# Annual Report 2023

Mercedes-Benz Group

# TO OUR SHAREHOLDERS

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# Letter from the CEO

**Ola Källenius**
Chairman of the Board of Management
of Mercedes-Benz Group AG

## Dear Shareholders,

the year 2023 was characterized by challenging geo-political developments and volatile markets. We were able to assert ourselves strongly in this environment. This is also reflected in our balance sheet. We also continued to make progress in the implementation of our strategy.

Our company has shown that we can achieve solid financial results even under difficult conditions. In 2023 sales of all-electric cars of the Mercedes-Benz brand increased by 73%. The proportion of electrified vehicles in total car sales was 20%. Mercedes-Benz Group AG has also initiated important projects to expand the charging infrastructure in our core markets. The direct sales model was rolled out in additional markets. Following the introduction of our conditionally automated driver assistance system in the United States, we also received approval to test the technology for motorway use in Beijing. Moreover, we were able to achieve another significant part of our targeted reduction in fixed costs.

These successful developments are also reflected in our annual results. Our revenue amounted to €153 billion. However, EBIT fell by 4% to €19.7 billion. Our net liquidity in the industrial business was €31.7 billion. The bottom line was a net profit of €14.5 billion. The Board of Management and the Supervisory Board will recommend a dividend of €5.30 per share to the Annual General Meeting.

These figures are the result of the exceptional commitment of our employees. Without their dedication and ability the successes of the year 2023 would not have been possible. The thanks of the entire Board of Management goes to all of our colleagues.

Looking ahead, what topics are on our agenda?

We want to take our customers' brand experience to the next level. To this end, we are redesigning our showrooms all over the world. We are also expanding our global network of exclusive locations, through which we want to make our brands even more tangible. To ensure maximum convenience and full transparency for car purchasing, we are continuing to roll out our direct sales model. For an outstanding product experience with electric vehicles, the charging infrastructure is crucial. That's why we are building our own fast-charging network. We want to install more than 10,000 charging points in our core markets by the end of the decade. The aim of all these measures is to fulfil our brand promise at all points of contact with our customers and create special Mercedes moments.

In our view, our most important task is to build the world's most desirable vehicles. The focus is on the upper end of the segments in which we are represented. That's why we are taking targeted steps to strengthen our portfolio in 2024. The première of our electric G-Class will be a highlight. We are also launching the Maybach version of the EQS SUV in key markets. At AMG, we are presenting further variants of our new top-of-the-line AMG GT model. And at Mercedes-Benz, we are further enhancing the substance of our electric cars in the luxury segment in areas ranging from efficiency and comfort to design.

The pace of the transformation to electric mobility is determined by market conditions and our customers' requirements. We will be prepared for every kind of market scenario. The motto for the production of our vehicles with combustion engines is "tactical flexibility". When it comes to electric mobility, our strategic course is to create the preconditions for becoming all-electric.

We have laid the foundations for this course. The development of multiple new vehicle platforms is in full swing. This will take our electric cars and vans to the next level. We will start in the entry-level segment in 2025 with the new electric CLA. This will set new standards in terms of range, efficiency and charging speed. At the same time, our own operating system MB.OS will celebrate its première. Thus we will also reach an important milestone in terms of software. Our customers can now look forward to an even more natural, more personal and more extensive interaction with their Mercedes-Benz.

In 2023 we made our company even more resilient and achieved significant strategic progress. In addition, we can build on an outstanding brand and a powerful team. All of these are excellent prerequisites for our ongoing promotion of the profitable, all-electric and software-driven future of Mercedes-Benz. We would be delighted to have you accompany us on this journey.

Sincerely yours,

Ola Källenius

# The Board of Management

**Ola Källenius**
Chairman of the Board of Management
Appointed until May 2029

**Dr Jörg Burzer**
Production, Quality &
Supply Chain Management
Appointed until November 2029

**Renata Jungo Brüngger**
Integrity, Governance & Sustainability
Appointed until December 2025

**Sabine Kohleisen**
Human Relations & Labour Director
Appointed until November 2025

**Markus Schäfer**
Chief Technology Officer,
Development & Procurement
Appointed until May 2026

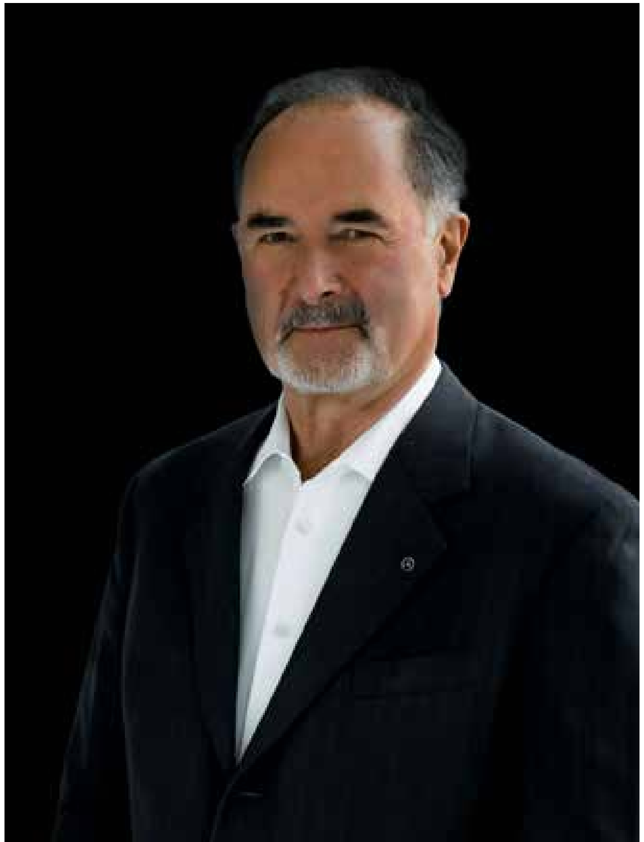
**Britta Seeger**
Marketing & Sales
Appointed until December 2029

**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**

# Report of the Supervisory Board



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

## Dear Shareholders,

2023 was a year full of challenges for Mercedes-Benz Group and the entire automotive industry. The market environment was demanding, and a large number of external factors influenced the economy, presenting employees with complex tasks.

Against this backdrop, the past year has clearly proven that the true strength of a team only becomes apparent when the headwinds increase. The team at Mercedes-Benz Group has once again proven that it is one of the best and I would like to take this opportunity to express my sincere gratitude to all employees for their outstanding commitment and dedication.

In 2024, the company will continue to drive the transformation in line with its sustainable business strategy. Whether equipped with a all-electric drivetrain or a combustion engine — Mercedes-Benz Group is committed to offering its customers the most desirable cars in the world. And I am convinced that such cars will continue to be recognized by the Mercedes star in the future.

**Supervisory and advisory activities of the Supervisory Board**

In the 2023 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 the establishment of a Europe-wide high-performance charging network under the Mercedes-Benz brand. It also included financial and investment planning, product projects, 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 battery systems as well as 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 2023 financial year, the Supervisory Board held seven meetings. Six 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. 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, some 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 new, forward-looking technologies that are required for the performance of their tasks and are supported in this by the company. In the reporting period, for example, the company held information events on sustainable corporate governance and sustainability reporting as well as on the Mercedes-Benz operating system MB.OS. Both internal and external experts were involved in these events. 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 16 February 2023, the Supervisory Board was first informed about the current financial status, volumes and prices of the vehicle clusters in the current and future Mercedes-Benz Cars portfolio. In the presence of representatives of the auditor, the Supervisory Board then discussed 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 and noted them with approval. 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. The Supervisory Board also passed resolutions relating to a number of other measures subject to its approval. To optimize the capital structure, the Supervisory Board approved the Board of Management's plan to buy back up to €4 billion worth of the company's own shares via the stock exchange over a period of up to two years and subsequently cancel them. This was done on the basis of the authorization granted by the Annual General Meeting on 8 July 2020. 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. Moreover, the body dealt with the remuneration of the Board of Management on the basis of the remuneration system to be approved by the Annual General Meeting.

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 the 2022 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 auditors, who reported on the results of their audit and also 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 2022 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 2023 Annual General Meeting. In order to meet the expectations of investors to improve shareholder participation, it was decided, among other things, to again publish a letter from the Supervisory Board Chairman to shareholders concerning a number of governance issues in the run-up to the Annual General Meeting.

At its meeting on 28 April 2023, the Supervisory Board received reports on the supply situation for certain battery systems and the measures that were taken. The Board of Management also provided information on the positive reactions to the company's ESG conference for investors and analysts, which was held on 30 March 2023. The Supervisory Board also received a status update on vehicle IT security and discussed findings from cyber incidents at other commercial enterprises. The Chief Officer Corporate Data Protection also reported on the Data Compliance Management System, the opportunities and risks of using artificial intelligence and dealing with digital risks. The Supervisory Board then discussed ESG management within the company in detail, in particular the further integration of sustainability into the company's structures and core processes. The Supervisory Board subsequently approved the development of a wind farm project as part of a power purchase agreement at the test site in Papenburg in northern Germany. Finally, the Supervisory Board also discussed current legal issues.

At the virtual Annual General Meeting on 3 May 2023, the candidate proposed by the Supervisory Board, Stefan Pierer, was elected to the Supervisory Board as a shareholder representative. At the subsequent Supervisory Board meeting, I proposed to the Supervisory Board, in the interests of long-term, orderly succession planning, that Dr Martin Brudermüller be elected Chairman of the Supervisory Board after my term of office expires at the end of the Annual General Meeting in 2024. Ergun Lümali was confirmed as Deputy Chairman of the Supervisory Board. This was done in view of the election of employee representatives that was held before the 2023 Annual General Meeting. In addition, elections were held to fill vacancies on the committees of the Supervisory Board.

The Supervisory Board held another meeting at the end of July 2023. At this meeting, the Supervisory Board and the Board of Management discussed in detail the course of business and the results of the first half of the year. In addition, the body decided to adjust the remuneration of the Board of Management on the basis of the remuneration system approved by the Annual General Meeting. Moreover, the Supervisory Board was informed about current legal issues and the status of the fulfilment of the settlement in connection with diesel emissions agreed with the US authorities.

**Strategy meeting of the Supervisory Board**

At the start of the two-day strategy meeting on 27/28 September 2023, the Supervisory Board was informed about the current situation of the company. As part of the ESG reporting, the Board of Management then reported on overarching topics, the latest developments, objectives and selected key topics related to “E”, “S” and “G”. The Supervisory Board also decided on product projects and an investment project subject to its approval. The meeting focused on the company’s strategy and, in particular, its implementation. Topics discussed included the product and innovation strategy, offering a holistic customer experience along the entire customer journey, transforming and empowering the workforce for the future and securing industrial competitiveness. 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. Sustainability-related aspects, such as challenges in the implementation of human rights due diligence in the supply chains for production materials, were an integral part of the discussions. The capital market perspective was also taken into account.

By way of resolution with the aid of other customary means of communication, on 23 October 2023 the Supervisory Board approved the Board of Management’s plans to establish a Europe-wide high-performance charging network under the Mercedes-Benz brand.

**Corporate planning meeting (Mercedes-Benz business planning)**

At the meeting on 13 December 2023, 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 agenda also included the Board of Management’s report on the current financial status, volumes and prices of the vehicle clusters in the current and future Mercedes-Benz Cars portfolio and the Supervisory Board’s resolution on several measures subject to its approval. The body also discussed the Board of Management’s report on the development of current and completed acquisitions and collaborations and was informed about the results of the employee survey conducted in 2023. Other topics discussed at the meeting included remuneration issues, corporate governance matters and legal issues.

**Corporate governance and declaration of compliance**

During the 2023 financial year, the Supervisory Board continuously addressed the standards of good corporate governance.

In order to take account of the constantly growing complexity and increasing legal relevance of sustainability-related issues and to create a central point of contact for all relevant stakeholders, the Supervisory Board decided in July 2023 to establish a cross-divisional steering and coordination function for sustainability management in the company at the Board of Management level. Renata Jungo Brüngger took over responsibility for this on 1 August 2023, and her division has since been designated Integrity, Governance & Sustainability (previously: Integrity & Legal). Responsibility for the management of division-specific sustainability issues remains with the respective Board of Management divisions.

In my function as Chairman of the Supervisory Board, I held discussions with investors and proxy advisors on Supervisory Board-specific topics such as Board of Management remuneration and the work and composition of the Supervisory Board and its committees as part of the investor dialogue in the run-up to the Annual General Meeting.

In December 2023, the Supervisory Board adopted the regular 2023 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 interest during the 2023 financial year.

The Supervisory Board regularly assesses how effectively the Supervisory Board and its committees perform their duties. In the reporting period, a comprehensive self-assessment of the Supervisory Board and its committees took place with the involvement of an external consultant on the basis of an extensive questionnaire and additional interviews carried out. The Board of Management's perspective was also included in this assessment. The results of the audit, which the Supervisory Board dealt with extensively at its meeting on 21 February 2024, confirm that the members of the Supervisory Board cooperate very effectively and professionally with one another and with the Board of Management and do so on a basis of great trust.

The Audit Committee also conducted a self-evaluation of its activities on the basis of a comprehensive company-specific questionnaire in 2023. The positive results of this self-assessment were presented and discussed at the Audit Committee meeting on 21 February 2024.

**German Act on the Equal Participation of Women and Men in Leadership Positions**
For supervisory boards of listed companies subject to codetermination and equal representation of shareholders and employees on the supervisory board, such as that of Mercedes-Benz Group AG, the German Stock Corporation Act (AktG) prescribes a mandatory gender quota of at least 30%. The quota is to be met by the Supervisory Board as a whole.

As at 31 December 2023, women make up 30% of the shareholder side of the Supervisory Board of Mercedes-Benz Group AG (Liz Centoni, Dame Polly Courtice and Professor Dr Helene Svahn), while the remaining 70% are men. On the employee side, Nadine Boguslawski, Gabriela Neher and Monika Tielsch make up 30% women and the remaining 70% are men. Thus the Supervisory Board as a whole also fulfils the statutory quota.

At its meeting on 13 December 2023, the Supervisory Board decided on the recommendation of the Nomination Committee, to propose to the 2024 Annual General Meeting that Dr Doris Höpke be elected to the Supervisory Board for the first time. If the proposed female candidate is elected, the proportion of women on the shareholder side will increase to 40%. The statutory gender quota would remain fulfilled both on the shareholder side and for the Supervisory Board as a whole.

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. 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 2023, 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 four meetings in the past financial year. Two of the meetings were held in person and two meetings were held as video conferences. In particular, the Committee 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 six meetings in the year 2023. Five 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. Further details of the Audit Committee's work can be found in the Report of the Audit Committee.

The **Legal Affairs Committee** held four meetings in the year 2023. One meeting was held in person, with the option of participation in virtual form or via telephone, and three meetings were held as video conferences. In those meetings, the Committee 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 2023 financial year, both of them as video conferences. The Committee specifically considered the recommendations for the proposals of the Supervisory Board to the Annual General Meeting regarding the election of shareholder representatives to the Supervisory Board. 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**
Several members of the Board of Management were reappointed in the course of the financial year. The reappointment periods are in line with the Supervisory Board's guidelines on the appointment and reappointment of members of the Board of Management.

At its meeting on 16 February 2023, the Supervisory Board appointed Renata Jungo Brüngger as a member of the Board of Management of Mercedes-Benz Group AG with effect from 1 January 2024 for a further one-year term.

At the virtual Annual General Meeting on 3 May 2023, the candidate proposed by the Supervisory Board on the recommendation of the Nomination Committee, Stefan Pierer, was elected to the Supervisory Board. Sari Baldauf on the shareholder side and Michael Brecht and Elke Tönjes-Werner on the employee side left the Supervisory Board at the end of the Annual General

Meeting. In the elections of employee representatives held prior to the Annual General Meeting, Gabriela Neher and Michael Peters were elected as members of the Supervisory Board for the first time, in addition to the re-elected employee representatives, with effect from the end of the Annual General Meeting. In the Supervisory Board meeting that followed the Annual General Meeting, Ergun Lümali was confirmed as Deputy Chairman of the Supervisory Board and thus Deputy Chairman of the Mediation and Presidential Committees. Elections were also held for other committee appointments.

At the Supervisory Board meeting on 27 July 2023, Ola Källenius was reappointed as Chairman of the Board of Management for a further five years with effect from 22 May 2024 and Markus Schäfer was reappointed as Chief Technology Officer, Development & Procurement in line with the Supervisory Board's guidelines on the appointment and reappointment of members of the Board of Management for another two years, also with effect from 22 May 2024. In December 2023, the Supervisory Board decided to appoint Sabine Kohleisen as a member of the Board of Management responsible for Human Resources and Labour Director in line with the Supervisory Board's guidelines on the appointment and reappointment of members of the Board of Management for a further year with effect from 1 December 2024 and Dr Jörg Burzer as a member of the Board of Management responsible for Production, Quality & Supply Chain Management for a further five years, also with effect from 1 December 2024. At the meeting of the Supervisory Board on 21 February 2024, Britta Seeger was appointed as a member of the Board of Management with responsibility for Marketing & Sales with effect from 1 January 2025 for a further five-year term and Renata Jungo Brüngger as a member of the Board of Management with responsibility for Integrity, Governance & Sustainability with effect from 1 January 2025 in line with the Supervisory Board's guidelines on the appointment and reappointment of members of the Board of Management 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 2023 were duly audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, and issued with an unqualified audit opinion. This also applies to the 2023 Consolidated Financial Statements compiled in accordance with IFRS.

In a meeting of the Supervisory Board on 21 February 2024, the preliminary key figures of the 2023 company and Consolidated Financial Statements as well as the preliminary proposal to the 2024 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 2023 financial year and the preliminary proposal for the appropriation of profits were published at the annual press conference on 22 February 2024. In the same meeting, the Supervisory Board also approved the further share buyback programme proposed by the Board of Management.

In March 2024, 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 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 2023 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 2024 Annual General Meeting.

**Appreciation**

The Supervisory Board would like to thank the Board of Management members and all employees of the Mercedes-Benz Group for their dedicated contribution to the results of the 2023 financial year.

The Supervisory Board would also like to thank Sari Baldauf, Elke Tönjes-Werner and Michael Brecht, who closely supported the company through their dedicated work on the Supervisory Board and left the Supervisory Board last year.

Stuttgart, March 2024

The Supervisory Board

Dr Bernd Pischetsrieder
Chairman

**Individualized disclosure of attendance at meetings by members of the Supervisory Board of Mercedes-Benz Group AG in the 2023 financial year**

| | **Plenary Supervisory Board** | | **Presidential Committee** | | **Audit Committee** | | **Nomination Committee** | | **Legal Affairs Committee** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Participation in meetings | Participation rate (in %) | Participation in meetings | Participation rate (in %) | Participation in meetings | Participation rate (in %) | Participation in meetings | Participation rate (in %) | Participation in meetings | Participation rate (in %) |
| Dr Bernd Pischetsrieder[1] (Chairman) | 7/7 | 100 | 4/4 | 100 | | | 2/2 | 100 | | |
| Sari Baldauf (until 3 May 2023) | 3/3 | 100 | | | | | – | – | | |
| Michael Bettag | 7/7 | 100 | | | | | | | | |
| Ben van Beurden | 7/7 | 100 | 4/4 | 100 | | | 2/2 | 100 | | |
| Nadine Boguslawski | 6/7 | 86 | | | | | | | | |
| Michael Brecht (until 3 May 2023) | 3/3 | 100 | | | 3/3 | 100 | | | | |
| Dr Martin Brudermüller | 7/7 | 100 | | | | | 2/2 | 100 | | |
| Liz Centoni | 6/7 | 86 | | | | | | | 3/4 | 75 |
| Dame Veronica Anne (“Polly”) Courtice | 7/7 | 100 | | | | | | | 4/4 | 100 |
| Marco Gobbetti | 7/7 | 100 | | | | | | | | |
| Michael Häberle | 7/7 | 100 | | | | | | | 4/4 | 100 |
| Timotheus Höttges | 7/7 | 100 | | | 5/6 | 83 | | | | |
| Olaf Koch[2] | 7/7 | 100 | | | 6/6 | 100 | | | 4/4 | 100 |
| Ergun Lümali | 7/7 | 100 | 4/4 | 100 | 6/6 | 100 | | | 4/4 | 100 |
| Gabriela Neher (from 3 May 2023) | 4/4 | 100 | | | | | | | | |
| Michael Peters (from 3 May 2023) | 4/4 | 100 | | | | | | | | |
| Stefan Pierer (from 3 May 2023) | 4/4 | 100 | | | | | | | | |
| Roman Romanowski | 6/7 | 86 | | | 3/3 | 100 | | | 4/4 | 100 |
| Prof. Dr Helene Svahn | 7/7 | 100 | | | | | | | | |
| Monika Tielsch | 7/7 | 100 | | | | | | | | |
| Elke Tönjes-Werner (until 3 May 2023) | 3/3 | 100 | | | | | | | | |
| Dr Frank Weber | 7/7 | 100 | | | | | | | | |
| Roman Zitzelsberger | 5/7 | 71 | 4/4 | 100 | | | | | | |

1 Chairman of the Presidential Committee and the Nomination Committee
2 Chairman of the Audit Committee and the Legal Affairs Committee

# 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 Mercedes-Benz Sindelfingen Plant
Elected until 2028

**Michael Bettag***
Chairman of the Works Council of the Mercedes-Benz
Nuremberg Own Retail Branch
Elected until 2028

**Ben van Beurden**
Former Chief Executive Officer Shell plc
Elected until 2025

**Nadine Boguslawski***
Head Treasurer of IG Metall
Elected until 2028

**Dr Martin Brudermüller**
Chairman of the Board of Executive Directors, BASF SE
Elected until 2025

**Liz Centoni**
Executive Vice President,
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

**Marco Gobbetti**
Chief Executive Officer of Salvatore Ferragamo S.p.A.
Elected until 2026

**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
at the Mercedes-Benz Untertürkheim Plant
Elected until 2028

* Employee representatives

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

**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

**Gabriela Neher***
Member of the Works Council at the
Mercedes-Benz Rastatt Plant
Elected until 2028
(since 3 May 2023)

**Michael Peters***
Chairman of the Works Council of
Mercedes-Benz Bremen Plant
Elected until 2028
(since 3 May 2023)

**Stefan Pierer**
Chairman of the Board of Management of
Pierer Industrie AG
Elected until 2027
(since 3 May 2023)

**Roman Romanowski***
In-house Legal Conunsel
to the Board of Management of IG Metall
Elected until 2028

**Prof. Dr Helene Svahn**
Professor in Nanobiotechnology at the
Royal Institute of Technology, Sweden
Elected until 2025

**Monika Tielsch***
Member of the Works Council at the
Mercedes-Benz Sindelfingen Plant (RD)
Elected until 2028

**Dr Frank Weber***
Center Manager BodyTEC, Mercedes-Benz AG;
Chairman of the Management Representatives
Committee, Mercedes-Benz Group
Elected until 2028

**Roman Zitzelsberger***
Former IG Metall District Manager Baden-Württemberg
Elected until 2028

## Retired from the Supervisory Board

**Sari Baldauf**
Chair of the Board of Directors of Nokia Oyj
Retired on 3 May 2023

**Michael Brecht***
Chairman of the Works Council of the Mercedes-Benz
Gaggenau Plant
Retired on 3 May 2023

**Elke Tönjes-Werner***
Deputy Chairwoman of the Works Council of the
Mercedes-Benz Bremen Plant
Retired on 3 May 2023

* Employee representatives

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

# Objectives and Strategy

As a pioneer in automobile manufacturing, the Mercedes-Benz Group has set itself the objective of shaping the future of mobility in a safe and sustainable manner. In doing so, the company focuses on innovative and forward-looking technologies and safe high-quality vehicles that fascinate and excite.

The Mercedes-Benz Group comprises the automotive business units Mercedes-Benz Cars and Mercedes-Benz Vans as well as Mercedes-Benz Mobility. Each business unit pursues a strategy that is specifically targeted at the market and customers it serves. The strategy in question is based on the principles of sustainability, integrity and diversity and is supported by a highly qualified and motivated team.

**Sustainability, integrity and diversity are the basis of our conduct at the Mercedes-Benz Group**

**Sustainability** at the Mercedes-Benz Group means creating permanent value for all of our stakeholders — for our customers, investors and employees and for our business partners and society as a whole. In this process, economic, environmental and social responsibility belong together — along the entire value chain. 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.

One of the company’s goals here is to reduce $CO_2$ emissions per passenger car over the entire vehicle life cycle by the end of this decade by up to 50% as compared to 2020 levels. In addition to the comprehensive use of recycling materials and renewable energy in production, the integration of renewable energy sources for charging the vehicles and electrification of the vehicle fleet is an important tool for accomplishing this. This is why the Mercedes-Benz Group is taking the necessary steps to go all electric. Customers and market conditions will set the pace of the transformation. The Mercedes-Benz Group plans to be in a position to cater to different customer needs, whether it‘s an all-electric drivetrain or a combustion engine, until well into the 2030s. In addition, the company’s factories are retooled to follow demand and can capture the tipping point into an all-electric era. The Mercedes-Benz Group expects its high power charging network to ease the ramp-up of electromobility. The Group will expand battery production and open a battery recycling factory to close the loop. The Mercedes-Benz Group’s ambition is to make the entire new vehicle fleet net carbon-neutral[1] across all stages of the value chain by 2039.

This holistic ESG approach is accompanied by social and governance aspects such as the transformation of the workplace and upholding human rights.

The Mercedes-Benz Group is convinced that long-term success can only be achieved by acting in an ethically and legally responsible manner. **Integrity** is therefore very important to the company. For the Mercedes-Benz Group, ethical behaviour means doing what is right, complying with external and internal rules, following our moral compass and aligning our activities with shared values.

**Diversity** is the third foundation of our conduct at the Mercedes-Benz Group. The Group is convinced that sustained success can only be achieved with diverse teams. Through the use of appropriate measures and activities, the Mercedes-Benz Group seeks to foster a work environment that offers equal opportunities to all employees.

1 Net carbon-neutral means that no $CO_2$ emissions are caused or that any $CO_2$ emissions arising are compensated for by certified offset projects.

### Successful together with a highly qualified and motivated team

The commitment of the employees plays a key role in the Mercedes-Benz Group's global success. Indeed, if the transformation is to be successfully shaped, a team that is ready and willing to embrace change and continuously extend its knowledge and skills needs to be in place. The company therefore puts lifelong learning and the further education of employees at the centre of its sustainable personnel development approach. As an attractive employer, the company also offers flexible working conditions, varied assignments and a variety of development opportunities in the context of a culture of cooperation based on trust. With its People Principles, the company defines how to communicate, lead and collaborate.

## Mercedes-Benz Cars Strategy

Mercedes-Benz Cars' goal is to build the world's most desirable cars. The division aligns its actions in pursuit of this goal with six strategic pillars.

### 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 Cars' claim is to offer the most desirable vehicles on the basis of a combination of pioneering technologies, exceptional aesthetics and integrated sustainability.

In this manner, the company also makes a connection between two essential characteristics — its strong roots as an automaker that has created numerous style-defining icons, and the pioneering spirit with which Mercedes-Benz Car is driving the further development of the automobile. Mercedes-Benz underscores its role here through its standing as the world's most valuable luxury automotive brand in the latest Best Global Brands ranking from 2023. With the improvement from eighth to seventh place in the rankings of the world's most important brands, the company has once again boosted the brand value by nine per cent as compared to the previous year.

Our goal for the future is a brand that embodies the many facets of the lives of our customers — from lifestyle and technology to the digital realm, mobility and culture — and does this by working together with cultural pioneers in a manner that is as inspired as it is unexpected. We intend to achieve this goal by creating an emotional bond with the Mercedes-Benz Cars brands and getting people excited about them in connection with every product and in every encounter we have with customers and anyone who is interested in or is a fan of the brand.

**Focus on profitable growth**

Mercedes-Benz Cars wants to make the transformation towards an all-electric future profitable and to continue its growth in the lucrative market segments. A clear positioning as a luxury brand helps to maintain higher profitability across all product categories — Entry, Core and Top-End. Along with a clear focus on the customer, the important ways in which this can be accomplished are focusing and further developing the portfolio, achieving strong pricing, and securing the margins. These means will also be employed for the systematic electrification of our models throughout the entire Mercedes-Benz brand portfolio. Further profitable growth is also being targeted in the highly profitable product categories in particular. The consistent positioning as a luxury brand will also be used to achieve Mercedes-Benz Cars' goal of sustainable high profitability as a division that can rely on its resilient business system, even in challenging times.

**Expand customer base by growing Top-End Luxury**

In the Top-End segment, Mercedes-Benz Cars boasts an extraordinary brand portfolio that goes beyond the Mercedes-Benz core brand. This portfolio also includes the Mercedes-AMG and Mercedes-Maybach brands, as well as the iconic G-Class product brand. The Mercedes-Benz Cars Strategy will 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. Brand-specific formats and customer experiences are also to be used to address new target groups. At the same time, even stronger interrelationships are to be established between the brands, in order to exploit synergies in customer communications, for example.

**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. One of the basic preconditions for this is comprehensively digitalized sales and service processes that, for example, are enabled by the stepwise transformation of sales to the agency model. In this way, all channels — online and offline, and from consulting to service — are to be adapted to the dynamic customer requirements and flexibly developed further. Moreover, customers are to be provided with tailored and market-specific offers that enthuse 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 digital extras. In this way, Mercedes-Benz Cars intends to continuously enhance the attractiveness of its products, safeguard their value retention and increase the company's 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 division is creating the essential preconditions for becoming all-electric, with ambitious product development goals and the market launch of new locally emission-free and software-driven technologies. The ‚electric-first' platform MMA which will be launched next year, marks the next step into the electric future of Mercedes-Benz Cars. The platforms MB.EA and AMG.EA will follow. Thus, Mercedes-Benz Cars will offer our customers an all-electric alternative for each model.

Mercedes-Benz Cars' expertise in the field of electric mobility is to be extended, and the vertical integration will also be increased by insourcing drive-system technologies for electric vehicles. To ensure efficient production and promote the future development of battery cells and modules, the division plans to work together with partners to build various battery cell production plants worldwide. Mercedes-Benz also purchases battery cells from various partners on the world market to supply its global production network. The company thus has access to the latest technologies on the market.

In order to further underscore the claim to leadership with regard to the digital experience, and to meet customers' needs even better in future, Mercedes-Benz Cars plans to introduce its own data-based and updatable Mercedes-Benz Operating System (MB.OS) when it launches the MMA platform. In this way, the customers will be able to access a unique brand experience that includes special new digital extras and product features while control of the interface with customers can remain in the Mercedes-Benz ecosystem. MB.OS will create the basis for an even faster and more flexible response to customer requirements in the future, including during a product's life cycle. 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.

Mercedes-Benz Cars is also striving to establish leadership in assistance technologies and customer experience in conditional driving automation. Customers are offered not only enhanced ride comfort and safety but also an increasing reduction of driver stress and the freedom to carry out certain activities while driving. Today, with DRIVE PILOT, Mercedes-Benz Cars already meets the demanding legal requirements for conditional driving automation according to SAE Level 3 (pursuant to UN R157) — the first automotive company in the world to do so. Mercedes-Benz Cars has even gone one step further where parking is concerned: the INTELLIGENT PARK PILOT preinstallation is a series-production system that already enables completely automatic driverless parking (Automated Valet Parking) according to SAE Level 4 in Germany.

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

The continued systematic pursuit of our profitability and cash-flow objectives is a fundamental component of the successful and sustained transformation of the company. Mercedes-Benz Cars seeks 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 the investments in property, plant and equipment.

Mercedes-Benz Cars is also shifting its capital allocation with its sustainable business strategy. 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.

## Mercedes-Benz Vans Strategy

The goal of Mercedes-Benz Vans is to offer the most desirable vans and services worldwide. We want the vans from Mercedes-Benz to represent far more than a capital investment and to continue arousing enthusiasm. The strategy is based on four pillars:

**Target premium segments and focus on profitable growth**

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

In both the commercial and the private segments, Mercedes-Benz Vans stands for the highest levels of quality, reliability and sustainability. A 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 division also intends in future to further intensify its efforts in China and North America. 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 at the upper end of the portfolio through partnerships with body manufacturers.

**Embrace customers and grow lifetime revenues**

Mercedes-Benz Vans plans to ensure a high level of profitability by means of a modified business model for sales and a customer-focused service portfolio. The focus here will be on pushing direct sales in order to reduce selling expenses. With regard to the new-vehicle business, Mercedes-Benz Vans is increasingly making use of online sales channels. This involves using the existing Mercedes-Benz Cars Online Store platform and expanding it to include van-specific features. One measure here will make it possible for customers to place follow-up orders quickly and easily directly online. Another goal is to generate additional revenue potentials at all points of customer contact: from advice to sales and after-sales services.

### Mercedes-Benz Vans Strategy

Our Goal: we offer the world’s most desirable vans and services

| Target | Embrace | Lead | Lower |
|---|---|---|---|
| premium segments and focus on profitable growth | customers and grow lifetime revenues | in electric drive and digital experience | the total cost base and improve the industrial footprint |

Guided by economic, environmental and social sustainability

Accelerated by digitalization and data-driven business

Driven by a highly qualified and motivated team

**Lead in electric drive and the digital experience**

With the eCitan, EQT (WLTP: combined energy consumption 100 kWh/km: 20,7-19,3; combined $CO_2$ emissions: 0 g/km; $CO_2$ class: A), eVito, eVito Tourer, EQV and eSprinter, Mercedes-Benz Vans offers each model also as an all-electric version since 2023. Starting in 2026, the VAN.EA is a new, electric-only architecture which is intended to provide the basis for all future mid-size and large vans for both private and commercial use.

Mercedes-Benz is currently developing its own operating system MB.OS — a flexible, modular and service-based chip-to-cloud architecture that will enable B2B-specific software solutions. Mercedes-Benz Vans expects that MB.OS will also enable it to quickly expand and optimize its digital extras and services. In addition, the operating system will serve as the foundation for the development of automated driving functions for Society of Automotive Engineers (SAE) Level 2 and up. On the basis of MB.OS and the technical possibilities it offers, the division plans to achieve conditional driving automation for private customers in accordance with SAE Level 3 by the end of the decade. The objective is to be able to offer partially automated driving in accordance with SAE Level 2 with the introduction of vehicles based on VAN.EA. With regard to the commercial segment, Mercedes-Benz Vans is looking to achieve highly automated driving in accordance with SAE Level 4 by the end of the decade in order to exploit the business potential of fully automated (driverless) transport.

**Lower the total cost base and improve the industrial footprint**

Mercedes-Benz Vans has launched a comprehensive cost initiative at company, production and product level in order to maintain profitability at a high level and to improve competitiveness. The goals here include significantly optimizing production processes and lowering production costs. This is to be achieved mainly by reducing the complexity of the product portfolio and focusing on efficiency in core production processes.

Mercedes-Benz Vans is also reorganizing its production network in order to become more efficient and flexible and to prepare the network for an electric future. The first manufacturing plant solely for all-electric vans in Jawor, Poland, will set new standards worldwide for productivity, lean processes and sustainability. The reorganization of the production network will enable Mercedes-Benz Vans to react quickly to changing market conditions in the future while at the same time optimizing its cost structure.

The strategic actions follow three principles:

**Guided by economic, environmental and social sustainability**
Mercedes-Benz Vans has also made sustainability an integral part of its strategy. One of the main goals formulated in Ambition 2039 is to make the fleet of new private and commercial vans net carbon-neutral over the entire life cycle by 2039.

**Accelerated by digitalization and data-driven business**
Mercedes-Benz Vans intends to use the comprehensive digital strategy to exploit the potential 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 digitalization of internal business processes — all while ensuring that data is used responsibly. In all of its activities, Mercedes-Benz Vans aims for the maximum networking and synergy effects with Mercedes-Benz Cars.

**We are the key to our success**
The Mercedes-Benz Vans People Principles place people and the team at the centre of our transformation. These principles create the framework for communication, leadership and collaboration and require the commitment and the innovative power of our employees. In addition, Mercedes-Benz Vans offers its employees qualification measures for future-oriented topics.

## Mercedes-Benz Mobility Strategy

Mercedes-Benz Mobility has a clear ambition: we are the number one financial and mobility service provider for luxurious driving in the all-electric era. The contribution that Mercedes-Benz Mobility makes to the success of the Mercedes-Benz Group is not only financial. Mercedes-Benz Mobility also helps to increase brand loyalty, improve the customer experience, support the Group's strategic transformation and boost sales figures.

The basis for this success lies in the fact that Mercedes-Benz Mobility is present in every phase of the customer journey and puts customers at the centre of its strategy. It all begins with the bundling of products such as financing and leasing contracts including insurance and extends to offering systems for seamless payment methods, and the planned expansion of its charging infrastructure to include more than 10,000 new charging points by 2030. The goal here is to offer customers an extraordinary and luxurious brand experience and to keep them in the Mercedes-Benz ecosystem by offering customized follow-up contracts and solutions.

Mercedes-Benz Mobility has defined five key areas within its strategy. These make it possible for the company to continuously improve its products and services and remain an attractive employer.

### 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

**Electrify our future**
We support the sustainable transformation to **electric mobility** with tailored products and services

**Excite our customers**
Our services are 100% **digital** and **seamlessly** integrated into the world of Mercedes-Benz

**Power up our business**
We **are digitalising** our **processes end-to-end**, supported by strategic partnerships in technology and operations

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

**Imagine it, do it, live it**
We are strengthening our **high-performance culture**

**Electrify our future: Mercedes-Benz Mobility is supporting the transformation to electric mobility with tailored products and services**

Mercedes-Benz Mobility makes it as easy and convenient as possible for customers to switch to electric mobility. Various rental and subscription services make it possible for people to use electric vehicles without committing to long-term ownership. When a leasing contract expires, Mercedes-Benz Mobility supports customers who decide to switch to an electric vehicle. Using the existing charging infrastructure as a basis, Mercedes-Benz Mobility is setting up a high-power charging network that will provide fast and easy charging. The high-power charging network will enable customers to charge using green electricity. Wherever possible, the preference is to use power purchase contracts for green electricity, or to use accredited providers' green power certificates for charging. Charging in public areas, at home and for business purposes will be transformed into a convenient, reliable and seamless experience.

**Excite our customers: Mercedes-Benz Mobility is seamlessly integrating itself into the Mercedes-Benz ecosystem**

At Mercedes-Benz Mobility our customers are our focus. Mercedes-Benz Mobility supports its customers by helping them to simply choose their preferred product and service options with seamlessly integrated products and services. Mercedes-Benz Mobility does all this by providing an excellent service experience that is seamless and digital and includes rapid personal consultation in those areas where digital solutions reach their limits. The goal here is to not merely meet expectations but to exceed them — both online and offline.

**Power up our business: Mercedes-Benz Mobility is automating and digitalizing internal processes in order to increase efficiency**

Mercedes-Benz Mobility is harmonizing internal processes and system landscapes to deliver fast and reliable contact with customers in a manner that focuses on their specific requirements. Here Mercedes-Benz Mobility also relies on technology partnerships that enable it to continuously develop its digital services and solutions. Efficient processes and a highly motivated team form the foundation of the excellent service that Mercedes-Benz Mobility offers.

**Go for data: Mercedes-Benz Mobility is evolving into a data-driven company**

Mercedes-Benz Mobility is constantly optimizing its own products and services with the aim of being able to offer tailored customer solutions at all times. Mercedes-Benz Mobility uses data analysis and artificial intelligence to achieve this goal. The top-of-the-line financial and mobility products and services the company offers are based on data, because data reflects the lifestyles and preferences of its customers. Data security and customer consent for the usage of the data are paramount for Mercedes-Benz Mobility. Mercedes-Benz Mobility develops and promotes teams and skills that are needed to establish a data-driven way of thinking throughout the entire organization.

**Imagine it, do it, live it: Mercedes-Benz Mobility is strengthening a high-performance culture**

The employees at the Mercedes-Benz Group achieve success together as a highly qualified and motivated team. Mercedes-Benz Mobility has a high-performance culture in which the employees speak up, empower each other, hold each other accountable and continually learn. All of these aspects are based on an important foundation: trust. To enable all employees to identify with the company, Mercedes-Benz Mobility also focuses on emotionalizing its strategy through targeted communication measures.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# COMBINED
# MANAGEMENT REPORT

# COMBINED MANAGEMENT REPORT

# 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 car manufacturer that operates globally and is one of the largest suppliers of luxury vehicles and commercial vans in the premium segment. The Group's range of products and services is supplemented by financing and leasing products for end customers and dealers, fleet management services, insurance brokerage, innovative and digital mobility services, charging infrastructure and systems for seamless payment.

The Mercedes-Benz Cars, Mercedes-Benz Vans and Mercedes-Benz Mobility divisions manage the business operations of the Mercedes-Benz Group.

The reconciliation of the segments to 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 of eliminating intra-Group transactions between the segments.

Mercedes-Benz Group AG is the parent company of the Mercedes-Benz Group and has its headquarters in Stuttgart. 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 Mercedes-Benz brand is one of the most valuable brands in the world[1]. The diagram below provides an overview of the Group's brand world.

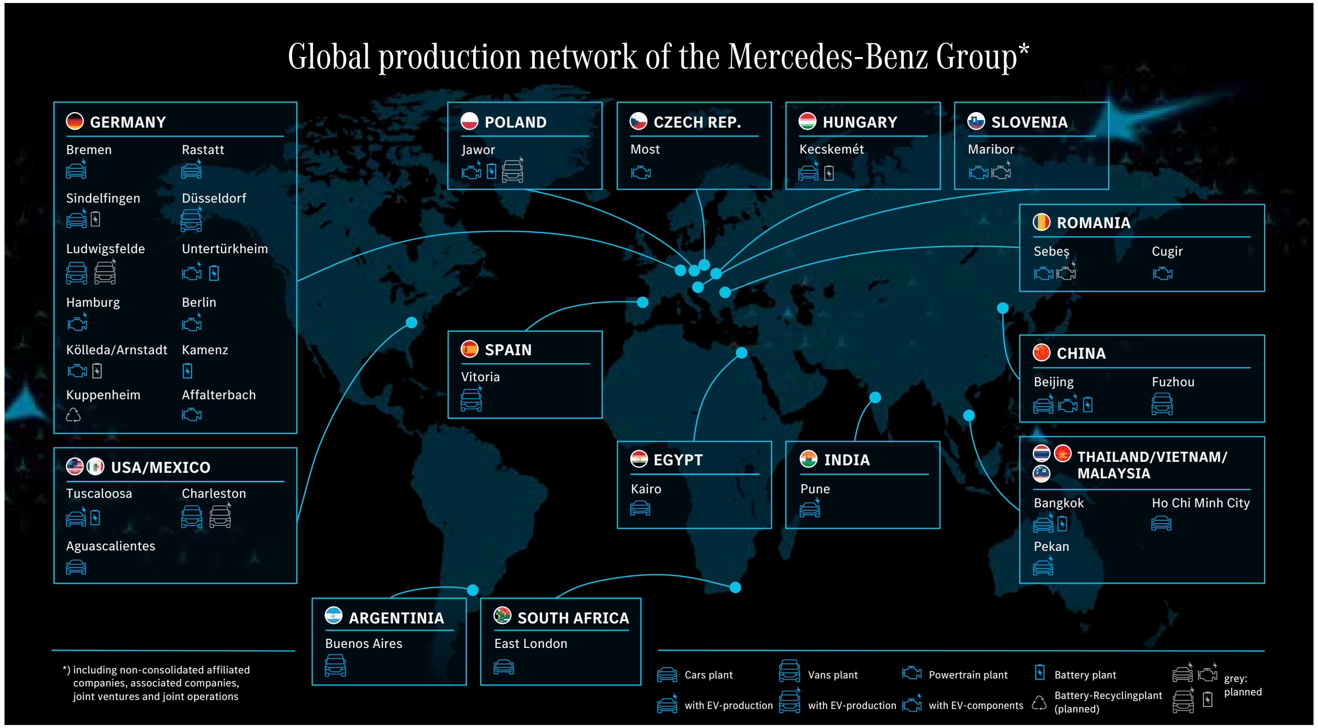
**The brand world of the Mercedes-Benz Group**


1 Study by the US brand consulting company Interbrand in November 2023.

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 those continents and is aligning it to manufacture the portfolio of all-electric vehicles. A total of 12 electric vehicle models from Mercedes-Benz have been rolling off the assembly lines on three continents since 2023. The Group is also simultaneously building up a global battery production network on three continents. The “Mercedes-Benz Group Global Production Network” graphic shows the Mercedes-Benz Cars and Mercedes-Benz Vans production sites around the world as of 31 December 2023.

As part of the gradual realignment of sales operations through the implementation of an agency model, the Retail of the Future concept was launched in Germany and the UK in 2023. The new system has already been implemented in Sweden and Austria, which means that the new sales model is now being used for approximately 50% of total unit sales generated in Europe. Plans call for the agency model to be introduced in other regions as well over the next few years. As of the reporting date, six other countries, including Turkey, India and Australia, had switched over to direct sales. In addition, within the framework of the optimization of the sales model, it was possible to sell off retail activities in certain countries and regions during the reporting year.



## Mercedes-Benz Cars

As a luxury automobile manufacturer, Mercedes-Benz Cars seeks to produce the most desirable vehicles in the world. Sustainability is a fundamental principle and a firm component of the Mercedes-Benz Cars business strategy — a principle that characterizes all of our business activities. The Mercedes-Benz Group believes that the complete electrification of its product range is the most important means of making its entire new vehicle fleet net carbon-neutral[1] across all stages of the value chain by 2039. Mercedes-Benz Cars is creating the essential preconditions for complete electrification and accelerating the transformation into a software-driven and all-electric future.

To this end, the electric platform Electric Vehicle Architecture (EVA) was introduced in 2021. Beginning in the middle of the decade, the Mercedes Modular Architecture (MMA) platform, which is primarily focussed on electric mobility with vehicles starting with the Entry segment, is to follow. In 2026, Mercedes-Benz Cars plans to introduce two more all-electric platforms (BEV platform generations) in the Top-End and Core segments: the Mercedes-Benz Electronic Architecture (MB.EA) and the AMG Electronic Architecture (AMG.EA).

Mercedes-Benz Cars offers a broad range of products that are spread out among the three product categories of Top-End, Core and Entry. The Top-End[2] 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 and Mercedes-Maybach, as well as the G-Class product brand. Mercedes me provides access to the digital services of Mercedes-Benz Cars.

The division also continues to move ahead at a fast pace with the intelligent networking of its vehicles and the development of autonomous driving systems. 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) when it launches the MMA platform.

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 operations in China are carried out by the associated company Beijing Benz Automotive Co., Ltd. (BBAC).

The most important markets for Mercedes-Benz Cars in 2023 were China with 36% of unit sales, the United States with 15%, Germany with 11% and the other European markets (European Union, United Kingdom, Switzerland and Norway) with 21%.

## Mercedes-Benz Vans

Mercedes-Benz Vans is a global manufacturer of a comprehensive van portfolio. The models offered in the commercial segment comprise the large van Sprinter, the mid-size van Vito and the small van Citan. The range of Mercedes-Benz' vans in the private segment consists of the V-Class full-size multi-purpose vehicle, the V-Class Marco Polo camper and the T-Class. The small vans are offered in Europe (European Union, the UK, Switzerland, Norway), while the mid-size vans are offered in Europe and China and the large vans are sold in Europe and the United States. Vans are also offered in specific segments in other markets.

Mercedes-Benz Vans has anchored its aim to lead in electric drive in its strategy and has systematically electrified the complete product portfolio. Mercedes-Benz Vans already offers an electric version of each model today — i.e. the eSprinter, the eVito and the eCitan in the commercial van segment. In addition, the EQV full-size multi-purpose vehicle and the all-electric EQT (WLTP: combined energy consumption 100 kWh/km:

1 Net carbon-neutral means that no $CO_2$ emissions are caused or that any $CO_2$ emissions arising are compensated for by certified offset projects.
2 The Top-End category comprises all AMG models, including the AMG models of the various class model ranges and their derivatives in the Core and Entry segments.

20,7-19,3; combined $CO_2$ emissions: 0 g/km; $CO_2$ class: A) are now available for the private segment.

Starting in 2026, all newly developed vans from Mercedes-Benz will be based on just one all-electric architecture: the innovative, modular and scalable Van Electric Architecture (VAN.EA).

Like Mercedes-Benz Cars, Mercedes-Benz Vans also uses the modular MB.OS architecture in order to further develop and connect its digital services.

The Mercedes-Benz Vans business unit has manufacturing facilities in Germany, Spain, the United States and Argentina. Production in China is managed via the Fujian Benz Automotive Co., Ltd joint venture. The Citan and T-Class with the respective electric variants are produced in France through an alliance with Renault-Nissan-Mitsubishi. The planned facility in Jawor, Poland, will be Mercedes-Benz Vans' first purely electric vehicle plant in the world.

The most important markets for Mercedes-Benz Vans in 2023 were Germany with 25% of unit sales, the other European markets (European Union, United Kingdom, Switzerland and Norway) with 37%, the United States with 17% and China with 7%.

## Mercedes-Benz Mobility

The Mercedes-Benz Mobility division supports the sales of the Mercedes-Benz Group's vehicle brands worldwide with custom financial and mobility services.

These services range from leasing and financing contracts for end customers and dealers to insurance solutions and fleet management services for business customers, with the latter primarily offered via the Athlon brand. Mercedes-Benz Mobility has around 4.3 million leased and financed vehicles in 34 markets, which is clear proof of its ability to offer outstanding services that meet a wide range of requirements.

Mercedes-Benz Mobility also brings together all activities relating to electric vehicle charging. The Group's own charging service Mercedes me Charge enables easy and convenient access to more than 1.5 million public charging points within the Mercedes me Charge network. In addition, the Mercedes-Benz Group is continuing to extend the existing range of charging possibilities by building its own global Mercedes-Benz charging network and expanding high-power charging networks that are operated jointly with different contractual partners.

Mercedes-Benz Mobility is also integrating its Mercedes pay digital electronic payment platform into numerous applications at the Mercedes-Benz Group. The product range is rounded out by flexible subscription and rental models such as Mercedes-Benz Rent as well as investments in companies that offer mobility services, for example the premium chauffeur services platform Blacklane.

