mercedes-Benz Group holds a minority interest of €162 million (31 December 2021: €209 million) in real estate companies controlled by Daimler Truck Group, which is shown as debt instruments in other financial assets.

Off-balance-sheet obligations relate especially to the Daimler Truck Group and the joint venture Automotive Cells Company SE. At 31 December 2022, they amounted to a total of €467 million (31 December 2021: €569 million).

Joint ventures

On 1 July 2022 an agreement became effective in favour of smart Automobile Co., Ltd. (smart), a joint venture of Mercedes-Benz AG and Zhejiang Geely Holding Group Co., Ltd. This agreement would require the shareholders to provide financial support up to a maximum amount of €612 million each if, and to the extent, that smart is not able to perform its payment obligations under a syndicated loan agreement. Smart is allocated to the Mercedes-Benz Cars segment.

Note 14 provides further details of the business activities of the significant associated companies and joint ventures, as well as of the significant transactions in the years 2022 and 2021.

Contributions to plan assets

Mercedes-Benz Pension Trust e.V. manages the plan assets on a fiduciary basis to cover pension obligations in Germany and is therefore a related party of the Mercedes-Benz Group. Another related party is Mercedes-Benz Pensionsfonds AG. Mercedes-Benz Group AG bears non-significant expenses and provides services for both companies. See also Note 23 for further information.

Subsequent liability

In 2019, Mercedes-Benz Group AG hived down assets and liabilities of the Mercedes-Benz Cars & Vans segment at that time into Mercedes-Benz AG and of the former Daimler Trucks & Buses segment into Daimler Truck AG. As legal entities involved in the hive-down, Mercedes-Benz Group AG, Mercedes-Benz AG and Daimler Truck AG are jointly and severally liable pursuant to Section 133 Subsections 1 and 3 of the German Transformation Act (UmwG) for the liabilities of Mercedes-Benz Group AG incurred prior to the effective date of the hive-down. Those of the aforementioned legal entities to which the relevant liabilities are not assigned under the hive-down agreement are, however, only liable for those liabilities if they fall due within five years of the announcement of the entry of the hive-down in the commercial register of Mercedes-Benz Group AG and claims therefrom are established in court or in another manner as described in Section 133 of the German Transformation Act (UmwG). The hive-down of the Daimler commercial vehicle business in 2021 resulted in a subsequent liability relationship outside the Group.

The stipulations existing in this context, in particular on the procedure for regulating the internal settlements between the participating legal entities, are laid down in the hive-down agreement of 25 March 2019.

The aforementioned period is ten years for pension obligations based on the German Company Pensions Act (BetrAVG) that existed before the hive-down took effect. Mercedes-Benz Group AG and Mercedes-Benz AG do not expect any outflow of liquidity from the respective other legal entity due to the plan assets being available in a sufficient volume.

According to the current appraisal, an actual claim with respect to the subsequent liability relationship between the entities is considered to be unlikely.

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 Mercedes-Benz Group 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 Mercedes-Benz Group AG or its subsidiaries as customers. When such business relationships exist, transactions are concluded at market terms.

See Note 39 for information on the remuneration of the board members.

D.96

Transactions with related companies

	Income from sales of goods and services and other income ¹		Expense from purchases of goods and services and other expense ¹		Receivables and right-of-use-assets		Liabilities	
					At 31 December ²		At 31 December ³	
	2022	2021	2022	2021	2022	2021	2022	2021
In millions of euros								
Associated companies	18,601	15,466	2,653	968	4,842	6,027	557	723
thereof Daimler Truck	1,120	80	2,120	123	2,262	3,426	332	533
thereof LSHAI	9,641	8,465	232	535	887	565	23	21
thereof BBAC	7,821	6,573	300	294	1,646	2,007	195	168
Joint ventures	639	1,737	32	872	93	153	1	139

¹ Transactions between the companies disposed of as part of the spin-off and hive-down of the Daimler commercial vehicles business and related parties of the Mercedes-Benz Group are taken into account up until the time of the spin-off and hive-down in 2021.

² After total loss allowances of €52 million (31 December 2021: €22 million).

³ Including liabilities from default risks from guarantees for related parties.

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

Remuneration granted during the financial year to the members of the Board of Management and the Supervisory Board who were active in 2022 is shown in table D.97.

Expenses for variable remuneration of the Board of Management with a long-term incentive effect, as shown in table D.97, 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 2019 to 2022. In 2022, the active members of the Board of Management were granted 137,655 (2021: 170,670) phantom shares in connection with the PPSP; the fair value of these phantom shares at the grant date was €8.3 million (2021: €11.1 million). See Note 22 for additional information on share-based payment of the members of the Board of Management.

In accordance with 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 €32.2 million (2021: €35.2 million).

The members of the Supervisory Board are solely granted short-term fixed remuneration for their board and committee activities amounted to €6.6 million (2021: €6.2 million), the amounts of which depend on their functions in the Supervisory Board. With the exception of the remuneration paid to the members of the Supervisory Board representing the employees in accordance with their contracts of employment, no remuneration was paid to the members of the Supervisory Board for services provided personally beyond their board and committee activities in 2022, in particular for advisory or agency services.

The members of the Board of Management of Mercedes-Benz Group AG do not receive any remuneration for their board activities on the boards of the subsidiaries. These activities are remunerated with the remuneration at Mercedes-Benz Group AG.

No advances or loans were made or abated to members of the Board of Management or the Supervisory Board of Mercedes-Benz Group AG in 2022.

Payments made in 2022 to former members of the Board of Management of Mercedes-Benz Group AG and their survivors amounted to a total of €21.3 million (2021: €19.1 million). The pension provisions for former members of the Board of Management and their survivors amounted to €246.1 million as of 31 December 2022 (2021: €334.3 million).

Individualized information on the remuneration of the members of the Board of Management and of the Supervisory Board of Mercedes-Benz Group AG is disclosed in the Remuneration Report.

D.97

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

	2022	2021
In millions of euros		
Remuneration of the Board of Management		
Fixed remuneration (base salary)	8.9	9.1
Short-term variable remuneration (50% of annual bonus)	7.5	7.5
Mid-term variable remuneration (50% of annual bonus, "deferral")	8.0	7.5
Variable remuneration with a long-term incentive effect (PPSP)	15.4	22.9
Post-employment benefits (service cost)	2.3	2.1
Termination benefits	-	-
Remuneration of the Board of Management	42.1	49.1
Remuneration of the Supervisory Board	6.6	6.2
Total	48.7	55.3

40. Auditor fees

The shareholders of the Mercedes-Benz Group AG elected KPMG AG Wirtschaftsprüfungsgesellschaft as the external auditor at the Annual General Meeting held on 29 April 2022. Table D.98 shows the fees for services provided by KPMG AG Wirtschaftsprüfungsgesellschaft and the companies of the worldwide KPMG network to Mercedes-Benz Group AG, the consolidated subsidiaries and the proportionately consolidated joint operations.

Audit services relate to the audit of the Mercedes-Benz Group's Consolidated Financial Statements and the Annual 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 audits of IT systems and processes.

Other attestation services were particularly provided for reviews of IT systems and processes or in connection with the issuance of comfort letters. Other services were mainly commissioned for IT and process consulting not relevant to accounting and for quality assurance.

The decrease in auditor fees compared to the previous year is due in part to one-time expenses in connection with the spin-off and hive-down of the Daimler commercial vehicle business in the prior year. In addition, the auditor fees of the previous year contained the fees incurred for the companies of the Daimler Trucks & Buses segment, which was reported until the date of the spin-off and hive-down.

D.98

Auditor fees

	2022	2021
In millions of euros		
Audit services	38	40
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	24	25
Other attestation services	6	19
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	4	17
Tax services	-	2
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	-	1
Other services	2	2
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	2	1
	46	63

41. Events after the reporting period

Equity injection into There Holding B.V.

In the first half of 2023, the Mercedes-Benz Group, together with other shareholders of There Holding B.V. (THBV), via Mercedes-Benz AG inject additional equity into THBV. The funds from the capital injection will be transferred by THBV to Here International B.V. (HERE) in order to increase HERE's liquidity. HERE is one of the world's largest manufacturers of digital road maps for navigation systems.