# Important events

### Launch of a Mercedes-Benz high-power charging network

On 5 January 2023, the Mercedes-Benz Group announced far-reaching plans to build its own global high-power charging network in China, North America, Europe and other core markets.

The first Mercedes-Benz charging hub was opened in Chengdu, China, in October 2023. It was followed by the opening of a further Mercedes-Benz charging hub at the headquarters of Mercedes-Benz USA in Atlanta, Georgia in November 2023. The first German charging hub started operation at the Mercedes-Benz dealership in Mannheim at the end of November 2023. Plans call for more than 2,000 charging stations with over 10,000 high-power charging points to be built worldwide by the end of the decade.

With its own charging network, the Mercedes-Benz Group is seeking to establish new standards for the fast, convenient and reliable charging of electric vehicles.

### Certification for the SAE Level 3 system and sales approval for DRIVE PILOT

On 26 January 2023, the Mercedes-Benz Group became the world's first automaker to receive SAE Level 3[1] certification for conditionally automated driving on US roads in the state of Nevada. In June 2023, it also received the certification for the state of California.

The Mercedes-Benz Group subsequently introduced the production-ready version of DRIVE PILOT with a small fleet of SAE Level 3[1] EQS Sedans in the states of California and Nevada in late 2023.

DRIVE PILOT was released for sale in Germany in May 2022 after the German Federal Motor Transport Authority issued the SAE Level 3 system a licence to operate on the basis of the internationally valid regulation UN-R157.

### Share buyback programme at Mercedes-Benz Group AG

On 16 February 2023, the Board of Management, with the approval of the Supervisory Board, resolved a share buyback programme on the basis of the authorization given by the Annual Shareholders' Meeting on 8 July 2020. The acquisition of treasury shares on the stock exchange began on 3 March 2023. Treasury shares worth up to €4 billion (excluding incidental costs) are to be purchased over a period of up to two years and subsequently cancelled.

Further information on this is provided in Note 20 of the Notes to the Consolidated Financial Statements.

### Partnership for vehicle navigation between Mercedes-Benz and Google

As announced on 22 February 2023, the Mercedes-Benz Group plans to integrate innovative vehicle-related geospatial data and route planning capabilities from the Google Maps platform into the Mercedes-Benz Operating System (MB.OS).

With this partnership, the Group plans to become the first automaker to develop its own navigation experience based on a new concept that combines new in-vehicle geospatial data and navigation features from the Google Maps platform.

The system is to be introduced in the middle of the decade. MB.OS was designed and developed in-house at Mercedes-Benz. The company's objective here is to retain complete control over the customer relationship while also ensuring data privacy and the unparalleled integration of all vehicle functions.

1 Society of Automotive Engineers (SAE).
The automated driving system takes over certain driving tasks. Nevertheless, a driver is still necessary. The driver must be ready to take control of the vehicle at any time when prompted by the vehicle to intervene.

**Foundation laid for sustainable battery recycling factory**

On 3 March 2023, the Mercedes-Benz Group laid the symbolic foundation stone for a battery recycling factory at the Kuppenheim site. The company is thus underpinning the goal of ensuring a sustainable closure of the recycling loop for batteries and significantly reducing resource consumption.

The Group plans to invest an eight-digit euro sum in the construction of the net carbon-neutral[1] plant. Construction of the plant sections for mechanical dismantling has already begun and preparations for commissioning are under way. Once the sections for hydrometallurgical processing have been completed, the entire recycling facility will go into operation in mid-2024.

**Confirmation of the ESG commitment at the ESG Conference**

At the ESG (Environmental, Social and Governance) Conference on 30 March 2023, the Board of Management of the Mercedes-Benz Group emphasized to investors and analysts its measures for reducing its $CO_2$ footprint and creating sustainable value for all stakeholders.

The key measures are to accelerate electrification with a growing portfolio and Mercedes-Benz' high-power charging network, to promote supply chain decarbonization and resource conservation through the use of renewable energy sources and responsible sourcing of raw materials, and to forge ahead with the creation of a circular economy and the direct sourcing of raw materials. The company also aims to reduce $CO_2$ emissions in production (scope 1[2] and 2[3]) by 80% by 2030[4].

Alongside other measures such as investments in social commitment and the environment, the company has added additional ESG metrics to the variable component of executive compensation and indicated the governance structures that were implemented.

The participation of Supervisory Board member Dame Veronica Anne ("Polly") Courtice reinforces the embedding of sustainability in the company's strategy, business processes and remuneration system.

The Mercedes-Benz Group engaged CICERO Shades of Green, now part of S&P Global, an assessor, to review the Mercedes-Benz Group Green Finance Framework. The Mercedes-Benz Group framework received the highest rating of "Dark Green" from CICERO.

**Sale of shares in the Russian subsidiaries**

The Group's intention to withdraw from the Russian market and sell its shares in the Russian subsidiaries to the local investor Avtodom AO was reported in the Annual Report 2022. In March 2022, the Mercedes-Benz Group had already stopped exporting cars and vans to Russia and ceased local production in Russia.

As of 31 December 2022, completion of the transaction was still subject to authorities' approval and the implementation of the contractually agreed conditions. With the closing of the transaction on 19 April 2023, the shares of Russian subsidiaries were deconsolidated.

Further information on this is provided in Note 3 of the Notes to the Consolidated Financial Statements.

1 Net carbon-neutral means that no $CO_2$ emissions are created or any resulting $CO_2$ emissions are offset by certified compensation projects.
2 Scope 1 emissions are direct $CO_2$ emissions from sources for which the company is directly responsible or that it directly controls.
3 Scope 2 emissions are indirect $CO_2$ emissions from purchased energy such as electricity and district heating that are generated externally but consumed by the company.
4 In comparison to 2018.

**Annual General Meeting of Mercedes-Benz Group AG**
At the Annual General Meeting of Mercedes-Benz Group AG on 3 May 2023, the shareholders approved a dividend of €5.20 per share for the 2022 year (2021: €5.00). The total payout for 2022 was €5.6 billion (2021: €5.3 billion).

At Mercedes-Benz Group AG, a position on the Supervisory Board was also newly filled: Sari Baldauf stepped down from the Board after 15 years at the end of the Annual General Meeting of Mercedes-Benz Group AG on 3 May 2023. Stefan Pierer was elected as Baldauf's successor on the Supervisory Board.

**$CO_2$ reduction in the aluminium supply chain**
The Mercedes-Benz Group is working with its partners to decarbonize the aluminium supply chain. As presented in the Annual Report 2022, Mercedes-Benz AG and the Norwegian aluminium producer Norsk Hydro ASA (Hydro) signed a memorandum of understanding in December 2022 for a low-$CO_2$ technology roadmap between 2023 and 2030.

As a next milestone, the Group announced on 9 May 2023 that Hydro is to supply even more $CO_2$-reduced aluminium to the foundry at the Mercedes-Benz plant in Untertürkheim. With a minimum of 25% recycled material in Hydro's tested aluminium, the $CO_2$ footprint is to be reduced.

Following the completion of the successful test phase for the low $CO_2$-emission aluminium, the Mercedes-Benz Group is now bringing sophisticated structural castings for the body-in-white made from the more sustainable material into series production.

**Mercedes-Benz Vans: Strategy Update**
At the Strategy Update on 16 May 2023, Mercedes-Benz Vans unveiled its strategy, which is geared towards profitable growth in both the private and commercial van segments. Key objectives include further strengthening the brand's position in the upper market segments, increasing competitiveness in terms of costs, and leading the way in electric mobility and digital experiences.

**$CO_2$ reduction in the steel supply chain**
The Mercedes-Benz Group announced on 7 June 2023 that it had signed a supply agreement with the Swedish startup **H2 Green Steel AB** (H2GS) for approximately 50,000 metric tons of nearly $CO_2$-free steel per year for European stamping plants. At the same time, the two companies are deepening their partnership with a memorandum of understanding to jointly establish a sustainable steel supply chain in North America.

Following the investment in H2GS in 2021, the new supply agreement will enable Mercedes-Benz to use virtually $CO_2$-free steel in series production. The strategic partner plans to start production in 2025.

On 14 September 2023, the Mercedes-Benz Group signed a supply contract with **Steel Dynamics, Inc.** for delivery of $CO_2$-reduced steel to the production plant in Tuscaloosa, Alabama (USA). In this way, the company wants to set another milestone on the path to decarbonizing the global steel supply chain.

**Access to Tesla Superchargers in North America for Mercedes-Benz customers**
On 5 January 2023, the Mercedes-Benz Group had already announced the development of its own global high-power charging network with around 400 charging stations and more than 2,500 charging points in North America. In addition, the Mercedes-Benz Group announced on 7 July 2023 that Mercedes-Benz customers will be able to use Tesla Superchargers in North America starting in 2024.

**Creation of a joint high-power charging network with several automakers in North America**
On 19 October 2023, seven automakers — the BMW Group, General Motors, the Honda Motor, the Hyundai Motor, Kia Motors, Mercedes-Benz Group and Stellantis established a joint venture to accelerate the transition to electric vehicles in North America. The new joint venture, which is known as Ionna LLC, is to establish a charging network with at least 30,000 charging points.

The first stations are expected to open in the United States in 2024 and in Canada at a later stage. In line with the sustainability strategies of all seven automakers, Ionna LLC has set itself the objective of powering the charging network with renewable energy.

**Decisions by the Supervisory Board of Mercedes-Benz Group AG**

At its **meeting on 27 July 2023**, the Supervisory Board reappointed Ola Källenius as Chairman of the Board of Management of Mercedes-Benz Group AG for the period until 21 May 2029 and Markus Schäfer for the period until 21 May 2026. As Chief Technology Officer, Markus Schäfer is responsible for Development & Procurement on the Board of Management.

The Supervisory Board also resolved to establish a cross-divisional steering and coordination function for sustainability management in the company at the Board of Management level. On 1 August 2023, Renata Jungo Brüngger took over responsibility for this function as part of the Integrity, Governance & Sustainability division (previously: Integrity & Legal Affairs). With this step, the Mercedes-Benz Group is taking into account the steadily increasing complexity and growing legal significance of this multi-faceted topic. Responsibility for the management of division-specific sustainability issues remains with the respective Board of Management divisions.

At its meeting, the Supervisory Board also resolved to change the name of Dr Jörg Burzer's division to Production, Quality & Supply Chain Management (previously: Production & Supply Chain Management). As a result of this change, the division's name will also express the division's comprehensive responsibility for quality as well as this topic's great importance for the Mercedes-Benz brand.

Sabine Kohleisen's division was renamed Human Relations (previously: Human Resources). This was done in order to show that human resources work in the Mercedes-Benz Group focuses on cooperation with and between people.

In the Supervisory Board meeting of **13 December 2023**, the Supervisory Board decided to reappoint Sabine Kohleisen as the member of the Board of Management responsible for Human Relations and Labour Director until 30 November 2025 and Dr Jörg Burzer as the member of the Board of Management responsible for Production, Quality & Supply Chain Management until 30 November 2029.

At the meeting on **21 February 2024**, the Supervisory Board reappointed Renata Jungo Brüngger until the end of 2025 and Britta Seeger until the end of 2029. Renata Jungo Brüngger is responsible for Integrity, Governance & Sustainability and Britta Seeger is responsible for Marketing & Sales on the Board of Management.

**Creation of a joint high-power charging network with BMW Brilliance Automotive in China**

On 30 November 2023, Mercedes-Benz Group China Ltd. and BMW Brilliance Automotive Ltd. agreed to set up a joint venture for the establishment and operation of a joint high-power charging network in China in order to provide Chinese customers with premium charging services. The joint venture aims to procure electricity directly from renewable sources wherever this is possible.

The joint venture plans to establish a charging network of at least 1,000 stations with around 7,000 high-power charging points between the year 2024 and the end of 2026.

**Approval to test conditionally automated driving in Beijing**

On 16 December 2023, the Mercedes-Benz Group became one of the first automakers to receive approval to test conditionally automated driving Level 3[1] in Beijing. The Mercedes-Benz Group will begin testing conditionally automated driving systems on designated highways in Beijing. The company is working with the responsible authorities on the development of Level 3 systems for the Chinese market in order to be able to offer Chinese customers a safe and reliable automated driving experience.

1 In accordance with China National Standard GB/T 40429-2021 "Taxonomy of driving automation for vehicles", published in 2021 by the National Technical Committee of Auto Standardization.

**Review of future structure of Own Retail in Germany**
On 19 January 2024, the Mercedes-Benz Group announced a comprehensive review of the structures of the Group's Own Retail in Germany. The review is open-ended as regards its outcome and will be conducted individually and step-by-step at each retail location. The company expects the transformation process to take several years. Contract negotiations with potential buyers had not yet taken place as of the balance sheet date. At the present time, it is not possible to reliably estimate the effects on the profitability, liquidity and capital resources, and financial position.

**Share buyback policy and further share buyback programme**
On 21 February 2024, Mercedes-Benz Group AG has resolved to implement a share buyback policy. Based on such policy, the future Free Cash Flow from the industrial business (as available post potential smallscale M&A) generated beyond the approx. 40% dividend payout ratio of Group net profi shall be used to fund share buybacks with the purpose of redeeming shares.

In this context, Mercedes-Benz Group AG moreover has resolved to conduct a further share buyback programme, through which it is intended to acquire own shares worth up to €3 billion (not including incidental costs) on the stock exchange and to then cancel them. The further share buyback programme will be based on the authorization by the Annual General Meeting of Mercedes-Benz Group AG 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. It is scheduled to commence immediately after the conclusion of the ongoing share buyback programme announced on 16 February 2023, and is expected to be completed before the expiry of the Annual General Meeting's above-mentioned authorization.

Future share buyback programmes are subject to the necessary resolutions of the company's corporate bodies required in each individual case.

# Performance measurement system

Various targets are defined on the basis of the Mercedes-Benz Group's corporate strategy and business strategy. The Group's performance measurement system is oriented towards the achievement of these targets. Along with financial aspects, they include sustainability-related targets in particular.

The information provided below primarily relates to the Group's financial performance measurement system. Information on the sustainability targets and the measures being taken to achieve them can be found in the chapter Non-Financial Declaration.

## Objective

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. The value added is based on this principle. It shows the extent to which the Group and its divisions achieve or exceed the return requirements of the investors. Due to the only indirect relationship of value added to ongoing business operations, the value drivers of the value added are utilized as financial performance indicators for the periodic controlling of the Group and its divisions.

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.

**Calculation of value added**

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

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 2023, the Group's cost of capital rate amounted to 9% after taxes. For the automotive divisions, this cost of capital rate stood at 13% before taxes; for Mercedes-Benz Mobility, a cost of equity of 13% before taxes was applied.

**Cost of capital rates**

| | **2023** | 2022 |
|---|---|---|
| in % | | |
| Group, after taxes | **9** | 8 |
| Automotive divisions, before taxes | **13** | 12 |
| Mercedes-Benz Mobility, before taxes | **13** | 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. 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, and 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. The average annual net assets are calculated on the basis of the 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 presented 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

### Key financial 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

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

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

### Key non-financial performance indicators

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.

The figure for the $CO_2$ emissions of the new car fleet in Europe[1] represented a key performance indicator until 31 December 2023. As of the year 2024, the share of electrified vehicles (xEV) from Mercedes-Benz Cars and from Mercedes-Benz Vans respectively, measured on the basis of the unit vehicle sales of these divisions, will be used as key non-financial performance indicators. They are replacing the value of the $CO_2$ emissions of the new car fleet in Europe as a key non-financial performance indicator because they provide a more comprehensive picture of the global activities of the Mercedes-Benz Group in the area of electromobility.

# 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 $CO_2$ emissions of the new car fleet ($CO_2$ pool) 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 type approval procedure. The Mercedes-Benz $CO_2$ pool also includes vans that were registered as passenger cars and, since 2023, vehicles from the joint venture smart Automobile Co., Ltd.

# Economic Conditions and Business Development

## The world economy and automotive markets

### The world economy

#### General economic conditions

The **world economy** performed better throughout the reporting year than had been expected at the beginning of the year — and although global growth of 2.7% was somewhat lower than in the previous year (3%), it was only slightly below the long-term trend. The adverse effects on growth that resulted from the steep and synchronized tightening of monetary policy by many central banks was offset to some degree by supportive fiscal policies and lower prices for energy and raw materials. At the same time, major differences were observed between regions, and even within regions in some cases. The main reason for the positive development of the world economy overall was the unexpected resilience of the US economy in the face of an extremely restrictive monetary policy, although major emerging markets such as India and Brazil were also able to exceed expectations in this regard. On the other hand, the European and the Chinese economies displayed relatively weak development during the year under review. Given these circumstances, global trade volume not only slowed but also contracted by around 2% in 2023 as compared to the previous year.

The **US economy** successfully defied recession risks during the reporting year. Growth remained strong despite the fact that the country's central bank — the Fed — raised its policy rate throughout the course of the year by a further 100 basis points to 5.5%. Private consumption in particular developed dynamically and was supported by generous fiscal programmes and pandemic-era excess savings. Inflation also continued to decline — at an average of 4.1%, it was significantly lower than in the prior year, but it still remained above the Fed's target. This development, along with substantial wage increases, had a positive effect on disposable income. Thanks to robust domestic demand, the US economy recorded growth of 2.5% for the year as a whole in 2023.

The economy in the **euro zone** developed much less dynamically, although the burden caused by high energy prices was noticeably less pronounced in 2023 than it was in the prior year. Still, the industrial sector remained under extreme pressure and shrank significantly over the year as a whole. Private consumption stagnated across many sectors due to ongoing high, albeit decreasing, inflation and rising interest rates. Inflation in the euro zone averaged 5.4% for the year as a whole, which was still much higher than the central bank target of approximately 2%. The European Central Bank thus continued its tight monetary policy, raising the main refinancing rate throughout the course of the year by a further 200 basis points to 4.5%. Economic activity in the euro zone advanced slightly during the first half of the year, due, among other things, to the ongoing post-pandemic recovery and fewer supply chain disruptions. However, output then declined marginally during the second half of the year, with the result that the economy in the euro zone recorded growth of only 0.5% for 2023 as a whole.

Following the end of the zero-COVID policy in China, the **Chinese economy** started the year with a strong recovery that it was unable to maintain. The recovery was ultimately curbed by the pronounced weakness of the Chinese real estate sector and the associated crisis of confidence among consumers. Nevertheless, thanks to government support measures and an easing in monetary policy, China was able to achieve its growth target, with GDP up by 5.2% on the year. Unlike the case in the United States and Europe, the Chinese economy was faced with slight deflationary tendencies — consumer prices rose by only 0.2% in the country for the year as a whole.

**Development of exchange rates**

Exchange rates were volatile in this environment. Against the US dollar, the euro moved between USD 1.05 and USD 1.13 in the course of the year. At the end of 2023, the euro was around 3% stronger than at the end of 2022. The range of fluctuation of the Chinese renminbi against the euro was 7.2 to 8.1. Year-on-year, the value of the euro increased by around 6% against the renminbi.

**Energy and raw material prices**

Prices for oil and gas declined significantly from their record levels in 2022, but they remained very volatile nevertheless. The oil price fell below USD 80 per barrel at the end of the year, which was almost 9% lower than at the end of 2022. The average price for the year as a whole was about 17% lower than in the previous year. Gas prices in Europe also fell noticeably. The price at the end of the year — approximately €32 — was almost 60% lower than the price at the end of 2022 but still higher than the price before the pandemic. Prices for industrial raw materials also tended to decrease further over the year and at the end of the year were a little less than 3% below the prices recorded at the end of 2022.

## Automotive markets

The economic conditions described above also affected the development of the global automotive market in the year under review. Nevertheless, sales markets were able to partially buck the trend of the overall economic slowdown. In particular, the normalization of global vehicle production, as well as the order backlog that still existed in some cases in the aftermath of the pandemic, boosted the development of sales last year. Customer demand, in contrast, weakened in many automotive markets throughout the year.

Against this background, the global **car market** volume overall was significantly higher than in the previous year. Several different regions contributed to this global increase in volume. The European market recovered noticeably, with market volume increasing significantly by 14% from the low level recorded in the prior year. The US market for light vehicles also registered significant growth of 12% compared to the previous year, while the Chinese market recorded a slight increase of approximately 6%.

The factors mentioned above also affected the development of key **van sales markets**. In Europe, the combined segment for mid-size and large vans, as well as the segment for small vans, recorded a significant increase. The US market for large vans also increased significantly in volume compared to the previous year. Sales figures for mid-size vans in China were also significantly higher than in the previous year, although growth in that market was largely a result of the introduction of new vehicle models by relevant competitors.

# Business development

## Mercedes-Benz Group

Despite bottlenecks in the supply chain, the Mercedes-Benz Group increased unit sales by 1.5% to 2,491,600 vehicles in 2023.

## Mercedes-Benz Cars

### Top-End

Unit sales in the Top-End[1] category accounted for 16% of total unit sales in 2023. In 2023, Mercedes-Maybach was able to increase unit sales by 19% to 27,900 units. At 143,200 units, Mercedes-AMG achieved a 4% increase in unit sales. At 42,700 units, sales of the G-Class[2] were 11% above the prior-year figure. GLS[2] sales increased by 30% to 77,900 units. The S-Class[2] maintained its leadership in the major sales markets with 93,300 vehicles sold.

### Core

The Core category accounted for 54% of the overall portfolio's unit sales. Unit sales of C-Class[3] vehicles rose by 10% to 334,400 saloons, estates, coupés and cabriolets. E-Class[3] sales reached 309,100 units — an increase of 2% — despite the model change. Meanwhile, due to supply bottlenecks, sales of the GLC[3] amounted to 297,400 units and of the GLE[3] to 219,100 units.

### Entry

The Entry category represented 30% of the entire portfolio. Sales of the A-Class[3] totalled 245,100 units. Sales of the B-Class amounted to 21,600 vehicles. The GLB[3] reached 191,900 units sold, and the GLA[3] 175,500 units. A total of 18,100 smart vehicles were sold in the European market.

**Mercedes-Benz Cars unit sales**

| | **2023** | 2022 | 23/22 |
|---|---|---|---|
| In units | | | % change |
| | | | |
| **Total unit sales** | **2,044,100** | 2,040,700 | **.** |
| Top-End | **328,300** | 328,200 | . |
| % share of unit sales | **16** | 16 | |
| Core | **1,096,900** | 1,116,600 | -2 |
| % share of unit sales | **54** | 55 | |
| Entry (incl. smart) | **618,900** | 595,900 | 4 |
| % share of unit sales | **30** | 29 | |
| | | | |
| thereof | | | |
| **Electrified vehicles (xEV)** | **401,900** | 333,500 | **21** |
| BEVs | **240,600** | 149,200 | 61 |
| PHEVs | **161,300** | 184,300 | -12 |
| **Share of electrified vehicles in % of unit sales** | **20** | 16 | |

### Electrified vehicles (xEV)

The **share of electrified vehicles** accounted for 20% of Mercedes-Benz Cars' total unit sales (2022: 16%). This corresponds to unit sales of 401,900 vehicles (2022: 333,500) and an increase of 21% on the previous year.

Sales of **all-electric vehicles (BEVs)** of the Mercedes-Benz brand rose by 61% to 240,600 units in 2023 (2022: 149,200). All-electric vehicles thus accounted for a 12% share of total unit sales (2022: 7%). The most important sales drivers were the EQA, with sales of 52,500 units and the EQB with 54,800 units. The EQE Saloon achieved sales of 37,700 units and the newly introduced EQE SUV 32,100 units. Sales of the EQS Saloon amounted to 14,100 units, and of the EQS SUV[4] 18,500 units.

Sales of **plug-in hybrid vehicles (PHEVs)** totalled 161,300 units in the year under review (2022: 184,300), which corresponds to an 8% share of total sales (2022: 9%).

### Mercedes-Benz Cars unit sales by region

Compared to the prior year, unit sales of Mercedes-Benz Cars increased in Europe (European Union, United Kingdom, Switzerland and Norway) and remained stable in the other major sales markets. In Europe, it sold 659,600 vehicles (2022: 618,900). Sales growth of 9% to 234,300 units was recorded in Germany in the reporting year (2022: 215,600).

1 The Top-End category includes all AMG models.
2 Including Mercedes-Maybach and Mercedes AMG derivatives.
3 Including Mercedes AMG derivatives.
4 Including Mercedes-Maybach.

In China, sales amounted to 737,200 units (2022: 753,900). This figure includes the unit sales recorded by the associated company Beijing Benz Automotive Co., Ltd. (BBAC), which is an equity-method investment. A total of 339,500 vehicles were sold in North America (2022: 344,200). Unit sales in the region's main market, the United States, amounted to 298,000 vehicles and were thus at the prior-year level (2022: 300,800).

### Mercedes-Benz Vans

Mercedes-Benz Vans sold 447,800 vehicles worldwide in 2023 (2022: 415,300), thus setting a new record.

All model series contributed to the growth in sales here. The large vans (Sprinter/eSprinter) recorded a significant increase in sales to 237,400 units (2022: 217,400). Sales of mid-size vans (Vito/eVito, V-Class/EQV) totalled 178,900 units (2022: 175,500). Sales of small vans (Citan/eCitan, T-Class/EQT[1]) amounted to 31,500 units (2022: 22,500).

Worldwide, it proved possible to significantly increase unit sales of electrified vans to 22,700 units (2022: 15,000 units). These were exclusively all-electric models. The **share of electrified vehicles** thus accounted for a 5% share of total unit sales (2022: 4%).

1 WLTP: combined energy consumption: 20.7–19.3 kWh/100 km; combined $CO_2$ emissions: 0 g/km; $CO_2$ class: A.

At 279,400 units, sales in Europe (European Union, United Kingdom, Switzerland and Norway) were significantly above the prior-year level (2022: 259,400). Unit sales in Germany amounted to 114,000 vehicles (2022: 113,200). Mercedes-Benz Vans also set a new sales record in the United States with unit sales of 75,100 vehicles (2022: 66,400). In China, unit sales totalled 33,400 vehicles (2022: 34,200).

### Mercedes-Benz Mobility

The Mercedes-Benz Mobility division had a contract volume of €135.0 billion — slightly above the previous year's figure — at the end of 2023 (31 December 2022: €132.4 billion, +2%; +4% after adjusting for exchange-rate effects). The figure for contract volume shows the total monetary amount of all leasing and financing contracts on a certain date.

Mercedes-Benz Mobility concluded 1.4 million new financing and leasing contracts worth a total of €62.0 billion in the course of 2023. The total value of all new contracts was thus slightly higher than in the prior year (31 December 2022: €58.0 billion, +7%; +10% after adjusting for exchange-rate effects). The main reason for the positive development was the higher average financing and leasing volume per contract, driven by improved pricing on the sales side and a higher proportion of electrified and Top-End vehicles in the new business.

In the German market, new business was roughly on a par with the previous year at €10.4 billion (+2%). Contract volume amounted to €24.5 billion (-3%). The US market benefited from a higher average financing and leasing volume per contract and a significant increase in the penetration rate. The penetration rate indicates the proportion of leased and financed vehicles in the Group's unit sales. At €16.2 billion (+25%), the volume of new business at the end of 2023 was considerably higher than the figure recorded in the prior year. At €35.7 billion, contract volume at the end of December 2023 was slightly higher than at the end of 2022 (+3%). In China, on the other hand, increased competition in the financial services sector caused new business to decrease by 18% compared to the prior year to €9.8 billion. At €16.7 billion, contract volume was also significantly lower than in the previous year (-15%). New business in other markets totalled €25.6 billion (+11%), while contract volume amounted to €58.1 billion (+10%).

### Order situation

Incoming orders at Mercedes-Benz Cars at the end of 2023 were at the same level as in 2022. The new E-Class in particular made a positive contribution to the order situation.

The volume of incoming orders at Mercedes-Benz Vans at the end of 2023 was lower than in the previous year; this was due in particular to the overall economic situation. The order situation is thus at a normal level after several previous years that were marked by positive one-off effects.

# 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 €3.7 billion and were thus higher than in the previous year (2022: €3.5 billion).

**Investments in property, plant and equipment[1]**

| | 2023 | 2022 | 23/22 |
|---|---|---|---|
| In millions of euros | | | % change |
| **Mercedes-Benz Group** | **3,745** | 3,481 | **8** |
| thereof Mercedes-Benz Cars | **3,345** | 3,265 | 2 |
| thereof Mercedes-Benz Vans | **351** | 199 | 76 |

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.

In 2023, investments in property, plant and equipment at **Mercedes-Benz Cars** focused on production preparations and the initial introductions of the MMA and MB.EA platforms. Considerable funds were also invested in the expansion of our battery production facilities. At €3.3 billion, investments in property, plant and equipment in 2023 were at the previous year's level.

The investments in property, plant and equipment at **Mercedes-Benz Vans** amounted to €0.4 billion in 2023 (2022: €0.2 billion) and were thus significantly higher than in the prior year. This was mainly driven by the planned transition to an all-electric Mercedes-Benz van fleet and investments for the transformation of production operations.

## Research and development

Research and development expenditure at the **Mercedes-Benz Group** amounted to €10.0 billion in 2023 (2022: €8.5 billion), higher than in the previous year. €3.8 billion (2022: €2.9 billion) of the research and development costs were capitalized, representing a capitalization rate of 38% (2022: 34%).

**Research and development**

| | 2023 | 2022 | 23/22 |
|---|---|---|---|
| In millions of euros | | | % change |
| Research and development expenditure | **9,996** | 8,541 | 17 |
| thereof Mercedes-Benz Cars | **9,099** | 7,986 | 14 |
| thereof Mercedes-Benz Vans | **873** | 552 | 58 |
| Research and non-capitalized development costs | **6,230** | 5,602 | 11 |
| Capitalized development costs | **3,766** | 2,939 | 28 |
| Capitalization rate in % | **38** | 34 | |

Research and development expenditure at **Mercedes-Benz Cars** amounted to €9.1 billion (2022: €8.0 billion). Expenditure here focused mainly on the development of the new platform generations, which are designed for electromobility. 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 €0.9 billion in 2023 (2022: €0.6 billion), which was significantly higher than in the previous year. Activities relating to the planned electrification of the van fleet played a major role in 2023. This was mostly due to the new eSprinter and the all-electric, modular and scalable van architecture (VAN.EA).

# Profitability, Liquidity and Capital Resources, and Financial Position

To provide a better insight into the Group's profitability, liquidity and capital resources, and financial position, in addition to the figures for the Mercedes-Benz Group, a Condensed Consolidated Statement of Income, a Condensed Consolidated Statement of Cash Flows and a Condensed Consolidated Statement of Financial Position are shown for each of the industrial business and the segment Mercedes-Benz Mobility. The industrial business comprises the automotive segments Mercedes-Benz Cars and Mercedes-Benz Vans. 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. 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.

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 generally 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.

## Profitability

### Consolidated Statement of Income

In 2023, the **revenue** amounted to €153.2 billion (2022: €150.0 billion) and was thus slightly higher than in the prior-year. The increase was primarily due to higher unit sales and improved pricing at the Mercedes-Benz Vans segment. Revenue in the Mercedes-Benz Cars segment was also higher, primarily due to a further improvement in pricing. Negative exchange-rate effects caused revenue to decline.

**Cost of sales** amounted to €118.8 billion (2022: €116.0 billion) in 2023, increased by 2.4% compared with the previous year. The increase was mainly due to expenses to suppliers because of additional costs relating to inflation and supply chains.

**Revenue by segment and region**

| | **2023** | 2022 | 23/22 |
|---|---|---|---|
| In millions of euros | | | % change |
| Mercedes-Benz Group | **153,218** | 150,017 | 2 |
| Segments | | | |
| Mercedes-Benz Cars | **112,756** | 111,601 | 1 |
| Mercedes-Benz Vans | **20,288** | 17,217 | 18 |
| Mercedes-Benz Mobility | **26,718** | 26,954 | -1 |
| Reconciliation[1] | **-6,544** | -5,755 | 14 |
| Regions | | | |
| Europe | **61,895** | 56,487 | 10 |
| thereof Germany | **25,799** | 23,085 | 12 |
| North America | **40,488** | 40,091 | 1 |
| thereof United States | **36,041** | 35,829 | 1 |
| Asia | **43,382** | 45,558 | -5 |
| thereof China | **25,284** | 27,324 | -7 |
| Other markets | **7,453** | 7,881 | -5 |

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

By contrast, lower raw material prices had a positive impact on the cost of sales. Moreover, refinancing costs at Mercedes-Benz Mobility rose due to higher interest rates. In the prior year, cost of sales was negatively impacted by expenses in connection with the discontinuation of the business activities in Russia.

Overall, **gross profit in relation to revenue** increased from €34.0 billion to €34.4 billion.

**Selling expenses** increased by €0.2 billion to €9.7 billion. As a proportion of revenue, selling expenses remained unchanged at 6.3%.

In the past year, **general administrative expenses** increased by €0.1 billion to €2.7 billion. As a proportion of revenue, general administrative expenses increased from 1.7% to 1.8%.

**Research and non-capitalized development costs** of €6.2 billion in 2023 were above the prior-year level (2022: €5.6 billion). The increase was mainly due to higher expenses in connection with advance expenditure for the renewal of existing models and the further development of fuel-efficient and environmentally friendly drive systems as well as the digital connectivity of the products. As a proportion of revenue, research and non-capitalized development costs increased from 3.7% to 4.1%. Further information on this topic is provided in the Investment and research activities chapter of this Combined Management Report.

**Other operating income** of €1.7 billion (2022: €2.0 billion) was below the level of the prior year. The figure included expenses in the amount of €0.2 billion in connection with the discontinuation of business activities in Russia. The prior-year earnings included total income of €0.9 billion in connection with the restructuring of the sales activities in Canada and the change in the shareholding structure of the motorsport business. 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 (before deduction of transaction costs) amounted to €0.2 billion.

In 2023, the **gains/losses on equity-method investments** amounted to €2.1 billion (2022: €1.7 billion) and were thus above the prior-year level. The positive development was mainly due to the higher proportionate earning of the investment in Daimler Truck Holding AG. In financial year 2023, earnings totalled €0.8 billion (2022: €0.2 billion). In addition to higher current earnings, the increase compared to the previous year is partly due to lower negative adjustments at the Group from an investor's perspective. In 2022, the earnings included income of €59 million from the contribution of approximately 5% of the shares in Daimler Truck to the Mercedes-Benz Pension Trust. In contrast, the result of Beijing Automotive Co., Ltd. decreased to €1.5 billion (2022: €1.7 billion).

The **other financial income/expense** was below the previous year's level at €0.1 billion (2022: €0.3 billion), mainly due to higher expenses from the discounting of non-current provisions.

**Earnings before interest and taxes (EBIT)** amounted to €19.7 billion in 2023, which is slightly lower than in the previous year (2022: €20.5 billion).

Due to the global increase in interest rates, **net interest income/expense** improved to an income of €0.4 billion (2022: expense of €0.2 billion) in 2023.

The **tax expense** of €5.6 billion (2022: €5.5 billion) remained at the prior-year level. The effective tax rate for the reporting year was 27.6% (2022: 27.1%).

**Net profit** was thus €14.5 billion (2022: €14.8 billion). Net profit of €0.3 billion is attributable to **non-controlling interests** (2022: €0.3 billion). The net profit **attributable to shareholders of Mercedes-Benz Group AG** amounted to €14.3 billion (2022: €14.5 billion), leading to a decrease in **earnings per share** to €13.46 (2022: €13.55). The calculation of earnings per share is based on an average number of 1,059.6 million issued shares (2022: 1,069.8 million issued shares). The decrease in the weighted average number of shares in circulation is due to the share buyback programme resolved by the Board of Management on 16 February 2023.

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

**Condensed consolidated statement of income/loss**

| | Mercedes-Benz Group | | Industrial Business | | Mercedes-Benz Mobility | |
|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| In millions of euros | | | | | | |
| Revenue | **153,218** | 150,017 | **126,500** | 123,063 | **26,718** | 26,954 |
| Cost of sales | **-118,839** | -115,997 | **-95,209** | -93,010 | **-23,630** | -22,987 |
| **Gross profit** | **34,379** | 34,020 | **31,291** | 30,053 | **3,088** | 3,967 |
| Selling expenses | **-9,728** | -9,482 | **-9,043** | -8,760 | **-685** | -722 |
| General administrative expenses | **-2,688** | -2,584 | **-1,895** | -1,855 | **-793** | -729 |
| Research and non-capitalized development costs | **-6,230** | -5,602 | **-6,230** | -5,602 | **–** | – |
| Other operating income/expense | **1,690** | 2,034 | **1,838** | 1,925 | **-148** | 109 |
| Gains/losses on equity-method investments | **2,129** | 1,732 | **2,284** | 1,941 | **-155** | -209 |
| Other financial income/expense | **108** | 340 | **113** | 328 | **-5** | 12 |
| **EBIT** | **19,660** | 20,458 | **18,358** | 18,030 | **1,302** | 2,428 |
| Interest income/expense | **424** | -154 | **434** | -150 | **-10** | -4 |
| **Profit before income taxes** | **20,084** | 20,304 | **18,792** | 17,880 | **1,292** | 2,424 |
| Income taxes | **-5,553** | -5,495 | **-4,975** | -4,868 | **-578** | -627 |
| **Net profit** | **14,531** | 14,809 | **13,817** | 13,012 | **714** | 1,797 |
| thereof profit attributable to non-controlling interests | **270** | 308 | | | | |
| thereof attributable to shareholders of Mercedes-Benz Group AG | **14,261** | 14,501 | | | | |
| | | | | | | |
| **Earnings per share (in euros)**<br>For profit attributable to shareholders of Mercedes-Benz Group AG | | | | | | |
| **Basic** | **13.46** | 13.55 | | | | |
| **Diluted** | **13.46** | 13.55 | | | | |

**EBIT by segment**

The EBIT of the **Mercedes-Benz Cars** segment decreased to €14,224 million (2022: €16,340 million); adjusted EBIT was €14,252 million (2022: €16,245 million). With a revenue of €112,756 million (2022: €111,601 million), the adjusted return on sales of 12.6% was lower than the adjusted prior-year figure of 14.6%.

Improved pricing and lower raw material prices had a positive impact on gross profit. On the other hand, gross profit was impacted by expenses paid to suppliers due to additional costs relating to inflation and supply chains over the course of the year. In addition, exchange-rate effects had a negative impact on earnings. Gross profit in relation to revenue decreased from 23.9% to 23.4% as a result. Other functional costs increased in 2023. This was mainly due to advance expenditure for the renewal of existing models and the further development of fuel-efficient and environmentally friendly drive systems as well as the digital connectivity of the products. In addition, increased expenses from the discounting of non-current provisions as well as lower equity-method gains of the stake in Beijing Benz Automotive Co., Ltd. contributed to a decrease in earnings.

Adjusted EBIT was slightly higher than EBIT in the year 2023. Effects from ongoing regulatory and legal proceedings and measures relating to Mercedes-Benz diesel vehicles of €94 million (2022: €110 million) negatively impacted the segment's earnings. Earnings in connection with the discontinuation of the business activities in Russia in the amount of €66 million (2022: expense of €658 million) had a positive impact. In addition, in the prior year, M&A transactions in the amount of €863 million had a positive effect on the profit due to the €478 million from the restructuring of the sales activities in Canada and the €385 million from the change in the shareholding structure of the motorsport business.

The **Mercedes-Benz Vans** segment achieved an EBIT of €3,138 million (2022: €1,897 million); adjusted EBIT was €3,063 million (2022: €1,927 million). With a revenue of €20,288 million (2022: €17,217 million), the adjusted return on sales of 15.1% was higher than the adjusted prior-year figure of 11.2%.

The substantial rise in unit sales as well as improved pricing had a very positive impact on gross profit. However, the result was impacted by higher material costs and expenses for higher transportation costs to global sales markets. Furthermore, earnings reflected the highly inflationary macroeconomic situation, particularly the hyperinflation in Argentina. Overall, gross profit in relation to revenue increased from 21.3% to 24.6%. Other functional costs were slightly above the level of the previous year.

Adjusted EBIT was slightly lower than EBIT in the year 2023. Effects in connection with ongoing governmental and court proceedings and measures taken relating to Mercedes-Benz diesel vehicles led to an impact in the amount of €70 million (2022: expense of €15 million) on earnings. In addition, income in the amount of €5 million (2022: expense of €51 million) resulted in connection with the discontinuation of business activities in Russia. In the prior year, M&A transactions in connection with the restructuring of the sales activities in Canada contributed €36 million to earnings.

In 2023, EBIT of the **Mercedes-Benz Mobility** segment amounted to €1,302 million (2022: €2,428 million); adjusted EBIT was €1,695 million (2022: €2,428 million). Revenue amounted to €26,718 million (2022: €26,954 million). Adjusted return on equity of 12.3% was below the adjusted prior-year figure of 16.8%.

The main reasons for the development of EBIT in 2023 were an decreased interest margin due to higher interest rates and increased competition in the financial services sector. Falling used car prices reduced Athlon's remarketing result. Exchange-rate effects and expenses for the expansion of the charging activities also reduced EBIT. The equity-method gains of the mobility investments improved due to a better operating business result and restructuring measures. Despite a challenging macroeconomic environment, credit risk costs were slightly below the previous year's level.

Adjusted EBIT in 2023 was above the reported EBIT. Expenses of €276 million in connection with the discontinuation of the business activities in Russia had a negative effect on earnings. In addition, the equity-method gains/losses were negatively impacted by an impairment (€117 million).

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

In 2023, items at the corporate level resulted in earnings of €858 million (2022: expense of €225 million). This includes the positive effect on earnings of €797 million (2022: €226 million) from the equity-method investments in Daimler Truck Holding AG. On the other hand, in the previous year, earnings were affected by adjustments in connection with the sale of individual investments and business activities to Daimler Truck (€268 million after subtracting transaction costs). 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 €138 million in 2023 (2022: €18 million).

**EBIT of the Mercedes-Benz Group**

| | Mercedes-Benz Group | | Mercedes-Benz Cars | | Mercedes-Benz Vans | | Mercedes-Benz Mobility | | Reconciliation | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| In millions of euros | | | | | | | | | | |
| Revenue | **153,218** | 150,017 | **112,756** | 111,601 | **20,288** | 17,217 | **26,718** | 26,954 | **-6,544** | -5,755 |
| Cost of sales | **-118,839** | -115,997 | **-86,366** | -84,927 | **-15,299** | -13,549 | **-23,630** | -22,987 | **6,456** | 5,466 |
| **Gross profit** | **34,379** | 34,020 | **26,390** | 26,674 | **4,989** | 3,668 | **3,088** | 3,967 | **-88** | -289 |
| Selling expenses | **-9,728** | -9,482 | **-7,740** | -7,568 | **-1,466** | -1,359 | **-685** | -722 | **163** | 167 |
| General administrative expenses | **-2,688** | -2,584 | **-1,538** | -1,460 | **-242** | -252 | **-793** | -729 | **-115** | -143 |
| Research and non-capitalized development costs | **-6,230** | -5,602 | **-5,682** | -5,184 | **-524** | -415 | **–** | – | **-24** | -3 |
| Other income/expense | **3,927** | 4,106 | **2,794** | 3,878 | **381** | 255 | **-308** | -88 | **1,060** | 61 |
| **EBIT** | **19,660** | 20,458 | **14,224** | 16,340 | **3,138** | 1,897 | **1,302** | 2,428 | **996** | -207 |
| Legal proceedings (and related measures) | **22** | 119 | **94** | 110 | **-70** | 15 | **–** | – | **-2** | -6 |
| Restructuring measures | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – |
| M&A transactions | **117** | -631 | **–** | -863 | **–** | -36 | **117** | – | **–** | 268 |
| Income/expenses in connection with adjustments of the business activities in Russia | **205** | 709 | **-66** | 658 | **-5** | 51 | **276** | – | **–** | – |
| **Adjusted EBIT** | **20,004** | 20,655 | **14,252** | 16,245 | **3,063** | 1,927 | **1,695** | 2,428 | **994** | 55 |
| | | | | | | | | | | |
| **Return on sales/return on equity (in %)** | | | **12.6%** | 14.6% | **15.5%** | 11.0% | **9.5%** | 16.8% | | |
| **Adjusted return on sales/return on equity (in %)[1]** | | | **12.6%** | 14.6% | **15.1%** | 11.2% | **12.3%** | 16.8% | | |

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 and return on net assets

As described in the section Performance measurement system, value added is calculated as the difference between the measure of earnings and the cost of capital. The cost of capital used in the calculation of value added is based on average net assets multiplied by the cost of capital rate. The ratio of earnings to net assets results in the profitability of net assets, i.e. the return on capital employed (return on net assets, RONA).

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, such as income taxes and other reconciling items.

The following table shows value added for the Mercedes-Benz Group and for the individual segments.

**Value added**

| | **2023** | 2022 | 23/22 |
|---|---|---|---|
| In millions of euros | | | Change |
| **Mercedes-Benz Group** | **8,844** | 10,236 | -1,392 |
| Mercedes-Benz Cars | **8,841** | 11,757 | -2,916 |
| Mercedes-Benz Vans | **2,975** | 1,791 | +1,184 |
| Mercedes-Benz Mobility | **-488** | 692 | -1,180 |

The value added of the **Mercedes-Benz Group** in the reporting year amounted to €8.8 billion (2022: €10.2 billion), representing a return on net assets of 23.8% (2022: 25.5%). This was once again significantly higher than the Group's required cost of capital rate of 9% (2022: 8%). The value added of the Mercedes-Benz Group decreased, mainly due to the negative development of EBIT of the segments Mercedes-Benz Cars and Mercedes-Benz Mobility. The €1.3 billion increase in average net assets also had a slightly negative effect on value added. This was partly offset by the positive development of EBIT at Mercedes-Benz Vans.

At the **Mercedes-Benz Cars** segment, value added of €8.8 billion was below the prior-year amount of €11.8 billion. RONA amounted to 34.4% (2022: 42.8%). This was primarily due to the negative earnings development. The segment's average net assets, which at €3.2 billion, were higher than in the previous year, increased the negative effect on the value added. This was mainly due to higher average inventories and decreasing average provisions for other risks.

The value added of the **Mercedes-Benz Vans** segment increased significantly from €1.8 billion to €3.0 billion. RONA amounted to 250.4% (2022: 214.4%). This was mainly due to the very positive earnings development. The average net assets showed an opposing increase to €1.3 billion, which was primarily due to increased average inventories and decreasing average provisions for other risks.

At the **Mercedes-Benz Mobility** segment, value added amounted to minus €0.5 billion (2022: €0.7 billion). The segment's return on equity was 9.5% (2022: 16.8%). The development of the return on equity primarily reflects the decrease in earnings. By contrast, the decrease in average total equity had a slightly positive effect on the return on equity.

The following table shows the reconciliation of the segments' EBIT to net operating profit of the Mercedes-Benz Group.

**Reconciliation of the segments‹ EBIT to net operating profit**

| | 2023 | 2022 | 23/22 |
|---|---|---|---|
| In millions of euros | | | Change |
| Mercedes-Benz Cars | **14,224** | 16,340 | -2,116 |
| Mercedes-Benz Vans | **3,138** | 1,897 | +1,241 |
| Mercedes-Benz Mobility | **1,302** | 2,428 | -1,126 |
| **EBIT of the segments** | **18,664** | 20,665 | -2,001 |
| Income taxes[1] | **-5,430** | -5,540 | +110 |
| Other reconciliation | **996** | -207 | +1,203 |
| **Net operating profit Mercedes-Benz Group** | **14,230** | 14,918 | -688 |

1 Adjusted for after-tax interest income.

The following table shows the average net assets.

**Net assets (average)**

| | 2023 | 2022 | 23/22 |
|---|---|---|---|
| In millions of euros | | | % change |
| Mercedes-Benz Cars | **41,407** | 38,189 | +8 |
| Mercedes-Benz Vans | **1,253** | 885 | +42 |
| Mercedes-Benz Mobility[1] | **13,774** | 14,466 | -5 |
| **Net assets of the segments** | **56,434** | 53,540 | +5 |
| Equity-method investment in DTHAG | **8,221** | 8,078 | +2 |
| Other equity-method investments[2] | **253** | 303 | -17 |
| Assets and liabilities from income taxes[3] | **-5,159** | -3,818 | +35 |
| Other reconciliation[3] | **94** | 422 | -78 |
| **Net assets Mercedes-Benz Group** | **59,843** | 58,525 | +2 |

1 Equity.
2 To the extent not allocated to the segments.
3 To the extent not allocated to Mercedes-Benz Mobility.

The following table shows the derivation of net assets on 31 December from the Consolidated Statement of Financial Position.

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

| | At 31 December | | |
|---|---|---|---|
| | 2023 | 2022 | 23/22 |
| In millions of euros | | | % change |
| Intangible assets[1] | **17,022** | 15,275 | +11 |
| Property, plant and equipment[1] | **25,797** | 26,942 | -4 |
| Equipment on operating leases[1] | **14,445** | 14,038 | +3 |
| Inventories[1] | **26,126** | 24,906 | +5 |
| Trade receivables[1] | **6,585** | 7,328 | -10 |
| Provisions for other risks[1] | **-14,481** | -15,179 | -5 |
| Trade payables[1] | **-11,625** | -11,101 | +5 |
| Other assets and liabilities[1] | **-12,409** | -12,595 | -1 |
| Assets and liabilities from income taxes[1] | **-4,778** | -4,507 | +6 |
| Total equity of Mercedes-Benz Mobility | **13,014** | 13,576 | -4 |
| **Mercedes-Benz Group** | **59,696** | 58,683 | +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 the 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 organizationally separate from other financial functions such as settlement, financial controlling, reporting and accounting.

**Capital structure management** designs the capital structure of the Group and its subsidiaries. Decisions regarding the capitalization of the Mercedes-Benz Group companies are based on the principles of cost-optimized and risk-optimized liquidity and capital resources.

**Liquidity management** aims to ensure 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 sources of liquidity which are available in the short term. Those additional financial resources include a pool of receivables from the financial services business which are available for securitization in the capital market 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 only be sold with the consent of Daimler Truck Holding AG until the end of 2024. Consent to the sale is not required in the event of a crisis or after December 2024.

**Cash management** centrally determines the cash requirements and surpluses. By means of cash-pooling procedures, liquidity is in general centrally concentrated on bank accounts of the Mercedes-Benz Group in various currencies. Most of the payments between companies of the Group 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 standardized processes and systems to manage its bank accounts and internal cash-clearing accounts, and to execute automated payment transactions.

**Management of market-price risks** aims to 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 initially determined in order to provide a basis for hedging decisions. These include the volume to be hedged, the period to be hedged and the choice 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 optimization. The performance of the asset management is measured by comparison with defined benchmark indices. The investment risks are limited via a Group-wide policy. In addition, there are local regulations for risk management for the individual plan assets. Additional information on pension plans and similar obligations is provided in Note 22 of the Notes to the Consolidated Financial Statements.

The risk volume that is subject to **credit risk management** includes the Mercedes-Benz Group's worldwide creditor positions with financial institutions, issuers of securities and 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 standardized risk-management process. In this process, minimum requirements are defined for the sales-financing and leasing business and standards are set for credit processes, as well as for the identification, measurement and management of risks. Key elements for the management of credit risks are appropriate creditworthiness assessments supported by statistical risk-classification methods, as well as structured portfolio analysis and portfolio monitoring.

**Financial country risk management** includes various aspects: the risk from investments in subsidiaries and joint ventures, the risk from the cross-border financing of Group companies in high-risk countries and the risk from direct sales to customers in those countries. The Group has an internal rating system that assigns the 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 high-risk countries.

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

**Condensed Consolidated Statement of Cash flows**

| | Mercedes-Benz Group | | Industrial Business | | Mercedes-Benz Mobility | |
|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| In millions of euros | | | | | | |
| **Cash and cash equivalents at beginning of year** | **17,679** | 23,182 | **14,094** | 18,034 | **3,585** | 5,148 |
| thereof cash and cash equivalents classified as assets held for sale at beginning of year | **–** | 62 | **–** | – | **–** | 62 |
| Profit before income taxes | **20,084** | 20,304 | **18,792** | 17,880 | **1,292** | 2,424 |
| Depreciation and amortization/impairments | **6,663** | 6,521 | **6,549** | 6,397 | **114** | 124 |
| Other non-cash expense and income and gains/losses from disposals of assets | **-2,461** | -2,286 | **-2,944** | -2,546 | **483** | 260 |
| Change in operating assets and liabilities | | | | | | |
| Inventories | **-2,733** | -4,111 | **-2,590** | -4,103 | **-143** | -8 |
| Trade receivables and trade payables | **1,310** | 1,029 | **1,146** | 921 | **164** | 108 |
| Receivables from financial services | **-5,812** | -5,327 | **222** | 2 | **-6,034** | -5,329 |
| Vehicles on operating leases | **-640** | 3,810 | **-502** | -995 | **-138** | 4,805 |
| Other operating assets and liabilities | **1,624** | 358 | **1,179** | -125 | **445** | 483 |
| Dividends received from equity-method investments | **2,056** | 1,605 | **2,056** | 1,605 | **–** | – |
| Income taxes paid | **-5,621** | -5,009 | **-4,807** | -4,137 | **-814** | -872 |
| **Cash flow from operating activities** | **14,470** | 16,894 | **19,101** | 14,899 | **-4,631** | 1,995 |
| Additions to property, plant and equipment and intangible assets | **-8,213** | -6,899 | **-8,114** | -6,838 | **-99** | -61 |
| Investments in and disposals of shareholdings and other business operations | **278** | 2,488 | **507** | 316 | **-229** | 2,172 |
| Acquisitions and sales of marketable debt securities and similar investments | **307** | 462 | **229** | 490 | **78** | -28 |
| Other cash flows | **313** | 496 | **349** | 478 | **-36** | 18 |
| **Cash flow from investing activities** | **-7,315** | -3,453 | **-7,029** | -5,554 | **-286** | 2,101 |
| Change in financing liabilities | **-697** | -13,344 | **2,320** | -9,110 | **-3,017** | -4,234 |
| Dividends paid | **-5,880** | -5,669 | **-5,758** | -5,550 | **-122** | -119 |
| Acquisition of treasury shares | **-1,941** | -48 | **-1,941** | -48 | **–** | – |
| Other cash flows | **127** | 29 | **65** | 29 | **62** | – |
| Internal equity and financing transactions | **–** | – | **-7,340** | 1,305 | **7,340** | -1,305 |
| **Cash flow from financing activities** | **-8,391** | -19,032 | **-12,654** | -13,374 | **4,263** | -5,658 |
| Effect of foreign exchange-rate changes on cash and cash equivalents | **-471** | 88 | **-395** | 89 | **-76** | -1 |
| **Cash and cash equivalents at end of year** | **15,972** | 17,679 | **13,117** | 14,094 | **2,855** | 3,585 |
| thereof cash and cash equivalents classified as assets held for sale at end of year | **10** | – | **10** | – | **–** | – |

## 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 cash flows from operating and investing activities. The following table also shows the reconciliation to the adjusted free cash flow of the industrial business.

**Free cash flow of the industrial business**

| | **2023** | 2022 | 23/22 |
|---|---|---|---|
| In millions of euros | | | Change |
| | | | |
| Cash flow from operating activities | **19,101** | 14,899 | +4,202 |
| Cash flow from investing activities | **-7,029** | -5,554 | -1,475 |
| Change in marketable debt securities and similar investments | **-229** | -490 | +261 |
| Right-of-use assets | **-328** | -696 | +368 |
| Other adjustments | **-199** | -31 | -168 |
| **Free cash flow of the industrial business** | **11,316** | 8,128 | +3,188 |
| Legal proceedings (and related measures) | **447** | 878 | -431 |
| Restructuring measures | **101** | 374 | -273 |
| M&A transactions | **-144** | -86 | -58 |
| **Adjusted free cash flow of the industrial business** | **11,720** | 9,294 | +2,426 |

The cash flows from acquisitions and sales of marketable debt securities and similar investments included in cash flows from investing activities are deducted, as those securities are allocated to liquidity and changes in them are thus not a part of the free cash flow of the industrial business. On the other hand, effects in connection with the recognition and measurement of right-of-use assets, which result from 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 2023, the free cash flow of the industrial business amounted to €11.3 billion and was thus higher than the previous year's figure of €8.1 billion.

The increase in the free cash flow of the industrial business by €3.2 billion to €11.3 billion compared to the previous year is characterized by an improvement in profit before income taxes of the industrial business. During the reporting period, a positive effect resulted from the development of the working capital, mainly due to a lower inventory build-up and a decrease in the trade receivables compared to the previous year. A smaller increase in trade payables compared to the previous year had an opposing effect.

In the previous year, the free cash flow was also impacted by higher payments 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 as well as higher payments in connection with restructuring measures. Another positive effect resulted from a lower increase in the number of leased vehicles compared to the previous year. Moreover, higher dividend payments were received during the reporting period from equity-method investments, in particular Daimler Truck Holding AG and Beijing Benz Automotive Co., Ltd. Investments in and disposals of shareholdings and other business operations resulted in slightly higher cash inflows in the reporting period than in the previous year.

There was an increase in income taxes paid in comparison to the prior year, which resulted from the improvement in earnings before taxes in the industrial business. In addition to payments to the tax authorities, income tax payments also include intra-Group payments and refunds based on contractual arrangements within the tax groups. A further negative effect on the free cash flow of the industrial business resulted from the higher investment in intangible assets and capital expenditure on property, plant and equipment.

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 the cash inflow from the purchase price payment for the sale of shares in Mercedes-Benz Grand Prix Ltd. (2022: cash inflows from the restructuring of retail activities in Canada, opposing cash outflows from investment in Automotive Cells Company SE). The adjusted free cash flow of the industrial business amounted to a total of €11.7 billion (2022: €9.3 billion).

**Free cash flow of the Mercedes-Benz Group**

In 2023, the **free cash flow of the Mercedes-Benz Group** resulted in a cash inflow of €6.7 billion (2022: €12.8 billion). The decrease in the free cash flow of the Mercedes-Benz Group was mainly due to the higher leasing and sales-financing business of Mercedes-Benz Mobility compared to the previous year. This was offset by a year-on-year increase in the free cash flow of the industrial business.

In 2022, a cash inflow in the amount of €1.3 billion which related to the payments received from the sale of intercompany loans in connection with the sale of units of the truck financing business 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. In 2023, there were no reclassifications of cash flows between the cash flows from investing activities of the industrial business and Mercedes-Benz Mobility.

**Cash flow from financing activities of the Mercedes-Benz Group**

A cash outflow of €8.4 billion (2022: €19.0 billion) resulted from the cash flow from financing activities (see condensed statement of cash flows) during the reporting period. The lower cash outflow relative to the same period of the prior year is primarily due to the significantly lower net refinancing in the prior year. This was offset during the reporting period by the payments of €1.9 billion made in connection with the share buyback programme. Taking account of exchange-rate effects, cash and cash equivalents decreased by €1.7 billion since 31 December 2022. Total liquidity, which also includes marketable debt securities and similar investments, decreased by €1.9 billion to €22.8 billion.

## CFBIT and cash conversion rate of the automotive segments

The **CFBIT of the automotive segments** is derived from the EBIT and the change in net assets, and also includes additions to the right-of-use assets. The line Other was primarily affected by dividend payments from equity-method investments, payments for the settlement of payables and provisions recognized in previous years through profit or loss, and, in particular in the year 2022, by the elimination of non-cash income included in EBIT in connection with the sale of shares in Mercedes-Benz Grand Prix Ltd.

The following table shows the reconciliation from EBIT for Mercedes-Benz Cars and Mercedes-Benz Vans to the CFBIT of the corresponding segment. The reconciliation from CFBIT to **adjusted CFBIT** and the **adjusted cash conversion rate** are also shown.

Mercedes-Benz Cars achieved an adjusted cash conversion rate of 0.9 (2022: 0.7) and Mercedes-Benz Vans an adjusted cash conversion rate of 1.0 (2022: 1.1).

**Reconciliation from EBIT to adjusted CFBIT**

| | **Mercedes-Benz Cars** | | **Mercedes-Benz Vans** | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| In millions of euros | | | | |
| **EBIT** | **14,224** | 16,340 | **3,138** | 1,897 |
| Change in working capital | **-1,095** | -2,936 | **-340** | -167 |
| Net financial investments | **514** | 208 | **-29** | 54 |
| Net investments in property, plant and equipment and intangible assets | **-7,453** | -6,715 | **-725** | -364 |
| Depreciation and amortization/impairments | **6,125** | 5,943 | **420** | 452 |
| Other | **21** | -2,122 | **353** | -141 |
| **CFBIT** | **12,336** | 10,718 | **2,817** | 1,731 |
| Legal proceedings (and related measures) | **251** | 549 | **198** | 335 |
| Restructuring measures | **92** | 321 | **3** | 17 |
| M&A transactions | **-144** | -175 | **–** | -43 |
| **Adjusted CFBIT** | **12,535** | 11,413 | **3,018** | 2,040 |
| **Adjusted EBIT** | **14,252** | 16,245 | **3,063** | 1,927 |
| **Adjusted cash conversion rate**[1] | **0.9** | 0.7 | **1.0** | 1.1 |

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

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 the sum of receipts and payments of taxes and interest of the industrial business. The other reconciling 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. The year-on-year increase was mainly due to the dividend of Daimler Truck Holding AG, which was included in the other reconciliation items in the reporting period.

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

| | **2023** | 2022 |
|---|---|---|
| In millions of euros | | |
| **CFBIT Mercedes-Benz Cars** | **12,336** | 10,718 |
| **CFBIT Mercedes-Benz Vans** | **2,817** | 1,731 |
| Income taxes paid/refunded | **-4,807** | -4,137 |
| Interest paid/received | **324** | -255 |
| Other reconciling items | **646** | 71 |
| **Free cash flow of the industrial business** | **11,316** | 8,128 |

### Net liquidity and net debt

As the following table 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 nominal amounts of financing liabilities.

**Net liquidity of the industrial business**

| | At 31 December | | |
|---|---|---|---|
| | **2023** | 2022 | 23/22 |
| In millions of euros | | | Change |
| Cash and cash equivalents | **13,117** | 14,094 | -977 |
| Marketable debt securities and similar investments | **5,948** | 6,083 | -135 |
| **Liquidity** | **19,065** | 20,177 | -1,112 |
| Financing liabilities | **13,489** | 7,549 | +5,940 |
| Liabilities from refinancing internal dealerships | **-169** | -42 | -127 |
| Market valuation and currency hedges for financing liabilities | **-726** | -1,047 | +321 |
| **Financing liabilities (nominal)** | **12,594** | 6,460 | +6,134 |
| **Net liquidity** | **31,659** | 26,637 | +5,022 |

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 by an elimination in the financing liabilities in the calculation of the net debt of the industrial business.

Since 31 December 2022, the net liquidity of the industrial business increased by €5.0 billion to €31.7 billion. The increase is mainly due to the positive free cash flow of the industrial business, which was partially offset by the dividend payment made to the shareholders of Mercedes-Benz Group AG.

**Net debt** at Group level, which primarily results from refinancing the leasing and sales-financing business, decreased compared with 31 December 2022 by €1.5 billion to €86.6 billion. The derivation of net debt is shown in the following table.

**Net debt of the Mercedes-Benz Group**

| | At 31 December | | |
|---|---|---|---|
| | **2023** | 2022 | 23/22 |
| In millions of euros | | | Change |
| Cash and cash equivalents | **15,972** | 17,679 | -1,707 |
| Marketable debt securities and similar investments | **6,858** | 7,060 | -202 |
| **Liquidity** | **22,830** | 24,739 | -1,909 |
| Financing liabilities | **-108,724** | -111,837 | +3,113 |
| Market valuation and currency hedges for financing liabilities | **-720** | -1,048 | +328 |
| **Financing liabilities (nominal)** | **-109,444** | -112,885 | +3,441 |
| **Net debt** | **-86,614** | -88,146 | +1,532 |

## Contingent liabilities and other financial obligations

At 31 December 2023, the best estimate for **contingent liabilities** was €2.6 billion (2022: €4.1 billion). The decrease is mainly a result of discontinuing the business activities in Russia and the disposal of the contingent liabilities upon completion of the transaction.

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 2023. These financial obligations result from contractual commitments to acquire intangible assets; property, plant and equipment; equipment on operating leases and irrevocable loan commitments.

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

## Refinancing

The funds raised by the Mercedes-Benz Group in the year 2023 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 and the securitization 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 the volatility of interest rates as well as decisions by central bank.

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

**Benchmark issuances**

| Issuer | Volume | Month of issuance | Maturity |
|---|---|---|---|
| Mercedes-Benz Finance North America LLC | | | |
| | USD 1,000 million | 03/2023 | 03/2025 |
| | USD 1,000 million | 03/2023 | 03/2026 |
| | USD 1,000 million | 03/2023 | 03/2028 |
| | USD 1,100 million | 08/2023 | 08/2025 |
| | USD 750 million | 08/2023 | 08/2026 |
| | USD 900 million | 08/2023 | 08/2028 |
| | USD 750 million | 08/2023 | 08/2033 |
| Mercedes-Benz International Finance B.V. | | | |
| | EUR 1,000 million | 05/2023 | 05/2026 |
| | EUR 1,000 million | 05/2023 | 05/2031 |

The Mercedes-Benz Group also issued **commercial paper** in 2023.

In the reporting period, **asset-backed securities (ABS)** transactions with a volume of €1.4 billion were carried out successfully in Germany. ABS transactions with a total volume of CNY 17.4 billion were carried out in China. In the United States the asset-back securities credit line with a volume of USD 4.0 billion was extended and further ABS transactions of USD 3.5 billion were placed.

**Bank credit** was another important source of refinancing in 2023. These loans were provided by globally active banks as well as by banks operating nationally.

The **syndicated credit line** in the amount of €11 billion in existence since July 2018 had not been utilized as of the balance sheet date.

The carrying amounts of the main **refinancing instruments** and the volume-weighted average interest rates are shown in the following table.

At 31 December 2023, these carrying amounts are mainly denominated in the following currencies: 42% in euros, 28% in US dollars and 13% in Chinese renminbi.

At 31 December 2023, the total of financing liabilities shown in the Consolidated Statement of Financial Position amounted to €108.6 billion (2022: €111.8 billion).

**Refinancing instruments**

| | Average interest rates | | Carrying amounts | |
|---|---|---|---|---|
| | **31 Dec. 2023** | 31 Dec. 2022 | **31 Dec. 2023** | 31 Dec. 2022 |
| | | in % | | In millions of euros |
| Notes/bonds and liabilities from ABS transactions | **3.46** | 2.53 | **71,185** | 70,984 |
| Liabilities to financial institutions | **4.57** | 3.03 | **25,317** | 24,738 |
| Deposits in the direct banking business | **2.19** | 0.91 | **5,759** | 10,538 |

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

## Credit ratings

Mercedes-Benz Group AG had long-term A ratings with all five rating agencies at the end of the year 2023. In the course of the year, all five agencies raised the long-term credit ratings for the Group by one notch. Four of them also raised their short-term credit ratings by one notch at the same time.

**Credit ratings**

| | **End of 2023** | End of 2022 |
|---|---|---|
| **Long-term credit rating** | | |
| S&P | **A** | A- |
| Moody's | **A2** | A3 |
| Fitch | **A** | A- |
| Scope | **A+** | A |
| DBRS | **A** | A (low) |
| **Short-term credit rating** | | |
| S&P | **A-1** | A-2 |
| Moody's | **P-1** | P-2 |
| Fitch | **F1+** | F1 |
| Scope | **S-1+** | S-1 |
| DBRS | **R-1 (low)** | R-1 (low) |

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

**S&P Global Ratings** (S&P) raised the long-term corporate rating of Mercedes-Benz Group AG from A- to A with stable outlook on 5 May 2023. The short-term rating was also raised, from A-2 to A-1. S&P considers the Mercedes-Benz Group's cash flow generation to be the best in its class among the traditional automakers. S&P also considers that the Group will continue to successfully manage the pricing, the model mix, the costs and the investments in the event of weaker conditions for the sector. After the conclusion of the rating review, S&P confirmed the long-term and short-term ratings for the Mercedes-Benz Group according to the new criteria for issuers with captive financial services businesses on 23 November 2023.

On 27 July 2023, **Fitch Ratings** (Fitch) raised the long-term issuer rating for Mercedes-Benz Group AG from A- to A with a stable outlook. At the same time, the short-term rating was raised from F1 to F1+. Fitch explained this step with the structural improvement of the financial profile of the Mercedes-Benz Group, which was underlined by a significantly higher return on sales in comparison with the Fitch "A"-rating median and supported by the generation of free cash flow above the historical average values.

On 16 November 2023, the Canadian agency **DBRS Morningstar** (DBRS) raised the long-term rating of Mercedes-Benz Group AG and its subsidiaries incorporated in the rating from A (low) to A with a stable outlook. At the same time, the corresponding short-term rating was confirmed as R-1 (low). DBRS explained this assessment with the continuing solid development of the company's earnings regardless of various significant headwinds, including interest rate and inflationary pressures, geopolitical uncertainty and continuing supply chain bottlenecks.

On 23 December 2023, the European rating agency **Scope Ratings** (Scope) upgraded the long-term issuer rating of Mercedes-Benz Group AG and its financing companies included in the rating from A to A+ with a stable outlook and concurrently increased the short-term rating from S-1 to S-1+. Scope justified this upgrade with the Group's improved business risk profile, which can be attributed to structurally higher operating profitability through the strategic shift into the luxury space and the continuous streamlining of the fixed cost base.

# Financial position

At €263.0 billion, the Group's **balance sheet total** was at the same level as in the previous year (2022: €260.0 billion); the exchange-rate effects amounted to minus €4.7 billion.

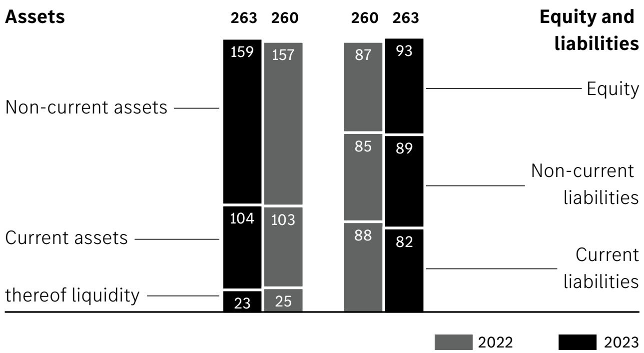
**Condensed Consolidated Statement of Financial Position**

| | Mercedes-Benz Group | | Industrial Business | | Mercedes-Benz Mobility | |
|---|---|---|---|---|---|---|
| | At 31 December | | At 31 December | | At 31 December | |
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| In millions of euros | | | | | | |
| **Assets** | | | | | | |
| Intangible assets | **17,593** | 15,869 | **17,022** | 15,275 | **571** | 594 |
| Property, plant and equipment | **26,090** | 27,250 | **25,797** | 26,942 | **293** | 308 |
| Equipment on operating leases | **41,712** | 41,552 | **14,445** | 14,038 | **27,267** | 27,514 |
| Receivables from financial services | **88,211** | 85,549 | **-81** | -66 | **88,292** | 85,615 |
| Equity-method investments | **13,104** | 13,530 | **12,896** | 13,259 | **208** | 271 |
| Inventories | **27,294** | 25,621 | **26,126** | 24,906 | **1,168** | 715 |
| Trade receivables | **7,281** | 8,100 | **6,585** | 7,328 | **696** | 772 |
| Cash and cash equivalents | **15,962** | 17,679 | **13,107** | 14,094 | **2,855** | 3,585 |
| Marketable debt securities and similar investments | **6,858** | 7,060 | **5,948** | 6,083 | **910** | 977 |
| thereof current | **6,159** | 6,237 | **5,879** | 5,970 | **280** | 267 |
| thereof non-current | **699** | 823 | **69** | 113 | **630** | 710 |
| Other financial assets | **7,939** | 7,931 | **-5,680** | -5,140 | **13,619** | 13,071 |
| Other assets | **10,183** | 9,874 | **1,005** | 772 | **9,178** | 9,102 |
| Assets held for sale | **795** | – | **795** | – | **–** | – |
| **Total assets** | **263,022** | 260,015 | **117,965** | 117,491 | **145,057** | 142,524 |

| | **Mercedes-Benz Group** | | **Industrial Business** | | **Mercedes-Benz Mobility** | |
|---|---|---|---|---|---|---|
| | At 31 December | | At 31 December | | At 31 December | |
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| In millions of euros | | | | | | |
| **Equity and liabilities** | | | | | | |
| Equity | **92,816** | 86,540 | **79,802** | 72,964 | **13,014** | 13,576 |
| Provisions | **16,390** | 17,044 | **15,565** | 16,211 | **825** | 833 |
| Financing liabilities | **108,638** | 111,837 | **-13,575** | -7,549 | **122,213** | 119,386 |
| thereof current | **44,914** | 49,786 | **-23,343** | -20,668 | **68,257** | 70,454 |
| thereof non-current | **63,724** | 62,051 | **9,768** | 13,119 | **53,956** | 48,932 |
| Trade payables | **12,828** | 12,204 | **11,625** | 11,101 | **1,203** | 1,103 |
| Other financial liabilities | **7,118** | 7,928 | **4,146** | 5,128 | **2,972** | 2,800 |
| Contract and refund liabilities | **10,391** | 10,554 | **10,084** | 10,234 | **307** | 320 |
| Other liabilities | **14,617** | 13,908 | **10,094** | 9,402 | **4,523** | 4,506 |
| Liabilities held for sale | **224** | – | **224** | – | **–** | – |
| **Total equity and liabilities** | **263,022** | 260,015 | **117,965** | 117,491 | **145,057** | 142,524 |

Current assets accounted for 40% of the balance sheet total, which is at the prior-year level. Current liabilities accounted for 31% of the balance sheet total, which is below the prior-year level of 34%.

**Balance sheet structure Mercedes-Benz Group**
In billions of euros




Before eliminations between segments, Mercedes-Benz Mobility accounted for €145.1 billion (2022: €142.5 billion) of the balance sheet total. During the reporting year, all intra-Group eliminations between the industrial business and Mercedes-Benz Mobility regarding 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 €17.6 billion (2022: €15.9 billion) particularly include €15.1 billion of capitalized development costs (2022: €13.5 billion). Of the development costs, a share of €14.0 billion (2022: €12.6 billion) was attributable to the Mercedes-Benz Cars segment and €1.1 billion (2022: €0.8 billion) to the Mercedes-Benz Vans segment. Development costs capitalized in the reporting year amounted to €3.8 billion (2022: €2.9 billion) and represent 38% (2022: 34%) of the Group's total research and development expenditure. The increase in capitalized development costs is mainly attributable to development work for the new platform generations geared towards electric mobility.

**Property, plant and equipment** decreased to €26.1 billion (2022: €27.3 billion). In addition to negative exchange-rate effects, the deconsolidation of the Russian companies in 2023 and the reclassification of property, plant and equipment to assets held for sale in connection with the planned divestment of sales companies in European countries other than Germany had a negative effect on the balance sheet total.

**Equipment on operating leases** and **receivables from financial services** rose to a total of €129.9 billion (2022: €127.1 billion) due to the increase in sales financing, mainly in North America. The increase adjusted for currency translation effects was €5.8 billion. At 49%, the leasing and sales-financing business as a proportion of total assets was at prior year level.

**Equity-method investments** decreased to €13.1 billion (2022: €13.5 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 from €25.6 billion to €27.3 billion. As a result the share of total assets remains at the prior year level of 10%. The increase relates in particular to finished goods, spare parts and products held for resale at €2.2 billion as a result of the introduction of the direct sales model in additional markets and model year-related production ramp-ups. Furthermore, the finished goods include higher-value vehicles on average.

At €7.3 billion, **trade receivables** were lower than the prior-year-figure of €8.1 billion.

Compared to 31 December 2022, **cash and cash equivalents** decreased by €1.7 billion to €16.0 billion.

**Marketable debt securities and similar investments** decreased compared with 31 December 2022 from €7.1 billion to €6.9 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 at the prior-year level. They consist primarily of derivative financial instruments, equity and debt instruments, shares in non-consolidated subsidiaries, and loans and other receivables from third parties.

The **other assets** of €10.2 billion (2022: €9.9 billion) particularly include deferred taxes and tax refund claims.

In connection with the planned disposal of sales companies in other European countries, the Group is showing **assets held for sale** of €0.8 billion and **liabilities held for sale** of €0.2 billion as of 31 December 2023.

**Equity and liabilities**

Compared to 31 December 2022, the Group's **equity** increased from €86.5 billion to €92.8 billion, mainly as a result of the positive earnings development. Additionally gains of €0.5 billion are recognized directly in equity from the measurement of derivative financial instruments after tax. An opposing effect arose from the dividend of €5.6 billion paid to the shareholders of Mercedes-Benz Group AG and the aquisition of treasury shares of €2.3 billion as part of the share buyback programme. Equity attributable to the shareholders of Mercedes-Benz Group AG increased accordingly to €91.8 billion (2022: €85.4 billion).

Whereas the balance sheet total remained at the prior-year level, equity increased by 7% compared with the previous year. The Group's **equity ratio** of 35.3% was accordingly above the level at the end of 2022 (31.1%); the equity ratio for the industrial business was 67.6% (2022: 57.4%). It is necessary to take into account the fact that the equity ratios at the end of 2022 and 2023 have been adjusted for the paid and proposed dividend payments respectively.

**Provisions** decreased to €16.4 billion from the previous year (2022: €17.0 billion). At 6%, they were also below the prior-year level of 7% of the balance sheet total. The decrease is mainly due to lower provisions for liability and litigation risks and regulatory proceedings.

**Financing liabilities** of €108.6 billion were below the €111.8 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 51% bonds, 23% liabilities to financial institutions, 14% liabilities from ABS transactions and 5% deposits in the direct banking business. The decrease in deposits from the direct banking business is related to the planned discontinuation of the retail deposit business by the end of 2024. The financing liabilities available on 31 December 2023 relate primarily to the refinancing requirements of the leasing and sales-financing business.

**Trade payables** increased compared to 31 December 2022 from €12.2 billion to €12.8 billion.

**Other financial liabilities** amounted to €7.1 billion (2022: €7.9 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 decrease in other financial liabilities is mainly attributable to lower liabilities from derivative financial instruments, the carrying amount of which declined due to interest and exchange-rate developments.

The **contract and refund liabilities** of €10.4 billion were below the €10.6 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 €14.6 billion (2022: €13.9 billion) primarily include deferred taxes, tax liabilities and prepaid expenses. The increase was primarily attributable to higher deferred tax liabilities.

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, the Consolidated Statement of Changes in Equity, and the related notes in the Notes to the Consolidated Financial Statements.

## Net assets

The following table 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.

**Derivation of net assets of the automotive segments**

| | Mercedes-Benz Cars | | Mercedes-Benz Vans | |
|---|---|---|---|---|
| | At 31 December | | At 31 December | |
| | **2023** | 2022 | **2023** | 2022 |
| In millions of euros | | | | |
| Intangible assets | **15,537** | 13,988 | **1,476** | 1,276 |
| Property, plant and equipment | **23,894** | 25,010 | **1,907** | 1,936 |
| Inventories | **23,226** | 22,419 | **3,011** | 2,558 |
| Trade receivables | **5,504** | 6,083 | **1,080** | 1,244 |
| Other segment assets | **25,274** | 24,408 | **3,012** | 3,022 |
| **Segment assets** | **93,435** | 91,908 | **10,486** | 10,036 |
| thereof assets held for sale | **657** | 0 | **98** | 0 |
| Trade payables | **10,247** | 9,838 | **1,379** | 1,259 |
| Other segment liabilities | **41,421** | 42,126 | **7,853** | 7,766 |
| **Segment liabilities** | **51,668** | 51,964 | **9,232** | 9,025 |
| thereof liabilities held for sale | **102** | 0 | **18** | 0 |
| **Net assets** | **41,767** | 39,944 | **1,254** | 1,011 |

# Mercedes-Benz Group AG

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

Mercedes-Benz Group AG is the parent company of the Mercedes-Benz Group and has its headquarters in Stuttgart. In addition to reporting on the Mercedes-Benz Group, the development of Mercedes-Benz Group AG in the year 2023 is also described in this section.

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 compiled in accordance with the provisions of 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.

The financial statements of Mercedes-Benz Group AG, for which KPMG AG Wirtschaftsprüfungsgesellschaft has issued an unqualified audit opinion, are transmitted electronically to the body responsible for managing the company register so that the statements can be entered into the company register. The financial statements can be viewed on the website of the company register as well as on the Mercedes-Benz Group website at group.mercedes-benz.com/investors/reports-news/annual-reports/2023.

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.

Net profit or loss is the key performance indicator for Mercedes-Benz Group AG.

**Profitability**

**Net profit** amounted to €12.1 billion, which was significantly higher than the figure of €8.9 billion recorded in the previous year and corresponds to the expected range of the previous year's Outlook chapter. The earnings of Mercedes-Benz Group AG in the year under review were particularly affected by a higher level of financial income.

Mercedes-Benz Group AG generated **revenue** of €1.4 billion, primarily from the provision of services to companies of the Group (2022: €1.4 billion).

**Cost of sales** amounted to €1.4 billion (2022: €1.4 billion) and primarily comprises expenses incurred for the services provided to companies of the Group.

**General administrative expenses** amounted to €0.8 billion (2022: €0.8 billion).

**Other operating income** totalled €0.02 billion (2022: €0.3 billion). Other operating income from the previous year included income from the sale of approximately 5% of the shares of Daimler Truck Holding AG to Mercedes-Benz AG and their subsequent transfer to the Mercedes-Benz Pension Trust e. V.

**Financial income** increased by €3.8 billion to €15.6 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, lower impairments of subsidiaries and investments and higher income from associated companies. Moreover, the rise in interest rates led to an increase in financial income.

The **income tax expense** amounted to €2.8 billion (2022: €2.5 billion). The rise despite a decrease in taxable operating profit within the tax group is mainly explicable by the last use of tax-loss carryforwards in 2022.

**Condensed statement of income of Mercedes-Benz Group AG**

| | **2023** | 2022 |
|---|---|---|
| In millions of euros | | |
| Revenue | **1,415** | 1,422 |
| Cost of sales | **-1,400** | -1,407 |
| General administrative expenses | **-779** | -752 |
| Other operating income | **20** | 293 |
| **Operating profit/loss** | **-744** | -444 |
| Financial income | **15,630** | 11,785 |
| Income taxes | **-2,788** | -2,464 |
| **Net profit** | **12,098** | 8,877 |
| Transfer to other retained earnings | **-6,049** | -3,314 |
| **Distributable profit** | **6,049** | 5,563 |

## Financial position

**Total assets** of €80.4 billion were below the level of the previous year (2022: €84.2 billion).

**Non-current assets** increased by €0.6 billion to €40.6 billion in the course of the year. This was due to the increase of €0.6 billion in financial assets.

**Receivables, securities and other assets** decreased compared with 31 December 2022 by €3.7 billion to €32.9 billion. This is the result of the decrease in receivables from subsidiaries of €2.7 billion, which in turn was caused by lower intra-Group financial receivables. In addition, the other assets decreased by €0.8 billion, in particular due to the maturity of fixed-term deposits.

**Equity** increased by €4.6 billion to €41.6 billion in the reporting year. This increase was a result of the net profit amounting to €12.1 billion, of which €6.0 billion was transferred to retained earnings pursuant to Section 58 Subsection 2 of the German Stock Corporation Act (AktG). Equity, in contrast, decreased due to the dividend payment of €5.6 billion to the shareholders of Mercedes-Benz Group AG and the ongoing share buyback programme. The equity ratio as of 31 December 2023 was 51.8% (31 December 2022: 43.9%). Mercedes-Benz Group AG held treasury shares of €1.9 billion as of 31 December 2023. Disclosures pursuant to Section 160 Subsection 1 No. 2 of the German Stock Corporation Act (AktG) are contained in the Annual Financial Statements of Mercedes-Benz Group AG in accordance with the statutory requirements.

**Provisions** decreased by €0.5 billion to €2.6 billion. This was mainly due to lower provisions for taxes and the decrease in provisions for contingent losses resulting from derivative financial instruments.

**Liabilities** decreased by €8.0 billion to €36.2 billion. This change is primarily the result of the decrease in liabilities to subsidiaries of €7.2 billion, which in turn was caused by lower intra-Group financial liabilities. In addition, bonds amounting to €0.5 billion were redeemed.

**Condensed statement of financial position of Mercedes-Benz Group AG**

| | **31 December 2023** | 31 December 2022 |
|---|---|---|
| In millions of euros | | |
| **Assets** | | |
| **Non-current assets** | **40,630** | 40,001 |
| Receivables, securities and other assets | **32,945** | 36,617 |
| Cash and cash equivalents | **6,592** | 7,450 |
| **Current assets** | **39,537** | 44,067 |
| **Prepaid expenses** | **217** | 188 |
| **Total assets** | **80,384** | 84,256 |
| **Equity and liabilities** | | |
| Share capital | **3,070** | 3,070 |
| Calculated value of treasury shares | **-83** | – |
| Capital reserve | **11,480** | 11,480 |
| Retained earnings | **21,106** | 16,854 |
| Distributable profit | **6,049** | 5,563 |
| **Equity** | **41,622** | 36,967 |
| Provisions for pensions and similar obligations | **330** | 401 |
| Other provisions | **2,275** | 2,713 |
| **Provisions** | **2,605** | 3,114 |
| Trade payables | **246** | 222 |
| Other liabilities | **35,904** | 43,940 |
| **Liabilities** | **36,150** | 44,162 |
| **Deferred income** | **7** | 13 |
| **Total equity and liabilities** | **80,384** | 84,256 |

## Liquidity and capital resources

The **Statements of Cash Flows** of Mercedes-Benz Group AG according to HGB include the following exceptions, which deviate from 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 and cash equivalents** decreased by €7.5 billion to €6.6 billion. The decrease in cash and cash equivalents of €0.9 billion was influenced by the following developments:

**Cash flow from operating activities** resulted in a net cash outflow of €0.7 billion in the reporting year (2022: €1.9 billion). The cash outflow primarily resulted from income tax payments, which increased by €0.9 billion compared to the previous year. The lower cash outflow relative to the preceding year can mainly be attributed to the maturity of short-term time deposits and higher distributions to subsidiaries and associated companies.

**Cash flow from investing activities** resulted in a cash outflow of €0.1 billion in 2023 (2022: cash inflow of €1.6 billion). On the one hand, the change was due to lower net cash inflows from the acquisition and disposal of securities within the context of liquidity management (2023: €0.1 billion; 2022: €1.1 billion). On the other, capital repayments from subsidiaries resulted in higher cash inflows in the previous year.

**Cash flow from financing activities** resulted in a cash outflow of €0.1 billion in the reporting period (2022: €1.3 billion). The decreasing cash outflow compared to the previous year was mainly due to the lower repayment of external financing liabilities. However, a lower cash inflow compared to the previous year resulted from the financing provided to subsidiaries in connection with central financial and liquidity management. Alongside this, the cash outflows increased as a result of the share buyback transactions in the reporting year as well as the dividend payment to shareholders of Mercedes-Benz Group AG.

## Outlook

The financial position, cash flows and profitability of Mercedes-Benz Group AG depend on the business developments and the 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 2024, Mercedes-Benz Group AG expects to post a significantly higher net profit than for the year 2023, primarily as a result of significantly improved financial income to be brought about by higher profit transfers from major subsidiaries.

## 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 is the business development 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.

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 €4.7 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.

# 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 issues, 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. Insofar as not otherwise specified, all information concerning the Mercedes-Benz Group refers to the Consolidated Group in the context of the Consolidated Financial Statements.

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, it was decided to continue to publish more in-depth information about sustainability at the Mercedes-Benz Group in a separate Sustainability Report for the previous reporting year. It will be available on the Group's website on the Internet (additional information group.mercedes-benz.com/sustainability). Further information on the business model of the Mercedes-Benz Group can be found in the chapter Corporate Profile.

## Sustainability as a driver 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 production sites but also to its entire upstream and downstream value chain. The Mercedes-Benz Group translates this approach into its sustainable business strategy and thus firmly embeds its sustainability issues into its daily business. Among other things, the goal is to fulfil the demands and expectations of the stakeholders — i.e. customers, investors, employees, business partners, non-governmental organizations (NGOs) and society as a whole.

One of the most important goals at the Mercedes-Benz Group is decarbonization, which the Group has made a firm component of its sustainable business strategy. The Group's strategy includes the Ambition 2039 target, which aims to make the entire Mercedes-Benz new vehicle fleet net carbon-neutral[1] across all stages of the value chain by 2039. Mercedes-Benz Cars and Mercedes-Benz Vans are creating the necessary conditions to become all-electric. The pace of transformation

1 Net carbon-neutral means that no $CO_2$ emissions are created or any resulting $CO_2$ emissions are offset by certified compensation projects.

is determined by market conditions and customer requirements. Mercedes-Benz Cars and Mercedes-Benz Vans are getting ready to be able to meet the various customer requirements, be it an all-electric drivetrain or an combustion engine — into the 2030s if necessary.

**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 issues are an integral part of the business strategy.

The Mercedes-Benz Group's sustainable business strategy takes into account the regulatory requirements that are relevant to its business operations, as well as recognized international frameworks, the expectations of external and internal stakeholders, and global trends. The Mercedes-Benz Group also conducts materiality assessments on a regular basis in order to identify strategic areas of action. Here the Mercedes-Benz Group bases its activities on the United Nation's (UN) 17 Sustainable Development Goals (SDGs) — especially SDGs 8 and 9 and 11 to 13 — among other factors, and in the process concentrates on the areas where it can create value added. It discusses the material areas of action with the involvement of relevant stakeholder groups. During the year under review, the Group confirmed the six strategic areas of action shown below and, where necessary, further specified the strategic ambitions associated with these areas of action.

- **Climate Change mitigation and air quality**: Plans call for the Mercedes-Benz new vehicle fleet to be net carbon-neutral across the entire value chain by 2039 and to no longer have any impact on $NO_2$ levels in urban areas by 2025.

- **Resource conservation:** The Mercedes-Benz Group wants to decouple resource consumption from business volume growth.

- **More sustainable urban mobility:** The Mercedes-Benz Group wants to contribute to the improvement of the quality of life in cities through 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:** Customer trust and the responsible handling of customer data are the basis for sustainable digital products and services.

- **Human rights:** The Mercedes-Benz Group assumes responsibility and is committed to safeguarding human rights along its own automotive value chain.

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

**Materiality assessment**

The Group conducted a comprehensive materiality assessment in 2021 in order to determine which sustainability topics are particularly relevant for the Mercedes-Benz Group and its stakeholders. The analysis was completed in summer 2022 and, following a review of the areas of action, is applicable for the year 2023

This materiality assessment 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: a desk analysis, an international online survey as well as interviews with internal and external experts, an assessment of the impact of the Mercedes-Benz Group's business activities on the environment and society (inside-out) as well as an analysis of the external influences on the Mercedes-Benz Group's business activities (outside-in-dimension).

In addition, the sustainability issues resulting from the analysis were reviewed with regard to their impact on financial position, profitability and business development. On this basis, the topics for the Non-financial Declaration were defined. For this reason, not all strategic areas of action are reflected 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 shall be supported by clear lines of responsibility in the management and organizational structures used at all of the divisions.

At the end of July 2023, the Supervisory Board decided to establish at the Board of Management level a cross-divisional steering and coordination function for sustainability management throughout the Group. Renata Jungo Brüngger then took over this function of Sustainability Coordinator on 1 August 2023. Her executive division was renamed Integrity, Governance & Sustainability (previously Integrity and Legal).

The previous central management body for sustainability — the Group Sustainability Board (GSB) — was replaced by the Group Sustainability Committee (GSC) during the year under review. This new body meets on a quarterly basis and is chaired by Renata Jungo Brüngger in her capacity as Sustainability Coordinator. The committee, which is made up of representatives from top management, is responsible for the holistic management of ESG topics across all functions, divisions and regions in line with goals and targets, KPIs and areas of responsibility. The members of the GSC are also responsible for addressing sustainability topics in the functions they manage.

In addition, Sustainability Coordination Meetings (SCMs) are held in which the GSC discusses sustainability topics and issues with representatives from all relevant divisions and specialist units. SCMs are conducted regularly every 14 days and are chaired by the Sustainability Competence Office (SCO). The SCO itself provides advice to the specialist units and helps them complete the tasks assigned to them by the Board of Management or the GSC. 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 of these analyses during the year are reported to the GSC 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 Organization (ILO), the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

Remuneration for the Board of Management and executives was adjusted in 2023. The changes were made in order to reduce the complexity of the remuneration system, create transparency and ensure an integrated approach with regard to the incentives used to promote sustainable business operations at the Group. In addition to financial targets, the variable remuneration for members of the Board of Management and Level 1–3 executives, as well as for certain Level 4 managers, contains short-term transformation targets relating to $CO_2$ emissions, safety innovations and ESG stakeholder management. In 2023, the variable components also included long-term sustainability targets relating to the share of unit sales accounted for by plug-in hybrid electric vehicles (PHEVs) and all-electric vehicles (BEVs)[1], the inspection of high-risk production materials and measures for ensuring diversity and inclusion. The variable remuneration components also continue to include non-financial targets relating to customers, employees and integrity. (Further information group.mercedes-benz.com/remuneration-bom)

1 Further information on sales of plug-in hybrids and all-electric vehicles can be found in the chapter Environmental Issues, Electrified Product Range

## 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 chapter of this Annual Report.

Sustainability-related risks and opportunities are an integral component of the Group-wide risk and opportunity management system. In identifying these risks and opportunities, the Mercedes-Benz Group is guided by the topics identified by the materiality assessment and thus includes the areas of action of the sustainable business strategy, for which concrete goals have been assigned. These risks and opportunities are understood to be conditions, events or developments involving ESG factors, the occurrence of which may have an actual or potential impact on the Mercedes-Benz Group's profitability, liquidity, capital resources, financial position and reputation. This further includes any risks and opportunities whose occurrence may have a positive or negative impact on the economy, the environment or society.

ESG topics — as they relate to the environment — include, among other things, the effects of climate conditions and changes. Risks can arise for 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 that can harbour risks. The area of governance is concerned with matters such as stipulations arising from competition law and measures to prevent corruption, for example, which can lead to risks.

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 and 289c of the German Commercial Code (HGB), are not currently apparent. 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. (Further information group.mercedes-benz.com/investors/share/esg)

## Sustainable investment

The implementation of the Mercedes-Benz Group's sustainable business strategy requires massive amounts of investment. For this reason, one of the Group's goals is to ensure that its securities are viewed even more strongly 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. For example, the second digital ESG Conference was one of the formats used by the Mercedes-Benz Group in the 2023 reporting year to provide information to investors and analysts on the latest developments relating to its sustainable business strategy.

With regard to ESG communication, 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 (e.g. the GSC). This is how the company 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.

During the year under review, the Group updated its Green Finance Framework from 2020 in order to position the Mercedes-Benz Group even more effectively as a company worthy of sustainable investment and to enable it to utilize ESG-based capital for its business development. This framework 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. It was on this basis that the Mercedes-Benz Group once again issued bonds with terms of three and eight years in May 2023.

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). The updated framework has also received certification with the highest rating — “Dark Green” — from the Centre for International Climate and Environmental Research (CICERO), which also issued an “Excellent” rating for the governance structure defined in the framework.

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, utilization 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 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. When the company makes sustainable investments, it also takes the associated risk and return aspects into account. For liquid asset classes, the Mercedes-Benz Group only works with investment managers who have signed the UN Principles for Responsible Investment (PRI). The use of a negative list is intended to exclude investing in companies and countries that do not fulfil the Group’s core requirements. By implementing ESG-themed investments, the Mercedes-Benz Group utilizes the opportunities offered by sustainable developments. Furthermore, the Mercedes-Benz Group focuses on gradually integrating sustainability aspects — via benchmarks or sustainability performance indicators, for example — into its mandates. To this end, the Group included sustainability targets in some of its mandates with external asset managers in 2023 and also firmly incorporated these goals and targets into its investment guidelines. Taking into account the available data coverage, the Group was thus able to achieve a lower carbon footprint for its asset classes equities and corporate bonds of the German pension assets compared to the aggregated benchmark. Whereas the aggregated benchmark is determined by the indices awarded to the asset managers, the carbon footprint is calculated based on externally bought ESG data. In addition, the Mercedes-Benz Group also established an internal reporting system for various sustainability metrics for its German pension assets.

The measures we have implemented as part of our sustainability concept are regularly assessed and adapted to current developments. Mercedes-Benz Pensionsfonds AG takes into account adverse effects on sustainability factors within the framework of the Sustainable Finance Disclosure Regulation. For investing foreign pension assets, country-specific requirements regarding consideration of ESG criteria apply.

**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:

- By qualified and experienced experts and, if possible, efficient and reliable processes, systems, methods and controls the Mercedes-Benz Group wants to ensure that the tax obligations by 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 operational considerations (“tax follows business”). The Mercedes-Benz Group also strives to work even more cooperatively, transparently and constructively with the tax authorities. In this process, it maintains its legal standpoints and defends its interests wherever it believes such actions are appropriate and legitimate.

The Group tax strategy drawn up by the Board of Management of Mercedes-Benz Group AG defines the framework 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 in the Group who deal with tax issues and also contain specific provisions for ensuring that legal requirements are met. 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. Based on the Code of Conduct the Mercedes-Benz Group did not become aware of any material violations 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 Group has incorporated the guidelines for sustainable supply chain management into the Responsible Sourcing Standards (RSS). These are contractually stipulated with direct suppliers and are applied worldwide. The goal here is to prevent, minimize or, if possible, put a stop to any negative effects on human rights worldwide. The RSS define the minimum requirements for suppliers. They are already used as a basis for the tendering process for suppliers of production materials. The RSS require direct suppliers to communicate the RSS provisions to their own employees and to their direct suppliers, and ensure that the RSS are complied with in their business processes and in the areas in which they exert an influence. Suppliers are to conserve natural resources and avoid environmental damage, repair any damage that does occur, and compensate for such damage that cannot be avoided or repaired.

**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. This includes training, preventive and corrective measures, risk analyses, documentation for tracking and reporting purposes and effectiveness checks. The Mercedes-Benz Group uses these tools in order to increase the transparency of the supply chain and ensures that the internationally recognized human rights are upheld by business partners as well, and that other social standards and environmental requirements are met. The procurement units for production materials, non-production materials and services play a key role here. Further information in the chapters Social Compliance and Environmental Issues.

### Complaint management

The Business & People Protection Office (BPO) whistleblower system makes it possible for employees and external whistleblowers around the world to report rules violations. With regard to supply chains, suspected violations of the Responsible Sourcing Standards can be reported via the 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

As a player in the transport sector, the Mercedes-Benz Group supports the Paris Climate Agreement. It is convinced of the goals of the agreement and is working to implement them in all of its divisions. 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 protection a core element of its business strategy. The Group's ambition is to make the entire Mercedes-Benz new vehicle fleet net carbon-neutral[1] 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 protection 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.

1 Net carbon-neutral means that no $CO_2$ emissions are created or any resulting $CO_2$ emissions are offset by certified compensation projects.

## Climate protection for vehicles

The Mercedes-Benz Group believes that the complete electrification of its product range is the most important lever of making its entire new vehicle fleet net carbon-neutral across all stages of the value chain by 2039. The Mercedes-Benz Group is continuing to seek to shape the transformation to an all-electric and software-driven future. The Mercedes-Benz Group remains focused and tactically flexible in terms of its strategy. Accordingly, the Mercedes-Benz Group has adjusted some of its electrification targets and target corridors based on market conditions and customer requirements.