The Group's cash outflow is expected to be in the order of a low nine-digit euro range. The capital increase leads to a corresponding increase in the carrying amount at the associated company THBV, which is included in the Consolidated Financial Statements of Mercedes-Benz Group AG using the equity method and is allocated to the Mercedes-Benz Cars segment.

42. Additional information

German Corporate Governance Code

The Board of Management and the Supervisory Board of Mercedes-Benz Group 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 the Mercedes-Benz Group's website.

Information on investments

The statement of investments of the Mercedes-Benz Group pursuant to Section 313 Subsection 2 Nos. 1-6 of the German Commercial Code (HGB) is presented in table D.99. 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, and financial position of the Mercedes-Benz 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 Mercedes-Benz Group AG release those subsidiaries from the requirements that would otherwise apply. On 1 February 2022, Daimler AG was renamed as Mercedes-Benz Group AG. From that date, further name changes of Group companies took place. The statement of investments shows the companies with their company names as of 31 December 2022.

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D.99

Name of the company	Domicile, country/region	Equity interest in percent ¹	Foot- note
I. Consolidated subsidiaries			
Accumotive GmbH & Co. KG	Kamenz, Germany	100.00	5
Alpha 1 Mercedes-Benz Grundstücksverwaltung GmbH & Co. OHG	Schönefeld, Germany	100.00	5, 7
Alpha 2 Mercedes-Benz Grundstücksverwaltung GmbH & Co. OHG	Schönefeld, Germany	100.00	5, 7
Alpha 3 Mercedes-Benz Grundstücksverwaltung GmbH & Co. OHG	Schönefeld, Germany	100.00	5, 7
Alpha 4 Mercedes-Benz Grundstücksverwaltung GmbH & Co. OHG	Schönefeld, Germany	100.00	5, 7
Alpha 5 Mercedes-Benz Grundstücksverwaltung GmbH & Co. OHG	Schönefeld, Germany	100.00	5, 7
Alpha 6 Mercedes-Benz Grundstücksverwaltung GmbH & Co. OHG	Schönefeld, Germany	100.00	5, 7
Alpha 7 Mercedes-Benz Grundstücksverwaltung GmbH & Co. OHG	Schönefeld, Germany	100.00	5, 7
Athlon Beheer International 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 France S.A.S.	Le Bourget, France	100.00	
Athlon Germany GmbH	Düsseldorf, Germany	100.00	
Athlon Mobility Consultancy N.V.	Machelen, Belgium	100.00	
Athlon Mobility Services UK Limited	Milton Keynes, United Kingdom	100.00	
Athlon Rental Germany GmbH	Düsseldorf, Germany	100.00	
Athlon Sweden AB	Malmö, Sweden	100.00	
Brooklands Estates Management Limited	Milton Keynes, United Kingdom	100.00	
CARS Technik & Logistik GmbH	Wiedemar, Germany	100.00	5
CLIDET NO 1048 (Proprietary) Limited	Centurion, South Africa	100.00	
DAF Investments, Ltd.	Wilmington, USA	100.00	
Daimler Fleet Management GmbH	Stuttgart, Germany	100.00	5
Daimler Fleet Management South Africa (Pty.) Ltd. i. l.	Pretoria, South Africa	65.00	4
Daimler Greater China Ltd.	Beijing, China	100.00	
Daimler Mobility & Technology Service Co., Ltd.	Beijing, China	100.00	
Daimler Northeast Asia Parts Trading and Services Co., Ltd.	Beijing, China	100.00	
Daimler Vans USA, LLC	Wilmington, USA	100.00	
Daimler Vermögens- und Beteiligungsgesellschaft mbH	Stuttgart, Germany	100.00	5
Delta Mercedes-Benz Grundstücksverwaltung GmbH & Co. OHG	Schönefeld, Germany	100.00	5, 7
EHG Elektroholding GmbH	Stuttgart, Germany	100.00	5
Epsilon Mercedes-Benz Grundstücksverwaltung GmbH & Co. OHG	Schönefeld, Germany	100.00	5, 7
FOTIC - MB Leasing No. 2 Single Fund Trust	Beijing, China	0.00	3
FOTIC - MB Leasing No. 3 Single Fund Trust	Beijing, China	0.00	3
FOTIC - MB Leasing No. 4 Single Fund Trust	Beijing, China	0.00	3
FOTIC - MB Leasing No. 5 Single Fund Trust	Beijing, China	0.00	3
Friesland Lease B.V.	Drachten, Netherlands	51.11	
Interleasing Luxembourg S.A.	Windhof, Luxembourg	100.00	
Koppieview Property (Pty) Ltd	Zwartkop, South Africa	100.00	
LBBW AM – Daimler Re Insurance	Luxembourg, Luxembourg	0.00	3
LBBW AM – MBVEXW	Stuttgart, Germany	0.00	3
MBarc Credit Canada Inc.	Mississauga, Canada	100.00	
MDC Power GmbH	Kölleda, Germany	100.00	5
Mercedes AMG High Performance Powertrains Ltd	Brixworth, United Kingdom	100.00	
Mercedes pay GmbH	Stuttgart, Germany	100.00	5
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

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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 2020-B	Wilmington, USA	0.00	3
Mercedes-Benz Auto Lease Trust 2021-A	Wilmington, USA	0.00	3
Mercedes-Benz Auto Lease Trust 2021-B	Wilmington, USA	0.00	3
Mercedes-Benz Auto Receivables Trust 2019-1	Wilmington, USA	0.00	3
Mercedes-Benz Auto Receivables Trust 2020-1	Wilmington, USA	0.00	3
Mercedes-Benz Auto Receivables Trust 2020-A	Wilmington, USA	0.00	3
Mercedes-Benz Auto Receivables Trust 2021-1	Wilmington, USA	0.00	3
Mercedes-Benz Auto Receivables Trust 2022-1	Wilmington, USA	0.00	3
Mercedes-Benz Automotive Mobility GmbH	Berlin, Germany	100.00	5
Mercedes-Benz Bank AG	Stuttgart, Germany	100.00	
Mercedes-Benz Bank GmbH	Eugendorf, Austria	100.00	
Mercedes-Benz Bank Polska S.A. w likwidacji	Warsaw, Poland	100.00	4
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 Biztosítási Alkusz Hungary Kft.	Budapest, Hungary	100.00	
Mercedes-Benz Brooklands Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Canada Inc.	Mississauga, Canada	100.00	
Mercedes-Benz Capital Investments B.V.	Utrecht, Netherlands	100.00	
Mercedes-Benz Capital Nederland B.V.	Utrecht, Netherlands	100.00	
Mercedes-Benz Capital Rus OOO	Moscow, Russian Federation	100.00	
Mercedes-Benz Cars & Vans Brasil Ltda.	São Paulo, Brazil	100.00	
Mercedes-Benz Cars UK Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Česká republika s.r.o.	Prague, Czech Republic	100.00	
Mercedes-Benz Connectivity Services GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Corporate Investments, LLC	Wilmington, USA	100.00	
Mercedes-Benz CPH A/S	Horsholm, Denmark	100.00	
Mercedes-Benz Credit Pénzügyi Szolgáltató Hungary Zrt.	Budapest, Hungary	100.00	
Mercedes-Benz Customer Solutions GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Danmark A/S	Copenhagen, Denmark	100.00	
Mercedes-Benz Dealer Bedrijven B.V.	The Hague, Netherlands	100.00	
Mercedes-Benz 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 Filo Hizmetleri A.S.	Istanbul, Turkey	100.00	
Mercedes-Benz Finance Canada Inc.	Montreal, Canada	100.00	
Mercedes-Benz Finance Co., Ltd.	Tokyo, Japan	95.11	
Mercedes-Benz Finance North America LLC	Wilmington, USA	100.00	
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 Česká 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 India Private Limited	Chennai, India	100.00	
Mercedes-Benz Financial Services Investment Company LLC	Wilmington, USA	100.00	
Mercedes-Benz Financial Services Italia S.p.A.	Rome, Italy	100.00	
Mercedes-Benz Financial Services Korea Ltd.	Seoul, South Korea	80.00	
Mercedes-Benz Financial Services Nederland B.V.	Nieuwegein, Netherlands	100.00	