Mercedes-Benz Cars and Mercedes-Benz Vans are taking the necessary steps to go all-electric. The pace of transformation is determined by market conditions and customers. Mercedes-Benz Cars and Mercedes-Benz Vans plan to be in a position to cater to different customer needs, whether it‘s an all-electric drivetrain or a combustion engine, until well into the 2030s. Climate protection is a key cornerstone of the Mercedes-Benz Group's sustainable business strategy. As early as November 2021, the Mercedes-Benz Group underscored its commitment to this transformation during the COP26 UN Climate Change Conference.

| Target | Target horizon |
|---|---|
| **Climate protection** | |
| A fleet of new Mercedes-Benz vehicles that is net carbon-neutral along all stages of the value chain | 2039 |
| **Climate protection for vehicles** | |
| Reduction of the $CO_2$ emissions per car in the new vehicle fleet up to 50% along all stages of the value chain[1,2] | By the end of the decade |
| Increase the proportion of electrified[3] vehicles in the fleet of new vehicles at Mercedes-Benz Cars to as high as 50%[1] | In the second half of the decade |
| Electrify all new vehicle architectures[1,3] | In the second half of the decade |
| Offer an electrified[3] variant for every model from Mercedes-Benz Cars[1] | In the second half of the decade |
| Offer an electrified[4] alternative for every model from Mercedes-Benz Vans | Target achieved |
| Increase the proportion of electrified[4] vehicles in the fleet of new vehicles at Mercedes-Benz Vans to more than 50%[1] | By the end of the decade |

1 The pace of transformation is determined by market conditions and customers.
2 Compared to 2020 (value chain stages: procured goods, production, logistics, fuel and energy generation, driving operation, disassembly and treatment processes)
3 Plug-in hybrids and all-electric vehicles
4 All-electric vehicles

**Responsibilities**

The Board of Management of the Mercedes-Benz Group is responsible for setting strategic goals, including targets for reducing the $CO_2$ emissions, and for monitoring the progress made in achieving these goals. The Product Steering Board (PSB) at Mercedes-Benz Cars is responsible for the car fleet. In particular, this body monitors the development of $CO_2$ emissions of the Mercedes-Benz car fleet by comparing them with the legally defined targets in markets subject to $CO_2$-emission regulations. The PSB is assigned to the Committee for Model Policy and Product Planning (AMP).

The Division and Product Strategy unit at Mercedes-Benz Vans ensures compliance with the $CO_2$ fleet emission limits and reports on this regularly to the Van Executive Committee.

The Committee for Model Policy and Product Planning and the Van Executive Committee regularly report to the Board of Management of Mercedes-Benz Group AG about the development of $CO_2$ emissions. 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 $CO_2$ targets.

**Electrified product range**

The Mercedes-Benz Group's goal is to further expand its range of electric vehicles. The Group's commitment to research and development is correspondingly strong.

The Mercedes-Benz Group has been offering all-electric vehicles since 2018. During the year under review, the Group presented the Mercedes-Maybach EQS SUV, which brought the number of all-electric models in the Mercedes-Benz Cars portfolio to nine in 2023. Plug-in hybrids are also an important transitional technology on the road to an all-electric future. Customers could choose between more than 25 plug-in hybrid model variants in the reporting year.

Electrified vehicles (xEV) at Mercedes-Benz Cars accounted for 20% of the Group's worldwide unit sales in the year under review. All-electric models (BEVs) accounted for 12% of the Group's worldwide unit sales in the year under review.

In the van segment as well, the Mercedes-Benz Group is convinced of the ecological and economic advantages of all-electric vehicles and has firmly anchored its claim to leadership in electric mobility in its strategy. In this way, Mercedes-Benz Vans is also setting the course for an all-electric future, and beginning in 2026 all new vans are to be developed as all-electric models exclusively. All model series have already been systematically electrified, and today body manufacturers and customers can choose an all-electric van in every segment — for both commercial and private use. The models here include the eVito, the EQV, the eSprinter, the eCitan and the EQT. (WLTP: combined energy consumption: 20.7–19.3 kWh/100 km; combined $CO_2$ emissions: 0g/km; $CO_2$ class: A).

Electrified vehicles from Mercedes-Benz Vans accounted for 5% of the Group's worldwide unit sales in the year under review.

**Development of $CO_2$ emissions in Europe**

The Mercedes-Benz Group has defined the $CO_2$ emissions of its new passenger car fleet in Europe as one of its most important non-financial performance indicators. In the reporting year, the average $CO_2$ emissions of the Mercedes-Benz new vehicle fleet in Europe (European Union, Norway and Iceland), applying the statutory regulations, on the basis of internal data amount to 111g/km (including vans registered as passenger cars) and were thus lower than in the previous year. Taking the vehicles of the joint venture smart Automobile Co., Ltd. into account in the Mercedes-Benz $CO_2$ pool, the average $CO_2$ emissions in Europe (European Union, Norway and Island) amounted to 109 g/km according to internal calculations. This means that the $CO_2$-emission figures for the Mercedes-Benz Group were significantly below the $CO_2$ targets in Europe in 2023. The Mercedes-Benz Group also expects that the average $CO_2$ emissions of the Mercedes-Benz fleet in Europe (European Union, Norway and Iceland) will be further reduced in 2024. This development will be especially favoured by the fact that the share of total car sales accounted for by all-electric and plug-in hybrid vehicles will continue to increase. Further information can be found in the Outlook chapter.

In the reporting year, the average $CO_2$ emissions of vehicle category N1 light trucks (GVW of up to 3.5 tons) in Europe (European Union, Norway and Iceland) as measured on the basis of the legal regulations on the basis of internal data amount to 204 g/km. This means that the figures for Mercedes-Benz will be below the $CO_2$ target. The Mercedes-Benz Group expects that increased unit sales of all-electric vehicles will lead to a further reduction of $CO_2$ emissions in 2024.

**Development of $CO_2$ 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 2023 model year, the GHG fleet figure is 170 g $CO_2$/mi for the car fleet and 259 g $CO_2$/mi for the light duty truck (LDT) fleet (vans and SUVs - based on latest forecast). Due to an increase in the share of the total fleet in the United States accounted for by electrified vehicles (xEV), the Mercedes-Benz Group came in below its average fleet target of 179 g $CO_2$/mi for the car fleet. The target value of 233 g $CO_2$/mi for the light duty truck (LDT) fleet (vans and SUVs) could not be reached. However, the Mercedes-Benz Group was able to offset the remaining difference through the purchase of external credits.

The models of the Mercedes-Benz Sprinter are subject to the GHG regulation for Classes 2b and 3 with a gross vehicle weight (GVW) of between 3.86 tons and 6.35 tons. The $CO_2$ targets in these classes depend on the payload, the towing capacity and the drive type of the vehicles. In the reporting year, the $CO_2$ emissions of Mercedes-Benz medium duty vehicles (MDV) were 436 g $CO_2$/mi, which is lower than the target value of 476 g $CO_2$/mi. The Group expects its figures to also be lower than the $CO_2$ target values in the years ahead.

**Development of $CO_2$ 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 Mercedes-Benz China (MBCL)[1], which does not manufacture vehicles in the country. The target was 6.95 l/100 km; the figure that was actually achieved was 8.46 l/100 km taking into account off-cycle technologies (8.52 l/100 km not taking into account off-cycle technologies). MBCL plans to purchase external credits in order to close consumption gaps in the fleet's target achievement at short notice.

## Climate protection in the supply chain

| Target | Target horizon |
|---|---|
| **Climate protection in the supply chain** | |
| All production materials procured by Mercedes-Benz Cars and Mercedes-Benz Vans are net carbon-neutral[1] | 2039 |

1 Measured on the basis of the annual procurement volume that, in turn, is based on target figures updated monthly; guaranteed by means of signatures.

The Mercedes-Benz Group implements various projects and measures in order to avoid and reduce $CO_2$ emissions in its supply chains for services as well as for production and non-production materials. This is why in the future the Group intends to work only with partners that share its view of sustainability with regard to the climate, the environment and human rights and has also incorporated net carbon neutrality[2] into the terms of its contracts. As early as 2020, Mercedes-Benz Cars and Mercedes-Benz Vans sent out to suppliers of production materials the ambition letter, which is a declaration of intent regarding net carbon-neutral products. Signing the ambition letter is today a key criterion for the awarding of contracts. By signing this document, supplier companies commit themselves to supply Mercedes-Benz cars and Mercedes-Benz vans only with production material that is net carbon-neutral by 2039 at the latest — and thus to the Mercedes-Benz Group's

1 Mercedes-benz China Ltd. (MBCL) is a joint venture between MB and Lei Shing Hong, which is the importer and general sales company for imported finished vehicles in China.
2 Net carbon-neutral means that no $CO_2$ emissions are created or any resulting $CO_2$ emissions are offset by certified compensation projects.

"Ambition 2039". As a milestone, for example, contracts were signed with two steel suppliers from Europe and America in the year under review, which provide for deliveries of $CO_2$-reduced steel for current and future model series. Progress on climate protection in the supply chain is reported at regular intervals in the Group Sustainability Committee (GSC).

## Resource conservation in the supply chain

The supply chain also 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.

Plastics, steel and aluminium have been identified as particularly important such 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.

**Plastics and recyclates:** throughout their entire life cycles, vehicles from the Mercedes-Benz brand are in future to be more environmentally friendly and less resource-intensive than before. The cornerstones of this approach involve the use of recyclates and lightweight materials, as well as recyclability. Mercedes-Benz Group requirement specifications already define a minimum proportion of recycled material for each component in new Mercedes-Benz cars. This proportion varies depending on the vehicle model and series in question. As part of its sustainable business strategy, the Mercedes-Benz Group also relies on the use of natural fibres and textiles as a means of replacing conventional plastics with renewable raw materials.

**Steel:** The use of secondary materials such as steel scrap can reduce primary resource requirements in line with a circular economy. For example, Mercedes-Benz AG and its partner therefore ensure the recycling of scrap steel from the Mercedes-Benz Cars plant in Sindelfingen, Germany.

**Aluminium:** Mercedes-Benz Cars and Mercedes-Benz Vans already use recycled materials, including recycled aluminium, in numerous series-production vehicles. Aluminium is a light metal that can be recycled without any loss of quality, and the recycling process for aluminium uses less energy than would be required to produce new aluminium. In order to continue increasing its use of recycled materials, Mercedes-Benz AG is working with its suppliers to develop aluminium alloys with high end-of-life scrap potential — from old vehicles or packaging, for example. In addition, by amending existing supply agreements, Mercedes-Benz AG and its suppliers continued to work on the decarbonization of the aluminium supply chain for all of their production operations in Europe. At least one third of the primary aluminium that will be used for new electric models in Europe is to be produced using energy from renewable sources.

In 2020, secondary material targets were defined for Mercedes-Benz Cars and Mercedes-Benz Vans, and these were then firmly incorporated into the requirements for contract awards. In the reporting year, the Company carried out a model series-specific analysis at component level in order to realize further potential for increasing secondary materials. Project milestones and the status of projects with regard to the use of secondary materials are presented on a quarterly basis in the executive bodies for the various model series. The responsible member of the Board of Management of Mercedes-Benz Cars and the responsible executive management team member of Mercedes-Benz Vans are also provided with information on a regular basis within the framework of the activities of a committee that manages strategic sustainability matters.

With its Responsible Sourcing Standards, the Mercedes-Benz Group has also defined other environmental requirements in its supplier agreements. Further information can be found in the "Sustainability in the supply chain" section.

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.

Mercedes-Benz Cars and Mercedes-Benz Vans are also cooperating with organizations such as CDP (formerly Carbon Disclosure Project) so that they can depict the environmental impact of their supply chains even more transparently. The suppliers have been reporting on their environmental impact and climate protection 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 protection in production

| Target | Target horizon |
|---|---|
| **Climate protection in production[1]** | |
| Reduction of $CO_2$ emissions (Scope 1[2] and 2[3]) by 80%[4] | 2030 |
| Increase the share of energy from renewable sources to cover 100% of energy consumption | 2039 |
| Milestone: increase the share of energy from renewable sources to cover energy consumption<br>– Cars: 70%<br>– Vans: 80% | 2030 |

1 In addition to the production sites of the consolidated subsidiaries, the production sites of the following non-consolidated subsidiaries are included: Star Transmission srl (Cugir, Romania), STARKOM, proizvodnja in trgovina d.o.o. (Maribor, Slovenia) and STARCAM s.r.o. (Most, Czech Republic).
2 Scope 1 emissions are direct $CO_2$ emissions from sources for which the company is directly responsible or that it directly controls.
3 Scope 2 emissions are indirect $CO_2$ emissions from purchased energy such as electricity and district heating that are generated externally but consumed by the company.
4 Compared to 2018.

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. The Mercedes-Benz Group's goal is to achieve carbon-neutral production at its own production plants by 2039. This is to be achieved by covering energy consumption with 100% renewable energies. In this way, the Mercedes-Benz Group intends to act in accordance with the Paris Agreement on climate change.

As it moves towards achieving this goal, $CO_2$ emissions are to be consistently reduced or, wherever possible, completely eliminated. In order to accomplish this, the Mercedes-Benz Group is relying on the purchase of green electricity, the expansion of renewable energy sources at its locations and the implementation of a sustainable heating supply system. The Mercedes-Benz Group plans to reduce $CO_2$ emissions at its own plants (Scope 1 and Scope 2) by 80% by 2030 compared to 2018. Production at all manufacturing locations operated by the Mercedes-Benz Group has been net carbon-neutral regarding Scope 1 and Scope 2 since 2022[1]. Since 2022, all $CO_2$ emissions (Scope 1 and Scope 2) at these production facilities that have been as yet unavoidable have been offset by means of carbon offsets from qualified climate protection projects[1]. Remaining emissions are released in particular by the combined heat and power 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. The Mercedes-Benz Group is also taking measures to expand the use of energy from renewable sources at its locations.

In 2022, the Mercedes-Benz Group already achieved the goal of reducing $CO_2$ emissions at its own plants (Scope 1 and 2) by 50% by 2030 compared to 2018 (target confirmed by the Science Based Targets initiative, an initiative to set science-based climate targets)[2]. During the reporting year, Mercedes-Benz Cars and Mercedes-Benz Vans employed various measures that enabled them to reduce $CO_2$ emissions in production (Scope 1 and Scope 2) from 539[1] thousand tons in 2022 to 511[1] thousand tons in the year under review[3], and thus by 5%[1].

1 The key figures were audited in order to obtain limited assurance as part of a separate assurance engagement of the sustainability report.
2 In 2018 the Scope 1 emissions amounted to 650,000 tons of $CO_2$, while the Scope 2 emissions totalled 1,040,000 tons of $CO_2$.
3 In addition to the production sites of the consolidated subsidiaries, the production sites of the following non-consolidated subsidiaries are included: Star Transmission srl (Cugir, Romania), STARKOM, proizvodnja in trgovina d.o.o. (Maribor, Slovenia) and STARCAM s.r.o. (Most, Czech Republic).

# Resource conservation in production

| Target | Target horizon |
|---|---|
| **Resource conservation in production[1]** | |
| Reduce energy consumption per vehicle[2]<br>– Cars: –43%<br>– Vans: –25% | 2030 |
| Reduce water consumption per vehicle[2]<br>– Cars: –33%<br>– Vans: –28% | 2030 |
| Reduce waste volume for disposal per vehicle[3]<br>– Cars: –82%<br>– Vans: –85% | 2030 |
| Reduce total waste volume per vehicle[3]<br>– Cars: –35%<br>– Vans: –30% | 2030 |

1 In addition to the production sites of the consolidated subsidiaries, the production sites of the following non-consolidated subsidiaries are included: Star Transmission srl (Cugir, Romania), STARKOM, proizvodnja in trgovina d.o.o. (Maribor, Slovenia) and STARCAM s.r.o. (Most, Czech Republic).
2 As compared to the average for 2013/2014.
3 As compared to 2018.

The increasing demand for mobility is also leading to an increase in the worldwide consumption of resources — with effects on 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.

The consumption of resources in production plays an important role in the environmental compatibility of vehicles. For this reason, the Mercedes-Benz Group is working continuously to make production more efficient and more environmentally compatible. In order to improve its environmental footprint in production operations, the Group has set reduction targets for energy, water and waste at all of its production sites worldwide.

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 an environmental management system certified in accordance with ISO 14001 at its production sites around the world. All German manufacturing locations and the two European production sites in Kecskemét, Hungary, and Vitoria, Spain, have also been validated in accordance with EMAS. In addition, the German production sites have had energy management systems conforming to DIN EN ISO 50001 in place since 2012, and the Group has these systems certified every three years. The Mercedes-Benz Group is currently also implementing ISO 50001 systems at a number of individual sites outside Germany, for example in Kecskemét in Hungary, Jawor in Poland and Vitoria in Spain. In addition, during the year under review the Mercedes-Benz Group also moved ahead with the introduction on an international scale of energy management systems certified in accordance with ISO 50001. New management systems were implemented in Pune, India, and Sebes, Romania, for example.

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 Group 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.

### Reduction of energy consumption

The optimization of energy efficiency enables the Mercedes-Benz Group to decrease its energy consumption and conserve resources, while reducing the $CO_2$ emissions of its production processes.

The Mercedes-Benz Group regularly measures and assesses essential energy consumption in order to identify and take advantage of savings potential in the areas of production and infrastructure. An innovative energy management software system has been introduced at Mercedes-Benz Cars and Mercedes-Benz Vans in order to create transparency with regard to energy procurement and energy consumption.

In its effort to save energy, the Mercedes-Benz Group relies on the efficient management of energy supply and building technology systems — for example by means of needs-based management of local lighting, air volume flow regulation in ventilation and exhaust air systems and load-dependent volume control of the air supply in paint dryer units.

As a result of the implementation of these and other energy efficiency measures, energy consumption (incl. electricity, natural gas, district heat, heating oil and liquefied petroleum gas) per vehicle at Mercedes-Benz Cars in the reporting year was 12%[1] lower than in 2022. Due to similar effects, energy consumption per vehicle at Mercedes-Benz Vans fell by 8%[1] compared to the previous year[2].

## Efficient water utilization

The Mercedes-Benz Group developed the "Storm Water Protection — Pollutant Discharge Elimination" standard all the way back in 2014 so that its sites could initiate targeted water protection measures. It contains guidelines on how rainwater management at production sites, branches and workshops can prevent and reduce potential pollution from previously contaminated rainwater. In 2022, the Mercedes-Benz Group adopted a Water Policy so that it might continue to effectively contribute to the creation of a more sustainable water management system. In addition, the Group set itself the goal of no longer using drinking water in production operations at any Mercedes-Benz manufacturing locations worldwide. In order to further minimize fresh water consumption, the Mercedes-Benz Group also intends to use hybrid cooling systems. The Group launched an initial project in this area in Sindelfingen, Germany, in June 2023 in cooperation with the municipal wastewater management and disposal company. The goal here is to employ a closed cycle to largely replace the fresh water used in production with treated municipal wastewater.

For years now, the Mercedes-Benz Group has been using its own accounting method, which focuses in particular on fresh water, to monitor and assess its water consumption. On this account, water consumption per vehicle at Mercedes-Benz Cars decreased 8%[1] as compared to 2022. Mercedes-Benz Vans was able to reduce water consumption per vehicle by 6%[1] compared to the previous year[2].

## Less waste

The goal of the Mercedes-Benz Group is to keep the waste volumes generated in its production operations as low as possible. To this end, the Group seeks to continuously reduce overall waste, including waste for disposal. As it does so, the Mercedes-Benz Group's top priority is to prevent waste.

In order to reduce total waste, it is important to ensure transparency concerning the waste value streams and to correctly separate the various types of waste. The Mercedes-Benz Group generally works with licensed and regularly certified waste disposal companies to ensure the professional disposal of our waste materials in accordance with legal requirements. Furthermore, it continues to reduce waste such as clippings, sands, filter media and slurries through the implementation of new or optimized production processes.

The Mercedes-Benz Group also works with some suppliers in order to avoid waste. For example, load carriers and the materials used for securing loads and cargo are now, where possible, reused in a closed cycle, as are steel barrels (e.g. for thermal conductive paste, adhesives and lubricants).

In the reporting year, Mercedes-Benz Cars reduced the total amount of waste per vehicle by 9%[1] and the amount of waste for disposal per vehicle by 42%[1] compared to 2022. At Mercedes-Benz Vans, total waste per vehicle increased by 16%[1] as compared to 2022, while waste volume for disposal per vehicle fell by 21%[1] during the reporting year[2].

1 The key figures were audited in order to obtain limited assurance as part of a separate assurance engagement of the sustainability report.
2 In addition to the production sites of the consolidated subsidiaries, the production sites of the following non-consolidated subsidiaries are included: Star Transmission srl (Cugir, Romania), STARKOM, proizvodnja in trgovina d.o.o. (Maribor, Slovenia) and STARCAM s.r.o. (Most, Czech Republic).

# Employee issues

| Target | Target horizon |
|---|---|
| **HR work in the transformation** | |
| Shape the transformation of the Mercedes-Benz Group for its employees in a responsible, socially acceptable and future-oriented manner | Ongoing |
| Ensure lasting constructive cooperation between company and employee representatives | Ongoing |
| Further develop the “People Principles” and embed them in the Group; create a common understanding of an agile and innovative leadership culture in the transformation process | Ongoing |
| Ensure market-conformant salary structures through compliance with the Corporate Compensation Policy | Ongoing |
| Support and further develop flexible and modern working time models | Ongoing |
| **Training and further education** | |
| Ensure a high-quality and a needs-based professional portfolio for training and dual study programmes | Ongoing |
| Continuously develop the qualification programme for employees | Ongoing |
| **Diversity and inclusion** | |
| Improve inclusion for all employees in the Group | Ongoing |
| Increase the proportion of women in senior management positions[1] to 30% | 2030 |
| **Occupational health and safety** | |
| Enable employees to work in a healthy and safe environment | Ongoing |
| Strengthen a sustainable safety culture by developing and communicating binding rules of conduct | Ongoing |
| Use a globally uniform accident documentation system and introduce it at the German production sites | Target achieved |

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

## HR work in the transformation

As a result of electrification, digitalization and the increasing use of powerful artificial intelligence (AI) systems, the job profiles of employees are also changing. Working processes and structures are changing just as fundamentally as employee tasks and cooperation within the Mercedes-Benz Group.

The aim of the Mercedes-Benz Group is to manage the upcoming changes for its total of 166,056[1] employees worldwide in a responsible, socially compatible and future-oriented way. It meets the challenges and requirements of the personnel transformation with a corresponding personnel strategy, among other things.

The Mercedes-Benz Group continuously invests in the qualification of its employees, is constantly expanding its range of further qualification courses and at the same time recruits new talent with appropriate skills profiles. In order to attract such employees and retain them for the long term, the Mercedes-Benz Group takes measures to create and further enhance an attractive and future-oriented working environment for its employees, among other ways by offering them flexible forms of work. Particularly in challenging times, 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, leadership and cooperative culture. At the same time, the Group also wants to provide its employees with a healthy and safe working environment.

1 Status 31 December 2023: active employees (employees including holiday workers, without thesis writers, interns, working students, PhD students, senior experts and trainees) of Mercedes-Benz Group

### Firmly establishing work and social standards

The Mercedes-Benz Group is committed to fulfilling its social responsibilities. As a participant in the UN Global Compact, the Mercedes-Benz Group AG has committed itself, among other things, to respecting key employee rights. Based on the labour and social standards of the International Labour Organization (ILO), Mercedes-Benz Group AG revised and supplemented its own Group-wide principles of social responsibility in 2021 and published them as the Principles of Social Responsibility and Human Rights.

Reported violations of the Integrity Code or other internal Group regulations, as well as legal regulations, that pose a high risk to the Mercedes-Benz Group and its employees or to other people are followed up by the whistleblowing system BPO (Business & People Protection Office).

### 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 electrification of the automotive industry.

A successful and responsible transformation process requires goals as well as measures that are geared towards them. To this end, various sites — primarily the Powertrain and manufacturing plants, but also the sales department — developed goals for their transformation process. On the basis of these goals, the sites identified key topics with corresponding measures. These measures primarily include training and retraining opportunities for employees. The company also makes it possible for employees to move between different sites in order to take on new jobs or continue to work at the corresponding level of qualification.

One focus of HR work at the Mercedes-Benz Group is to win over, motivate and empower employees for change. For example, the TransformatiON initiative was launched in the “Powertrain Network”[1] in 2022. With this initiative, the company wants to explore new communication channels in order to better inform, involve and support employees during the transition. TransformatiON focuses increasingly on information, interaction, dialogue and feedback as central components.

In addition to courage, commitment and a willingness to change, successful transformation requires security above all. That’s why the company signed an agreement in 2017 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 the end of 2029. This works agreement generally excludes the possibility of business-related layoffs until 31 December 2029.

The Mercedes-Benz Group in Germany has also made agreements that will enable it to react flexibly to market fluctuations and to retain the core workforce and jobs within the Group. The provisions of the general works agreement “DMove” have been extended until the end of 2024 for the Mercedes-Benz Group AG and Mercedes-Benz AG sites (plants and headquater) in Germany[2]. At the Mercedes-Benz Group, temporary workers supplement the core workforce; they do not replace it.

### Leadership culture

Managers have a special role and responsibility in the transformation process. At the Mercedes-Benz Group, the leadership culture and the way people work together are therefore constantly evolving. The various units and departments use the shared basis of the Group-wide People Principles to focus on their own specific areas and develop appropriate measures. The principles serve as a basis for leadership and cooperation at the Mercedes-Benz Group. Current offers and suggestions support managers in their sustainable further development and help them engage in lifelong learning. Because learning and cultural development take place at all levels, the Group introduced a format tailored to top management in the reporting year in the form of Executive Inspiration Talks. It combines external suggestions on the topic of leadership culture with networking and cross-functional exchange.

The hybrid working environment has changed the demands placed on managers within the Group. In order to support managers as much as possible in their roles and their tasks, the Mercedes-Benz Group offers them training courses that focus on the opportunities and the framework of leadership. In these courses, managers learn in a targeted manner about the new challenges relating to leadership with regard to innovation, cooperation, sustainable development and personal resilience.

In order to continually improve its leadership and corporate culture and further develop its work culture within the framework of the transformation process, the Mercedes-Benz Group conducts an extensive survey of its employees worldwide every two years. This was most recently done in 2023. The survey is a key indicator of where the Group stands with regard to various issues from the point of view of its employees, and where there is still potential for improvement. Other channels are also open for employees and managers to provide feedback.

1 The Powertrain Network stands for sites that are responsible for the production of engines, transmissions, axles and components (major assemblies plants). These include the Untertürkheim, Hamburg and Berlin locations.
2 without logistic center

**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 global 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. In doing so, the Group also takes into consideration local market conditions and benchmarks.

In 2023 the expenses for employees in the company worldwide for a workforce numbering 168,336 on average (including temporary workers during holidays) amounted to:

- €13,848 million on wages and salaries
- €2,376 million on social welfare services
- €409 million on retirement benefits

The variable remuneration for activities in management positions at levels one to three comprises both a short-term and, as a rule, a long-term component. The short-term component is based not only on financial targets but also on transformation goals and non-financial targets. Since 2023, the long-term component has also been based on ESG targets.

To measure the company's success, sustainability aspects are also be taken into account. Depending on the results, employees who are covered by collective wage agreements at Mercedes-Benz Group AG, Mercedes-Benz AG and Mercedes-Benz Intellectual Property GmbH & Co. KG and managers at management level four (Executive) receive a success and profit-sharing bonus since 2023.

The internal auditing department conducts random annual internal audits to determine whether selected aspects of the Corporate Compensation Policy are being complied with. As part of these audits, no material breach of the guideline was identified in 2023.

**Flexible working-time models**

The Mercedes-Benz Group continuously further develops its working culture — and thus its working-time arrangements as well. It is increasingly relying on hybrid forms of work, a mix of on-site and mobile working depending on tasks and work processes. The "Remote Working" general works agreement, valid since 2016, was converted into a group works agreement at the beginning of 2023. Thereby, and through the ongoing exchange with the works council, the Group is creating the necessary framework conditions for hybrid working models in Germany and developing them further. For example, employees of the Mercedes-Benz Group in Germany have also been able to temporarily work remotely from abroad for private reasons since March 2023.

Depending on local conditions, Mercedes-Benz Group AG, Mercedes-Benz AG, Mercedes-Benz Mobility AG and Mercedes-Benz Bank AG offer different working-time arrangements. These include e.g. part-time work and job sharing.

In addition, employees at Mercedes-Benz Group AG, Mercedes-Benz AG, Mercedes-Benz Mobility AG, Mercedes-Benz Bank AG and other subsidiaries can agree to take a sabbatical ranging from three months to one year. 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 a reinstatement guarantee.

**Dialogue with employee representatives**

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 Group 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 employees who are subject to collective bargaining agreements at Mercedes-Benz

Group AG, Mercedes-Benz AG and other units at the Group.

In Germany, the company and employee representative bodies also maintain an ongoing and structured dialogue. The parties make every effort to take into account both the economic interests of the Group and the interests of its employees. 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. In the reporting year, company and employee representative bodies reached various agreements and arrangements. These include the policy on remote work abroad for personal reasons and the general works agreement on the Germany-wide job ticket for public transportation. The parties also concluded a Group-works agreement on employee participation in digitalization. In particular, this includes a business e-mail address for all employees in the production environment of the Mercedes-Benz Group in Germany.

The interests of trainees and young employees at the various German sites are looked after specifically by the local youth and trainee representatives, who in turn organize themselves across all sites as part of a General Youth and Trainee Representation (GJAV).

## Training and further qualification

The Mercedes-Benz Group employs a sustainable personnel development and planning approach, because in times of mobility transition and digitalization it needs highly qualified employees with the right skills, be it for electric mobility or for various key digital topics. It therefore continuously invests in training and professional development programmes for its employees and continues to adjust its qualification and HR development programmes. The range of training professions offered by the Mercedes-Benz Group and the courses of study offered in dual work-study programmes in Germany are also changing as a result, as are the qualification and personnel development programmes.

### Organization and agreements

Various company and collective-bargaining regulations form the basis of the Germany-wide training and qualification processes at Mercedes-Benz Group.

Personal and company-related qualification at Mercedes-Benz Group AG, Mercedes-Benz AG and its subsidiaries in Germany is regulated, among other things, by the Voluntary General Works Agreement on the Qualification of Employees and the General Works Agreement on the Use of External eLearning Platforms for Qualification Measures as well as comparable company and collectively agreed policies. They serve to standardize the qualification process, structure it more efficiently and integrate external training elements into the learning portfolio.

### Trainees and students

In Germany, the Mercedes-Benz Group offers professional training and a dual work-study programme for internationally recognized bachelor courses of study at various company sites. The courses are supplemented by practical assignments, both in Germany and abroad.

The Mercedes-Benz Group has established a Mercedes-Benz Training System for Germany that standardizes company-related training content across all sites and divisions. The goal here is to create high-quality and efficient training programmes that are attractive to trainees and participants of dual work-study programmes.

The Mercedes-Benz Group provides future-oriented training as needed and continuously reviews its portfolio of training professions and courses of study in Germany. In this review process it not only reacts to current developments but also anticipates future requirements and technological innovations. Since 2021, Mercedes-Benz AG has been increasing the number of IT trainees, and in autumn of 2022 it also integrated the additional qualification Artificial Intelligence from the Chamber of Commerce and Industry. Since the reporting year, internally designed qualification modules such as Data-based action, Programming and Cyber security have also been taught as part of technical vocational training. The new dual study programme “Sustainable Management” will start in 2024.

### Qualification and learning programmes for employees

In 2022, the Group launched the Turn2Learn initiative worldwide for the qualification of employees. It combines a wide range of learning opportunities via external learning platforms with customized training and strategic learning paths. This allows employees to combine different options to suit their needs — digitally and in person.

The Group's own specialized TechAcademies, also organized under the umbrella of Turn2Learn, provide targeted and needs-oriented training for employees in research and development and in production-related areas. For example, the TechAcademy Production and Supply Chain Management at Mercedes-Benz AG analyses current and future personnel requirements for production areas and cross divisional functions — for example, in quality assurance. The TechAcademy uses the analyses to develop future-oriented qualification as well as retraining measures in line with the needs of specific target groups.

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 AG in Germany. These training components are specifically tailored to the requirements of the development units.

In order to actively promote the digital transformation in production, the D.SHIFT part-time qualification programme was launched in 2021. D.SHIFT is a retraining programme specifically for production employees at German sites that focuses on acquiring digital skills and ultimately involves employees switching to a future-oriented job profile. The programme was continued in November 2023 and the number of available slots was expanded.

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 sales organization. The focus is on the training and certification of sales and service personnel as well as dealer management. In addition, comprehensive further training and various product training courses are offered. The unit also focuses on training content on electrics/electronics (E/E) and high-voltage, especially for employees in the repair and service sector.

In 2023, the emphasis continued to be on qualifications that are crucial for the successful implementation of the Group's sustainable business strategy and digitalization.

## Diversity and inclusion

The Mercedes-Benz Group is committed to tolerance, openness and fairness, and promotes diversity and inclusion. 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, among other things.

### Strategic areas of action

Diversity and inclusion are part of the sustainable business strategy of the Mercedes-Benz Group. The strategic areas of action for promoting diversity and inclusion involve the advancement of women, internationality and inclusion.

- **The advancement of women:** the Mercedes-Benz Group would like to fill more senior management positions (Level 3 and up) with women. The target here is to increase the share of women in such positions to 30% by 2030.

As early as 2006, the Mercedes-Benz Group set itself the target of continuously and sustainably increasing the proportion of women in executive positions. As of 31 December 2023, women occupied 25.7%[1] of the senior management positions at the Mercedes-Benz Group worldwide. 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.

- **Internationality:** the Mercedes-Benz Group also seeks to promote internationality, a global way of thinking and the cultural diversity of its workforce in order to continue its success as a global company. Among other things, the Mercedes-Benz Group does this by encouraging its employees to take on international assignments.

- **Inclusion:** the Mercedes-Benz Group welcomes and values the uniqueness of each team member and promotes equal opportunities and an inclusive working environment.

### Management of diversity and inclusion 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 inclusion 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 Integrity function and the Diversity & Inclusion Management function. The latter is part of Human Relations. It defined the three strategic areas of action in cooperation with the members of the Board of Management of Mercedes-Benz Group AG and initiates overarching projects, training programmes and awareness-raising measures.

The diversity and inclusion management system is grounded in the principle of inclusion for all employees. The idea here is to always attract highly qualified specialists and managers to the Group and support their professional development.

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 Representatives Committee. Additional points of contact include the Group’s Business & People Protection Office (BPO) whistleblower system and the Infopoint Integrity.

In addition to these internal contact points, there has been an external online information and advice platform for Mercedes-Benz Group employees in Germany since 2022. It provides information on the topics of sexual harassment, discrimination and bullying and includes the option of anonymous counselling.

### 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 inclusion. These include, among other things, qualification programmes, information events and special mentorship programmes for women. At the Mercedes-Benz Group’s annual Diversity Day, employees can consciously experience diversity, take in new perspectives and understand how all employees can profit from diversity and equal opportunity.

For Diversity Day 2023, employees were able to go through four diversity online training courses in the Global Diversity Community on the employee portal, which offer specific content for employees and managers.

1 Headcounts, fully consolidated companies

## Occupational health and safety

The Group utilises a holistic occupational health and safety management system. It aims to prevent work accidents, work-related illnesses and occupational diseases to the greatest extent possible and also counteract health risks. The Group also wants to maintain the health and performance of its employees in the long term and promote their well-being. The focus here is mainly on preventative measures that the Group continuously reviews and develops further.

**Requirements, policies, organization and responsibilities**

The Mercedes-Benz Group's occupational safety strategy includes standards for the design of workplaces and work processes in order to systematically reduce occupational and health-related risks. There are international Group policies on occupational health and safety as well as uniform principles that must be adhered to. The internal guidelines are based on international standards and require compliance with national laws. They emphasize the responsibility of managers and the personal responsibility of employees.

The international Group Occupational Health and Safety Policy specifies binding tasks, duties, necessary bodies and communication requirements for all controlled and consolidated companies. This policy is based on the ISO 45001 standard. The policy is valid for all employees as well as temporary workers whose work and/or workplace is controlled by the organization.

Occupational health and safety issues throughout the Group are managed by the Health & Safety unit, which is part of Human Relations. The topics are regularly discussed and decided on in various committees.

**Risk management**

Risk management follows the Group policy on occupational health and safety and defines instruments and risk assessment processes that are to be implemented locally. The Mercedes-Benz Group's Health & Safety unit takes a preventative approach so that employees do not have accidents or suffer from impaired health. In order to identify significant risks at an early stage, an evaluation (safety due diligence) is carried out every five years at all consolidated and controlled production sites with more than 500 employees. Risk assessment is an important tool for evaluating potential risks and defining measures. At the Mercedes-Benz Group, this is done with the help of standardized and globally available software, for example. The Mercedes-Benz Group also assesses the mental and ergonomic stress caused by workplaces and the working environment.

**Company health management and mental health**

The Mercedes-Benz Group offers its 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 company health management system in Germany aims to promote the mental and physical health and well-being of the employees. Internationally, the Mercedes-Benz Group focuses on medical care, prevention strategies and the ergonomic design of workplaces.

**Management of occupational safety**

At various sites, the Mercedes-Benz Group has its management systems for occupational health and safety (OHS) voluntarily certified in accordance with the ISO 45001 standard. In 2023, the Jawor site (Poland) received voluntary certification of its management system in accordance with ISO 45001 for the first time. Every five years, officers from Corporate Safety use the previously mentioned safety due diligence process to check the safety standards at the Group-owned production sites to ensure they comply with those of the binding Group policy concerning occupational health and safety and determine whether a functioning occupational health and safety management system is in place. The international Mercedes-Benz CKD sites in India, Vietnam, Thailand and Malaysia as well as the AMG production plants in the UK and Germany were evaluated as planned in 2023. The results were communicated to and followed up in the relevant committees.

The Group also raises its employees' awareness of ergonomics and occupational safety. In order to create a sustainable “safety-first culture” and permanently reduce the number of accidents at work, the Mercedes-Benz Group launched the “We work SAFE!” initiative in 2022 and continued it in the reporting year.

In 2023, the Group provided its employees with intensive training on six principles of safe working practices and on how to deal with significant hazards. The focus was initially on sites in Germany. As part of the initiative, the Mercedes-Benz Group also assesses risks in cooperation with external companies. To further increase safety in this context, it has stepped up checks on construction sites and introduced a consequences management system for any incorrect behaviour detected.

A reporting procedure helps the Mercedes-Benz Group achieve its occupational health and safety targets. Since 2023, a uniform accident documentation system has been available to the Group worldwide, from which standardized key figures can be derived in compliance with applicable data protection regulations.

Every accident is analysed in order to determine the sequence of events and initiate preventative measures. Data on accidents from which other sites can learn and derive measures is sent to all occupational safety experts at all sites worldwide. The Mercedes-Benz Group uses the information provided by the system to produce monthly reports on Group-wide accident statistics.

During the reporting year, the Mercedes-Benz Group's production sites had an accident frequency of 3.8[1,2].

1 Mercedes-Benz Group, consolidated and controlled production sites including selected high-risk development areas and the Global Logistics Center (Scope corresponds to that of previous years): number of occupational accidents registered in the system with at least one day of absence 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

| 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 safety in road traffic by means of safety initiatives | Ongoing |
| Expand the automation of driving functions for SAE Levels 2–4 | Ongoing |
| Continue the integration of social and ethical aspects into SAE 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 component of its sustainable business strategy. The Group's driver assistance systems are intended to offer drivers and other occupants 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

Real-life safety is the safety philosophy at the Mercedes-Benz Group. For decades, the Mercedes-Benz Group's own systematic accident research, which is integrated into vehicle development, has formed the basis for new safety systems. This research also analyses real accidents and uses the knowledge gained from such analyses to assess new technologies from a vehicle safety perspective.

The Mercedes-Benz Group utilizes its holistic Integral Safety concept in its vehicle development activities. This concept describes how Mercedes-Benz divides 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 road safety are assured by the Steering Committee Integral Safety (LK IS) and implemented in conjunction with the participants of the product projects. The LK IS reports directly to the Research & Development Executive Committee of Mercedes-Benz AG.

### Cooperation to further improve vehicle safety

The goal of increasing safety on the road can only be achieved though 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 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.

The Mercedes-Benz Group also uses educational programmes to raise public awareness of vehicle safety and road safety.

### Advantages and risks of the new systems

Fewer accidents, greater road safety: this is one of the objectives associated with the utilization of automated and autonomous vehicle systems. In pursuing these goals, the Mercedes-Benz Group also considers ethical and legal risks associated with automated systems. Thus they are already taken into account in product development. 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 develops 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. This approach is part of the technical Compliance Management System. To this end, an interdisciplinary committee structure has been set up to deal with issues such as the responsible use of data and taking into account the needs of all road users who encounter automated vehicles on the road. The objective of this approach is to increase both the safety and the acceptance of the Group’s products.

### Assistance and safety systems

Innovations in assistance and safety systems are evaluated on the basis of the contribution they make to road safety, both at the vehicle level and for road safety in general. The Mercedes-Benz Group’s specialists are continuously working on increasing road safety and equipping vehicles — across several SAE levels right up to automated driving — with ever more powerful assistance systems that can help to prevent accidents or reduce their severity. For example, Mercedes-Benz vehicles equipped with driving assistance systems can 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 entirely prevent — accidents involving vehicles ahead or pedestrians crossing the carriageway. Speed Limit Assist, for example, notifies the driver of the current speed limit. It has been standard equipment in the Mercedes-Benz A-Class since 2018. Since then, it has also been integrated into further models and its features have been expanded.

### Ratings and awards

Models from Mercedes-Benz Cars repeatedly earn top marks in safety tests conducted by independent institutes, such as the holistic testing program NCAP and the holistic ratings of the U.S. Insurance Institute for Highway Safety (IIHS)[1]. The latter assesses not only crash safety but also accident-prevention and lighting systems.

The Mercedes-Benz C-Class, GLC-Class and GLE-Class received the IIHS 2023 TOP SAFETY PICK+ award for the 2023 model year.

In addition, the Mercedes EQE received top Euro NCAP[2] ratings twice: the maximum rating of five stars in the Euro NCAP safety ratings and the overall rating of “very good” for the optional driving assistance package in the special rating for assistance systems. The E-Class also received an overall rating of “very good” in the special assessment for assistance systems.

### Assistance and automation functions

The DRIVE PILOT[3] has been available to order in Germany since May 2022. Under certain conditions, the system enables conditional driving automation on motorways (SAE Level 3).

Mercedes-Benz AG plans to deliver the first vehicles with DRIVE PILOT at the beginning of 2024. The special 2024 model year EQS sedans and S-Classes will be available through participating authorized Mercedes-Benz dealerships in California and Nevada. DRIVE PILOT takes over the driving task in heavy traffic or in traffic jam situations on suitable motorway sections at speeds of up to 40 mph (up to 60 km/h in Germany).

1 Further information: IIHS test results:
C-Class https://www.iihs.org/ratings/vehicle/mercedes-benz/c-class-4-door-sedan/2023,
GLC-Class https://www.iihs.org/ratings/vehicle/mercedes-benz/glc-4-door-suv/2023,
GLE-Class https://www.iihs.org/ratings/vehicle/mercedes-benz/gle-class-4-door-suv/2024
2 Further information: Euro NCAP test results:
EQE SUV https://www.euroncap.com/en/results/mercedes-benz/eqe+suv/50192,
Special assessment for assistance systems https://www.euroncap.com/en/ratings-rewards/assisted-driving-gradings
3 Availability and use of the DRIVE PILOT functions on motorways depend on equipment, countries and applicable laws.

## Responsible and transparent representation of interests

| Target | Target horizon |
|---|---|
| Responsible political advocacy regarding the key issues for achieving sustainable business goals | Ongoing |

There are many challenges associated with the sustainable development of the transport sector as well as climate change mitigation and the conservation of resources. To overcome these challenges, the Mercedes-Benz Group attaches great importance to a partnership-based dialogue between politics, business and society. 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 and is convinced of its goals. That's why the sustainable business strategy of the Mercedes-Benz Group also defines the representation of the Group's interests in the political arena.

The legally required registration in the German Lobby Register, as well as the Group's own lobbying principles, commit Mercedes-Benz Group AG to comply with the Code of Conduct for Interest Representatives under the Lobby Register Act. Mercedes-Benz Group AG is also entered in the transparency register of the Baden-Württemberg state parliament. Entries in other transparency registers at the level of German states are currently being considered and may be made in the near future. By accrediting its political representatives in the European Parliament's Transparency Register, Mercedes-Benz Group AG fulfils the transparency requirements at the EU level.

The Group also uses its own Mercedes-Benz Group Climate Policy Report to inform about its political positions. In addition, the Mercedes-Benz Group publishes further information regarding its stance on relevant and strategic issues as well as issues affecting its stakeholders on the corporate website (group.mercedes-benz.com/responsibility/advocacy).

The Mercedes-Benz Group bases its political advocacy on principles of transparency and responsibility and is guided by the Integrity Code, which is valid throughout the Group (further information on this can be found on the Group website group.mercedes-benz.com/investors/share/esg).

### Governance

The External Affairs (EA) unit is the central coordinating body for political dialogue at the national and international levels as well as for other politically relevant interest groups along the value chain. It is located in Stuttgart (Germany) 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 (Germany), Brussels (Belgium), Beijing (China) and Washington (USA), as well as corporate representations in respective markets.

The Head of External Affairs is a permanent member of the Group Sustainability Committee (GSC) and supports the committee's work on political issues. In addition, External Affairs cooperates closely with the members of the Board of Management and the specialist departments on questions related to the representation of our interests in the political arena. To this end, the unit organizes the meetings of the Governmental Affairs Committee for various Board of Management divisions and specialist departments.

The Mercedes-Benz Group uses Group-wide established compliance processes to address risks in connection with the political representation of its interests. The Business & People Protection 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 that employees comply with statutory requirements and internal guidelines and policies. The executive division Integrity, Governance & Sustainability is responsible for the content of the training 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 the Mercedes-Benz Group in the political environment of their market (e.g. plant management positions) generally participate in a special onboarding process that prepares them for their tasks and makes them aware of relevant policies.

**Donations to political parties and other political organizations**

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 donations to political parties during the reporting period. This decision was not based on current political or economic events.

**Stakeholder dialogue**

Together with stakeholders, the Mercedes-Benz Group supports the opinion-forming process at both the national and international level in order to promote the sustainable business goals and the transformation of the automotive industry. The Group also addresses relevant future-oriented questions that go beyond the issues that are important to the automotive industry and incorporates the results into its strategy.

In order to ensure political discussions with a broad range of interest groups, representatives from the Mercedes-Benz Group take part in key events at the regional, national and international level. Here are a few examples:

- As part of External Affairs' Regional Political Dialogue discussion series in Stuttgart (Germany), Mercedes-Benz Group Board of Management members came together with representatives of state and local governments to discuss the steps needed to transform the automotive industry.

- At the seventh annual event of the Strategiedialog Automobilwirtschaft Baden-Württemberg in Berlin (Germany), politicians and the leaders of Baden-Württemberg's automotive sector discussed the necessary framework conditions for a successful transformation of the automotive industry to future-oriented mobility solutions.

- In the reporting year, representatives of the Group took part in the Urban Future Global Conference in Stuttgart (Germany). The Conference's agenda included, among other topics, resource-conserving consumption, heat-resilient urban districts, climate-neutral energy supply and social participation.

- The Mercedes-Benz Group took part in the European Round Table of Industry (ERT) in the reporting year. The aim of the forum is to develop long-term business-friendly strategies in cooperation with the European Commission.

- The China Development Forum (CDF) is an annual international forum organized by the State Council of China. At the CDF, the CEO of the Mercedes-Benz Group emphasized the importance of further implementing China's open-door policy and of maintaining a balanced data regulation in order to ensure economic growth and technological innovation.

During the Sustainability Dialogue in Stuttgart (Germany) in 2023, representatives from the Advisory Board for Integrity and Sustainability and representatives from government, business and NGOs took part in a workshop where they drew up criteria for the development of partnerships. Partnerships that have a more global degree of application may be more effective.

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. The aim 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.

The External Affairs unit is responsible for direct discussions with people from the political arena and members of interest groups and associations that are committed to sustainable development. Together with the ESG Stakeholder Management unit, External Affairs is also involved in various sustainability initiatives and networks. Some of the most important initiatives here are the UN Global Compact (UNGC), econsense – German Business Forum for Sustainable Development, and the World Business Council for Sustainable Development. Among the associations, the memberships in the European Automobile Manufacturers' Association (ACEA), the Alliance for Automotive Innovation and the German Association of the Automotive Industry (VDA) are particularly notable.

Further information on the work in associations can be found in the Mercedes-Benz Group Climate Policy Report. (group.mercedes-benz.com/investors/share/esg)

# Integrity and compliance

| Target | Target horizon |
| --- | --- |
| With its integrity activities, the Mercedes-Benz Group pursues the following central goals:<br>– Minimizing risks through knowledge of and compliance with the Integrity Code<br>– Promoting ethical conduct — within the mandatory rules and frameworks and beyond<br>– Employees and managers behave and act in an ethical and responsible manner<br>– Defining integrity-related priorities and challenges and provide employees with guidance<br>– Enhancing the culture of integrity in a targeted manner through feedback from integrity measurements | Ongoing |
| With its compliance activities, the Mercedes-Benz Group particularly pursues the following central goals:<br>– Respect and uphold human rights<br>– Comply with anti-corruption regulations<br>– Preserve and promote fair competition<br>– Ensure compliance with product requirements<br>– Complying with data protection laws and strengthening customer trust by handling data responsibly<br>– Comply with all applicable embargoes and sanctions<br>– Prevent money laundering and terrorist financing | Ongoing |

The Mercedes-Benz Group is convinced that only those whose actions are ethical and legally responsible remain successful in the long term. This is especially the case during times of upheaval and transformation. Hence, integrity and compliance are very important to the Mercedes-Benz Group.

## A corporate culture of integrity

Putting integrity into practice contributes to the success of the Mercedes-Benz Group. That's why integrity is a central element of the Mercedes-Benz Group's corporate culture and an enabler that is 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 its corporate principles, which in particular include fairness, diversity, responsibility, respect, openness and transparency.

### Organization and areas of responsibility

At the Mercedes-Benz Group, integrity, compliance and legal affairs are combined into the executive division Integrity, Governance & Sustainability. It supports all corporate units in their efforts to embed these topics in daily business activities.

"Integrity Management & Corporate Responsibility" is part of this Board of Management division. Among other things, it works to promote and enhance integrity within the Mercedes-Benz Group and create a shared understanding of integrity. The aim is to assist the business units in embedding integrity into their day-to-day work on their own responsibility. The goal is to avoid possible risks that can arise due to unethical behaviour and thus to contribute to the long-term success of the Mercedes-Benz Group. The Head of Integrity Management & Corporate Responsibility reports directly to the member of the Board of Management responsible for Integrity, Governance & Sustainability.

### Integrity Code and corporate principles

The Mercedes-Benz Group requires and empowers 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 Mercedes-Benz Group AG and all the Group companies worldwide. It includes, among other things, regulations concerning corruption prevention measures, respect for human rights, data management and compliance with technical product requirements. The Integrity Code that was revised in 2022 was communicated to employees at the beginning of the reporting year; it is available on the employee portal in eleven languages along with all the key information on its application.

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.

**Information, dialogue and training**

The Mercedes-Benz Group established its Infopoint Integrity in order to promote a culture of integrity at the Company. The Infopoint works with experts for legal and human resources topics, data protection, compliance as well as diversity and sustainability, among others, and serves as the central point of contact for questions concerning ethical behaviour for all of the Group's employees. It either provides direct support or connects employees with the appropriate contacts.

The Integrity Network, which is made up of representatives from the business units, aims to embed integrity in day-to-day business and make it tangible for employees. The semi-annual member reports also provide insights into the integrity activities of the business units. The Integrity Network implemented the package of measures of the "Integrity Experience". This was based on individually combinable modules on various integrity topics, which were provided by the Integrity Management department. With the help of these measures, employees were able to consciously reflect on their own actions in their day-to-day work.

In addition, the Annual Integrity Meeting was held in May 2023 with members of the Board of Management, members of the Integrity Network and an external expert. Under the motto "Integrity meets… TRANSFORMATION", the participants discussed how integrity can be implemented in one's day-to-day professional life in times of change.

In addition, the employees in administrative areas at Mercedes-Benz Group AG and in the consolidated Group companies regularly have to complete a mandatory online 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 online training programme also includes a special mandatory management module.

**Employee survey**

The Mercedes-Benz Group consistently works on its understanding of integrity, continually refines it further and repeatedly reviews itself. In addition to the feedback from the Integrity Network, the employee survey is an important measure for these activities.

The results of the PULSE23 employee survey showed that the perception of the culture of integrity among employees has improved since the last employee survey. The basis for this is an environment of trust in which managers are also open to criticism, and unethical behaviour and mistakes in the working environment can be openly and constructively addressed. The results are used in the follow-up process to derive measures and thus further strengthen the culture of integrity.

The survey results have a direct influence on the remuneration of the management.

All managers and employees can access the Integrity Toolkit via the employee portal. It includes tools for possible follow-up activities based on the respective results of the employee survey.

Plans call for the culture of integrity within the Mercedes-Benz Group to be reassessed as part of the next employee survey, among other things.

**The Advisory Board as an important driving force**

Another driving force for the Group's sustainability work is the Advisory Board for Integrity and Sustainability. 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 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, sustainability 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, Governance & Sustainability. One of these annual meetings specifically serves to exchange information with other members of the Board of Management and members of the Supervisory Board. During the Sustainability Dialogue in Stuttgart (Germany), 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 to 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. In 2023, the Advisory Board dealt with topics such as human rights, data responsibility, the responsible use of artificial intelligence and the further development of the sustainable business strategy.

## 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 Group is strongly committed to responsible conduct. It expects its employees to comply with laws, regulations and voluntary self-commitments, and helps them do so. The Mercedes-Benz Group has 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. The necessary measures are defined by the compliance organization in a process that also takes the company's business requirements into account in an appropriate manner. The CMS consists of basic principles and measures that promote compliant behaviour. It is applied worldwide. The CMS encompasses seven elements that build on one another: Compliance Values; Compliance Targets; Compliance Organization; Compliance Risks; Compliance Programme; Training; and Monitoring and Improvement.

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, it relies on information from the Group companies as well as additional locally gathered information. The Group also monitors their processes on the basis of key performance indicators. 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.

Whenever new legal requirements or findings from risk analyses call for adjustments, the Mercedes-Benz Group adapts the CMS accordingly. The Group companies are required to implement the improvement measures derived from this process. In addition, the responsible management committees are informed about the results of their monitoring process.

**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 officers makes sure that the Group's compliance standards are met. The contact persons help the management at the Group companies implement the compliance programme at their respective sites.

The Compliance Board provides guidance regarding overarching compliance topics and monitors whether the associated Group 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, integrity and legal affairs area. It meets regularly and as needed, and is chaired by the Chief Compliance Officer (CCO).

The CCO reports directly to the member of the Board of Management responsible for Integrity, Governance & Sustainability as well as to the Audit Committee of the Supervisory Board. He or she also reports regularly to the Board of Management at regular intervals and as needed on matters such as the status of the CMS and its further development, as well as the Business & People Protection Office (BPO) whistleblower system. The CCO is also the Vice President Legal Product & Technology and the Human Rights Officer.

In addition, the CCO reports to the Group Risk Management Committee. From the Mercedes-Benz Group's perspective, the structure of the reporting lines safeguards the independence of the compliance organization from the business divisions'

**Main objectives for compliance management**

**Combating corruption**
The Mercedes-Benz Group has committed itself to fighting corruption — because corruption undermines fair competition and thereby harms all of society. The 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 its CMS.

**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 Group standard that defines how matters of antitrust law are to be assessed. In addition to Mercedes-Benz Group AG's central Legal and Compliance department, the Group's global divisions can turn to local legal and compliance advisers. Employees receive further support through advice hotlines, guidelines and practical support.

**Ensuring compliance with product requirements**
For the Mercedes-Benz Group, technical Compliance means adhering to technical and regulatory requirements, laws 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 established a technical Compliance Management System (tCMS) in its automotive divisions. Its 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 provide all employees in the development and certification units with a basis for a common understanding of responsible behaviour in the product creation process. They were drawn up jointly by Integrity Management and R&D departments and are further embedded by internal departmental measures.

**Responsible handling of data**
Ensuring the protection of personal data (data privacy) and information security is a top priority at the Mercedes-Benz Group. The Mercedes-Benz Group regards the protection of personal data and the security of IT systems as essential components of comprehensive data governance. The key aims are the sustainable design of data-based business models and the responsible, ethical and legally compliant use of data in the interests of customers, employees and other stakeholders. To achieve these strategic goals, the Mercedes-Benz Group is pursuing a systematic approach. Key elements are the data governance structure, the data vision, the data culture and the aforementioned Data CMS.

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 the Mercedes-Benz Group there is also a Digital Governance Board that includes members of the Board of Management. This 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 is responsible for the performance of the tasks required by law to ensure compliance with data protection rules.

The Mercedes-Benz Group's commitment to the responsible use of data is anchored in its data vision. In the period from November 2022 to May 2023, the Mercedes-Benz Group focused on revising this guideline, which is known as the Mercedes-Benz Data Vision, and deriving and launching measures to increase customer confidence. The key message of the guideline is: "For the Mercedes-Benz Group, customer trust and the responsible use of customer data are the basis for sustainable digital products and services."

The Mercedes-Benz Group's Data CMS supports the Group in the systematic and risk-based implementation of measures to ensure compliance with the data protection requirements. It takes into account the existing applicable data-protection regulations.

The Mercedes-Benz Group wants to further strengthen its customers' trust in Mercedes-Benz's data processing. To this end, the Mercedes me Privacy Center is constantly being enhanced, with the aim of making the privacy settings as clear and intuitive as possible. Customers use the Mercedes me Privacy Center to obtain an overview of what personal data of theirs is processed for which purpose. They should be able to easily decide and set the purposes for which Mercedes-Benz and certain third parties may use this data. The Privacy Center already covers various such processing activities, and more are planned. The portal can be accessed on the web and via the new version of the Mercedes me App launched in the year under review.

The Mercedes-Benz Group is also working on the further development and implementation of data sharing solutions. In cooperation with partners such as cities, municipalities and insurers, it tries to make data available in a way that benefits the general public while protecting privacy — for example, by sharing vehicle data with cities in order to increase road safety. In addition, the Mercedes-Benz Group is continuously working on technologies to promote privacy, and it made new developments available internally in the reporting year. The aim is to include privacy-enhancing technologies, among others, in the product design process right from the start.

### Prevention of money laundering and terrorist financing

Money laundering and the financing of terrorism cause tremendous damage to the economy and society. Even an accusation of money laundering can compromise a company's reputation and could have financial consequences for the Mercedes-Benz Group, as well as for its stakeholders.

For this reason, the Mercedes-Benz Group established a two-pillar model (trade in goods and mobility services) which takes 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. Moreover, the Mercedes-Benz Group defines prevention and combating of money laundering and the financing of terrorism as central compliance goals in the Group's Integrity Code.

The integrated compliance approach also checks 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 goods-related embargoes from being violated or evaded. On the other, it seeks to combat third-party activities that are suspected of involving money laundering, the financing of terrorism, organized crime and other types of corporate crime.

### Compliance risks

The Mercedes-Benz Group 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 the compliance risk analysis form the basis of compliance risk management and are therefore also the basis for defining measures.

### Compliance programme

The compliance programme comprises principles and measures that are designed to reduce compliance risks and counteract 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, preventative training measures, the systematic tracking of information received regarding misconduct, and the formulation of clear standards for the behaviour of business partners.

In order to ensure an independent external assessment of the Compliance Programme, Mercedes-Benz Group AG commissioned KPMG AG Wirtschaftsprüfungsgesellschaft to audit the Group's CMS for Corruption Prevention, Antitrust and technical Compliance in accordance with Standard 980 of the Institute of Public Auditors in Germany. These audits, which were based on the principles of appropriateness, implementation and effectiveness, were successfully completed for our CMS Corruption Prevention in late 2019, for our tCMS (focus on emissions) in late 2020 and for our CMS Antitrust in late 2021. The latter was the second such audit, the first having been conducted in 2016.

### The whistleblower system BPO

The Business & People Protection Office (BPO) whistleblower system enables all employees worldwide, as well as external informants, 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, whistleblowers have access to additional contact points such as an external neutral intermediary and other external reporting channels (e.g. the federal government's external reporting office at the Federal Office of Justice, the Federal Financial Supervisory Authority's (BaFin's) whistleblower office, and the whistleblower system of the Bundeskartellamt (federal competition authority).

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 or to third parties, as well as to protect individuals who might be harmed by misconduct. A globally valid Group policy defines BPO procedures and the corresponding responsibilities. It aims to ensure a fair and transparent procedure that takes into account both the protection of the whistleblower and the principle of proportionality for the persons affected by the allegation. The policy also defines the standard by which the Mercedes-Benz Group assesses breaches of the rules and decides on the consequences.

If, following a risk-based initial assessment, the BPO classifies an incident as a breach of regulations with a high risk for the Mercedes-Benz Group, its employees or other persons, it refers the case to an investigation unit. The BPO accompanies 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.

The BPO refers information on all other breaches involving risk to the responsible department — such as HR, Corporate Security or Data Privacy. The relevant departments follow up the information and clarify the cases on their own responsibility. Examples 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.

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 various communication measures to provide extensive information materials in a variety of languages. In addition, the company regularly informs employees about the type and number of reported violations and makes case studies available in an anonymous form on a quarterly basis.

### Reported violations

In the reporting year, 55 new cases were opened with 75 persons affected by the allegation (previous year: 58 cases/72 persons). In total, 54 persons were proven to have committed violations with a high risk for the company, its employees or other persons. Of these, six violations belonged in the category of passive corruption. Six violations fell into the category of undue enrichment or theft in excess of €100,000, seven into the category of damage over €100,000. 12 violations fell into the category of reputational damage. In 15 cases of violations, accusations of inappropriate behaviour of employees toward other employees were confirmed — e.g. violation of psychological/physical integrity, sexual harassment or racism. Eight confirmed violations with high risk referred to other categories.

With regard to the confirmed violations, the Mercedes-Benz Group decides on appropriate response measures in line with the principles of proportionality and fairness. The personnel measures in 2023 included admonishments, warnings and terminations without notice.

**Sales partners and suppliers**

The Mercedes-Benz Group expects not only its employees to comply with laws and regulations. The Group also places clear compliance requirements on its sales partners and suppliers, because it regards integrity and conformity with regulations as a precondition for trust-based cooperation. The Mercedes-Benz Group formulates in detail what it expects from its business partners in the Business Partner Standards (BPS) and specifically for its suppliers in the Responsible Sourcing Standards (RSS); both documents are publicly available on the Group website.

In the selection of direct sales partners and in existing sales partnerships, the Mercedes-Benz Group ensures that its business partners comply with laws and observe ethical principles. For this purpose, we use a globally standardized, risk-based Sales Business Partner Due Diligence Process. All new sales partners are subjected to a due diligence process. A partnership is only possible if this process is successfully completed. The risk-based review takes into account, among other things, the planned business model, the country risk and the involvement of third parties and government contacts. The concrete risks are determined using additional specific questionnaires. During the ongoing cooperation with the sales partners, the existing due diligence processes are reviewed on an ad hoc or cyclical basis depending on the risks identified. Another component of the due diligence process is permanent monitoring, in which the Group continuously checks existing sales partners in relevant databases and valid sanctions lists in order to identify potential breaches of integrity. If a partner fails to comply with the Group standards or if there are breaches of integrity that cannot be resolved, the Mercedes-Benz Group reserves the right to terminate the selection process or the cooperation. In conjunction with the procurement departments, the Group is constantly enhancing the existing processes for the selection of and cooperation with its suppliers.

On the basis of the BPS and RSS standards and the Integrity Code, the Mercedes-Benz Group makes web-based Compliance Awareness Modules (CAMs) available to both for sales business partners and suppliers. These modules are intended to sensitize them to relevant 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 sales business partners and suppliers extensive assistance for dealing with possible relevant compliance risks.

**Communication and training**

The 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. The Mercedes-Benz Group regularly analyses the need for its training programme, expands or adapts it as necessary and conducts evaluations.

# Social compliance

| Target | Target horizon |
|---|---|
| Define and implement protective measures for 100% of the Mercedes-Benz Group's production raw materials which pose an increased risk of human rights violations | 2028 |
| Milestone: Assessment of 70% of all production raw materials used by the Mercedes-Benz Group with an increased risk of human rights violations and definition of necessary improvement measures | 2025 |
| Milestone: Assessment of 50% of all production raw materials used by the Mercedes-Benz Group with an increased risk of human rights violations and definition of necessary improvement measures | Target achieved |
| Review of 100% of product groups sourced from service supply chains posing an increased 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 putting a spotlight on the 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 its own commitment to respecting human rights, the Mercedes-Benz Group is observing growing interest in the topic of human rights among consumers, civil society organizations, investors and rating agencies.

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

## Policy commitment

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, particularly suppliers. The Principles of Social Responsibility and Human Rights reflect this self-commitment. They supplement and specify the Integrity Code with respect to the principles of human rights and good working conditions and are binding for all managers and employees of the Mercedes-Benz Group AG as well as the consolidated Group companies worldwide.

## Organizational embedding

Overarching activities relating to human rights issues are managed by the Mercedes-Benz Group AG executive division Integrity, Governance & Sustainability. This division is responsible for the Principles of Social Responsibility and Human Rights as well as for enhancing the 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 continues to develop the topic in line with the targets set by the Board of Management and the Supervisory Board. To this end, this member regularly obtains information and corresponding reports about the Company's human rights activities.

The Chief Compliance Officer of the Mercedes-Benz Group is also the Group's Human Rights Officer. He is a member of the Group Sustainability Committee and reports to the Board of Management member responsible for Integrity, Governance & Sustainability. The Human Rights Officer is responsible for monitoring compliance with the Principles of Social Responsibility and Human Rights and the HRRS. He reports annually and as needed to the Mercedes-Benz Group AG Board of Management and other bodies on particularly relevant human rights issues and the status of implementation of the Principles of Social Responsibility and Human Rights.

The Social Compliance department helps with the definition of human rights due diligence requirements within the Mercedes-Benz Group and towards suppliers. Moreover, it 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.

**Human Rights Respect System (HRRS)**

The HRRS is the Mercedes-Benz Group's approach to fulfilling its human rights due diligence obligations. It encompasses the protection of our own employees through the Group-wide Social Compliance Management System (Social CMS) in Group companies as well as processes for human rights due diligence in supply chains as part of Supplier Compliance Risk Management (SCRM) for direct suppliers (Tier 1) and, risk-based, indirect suppliers (beyond Tier 1).

The HRRS should 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 systematically identify risks and potential and actual negative impacts of business activities on the respect for human rights early on, avoid such effects and, if necessary, to initiate countermeasures.

The Mercedes-Benz Group continues to expand the HRRS step by step and also involves external stakeholders and experts in this process. The stakeholders include rights holders such as employees and their representatives, as well as local residents. For example, 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.

**Social Compliance Management System**

Through the Social CMS, the Mercedes-Benz Group identifies and addresses in particular those human rights risks that may arise in the workforces of its own Group companies. Employee rights are also addressed systematically and on a risk basis as part of the Social CMS. With the Social CMS, the Mercedes-Benz Group has integrated the issue of human rights into the Group-wide, systematic compliance risk management process for the Group companies.

**Supplier compliance risk management**

As part of Supplier Compliance Risk Management (SCRM), the Mercedes-Benz Group conducts a risk assessment of its Tier 1 suppliers of its procurement departments for production materials, non-production materials and services at least once a year. Following an initial overarching risk assessment, the specific risks are determined using specific questionnaires. Should there be any indication revealed, the responsible procurement department initiates an extensive examination of the situation.

**Identification of risk raw materials and services**

In order to examine the risks associated with raw materials, the Mercedes-Benz Group first analysed the raw materials present in a vehicle and prioritized them on the basis of various factors. It has identified 24 critical raw materials. The list is reviewed annually on the basis of certain criteria, such as the country risk of the main mining countries, and updated if necessary.

The Group plans to gradually examine these 24 critical raw materials in more detail between now and 2028 and to define corresponding measures. This review consists of three steps:

1. Increasing transparency along the raw material supply chains — especially with regard to certain components in a Mercedes-Benz, such as battery cells. To this end, Mercedes-Benz AG contacts, among others, the suppliers of the relevant components and asks them to disclose their supplier structure.

2. Identification of risk hotspots in the raw material 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.

In the reporting year, the Mercedes-Benz Group was able to complete 57% of the process of reviewing all 24 raw materials, thus achieving its target for 2023. The achievement describes the progress in the overall process of assessing all 24 raw materials, which includes fully complete and partially complete assessments.

The Mercedes-Benz Group also carefully checks the services it uses. Services that are particularly critical from a human rights perspective were identified as part of an impact assessment. The analysis resulted in a list of 27 services that are potentially critical in terms of human rights.

We regularly conduct such risk mapping in order to address current developments and adapt our risk classification if necessary. The main human rights risks for the identified services are then determined on a step-by-step and supply chain-specific basis and appropriate measures are defined.

**Requirements for suppliers**

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

The Group has incorporated the guidelines for sustainable supply chain management into the Responsible Sourcing Standards (RSS). They define minimum requirements and expectations for direct suppliers and contractually oblige them to comply with these requirements, to communicate them to their employees and upstream stages of the value chain and to monitor compliance with them in their business processes and sphere of influence.

The goal here is to prevent, minimize or, if possible, bring to an end any negative impacts on human rights worldwide. The RSS are an integral part of all new orders for Tier 1 suppliers and the key contractual document for minimum and sustainability requirements. They are applied worldwide.

**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. This includes training, preventive and corrective measures, risk analyses, documentation for tracking and reporting purposes and effectiveness checks. With these instruments, the Mercedes-Benz Group intends to increase transparency in the supply chain and to ensure that internationally recognized human rights are upheld by business partners as well, and that other social standards and environmental requirements are met. The procurement units for production materials, non-production materials and services play a key role here.

In addition, Tier 1 suppliers were continuously screened for human rights violations and breaches of environmental standards in the reporting year. The objective is to identify possible violations at an early stage on the basis of the latest supplier data. Should there be any indication revealed, the responsible procurement department initiates an extensive examination of the situation.

The Mercedes-Benz Group also continued to conduct audits at Tier 1 suppliers in 2023, when it made 744 on-site inspections. Among other things, anomalies were detected with regard to working hours, the communication of our sustainability standards and business ethics.

If on-site inspections reveal deficiencies at a supplier, the Mercedes-Benz Group calls on the supplier to improve the relevant processes. If the supplier does not sufficiently remedy the criticised processes, the Group makes individual decisions regarding the next steps. In especially severe cases, these decisions can be made by management bodies. As a last resort, this can also lead to the discontinuation of the Mercedes-Benz Group's business relationship with a supplier.

**Raising awareness of human rights issues**

The Integrity Code and the Principles of Social Responsibility and Human Rights are binding for all employees of the Mercedes-Benz Group as well as the consolidated Group companies. Both are the subject of the mandatory basic online module Integrity@Work, which also covers topics related to integrity and compliance and must be completed every three years by all employees of the administration of Mercedes-Benz Group AG as well as the consolidated Group companies. In 2023, human rights compliance training was also introduced for all managers of Mercedes-Benz Group AG and consolidated Group companies worldwide to familiarize them with the requirements of human rights due diligence in accordance with their respective function.

Since 2018, Mercedes-Benz AG 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 and provide them with information on this issue. The Group selected the respective countries jointly with the initiative.

**Complaints management**

The BPO whistleblower system enables employees and external whistleblowers worldwide to report rules violations. The Mercedes-Benz Group can thus become aware of potential human rights risks, can prevent damage to the Group and its employees or to third parties, and protects individuals who might be harmed by misconduct.

With regard to supply chains, suspected violations of the Responsible Sourcing Standards can be reported via the 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.

# 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 the types of economic activity in the EU that are considered to be Taxonomy-aligned - and thus environmentally sustainable with regard to 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. The EU delegated acts (Commission Delegated Regulation (EU) 2021/2139 and its supplement, Commission Delegated Regulation (EU) 2023/2485), which was adopted by the European Commission in June 2023, contain descriptions of relevant economic activities and technical screening criteria for the environmental objectives climate change mitigation and climate change adaptation. The supplement to the delegated regulation includes new technical screening criteria that refer to both the existing economic activities and to new economic activities. Furthermore, a new EU delegated act (Commission Delegated Regulation (EU) 2023/2486) containing economic activities and technical screening criteria relevant for the remaining environmental objectives, was published in 2023.

The economic activities relevant to the Mercedes-Benz Group in this context are to be found under the environmental objectives climate change mitigation, climate change adaptation and transition to a circular economy.

On the basis of the descriptions contained in the delegated acts 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 technologies for transport 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 commercial vehicles
- Economic activity 6.15 encompasses infrastructure enabling low-carbon road transport and public transport (charging infrastructure)

In a Commission Notice (2022/C 385/01) published by the European Commission 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 the Taxonomy-eligible economic activity 3.3. With regard to car manufacturer 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 to be classified as Taxonomy-eligible.

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

Economic activity 6.6 essentially covers the remaining commercial vehicle portfolio of Mercedes-Benz Mobility after the spin-off and hive-down of the Daimler commercial vehicle business (see Note 3 of the Notes to the Consolidated Financial Statements).

Economic activity 6.15 relates to the establishment and operation of company-owned charging infrastructure by means of high-power charging stations, which are a prerequisite for zero tailpipe $CO_2$ operation of zero-emissions road transport.

The economic activities in specific energy sectors contained in the supplement to the delegated act relating to the climate goals are only present to an immaterial extent at the Mercedes-Benz Group and are performed exclusively in support of carrying out economic activity 3.3.

The economic activities contained in the delegated acts relating to **climate change adaptation** are only present to an immaterial extent at the Mercedes-Benz Group and are reported exclusively under the environmental objective climate change mitigation.

The Taxonomy-eligible economic activity 5.4 that encompasses the sale of second-hand goods, which are purchased by the Mercedes-Benz Group from third parties, was identified on the basis of the descriptions in the delegated act relating to the **transition to a circular economy**. For the 2023 reporting year, simplified reporting obligations apply for economic activities newly introduced by the delegated acts. These stipulate that only reporting in relation to Taxonomy-eligibility is required. The Mercedes-Benz Group reports economic activity 5.4 as Taxonomy-eligible but not environmentally sustainable. An assessment of Taxonomy-alignment has not been carried out.

The individual economic activities are additionally to be classified according to enabling activities and transitional activities. An enabling activity is an economic activity that makes a substantial contribution to one or more environmental objectives by directly enabling further activities to also make a substantial contribution. At the Mercedes-Benz Group this mostly applies to the economic activities 3.3 and 6.15. A transitional activity, in contrast, is an economic activity for which there is no technological and economically feasible low-carbon alternative but which makes a substantial contribution to climate change mitigation by supporting the transition to a climate-neutral economy.

## 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 environmental objective climate change mitigation**
According to the delegated act, all vehicles below the current limit value of 50g $CO_2$/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”.

Furthermore, according to the delegated act, high-power charging stations that are intended for the operation of vehicles with zero tailpipe $CO_2$-emissions make a substantial contribution to the environmental objective climate change mitigation.

**Exclusion of the possibility of significant interference on the basis of the "do no significant harm" criteria**
In a second step, compliance with the DNSH criteria for the further environmental objectives for the respective economic activities was analysed on the basis of the defined criteria in the reporting year.

With regard to 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 plans call for them to be manufactured in the future.

With regard to economic activity 6.5, the analysis of the criteria is to be performed on the basis of the low-carbon vehicles in the leasing and financing portfolio. In addition to Group-brand vehicles, the vehicle portfolio also includes vehicles from other manufacturers. The latter are reported as Taxonomy-eligible but not Taxonomy-aligned, as it is not currently possible to carry out an adequate DNSH analysis due to the current data availability.

With regard to economic activity 6.15, the fulfilment of the DNSH criteria was reviewed at the level of the operational high-power charging stations.

**Climate change adaptation**
With regard to economic activity 3.3, the EU Taxonomy requires a climate risk analysis to be carried out. In accordance with the DNSH requirements, this analysis was carried out for taxonomy-relevant production sites in connection with economic activity 3.3, in order to assess potential physical climate-related risk factors on the basis of material climate risks in line with Appendix A (Annex I) of the delegated act of the EU (Delegated Regulation (EU) 2021/2139). The analysis took into account climate scenarios from the Intergovernmental Panel on Climate Change (IPCC) and different time horizons, including 2040. Adaptation measures were analysed on the basis of the results.

In addition, the verificiation of the DNSH criteria for economic activity 6.5 is essentially based on the consideration of use and environmental conditions, such as heat and cold requirements in the context of vehicle development and testing.

With regard to economic activity 6.15, potential climate risks according to Appendix A (Annex I) of the delegated act of the EU (Delegated Regulation (EU) 2021/2139) were assessed by relevance for the implementation of the economic activity and manufacturer's specifications for the charging stations were taken into account.

**Sustainable use and protection of water and marine resources**
With regard to economic activity 3.3, fulfilment of the DNSH criteria according to the Taxonomy Regulation is intended to be ensured mainly on the basis of established environmental management systems and the internal environmental risk assessment (environmental due diligence process). The company has established environmental management systems at its own production sites around the world in accordance with ISO 14001. In addition, all German and the two European manufacturing locations in Kecskemet (Hungary) and Vitoria (Spain) have also been validated in accordance with EMAS. As part of the internal environmental risk assessment, consolidated production sites are evaluated according to a number of factors, including those relating to water quality, in a five-year cycle. Recommendations for minimizing risks are then drawn up, prioritized and tracked. The Group also uses external data sources to identify sites that harbour potential risks relating to water scarcity.

With regard to economic activity 6.15, the analysis shall assess that the use of the charging infrastructure does not give rise to any significant risk to the water quality and the water scarcity corresponding to the DNSH criteria.

**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 vehicles. In addition, the DNSH criteria for economic activity 6.5 are taken into account through the implementation of the legal requirements on recyclability and reusability for passenger car models and light commercial vehicles.

The Mercedes-Benz Group is intensifying its efforts to use lower volumes of raw materials and other materials in its production operations. In accordance with the waste hierarchy, the company's primary goal is to avoid waste. For its own 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 assessment.

For economic activity 6.15, the applicable DNSH criteria were analysed and checked for adherence. This includes the verification of the recycling or disposal of waste generated during construction and demolition.

**Pollution prevention and control**

With regard to the DNSH criteria, for economic activity 3.3 under Appendix C (Annex I) of the delegated act of the EU (Delegated Regulation (EU) 2021/2139), the Taxonomy Regulation refers to the concept of avoiding the manufacturing, placing on the market or use of restricted and reportable substances subject to current European legislation on chemicals. The implementation of internal processes for specification, approval and control is intended to ensure compliance with European regulations (according to Appendix C) and respective national legislations. The Global Automotive Declarable Substance List (GADSL) forms the basis for the prohibition and declaration requirement of substances in Mercedes-Benz products. The Mercedes-Benz Group also defines specifications for substitution analyses, and thus for the use of less critical hazardous substances.

With regard to economic activity 6.5, the DNSH criteria refer to compliance with various product-related European regulations and directives. As a result, all-electric vehicles are currently considered in the Taxonomy-aligned scopes of economic activity 6.5.

In due consideration of the applicable legislation and of a Notice (C/2023/267) published by the EU Commission on 20 October 2023, 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 fulfil DNSH requirements for the respective vehicles. 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. The time of market placement of the vehicles in the leasing and financing portfolio was used for the analysis, and a percentage share of the vehicles with the respective highest tyre classes according to EPREL was determined on the basis of a representative time period. This proportion is applied to the leasing and financing portfolio of all-electric vehicles worldwide wherever the corresponding data is available.

For economic activity 6.15, the applicable requirements from the Taxonomy Regulation on noise, vibration, dust and pollutants must be complied with.

**Protection and restoration of biodiversity and ecosystems**

To demonstrate the requirements for economic activity 3.3, ecologically sensitive or protected areas in the neighbourhood of sites are documented and taken into account as part of the internal environmental risk assessment (environmental due diligence process). Furthermore, environmental impact assessments or comparable audits outside the EU are carried out in the context of a new site or the extension of an existing site, if legally required. In addition, the Group has established environmental management systems in accordance with ISO 14001 at its production sites.

During the reporting year, an environmental impact assessment was not required for the charging infrastructure (economic activity 6.15) that was put into operation. Furthermore, the locally applicable requirements in the construction and approval process according to the DNSH requirements were taken as a basis.

The analysis of the DNSH requirements for economic activities 3.3 and 6.15 forms the basis for considering the taxonomy-compliant shares. With regard to economic activity 6.5, the reductions due to the DNSH requirements of the environmental objective pollution prevention and control were taken into account in the Taxonomy-alignment of revenues and investments.

**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 Organization'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 the Mercedes-Benz Group. Key issue areas here are human rights and labour rights (see the chapters Social compliance and Occupational health and safety), the prevention of corruption and the promotion of fair competition (see the chapters Compliance management system, Combating corruption and Promoting fair competition), and responsible tax practices (see the chapter Tax obligation). The verification of compliance here basically involves demonstrating compliance with the existence of corresponding due diligence processes at the Group level and the fact that no judicial rulings relating to serious violations in the aforementioned areas have been made in the final instance.

## 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.

The calculations for the key figures are based on the Consolidated Financial Statements in accordance with IFRS. The provision of comparative information, except where concerning the economic activities newly introduced by the delegated acts supplementing the Taxonomy Regulation, was legally required in the reporting year.

## Revenue

| | | | 2023 | Criteria for a substantial contribution | | | | | | | | 2022 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Economic activities | Code[1] | Revenue[2] | Proportion of revenue[2] | Climate change mitigation | Climate change adaptation | Water | Circular economy | Pollution | Biodiversity | DNSH criteria (“do no significant harm”)[5] | Minimum safeguards | Proportion of Taxonomy-aligned (A.1) or Taxonomy-eligible (A.2) revenue | Category: enabling activity | Category: transitional activity |
| | | in millions of euros | in % | Y; N; N/EL[3] | Y; N; N/EL[3] | Y; N; N/EL[3] | Y; N; N/EL[3] | Y; N; N/EL[3] | Y; N; N/EL[3] | Y/N | Y/N | in % | E | T |
| **A. TAXONOMY-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | |
| **A.1 Environmentally sustainable activities (Taxonomy-aligned)** | | | | | | | | | | | | | | |
| Manufacture of low-carbon technologies for transport | CCM 3.3 | 20,704 | 14% | Y | N/EL | N/EL | N/EL | N/EL | N/EL | Y | Y | 10% | E | |
| Transport by motorbikes, passenger cars and light commercial vehicles | CCM 6.5 | 319 | 0% | Y | N/EL | N/EL | N/EL | N/EL | N/EL | Y | Y | 0% | | |
| Infrastructure enabling low-carbon road transport and public transport | CCM 6.15 | . | 0% | Y | N/EL | N/EL | N/EL | N/EL | N/EL | Y | Y | - | E | |
| **Revenue from environmentally sustainable activities (Taxonomy-aligned) (A.1)** | | **21,023** | **14%** | **100%** | **0%** | **0%** | **0%** | **0%** | **0%** | Y | Y | **10%** | | |
| of which enabling activity | | 20,704 | 14% | 100% | 0% | 0% | 0% | 0% | 0% | Y | Y | 10% | E | |
| of which transitional activity | | 0 | 0% | 0% | | | | | | | | 0% | | T |
| **A.2 Taxonomy-eligible activities that are not environmentally sustainable (not Taxonomy-aligned activities)** | | | | | | | | | | | | | | |
| | | | | EL; N/EL[4] | EL; N/EL[4] | EL; N/EL[4] | EL; N/EL[4] | EL; N/EL[4] | EL; N/EL[4] | | | | | |
| Manufacture of low-carbon technologies for transport | CCM 3.3 | 107,045 | 70% | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | 72% | | |
| Transport by motorbikes, passenger cars and light commercial vehicles | CCM 6.5 | 21,561 | 14% | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | 15% | | |
| Freight transport services by road | CCM 6.6 | 1,683 | 1% | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | 1% | | |
| Sale of second-hand goods | CE 5.4 | 448 | 0% | N/EL | N/EL | N/EL | EL | N/EL | N/EL | | | – | | |
| **Revenue from Taxonomy-eligible activities that are not environmentally sustainable (not Taxonomy-aligned) (A.2)** | | **130,737** | **85%** | **100%** | **0%** | **0%** | **0%** | **0%** | **0%** | | | **88%** | | |
| **A. Turnover of Taxonomy-eligible activities (A.1 + A.2)** | | **151,760** | **99%** | **100%** | **0%** | **0%** | **0%** | **0%** | **0%** | | | **98%** | | |
| **B. TAXONOMY NON-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | |
| **Revenue of Taxonomy non-eligible activities** | | **1,458** | **1%** | | | | | | | | | **2%** | | |
| **Total (A + B)** | | **153,218** | **100%** | | | | | | | | | **100%** | | |

1 The Code constitutes the abbreviation of the relevant environmental objective to which the economic activity is eligible to make a substantial contribution. Climate change mitigation: CCM, climate change adaptation: CCA, water and marine resources: WTR, circular economy: CE, pollution prevention and control: PPC, biodiversity and ecosystems: BIO.
2 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.
3 Description: Y — Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective, N — No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective, N/EL — Not eligible, Taxonomy non-eligible activity for the relevant environmental objective.
4 Description: EL — Eligible, Taxonomy-eligible activity for the relevant objective, N/EL — Not eligible, Taxonomy non-eligible activity for the relevant environmental objective.
5 A breakdown of the DNSH criteria has not been provided here, as activities may only be designated as Taxonomy-aligned when any significant effect on the other environmental objectives has been ruled out.

The following table shows the scope of the Taxonomy-eligibility and the Taxonomy-alignment for the revenue by environmental objective:

**Revenue proportion/total revenue**[1]

| | Taxonomy-alignment per objective | Taxonomy-eligibility per objective |
|---|---|---|
| Climate change mitigation (CCM) | 14% | 85% |
| Climate change adaptation (CCA) | 0% | 0% |
| Water and marine resources (WTR) | 0% | 0% |
| Circular economy (CE) | 0% | 0% |
| Pollution prevention and control (PPC) | 0% | 0% |
| Biodiversity and ecosystems (BIO) | 0% | 0% |

### Taxonomy-eligibility of revenue

For the share of Taxonomy-eligible revenue (under A. in the table Revenue), the Taxonomy-eligible revenue is considered in relation to the total revenue of the Group. In this process, the denominator takes into account the consolidated revenue generated by Group companies that are to be included in the calculations. The revenue, as disclosed in the consolidated statement of income, amounted to €153,218 million in the reporting year (2022: €150,017 million) (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 the manufacturing, the leasing or the financing of vehicles; the operation of high-power charging stations; or the sale of second hand-goods which were purchased from third parties by the Mercedes-Benz Group. This applies to almost all of the revenue generated by the Mercedes-Benz Group. In the previous year, the revenues from the sale of second-hand goods, which Mercedes-Benz Group purchased from third parties, were assigned to the revenue from Taxonomy non-eligible activities. Since the reporting year, this revenue has been assigned to the economic activity 5.4.

### Taxonomy-alignment of revenue

In order to calculate the Taxonomy-aligned proportion of economic activities (under A.1 in the table Revenue), revenues were examined to determine whether they were generated with low-carbon vehicles in order to assess whether a substantial contribution had been made to climate change mitigation. Compliance with the DNSH criteria was also monitored.

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. In the reporting year, the share of Taxonomy-aligned revenue increased to 14%[1]. The main reasons for this were an increase in unit sales of all-electric vehicles and the expansion of the product portfolio for low-carbon vehicles.

The revenues shown below are included as an aggregation across the various economic activities.

**Revenue**

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Taxonomy-aligned revenue[1] | Total revenue | Proportion of Taxonomy-aligned revenue[1] | Taxonomy-aligned revenue[1] | Total revenue | Proportion of Taxonomy-aligned revenue[1] |
| | in millions of euros | in millions of euros | in % | in millions of euros | in millions of euros | in % |
| Revenue according to IFRS 15 | 20,223 | 136,987 | 15% | 14,419 | 136,008 | 11% |
| Other revenue | 800 | 16,231 | 5% | 575 | 14,009 | 4% |
| **Total** | **21,023** | **153,218** | **14%** | **14,994** | **150,017** | **10%** |

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

## Capital expenditure

| | | | 2023 | | | | Criteria for a substantial contribution | | | | | 2022 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Economic activities | Code[1] | Capital expenditure[2] | Proportion of capital expenditure[2] | Climate change mitigation | Climate change adaptation | Water | Circular economy | Pollution | Biodiversity | DNSH criteria ("do no significant harm")[5] | Minimum safeguards | Proportion of Taxonomy-aligned (A.1) or Taxonomy-eligible (A.2) Capital expenditure | Category: enabling activity | Category: transitional activity |
| | | in millions of euros | in % | Y; N; N/EL[3] | Y; N; N/EL[3] | Y; N; N/EL[3] | Y; N; N/EL[3] | Y; N; N/EL[3] | Y; N; N/EL[3] | Y/N | Y/N | in % | E | T |
| **A. TAXONOMY-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | |
| **A.1 Environmentally sustainable activities (Taxonomy-aligned)** | | | | | | | | | | | | | | |
| Manufacture of low-carbon technologies for transport | CCM 3.3 | 4,605 | 21% | Y | N | N/EL | N/EL | N/EL | N/EL | Y | Y | 20% | E | |
| Transport by motorbikes, passenger cars and light commercial vehicles | CCM 6.5 | 585 | 3% | Y | N/EL | N/EL | N/EL | N/EL | N/EL | Y | Y | 2% | | |
| Infrastructure enabling low-carbon road transport and public transport | CCM 6.15 | 30 | 0% | Y | N/EL | N/EL | N/EL | N/EL | N/EL | Y | Y | – | E | |
| **Capital expenditure of environmentally sustainable activities (Taxonomy-aligned) (A.1)** | | **5,220** | **24%** | **100%** | **0%** | **0%** | **0%** | **0%** | **0%** | Y | Y | **22%** | | |
| of which enabling activity | | 4,635 | 22% | 100% | 0% | 0% | 0% | 0% | 0% | Y | Y | 20% | E | |
| of which transitional activity | | 0 | 0% | 0% | | | | | | | | 0% | | T |
| **A.2 Taxonomy-eligible activities that are not environmentally sustainable (not Taxonomy-aligned activities)** | | | | | | | | | | | | | | |
| | | | | EL; N/EL[4] | EL; N/EL[4] | EL; N/EL[4] | EL; N/EL[4] | EL; N/EL[4] | EL; N/EL[4] | | | | | |
| Manufacture of low-carbon technologies for transport | CCM 3.3 | 4,065 | 19% | EL | EL | N/EL | N/EL | N/EL | N/EL | | | 22% | | |
| Transport by motorbikes, passenger cars and light commercial vehicles | CCM 6.5 | 12,186 | 57% | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | 56% | | |
| **Capital expenditure of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)** | | **16,251** | **76%** | **100%** | **0%** | **0%** | **0%** | **0%** | **0%** | | | **78%** | | |
| **A. Capital expenditure of Taxonomy-eligible activities (A.1 + A.2)** | | **21,471** | **100%** | **100%** | **0%** | **0%** | **0%** | **0%** | **0%** | | | **100%** | | |
| **B. TAXONOMY NON-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | |
| **Capital expenditure of Taxonomy non-eligible activities** | | **0** | **0%** | | | | | | | | | **0%** | | |
| **Total (A + B)** | | **21,471** | **100%** | | | | | | | | | **100%** | | |

1 The Code constitutes the abbreviation of the relevant environmental objective to which the economic activity is eligible to make a substantial contribution. Climate change mitigation: CCM, climate change adaptation: CCA, water and marine resources: WTR, circular economy: CE, pollution prevention and control: PPC, biodiversity and ecosystems: BIO.
2 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.
3 Description: Y — Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective, N — No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective, N/EL — Not eligible, Taxonomy non-eligible activity for the relevant environmental objective.
4 Description: EL — Eligible, Taxonomy-eligible activity for the relevant objective, N/EL — Not eligible, Taxonomy non-eligible activity for the relevant environmental objective.
5 A breakdown of the DNSH criteria has not been provided here, as activities may only be designated as Taxonomy-aligned when any significant effect on the other environmental objectives has been ruled out.

The following table shows the scope of the Taxonomy-eligibility and the Taxonomy-alignment for the capital expenditure by environmental objective:

**Proportion of capital expenditure/total capital expenditure**[1]

| | Taxonomy-alignment per objective | Taxonomy-eligibility per objective |
|---|---|---|
| Climate change mitigation (CCM) | 24% | 76% |
| Climate change adaptation (CCA) | 0% | 0% |
| Water and marine resources (WTR) | 0% | 0% |
| Circular economy (CE) | 0% | 0% |
| Pollution prevention and control (PPC) | 0% | 0% |
| Biodiversity and ecosystems (BIO) | 0% | 0% |

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 capital expenditure

For the share of Taxonomy-eligible capital expenditure (under A. in the table Capital expenditure), the Taxonomy-eligible capital expenditure is considered in relation to the total relevant capital expenditure of the Group.

All additions to intangible assets, property, plant and equipment and right-of-use assets as defined in IFRS 16 in accordance with the statements of changes in non-current assets as well as additions to equipment on operating leases, including the additions to the named assets as part of company acquisitions are taken into account in the denominator. Equipment on operating leases only takes into account vehicles acquired by dealers 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 held for sale in accordance with IFRS 5. The relevant additions to the assets to be taken into account amounted to €21,471 million in the reporting year (2022: €18,369 million) (see Notes 11, 12 and 13 in the notes to the consolidated financial statements). Additions that result from a purchase in the context of a company acquisition are of secondary importance in the reporting year.

According to the Commission Notice (2022/C 385/01) that the European Commission 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, the establishment of the charging infrastructure or the implementation of transport solutions for people and goods. This applies to nearly all of our investments.

### Taxonomy-alignment of capital expenditure

To calculate the Taxonomy-aligned proportion of economic activities (under A.1 in the table Capital expenditure), capital expenditure was examined to determine the extent to which it was associated with low-carbon vehicles (economic activities 3.3 and 6.5) and with high-power charging stations (economic activity 6.15) in order to assess whether a substantial contribution had been made to climate change mitigation. Table Capital expenditure (p. 121) shows the Taxonomy-aligned capital expenditure, aggregated across all economic activities. Compliance with the DNSH criteria was also monitored.

The size of the share of Taxonomy-aligned expenditure of total capital expenditure is mainly due to the disproportionately low share of Taxonomy-aligned vehicles in the additions to the equipment on operating leases. As a result, this share only partially reflects our investments in sustainable products for the future.

When looking at Taxonomy-aligned investments in intangible assets (mainly in capitalized development costs) and property, plant and equipment of the Mercedes-Benz Group shows much higher shares of Taxonomy-aligned capital expenditure (table Capital expenditure).

All of the capital expenditure of the Mercedes-Benz Group during the reporting year included in the numerator of the economic activities 3.3 and 6.5 relates to assets or processes in the context of already existing technologies which are connected to already existing Taxonomy-aligned economic activities 3.3 and 6.5. For most of the capital expenditure relating to the industrial business, a direct attribution was made to all-electric vehicle projects. In the case of capital expenditure in low-carbon plug-in hybrids and 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 unit sales figures for low-carbon vehicles. With regard to financial services, it is possible to match the additions to equipment on operating leases directly to low-carbon vehicles. At 24%[1], the percentage of Taxonomy-aligned capital expenditure was at the prior-year level. There was a sharp addition to capitalized development costs, the effect of which was offset by the higher total capital expenditure compared to the previous year.

### CapEx plan for economic activity 6.15

A capital expenditure (CapEx) plan that has been adopted by management must exist for capital expenditure that leads to an expansion of Taxonomy-aligned economic activities or enables the conversion of Taxonomy-eligible economic activities into Taxonomy-aligned economic activities. At the Mercedes-Benz Group this affects capital expenditure for economic activity 6.15 Infrastructure enabling low-carbon road transport and public transport (charging infrastructure) that is expected to fall under the environmental objective climate change mitigation. The Board of Management of Mercedes-Benz Group AG has adopted the planned capital expenditure for the construction of Mercedes-Benz own high-power charging stations as part of the corporate planning covering the period 2024 to 2028. The CapEx plan contains total capital expenditure in the amount of around €1.4 billion (whereof €30 million are accounted for in the reporting year).

**Capital expenditure**

| | **2023** | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Taxonomy-aligned capital expenditure[1] | Total capital expenditure | Proportion of Taxonomy-aligned capital expenditure[1] | Taxonomy-aligned capital expenditure[1] | Total capital expenditure | Proportion of Taxonomy-aligned capital expenditure[1] |
| | in millions of euros | in millions of euros | in % | in millions of euros | in millions of euros | in % |
| Intangible assets | 2,764 | 4,513 | 61% | 1,874 | 3,480 | 54% |
| Property, plant and equipment | 1,768 | 3,718 | 48% | 1,507 | 3,421 | 44% |
| Right-of-use assets | 130 | 469 | 28% | 391 | 923 | 42% |
| Equipment on operating leases | 558 | 12,771 | 4% | 285 | 10,545 | 3% |
| **Total** | **5,220** | **21,471** | **24%** | **4,057** | **18,369** | **22%** |

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

## Operating expenditure

| | | | 2023 | Criteria for a substantial contribution | | | | | | | | 2022 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Economic activities | Code[1] | Operating expenditure[2] | Proportion of operating expenditure[2] | Climate change mitigation | Climate change adaptation | Water | Circular economy | Pollution | Biodiversity | DNSH criteria ("do no significant harm")[5] | Minimum safeguards | Proportion of Taxonomy-aligned (A.1) or Taxonomy-eligible (A.2) operating expenditure | Category: enabling activity | Category: transitional activity |
| | | in millions of euros | in % | Y; N; N/EL[3] | Y; N; N/EL[3] | Y; N; N/EL[3] | Y; N; N/EL[3] | Y; N; N/EL[3] | Y; N; N/EL[3] | Y/N | Y/N | in % | E | T |
| **A. TAXONOMY-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | |
| **A.1 Environmentally sustainable activities (Taxonomy-aligned)** | | | | | | | | | | | | | | |
| Manufacture of low-carbon technologies for transport | CCM 3.3 | 2,336 | 32% | Y | N/EL | N/EL | N/EL | N/EL | N/EL | Y | Y | 35% | E | |
| **Operating expenditure of environmentally sustainable activities (Taxonomy-aligned) (A.1)** | | **2,336** | **32%** | **100%** | **0%** | **0%** | **0%** | **0%** | **0%** | **Y** | **Y** | **35%** | | |
| of which enabling activity | | 2,336 | 32% | 100% | 0% | 0% | 0% | 0% | 0% | Y | Y | 35% | E | |
| of which transitional activity | | 0 | 0% | 0% | | | | | | | | 0% | | T |
| **A.2 Taxonomy-eligible activities that are not environmentally sustainable (not Taxonomy-aligned activities)** | | | | | | | | | | | | | | |
| | | | | EL; N/EL[4] | EL; N/EL[4] | EL; N/EL[4] | EL; N/EL[4] | EL; N/EL[4] | EL; N/EL[4] | | | | | |
| Manufacture of low-carbon technologies for transport | CCM 3.3 | 4,970 | 68% | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | 65% | | |
| **Operating expenditure of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)** | | **4,970** | **68%** | **100%** | **0%** | **0%** | **0%** | **0%** | **0%** | | | **65%** | | |
| **A. Operating expenditure of Taxonomy-eligible activities (A.1 + A.2)** | | **7,306** | **100%** | **100%** | **0%** | **0%** | **0%** | **0%** | **0%** | | | **100%** | | |
| **B. TAXONOMY NON-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | |
| **Operating expenditure of Taxonomy non-eligible activities** | | 0 | 0% | | | | | | | | | **0%** | | |
| **Total (A + B)** | | **7,306** | **100%** | | | | | | | | | **100%** | | |

1 The Code constitutes the abbreviation of the relevant environmental objective to which the economic activity is eligible to make a substantial contribution. Climate change mitigation: CCM, climate change adaptation: CCA, water and marine resources: WTR, circular economy: CE, pollution prevention and control: PPC, biodiversity and ecosystems: BIO.
2 The key figures were audited in order to obtain limited assurance as part of a separate assurance engagement of the sustainability report.
3 Description: Y — Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective, N — No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective, N/EL — Not eligible, Taxonomy non-eligible activity for the relevant environmental objective.
4 Description: EL — Eligible, Taxonomy-eligible activity for the relevant objective; N/EL — Not eligible, Taxonomy non-eligible activity for the relevant environmental objective.
5 A breakdown of the DNSH criteria has not been provided here, as activities may only be designated as Taxonomy-aligned when any significant effect on the other environmental objectives has been ruled out.