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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 Singapore Ltd.	Singapore, Singapore	100.00	
Mercedes-Benz Financial Services Slovakia s.r.o.	Bratislava, Slovakia	75.00	
Mercedes-Benz Financial Services South Africa (Pty) Ltd	Pretoria, South Africa	100.00	
Mercedes-Benz Financial Services Sp. z o.o.	Warsaw, Poland	100.00	
Mercedes-Benz Financial Services Taiwan Ltd.	Taipei, Taiwan, China	51.00	
Mercedes-Benz Financial Services UK Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Financial Services USA LLC	Wilmington, USA	100.00	
Mercedes-Benz Finans Danmark A/S	Copenhagen, Denmark	100.00	
Mercedes-Benz Finans Sverige AB	Malmö, Sweden	100.00	
Mercedes-Benz Finansal Kiralama Türk A.S.	Istanbul, Turkey	100.00	
Mercedes-Benz Finansman Türk A.S.	Istanbul, Turkey	100.00	
Mercedes-Benz Fleet Management Singapore Pte. Ltd.	Singapore, Singapore	100.00	
Mercedes-Benz Försäljnings AB	Malmö, Sweden	100.00	
Mercedes-Benz France S.A.S.	Montigny-le Bretonneux, France	100.00	
Mercedes-Benz Group Australia/Pacific Pty Ltd	Melbourne, Australia	100.00	
Mercedes-Benz Grund Services GmbH	Schönefeld, Germany	100.00	5
Mercedes-Benz Hellas Single-Member S.A.	Kifissia, Greece	100.00	
Mercedes-Benz Holdings UK Limited	Milton Keynes, United Kingdom	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 Agency LLC	Wilmington, USA	100.00	
Mercedes-Benz Insurance Broker S.R.L.	Voluntari, Romania	100.00	
Mercedes-Benz Insurance Services GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Insurance Services Nederland B.V.	Utrecht, Netherlands	100.00	
Mercedes-Benz Insurance Services Taiwan Ltd.	Taipei, Taiwan, China	100.00	
Mercedes-Benz Insurance Services UK Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Intellectual Property GmbH & Co. KG	Stuttgart, Germany	100.00	5, 7
Mercedes-Benz International Finance B.V.	Utrecht, Netherlands	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 Lease Italia S.r.l.	Trent, Italy	100.00	
Mercedes-Benz Leasing Co., Ltd.	Beijing, China	65.00	
Mercedes-Benz Leasing Deutschland GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Leasing GmbH	Stuttgart, Germany	100.00	5
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 Treuhand GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz LT GmbH	Böblingen, Germany	100.00	5
Mercedes-Benz Ludwigsfelde Anlagenverwaltung GmbH & Co. OHG	Schönefeld, Germany	100.00	5, 7
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 México International, S. de R.L. de C.V.	Mexico City, Mexico	100.00	
Mercedes-Benz Mexico, S. de R.L. de C.V.	Mexico City, Mexico	100.00	

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Mercedes-Benz Mitarbeiter-Fahrzeuge Leasing GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Mobility (Thailand) Co., Ltd.	Bangkok, Thailand	100.00	
Mercedes-Benz Mobility AG	Stuttgart, Germany	100.00	5
MERCEDES-BENZ MOBILITY AUSTRALIA PTY LTD	Melbourne, Australia	100.00	
Mercedes-Benz Mobility Beteiligungsgesellschaft mbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Mobility Korea Ltd.	Seoul, South Korea	100.00	
MERCEDES-BENZ MOBILITY MEXICO, S. DE R.L. DE C.V.	Mexico City, Mexico	100.00	
Mercedes-Benz Mobility Services GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Nederland B.V.	Utrecht, Netherlands	100.00	
Mercedes-Benz Nederland Holding B.V.	Utrecht, Netherlands	100.00	
Mercedes-Benz New Zealand Ltd	Auckland, New Zealand	100.00	
Mercedes-Benz North America Corporation	Wilmington, USA	100.00	
Mercedes-Benz North America Finance Corporation	Newark, USA	100.00	
Mercedes-Benz Österreich GmbH	Eugendorf, Austria	100.00	
Mercedes-Benz Otomotiv Ticaret ve Hizmetler A.S.	Istanbul, Turkey	66.91	
Mercedes-Benz Paris SAS	Port-Marly, France	100.00	
Mercedes-Benz Parts Brand GmbH	Stuttgart, Germany	100.00	5
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.	Sintra, Portugal	100.00	
Mercedes-Benz PRAHA s.r.o.	Prague, Czech Republic	100.00	
Mercedes-Benz Real Estate GmbH	Berlin, Germany	100.00	5
Mercedes-Benz Reinsurance S.A. Luxembourg	Luxembourg, Luxembourg	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 Receivables LLC	Farmington Hills, USA	100.00	
Mercedes-Benz Retail, Unipessoal Lda.	Mem Martins, Portugal	100.00	
Mercedes-Benz Risk Solutions South Africa (Pty.) Ltd.	Pretoria, South Africa	100.00	
Mercedes-Benz Roma S.p.A.	Rome, Italy	100.00	
Mercedes-Benz Romania S.R.L.	Bucharest, Romania	100.00	
Mercedes-Benz Russia AO	Moscow, Russian Federation	100.00	
Mercedes-Benz Schweiz AG	Schlieren, Switzerland	100.00	
Mercedes-Benz Service Leasing S.R.L.	Bucharest, Romania	100.00	
Mercedes-Benz Services Correduria de Seguros, S.A.	Alcobendas, Spain	100.00	
Mercedes-Benz Services Malaysia Sdn Bhd	Selangor, Malaysia	100.00	
Mercedes-Benz Sigorta Aracilik Hizmetleri A.S.	Istanbul, Turkey	100.00	
Mercedes-Benz Singapore Pte. Ltd.	Singapore, Singapore	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, China	51.00	
Mercedes-Benz Trust Holdings LLC	Farmington Hills, USA	100.00	
Mercedes-Benz Trust Leasing Conduit LLC	Wilmington, USA	100.00	
Mercedes-Benz Trust Leasing LLC	Farmington Hills, USA	100.00	
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 Vans Hong Kong Limited	Hong Kong, China	67.55	
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	
Mercedes-Benz Versicherung AG	Stuttgart, Germany	100.00	
Mercedes-Benz Versicherungsservice GmbH	Berlin, Germany	100.00	5
Mercedes-Benz Verwaltungsgesellschaft für Grundbesitz mbH	Schönefeld, Germany	100.00	5

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Mercedes-Benz Vietnam Ltd.	Ho Chi Minh City, Vietnam	70.00	
Mercedes-Benz Warszawa Sp. z o.o.	Warsaw, Poland	100.00	
Mercedes-Benz Wavre S.A.	Wavre, Belgium	100.00	
Mercedes-Benz Wholesale Receivables LLC	Wilmington, USA	100.00	
Multifleet G.I.E	Le Bourget, France	50.10	7
PT Mercedes-Benz Indonesia	Bogor, Indonesia	100.00	
PT Mercedes-Benz Distribution Indonesia	Jakarta, Indonesia	100.00	
Silver Arrow Athlon NL 2021-1	Utrecht, Netherlands	0.00	3
Silver Arrow Australia 2019-1	Melbourne, Australia	0.00	3
Silver Arrow Australia Trust 2019-1	Melbourne, Australia	0.00	3
Silver Arrow Australia Trust 2020-1	Melbourne, Australia	0.00	3
Silver Arrow Canada GP Inc.	Mississauga, Canada	100.00	
Silver Arrow Canada LP	Mississauga, Canada	100.00	7
SILVER ARROW CHINA 2021-1 RETAIL AUTO LOAN ASSET BACKED NOTES TRUST	Beijing, China	0.00	3
SILVER ARROW CHINA 2021-2 RETAIL AUTO LOAN ASSET BACKED NOTES TRUST	Beijing, China	0.00	3
SILVER ARROW CHINA 2022-1 RETAIL AUTO LOAN ASSET BACKED NOTES TRUST	Beijing, China	0.00	3
SILVER ARROW CHINA 2022-2 RETAIL AUTO LOAN ASSET BACKED NOTES TRUST	Beijing, China	0.00	3
Silver Arrow China Mercedes-Benz Leasing Co., Ltd. 2021-1	Beijing, China	0.00	3
Silver Arrow China Mercedes-Benz Leasing Co., Ltd. 2021-2	Beijing, China	0.00	3
SILVER ARROW CHINA Mercedes-Benz Leasing Co., Ltd. 2022-1 ASSET BACKED NOTES TRUST	Beijing, China	0.00	3
SILVER ARROW CHINA Mercedes-Benz Leasing Co., Ltd. 2022-2 ASSET BACKED NOTES TRUST	Beijing, China	0.00	3
Silver Arrow France 2020-1	Saint-Denis, France	0.00	3
Silver Arrow Japan 2021-1	Tokyo, Japan	0.00	3
Silver Arrow Japan 2022-1	Tokyo, Japan	0.00	3
Silver Arrow Lease Facility Trust	Wilmington, USA	0.00	3
Silver Arrow Merfina 2021-1 S.r.l.	Milan, Italy	0.00	3
Silver Arrow S.A.	Luxembourg, Luxembourg	0.00	3
Star Assembly SRL	Sebes, Romania	100.00	
Ucafleet S.A.S	Le Bourget, France	65.00	
Vierzehnte Vermögensverwaltungsgesellschaft DVB mbH	Stuttgart, Germany	100.00	5
Wagenplan B.V.	Almere, Netherlands	60.00	
YASA Limited	Kidlington, United Kingdom	100.00	
Zuidlease B.V.	Sittard, Netherlands	51.00	
II. Unconsolidated subsidiaries²			
Accumotive Verwaltungs-GmbH	Kamenz, 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	62.49	
Cúspide GmbH	Stuttgart, Germany	100.00	
Daimler Gastronomie GmbH	Stuttgart, Germany	100.00	
Daimler Group Services Madrid, S.A.U.	San Sebastián de los Reyes, Spain	100.00	
Daimler Unterstützungskasse GmbH	Stuttgart, Germany	100.00	
Dreizehnte Vermögensverwaltungsgesellschaft DVB mbH	Stuttgart, Germany	100.00	
DriveCo, LLC	Wilmington, USA	100.00	
Lapland Car Test Aktiebolag	Arvidsjaur, Sweden	100.00	
LEONIE DMS DVB GmbH	Stuttgart, Germany	100.00	
LICULAR GmbH	Kuppenheim, Germany	100.00	
Li-Tec Battery GmbH	Kamenz, Germany	100.00	
MB GTC GmbH Mercedes-Benz Gebrauchtteile Center	Neuhausen auf den Fildern, Germany	100.00	
MBiton GmbH	Berlin, Germany	100.00	

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Name of the company	Domicile, country/region	Equity interest in percent¹	Foot-note
MBition Sofia EOOD	Sofia, Bulgaria	100.00	
Mercedes pay AG	Zug, Switzerland	100.00	
Mercedes pay S.A. – in liquidation	Luxembourg, Luxembourg	100.00	4
Mercedes pay USA LLC	Wilmington, USA	100.00	
Mercedes-Benz Assignment Services Americas, LLC	Wilmington, USA	100.00	
Mercedes-Benz Cars Middle East FZE	Dubai, United Arab Emirates	100.00	
Mercedes-Benz Consulting GmbH	Leinfelden-Echterdingen, Germany	100.00	
Mercedes-Benz Customer Assistance Center Maastricht N.V.	Maastricht, Netherlands	100.00	
Mercedes-Benz Egypt S.A.E.	New Cairo, Egypt	100.00	
Mercedes-Benz Energy GmbH	Kamenz, Germany	100.00	
Mercedes-Benz Financial Services UK (Trustees) Ltd	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz G GmbH	Raaba, Austria	100.00	
Mercedes-Benz Group Services Berlin GmbH	Berlin, Germany	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 Intellectual Property Management GmbH	Stuttgart, Germany	100.00	
Mercedes-Benz Logistics and Distribution Egypt LLC	New Cairo, Egypt	100.00	
Mercedes-Benz Manufacturing and Import Egypt	New Cairo, Egypt	100.00	
Mercedes-Benz Manufacturing Rus Ltd	Moscow, Russian Federation	80.00	
Mercedes-Benz Motorsport Limited	Brackley, United Kingdom	100.00	
Mercedes-Benz Museum GmbH	Stuttgart, Germany	100.00	
Mercedes-Benz Parts Logistics Asia Pacific Sdn. Bhd.	Puchong, Malaysia	100.00	
Mercedes-Benz Pensionsfonds AG	Stuttgart, Germany	100.00	6
Mercedes-Benz Purchasing Coordination Corporation	Wilmington, USA	100.00	
Mercedes-Benz Research & Development Tel Aviv Ltd.	Tel Aviv, Israel	100.00	
Mercedes-Benz Research and Development India Private Limited	Bangalore, India	100.00	
Mercedes-Benz Slovakia s.r.o.	Bratislava, Slovakia	100.00	
Mercedes-Benz Subscription Services USA LLC	Wilmington, USA	100.00	
Mercedes-Benz Tech Innovation GmbH	Ulm, Germany	100.00	
Mercedes-Benz Tech Motion GmbH	Leinfelden-Echterdingen, Germany	100.00	
Mercedes-Benz UK Share Trustee Ltd.	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz UK Trustees Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Vans Mobility, S.L.U.	Alcobendas, Spain	100.00	
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	
Montajes y Estampaciones Metálicas, S.L.	Esparraguera, Spain	51.00	
NAG Nationale Automobil-Gesellschaft Aktiengesellschaft	Stuttgart, Germany	100.00	
Porcher & Meffert Grundstücksgesellschaft mbH & Co. Stuttgart OHG	Schönefeld, Germany	100.00	7
Sechste Vermögensverwaltungsgesellschaft Zeus mbH	Stuttgart, Germany	100.00	
SMART MOBILITY PTE. LTD.	Singapore, Singapore	100.00	
Star Transmission srl	Cugir, Romania	100.00	
STARKOM, proizvodnja in trgovina d.o.o.	Maribor, Slovenia	100.00	
Van Manufacturing Poland sp. z o.o.	Jawor, Poland	100.00	
Vierte Vermögensverwaltung PV GmbH	Stuttgart, Germany	100.00	
Zweite Vermögensverwaltung PV GmbH	Stuttgart, Germany	100.00	
Zweite Vermögensverwaltungsgesellschaft Zeus mbH	Stuttgart, Germany	100.00	
III. Joint operations accounted for using proportionate consolidation			
Cooperation Manufacturing Plant Aguascalientes, S.A.P.I de C.V.	Aguascalientes, Mexico	54.01	
IV. Joint ventures accounted for using the equity method			
Automotive Cells Company SE	Bruges, France	33.33	
Enbase Power GmbH	Munich, Germany	25.10	
Fujian Benz Automotive Co., Ltd.	Fuzhou, China	50.00	
MB Service Japan Co., Ltd.	Hitachi, Japan	33.40	
Movinx GmbH	Berlin, Germany	50.00	