The following table shows the scope of the Taxonomy-eligibility and the Taxonomy-alignment for the operating expenditure by environmental objective:

**Proportion of operating expenditure/total operating expenditure**[1]

| | Taxonomy-alignment per objective | Taxonomy-eligibility per objective |
|---|---|---|
| Climate change mitigation (CCM) | 32% | 68% |
| Climate change adaptation (CCA) | 0% | 0% |
| Water and marine resources (WTR) | 0% | 0% |
| Circular economy (CE) | 0% | 0% |
| Pollution prevention and control (PPC) | 0% | 0% |
| Biodiversity and ecosystems (BIO) | 0% | 0% |

### Taxonomy-eligibility of operating expenditure

For the share of Taxonomy-eligible operating expenditure (under A. in the table Operating expenditure), the Taxonomy-eligible operating expenditure is considered in relation to the relevant operating expenditure of the Group.

The operating expenditures to be taken into account in the denominator correspond to a figure that was exclusively calculated within the framework of taxonomy reporting, as they are elements of the individual functional costs. These operating expenditures include non-capitalized research and development costs and costs arising from short-term leasing agreements. In addition, according to the delegated act relating to Article 8 of the Taxonomy Regulation, 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 are included. These components of the relevant operating expenditures were collected exclusively from the manufacturing companies on the basis of materiality considerations.

In a manner similar to the approach taken for capital expenditure, the relevant operating expenditures were 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 the operating expenditure described.

### Taxonomy-alignment of operating expenditure

In order to calculate the Taxonomy-aligned proportion of economic activities (under A.1 in the table Operating expenditure), 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 the DNSH criteria was also monitored.

The operating expenditure shown below is included as an aggregation across the various economic activities:

**Operating expenditure**

| | **2023** | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Taxonomy-aligned operating expenditure[1] | Total operating expenditure | Proportion of Taxonomy-aligned operating expenditure[1] | Taxonomy-aligned operating expenditure[1] | Total operating expenditure | Proportion of Taxonomy-aligned operating expenditure[1] |
| | in millions of euros | in millions of euros | in % | in millions of euros | in millions of euros | in % |
| Non-capitalized research and development costs | 2,089 | 6,230 | 34% | 2,149 | 5,602 | 38% |
| Other operating expenditure | 247 | 1,076 | 23% | 191 | 1,062 | 18% |
| **Total** | **2,336** | **7,306** | **32%** | **2,340** | **6,664** | **35%** |

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

The non-capitalized research and development costs can mostly be directly incorporated into the calculation of the numerator on the basis of their allocation to all-electric vehicle projects. Appropriate allocations based on anticipated future unit sales figures of the low-carbon share of the model series or the vehicle platform were used for research and development costs 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 expenditure to low-carbon vehicles. The inclusion in the numerator was based on suitable allocations of current production volumes. The share of Taxonomy-aligned operating expenditure was 32%[1] in the reporting year. The reason for the lower proportion of Taxonomy-aligned operating expenditure is essentially the decrease in non-capitalized research and development costs attributable to low-carbon vehicles with a simultaneous increase in the total non-capitalized research and development costs.

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

# Overall Assessment of the Financial Year

The **Mercedes-Benz Group** successfully held its ground in a challenging and volatile market environment, thanks to the normalization of global automobile production and the remaining order backlog from the pandemic period. As a result, revenue was slightly above the prior-year figure. This was primarily due to improved pricing at the automotive segments.

In the past year, the Group achieved EBIT on a par with the previous year. At the beginning of the year, it had expected EBIT to be slightly below the prior-year figure. The Group's EBIT forecast was already raised during the year, primarily due to the positive results performance in the Mercedes-Benz Vans segment.

The free cash flow of the industrial business even significantly exceeded the previous year's figure as a result of lower working capital than expected. At the beginning of the reporting year, the figure had been expected to remain at the previous year's level. The forecast was already raised during the year to a figure slightly above the previous year's level.

According to internal calculations, the average $CO_2$ emissions of the Mercedes-Benz $CO_2$ pool[1] in Europe (European Union, Norway and Iceland) amounted to 109 g/km in the reporting year. The emissions were thus significantly below the prior-year value of 115 g/km. It should be noted that the internal calculation of the value of 109 g/km was the first time that vehicles from the joint venture smart Automobile Co., Ltd. were included in the Mercedes-Benz $CO_2$ pool. Excluding these smart vehicles, the value of 111 g/km was only slightly below the previous year's figure. This is due to a more difficult than expected market environment for electrified vehicles in Europe.

Robust demand for Top-End and all-electric vehicles from **Mercedes-Benz Cars** supported the development in unit sales and revenue, which, as expected, remained at the previous year's level.

The segment had expected an adjusted return on sales of between 12 and 14%. Improved pricing, particularly in the first half of the year, combined with continued high cost discipline led to an adjusted return on sales of 12.6%. This confirmed the assessment made at the beginning of the year.

At 0.9, the adjusted cash conversion rate was also within the forecast range.

Sustained cost discipline enabled investments in property, plant and equipment, which at the start of the year had been expected to be significantly above the prior-year level, to be held at the same level. Research and development expenditure was also significantly higher than in the previous year, because the new, electromobility-oriented platform generation and the associated drive concept, as well as the focus on digitalization and automated driving, led to a higher-than-expected increase. The company had expected research and development expenditure to be slightly above the prior-year level.

1 The Mercedes-Benz $CO_2$ pool not only includes newly registered Mercedes-Benz cars, but also vans that were registered as passenger cars and, since 2023, vehicles from the joint venture smart Automobile Co., Ltd. (smart vehicles). The average $CO_2$ emissions are determined using the WLTP type test procedure.

**Mercedes-Benz Vans** can look back on an extraordinarily successful year. A continued very high demand for Mercedes-Benz vans resulted in unit sales and revenue significantly above those of the previous year. This underlines the strategy of focussing on profitable growth in the premium segment. At the beginning of the year, unit sales were expected to be at the previous year's level; revenue was expected to be slightly above the previous year's level.

Thanks to a compelling level of product quality and utility, a significant improvement in pricing, a very favourable product mix, comprehensive initiatives to reduce costs on the product, production and company levels and an increase in productivity, an adjusted return on sales of 15.1% was achieved. This figure was thus slightly above the range of between 13% and 15%, which had already been raised significantly during the year.

The adjusted cash conversion rate also increased to 1.0 as a result of the business performance being significantly better than expected at the beginning of the year.

As expected, investments in property, plant and equipment and research and development expenditure were significantly higher than in the previous year.

**Mercedes-Benz Mobility** closed 2023 within the expected range despite a declining interest margin due to higher interest rates and increased competition in the financial services sector. Furthermore, the business activities in Russia were sold as planned, but nonetheless negatively impacted results. The opening of the first Mercedes-Benz Charging Hubs in the fourth quarter laid the foundation for the Group's own global high-power charging network.

Contract volume was slightly above the prior-year level. At the beginning of the reporting year, Mercedes-Benz Mobility had expected contract volume to decline slightly. The main reasons for the deviation from the forecast were the growth in the area of dealer financing and higher average financing and leasing volumes for new contracts.

Revenue at Mercedes-Benz Mobility was on a par with the previous year. The original forecast of a level significantly below the previous year was exceeded due to higher customer income as a result of passing on increased interest rates and a higher average financing and leasing volume for new contracts.

With an adjusted return on equity of 12.3%, the forecast range was achieved.

**Comparison between the figures forecast for 2023 and their actual development**

| | Forecast for 2023 | In-year adjustments | **Actual development in 2023** |
|---|---|---|---|
| **Mercedes-Benz Group** | | | |
| Revenue | At the prior-year level | | **€153,218 million (+2%) Slightly above the prior-year level** |
| EBIT | Slightly below the prior-year level | Q2: At the prior-year level | **€19,660 million (-4%) At the prior-year level** |
| Free cash flow of the industrial business | At the prior-year level | Q2: Slightly above the prior-year level | **€11,316 million (+39%) Significantly above the prior-year level** |
| $CO_2$ emissions of the new car fleet in Europe | Significantly below the prior-year level | | **111 g/km (-3%) excluding smart vehicles[1] slightly below the prior-year level**<br>**109 g/km (-5%) including smart vehicles[1] significantly below the prior-year level** |
| **Mercedes-Benz Cars** | | | |
| Unit sales | At the prior-year level | | **2,044,051 vehicles (+0%) At the prior-year level** |
| Revenue | At the prior-year level | | **€112,756 million (+1%) At the prior-year level** |
| Adjusted return on sales | 12%–14% | | **12.6%** |
| Adjusted cash conversion rate | 0.8–1.0 | | **0.9** |
| Investments in property, plant and equipment | Significantly above the prior-year level | | **€3,345 million (+2%) At the prior-year level** |
| Research and development expenditure | Slightly above the prior-year level | Q1: Significantly above the prior-year level | **€9,099 million (+14%) Significantly above the prior-year level** |
| **Mercedes-Benz Vans** | | | |
| Unit sales | At the prior-year level | Q1: Slightly above the prior-year level<br>Q2: Significantly above the prior-year level | **447,790 vehicles (+8%) Significantly above the prior-year level** |
| Revenue | Slightly above the prior-year level | Q1: Significantly above the prior-year level | **€20,288 million (+18%) Significantly above the prior-year level** |
| Adjusted return on sales | 9%–11% | Q1: 11%–13%<br>Q2: 13%–15% | **15.1%** |
| Adjusted cash conversion rate | 0.5–0.7 | Q1: 0.6–0.8<br>Q2: 0.7-0.9 | **1.0** |
| Investments in property, plant and equipment | Significantly above the prior-year level | | **€351 million (+76%) Significantly above the prior-year level** |
| Research and development expenditure | Significantly above the prior-year level | | **€873 million (+58%) Significantly above the prior-year level** |
| **Mercedes-Benz Mobility** | | | |
| New business | Slightly above the prior-year level | | **€62,014 million (+7%) Slightly above the prior-year level** |
| Contract volume | Slightly below the prior-year level | Q1: At the prior-year level | **€135,027 million (+2%) Slightly above the prior-year level** |
| Revenue | Significantly below the prior-year level | Q1: Slightly below the prior-year level<br>Q3: At the prior-year level | **€26,718 million (-1%) At the prior-year level** |
| Adjusted return on equity | 12%–14% | | **12.3%** |

1 The internally calculated value for 2022 did not include vehicles of the joint venture smart Automobile Co., Ltd. (smart vehicles).

# 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 2023. It is divided into 1,069,837,447 registered no-par-value shares, each of which accounts for approximately €2.87 of the share capital. Pursuant to Section 67 Subsection 2 of the German Stock Corporation Act (AktG), rights and duties relating to the Company exist from the shares only for those persons and entities entered in the register of shareholders. With the exception of treasury shares, from which the Company does not have any rights, all shares confer equal rights to their holders.

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). Each share of Mercedes-Benz Group AG 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 only exceptions here are the treasury shares held by the Company. There were 28.9 mill. treasury shares held by the company at 31 December 2023.

**Restrictions on voting rights and on the transfer of shares**

The Company does not have any voting rights or other rights from treasury shares. In the cases described in Section 136 of the German Stock Corporation Act (AktG), the voting rights are excluded 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. Eligible participants from Executive Level 1 are obligated to hold these shares for the duration of their employment at the Group. For eligible members of the Board of Management, the required retention period has been extended to two years after the end of their contract (with effect from 1 January 2023).

**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. In 2022, the Supervisory Board also adopted a flexibly structured further shortening of the appointment period in the case of appointments and reappointments of individuals 58 years of age and older at the time their term of office begins.

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 as 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), amendments to the articles of association require a resolution of the General Meeting and, in accordance with Section 181 Subsection 3 of the German Stock Corporation Act (AktG), such changes take effect upon being entered in the commercial register.

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. The General Meeting has also passed resolutions expressly authorizing the Supervisory Board to amend the wording of the articles of association in accordance with the use of the Approved Capital 2023 and the Conditional Capital 2020, as well as subsequent to the expiration of the authorization, use, and conversion/option periods in each case.

Unless otherwise required by applicable law or the articles of association, resolutions of the 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 requires a three-quarters majority of the share capital represented at the General Meeting; no use is made in the articles of association of the possibility to stipulate a larger majority of the share capital.

**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 a total of €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). No use was made of the Approved Capital 2018 up to the time the authorization period ended on 4 April 2023.

The Annual General Meeting held on 3 May 2023 again authorized the Board of Management to increase the share capital by up to a total of €1.0 billion in the period until 2 May 2028 with the approval of the Supervisory Board against cash and/or non-cash contributions (Approved Capital 2023). The authorization enables the exclusion of shareholders' subscription rights under certain conditions and within defined limits subject to the consent of the Supervisory Board.

Under these defined conditions, subscription rights can, among others, 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).

Approved Capital 2023 was not utilized within the reporting period.

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 15 ff. 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). The terms of the derivatives may not exceed 18 months and must be terminated at the latest on 7 July 2025.

This authorization was made use of to acquire the Company's own shares during the reporting period. With the approval of the Supervisory Board, the Board of Management resolved a share buyback programme on 16 February 2023. The acquisition of treasury shares worth up to €4 billion (not including incidental costs) on the stock exchange over a period of up to two years began on 3 March 2023. The repurchased shares are to be cancelled at a later date. From March to December 2023, as part of the share buyback programme, 28.9 million of the Company's own shares were repurchased, representing 2.7% of the share capital.

**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, amoung others, 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 (shoot-out process).

# Outlook

The statements made in the Outlook chapter are based on the plans of the Mercedes-Benz Group for 2024 as approved by the Board of Management with the agreement of the Supervisory Board. These plans are 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 organizations and industry associations, as well as on the internal market analyses of the Group sales companies.

The premises regarding the economic situation and the development of automotive markets 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. Among them are the current Middle East conflict, the Russia-Ukraine war and other potential regional crises. Other uncertainties that are particularly worth mentioning include an exacerbation of tensions between the United States and China and a further deterioration of political relations between the European Union and China.

Further supply chain disruptions and, in particular, availability bottlenecks for critical components remain significant risk factors. Sharp rises in energy and commodity prices, higher-than-expected inflation rates and interest rates, potential disruptions of the financial market and an even more pronounced slowdown in economic growth in individual regions or worldwide may also have an impact on the development of the world economy and the 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 slower pace in 2024. This slowdown will mainly be driven by the major industrial countries, whose economic development, at least in the first half of the year, will likely be affected by persistently high interest rates. In contrast, the monetary easing cycle that started in numerous emerging markets in 2023, should serve to support economic growth in those countries.

With regard to the euro zone, the absence of monetary and fiscal policy stimuli can be expected to lead to continued economic weakness in the first half of the year at least. Given the insufficient order situation and persistently high interest rates, no real recovery to speak of can be expected for industrial sectors in particular. Similarly to the situation in 2023, economic output for the year as a whole is expected to increase only slightly in 2024.

The dampening effects of the previous interest rate hikes in the United States will likely become more apparent, since they will no longer be cushioned by positive fiscal measures as had been the case in 2023. For the year as a whole, the Mercedes-Benz Group therefore expects the US economy to grow by less than in 2023.

The Chinese economy is likely to be weighed down again in 2024 by the continued consolidation of the country's real estate sector and by less dynamic demand from abroad. China can therefore be expected to record lower overall growth this year than in 2023.

In the light of these developments, the growth of the world economy is expected to be 2 to 2.5% in the current year — significantly below the long-term average. This is all the more likely in light of the fact that no positive effects to speak of can be expected in 2024 as a result of government stimulus measures or a further fall in prices for energy and raw materials.

**Automotive markets**
These restrained macroeconomic conditions are likely to have an increasingly negative effect on the growth of automotive markets around the world. Last year, the normalization of global vehicle production and the reduction of order backlogs that had accumulated during the COVID-19 pandemic had a favourable effect on sales development in various markets. This year, however, the impact of weaker consumer demand will likely become increasingly noticeable on the world's automotive markets.

We can therefore expect to see only slight growth in the global **car market** compared with the previous year. Following a double-digit increase in 2023, a market volume only slightly above the prior year's level is now expected for Europe in the current year. Unit sales for the US light vehicle market are also likely to slightly exceed the level recorded in the previous year. A slight increase in market volume is also expected for China.

Growth in key **van markets** is expected to slow noticeably in 2024. In Europe, the market segment for mid-size and large vans is likely to remain at the previous year's level. The segment for small vans in Europe is expected to expand slightly. The US market for large vans will likely remain at the same level as in the prior year. On the other hand, significant growth can be expected for the mid-size van segment in China.

## Outlook for the key performance indicators

**Mercedes-Benz Group**
The Mercedes-Benz Group expects to generate **revenue** in 2024 that is on the level of 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 a challenging market environment.

The **free cash flow of the industrial business** reached a very high level in 2023. The automotive segments are also planning significantly higher investments in property, plant and equipment than in the previous year. As a result, the Mercedes-Benz Group expects the free cash flow of the industrial business in 2024 to be slightly below the prior-year level.

**Mercedes-Benz Cars**
Mercedes-Benz Cars expects **unit sales** in 2024 to be at the level of the previous year. The **share of electrified vehicles (xEV)** in total unit sales is expected to range between 19% and 21%.

The **development of revenue** at Mercedes-Benz Cars is in line with the sales forecast and is expected to be at the previous year's level.

With stable pricing and declining raw material prices, but also inflation- and demand-related additional costs in the supply chain and a slight decline in the used car business, Mercedes-Benz Cars anticipates an **adjusted return on sales** of between 10% and 12% based on the expected sales development.

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 2024.

Mercedes-Benz Cars anticipates a significant increase in **investments in property, plant and equipment** in 2024. The key drivers here are primarily investments in new vehicle architectures, the electrification of the product portfolio, and the expansion of digitalization.

The transformation towards a sustainable business strategy means that **research and development costs** in 2024 are expected to be at the previous year's level.

**Mercedes-Benz Vans**
Due to macroeconomic uncertainties, Mercedes-Benz Vans expects **unit sales** in 2024 to be slightly below the prior-year level. The **share of electrified vehicles (xEV)** in total unit sales is expected to be increased to between 6% and 8% by the all-electric models eCitan and EQT (WLTP: combined energy consumption 100 kWh/km: 20,7-19,3; combined $CO_2$ emissions: 0 g/km; $CO_2$ class: A) and the new eSprinter.

Due to its focus on profitable growth, Mercedes-Benz Vans expects **revenue** in 2024 to be at the prior-year level.

The continued high level of cost discipline is having positive effects, while opposing advance expenditure for the new all-electric van architecture VAN.EA is having a negative impact. In total, this results in a planned **adjusted return on sales** of between 12% and 14%.

The **adjusted cash conversion rate** for the Mercedes-Benz Vans division is expected to be within a range of 0.6 to 0.8.

The Mercedes-Benz Vans division anticipates a significant increase in **investments in property, plant and equipment** in 2024. This increase will be primarily driven by the further transition to an all-electric Mercedes-Benz Vans fleet of the next generation.

Mercedes-Benz Vans also expects a significant increase in the area of **research and development expenditure** in 2024. The focus of research and development is on electric drive systems, automated driving and digitalization.

**Mercedes-Benz Mobility**
Mercedes-Benz Mobility expects a slight increase in **new business** in 2024, while **contract volume** and **revenue** will remain at the prior-year level.

**Adjusted return on equity** is expected to be within a range of between 10% and 12% in 2024. The forecast decrease compared to the previous year is mainly due to an expected drop in interest result and expenses for the further expansion of charging activities.

# 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 8 May 2024, the Board of Management and the Supervisory Board will propose the payment of a dividend of €5.30 per share entitled to a dividend for the year 2023 (2022: €5.20). Subject to further share buybacks prior to the Annual General Meeting 2024, this represents a total distribution of €5.5 billion (2022: €5.6 billion).

**Outlook for key figures for 2024**

| | 2023 reporting year | **Forecast for 2024** |
|---|---|---|
| **Mercedes-Benz Group** | | |
| Revenue[1] | €153,218 million | **At the prior-year level** |
| EBIT[1] | €19,660 million | **Slightly below the prior-year level** |
| Free cash flow of the industrial business[1] | €11,316 million | **Slightly below the prior-year level** |
| **Mercedes-Benz Cars** | | |
| Unit sales[1] | 2,044,051 vehicles | **At the prior-year level** |
| Share of electrified vehicles (xEV)[1, 2] | 20% | **19–21%** |
| Revenue | €112,756 million | **At the prior-year level** |
| Adjusted return on sales | 12.6% | **10–12%** |
| Adjusted cash conversion rate | 0.9 | **0.8–1.0** |
| Investments in property, plant and equipment[1] | €3,345 million | **Significantly above the prior-year level** |
| Research and development expenditure[1] | €9,099 million | **At the prior-year level** |
| **Mercedes-Benz Vans** | | |
| Unit sales[1] | 447,790 vehicles | **Slightly below the prior-year level** |
| Share of electrified vehicles (xEV)[1, 2] | 5% | **6–8%** |
| Revenue | €20,288 million | **At the prior-year level** |
| Adjusted return on sales | 15.1% | **12–14%** |
| Adjusted cash conversion rate | 1.0 | **0.6–0.8** |
| Investments in property, plant and equipment[1] | €351 million | **Significantly above the prior-year level** |
| Research and development expenditure[1] | €873 million | **Significantly above the prior-year level** |
| **Mercedes-Benz Mobility** | | |
| New business[1] | €62,014 million | **Slightly above the prior-year level** |
| Contract volume | €135,027 million | **At the prior-year level** |
| Revenue | €26,718 million | **At the prior-year level** |
| Adjusted return on equity[1] | 12.3% | **10–12%** |

1 Key performance indicator.
2 Replaces the previous key performance indicator, $CO_2$ emissions of the new car fleet in Europe, from 2024.

# Overall statement on future development

The Mercedes-Benz Group will continue to concentrate on achieving profitable growth in the coming years in the market for luxury cars and premium vans, as well as for sales financing. The Group believes that the focus on vehicles in the Top-End and Core product categories will make it possible to achieve sustainable solid results, even in a challenging market environment.

The Mercedes-Benz Group is consistently moving ahead with its efficiency measures in order to ensure it can cover the high level of advance expenditure that is required for the necessary transformation towards an all-electric future. Furthermore, the Group believes that the gradual and sustainable improvement of price and product positioning, especially with regard to the electrified vehicle portfolio, will enable it to overcome the challenges it will face as part of the transformation towards an all-electric future.

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 2024.

# 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. The risks include both 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.

## Risk and opportunity management system and internal control system

### Overview of the Mercedes-Benz Group's control and monitoring system

The Mercedes-Benz Group as a whole pursues the three-line model to ensure an integrated control and monitoring system.

The **operating units** in the form of the individual segments, Group functions, organizational units and Group companies form the first line. Their task is to ensure the implementation of internal and external guidelines, and they are responsible for the implementation of controls, operational risk management and risk management processes in their respective units.

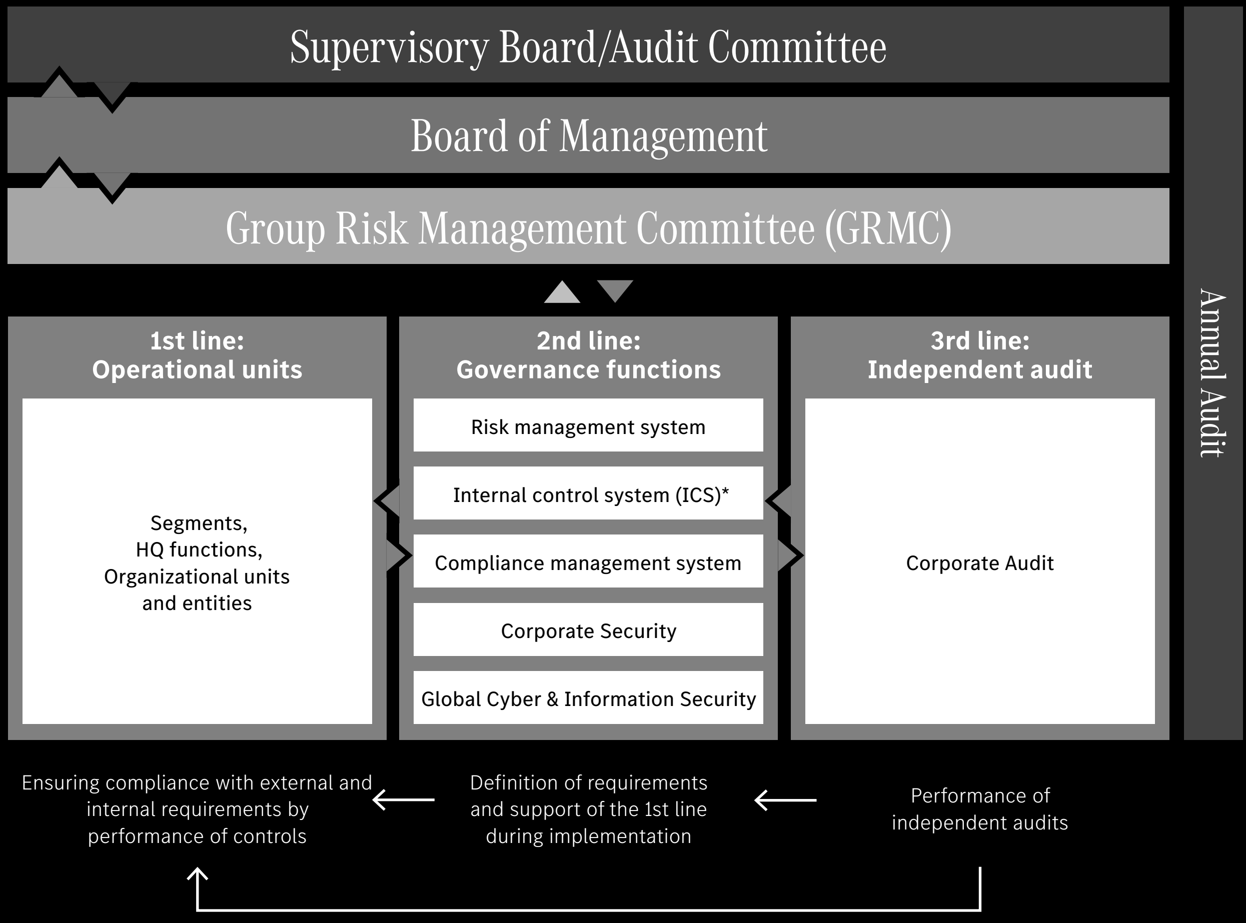
In the second line, the risk management system, the accounting-related internal control system, the compliance management system, Group Security and Global Cyber & Information Security act as **governance functions**.

They define the corresponding minimum requirements and standards for methods, processes and systems for use in the first line and set the framework for cooperation. Their tasks also include regular reporting to the Board of Management and the Supervisory Board. They also support the first line in the corresponding implementation.

In the third line, **Corporate Audit** monitors the appropriateness and effectiveness of the implemented processes and the governance functions of the first and second lines through independent and risk-oriented audits. It monitors whether the statutory conditions and the Group's internal policies concerning the control and risk management system of the Group are adhered to and the associated processes are appropriately designed. If required, measures are initiated in cooperation with the respective management.

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. It is chaired by the members of the Board of Management of Mercedes-Benz Group AG responsible for Finance & Controlling/ Mercedes-Benz Mobility and Integrity, Governance & Sustainability. In addition, the GRMC was composed as of 31 December 2023 of representatives from Mercedes-Benz Group Finance, the Legal Affairs department, the Compliance unit, Corporate Security, Global Cyber & Information Security and the member responsible for finance of the Board of Management at Mercedes-Benz Mobility AG. The Corporate Audit 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 implemented controls 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.




* Internal control system with regard to the accounting process (ICS).

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.

## 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 related to environmental and employee issues as well as social factors (environmental, social and governance — 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 first line and thus 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 and the related measures that have been initiated are continually monitored. 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 recorded within an observation horizon of up to five years. Matters that have already been fully taken into account in planning or for which a provision has been recognized are not considered in connection with the risk management process. In addition, strategic risks and opportunities are also taken into account in the risk management process.

The Risk and Opportunity Report relates to 2024. 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 value, which forms the basis for the classification in risk and opportunity categories. 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. The assessment 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 all identified risks and opportunities are incorporated into the risk management process via the operating units of the segments, the significant associated companies, joint ventures and joint operations as well as the corporate departments. The scope of consolidation for risk and opportunity management generally corresponds to the scope of the Consolidated Financial Statements.

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%). The risks 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 assessment 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 related to environmental and employee issues as well as social factors (environmental, social and governance — 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 associated with environmental issues 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 encompasses, in addition to the accounting-related internal control system, controls for further business processes. There are also internal controls for Group-wide processes of Corporate Security, Global Cyber & Information Security, 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 **Corporate Audit**.

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 at the company's global locations on the basis of a risk-oriented view and to control them by means of mitigating measures. To this end, Corporate Security implemented internal controls for various security-related issues. These include the areas of property security, fire protection and crisis management and serve to protect the lives and physical integrity of people and to protect company assets, business processes and company knowledge.

The Mercedes-Benz Group operates an **Information Security Management System (ISMS)** with the aim of adequately protecting important information and critical IT services. The ISMS is based on internationally recognized standards and is continuously developed further. Operationally, the ISMS is supported by proactive and reactive operational measures. Proactive operational measures include, in particular, training and measures to inform and raise awareness among employees and functionaries, a comprehensive set of information security rules and technical and organizational measures to secure critical IT infrastructures, IT systems and applications. One focus of the reactive operational measures is the Cyber Intelligence & Response Center, which is staffed around the clock to defend against cyber attacks and deal with cyber security incidents.

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.

The effectiveness of the internal control system with regard to the accounting process is systematically evaluated. It begins with a risk analysis and a control definition with the aim of identifying significant risks for the accounting and financial reporting processes in the main legal entities and corporate functions. The necessary controls are then defined and documented in accordance with Group-wide guidelines. In order to assess the effectiveness of the controls, tests are carried out regularly on the basis of random samples. These form the basis for a self-assessment of whether the controls are appropriately designed and effective. The results of this self-assessment are documented and reported in a Group-wide IT system. Identified control weaknesses are eliminated, taking into account their potential impact. The selected legal entities and corporate functions confirm the effectiveness of the internal control system with regard to the accounting process at the end of the annual cycle. The Board of Management and the Audit Committee of the Supervisory Board are regularly informed about significant control weaknesses and the effectiveness of the control mechanisms.

## Appropriateness and effectiveness of the 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 in the financial year 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, the maturity of the internal control system with regard to the sustainability-relevant aspects in particular is not yet on the level of the accounting-related internal control system. As of the reporting date, taking into account the scope of the business operations and the risk situation of the company, in all material respects there are no indications of an overall inappropriateness or ineffectiveness of the internal control and risk management system.

The effectiveness of any risk management and control system is subject to inherent limitations. No system — even if it has been assessed as appropriate and effective — can guarantee that all risks that actually occur will be detected in advance or that all process violations will be excluded under all circumstances.

# 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 year 2024. In general, the reporting of risks and opportunities not covered in the Outlook 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. Based on the expected value, the reported risks and opportunities per category are aggregated into the levels “low”, “medium” and “high” for the Mercedes-Benz Group.

**Quantification of the risks 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 |

The following table shows the specific classification of the aggregated risks and opportunities in the respective categories based on the above-mentioned interval limits. 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.

| **Risk and opportunities Mercedes-Benz Group** | **Classification of the expected value for the year 2024** | | Classification of the expected value for the year 2023 | |
|---|---|---|---|---|
| **Category** | **Risk** | **Opportunity** | Risk | Opportunity |
| **Industry and business risks and opportunities** | | | | |
| General market risks and opportunities | **High** | **High** | High | High |
| Risks and opportunities relating to the legal and political framework | **High** | **Low** | High | Low |
| Procurement market risks and opportunities | **High** | **Low** | High | Low |
| **Company-specific risks and opportunities** | | | | |
| Risks and opportunities from research and development | **Medium** | **Low** | Low | Low |
| Production risks and opportunities | **Low** | **Low** | Medium | Low |
| Risks and opportunities from purchasing and logistics | **High** | **Low** | High | Low |
| Information technology risks and opportunities | **Medium** | **Low** | Low | Low |
| Personnel risks and opportunities | **Low** | **Low** | Low | Low |
| Risks and opportunities related to equity investments and cooperations with partnerships | **Medium** | **Low** | Medium | Low |
| **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[1] | **–** | **–** | Low | Low |
| Credit risks | **Low** | **–** | Low | – |
| Country risks | **Medium** | **–** | 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 | **Medium** | **Medium** | High | High |
| **Legal and tax risks and opportunities[2]** | | | | |
| Legal risks | **High** | **–** | High | – |
| Tax risks and opportunities | **Medium** | **Low** | Medium | Low |

1 Commodity-price risks and opportunities were reported in the Procurement market risks and opportunities category as of 31 December 2023.
2 The classification of legal risks and tax risks and opportunities is shown in the table for the first time as of 31 December 2023.

## 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 forecasts about the overall economic conditions and the development of the automotive markets in which the Mercedes-Benz Group is active. These assumptions are described in detail in the “Outlook” section. The possibility of markets developing better or worse than in the internal forecasts and assumptions, or of changing market conditions, generally exists for all segments of the Group.

Possible declines in **vehicle sales** may be caused in particular by an unfavourable macroeconomic environment for the Mercedes-Benz Group and in the context of political or economic uncertainties. In addition to weaker economic growth overall, factors such as high energy prices, high inflation and interest rates, and volatile exchange rates may 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 $CO_2$ targets. Industrial policy measures to strengthen local value creation in various countries, as well as government purchase incentives for locally produced electric vehicles, can 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 segments; 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 launch of new products by competitors, more aggressive pricing policies and less 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. There is also a risk of delayed market introduction of new technologies in vehicles. 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. 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 markets. 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 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.

**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. Geopolitical tensions can also have a significant impact on the business activities of an international company such as the Mercedes-Benz Group.

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 $CO_2$ 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 this risk through the transformation towards electric mobility and the associated realignment of its product portfolio. 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 $CO_2$ 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. 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** continue to be high and are associated with far-reaching risks for the business development of the Mercedes-Benz Group. A further escalation of tensions between China and the United States and between China and the EU, the possible further escalation of the war between Russia and Ukraine and, above all, the conflict in the Middle East, the flare-up of further regional conflicts and a possible military or non-military escalation in the entire South China Sea could lead to renewed tensions in supply chains, even higher energy prices, renewed pressure on inflation rates and a further deterioration in the growth outlook. A further escalation and possible geographical expansion of the Russia-Ukraine war could especially 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 also lead to potential production losses at the Mercedes-Benz Cars and Mercedes-Benz Vans plants. 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 introducing a 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, and can result in both opportunities and risks for the Mercedes-Benz Group.

For 2024, there are still risks from inflation-related increases in raw material and energy prices, which could lead to higher procurement 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. Raw-material markets can always be impacted by uncertainties and political crises — combined with possible supply bottlenecks — as well as by volatile demand for specific raw materials. 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, the Mercedes-Benz Group continuously monitors the development of raw-material and energy prices and is in close touch with suppliers.

## 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 the 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.

There are risks that vehicles cannot be developed within the planned time frame, in the appropriate quality or at the specified costs. This is particularly the case with regard to electric mobility and increasing digitalization as well as software in the vehicle architecture. There is also a risk that certain digital functions could be launched on the market later than planned. Supply chain disruptions can also lead to delays in vehicle development processes and postpone the launch of individual model series. The Mercedes-Benz Group counters these risks by continuously and systematically monitoring all vehicle projects.

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. If the obligations from the settlements are not complied with, there will be the risk that cost-intensive measures will have to be taken and/or significant stipulated penalties will become due.

The risks from research and development have risen from “low” to “medium” due to the increasing electrification and digitalization of the vehicle portfolio.

**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.

The **launch of new products** involves risks with regard to the availability of required components, the scope of equipment and the necessary production capacities — especially in the course of the transformation toward electric mobility and the integration of new technology. 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.

Possible production interruptions that were still associated with the Covid-19 pandemic and the related uncertainties have become less likely in the meantime. As a result, the production risks are reduced from “medium” to “low”.

**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. Opportunities may arise, for example, through the implementation of efficiency-enhancing measures in internal logistics processes.

Possible **interruptions in global supply chains**, especially those caused by bottlenecks for electronic components and other important intermediate goods, can cause bottlenecks at Mercedes-Benz Cars and Mercedes-Benz Vans. To avoid such **bottleneck situations for intermediate goods**, scarce capacities are countered by planning ahead. 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. As a globally operating company with an international production and sales network, the Mercedes-Benz Group is dependent on functioning and efficient logistics processes. In particular, capacity restrictions or surcharges for the transportation of vehicles can disrupt logistics processes, increase their costs and have a negative impact on the company’s results. Mercedes-Benz Cars and Mercedes-Benz Vans analyse these risks on an ongoing basis. 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.

The financial situation of some suppliers remains difficult. The reasons for this are continuing uncertainties in connection with high commodity, raw-material and energy prices, as well as the lack of availability of components. As a result, **production stoppages are possible along the entire supply chain** and could prevent vehicles from being completed and delivered to customers on time. Supplier risk management aims to identify potential financial bottlenecks at 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.

Due to the **transformation to electric mobility** and the outsourcing of important components, there is also a risk that these will not be available on time in the planned quantity and required quality; this could delay the start of production of new series. Risks may also arise from uncertainties in the planned quantities. 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 cyber security and cyber security 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, maintaining off-site data backups and configuring IT systems for high availability. Emergency plans are drawn up and employees are 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 further developed.

The information technology risks are increasing from "low" to "medium". The level of digitalization at the Mercedes-Benz Group and its suppliers is constantly increasing and is facing an ever greater external threat situation worldwide. Despite the stringent implementation of proactive and reactive measures, this leads to an increased assessment of IT risk.

**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.

Risks exist in particular due to upcoming negotiations on collective bargaining conditions and the associated potential loss of production. Besides 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. The Mercedes-Benz Group counters economic, market and competitive fluctuations by means of established time and flexibility instruments in order to react appropriately to the situation.

**Risks and opportunities related to equity investments and cooperations with partnerships**
Cooperation with partners in shareholdings and partnerships is of key importance to the Mercedes-Benz Group — among other things, in the transformation towards electric mobility, the associated charging infrastructure and comprehensive digitalization. Cooperation and investments also make up an important pillar in connection with the provision of 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. Risks and opportunities arising from a change in commodity prices are reported in the “Procurement market risks and opportunities” category since 31 December 2023.

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 (currency 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).

**Credit risks**

Credit risk describes the risk of financial loss resulting from a counterparty failing to meet its contractual payment obligations. Credit risk encompasses both the direct risk of default and the risk of a deterioration of 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 borrower’s 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 at 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. Compared to the previous year, the country risk has fallen from “high” to “medium” due to the discontinuation of 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.

**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 largely 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 year, and lead to a change in the periodic net pension expense in the following 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. 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. Risks and opportunities relating to pension plans have declined, due mainly to lower volatility levels on the capital market.

# 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. Furthermore, regulation, particularly in the European Union, governs the external reporting on ESG topics (environmental, social or governance topics), whereby the complexity of such regulation is continuously increasing. The introduction of certain new regulations may initially be associated with uncertainties relating to their interpretation. In case regulations applicable in the different regions are not complied with, this could result in significant penalties, damages claims and reputational harm or, in case of regulations applicable to vehicles, 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 among other things 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 the Mercedes-Benz Group 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

The Mercedes-Benz Group 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 world-wide, 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 the Mercedes-Benz Group 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 took the position that the Mercedes-Benz Group had failed to disclose Auxiliary Emission Control Devices (AECDs) in certain of its US diesel vehicles and that several of these AECDs were illegal defeat devices.

As part of these settlements, the Mercedes-Benz Group 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, the Mercedes-Benz Group paid the civil penalties.

As already reported, in April 2016, the U.S. Department of Justice (DOJ) requested that the Mercedes-Benz Group conduct an internal investigation. The Mercedes-Benz Group conducted such an internal investigation in cooperation with the DOJ's investigation; the 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 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 AECDs and defeat devices. The Mercedes-Benz Group 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. 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. The criminal investigation proceedings of the Stuttgart public prosecutor's office against further Mercedes-Benz employees on the suspicion of, amongst others, fraud have meanwhile been discontinued.

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 and in December 2023, the KBA issued further decisions regarding vehicles equipped with various EU6 or EU5 diesel engines. 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, the Mercedes-Benz Group continues to cooperate fully with the KBA. To a large extent, the remidial actions requested by the KBA were developed by the Mercedes-Benz Group and assessed and approved by the KBA; the necessary recalls were initiated. For some of the vehicles affected by the KBA's decision from December 2023, developments, examinations and approvals of the remidial measures are still pending. 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, the Group 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 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, authorities of various foreign states, particularly the South Korean Ministry of Environment and the South Korean competition authority (Korea Fair Trade Commission) are conducting various investigations and/or procedures in connection with diesel exhaust emissions. In this context, these South Korean authorities have made determinations and imposed sanctions against Mercedes-Benz which Mercedes-Benz has appealed. In the same context, national antitrust authorities of various countries are also conducting investigations, including the South Korean antitrust authority, which has made certain findings and imposed fines on some car manufacturers. In February 2024, the criminal proceeding in South Korea was concluded.

The Mercedes-Benz Group 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 the Mercedes-Benz Group 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, the Mercedes-Benz Group 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 the Mercedes-Benz Group 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 the Mercedes-Benz Group to defend itself in proceedings could be impaired by concluded proceedings and their underlying allegations as well as by unfavourable 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**
In a lawsuit filed by the Environmental Protection Commission of Hillsborough County, Florida in September 2020, the plaintiff claimed that, amongst others, Mercedes-Benz Group AG and MBUSA had 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's appeal to this decision was dismissed in the third quarter of 2023. The decision is final, and the proceedings are concluded.

Consumer class actions 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 since November 2022 in Australia. The plaintiffs inter alia assert that the Mercedes-Benz Group 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, they claim that Mercedes-Benz Group AG deceived consumers in connection with advertising in relation of Mercedes-Benz diesel vehicles. The proceedings in England and Wales consist of several individual lawsuits that have been consolidated into one class action. A class action lawsuit is also pending in Scotland. In these proceedings, allegedly injured parties must actively register for the enforcement of claims (opt-in). The plaintiffs in the consumer class action in England and Wales also allege, amongst others, anti-competitive behaviour relating to technology for the treatment of diesel exhaust emissions.

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 in particular to the KBA's recall orders mentioned above. Although the number of pending lawsuits is declining, a future increase 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 an action seeks a ruling that certain preconditions of alleged consumer claims are met. Following a decision of the European Court of Justice in the first quarter of 2023, the German Federal Court of Justice ruled in the second quarter of 2023 that vehicle purchasers are entitled to claim damages against the manufacturer if it intentionally or negligently used an inadmissible defeat device.'

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. In addition, in 2023, several class actions in Canada were finally dismissed as the plaintiffs discontinued their claims. The Mercedes-Benz Group also expects the last lawsuit pending in Canada to be discontinued and it will continue to defend itself against it until the discontinuance is final. This development leads to a material reduction of the risk associated with the class actions. They therefore no longer qualify for separate reporting, which is why the Mercedes-Benz Group will no longer report on them in the future.

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 the Mercedes-Benz Group, 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 the Mercedes-Benz Group to defend itself in the court proceedings could be impaired by the settlements of the diesel-related lawsuits in the United States 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. In the fourth quarter of 2023, the Higher Regional Court of Stuttgart upheld the decision and dismissed the plaintiffs' appeal as manifestly unfounded. The plaintiffs have lodged an appeal to the German Federal Court of Justice against the denial of leave to appeal. 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, the Mercedes-Benz Group believes that any resulting obligations are unlikely to have a sustained effect on the Group's financial position.

Further information on legal proceedings is provided in Note 30 of the Notes to the Consolidated Financial Statements.

**Tax risks and opportunities**

Mercedes-Benz Group AG and its subsidiaries operate in many countries worldwide and are therefore subject to numerous different statutory provisions and tax audits. Tax risks and opportunities can affect the profitability, cash flows and financial position of the Group. As of 31 December 2023, the quantification of tax risks and opportunities affecting the net profit will be disclosed for the first time in this Risk and Opportunity Report. Additionally, there are minor tax risks to the operating result.

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.

**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 interpretation of the classification of economic activities, the do-no-significant-harm criteria and the assessment of the economic substance of financial investments. 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.

**Components of the Combined Management Report not audited for content**
Insofar as the references made in the Management Report relate to parts of the Annual Report that were not included in the external audit (components outside the company and Consolidated Financial Statements and the Combined Management Report), or to the 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.

Key figures that were audited in order to obtain limited assurance as part of a separate assurance engagement of the sustainability report are indicated by a footnote.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# CORPORATE GOVERNANCE

# CORPORATE GOVERNANCE

# 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 2023 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 appropriateness, 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 on 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.

**Equal representation**
In the 2023 financial year, Olaf Koch (Chairman of the Audit Committee) and Timotheus Höttges served as members of the Supervisory Board on the shareholder side. The persons mentioned are independent of the company and the Board of Management 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 Ergun Lümali and also by Michael Brecht until his departure from the Supervisory Board. Roman Romanowski was elected to succeed Michael Brecht on the Audit Committee and Ergun Lümali was elected Deputy Chairman of the Audit Committee.

**Meetings and participants**
The Audit Committee met six times in the 2023 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, Governance & Sustainability, and the representatives of the auditor. 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 2023**

In the meeting on 16 February 2023, the Audit Committee discussed the preliminary key figures of the 2022 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 of 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. During the aforementioned meeting, the Committee also discussed the results of the internally conducted quality analysis of the audit of the financial statements. 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 for the period from 1 February 2023 to 31 December 2023. 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 2023 financial year. In addition, the Audit Committee discussed the 2023 annual audit plan of the Internal Audit Department and the reports issued by the Compliance and Legal departments. Finally, the Committee was informed about the current financial status, volumes and prices of the vehicle clusters in the current and future Mercedes-Benz Cars portfolio.

In its 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. The Audit Committee also adopted the Report of the Audit Committee on the 2022 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 serve as the auditor for the review of interim financial reports for 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.

During 2023, 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 & People Protection Office) whistle-blowing system.

In April 2023, the Committee initially considered the interim financial report for the first quarter of 2023. The Audit Committee then also received reports from the Internal Audit and Legal departments and from the Compliance unit. The report submitted by the Internal Audit department also included an update on examinations and assessments relating to ESG (environmental, social and governance) issues.

In its meeting in June 2023, the Audit Committee discussed aspects of the risk management system and considered in particular the methods, processes and derivations relating to ESG risks and opportunities as well as digitalization measures. In addition, it received reporting on the further development of the internal control system. Subjects presented with respect to the Compliance Management System included digitalization initiatives with the possible future use of artificial intelligence. The report on the further measures implementing the new ESG and sustainability reporting requirements and the establishment of a uniform business performance management system for sustainability and ESG were a focal point of the meeting. In addition, the Audit Committee received an exhaustive report from the tax department. Information was provided on the further development of the tax compliance management system and new regulatory requirements related to ESG and sustainability. 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 2023 financial year. In this context, the committee also considered the quality of the audit of the financial statements and the status of the transition in connection with the upcoming rotation of the auditor. Finally, the Audit Committee received reporting on current accounting topics.

At its meeting in July 2023, the Committee dealt with the results of the second quarter of 2023 and the risk report. Furthermore, the Committee received the quarterly reports from the Compliance, Internal Audit and Legal departments. These reports contained information on, among other things, an external quality assessment that had been performed in accordance with the standards of the Institute of Internal Auditors and in which Internal Audit was able to achieve an outstanding result. In addition, the Audit Committee discussed the annual report of the Group Data Protection Officer with the Board of Management. The Committee also used audit quality indicators to analyse the quality of the audits. The agenda also included the discussion of a report on the management of currency risks.

In October 2023, the Committee dealt with the interim financial report for the third quarter of 2023 and the risk report. Furthermore, the Committee carried out the annual review of the approved non-audit services of the auditor and dealt with the quarterly reports from the Compliance, Internal Audit and Legal departments. Here, the Audit Committee received extensive information on social compliance activities, and in particular on human rights due diligence processes, in connection with the Act on Corporate Due Diligence Obligations in Supply Chains (German Supply Chain Act — LkSG). It also once again received reports on the status of the transition in connection with the upcoming rotation of the auditor.

**Company and Consolidated Financial Statements for 2023**

In its meeting on 21 February 2024, the Audit Committee discussed the preliminary key figures of the company and the Consolidated Financial Statements for 2023 as well as the preliminary proposal of the Board of Management on the appropriation of profits. After careful review, the Committee took note of 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 22 February 2024.

In March 2024, 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 2023 financial year, the Remuneration report, the Declaration on Corporate Governance and the proposal for the appropriation of profits. 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) 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 €5.30 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 2023. The positive results of this self-assessment were presented and discussed in the meeting on 21 February 2024. There was no fundamental need for change. Some individual suggestions will be taken up.

Stuttgart, March 2024

The Audit Committee

Olaf Koch
Chairman

# Declaration on Corporate Governance

In the Declaration on Corporate Governance pursuant to Sections 289 f, 315d of the German Commercial Code (HGB), the Board of Management and the Supervisory Board explain the corporate governance of the company in the 2023 reporting year. 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 Declaration on Corporate Governance by the auditor is to be limited to whether the legally required statements were made.