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Name of the company	Domicile, country/region	Equity interest in percent¹	Foot-note
smart Automobile Co., Ltd.	Ningbo, China	50.00	
Wei Xing Tech. Co., Ltd.	Hangzhou, China	50.00	
YOUR NOW Holding GmbH	Munich, Germany	50.00	
V. 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	30.99	
Bolt Technology OÜ	Tallinn, Estonia	7.42	
Daimler Truck Holding AG	Leinfelden-Echterdingen, Germany	30.00	
IONITY Holding GmbH & Co. KG	Munich, Germany	15.12	
LSH Auto International Limited	Hong Kong, China	15.00	
Mercedes-Benz Grand Prix Ltd.	Brackley, United Kingdom	33.33	
Mobility Trader Holding GmbH	Berlin, Germany	9.17	
RS Holdings Inc.	Wilmington, USA	65.32	
There Holding B.V.	Rijswijk, Netherlands	29.74	
VI. Joint operations, joint ventures, associated companies accounted for at (amortized) cost and substantial other investments recognized at fair value²			
AFCC Automotive Fuel Cell Cooperation Corp.	Burnaby, Canada	50.10	4
Aston Martin Lagonda Global Holdings Plc	Gaydon, United Kingdom	9.74	
BDF IP Holdings Ltd.	Burnaby, Canada	33.00	
Beijing Mercedes-Benz Sales Service Co., Ltd.	Beijing, China	51.00	
Earlybird DWES Fund VI GmbH & Co. KG	Munich, Germany	6.45	
Esslinger Wohnungsbau GmbH	Esslingen am Neckar, Germany	26.57	
European Center for Information and Communication Technologies - EICT GmbH	Berlin, Germany	25.00	
Factorial Inc.	Woodbury, USA	9.52	
Gamma 1 Daimler Truck Grundstücksverwaltung GmbH & Co. OHG	Schönefeld, Germany	10.10	7
Gamma 2 Daimler Truck Grundstücksverwaltung GmbH & Co. OHG	Schönefeld, Germany	10.10	7
Grundstücksgesellschaft Schlossplatz 1 mbH & Co. KG	Berlin, Germany	18.37	7
Grundstücksverwaltungsgesellschaft EvoBus GmbH & Co. OHG	Schönefeld, Germany	10.12	7
hap2U SAS	Pontcharra, France	34.59	
Kamaz PAO	Naberezhnye Chelny, Russian Federation	15.00	
Momenta Global Limited	Grand Cayman, Cayman Islands	6.34	
Ondine Tech Fund 1 L.P.	George Town, Cayman Islands	43.23	
PDB - Partnership for Dummy Technology and Biomechanics GbR	Ingolstadt, Germany	20.00	7
Power Supply Systems GmbH	Stuttgart, Germany	24.90	
Sila Nanotechnologies Inc.	Dover, USA	8.91	
SK Gaming Beteiligungs GmbH	Cologne, Germany	24.17	
smart-BRABUS GmbH i.L.	Bottrop, Germany	50.00	4
STARCAM s.r.o.	Most, Czech Republic	51.00	
The Mobility House AG	Zurich, Switzerland	11.53	
VfB Stuttgart 1893 AG	Stuttgart, Germany	11.61	
Volocopter GmbH	Bruchsal, Germany	5.50	

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 Mercedes-Benz Group AG or one or several consolidated subsidiaries is/are the partner(s) with unlimited liability.

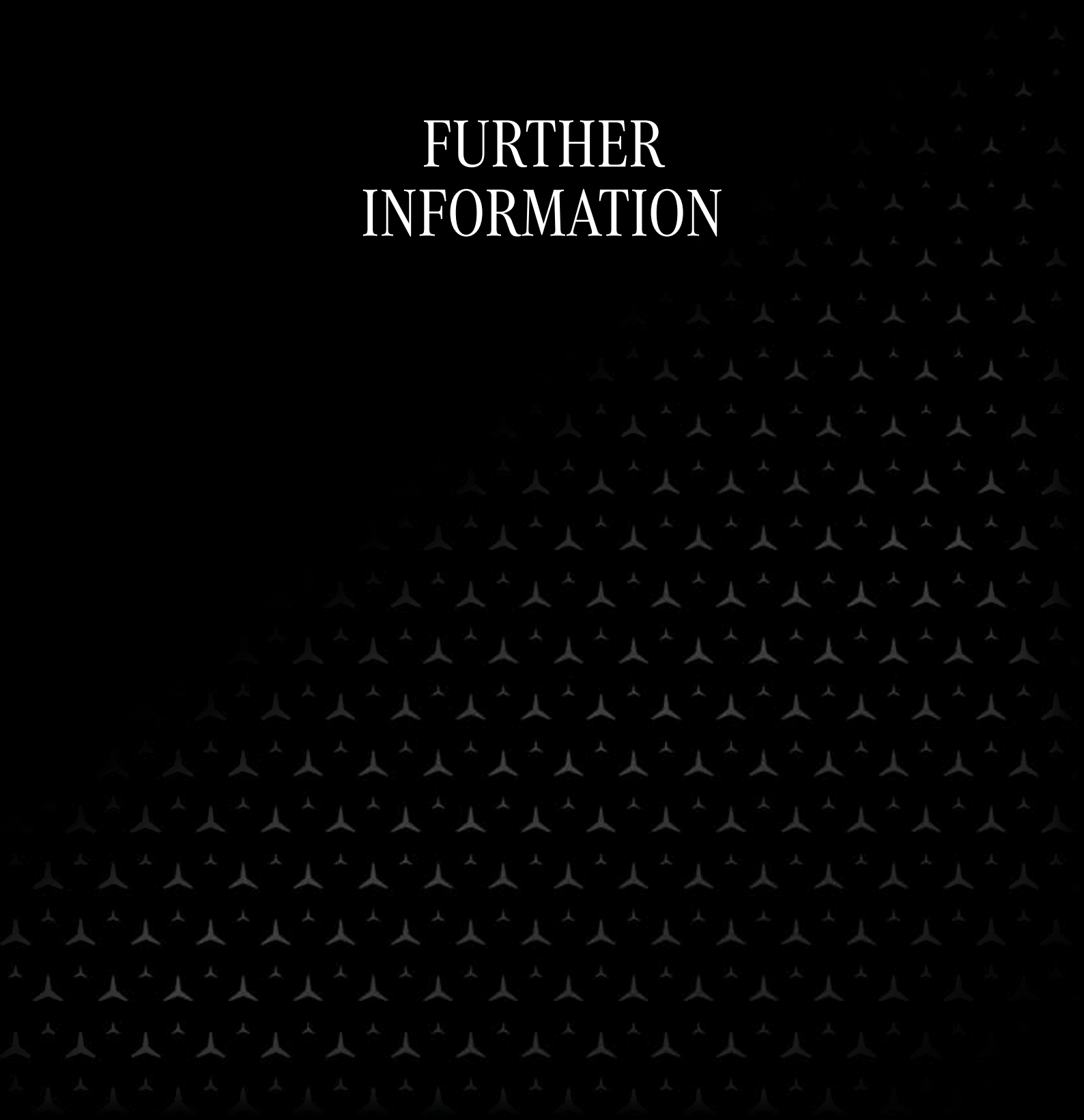
Furthermore, Mercedes-Benz Group AG or one or several consolidated subsidiaries is/are the partner(s) with unlimited liability in:

Gamma 3 Daimler Truck Grundstücksverwaltung GmbH & Co. OHG, Schönefeld (Germany),

Gamma 4 Daimler Truck Grundstücksverwaltung GmbH & Co. OHG, Schönefeld (Germany).



FURTHER INFORMATION



FURTHER INFORMATION

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Responsibility Statement of the Legal Representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position, cash flows and profit or loss of the Group, and the Group management report, which has been combined with the management report for Mercedes-Benz Group AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Stuttgart, 13 March 2023



Ola Källenius



Dr Jörg Burzer



Renata Jungo Brünger



Sabine Kohleisen



Markus Schäfer



Britta Seeger



Hubertus Troska



Harald Wilhelm

Independent Auditor's Report

To Mercedes-Benz Group AG, Stuttgart

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions

We have audited the consolidated financial statements of Mercedes-Benz Group AG, Stuttgart, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income/loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2022 as well as notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the report on the situation of the Company and the Group (hereinafter referred to as "the combined management report"), of Mercedes-Benz Group AG, including the combined non-financial declaration pursuant to Sections 289b to 289e and 315b to 315c HGB [Handelsgesetzbuch: German Commercial Code] for the financial year from January 1 to December 31, 2022.

In accordance with the German legal regulations, we have not audited the content of the elements of the combined management report referred to in the "Other information" section of our auditor's report.