This Declaration on Corporate Governance, as well as the most recent version of the Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act on the German Corporate Governance Code, is, in addition to the no longer current declarations of the past five years, available on the website of the company group.mercedes-benz.com/dcg.

## Declaration of the Board of Management and Supervisory Board of Mercedes-Benz Group AG on the Compliance with the German Corporate Governance Code according to Section 161 of the German Stock Corporation Act

Mercedes-Benz Group AG maintains compliance with the recommendations of the German Corporate Governance Code in the Code version, dated April 28, 2022 ("Code"), published by the Federal Ministry of Justice and Consumer Protection in the official section of the German Federal Gazette on June 27, 2022, with the exception of Recommendations C.4 and C.5 (Maximum number of Supervisory Board mandates) and will also continue to observe the recommendations with the aforesaid deviations in the future. Since the submission of the last Compliance Declaration in December 2022, Mercedes-Benz Group AG has maintained compliance with the recommendations of the German Corporate Governance Code also with the aforesaid deviations.

**Maximum number of Supervisory Board mandates (C. 4 and C. 5)**
According to Recommendation C.4, Supervisory Board members who are not members of any management board of a listed company shall not accept more than a total of five Supervisory Board mandates in non-group listed companies or comparable functions, whereby a mandate as Supervisory Board Chair counts twice. According to Recommendation C.5, members of the Management Board of listed companies shall not have a total of more than two Supervisory Board mandates in non-group listed companies or comparable functions, and shall not accept the Chair of a Supervisory Board in a non-group listed company. Rather than setting a strict amount limit, it is more appropriate to assess on a case-by-case basis whether the number of mandates held by members of the Management Boards and Supervisory Boards at non-group listed companies or comparable functions appears to be appropriate, in particular because it is not always possible to clearly define the mandates that should be taken into consideration. Moreover, the individual workload expected as a result of the total number of mandates held does not necessarily increase in proportion to their number.

Stuttgart, December 2023

| For the Supervisory Board | For the Board of Management |
|---|---|
| Dr Bernd Pischetsrieder<br>Chairman | Ola Källenius<br>Chairman |

# Remuneration report, remuneration system

The 2023 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 2023 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 3 May 2023, is also available there. The resolution also adopted by the Annual General Meeting on 3 May 2023 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 (pursuant to Section 161 of the German Stock Corporation Act).

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. Mercedes-Benz is convinced that 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. 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**

The Code of Conduct is binding on all managers and employees of Mercedes-Benz Group AG and also the consolidated Group companies worldwide. The Code of Conduct was revised in 2022 and the new version was communicated to employees in early 2023. 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 interest, and prohibits corruption in any form whatsoever. It is available on the internet at group.mercedes-benz.com/compliance/integrity-code.

**Principles of Social Responsibility and Human Rights**
The Principles of Social Responsibility and Human Rights supplement and specify the principles of human rights and good working conditions in the Integrity Code. They apply to all managers and employees of Mercedes-Benz Group AG and also the consolidated Group companies worldwide. Through the Principles, the Mercedes-Benz Group also commits itself to preventing negative effects on human rights within its own business operations worldwide and at its partner and supplier companies and to minimizing these negative effects and, as far as possible, putting an end to them. The Principles of Social Responsibility and Human Rights can be viewed in various languages at group.mercedes-benz.com/human-rights/principles.

**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 business partners, the company makes sure that they comply with the law, follow ethical principles, communicate the associated requirements to their own suppliers, and work to ensure compliance with these requirements. 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 convenes several times a year in meetings that are chaired by the member of the Board of Management responsible for Integrity, Governance & Sustainability. One of these annual meetings specifically serves to exchange information with other members of the Board of Management and members of the Supervisory Board. Additionally, 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. Such meetings also include working groups that focus on integrity and employees, climate change mitigation and resource conservation. Discussions were also held with employees on Employee Day as part of the 2023 Sustainability Dialogue. In 2023, the Advisory Board also addressed the topics of human rights, data responsibility, the responsible use of artificial intelligence and the further development of the sustainable business strategy.

**Internal risk management system and internal control and compliance management system within the Group**
The Mercedes-Benz Group has 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 processes and systems are subject to continual monitoring in order to remedy the identified weaknesses and continuously improve the processes and systems. Risks and opportunities associated with social and environmental factors are also taken into account. In identifying sustainability-related risks and opportunities, Mercedes-Benz Group AG is guided by the topics identified by the materiality assessment and thus includes the areas of action of the sustainable business strategy, for which concrete goals have been assigned. The materiality assessment was concluded in summer 2022 and after a review of the areas of action remains valid for the year 2023. Sustainability-related data are also systematically recorded and social and environmental impacts of the company's activities are identified and assessed as part of the materiality assessment and 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 Combined Management Report 2023.

In addition to the accounting-related internal control system, the internal control system also includes in particular the Compliance Management System and other similar systems or frameworks such as the Human Rights Respect 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 2023.

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 2023 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 proceedings relating to antitrust matters and questions with respect to emissions 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 Group 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 year and to what extent and which ones have contractually been stipulated for the following year.

The auditor informs the Supervisory Board 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. The auditor also informs the Supervisory Board and annotates in the audit report if, during the performance of the audit, the auditor discovers facts that reveal an inaccuracy in the declarations of compliance with the German Corporate Governance Code issued by the Board of Management and/or the Supervisory Board.

At the Annual General Meeting on 3 May 2023, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was appointed as auditor of the financial statements, Group auditor of the Consolidated Financial Statements, and auditor for the review of interim financial reports for the 2023 financial year. KPMG AG Wirtschaftsprüfungsgesellschaft has audited the company and Consolidated Financial Statements of Mercedes-Benz Group AG since 1998; Alexander Bock has been the responsible auditor since the 2021 reporting year.

To ensure compliance with the duty to appoint a different audit firm, a selection and proposal process for audits of the 2024 reporting year was conducted in 2022 in accordance with the EU Statutory Audit Regulation. In accordance with the proposal made by the Supervisory Board on the basis of the recommendation and preference of the Audit Committee, the Annual General Meeting on 3 May 2023 resolved that PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, with headquarters in Frankfurt am Main, be appointed as auditor and Group auditor of the financial statements and Consolidated Financial Statements for the 2024 financial year, as well as auditor for the review of interim financial reports 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 2023, 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 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 that are subject to co-determination and equal representation and more than three members on the Board of Management. 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 set in 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 divisions 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 discussed 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. No committees of the Board of Management were established during the reporting period.

Information about 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 economic 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 change mitigation and air quality, resource conservation, sustainable urban mobility, traffic safety, data responsibility and human rights as 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 system established by the Board of Management also addresses 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 is responsible for ensuring compliance with statutory provisions 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 2023 Annual Report. The components of the Compliance Management System also include the BPO (Business & People Protection 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 comprehensive restraint of competition 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 external 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 opportunity**

The Mercedes-Benz Group is committed to tolerance, openness and fairness, and promotes diversity and equal opportunity because these values form the basis of an efficient and successful company. Diversity is a firm component of the business strategy of the Mercedes-Benz Group; activities to promote diversity focus on the overarching strategic areas of action for the advancement of women, internationality and equal opportunities.

With respective conditions and measures, the Mercedes-Benz Group promotes 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. Along with the establishment of a framework and processes for ensuring equal opportunities, and measures to reduce and eliminate subconscious prejudices, this also includes measures to promote a work culture marked by appreciation in which individual lifestyles are respected, as well as the organization of programmes for employees and managers that provide information, raise awareness and improve personal skills in this regard. In this way, diversity and inclusion management contribute 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, in 2006 the company had already set itself the goal of increasing the proportion of women in senior management positions within the Group to at least 20% by 2020. This goal was achieved, and in 2022 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 2023, the proportion of women in senior management positions at the Mercedes-Benz Group worldwide was 25.7% (active workforce of the fully consolidated Group companies 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 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. In accordance with applicable law, 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 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 new, forward-looking technologies, and are supported in this by the company. The key components of this programme include ESG (environmental, social and governance) and sustainability-related thematic blocks. In the reporting period, for example, the company held information events on sustainable corporate governance and sustainability reporting as well as on the Mercedes-Benz operating system MB.OS. Both internal and external experts were involved in these events. 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.

The Supervisory Board supervises and advises the Board of Management in the management of the business. Monitoring and advisory activities also relate to sustainability issues. 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 system 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 also relate 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 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. Prior to 2021, initial appointments were generally made for a maximum of three years. Since then, they have always been made subject to this maximum. In 2022, the Supervisory Board also adopted a more flexibly structured further reduction of the appointment period in the case of appointments and reappointments of individuals 58 years of age and older at the time their term of office begins.

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 adjusted remuneration system for the members of the Board of Management, which was approved by a majority of 91% at the Annual General Meeting in 2023, 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) is also available there.

The Supervisory Board examines the Annual Financial Statements, the Consolidated Financial Statements, and the Combined Management Report with Non-Financial Declaration 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 2023 reporting 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 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.

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 evaluates how effectively it and its committees fulfil their tasks. In the reporting period, a comprehensive self-assessment of the Supervisory Board and its committees took place with the involvement of an external consultant on the basis of an extensive questionnaire and additional interviews carried out. The Board of Management's perspective was also included in this assessment. The Supervisory Board addressed the results in detail in its meeting on February 21st, 2024. The results confirm very good, professional cooperation characterised by a high degree of trust within the Supervisory Board and its committees as well as with the Board of Management. In addition, the results attest to the very efficient organisation and holding of meetings as well as appropriate reporting by the Board of Management. There was no fundamental need for change. Some individual ideas and recommendations were discussed. Additionally, a further internal and comprehensive evaluation took place during the reporting period in the Audit Committee. This was done on the basis of a comprehensive questionnaire without external support.

As of 31 December 2023, 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 2023, 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 outside the Group.

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 by the shareholder representatives in the Supervisory Board by a majority of the votes cast. As of 31 December 2023, they are Dr Bernd Pischetsrieder (Chairman of the Nomination Committee), Dr Martin Brudermüller 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 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 2023, they are the shareholder representatives Olaf Koch (Chairman of the Audit Committee) and Timotheus Höttges as well as the employee representatives Ergun Lümali and Roman Romanowski.

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 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 of the company and its Board of Management. Further information on the evaluation of the independence of members of the Supervisory Board is summarized 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 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 & People Protection Office) whistleblowing system on complaints and information on possible violations of rules by top executives and violations of a defined catalogue of statutory provisions by other employees. 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 concerning 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 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 that are 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 the Supervisory Board stipulates that the approval of the plenary Supervisory Board or another committee is required.

**Legal Affairs Committee**
The Legal Affairs Committee is composed of six members elected by the Supervisory Board by a majority of the votes cast. As of 31 December 2023, 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 2023, 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 2023.

## 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 a listed company with co-determination and equal representation 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 2023, 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.

By a resolution dated 25 November 2020, the Board of Management set a 11.8% share 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 and a target for the proportion of women of at least 20% for the first and of at least 25% for the second level of the Mercedes-Benz Group AG below the Board of Management by 31 December 2025. As of 31 December 2023, the first level of management of Mercedes-Benz Group AG below the Board of Management consists of 13 executives, of whom 3 are women, corresponding to a percentage of women of 23%. At the second level of management of Mercedes-Benz Group AG below the Board of Management, as of 31 December 2023, 17 out of a total of 50 executives are women, corresponding to 34%.

The change in the total number of executives at the various management levels of Mercedes-Benz Group AG between 25 November 2020 and 31 December 2023 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 subject to co-determination and equal representation of shareholders and employees on the supervisory board 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 to the Supervisory Board of employee representatives whose term of office began at the end of the Annual General Meeting on 3 May 2023. There was no objection to the overall fulfilment with regard to the election of a shareholder representative by the Annual General Meeting on 3 May 2023.

As at 31 December 2023, women make up 30% of the shareholder side of the Supervisory Board of Mercedes-Benz Group AG (Liz Centoni, Dame Polly Courtice and Professor Dr Helene Svahn), while the remaining 70% are men. At that point of time, on the employee side, Nadine Boguslawski, Gabriela Neher and Monika Tielsch also make up 30% women and the remaining 70% are men. If she is elected as a shareholder representative by the Annual General Meeting 2024, the membership of Dr. Doris Höpke on the Supervisory Board will increase the proportion of women on the shareholder side to 40%.

The statutory quota for women for the Supervisory Board thus remains fulfilled.

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 Board of Management has excellent leadership skills and that its composition 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 2023, the Board of Management includes 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 co-determination and equal representation. 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 2023, 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. With the exception of Renata Jungo Brüngger, all members of the Board of Management fall below this standard age limit as of 31 December 2023.

- 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. As of 31 December 2023, this applies to, among others, Ola Källenius, Britta Seeger and Dr Jörg Burzer.

- 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 2023, 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.

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 is a member of the Supervisory Board of the listed company Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft and Harald Wilhelm is a member of the Supervisory Board of BAIC Motor Corporation Ltd, which is also listed on the stock exchange. In addition, both are represented on the Supervisory Board of the non-group listed Daimler Truck Holding AG as well as on 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 2023 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 into account the specific qualification requirements and the requirements profile. It conducts interviews with these candidates, 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 division 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 — including expertise on the sustainability issues that are important for the company — necessary to properly provide qualified supervision and advice to the Board of Management.

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 an election proposal to the General Meeting shall always be based on the interests of the company, taking any and all circumstances of the individual case into account.

The 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 2023, 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 2023, there are three women on both the side of the shareholders and the side of the employees. This puts the proportion of women on the shareholder side, the employee side and for the Supervisory Board as a whole at 30% If she is elected by the Annual General Meeting 2024, the membership of Dr. Doris Höpke on the Supervisory Board will increase the proportion of women on the shareholder side to 40%. At the Supervisory Board meeting on 27 April 2022, the shareholder representatives objected to the overall fulfilment with regard to the election to the Supervisory Board of employee representatives whose term of office began at the end of the Annual General Meeting on 3 May 2023. There was no objection to the overall fulfilment with regard to the election of a shareholder representative by the Annual General Meeting on 3 May 2023. The same applies with regard to the election of shareholder representatives by the Annual General Meeting on May 8, 2024.

- **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, Marco Gobbetti and Stefan Pierer, all other members (16 members, or more than 30%) of the Supervisory Board in office on 31 December 2023 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 (international citizenship) or have international experience. All shareholder representatives in office on 31 December 2023 have international experience. Moreover, the target has already been exceeded simply because of the international background of six shareholder representatives — Ben van Beurden, Liz Centoni, Dame Polly Courtice, Marco Gobbetti, Stefan Pierer 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 2023, the members of the Supervisory Board display a broad range of educational and professional backgrounds. Dr Bernd Pischetsrieder, Ben van Beurden, Dr Martin Brudermüller, Liz Centoni, Stefan Pierer, Prof. Dr Helene Svahn, Dr Frank Weber and Roman Zitzelsberger have university degrees in mechanical engineering, chemistry, business and energy management, biotechnology and/or electrical engineering. Other employee representatives have completed relevant professional training. Several members of the Supervisory Board have university degrees in economics, including Timotheus Höttges and Olaf Koch on the shareholder side and Michael Bettag on the employee side. The diverse range of educational and professional backgrounds is rounded out on the shareholder side by Dame Polly Courtice and Marco Gobbetti, 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 production mechanic.

- **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 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, 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 Dr Martin Brudermüller, Liz Centoni, and Timotheus Höttges in particular did 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. The same applies - also in view of the information provided in the chapter Consolidated Financial Statements in the note Related party disclosures - to Stefan Pierer in his role as a shareholder and board member of companies in the Pierer and Leoni Groups. 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.

As a result, according to the assessment of the shareholders' side, at 31 December 2023, all shareholder representatives on the Supervisory Board were to be deemed independent, namely Dr Bernd Pischetsrieder, Ben van Beurden, Dr Martin Brudermüller, Liz Centoni, Dame Polly Courtice, Marco Gobbetti, Timotheus Höttges, Olaf Koch, Stefan Pierer 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 2023 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 table Qualification matrix of the Supervisory Board members, 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 Brudermüller 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 Roman Romanowski.

With regard to **strategy,** Dr Bernd Pischetsrieder in particular has proven sector-specific 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 Gobbetti'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 Brudermüller and Ben van Beurden in particular have extensive expertise in the area of

**transformation.** Both push or pushed ahead with the process of transformation at the companies where they serve or served 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.

Dr Martin Brudermüller in particular possesses sound knowledge of **human resources** due to his extensive previous professional experience in this area, and he has contributed his knowledge as a Board member, especially as a member of the Nomination Committee of the Supervisory Board. 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 Brudermüller, 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 or dealt extensively with sustainability issues (in particular those relating to climate change mitigation and decarbonization) at the companies in which they serve or served 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 Brudermüller's many years of experience in the chemical industry also deserve 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 respect to **innovation, research and development,** the proven expertise of Professor 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 Gobbetti 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 Brudermüller, 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 Roman Zitzelsberger, among others, also possess expertise with regard to capital markets after having served as members of the Supervisory Board for many years.

Proposals by the Supervisory Board for the election of shareholder representatives by the General Meeting, for which the Nomination Committee makes recommendations, shall take the aspects outlined above into account and aim to fulfil 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 General Meeting shall always be based on the interests of the company, taking any and all circumstances of the individual case into account.

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, on the 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 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 may rely on independent external recruitment consultancy services if it chooses to do so.

## Shareholders and General Meeting

The shareholders exercise their membership rights, in particular their voting rights, at the General Meeting. Each share of Mercedes-Benz Group AG entitles the holder to one vote. Documents and information about the General Meeting are available at group.mercedes-benz.com/am.

In the context of comprehensive investor and public relations, the company is in close contact with its shareholders. Shareholders, financial analysts, shareholder associations, the media and interested members of the public are regularly and comprehensively informed about the company's situation and are promptly informed about important business changes. The Chairman of the Supervisory Board is also prepared, within appropriate and reasonable limits, to discuss topics specific to the Supervisory Board with investors, including topics such as renumeration of the Board of Management as well as work and the structure of the Supervisory Board and its committees. Such discussions took place in the run up to the shareholder meetings in 2023 and 2024.

In addition to other channels of communication, the company makes very good use of the company website for investor relations. All key information published in 2023, 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, is available at 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 General Meeting, the annual press conference and analysts' conferences, are announced well in advance in the financial calendar.

**Qualification matrix of the Supervisory Board members**

| | Dr Bernd Pischetsrieder | Ben van Beurden | Dr Martin Brudermüller | Liz Centoni | Dame Polly Courtice |
|---|---|---|---|---|---|
| **Tenure** | | | | | |
| Joined board in | 2014 | 2021 | 2021 | 2021 | 2022 |
| Term limit not breached | ✔ | ✔ | ✔ | ✔ | ✔ |
| **Diversity** | | | | | |
| Gender | Male | Male | Male | Female | Female |
| Year of birth | 1948 | 1958 | 1961 | 1964 | 1952 |
| Nationality | German | Dutch | German | US | British / South African |
| International experience[1] | ✔ | ✔ | ✔ | ✔ | ✔ |
| Educational and professional background | Mechanical engineering | Chemical engineering | Chemistry | Chemistry /MBA/ software engineering | History/marketing/sustainability |
| **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 issues, working environment) | ✔ | ✔ | ✔ | ✔ | ✔ |
| **Sustainability/ESG[4]** | ✔ | ✔ | ✔ | ✔ | ✔ |
| **Industry** (e.g. production, procurement) | ✔ | ✔ | ✔ | | |
| **Innovation, research and development, technology** | ✔ | ✔ | ✔ | ✔ | ✔ |
| **Sales/brand** | ✔ | | | ✔ | ✔ |
| **Capital market** | ✔ | ✔ | ✔ | | |

Footnotes are at the bottom of the table

| | Marco Gobbetti | Timotheus Höttges | Olaf Koch | Stefan Pierer | Prof. Dr Helene Svahn |
|---|---|---|---|---|---|
| **Tenure** | | | | | |
| Joined board in | 2022 | 2020 | 2021 | 2023 | 2021 |
| Term limit not breached | ✔ | ✔ | ✔ | ✔ | ✔ |
| **Diversity** | | | | | |
| Gender | Male | Male | Male | Male | Female |
| Year of birth | 1958 | 1962 | 1970 | 1956 | 1974 |
| Nationality | Italian | German | German | Austrian | Swedish |
| International experience[1] | ✔ | ✔ | ✔ | ✔ | ✔ |
| Educational and professional background | International management/sales | Business administration/MBA | Business management | Integrated master's degree in engineering — business and energy management | 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 issues, working environment) | ✔ | ✔ | ✔ | ✔ | ✔ |
| **Sustainability/ESG[4]** | ✔ | ✔ | ✔ | ✔ | ✔ |
| **Industry** (e.g. production, procurement) | | | | ✔ | ✔ |
| **Innovation, research and development, technology** | ✔ | ✔ | ✔ | ✔ | ✔ |
| **Sales/brand** | ✔ | ✔ | ✔ | ✔ | |
| **Capital market** | ✔ | ✔ | ✔ | ✔ | ✔ |

Footnotes are at the bottom of the table

| | Ergun Lümali | Michael Bettag | Nadine Boguslawski | Michael Häberle | Gabriela Neher |
|---|---|---|---|---|---|
| **Tenure** | | | | | |
| Joined board in | 2014 | 2015 | 2021 | 2018 | 2023 |
| Term limit not breached | ✔ | ✔ | ✔ | ✔ | ✔ |
| **Diversity** | | | | | |
| Gender | Male | Male | Female | Male | Female |
| Year of birth | 1962 | 1961 | 1977 | 1969 | 1995 |
| Nationality | German | German | German | German | German |
| Educational and professional background | Construction mechanics/ compensation and service policy | Business management | Electronics engineer | Mechanical engineering/ business administration | Production mechanic/ graphic designer |
| **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 issues, working environment) | ✔ | ✔ | ✔ | ✔ | ✔ |
| **Sustainability/ESG**[4] | ✔ | ✔ | ✔ | ✔ | ✔ |
| **Industry** (e.g. production, procurement) | ✔ | | ✔ | ✔ | ✔ |
| **Innovation, research and development, technology** | ✔ | | ✔ | ✔ | |
| **Sales/brand** | | ✔ | | | |
| **Capital market** | ✔ | | | | |

Footnotes are at the bottom of the table

| | Michael Peters | Roman Romanowski | Monika Tielsch | Dr Frank Weber | Roman Zitzelsberger |
|---|---|---|---|---|---|
| **Tenure** | | | | | |
| Joined board in | 2023 | 2021 | 2021 | 2013 | 2015 |
| Term limit not breached | ✔ | ✔ | ✔ | ✔ | ✔ |
| **Diversity** | | | | | |
| Gender | Male | Male | Female | Male | Male |
| Year of birth | 1968 | 1974 | 1967 | 1961 | 1966 |
| Nationality | German | German | German | German | German |
| Educational and professional background | Sheet metal processor | Lawyer | Socioeconomics/mediation | 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 issues, working environment) | ✔ | ✔ | ✔ | ✔ | ✔ |
| **Sustainability/ESG**[4] | ✔ | ✔ | ✔ | ✔ | ✔ |
| **Industry** (e.g. production, procurement) | ✔ | | ✔ | ✔ | ✔ |
| **Innovation, research and 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** DCGK (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.


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# CONSOLIDATED FINANCIAL STATEMENTS

# CONSOLIDATED FINANCIAL STATEMENTS

# Consolidated Statement of Income

| | Note | **2023** | 2022 |
|---|---|---|---|
| In millions of euros | | | |
| Revenue | 4 | **153,218** | 150,017 |
| Cost of sales | 5 | **-118,839** | -115,997 |
| **Gross profit** | | **34,379** | 34,020 |
| Selling expenses | 5 | **-9,728** | -9,482 |
| General administrative expenses | 5 | **-2,688** | -2,584 |
| Research and non-capitalized development costs | 5 | **-6,230** | -5,602 |
| Other operating income | 6 | **2,206** | 3,323 |
| Other operating expense | 6 | **-516** | -1,289 |
| Gains/losses on equity-method investments | 13 | **2,129** | 1,732 |
| Other financial income/expense | 7 | **108** | 340 |
| **Earnings before interest and taxes (EBIT)** | 34 | **19,660** | 20,458 |
| Interest income | 8 | **678** | 273 |
| Interest expense | 8 | **-254** | -427 |
| **Profit before taxes** | | **20,084** | 20,304 |
| Income taxes | 9 | **-5,553** | -5,495 |
| **Net profit** | | **14,531** | 14,809 |
| thereof profit attributable to non-controlling interests | | **270** | 308 |
| thereof profit attributable to shareholders of Mercedes-Benz Group AG | | **14,261** | 14,501 |
| | | | |
| **Earnings per share (in euros)**<br>For profit attributable to shareholders of Mercedes-Benz Group AG | 36 | | |
| **Basic** | | **13.46** | 13.55 |
| **Diluted** | | **13.46** | 13.55 |

# Consolidated Statement of Comprehensive Income/Loss

| | **2023** | 2022 |
|---|---|---|
| In millions of euros | | |
| | | |
| **Net profit** | **14,531** | 14,809 |
| Gains/losses on currency translation | **-795** | 297 |
| Gains/losses on debt instruments | **14** | -33 |
| Gains/losses on derivative financial instruments | **475** | 1,678 |
| Gains/losses on equity-method investments | **-251** | 188 |
| **Items that may be reclassified to profit/loss in the Statement of Income in the future** | **-557** | 2,130 |
| Actuarial gains/losses from pensions and similar obligations | **194** | 2,318 |
| Gains/losses on equity instruments | **89** | -397 |
| Gains/losses on equity-method investments | **-16** | 286 |
| **Items that will not be reclassified to profit/loss in the Statement of Income** | **267** | 2,207 |
| **Other comprehensive income/loss after taxes[1]** | **-290** | 4,337 |
| thereof income/loss attributable to non-controlling interests after taxes | **-87** | -32 |
| thereof income/loss attributable to shareholders of Mercedes-Benz Group AG after taxes | **-203** | 4,369 |
| **Total comprehensive income/loss** | **14,241** | 19,146 |
| thereof income/loss attributable to non-controlling interests | **183** | 276 |
| thereof income/loss attributable to shareholders of Mercedes-Benz Group AG | **14,058** | 18,870 |

1 For more information on income taxes and reclassifications to profit and loss included in the Consolidated Statement of Income, see notes 9 and 32.

# Consolidated Statement of Financial Position

| | | | At 31 December |
|---|---|---|---|
| | Note | **2023** | 2022 |
| In millions of euros | | | |
| **Assets** | | | |
| Intangible assets | 10 | **17,593** | 15,869 |
| Property, plant and equipment | 11 | **26,090** | 27,250 |
| Equipment on operating leases | 12 | **41,712** | 41,552 |
| Equity-method investments | 13 | **13,104** | 13,530 |
| Receivables from financial services | 14 | **49,742** | 48,237 |
| Marketable debt securities and similar investments | 15 | **699** | 823 |
| Other financial assets | 16 | **4,340** | 4,478 |
| Deferred tax assets | 9 | **4,127** | 3,725 |
| Other assets | 17 | **1,583** | 1,677 |
| **Total non-current assets** | | **158,990** | 157,141 |
| Inventories | 18 | **27,294** | 25,621 |
| Trade receivables | 19 | **7,281** | 8,100 |
| Receivables from financial services | 14 | **38,469** | 37,312 |
| Cash and cash equivalents | | **15,962** | 17,679 |
| Marketable debt securities and similar investments | 15 | **6,159** | 6,237 |
| Other financial assets | 16 | **3,599** | 3,453 |
| Other assets | 17 | **4,473** | 4,472 |
| Assets held for sale | 3 | **795** | - |
| **Total current assets** | | **104,032** | 102,874 |
| **Total assets** | | **263,022** | 260,015 |

| | | At 31 December | |
|---|---|---|---|
| | | **2023** | 2022 |
| In millions of euros | | | |
| **Equity and liabilities** | | | |
| Share capital | | **3,070** | 3,070 |
| Capital reserves | | **11,718** | 11,718 |
| Retained earnings | | **76,670** | 67,695 |
| Other reserves | | **2,571** | 2,932 |
| Treasury shares | | **-2,256** | - |
| **Equity attributable to shareholders of Mercedes-Benz Group AG** | | **91,773** | 85,415 |
| Non-controlling interests | | **1,043** | 1,125 |
| **Total equity** | 20 | **92,816** | 86,540 |
| Provisions for pensions and similar obligations | 22 | **1,090** | 1,021 |
| Provisions for other risks | 23 | **7,345** | 6,438 |
| Financing liabilities | 24 | **63,724** | 62,051 |
| Other financial liabilities | 25 | **1,642** | 2,524 |
| Deferred tax liabilities | 9 | **7,714** | 6,910 |
| Deferred income | 26 | **1,223** | 1,234 |
| Contract and refund liabilities | 27 | **3,514** | 3,656 |
| Other liabilities | 28 | **1,520** | 1,238 |
| **Total non-current liabilities** | | **87,772** | 85,072 |
| Trade payables | | **12,828** | 12,204 |
| Provisions for other risks | 23 | **7,955** | 9,585 |
| Financing liabilities | 24 | **44,914** | 49,786 |
| Other financial liabilities | 25 | **5,476** | 5,404 |
| Deferred income | 26 | **1,478** | 1,391 |
| Contract and refund liabilities | 27 | **6,877** | 6,898 |
| Other liabilities | 28 | **2,682** | 3,135 |
| Liabilities held for sale | 3 | **224** | - |
| **Total current liabilities** | | **82,434** | 88,403 |
| **Total equity and liabilities** | | **263,022** | 260,015 |

# Consolidated Statement of Cash Flows

| | **2023** | 2022 |
|---|---|---|
| In millions of euros | | |
| | | |
| Profit before income taxes | **20,084** | 20,304 |
| Depreciation and amortization/impairments | **6,663** | 6,521 |
| Other non-cash expense and income | **-2,369** | -1,296 |
| Gains (-)/losses (+) from disposals of assets | **-92** | -990 |
| Change in operating assets and liabilities | | |
| Inventories | **-2,733** | -4,111 |
| Trade receivables and trade payables | **1,310** | 1,029 |
| Receivables from financial services | **-5,812** | -5,327 |
| Vehicles on operating leases | **-640** | 3,810 |
| Other operating assets and liabilities | **1,624** | 358 |
| Dividends received from equity-method investments | **2,056** | 1,605 |
| Income taxes paid | **-5,621** | -5,009 |
| **Cash flow from operating activities** | **14,470** | 16,894 |
| Additions to property, plant and equipment | **-3,745** | -3,481 |
| Additions to intangible assets | **-4,468** | -3,418 |
| Proceeds from disposals of property, plant and equipment and intangible assets | **285** | 469 |
| Investments in shareholdings | **-334** | -849 |
| Proceeds from disposals of shareholdings and other business operations | **612** | 3,337 |
| Acquisition of marketable debt securities and similar investments | **-4,714** | -2,622 |
| Proceeds from sales of marketable debt securities and similar investments | **5,021** | 3,084 |
| Other cash flows | **28** | 27 |
| **Cash flow from investing activities** | **-7,315** | -3,453 |

| | **2023** | 2022 |
|---|---|---|
| In millions of euros | | |
| | | |
| Change in short-term financing liabilities | **-512** | 172 |
| Additions to long-term financing liabilities | **39,288** | 38,429 |
| Repayment of long-term financing liabilities | **-39,473** | -51,945 |
| Dividend paid to shareholders of Mercedes-Benz Group AG | **-5,556** | -5,349 |
| Dividends paid to non-controlling interests | **-324** | -320 |
| Acquisition of treasury shares | **-1,941** | -48 |
| Other cash flows | **127** | 29 |
| **Cash flow from financing activities** | **-8,391** | -19,032 |
| Effect of foreign exchange-rate changes on cash and cash equivalents | **-471** | 88 |
| **Net decrease in cash and cash equivalents** | **-1,707** | -5,503 |
| **Cash and cash equivalents at beginning of year** | **17,679** | 23,182 |
| Less cash and cash equivalents classified as assets held for sale at beginning of year | **-** | 62 |
| **Cash and cash equivalents at beginning of year (Consolidated Statement of Financial Position)** | **17,679** | 23,120 |
| **Cash and cash equivalents at end of year** | **15,972** | 17,679 |
| Less cash and cash equivalents classified as assets held for sale at end of year | **10** | - |
| **Cash and cash equivalents at end of year (Consolidated Statement of Financial Position)** | **15,962** | 17,679 |

# Consolidated Statement of Changes in Equity

| | Share capital | Capital reserves | Retained earnings | Other reserves: Difference of currency translation | Other reserves: Equity/debt instruments | Other reserves: Derivative financial instruments | Treasury shares | **Equity attributable to shareholders of Mercedes-Benz Group AG** | Non-controlling interests | **Total equity** |
|---|---|---|---|---|---|---|---|---|---|---|
| In millions of euros | | | | | | | | | | |
| | | | | | | | | | | |
| **Balance at 1 January 2022** | 3,070 | 11,723 | 55,926 | 1,691 | 202 | -661 | - | 71,951 | 1,216 | 73,167 |
| Net profit | - | - | 14,501 | - | - | - | - | 14,501 | 308 | 14,809 |
| Other comprehensive income/loss after taxes | - | - | 2,608 | 470 | -434 | 1,725 | - | 4,369 | -32 | 4,337 |
| Total comprehensive income/loss | - | - | 17,109 | 470 | -434 | 1,725 | - | 18,870 | 276 | 19,146 |
| Dividends | - | - | -5,349 | - | - | - | - | -5,349 | -340 | -5,689 |
| Changes in the consolidated group | - | - | - | - | - | - | - | - | -29 | -29 |
| Acquisition of treasury shares | - | - | - | - | - | - | -48 | -48 | - | -48 |
| Issue and disposal of treasury shares | - | - | - | - | - | - | 48 | 48 | - | 48 |
| Other | - | -5 | 9 | - | -9 | -52 | - | -57 | 2 | -55 |
| **Balance at 31 December 2022** | 3,070 | 11,718 | 67,695 | 2,161 | -241 | 1,012 | - | 85,415 | 1,125 | 86,540 |

| | | | | Other reserves | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Capital reserves | Retained earnings | Difference of currency translation | Equity/debt instruments | Derivative financial instruments | Treasury shares | **Equity attributable to shareholders of Mercedes-Benz Group AG** | Non-controlling interests | **Total equity** |
| In millions of euros | | | | | | | | | | |
| | | | | | | | | | | |
| **Balance at 1 January 2023** | 3,070 | 11,718 | 67,695 | **2,161** | **-241** | **1,012** | **-** | **85,415** | **1,125** | **86,540** |
| Net profit | **-** | **-** | **14,261** | **-** | **-** | **-** | **-** | **14,261** | **270** | **14,531** |
| Other comprehensive income/loss after taxes | **-** | **-** | **185** | **-962** | **98** | **476** | **-** | **-203** | **-87** | **-290** |
| Total comprehensive income/loss | **-** | **-** | **14,446** | **-962** | **98** | **476** | **-** | **14,058** | **183** | **14,241** |
| Dividends | **-** | **-** | **-5,556** | **-** | **-** | **-** | **-** | **-5,556** | **-327** | **-5,883** |
| Capital increase/Issue of new shares | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **62** | **62** |
| Acquisition of treasury shares | **-** | **-** | **-** | **-** | **-** | **-** | **-2,322** | **-2,322** | **-** | **-2,322** |
| Issue and disposal of treasury shares | **-** | **-** | **-** | **-** | **-** | **-** | **66** | **66** | **-** | **66** |
| Other | **-** | **-** | **85** | **-** | **1** | **26** | **-** | **112** | **-** | **112** |
| **Balance at 31 December 2023** | **3,070** | **11,718** | **76,670** | **1,199** | **-142** | **1,514** | **-2,256** | **91,773** | **1,043** | **92,816** |

# Notes to the Consolidated Financial Statements

## 1. Material 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, product-related mobility services and the installation of a charging infrastructure. The Group comprises the segments Mercedes-Benz Cars, Mercedes-Benz Vans and Mercedes-Benz Mobility.

Mercedes-Benz Group AG is the parent company of the Mercedes-Benz Group.

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 15 March 2024.

### Basis of preparation

**Applied IFRS**

The Consolidated Financial Statements of Mercedes-Benz Group AG and its subsidiaries (“Mercedes-Benz Group” or “the Group”) as of 31 December 2023 have been prepared in accordance with Section 315e of the German Commercial Code (HGB) (Consolidated Financial Statements in accordance with International Financial Reporting Standards) and comply with the International Financial Reporting Standards (IFRS) in the form in which they must be applied in the European Union (EU) as of 31 December 2023.

**IFRS issued, EU endorsed and adopted in the reporting period**

In May 2021, the IASB published **Deferred taxes relating to assets and liabilities arising from a single transaction (amendments to IAS 12)**. When assets and liabilities are recorded for the first time, under certain conditions deferred taxes previously did not have to be recognized due to an exception. The amendment to IAS 12 has the effect of cancelling this exception, which was important for the lessee's accounting of finance leases among other things. The Mercedes-Benz Group applied the changes for the first time in the financial year that commenced on 1 January 2023. There were no effects on the profitability, liquidity and capital resources, and financial position.

In December 2021, the OECD published **guidelines for a new global minimum tax framework** aimed at curbing base erosion and profit shifting (BEPS) by multinational corporations. EU member states unanimously agreed in December 2022 to implement these rules in the form of a directive (BEPS Pillar 2 regulations). As at the balance sheet date, this directive was transposed into German law with the Act to Ensure Global Minimum

Taxation for Groups of Companies (Minimum Tax Act - MinStG) and is applicable to the Mercedes-Benz Group from 1 January 2024. As part of an analysis of possible effects on the Group, no countries were identified as at the reporting date from which significant effects are to be expected with regard to the possible payment of a minimum tax.

To introduce a mandatory temporary exemption from the requirements in IAS 12 Income Taxes for the recording and disclosure of information about deferred tax assets and liabilities, the IASB published **International Tax Reform - Pillar 2 Model Rules (Amendments to IAS 12**) in May 2023. The Mercedes-Benz Group applies the exception rule according to IAS 12, which stipulates that no deferred tax assets and liabilities are accounted for in connection with the income taxes of the second pillar ("Pillar 2") of the OECD.

In May 2017, the IASB published the standard **IFRS 17 Insurance Contracts**. IFRS 17 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. The first-time application of IFRS 17 had no impact on the profitability, liquidity and capital resources and financial position of the Mercedes-Benz Group.

In addition, other standards and interpretations 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. Intra-Group assets and liabilities, equity, income and expenses as well as cash flows from transactions between consolidated entities are 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. Amounts that were previously recognized in other comprehensive income/loss are recognized in other operating income or expense upon loss of control. If realization is not permitted, they are reclassified to retained earnings.

**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 up 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 providing the basis for the currency translation of the US dollar and the Chinese renminbi – the most significant foreign currencies for the Mercedes-Benz Group – developed as shown in the following table.

**Exchange-rates**

| | | **2023** | | 2022 |
|---|---|---|---|---|
| | **USD** | **CNY** | USD | CNY |
| | €1 = | €1 = | €1 = | €1 = |
| Average exchange-rate on 31 December | **1.1050** | **7.8509** | 1.0666 | 7.3582 |
| Average exchange-rates during the respective period | | | | |
| First quarter | **1.0730** | **7.3419** | 1.1217 | 7.1212 |
| Second quarter | **1.0887** | **7.6441** | 1.0647 | 7.0427 |
| Third quarter | **1.0884** | **7.8856** | 1.0070 | 6.8982 |
| Fourth quarter | **1.0751** | **7.7712** | 1.0205 | 7.2582 |

## Hyperinflation

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 or other relevant international publications. If a country is in hyperinflation, IAS 29 Financial Reporting in Hyperinflationary Economies has to be applied from the beginning of the respective reporting period, i.e., from 1 January of the respective reporting year. Argentina and Turkey are currently considered as in hyperinflation.

The effects of taking into account the devaluation of the monetary balance sheet items of subsidiaries in countries in hyperinflation are therefore recognized in profit or loss and are included in the Consolidated Statement of Income under other operating expenses or other operating income.

Due to the close economic relationship, the effects from the recognition of the inflation effect together with the conversion effect from the translation are presented as a currency effect in accordance with IAS 21. Both effects are presented on a net basis in other comprehensive income or directly in retained earnings.

For companies that use hyperinflation accounting, the profit and loss statements and the cash flow statements are converted into euros using the exchange-rates at the end of the period.

# 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.

If a dealer is not classified as a principal but as an agent and therefore control of vehicles is not transferred to him, sales revenue is only recorded when the end customer obtains control. The brokerage commissions payable to the dealer are shown in selling expenses.

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 constrain 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 provision of material is not associated with the transfer of control to the service provider, no revenue is recognized.

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. If the customer has made an advance payment, the revenue from these contracts is deferred as a contract liability and recognized as revenue over the term of the contract in proportion to the costs expected to be incurred based on historical information. A future loss on these contracts is recognized in the current reporting 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. When control of the vehicle is transferred to the non-Group dealer, the Mercedes-Benz Group recognizes revenue from the sale of the vehicle. Irrespective of this, an end customer can decide to enter into a leasing contract with Mercedes-Benz Mobility regarding such a vehicle. The vehicle is then sold by the non-Group dealer to Mercedes-Benz Mobility.

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.

### 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 subproportional participation in capital increases of companies in which shares are held and are accounted for using the equity method is also included in gains/losses on equity-method investments. Non-participation or subproportional participation in capital reductions is recorded as fictitious acquisition transactions. 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. 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. In addition, current income taxes presented for the reporting year 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, associated companies 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 balance sheet date, the Mercedes-Benz Group carries out impairment tests on deferred tax assets on the basis of the planned taxable income in future 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.

**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. The planned product lifespan only exceeds ten years in individual cases. The assessment also takes into account possible impacts from the transformation of the automotive industry, such as the transition to electric drive systems. 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 the end of each reporting year. Changes in expected useful lives are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recorded in functional costs.

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

Emission allowances (e.g. emission permits from the EU emissions trading system or the vehicle-related emissions regulations in the USA or China) to compensate for $CO_2$ emissions are also reported under intangible assets. These certificates and rights are stated at acquisition cost. Derecognition occurs at the time the certificates or rights are returned or upon sale or expiration. Obligations to surrender emission allowances are recognized as provisions valued at the acquisition costs of emission allowances that have already been purchased. Any excess obligation that may exist is valued at the market value of the emission allowances still to be acquired.

**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 as well as borrowing costs.

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 the following table.

**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 |

**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 leasing liabilities for the outstanding lease payments. Variable lease payments that are not included in the initial recognition of the right-of-use asset are recognized as an expense for the period.

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. 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 in order to account for that difference is used.

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. In determining the lease term, those options are only considered if their exercise is reasonably certain. During the term, these options are regularly checked with regard to their probability of being exercised.

**The Mercedes-Benz Group as lessor (equipment on operating leases)**

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 (finance leases) or remains with the lessor (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 regarding the expected level of prices, based upon which the cars to be returned in the leasing business are evaluated. If changing market developments at the balance sheet date lead to a negative deviation from previously estimated assumptions, the residual value must be adjusted or an impairment carried out. 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 under equipment on operating leases and are depreciated over the contract term on a straight-line basis with consideration of the expected residual values. Changes in the expected residual values lead either to prospective adjustments of the scheduled depreciation or, if necessary, to an impairment loss. The vehicles are allocated to the segment which bears substantially all of the residual-value risk.

Operating leases also relate to vehicles, primarily Group products that 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 equipment on operating leases 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.

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.

Mercedes-Benz Mobility continues 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.

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 equipment on operating leases 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 other 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. The cash-generating units Mercedes-Benz Cars and Mercedes-Benz Vans basically correspond to the segments. At Mercedes-Benz Mobility, impairment testing is carried out below segment level. A distinction is made between the two cash-generating units Mercedes-Benz Mobility Classic (traditional financial services business) and Charging Solutions (development of a high-power charging network). As the Charging Solutions cash-generating unit had neither goodwill nor other intangible assets with indefinite useful lives in 2023 and there was no indication of impairment in 2023, it was not necessary to calculate the recoverable amount.

If it is determined that 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 2028, is based on assumptions, including those regarding future sales volumes, the general development of the respective markets and the profitability of the products, taking into account the effects of the transformation of the automotive industry and the expected macroeconomic developments. In the detailed planning period, an overall moderate increase in unit sales and revenue is assumed for the cash-generating units Mercedes-Benz Cars and Mercedes-Benz Vans, with a significant increase in the proportion of electric vehicles. Based on the sales planning of the cash-generating units Mercedes-Benz Cars and Mercedes-Benz Vans, the planning of the cash-generating unit Mercedes-Benz Mobility Classic assumes an increase in the portfolio in the detailed planning period. The assumptions used for planning are checked for plausibility both against historical developments and against external sources of information (e.g. market studies). The rounded, risk-adjusted interest rates determined specifically for the respective cash-generating unit and used to discount the cash flows are 9.5% (2022: 9%) after taxes for the Mercedes-Benz Cars and Mercedes-Benz Vans cash-generating units. A risk-adjusted interest rate of 10% (2022: 10%) after taxes is used for the Mercedes-Benz Mobility Classic cash-generating unit. While the discount rate for the Mercedes-Benz Mobility Classic cash-generating unit represents the cost of equity, the risk-adjusted interest rate for the Mercedes-Benz Cars and Mercedes-Benz Vans cash-generating units 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. When deriving the terminal value, assumptions regarding the effects of the transformation of the automotive industry are also taken into account, analogous to the detailed planning period. When deriving the value in use, a risk assessment is also carried out for both the detailed planning period and the terminal value, which includes, for example, market risks as well as risks resulting from legal and political framework conditions (e.g. in connection with sustainability aspects). This risk assessment shows for the relevant cash-generating units that even in the case of reasonably possible changes in operational key assumptions (e.g. profitability of the products, unit sales and portfolio) compared to the original planning, no need for impairment exists. While the recoverable amount of the Mercedes-Benz Cars and Mercedes-Benz Vans cash-generating units significantly exceeds the carrying amount, the recoverable amount of the Mercedes-Benz Mobility Classic cash-generating unit is close to the carrying amount. In addition, sensitivity analyses are carried out (e.g. with regard to the discount rate). The carrying amount of the Mercedes-Benz Mobility Classic cash-generating unit would exceed the recoverable amount if, in addition to a change in operational key assumptions, the cost of equity were to increase slightly.

**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 remeasured 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.

**Non-current assets and disposal groups held for 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 shares and marketable debt securities 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 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.

**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"). 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 Consolidated Statement of Income 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.

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.

**Impairment of financial assets**

At each reporting date, an impairment 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 credit losses for these instruments. Impairments are allocated using a three stage approach to expected credit losses:

Stage 1: expected credit losses within the next twelve months

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

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

If a financial asset has a significant increase in credit risk since initial recognition but is not yet credit impaired, it is moved to stage 2 and measured at lifetime expected credit loss, which is defined as the expected credit loss that results from all possible default events over the expected life of a financial 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. The expected credit loss is recognized as an impairment measured over the expected lifetime of the financial asset. 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. 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. These derivatives are measured at fair value through profit or loss. The valuation effects are reported in the functional costs, in which the consumption of the procured non-financial items (e.g. energy) is reported.

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 hedged 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 obligation 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 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**

Cash-effective government grants are shown in cash flow from operating activities. In addition, interest paid as well as interest and dividends received are allocated to cash flow from operating activities. 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 also presented in cash flow from operating activities. Furthermore all cash flows of receivables from financial services in the Consolidated Statement of Cash Flows 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.

**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 net carbon-neutrality[1] for the new vehicle fleet by 2039 in its business strategy. The Mercedes-Benz Group is aiming to shape the transformation into a software-driven and all-electric future. The Group is creating the necessary conditions to become all-electric. The pace of the transformation is determined by market conditions and the wishes of customers. 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 judgements 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.

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 production network management, efforts are also being made to secure sites affected by the transformation by enhancing them. No significant obligations to dismantle or remove production facilities and plants that would give rise to a provision existed on the reporting date.

1 Net carbon-neutral means that no $CO_2$ emissions are created or any resulting $CO_2$ emissions are offset by certified compensation projects.

The recoverability of leased vehicles classified as operating leases is reviewed regularly. When determining recoverability, the expected residual value of the leased vehicles is particularly relevant. Due to the transformation to all-electric vehicles, residual values can be influenced by changing customer behavior, new regulatory requirements and further technological developments. Although the currently expected residual values of all-electric vehicles were lower than originally expected, no significant impairment losses were required for conventionally powered or all-electric vehicles in the reporting 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.

In addition to traditional energy supply contracts, which are usually only recorded as pending transactions upon delivery, the Group has concluded contracts to secure purchase quantities and prices for renewable energies (in particular electricity from wind and solar energy). These are contracts that provide for a fixed remuneration per unit of energy and are mainly recognized either as derivatives or leases.

The impairment test on the level of the cash-generating units is based on the corporate planning and strategy of the Mercedes-Benz Group. This provides for a step by step substitution of vehicles with combustion engines by electric vehicles.

For the purposes of the impairment test, further risks (e.g. sales risks, price risks and risks regarding the future price of 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 high investment requirement, particularly in the detail planning period until 2028. 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 into account the transformation effects described did not result in any impairment requirement for the cash-generating units.

# 2. Accounting estimates and management judgements

In the Consolidated Financial Statements, it is to a certain degree necessary to make estimates and management judgements 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 judgements are described as follows. Actual amounts may differ from the estimates. Changes in the estimates and management judgements 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 unit 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 2023, the recoverable amounts are 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. On the balance sheet date, the carrying amount of equity-method investments was €13,104 million (31 December 2022: €13,530 million).

**Recoverable amount of equipment on operating leases**

The Mercedes-Benz Group regularly reviews the factors determining the values of its leased vehicles (carrying amount as of 31 December 2023: €41,712 milllion; 31 December 2022: €41,552 million). In particular, it is necessary to estimate the residual values of vehicles, which constitute a substantial part of the expected future cash flows from equipment on operating leases. 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 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 (carrying amount as of 31 December 2023: €88,211 million; 31 December 2022: €85,549 million). 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 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.