The combined management report includes cross-references not foreseen by law that are marked as unaudited. In accordance with the German legal regulations, we have not audited the content of these cross-references and the information to which these cross-references relate.

In our opinion, on the basis of the knowledge obtained in the audit

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e paragraph 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of December 31, 2022, and of its financial performance for the financial year from January 1 to December 31, 2022 and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, the combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the elements of the combined management report referred to in the "Other information" section of our auditor's report. The combined management report includes cross-references not foreseen by law that are marked as unaudited. Our opinion does not cover these cross-references and the information to which these cross-references relate.

Pursuant to Section 322 paragraph 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as the “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 paragraph 2 letter f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 paragraph 1 of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Note on the emphasis of a particular matter

We refer to the comments of the legal representatives in the section on “EU taxonomy” in the section entitled “non-financial statement” that is included in the combined management report in accordance with Sections 289b paragraph 1, 289c, 315b paragraph 1 and 315c HGB. There it is stated that the EU taxonomy Regulation and the delegated acts promulgated for this includes wording and terms that are subject to considerable uncertainty with regard to their interpretation and for which clarifications have not yet been published in all cases. The legal representatives describe how they have carried out the necessary interpretation of the EU taxonomy Regulation and the delegated acts promulgated for this. On account of the immanent risk that certain abstract legal terms can be interpreted in various ways, the conformity of the interpretation with the law is subject to uncertainty. Our opinions on the consolidated financial statements and on the combined management report has not been modified in this regard.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The Impacts on the Financial Statements and Financial Performance of the Discontinuation of Business Activities in Russia

Please refer for a description of the circumstances to the notes to the consolidated financial statements in Note 4 “Discontinuation of business activities and intended sale of shares in the Russian subsidiaries”. Please refer with regard to the accounting policies and methods applied to the notes to the consolidated financial statements in Note 2 “Accounting estimates and management judgements”. Disclosures on contingent liabilities can also be found in the notes to the consolidated financial statements in Note 32 “Contingent liabilities and other financial obligations”.

The risk for the consolidated financial statements

The Mercedes-Benz Group decided in March 2022 to discontinue the export of cars and vans to Russia and the local production in Russia until further notice.

The recognition and measurement of the assets and liabilities as a consequence of the discontinuation of the activities in Russia, especially the processing of existing transactions, resulted in the financial year 2022 in costs of approx. EUR 0.7 billion in the automotive segments as well as of approx. EUR 0.2 billion in the segment Mercedes-Benz Mobility. In addition, contingent liabilities of EUR 1.0 billion are reported. The recognition and measurement of the assets and liabilities and the assessment of whether contingent liabilities exist and have to be reported in the notes to the consolidated financial statements and, if so, in what amount, is characterised to a high degree by discretionary assessments and assumptions by the legal representatives, and

is complex. The assessment of the Mercedes-Benz Group carried out in this connection as to the extent to which sanctions can be expected is also discretionary.

At the end of October 2022 Mercedes-Benz Group signed contracts with the Russian car dealer Avtodom AO for the sale of the shares in the Russian subsidiaries. The completion of the transaction is subject to authorities' approval, which have not yet been fully granted, and the implementation of the contractually agreed conditions.

As of the reporting date, the assets and liabilities of the Russian subsidiaries were not classified as assets and liabilities held for sale. The evaluation of the criteria for the classification is discretionary.

The risk for the financial statements is that the recognition and measurement of the assets and liabilities and the contingent liabilities that result from the discontinuation of the business activities in Russia have not been recorded with the correct amount. There is furthermore a risk that the classification of the assets and liabilities in connection with the planned disposal of the interests in the Russian subsidiaries is incorrect. With regard to the explanatory disclosures on the disposal of Russian subsidiaries in the notes to the consolidated financial statements, there is a risk that the explanations are not sufficiently detailed and appropriate.

Our audit approach

We first of all evaluated the process for identifying the impacts of the discontinuation of the business activities in Russia, including possible sanctions and the assessment of relevant assumptions for the recognition and the measurement of the assets and liabilities and how they were arrived at. In addition, we obtained information from the internal legal department, further employees in individual departments familiar with the matter and the lawyers acting for Mercedes-Benz Group AG in this connection. Thereby we inspected the underlying documents and minutes and evaluated whether these support the assumptions of the legal representatives with regard to the probability that they will occur and their impact on the recognition of liabilities and the reporting of contingent liabilities. We similarly evaluated the professional competence, objectivity and the results of the work of the lawyers instructed by the Mercedes-Benz Group. We consulted our own lawyers in order to assess the assumptions on possible sanctions.

With regard to the disposal of subsidiaries in Russia, we have furthermore evaluated whether the classification of the assets and liabilities of these companies not as assets and liabilities held for sale is appropriate. To this end, we interviewed the legal representatives and evaluated the internal and external reporting in the context of the classification criteria of IFRS 5.

We furthermore evaluated the underlying documents and minutes and the assessment set out in writing of the legal representatives on the disposal of Russian subsidiaries.

Finally, we assessed whether the disclosures in the notes to the consolidated financial statements on the disposal of Russian subsidiaries are sufficiently detailed and proper.

Our observations

The underlying assumptions regarding the recognition and measurement of the assets and liabilities and the reporting of contingent liabilities as a consequence of the discontinuation of the business activities in Russia are appropriate.

The classification of the assets and liabilities in connection with the planned disposal of the interests in Russian subsidiaries not as assets and liabilities held for sale is appropriate.

The explanatory disclosures on the sale of Russian subsidiaries in the notes to the consolidated financial statements are sufficiently detailed and appropriate.

Impairment Risk on Operating Leases

Please refer with regard to the accounting policies and methods applied to the notes to the consolidated financial statements in Note 1 “Significant accounting policies” and Note 2 “Accounting estimates and management judgements”. Further information on the operating leases can be found in the notes to the consolidated financial statements in Note 13 “Equipment on operating leases” and in the comments in the combined management report in the section entitled “Industry and business risks and opportunities”.

The risk for the consolidated financial statements

The statement of financial position caption “Equipment on operating leases” (€ 41,552 million) includes among other things Mercedes-Benz passenger cars, which are purchased by non-group dealers or other third parties and are the subject of an operating lease with the Mercedes-Benz Group. An impairment risk exists with regard to these vehicles that is primarily dependent on the residual value achievable at the end of the lease. These future residual values are dependent on the situation in the used vehicle markets prevailing when the vehicles are returned. The future-oriented valuation is based on a number of discretionary assumptions. The risk for the financial statements is that any impairment losses will not be recognised or that the amounts recognised will be inadequate.

Our audit approach

We audited the recoverability of these externally purchased Mercedes-Benz passenger cars in the statement of financial position caption “Equipment on operating leases”. We investigated and appraised the indications assumed by the Group for any need for an impairment loss and where necessary obtained an understanding of the write-downs calculated by the Mercedes-Benz Group. We have assessed the Mercedes-Benz Group’s evaluation with regard to the residual values achievable by the end of the terms of the leases. In this connection, we in particular critically reviewed the main influencing factors, such as the expected number of returns from leasing, the current marketing results in order to assess the accuracy of the estimates and future vehicle model changes. For significant markets we furthermore also audited the consistency of the assumptions made by the Mercedes-Benz Group with residual value forecasts by independent expert third parties.

Our observations

The assumptions and assessments providing the basis for the assessment of the recoverability of the externally purchased Mercedes-Benz passenger cars in the statement of financial position caption “Equipment on operating leases” and the recorded impairment losses are appropriate.

Loss Allowances on Receivables from Financial Services

Please refer with regard to the accounting policies applied to the notes to the consolidated financial statements in Note 2 “Accounting estimates and management judgements”. Further information on allowances on receivables from financial services can be found in the notes to the consolidated financial statements in Note 1 “Significant Accounting Policies”, in Note 15 “Receivables from financial services”, in Note 34 “Management of financial risks” and in the combined management report in the section entitled “Financial risks and opportunities”.

The risk for the consolidated financial statements

Receivables from financial services (€ 85,549 million) resulting from the Group’s financing and leasing activities include receivables from sales financing with customers, receivables from sales financing with dealers and receivables from finance lease contracts. The loss allowances on these receivables amounted at the reporting date to € 1,198 million.

The calculation of the loss allowances is based on expected credit losses and therefore also includes expectations regarding the future. Recognition of the expected credit losses is carried out by means of a three-parameter procedure for the determination of loss allowances. At the same time, various factors determining the value, such as the determination of statistical default probabilities and loss rates, the possible amount receivable on default, the parameter transfer criteria that are related to a significant change in the default risk of borrowers, and the calculation of future cash flows. Furthermore, macroeconomic scenarios (basis scenarios, optimistic and pessimistic scenarios) flow into the calculation, the identification of which to a high degree includes discretionary judgements and uncertainties. The risk for the financial statements is that the creditworthiness of customers and future cash

flows is misjudged or that the calculation of the risk provision parameters is incorrect so that loss allowances are not recognised or are insufficient.

Our audit approach

We obtained a comprehensive understanding of the development of the portfolios, the associated counterparty default risks and the processes for identifying, managing, monitoring and measuring credit risks by inspecting analyses and risk reports, interrogations, review of guidelines and working instructions, checking the defined methods and their implementation and checking and walking through the validation process and the individual validation reports.

We audited the appropriateness and effectiveness of the internal control system with regard to the risk classification process and risk models and the identification of the factors determining the value and the loss allowances, also by rechecking the calculations. To this end, we also evaluated the relevant IT systems and internal procedures. In addition to the audit by our IT specialists of the propriety of the IT systems affected and related interfaces to ensure the completeness and correctness of the data, the audit also included the audit of automatic controls for data entry and data processing. The main focus of our audit was the evaluation of the methodical approach in the definition of risk categories and the determination of default probabilities and loss rates that are derived from historical data. We took into account the current economic uncertainties in connection with the impact of the Russia-Ukraine war in the course of the audit of the macroeconomic scenarios and the model assumptions adopted. We satisfied ourselves with regard to the appropriateness of significant risk parameters based on the results of a validation performed by Mercedes-Benz Mobility and evaluated the adjustments of the parameters to the current market situation. In this connection, we audited the data supporting the validations on the basis of a conscious sample.

Our observations

The methodical approach, the procedures and the processes to calculate the loss allowances and the assumptions and risk parameters flowing into the measurement are appropriate to identify the credit risks in good time and to determine the recognition of adequate loss allowances.

Measurement of the Provision for Product Warranties

Please refer with regard to the accounting policies and methods applied to the notes to the consolidated financial statements in Note 1 “Significant accounting policies” and in Note 2 “Accounting estimates and management judgements”. Further information on the guarantees and product warranties can be found in the notes to the consolidated financial statements in Note 24 “Provisions for other risks” and in the comments in the combined management report in the section entitled “Company-specific risks and opportunities – Warranty and goodwill cases”.

The risk for the consolidated financial statements

The provision for product warranties amounts to € 6,576 million and is included in the provisions for other risks.

The Mercedes-Benz Group faces various claims under product guarantees, or grants various kinds of product warranties, which are entered into for the error-free functioning of a Mercedes-Benz Group product sold or service rendered over a defined period of time. In order to confirm or reassess future guarantee, warranty and goodwill expenses, continuously updated information on the nature and volume and the remedying of faults that have occurred is recorded and analysed at the level of the business unit, model series, damage key and sales year.

Significant uncertainty for the calculation of the provision arises with regard to the future loss event. The risk for the consolidated financial statements is that the provision is not properly measured.

Our audit approach

Our audit procedures included among other things the evaluation of the process to calculate the provision for product warranties and the evaluation of the relevant assumptions and their derivation for the measurement of the provision. These include primarily assumptions on expected susceptibility to and the course of damage, and in addition the monetary value of the damage per vehicle based on actual warranty, guarantee and goodwill losses. Based on historical analyses, we assessed the accuracy of the forecasts of past warranty, guarantee and goodwill costs. We also checked that updated assessments of the future repair costs and procedures were taken into account. We obtained an understanding for the underlying numbers of vehicles through the actual unit sales.

Our observations

The calculation methods and the assumptions made are appropriate.

Reflection in the Financial Statements of Legal Proceedings

Please refer with regard to the accounting policies and methods applied to the notes to the consolidated financial statements in Note 1 “Significant accounting policies” and Note 2 “Accounting estimates and management judgements”. Further information on the legal proceedings can be found in the notes to the consolidated financial statements in Note 24 “Provisions for other risks”, Note 31 “Legal proceedings” and in the combined management report in the section entitled “Legal and tax risks and opportunities – legal risks”.

The risk for the consolidated financial statements

Mercedes-Benz Group AG and its subsidiaries face various legal proceedings, claims and governmental investigations and administrative orders (legal proceedings) on a wide range of topics, including for example vehicle safety, emissions, fuel economy, financial services, dealer, supplier and other contractual relationships, intellectual property rights, product warranties, environmental matters, antitrust matters (including actions for damages) and shareholder matters. Legal proceedings relating to products deal with claims on account of alleged vehicle defects, some of which are asserted by way of a class action lawsuit. If the outcome of such legal proceedings is detrimental to the Mercedes-Benz Group, the Group may be required to pay substantial compensatory and punitive damages or fines. In addition, service actions, recall campaigns or other costly actions may have to be undertaken.

Whether the recognition of a provision and, if so, in what amount it is necessary on account of legal proceedings is dependent to a high degree on discretionary estimates and assumptions by the legal representatives. In view of this and the monetary amounts involved with regard to the risks, the following legal proceedings of the Mercedes-Benz Group are in our opinion of particular importance.

a) Diesel emission behaviour: class action and other lawsuits in the USA, Germany and other countries in the Mercedes-Benz Cars and Mercedes-Benz Vans segments

The allegation is raised in class actions in various jurisdictions, including the USA or the Netherlands and the UK, against the Mercedes-Benz Group AG and/or individual subsidiaries that devices are used in Mercedes-Benz diesel vehicles that impermissibly impair the effectiveness of emission control systems in reducing nitrogen-oxide (NOx) emissions and cause excessive emissions. In addition, the plaintiffs contend that consumers were deliberately misled in connection with the advertising for Mercedes-Benz diesel vehicles.

In Germany, a large number of customers of diesel vehicles have filed claims for damages or the reversal of purchase agreements. They contend that the vehicles are equipped with impermissible defeat devices and/or report impermissibly high emission or consumption figures.

Furthermore, investors in Germany have filed claims on account of the alleged violation of disclosure requirements. The investors contend that the Mercedes-Benz Group failed to publish insider knowledge in connection with the emissions behaviour of its Mercedes-Benz diesel vehicles immediately, and moreover made erroneous and misleading claims. In addition, they allege that the purchase price of the financial instruments of Mercedes-Benz Group AG (especially shares) acquired by them would have been lower if Mercedes-Benz Group AG had reported in accordance with its obligations.

b) Diesel emissions behaviour: administrative proceedings in the Mercedes-Benz Cars und Mercedes-Benz Vans segments

Various federal and state authorities and further institutions worldwide are proceeding actively against the Mercedes-Benz Group in the form of inquiries, investigations, proceedings and/or directives. These activities relate in particular to test results and emission control systems in Mercedes-Benz diesel vehicles and/or the interactions of the Mercedes-Benz Group with the relevant authorities and related legal questions and implications, for instance also under applicable environmental, criminal and antitrust law.

The Mercedes-Benz Group recognised provisions for legal proceedings as of December 31, 2022. The recognition of provisions for legal proceedings is conditional on the existence of a present external obligation, which will probably lead to an outflow of resources embodying economic benefits and can be reliably estimated. The amount provided is thereby determined in accordance with the best possible estimate of the settlement amount. The recognition and measurement of the recognized provisions for legal proceedings are based on discretionary assessments and assumptions by the legal representatives.

The risk for the consolidated financial statements is that provisions for legal proceedings are not set up or are inadequate.

Our audit approach

Our audit procedures comprised firstly an evaluation of the process established by the Company to ensure the recording of the risks, the estimation of the outcome of the proceedings and the reflection in the financial statements of the legal proceedings. Secondly, we held discussions with the internal legal department and with further departments familiar with the matters under dispute, and with the Company's external advisors and attorneys, in order to obtain explanations on the developments and the reasons that had led to the respective estimations. In addition, we evaluated the underlying documents and minutes and the calculations for the respective provisions. The assessments of the legal representatives regarding the developments in the areas referred to were made available to us by the Company in writing. In addition, we interviewed the Company's legal representatives. As of the reporting date, assessments were available from external attorneys on the relevant proceedings, which support the assessment of the risks by the legal representatives.

Where agreement has been reached in the meantime regarding individual matters, we compared the amounts originally estimated with the final obligations and in this way obtained an impression of the quality of the estimates.

Finally, we evaluated the appropriateness of the description of the aforementioned legal proceedings in the notes to the consolidated financial statements and the combined management report.

Our observations

The discretionary assessments and assumptions of the legal representatives are appropriate.

Other information

The legal representatives and the Supervisory Board are responsible for the other information. The other information comprises the following elements of the combined management report, the content of which we have not audited:

- the combined declaration of the Company and the Group on corporate management, which is referred to in the combined management report, and
- the disclosures in the combined management report on the appropriateness and effectiveness of the overall internal control system and the risk management system pursuant to the German Corporate Governance Codex marked as extraneous to management reports and unaudited.
- the following disclosures in the combined management report marked as extraneous to management reports and unaudited with regard to the:
 - proportion of suppliers who have signed the “Ambition Letter” (Chapter on “Environmental issues”),
 - CO₂-emissions in production (Chapter on “Environmental issues”),
 - frequency of accidents at production locations (Chapter on “Employee issues”),
 - EU taxonomy in tables B.39, B.40, B.41 und B.42 (Chapter on “EU taxonomy”).

In accordance with our engagement, we have performed a separate management review of these disclosures. With regard to the nature, scope and results of this audit, we refer to our audit opinion dated March 13, 2023.

The other information also includes the remaining parts of the annual report. The other information does not include the annual financial statements, the combined management report information audited for content and our auditor’s report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the legal representatives and the supervisory board for the consolidated financial statements and the combined management report

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e paragraph 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the legal representatives are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group’s ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the combined management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the combined management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee, that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

Further Information

- Conclude on the appropriateness of the use by the legal representatives of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e paragraph 1 HGB.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
 - Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
 - Perform audit procedures on the prospective information presented by the legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.
- From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless laws or other legal regulations preclude public disclosure of the matter.

Other legal and regulatory requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 paragraph 3a HGB to obtain reasonable assurance about whether the rendering of the annual financial statements and the combined management report (hereinafter the “ESEF documents”) contained in the file that can be downloaded by the issuer from the electronic client portal with access protection „mercedesbenzgroupag-2022-12-31-de.zip“ (SHA256-Hashwert: 46f593f465fc01a77b36a7f616d7d65eb5350e36b61afb75fb3d93def99e1ccb) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format (“ESEF format”). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the annual financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file and made available for publication purposes complies in all material respects with the requirements of Section 328 paragraph 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from January 1 to December 31, 2022 contained in the “Report on the Audit of the Consolidated Financial Statements and the Combined Management Report” above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and of the combined management report contained in the file and identified above in accordance with Section 317 paragraph 3a HGB and the IDW Assurance Standard:

Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in accordance with Section 317 paragraph 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described below. Our audit firm applies IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company’s legal representatives are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the combined management report in accordance with Section 328 paragraph 1 sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 paragraph 1 sentence 4 item 2 HGB.

In addition, the Company’s representatives are responsible for such internal control that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 paragraph 1 HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 paragraph 1 HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 paragraph 1 HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited combined management report.
- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the Annual Shareholders' Meeting on April 29, 2022. We were engaged by the Supervisory Board on July 1, 2022. We have been the group auditor of Mercedes-Benz Group AG without interruption since the financial year 1998.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (longform audit report).

Other matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the examined ESEF documents. The consolidated financial statements and combined management report converted to the ESEF format - including the versions to be entered in the company register - are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Alexander Bock.

Stuttgart, March 13, 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]



Sailer
Wirtschaftsprüfer
[German Public Auditor]



Bock
Wirtschaftsprüfer
[German Public Auditor]

Key Figures Mercedes-Benz Group

E.01

	2022	2021 ¹	2022/2021 % change
In millions of euros			
Revenue	150,017	133,893	+12
EBIT	20,458	16,028	+28
Adjusted EBIT	20,655	17,158	+20
Net profit	14,809	11,050	+34
Earnings per share (in euros) ²	13.55	10.00	+36
Dividend per share (in euros)	5.20	5.00	+4
Free cash flow of the industrial business	8,128	7,880	+3
Adjusted free cash flow of the industrial business	9,294	10,125	-8
Net liquidity of the industrial business (31 December)	26,637	21,005	+27
Investments in property, plant and equipment	3,481	4,579	-24
Research and development expenditure	8,541	9,105	-6
CO ₂ emissions of the new car fleet in Europe in accordance with WLTP (in g/km)	115	115	+0
Employees (31 December) ³	168,797	172,425	-2

1 The key figures, excluding investments in property, plant and equipment as well as research and development expenditure, were presented as continuing activities in 2021. The investments in property, plant and equipment as well as research and development expenditure are including the figures of Daimler's commercial vehicle business until the time of the spin-off and hive-down.

2 Based on net profit attributable to shareholders of Mercedes-Benz Group AG.

3 Active workforce without holiday workers.

Key Figures for the Divisions

E.02

	2022	2021	2022/2021
In millions of euros			% change
Mercedes-Benz Cars			
Unit sales	2,040,719	1,943,930	+5
Revenue	111,601	96,712	+15
EBIT	16,340	12,487	+31
Adjusted EBIT	16,245	12,689	+28
Return on sales (in %)	14.6	12.9	+13
Adjusted return on sales (in %)	14.6	13.1	+11
CFBIT	10,718	9,344	+15
Adjusted CFBIT	11,413	10,714	+7
Adjusted cash conversion rate ¹	0.7	0.8	-13
Investments in property, plant and equipment	3,265	3,589	-9
Research and development expenditure	7,986	7,207	+11
thereof capitalized development costs	2,802	2,215	+27
Employees (31 December) ²	135,388	138,906	-3
Mercedes-Benz Vans			
Unit sales	415,344	386,239	+8
Revenue	17,217	14,735	+17
EBIT	1,897	1,143	+66
Adjusted EBIT	1,927	1,229	+57
Return on sales (in %)	11.0	7.8	+41
Adjusted return on sales (in %)	11.2	8.3	+35
CFBIT	1,731	826	+110
Adjusted CFBIT	2,039	1,581	+29
Adjusted cash conversion rate ¹	1.1	1.3	-15
Investments in property, plant and equipment	199	198	+1
Research and development expenditure	552	489	+13
thereof capitalized development costs	137	47	+191
Employees (31 December) ²	19,137	19,322	-1
Mercedes-Benz Mobility			
Revenue	26,954	27,941	-4
EBIT	2,428	3,493	-30
Adjusted EBIT	2,428	3,449	-30
Return on equity (in %)	16.8	22.3	-25
Adjusted return on equity (in %)	16.8	22.0	-24
New business	58,031	63,631	-9
Contract volume (31 December)	132,379	133,687	-1
Investments in property, plant and equipment	18	78	-77
Employees (31 December) ²	9,850	9,531	+3

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

2 Active workforce without holiday workers.

Information on the Internet

Further information about the **Mercedes-Benz share** can be found in the Investors section at

 group.mercedes-benz.com/investors

Annual and interim reports as well as company financial statements of Mercedes-Benz Group AG are available there. In addition, you can find the latest news, the financial calendar, presentations, various overviews of key figures, information on the share price and additional services.

All annual and interim reports are only available online to download as PDF files.

 group.mercedes-benz.com/investors/reports-news

Further Information is available at

 group.mercedes-benz.com/en

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