**Product warranties**

The Group provides various types of product warranties, depending on the type of product and market conditions. Provisions for product warranties (carrying amount as of 31 December 2023: €6,399 million; 31 December 2022: €6,576 million) are generally recognized at the time of vehicle sale. 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.

**Liability and litigation risks and governmental 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 regularly restated due to new expected developments. As of 31 December 2023, the carrying amounts of provisions for liability and litigation risks are €2,104 million (31 December 2022: €2,755 million). Changes in estimates and assumptions can have a material effect on the Group’s future profitability, liquidity and capial resources and financial position. 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.

**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 caused by the influencing factors may differ from current developments. The financial effects of deviations of the main factors are calculated with the use of sensitivity analyses. As of 31 December 2023 provisions for pensions and similar obligations are €1,090 million (31 December 2022: €1,021 million).

**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 judgements by taxpayers on the one hand and local tax authorities on the other hand. Different judgements 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. Carrying amount of liabilities for income taxes as of 31 December 2023 are €2,421 million (31 December 2022: €2,648 million).

# 3. Consolidated Group

## Composition of the Group

The following table 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 41.

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 at most 1% of the Group's total assets; the aggregate revenue and the aggregate net profit would amount at most 1% of the Group's revenue and net profit.

**Composition of the Group**

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| Consolidated subsidiaries | **251** | 262 |
| Germany | **50** | 48 |
| International | **201** | 214 |
| Unconsolidated subsidiaries | **63** | 64 |
| Germany | **26** | 27 |
| International | **37** | 37 |
| Joint operations accounted for using proportionate consolidation | **1** | 1 |
| Germany | **-** | - |
| International | **1** | 1 |
| Joint ventures accounted for using the equity method | **7** | 8 |
| Germany | **2** | 3 |
| International | **5** | 5 |
| Associated companies accounted for using the equity method | **10** | 11 |
| Germany | **3** | 4 |
| International | **7** | 7 |
| Joint operations, joint ventures, associated companies accounted for at (amortized) cost and substantial other investments recognized at fair value | **29** | 24 |
| Germany | **16** | 13 |
| International | **13** | 11 |
| Total | **361** | 370 |

The overall number of subsidiaries has decreased slightly. Consolidated subsidiaries and an equity-method associated company were established for the charging activities of electric vehicles. The main disposals are described in the following sections.

## Structured entities

The structured entities of the Group are mainly asset-backed-securities (ABS) companies and special funds. The ABS companies are primarily used for the Group's refinancing. The receivables transferred to structured entities usually result 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 34 (2022: 33) 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.

## Shares in subsidiaries

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

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.

The recognition and valuation of the assets and liabilities due to 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 were included in cost of sales.

As of 31 December 2022, completion of the transaction was still subject to authorities' approval and the implementation of the contractually agreed conditions.

With the closing of the transaction on 19 April 2023, the shares of Russian subsidiaries were deconsolidated.

The sale of the Russian subsidiaries resulted in no significant cash inflow. This led to a cash outflow in the amount of the disposed cash and cash equivalents of €91 million, which is mainly attributable to the Mercedes-Benz Mobility segment.

The assets of €976 million disposed of with the deconsolidation essentially include property, plant and equipment of €290 million and receivables from financial services of €280 million. In addition, cash and cash equivalents of €91 million are included. The disposed liabilities of €1,065 million include in particular provisions of €636 million and financing liabilities of €347 million. The Group had issued a global guarantee for the financing liabilities to financial institutions, which ended when the transaction was completed. The contingent liabilities reported as of 31 December 2022 in connection with the cessation of business activities in Russia were also derecognized upon completion of the transaction.

The transaction costs amounted to €3 million. After realizing the currency reserve of €291 million, a loss on disposal of €205 million resulted. This was reported in other operating expenses. Expenses of €276 million were attributable to the Mercedes-Benz Mobility segment; the Mercedes-Benz Cars and Mercedes-Benz Vans segments generated income of €66 million and €5 million, respectively.

**Sale of Daimler's commercial vehicle business**

With the completion of the spin-off and hive-down of the Daimler commercial vehicle business substantial parts of the former Daimler commercial vehicle business including the associated financial services business were deconsolidated on 9 December 2021.

The initially remaining financial services of the Daimler commercial vehicle 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 on or before 31 December 2022.

In addition, in individual countries, investments in operating entities or business operations of the former commercial vehicle business were sold to external third parties in 2022. Assets of €149 million and liabilities of €106 million, mainly allocated to the Mercedes-Benz Cars segment, were disposed of on or before 31 December 2022.

The Group received €2,355 million from the (in the prior year partially still preliminary) purchase prices in 2022, including the repayment of the existing intra-Group financing liabilities of the companies and business activities within the Mercedes-Benz Group.

The valuation and sale and the transfer of the Mercedes-Benz Mobility companies resulted in net expenses of €184 million in 2022 (excluding transaction costs), 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 2022, in particular in the Mercedes-Benz Cars segment. In total, expenses from the realization of the currency reserve of €58 million were recognized.

In 2023 there were no significant effects on the profitability, liquidity and capital resources, and financial position.

**Sale of foreign retail activities and other sales companies**

Agreements on the sale of further sales activities in other European countries were concluded in 2023. The disposals are to take place successively over the course of 2024. The criteria for classification as assets and liabilities held for distribution or sale are met as of 31 December 2023. The assets of €0.8 billion and liabilities of €0.2 billion are therefore reported as assets and liabilities held for sale in the Consolidated Statement of Financial Position of 31 December 2023 in accordance with IFRS 5. Of the assets, €0.7 billion is attributable to the Mercedes-Benz Cars segment and €0.1 billion to the Mercedes-Benz Vans segment. Assets mainly comprise inventories of €0.3 billion, property, plant and equipment of €0.2 billion and trade receivables of €0.1 billion. The liabilities, which are almost entirely attributable to the Mercedes-Benz Cars segment, mainly include financing liabilities to financial institutions of €0.1 billion.

In January 2024, the Group divested its retail activities in Italy. There were no significant effects on the profitability, liquidity and capital resources, and financial position.

The sales company in Greece and other dealers in Europe were already sold in the course of 2023. The disposals resulted in income of €186 million. The cash inflow amounted to a total of €315 million. The effects are mainly allocated to the Mercedes-Benz Cars segment.

In addition, further retail activities in various countries, in particular those allocated to the Mercedes-Benz Cars segment, were sold in 2022. The disposals resulted in income of €107 million and cash inflows of €362 million.

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.

**Sale of Indonesian sales and production entities**

The Mercedes-Benz Group sold its subsidiaries in Indonesia to a local investor with effect from 29 September 2023. The sale of both companies resulted in an income of €89 million and a cash inflow of €140 million which are allocated to the Mercedes-Benz Cars segment. Assets decreased by €141 million and liabilities by €88 million as a result of deconsolidation.

## Shares in associated companies

**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. Some of the agreements concluded already took effect in 2021. When the other agreements became effective in January 2022, the Group lost control over Mercedes-Benz Grand Prix Ltd. and included the remaining 33.3% interest in the company in the Consolidated Financial Statements using the equity method. The sale of the shares resulted in other operating income of €385 million in the Mercedes-Benz Cars segment in the first quarter of 2022. The purchase price payment agreed for 2023 resulted in a cash inflow of €144 million.

# 4. Revenue

Revenue in 2023 was slightly above the previous year's level. The increase in revenue was primarily due to higher unit sales and improved pricing at the Mercedes-Benz Vans segment. Revenue in the Mercedes-Benz Cars segment was also higher, primarily due to a further improvement in pricing. However, negative exchange-rate effects had an opposing effect, causing a reduction in revenue.

Revenue disclosed in the Consolidated Statement of Income includes revenue from contracts with customers, which are in the scope of IFRS 15 (revenue according to IFRS 15), and other revenue not in the scope of IFRS 15. The composition of the revenue in the Consolidated Statement of Income is shown by region in Note 34.

**Revenue according to IFRS 15** is disaggregated by the two categories - type of products and services and geographical regions. The category type of products and services corresponds to the reported segments.

Revenue according to IFRS 15 includes revenue that was included in contract liabilities at 31 December 2022 in an amount of €2,903 million (2022: €2,965 million) and revenue from performance obligations fully (or partially) satisfied in previous periods in an amount of €467 million (2022: €442 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 €6,663 million at 31 December 2023 (2022: €6,437 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, for which the expected original delivery time will exceed twelve months, was immaterial and is 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.

**Other revenue** primarily comprises revenue from the rental and leasing business of €10,870 million (2022: €10,973 million), interest from the financial services business at Mercedes-Benz Mobility recognized using the effective-interest method in an amount of €5,161 million (2022: €4,533 million) and effects from currency hedging. Interest from the financial services business includes financial income on the net investment in leases of €1,027 million (2022: €783 million).

**Revenue**

| | Mercedes-Benz Cars | | Mercedes-Benz Vans | | Mercedes-Benz Mobility | | Total segments | | Reconciliation[1] | | Mercedes-Benz Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| In millions of euros | | | | | | | | | | | | |
| Europe | **38,890** | 36,498 | **12,934** | 10,733 | **5,762** | 5,219 | **57,586** | 52,450 | **-3,737** | -3,146 | **53,849** | 49,304 |
| North America | **26,021** | 25,216 | **4,281** | 3,594 | **5,252** | 6,361 | **35,554** | 35,171 | **-250** | -82 | **35,304** | 35,089 |
| Asia | **39,759** | 42,996 | **985** | 1,091 | **142** | 136 | **40,886** | 44,223 | **-7** | -9 | **40,879** | 44,214 |
| Other markets | **5,125** | 5,722 | **1,744** | 1,599 | **86** | 80 | **6,955** | 7,401 | **-** | - | **6,955** | 7,401 |
| Revenue according to IFRS 15 | **109,795** | 110,432 | **19,944** | 17,017 | **11,242** | 11,796 | **140,981** | 139,245 | **-3,994** | -3,237 | **136,987** | 136,008 |
| Other revenue | **2,961** | 1,169 | **344** | 200 | **15,476** | 15,158 | **18,781** | 16,527 | **-2,550** | -2,518 | **16,231** | 14,009 |
| Total revenue | **112,756** | 111,601 | **20,288** | 17,217 | **26,718** | 26,954 | **159,762** | 155,772 | **-6,544** | -5,755 | **153,218** | 150,017 |

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

# 5. Functional costs

## Cost of sales

**Cost of sales**

| | **2023** | 2022 |
|---|---|---|
| In millions of euros | | |
| | | |
| Expense of goods sold | **-102,416** | -100,385 |
| Depreciation of equipment on operating leases | **-7,022** | -7,360 |
| Refinancing costs at Mercedes-Benz Mobility | **-3,226** | -1,863 |
| Impairment losses on receivables from financial services | **-382** | -536 |
| Other cost of sales | **-5,793** | -5,853 |
| | **-118,839** | -115,997 |

In 2023, the cost of sales were primarily affected by expenses paid to suppliers due to additional costs relating to inflation and supply chains. In contrast, lower raw material prices had a positive impact on the cost of sales. Refinancing costs at Mercedes-Benz Mobility are rising due to higher interest rates compared to the previous year. In the prior year, cost of sales were impacted by expenses in connection with the discontinuation of the business activities in Russia.

The amortization expense of capitalized development costs in the amount of €2,139 million (2022: €2,052 million) is presented in expense of goods sold.

## Selling expenses

In 2023, selling expenses amounted to €9,728 million (2022: €9,482 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 €2,688 million in 2023 (2022: €2,584 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 €6,230 million in 2023 (2022: €5,602 million) and primarily comprise personnel expenses and material costs.

## Personnel expenses and average number of employees

Personnel expenses included in the Consolidated Statement of Income for 2023 amounted to €16,633 million (2022: €16,501 million). Personnel expenses comprise wages and salaries in the amount of €13,848 million (2022: €13,684 million), social-security contributions in the amount of €2,376 million (2022: €2,239 million) and expenses from pension obligations in the amount of €409 million (2022: €578 million).

The average number of people employed in the reporting year are shown in the following table.

**Average number of employees[1,2]**

| | **2023** | 2022 |
|---|---|---|
| | | |
| Mercedes-Benz Cars[3] | **134,673** | 137,942 |
| Mercedes-Benz Vans | **19,179** | 19,247 |
| Mercedes-Benz Mobility | **9,945** | 9,724 |
| Central Functions & Services | **4,539** | 4,469 |
| | **168,336** | 171,382 |

1 Average number for the active workforce including holiday workers.
2 With the implementation of the European Sustainability Reporting Standards as of 2024, the number of employees becomes a further criterion for the inclusion of an entity within the scope of consolidation. The average number of employees of non-consolidated subsidiaries is 15,448 employees. They will therefore be included within the scope of consolidation from the year 2024, but are not included in the above figure.
3 Proportionally including 2,345 (2022: 2,107) employees from a proportionately consolidated company.

## 6. Other operating income and expense

The composition of **other operating income** is shown in the following table.

**Other operating income**

| | **2023** | 2022 |
|---|---|---|
| In millions of euros | | |
| Income from costs recharged | **1,131** | 1,258 |
| Government grants | **59** | 63 |
| Gains on sales of property, plant and equipment | **29** | 771 |
| Rental income not relating to sales financing | **139** | 83 |
| Income from company transactions | **285** | 576 |
| Other miscellaneous income | **563** | 572 |
| | **2,206** | 3,323 |

Income from costs recharged to third parties includes IT and logistics costs as well as other costs recharged to third parties, with related expenses primarily within functional costs.

The decrease in other operating income in 2023 was mainly due to the income from the sale of the retail activities in Canada (€514 million) reported in the comparative period. It is included in gains on sales of property, plant and equipment. In addition, income from corporate transactions in connection with the sale of the shares in Mercedes-Benz Grand Prix Ltd. was included in 2022 (€385 million).

The composition of **other operating expense** is shown as follows.

**Other operating expense**

| | **2023** | 2022 |
|---|---|---|
| In millions of euros | | |
| Losses on sales of property, plant and equipment | **-60** | -138 |
| Loss from deconsolidation | **-207** | -214 |
| Other miscellaneous expense | **-249** | -937 |
| | **-516** | -1,289 |

The decrease in other operating expense was primarily due to lower expenses in connection with ongoing official and legal proceedings and measures relating to Mercedes-Benz diesel vehicles. They are included in other miscellaneous expense.

Other miscellaneous expense also includes expenses from hyperinflation accounting and other operating expense charged to third parties.

The loss of €205 million from the deconsolidation of the shares in the Russian subsidiaries booked in other operating expense in 2023 is mainly attributable to the Mercedes-Benz Mobility segment.

In 2022, the valuation and disposal of operating investments and business activities of the Mercedes-Benz Mobility segment's commercial vehicle business included net expense of €184 million (excluding transaction costs), which was reported in the reconciliation.

## 7. Other financial income/expense

The following table shows the components of other financial income/expense, net.

**Other financial income/expense, net**

| | 2023 | 2022 |
|---|---|---|
| In millions of euros | | |
| Income and expense from compounding and effects from changes in discount rates of provisions for other risks | **-437** | 545 |
| Income from equity instruments | **283** | 192 |
| Expense from equity instruments | **-106** | -255 |
| Miscellaneous other financial income/expense, net | **368** | -142 |
| | **108** | 340 |

Miscellaneous other financial income/expense mainly includes net income (previous year: net expenses) from the measurement of financial assets and liabilities.

## 8. Interest income and interest expense

The following table shows the components of interest income and interest expense.

**Interest income and interest expense**

| | 2023 | 2022 |
|---|---|---|
| In millions of euros | | |
| Interest income | | |
| Net interest income on the net assets of defined benefit pension plans | **32** | 12 |
| Interest and similar income | **646** | 261 |
| | **678** | 273 |
| Interest expense | | |
| Net interest expense on the net obligation from defined benefit pension plans | **-42** | -60 |
| Interest and similar expense | **-212** | -367 |
| | **-254** | -427 |

Due to the global increase in interest rates, net interest income/expense improved in 2023.

# 9. Income taxes

The following table shows the components of income tax expense.

**Components of income tax expense**

| | 2023 | 2022 |
|---|---|---|
| In millions of euros | | |
| Current taxes | **-5,344** | -5,520 |
| Deferred taxes | **-209** | 25 |
| Deferred taxes due to temporary differences | **-227** | 287 |
| Deferred taxes due to tax-loss carryforwards and tax credits | **18** | -262 |
| | **-5,553** | -5,495 |

The current tax expense includes tax benefits recognized for prior periods at German and foreign companies of €341 million (2022: €504 million).

The following table shows a reconciliation of expected income tax expense to actual income tax expense in the financial year. In order to determine the expected income tax expense, the German combined statutory tax rate of 29.825% applicable in the financial year is multiplied by the profit before taxes.

**Reconciliation of expected income tax expense to actual income tax expense**

| | 2023 | 2022 |
|---|---|---|
| In millions of euros | | |
| Expected income tax expense | **-5,990** | -6,056 |
| Foreign tax-rate differential | **238** | 311 |
| Trade tax-rate differential | **12** | -22 |
| Tax-law changes | **27** | 87 |
| Change of unrecognized deferred tax assets including write-down of deferred tax assets | **-16** | 3 |
| Tax-free income and non-deductible expenses | **622** | 393 |
| Other | **-446** | -211 |
| Actual income tax expense | **-5,553** | -5,495 |

Tax-free income and non-deductible expenses include all reconciling items of German and foreign 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 previous year is due, among other things, to the increase in tax-free equity-method earnings in 2023.

The other items include, among other things, effects from withholding taxes on dividends, patents and licenses which increased compared to the prior year.

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 respect of each type of temporary difference and in respect of each type of unutilized tax-loss carryforwards and unutilized tax credits at 31 December, the deferred tax assets and liabilities presented in the Consolidated Statement of Financial Position before offset are summarized in the following table.

At 31 December 2023, unrecognized deferred tax assets in the Consolidated Statement of Financial Position relate, among other things, to corporate income tax-loss carryforwards and tax credits of €83 million.

Thereof, €67 million relates to tax-loss carryforwards which can be carried forward indefinitely, €12 million relates to tax-loss carryforwards which expire by the year 2028 and €4 million relates to tax-loss carryforwards and tax credits which can be carried forward by the year 2043.

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 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.

**Split of deferred tax assets and liabilities**

| | At 31 December | | At 31 December | |
|---|---|---|---|---|
| | | **2023** | | 2022 |
| | Deferred tax assets | Deferred tax liabilities | Deferred tax assets | Deferred tax liabilities |
| In millions of euros | | | | |
| Intangible assets, mainly development costs | **175** | **-4,709** | 78 | -4,116 |
| Property, plant and equipment | **431** | **-2,591** | 201 | -2,533 |
| Equipment on operating leases | **3,465** | **-3,939** | 2,368 | -3,413 |
| Inventories | **1,379** | **-18** | 1,326 | -29 |
| Receivables from financial services | **795** | **-2,178** | 360 | -1,549 |
| Miscellaneous assets, mainly other financial assets | **4,396** | **-1,583** | 4,615 | -687 |
| Tax-loss carryforwards and unused tax credits | **386** | **-** | 368 | - |
| Provisions for pensions and similar obligations | **152** | **-2,832** | 178 | -2,940 |
| Other Provisions | **886** | **-461** | 802 | -221 |
| Miscellaneous liabilities, mainly liabilities | **3,267** | **-407** | 2,728 | -507 |
| | **15,332** | **-18,718** | 13,024 | -15,995 |
| Unrecognized deferred tax assets | **-201** | **-** | -214 | - |
| thereof on temporary differences | **-29** | **-** | -23 | - |
| thereof on tax-loss carryforwards and tax credits | **-172** | **-** | -191 | - |
| **Deferred tax assets and liabilities (unbalanced)** | **15,131** | **-18,718** | 12,810 | -15,995 |
| **Balance sheet amounts of deferred tax assets and liabilities (balanced)** | **4,127** | **-7,714** | 3,725 | -6,910 |
| **Deferred tax assets/deferred tax liabilities, net** | | **-3,587** | | -3,185 |

The development of deferred tax assets and deferred tax liabilities, net, is shown in the following table.

**Changes in deferred tax assets/deferred tax liabilities, net**

| | **2023** | 2022 |
|---|---|---|
| In millions of euros | | |
| Deferred tax assets/deferred tax liabilities, net as of 1 January | **-3,185** | -1,054 |
| Deferred tax expense/benefit in the Consolidated Statement of Income | **-209** | 25 |
| Change in deferred tax assets/liabilities on equity instruments included in other comprehensive income/loss | **-3** | 13 |
| Change in deferred tax assets/liabilities on debt instruments included in other comprehensive income/loss | **-6** | 44 |
| Change in deferred tax assets/liabilities on derivative financial instruments included in other comprehensive income/loss | **-218** | -688 |
| Change in deferred tax assets/liabilities on actuarial gains/losses from defined benefit pension plans included in other comprehensive income/loss | **201** | -1,240 |
| Other changes[1] | **-167** | -285 |
| Deferred tax assets/deferred tax liabilities, net as of 31 December | **-3,587** | -3,185 |

1 The other changes primarily relate to changes due to the effects of currency translation.

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 at non-German subsidiaries of €27,529 million (2022: €27,469 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, other 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. 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.

## 10. Intangible assets

Intangible assets developed as shown on the following page.

At 31 December 2023, goodwill of €389 million (2022: €389 million) relates to the Mercedes-Benz Mobility segment, goodwill of €335 million (2022: €337 million) relates to the Mercedes-Benz Cars segment and goodwill of €21 million (2022: €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 2023: €6,131 million; 2022: €4,496 million). The increase in capitalized development costs is mainly due to development services for the new platform generations geared to electromobility. In addition, other intangible assets with a carrying amount of €262 million (2022: €190 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.

The following table shows the line items of the Consolidated Statement of Income in which total amortization expense for intangible assets is included.

**Amortisation expense for intangible assets in the Consolidated Statement of Income**

| | **2023** | 2022 |
|---|---|---|
| In millions of euros | | |
| | | |
| Cost of sales | **2,339** | 2,265 |
| Selling expenses | **49** | 54 |
| General administrative expenses | **67** | 69 |
| Research and non-capitalized development costs | **16** | 21 |
| | **2,471** | 2,409 |

**Intangible assets**

| | Goodwill (acquired) | Development costs (internally generated)[2] | Other intangible assets (acquired) | Total |
|---|---|---|---|---|
| In millions of euros | | | | |
| **Acquisition/manufacturing costs** | | | | |
| **Balance at 1 January 2022** | 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 |
| Additions | **-** | **3,812** | **701** | **4,513** |
| Disposals | **-2** | **-776** | **-331** | **-1,109** |
| Other changes[1] | **-10** | **-** | **-142** | **-152** |
| **Balance at 31 December 2023** | **864** | **24,769** | **4,424** | **30,057** |
| **Depreciation/impairment** | | | | |
| **Balance at 1 January 2022** | 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 |
| Additions | **-** | **2,152** | **319** | **2,471** |
| Disposals | **-** | **-727** | **-173** | **-900** |
| Other changes[1] | **-8** | **-1** | **-34** | **-43** |
| **Balance at 31 December 2023** | **119** | **9,620** | **2,725** | **12,464** |
| Carrying amount at 31 December 2022 | 749 | 13,537 | 1,583 | 15,869 |
| **Carrying amount at 31 December 2023** | **745** | **15,149** | **1,699** | **17,593** |

1 Mainly relates to changes due to currency translations, changes in the scope of consolidation, reclassifications and reclassification to the balance sheet item Assets held for sale.
2 Including capitalized borrowing costs on development costs of €113 million (2022: €79 million). Amortization amounted to €12 million (2022: €9 million).

## 11. Property, plant and equipment

Property, plant and equipment as shown in the Consolidated Statement of Financial Position with a carrying amount of € 26,090 (2022: €27,250) million also includes right-of-use assets, that the Group received as lessee. Property, plant and equipment, including right-of-use assets, developed as shown on the following page.

In 2023, government grants of €69 (2022: €96) million were deducted from the carrying amount of property, plant and equipment.

The following tables show additional disclosures related to lessee accounting.

**Expenses related to lessee accounting**

| | **2023** | 2022 |
|---|---|---|
| In millions of euros | | |
| Interest expense from lease transactions | **57** | 54 |
| Expenses from short-term leases | **17** | 20 |
| Expenses from leases of low-value assets | **11** | 11 |
| Expenses from variable lease payments | **24** | 27 |

**Cash outflows related to lessee accounting**

| | **2023** | 2022 |
|---|---|---|
| In millions of euros | | |
| Total cash outflow for lease contracts | **765** | 625 |
| Future cash outflows that are not reflected in the lease liabilities | **4,144** | 1,985 |

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

**Property, plant and equipment**

| In millions of euros | Land, land rights and buildings, including buildings on land owned by others | thereof right-of-use assets from leasing | Technical equipment and machinery | thereof right-of-use assets from leasing | Other equipment, factory and office equipment | thereof right-of-use assets from leasing | Advance payments and construction in progress | Total | thereof right-of-use assets from leasing |
|---|---|---|---|---|---|---|---|---|---|
| **Acquisition/manufacturing costs** | | | | | | | | | |
| **Balance at 1 January 2022** | 18,952 | 3,547 | 23,335 | 517 | 28,479 | 85 | 2,195 | 72,961 | 4,149 |
| Additions | 788 | 675 | 695 | 228 | 1,394 | 20 | 1,467 | 4,344 | 923 |
| Reclassifications | 165 | - | 893 | - | 972 | - | -2,030 | - | - |
| Disposals | -879 | -490 | -988 | -4 | -1,186 | -21 | -130 | -3,183 | -515 |
| Other changes[1] | -7 | -43 | -19 | 5 | 124 | - | 15 | 113 | -38 |
| **Balance at 31 December 2022** | 19,019 | 3,689 | 23,916 | 746 | 29,783 | 84 | 1,517 | 74,235 | 4,519 |
| Additions | **545** | **449** | **570** | **1** | **1,135** | **19** | **1,937** | **4,187** | **469** |
| Reclassifications | **138** | **-** | **549** | **91** | **551** | **-** | **-1,147** | **91** | **91** |
| Disposals | **-503** | **-299** | **-1,403** | **-7** | **-797** | **-16** | **-105** | **-2,808** | **-322** |
| Other changes[1] | **-805** | **-234** | **-198** | **-4** | **-387** | **-2** | **25** | **-1,365** | **-240** |
| **Balance at 31 December 2023** | **18,394** | **3,605** | **23,434** | **827** | **30,285** | **85** | **2,227** | **74,340** | **4,517** |
| **Depreciation/impairment** | | | | | | | | | |
| **Balance at 1 January 2022** | 8,407 | 1,226 | 14,518 | 162 | 22,177 | 50 | - | 45,102 | 1,438 |
| Additions | 814 | 482 | 1,631 | 134 | 1,658 | 21 | 18 | 4,121 | 637 |
| Reclassifications | - | - | 7 | - | -7 | - | - | - | - |
| Disposals | -361 | -244 | -851 | -3 | -1,045 | -21 | -1 | -2,258 | -268 |
| Other changes[1] | -69 | -16 | -10 | 2 | 99 | - | - | 20 | -14 |
| **Balance at 31 December 2022** | 8,791 | 1,448 | 15,295 | 295 | 22,882 | 50 | 17 | 46,985 | 1,793 |
| Additions | **757** | **450** | **1,647** | **196** | **1,800** | **19** | **-** | **4,204** | **665** |
| Disposals | **-325** | **-160** | **-1,289** | **-7** | **-722** | **-13** | **-** | **-2,336** | **-180** |
| Other changes[1] | **-258** | **-77** | **-117** | **-** | **-269** | **-2** | **41** | **-603** | **-79** |
| **Balance at 31 December 2023** | **8,965** | **1,661** | **15,536** | **484** | **23,691** | **54** | **58** | **48,250** | **2,199** |
| Carrying amount at 31 December 2022 | 10,228 | 2,241 | 8,621 | 451 | 6,901 | 34 | 1,500 | 27,250 | 2,726 |
| **Carrying amount at 31 December 2023** | **9,429** | **1,944** | **7,898** | **343** | **6,594** | **31** | **2,169** | **26,090** | **2,318** |

1 Mainly relates to changes due to currency translations, changes in the scope of consolidation and reclassification to the balance sheet item Assets held for sale.

# 12. Equipment on operating leases

The development of equipment on operating leases is shown in the table Equipment on operating leases.

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 €0.3 billion (2022: €0.5 billion).

The revenue received from the sale of Group products to external dealers is estimated by the Group as being of the magnitude of the respective addition to leased equipment at Mercedes-Benz Mobility. These vehicles generate revenue from lease payments and subsequent resale on the basis of the separate leasing contracts. In 2023, additions to leased equipment from these vehicles at Mercedes-Benz Mobility amounted to approximately €10 billion (2022: approximately €9 billion).

At 31 December 2023, equipment on operating leases with a carrying amount of €8,187 million was pledged as security for liabilities from ABS transactions (2022: €9,663 million). These liabilities related to a securitization transaction of future lease payments on leased vehicles (see also Note 24).

**Equipment on operating leases**

| In millions of euros | |
|---|---|
| **Acquisition/manufacturing costs** | |
| **Balance at 1 January 2022** | 57,607 |
| Additions | 17,263 |
| Disposals | -20,200 |
| Other changes[1] | 1,356 |
| **Balance at 31 December 2022** | 56,026 |
| Additions[2] | **21,124** |
| Reclassifications | **-1** |
| Disposals | **-21,766** |
| Other changes[1] | **-563** |
| **Balance at 31 December 2023** | **54,820** |
| **Depreciation/impairment** | |
| **Balance at 1 January 2022** | 13,136 |
| Additions | 7,360 |
| Disposals | -6,341 |
| Other changes[1] | 319 |
| **Balance at 31 December 2022** | 14,474 |
| Additions | **7,022** |
| Disposals | **-8,006** |
| Other changes[1] | **-382** |
| **Balance at 31 December 2023** | **13,108** |
| Carrying amount at 31 December 2022 | 41,552 |
| **Carrying amount at 31 December 2023** | **41,712** |

1 Primarily changes from currency translation and in 2023 reclassifications to Assets held for sale.
2 The additions include €8,353 million that were not acquired from external dealers.

## Lease payments

Maturities of lease payments under operating lease agreements to be paid by lessees to the Mercedes-Benz Group in the future, are as follows:

**Maturity of undiscounted lease payments for equipment on operating leases**

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| In millions of euros | | |
| Maturing | | |
| Within one year | **7,565** | 7,307 |
| Between one and two years | **5,434** | 5,390 |
| Between two and three years | **2,547** | 2,170 |
| Between three and four years | **1,116** | 861 |
| Between four and five years | **284** | 222 |
| Later than five years | **146** | 122 |
| Total lease payments | **17,092** | 16,072 |

# 13. Equity-method investments

**Summarized carrying amounts and gains/losses on equity-method investments**

| | Associated companies | | Joint ventures | | Total | |
|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| In millions of euros | | | | | | |
| Equity-method carrying amount[1] | **12,378** | 12,539 | **726** | 991 | **13,104** | 13,530 |
| Equity-method gains/losses[1] | **2,271** | 1,934 | **-142** | -202 | **2,129** | 1,732 |

1 Including investor-level adjustments.

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

| | Daimler Truck[3] | | BBAC | | Other | | Total | |
|---|---|---|---|---|---|---|---|---|
| In millions of euros | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| Equity interest (in %) | **30.7** | 30.0 | **49.0** | 49.0 | **-** | - | **-** | - |
| Stock-market price[1] | **8,401** | 7,149 | **-** | - | **-** | - | **-** | - |
| Equity-method carrying amount[2] | **8,425** | 8,199 | **2,578** | 2,973 | **1,375** | 1,367 | **12,378** | 12,539 |
| Equity-method gains/losses[2] | **797** | 226 | **1,457** | 1,711 | **17** | -3 | **2,271** | 1,934 |

1 Proportionate stock-market prices.
2 Including investor-level adjustments.
3 The information on the amount of the share (in %) in the year 2023 represents the share relevant for accounting purposes as of the reporting date.

## 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.

The result in financial year 2023 amounted to €797 million (2022: €226 million). In 2022, the earnings included income of €59 million from the contribution of approximately 5% of the shares in Daimler Truck to the Mercedes-Benz Pension Trust.

With the approval of the Supervisory Board, the Board of Management of Daimler Truck resolved a share buyback programme on 10 July 2023. The acquisition of the treasury shares on the stock exchange began on 2 August 2023. During the share buyback programme, the Mercedes-Benz Group did not sell any of its Daimler Truck shares. The shareholding remains unchanged 30.00%, while a shareholding of 30.66% is assumed for the development of the equity-method carrying amount as of 31 December 2023. In June 2023, the Annual General Meeting of Daimler Truck resolved a dividend of €1.30 per share. The distribution led to a cash inflow of €321 million and reduced the carrying amount of the investment accordingly.

### Beijing Benz Automotive Co., Ltd.

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 2023, the shareholders of BBAC resolved the distribution of a dividend of €903 million. A further distribution of €767 million was resolved in the fourth quarter of 2023. The distributions reduced the shareholding's carrying amount and caused a cash inflow of €1,595 million.

The Mercedes-Benz Group plans to contribute additional equity of approximately €0.2 billion in accordance with the shareholding ratio at BBAC.

### There Holding B.V.

There Holding B.V. (THBV) owns shares of HERE International B.V. (HERE). HERE is one of the world's largest manufacturers of digital road maps for navigation systems. The high-resolution maps provide one of the foundations for autonomous driving. THBV is accounted for as an associated company in the Consolidated Financial Statements of Mercedes-Benz Group AG using the equity method and is assigned to the Mercedes-Benz Cars segment.

As part of a strategic realignment and refinancing of HERE, the Mercedes-Benz Group, along with other shareholders of the associated company THBV, contributed additional equity of €118 million into THBV through Mercedes-Benz AG in the first half of 2023. The capital increases led to a corresponding increase in the equity-method carrying amount. The funds from the capital injection were transferred by THBV to HERE in order to increase HERE's liquidity.

The strategic repositioning led to a reassessment of the business development of HERE in the second quarter of 2023. Due to this THBV recognized an impairment on the carrying amount of HERE. The proportionate expenses attributable to the Group from the impairment of €92 million are included in the line item gains/losses on equity-method investments and reported in the Mercedes-Benz Cars segment.

The following table 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.

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

| | Daimler Truck[1] | | BBAC[1] | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| In millions of euros | | | | |
| **Information on the statement of income** | | | | |
| Revenue | **55,890** | 50,945 | **22,484** | 24,820 |
| Profit after taxes | **3,971** | 2,763 | **2,999** | 3,649 |
| Other comprehensive income/loss | **-622** | 1,320 | **-2** | 52 |
| Total comprehensive income/loss | **3,349** | 4,083 | **2,997** | 3,701 |
| **Information on the statement of financial position and reconciliation to the equity-method carrying amounts** | | | | |
| Non-current assets | **39,494** | 38,957 | **6,504** | 7,101 |
| Current assets | **37,559** | 32,371 | **7,839** | 9,361 |
| Non-current liabilities | **26,275** | 22,451 | **920** | 1,122 |
| Current liabilities | **22,749** | 21,150 | **7,499** | 8,592 |
| Equity (including non-controlling interests) | **28,029** | 27,727 | **5,924** | 6,748 |
| Equity (excluding non-controlling interests) attributable to the Group | **8,331** | 8,107 | **2,903** | 3,306 |
| Unrealized profit (-)/loss (+) on sales to/purchases from | **-** | - | **-321** | -332 |
| Other reconciliation effects including equity-method goodwill and impairments on the investment | **94** | 92 | **-4** | -1 |
| Equity-method carrying amount | **8,425** | 8,199 | **2,578** | 2,973 |

1 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

### YOUR NOW Holding GmbH

YOUR NOW Holding GmbH (YOUR NOW) is a company based in Munich, Germany and is assigned to the Mercedes-Benz Mobility segment. The purpose of YOUR NOW Holding is to hold shares in mobility service providers.

In 2023, YOUR NOW's gains/losses on equity-method investments include impairments of €117 million (2022: €102 million).

The following table shows summarized aggregated financial information for the other minor equity-method investments after purchase-price allocation and on a pro-rata basis.

Further information on equity-method investments is provided in Note 37.

**Summarized aggregated financial information on minor equity-method investments**

| | Associated companies | | Joint ventures | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| In millions of euros | | | | |
| Summarized aggregated financial information (pro rata) | | | | |
| Profit/loss after taxes | **2** | 13 | **-213** | -193 |
| Other comprehensive income/loss | **-** | -60 | **-8** | - |
| Total comprehensive income/loss | **2** | -47 | **-221** | -193 |
| Unrecognized losses | **-** | -11 | **-55** | - |

## 14. Receivables from financial services

### Types of receivables

Receivables from sales financing with customers include receivables from credit financing for non-Group third parties 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.

In 2023, the Mercedes-Benz Group recognized a gain of €538 million (2022: €177 million) from the difference between the additions to receivables from finance lease contracts and the carrying amounts of the underlying assets.

At 31 December 2023, receivables from financial services with a carrying amount of €11,139 million (2022: €11,931 million) were pledged mostly as collateral for liabilities from ABS transactions (see also Note 24).

**Receivables from financial services**

| | | | At 31 December **2023** | | | At 31 December 2022 |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| In millions of euros | | | | | | |
| Sales financing with customers | **17,578** | **31,940** | **49,518** | 19,188 | 32,223 | 51,411 |
| Sales financing with dealers | **14,261** | **4,824** | **19,085** | 11,198 | 3,504 | 14,702 |
| Finance lease contracts | **6,744** | **12,781** | **19,525** | 7,009 | 12,296 | 19,305 |
| Residual-value receivables | **302** | **836** | **1,138** | 439 | 890 | 1,329 |
| Gross carrying amount | **38,885** | **50,381** | **89,266** | 37,834 | 48,913 | 86,747 |
| Loss allowances | **-416** | **-639** | **-1,055** | -522 | -676 | -1,198 |
| Net carrying amount | **38,469** | **49,742** | **88,211** | 37,312 | 48,237 | 85,549 |

The following table 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.

**Development of the receivables from finance lease contracts**

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| In millions of euros | | |
| Contractual future lease payments | **17,716** | 17,426 |
| thereof due | | |
| within one year | **6,455** | 6,527 |
| between one and two years | **5,515** | 5,168 |
| between two and three years | **2,649** | 2,699 |
| between three and four years | **1,925** | 1,776 |
| between four and five years | **949** | 1,044 |
| later than five years | **223** | 212 |
| Unguaranteed residual values | **3,922** | 3,663 |
| Gross investment | **21,638** | 21,089 |
| Unearned finance income | **-2,113** | -1,784 |
| Gross carrying amount | **19,525** | 19,305 |
| Loss allowances | **-291** | -454 |
| Net carrying amount | **19,234** | 18,851 |

## Loss allowances

The loss allowances for receivables from financial services due to expected credit losses are shown in the table Development of loss allowances for receivables from financial services due to expected credit losses.

The carrying amounts of receivables from financial services based on modified contracts that are shown in stages 2 and 3, amounted to €463 million at 31 December 2023 (2022: €223 million). In addition, carrying amounts of €86 million in connection with contractual modifications were reclassified at 31 December 2023 from stages 2 and 3 into stage 1 (2022: €135 million).

## Credit risks

Information on credit risks included in receivables from financial services is shown in the table Credit risks included in receivables from financial services.

Longer overdue periods regularly lead to higher loss 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 essentially backed by the underlying vehicles.

Further information on loss allowances, financial risks and types of risks is provided in Note 33.

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

| | 12-month expected credit loss | | | | Lifetime expected credit loss | | Total | |
|---|---|---|---|---|---|---|---|---|
| | | | Not credit impaired | | Credit impaired | | | |
| | (Stage 1) | | (Stage 2) | | (Stage 3) | | | |
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| In millions of euros | | | | | | | | |
| **Balance at 1 January** | **364** | 339 | **170** | 142 | **664** | 556 | **1198** | 1,037 |
| Additions | **141** | 158 | **48** | 39 | **123** | 215 | **312** | 412 |
| Remeasurement changes | **-23** | 39 | **115** | 89 | **216** | 330 | **308** | 458 |
| Utilization | **-4** | -2 | **-19** | -14 | **-107** | -104 | **-130** | -120 |
| Reversals | **-177** | -174 | **-72** | -58 | **-226** | -250 | **-475** | -482 |
| Transfer to stage 1 | **56** | 61 | **-42** | -41 | **-14** | -20 | **-** | - |
| Transfer to stage 2 | **-27** | -25 | **88** | 41 | **-61** | -16 | **-** | - |
| Transfer to stage 3 | **-3** | -5 | **-33** | -25 | **36** | 30 | **-** | - |
| Exchange-rate effects and other changes | **2** | -27 | **-15** | -3 | **-145** | -77 | **-158** | -107 |
| **Balance at 31 December** | **329** | 364 | **240** | 170 | **486** | 664 | **1,055** | 1,198 |

**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) | | |
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| In millions of euros | | | | | | | | |
| **Gross carrying amount at 31 December** | **80,879** | 80,852 | **7,109** | 4,277 | **1,278** | 1,618 | **89,266** | 86,747 |
| thereof | | | | | | | | |
| not past due | **80,071** | 80,192 | **5,442** | 3,061 | **254** | 268 | **85,767** | 83,521 |
| past due 30 days and less | **806** | 631 | **658** | 537 | **52** | 239 | **1,516** | 1,407 |
| past due 31 to 60 days | **2** | 20 | **704** | 464 | **50** | 46 | **756** | 530 |
| past due 61 to 90 days | **-** | 9 | **305** | 215 | **60** | 42 | **365** | 266 |
| past due 91 to 180 days | **-** | - | **-** | - | **335** | 425 | **335** | 425 |
| past due more than 180 days | **-** | - | **-** | - | **527** | 598 | **527** | 598 |

## 15. Marketable debt securities and similar investments

The marketable debt securities and similar investments amount to €6,858 million (2022: €7,060 million). When a short-term liquidity requirement is covered with quoted securities, those securities are presented as current assets. Further information on marketable debt securities and similar investments is provided in Note 32.

## 16. Other financial assets

The line item other financial assets presented in the Consolidated Statement of Financial Position is comprised as shown in the following table. Further information on other financial assets is provided in Note 32.

At 31 December 2023, other financial assets included receivables with a carrying amount of €450 million (2022: €461 million) that were pledged as collateral for liabilities.

**Other financial assets**

| | | | At 31 December | | | At 31 December |
|---|---|---|---|---|---|---|
| | | | **2023** | | | 2022 |
| | Current | Non-current | Total | Current | Non-current | Total |
| In millions of euros | | | | | | |
| Equity instruments and debt instruments | **-** | **1,507** | **1,507** | - | 1,439 | 1,439 |
| recognized at fair value through profit or loss | **-** | **649** | **649** | - | 671 | 671 |
| recognized at fair value through other comprehensive income | **-** | **858** | **858** | - | 768 | 768 |
| Derivative financial instruments used in hedge accounting | **1,038** | **1,622** | **2,660** | 468 | 1,995 | 2,463 |
| Other financial assets recognized at fair value through profit or loss | **232** | **115** | **347** | 442 | 142 | 584 |
| Other receivables and miscellaneous other financial assets | **2,329** | **1,096** | **3,425** | 2,543 | 902 | 3,445 |
| | **3,599** | **4,340** | **7,939** | 3,453 | 4,478 | 7,931 |

# 17. Other assets

Non-financial other assets are comprised as shown in the following table.

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

**Other assets**

| | | | At 31 December | | | At 31 December |
|---|---|---|---|---|---|---|
| | | | **2023** | | | 2022 |
| | Current | Non-current | Total | Current | Non-current | Total |
| In millions of euros | | | | | | |
| Reimbursements due to income tax refunds | **798** | **318** | **1,116** | 577 | 402 | 979 |
| Reimbursements due to other tax refunds | **2,621** | **37** | **2,658** | 2,509 | 37 | 2,546 |
| Other expected reimbursements | **184** | **151** | **335** | 174 | 153 | 327 |
| Prepaid expenses | **445** | **169** | **614** | 451 | 83 | 534 |
| Asset from defined benefit pension plans | **-** | **643** | **643** | - | 738 | 738 |
| Other | **425** | **265** | **690** | 761 | 264 | 1,025 |
| | **4,473** | **1,583** | **6,056** | 4,472 | 1,677 | 6,149 |

## 18. Inventories

Inventories are comprised as shown in the following table.

**Inventories**

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| In millions of euros | | |
| Raw materials and manufacturing supplies | **2,651** | 2,909 |
| Work in progress | **3,070** | 3,491 |
| Finished goods, spare parts and products held for resale | **21,216** | 19,058 |
| Advance payments to suppliers | **357** | 163 |
| | **27,294** | 25,621 |

Inventories increased compared to 31 December 2022 due to the introduction of the direct sales model in additional markets and ramp-ups in production due to new model years. Additionally the finished goods include, on average, more expensive vehicles.

The amount of write-down of inventories to net realizable value recognized as an expense in cost of sales was €620 million in 2023 (2022: €543 million). The carrying amounts of inventories that are expected to be recovered or settled after more than twelve months amounted to €812 million at 31 December 2023 (2022: €724 million) and are related primarily to finished goods.

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 €1,195 million is pledged as collateral to Mercedes-Benz Pension Trust e.V. as of 31 December 2023 (2022: €854 million). The increase in carrying amount is due to the significantly higher inventory levels as well as the on average more expensive vehicle prices.

## 19. Trade receivables

Trade receivables are primarily receivables from contracts with customers within the scope of IFRS 15 and are shown in the following table.

**Trade receivables**

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| In millions of euros | | |
| Gross carrying amount | **7,419** | 8,290 |
| Loss allowances | **-138** | -190 |
| Net carrying amount | **7,281** | 8,100 |

At 31 December 2023, €33 million of the trade receivables mature after more than one year (2022: €48 million).

## Loss allowances

The development of loss allowances due to expected credit losses for trade receivables is shown in the following table.

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

| | Lifetime expected credit loss | | | | Total | |
|---|---|---|---|---|---|---|
| | not credit impaired (Stage 2) | | credit impaired (Stage 3) | | | |
| | **2023 [1]** | 2022 | **2023 [1]** | 2022 | **2023 [1]** | 2022 |
| In millions of euros | | | | | | |
| **Balance at 1 January** | **70** | 56 | **120** | 89 | **190** | 145 |
| Additions | **26** | 32 | **51** | 87 | **77** | 119 |
| Remeasurement changes | **1** | 2 | **9** | 6 | **10** | 8 |
| Utilisation | **-11** | -4 | **-12** | -21 | **-23** | -25 |
| Reversals | **-22** | -16 | **-55** | -38 | **-77** | -54 |
| Transfer to stage 2 | **-** | - | **-** | - | **-** | - |
| Transfer to stage 3 | **-2** | -4 | **2** | 4 | **-** | - |
| Exchange-rate effects and other effects | **-25** | 4 | **-11** | -7 | **-36** | -3 |
| **Balance at 31 December** | **37** | 70 | **104** | 120 | **141** | 190 |

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.

## Credit risks

Information on credit risks included in trade receivables is shown in the following table. Further information on financial risk and types of risk is provided in Note 33.

**Credit risks included in trade receivables**

| | Lifetime expected credit loss | | | | Total | |
|---|---|---|---|---|---|---|
| | not credit impaired (Stage 2) | | credit impaired (Stage 3) | | | |
| | At 31 December **2023**[1] | At 31 December 2022 | At 31 December **2023**[1] | At 31 December 2022 | At 31 December **2023**[1] | At 31 December 2022 |
| In millions of euros | | | | | | |
| **Gross carrying amount** | **7,449** | 7,923 | **110** | 367 | **7,559** | 8,290 |
| thereof | | | | | | |
| not past due | **5,365** | 6,691 | **2** | 41 | **5,367** | 6,732 |
| past due 30 days and less | **1,108** | 659 | **-** | 5 | **1,108** | 664 |
| past due 31 to 60 days | **224** | 224 | **-** | - | **224** | 224 |
| past due 61 to 90 days | **188** | 108 | **1** | - | **189** | 108 |
| past due 91 to 180 days | **159** | 108 | **30** | 39 | **189** | 147 |
| past due more than 180 days | **405** | 133 | **77** | 282 | **482** | 415 |

1 Including the part of allowances that was reclassified to the Assets held for sale item of the Consolidated Statement of Financial Position.

# 20. Equity

## Share capital

The share capital (authorized capital) is €3,070 million at 31 December 2023, unchanged compared to 31 December 2022. It is still divided into 1,070 million 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.

The number of shares issued on 31 December 2023 was 1,070 million, the same as on 31 December 2022 and unchanged since 1 January 2022.

The number of shares outstanding decreased by 29 million shares to 1,041 million shares as at 31 December 2023, compared to 31 December 2022 (1,070 million shares) due to the share buyback programme that has been running since March 2023. The number of shares outstanding had remained unchanged at 1,070 million between 1 January 2022 and 31 December 2022.

## Approved capital

The Annual General Meeting held on 3 May 2023 authorized the Board of Management again to increase the share capital by up to a total of €1.0 billion by 2 May 2028 with the approval of the Supervisory Board against cash and/or non-cash contributions (Approved Capital 2023). The authorization enables the exclusion of shareholders' subscription rights under certain conditions and within defined limits subject to the consent of the Supervisory Board.

No use has been made of the Approved Capital 2018, for which the authorization period ended on 4 April 2023, and no use has been made of the Approved Capital 2023 to date.

## 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 was also authorized to exclude shareholders' subscription rights for the bonds under certain conditions and within defined limits subject to the consent of the Supervisory Board.

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 during 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.

## Share buyback programmes

On the basis of the authorization to acquire the Company's own shares given by the Annual General Meeting on 8 July 2020, the Board of Management, with the approval of the Supervisory Board, resolved a share buyback programme on 16 February 2023. The acquisition of treasury shares worth up to €4 billion (not including incidental costs) on the stock exchange over a period of up to two years began on 3 March 2023. The repurchased shares are to be cancelled at a later date. Mercedes-Benz Group AG has separately agreed with Beijing Automotive Group Co., Ltd. and Geely Group that they will each keep their share in all voting shares of Mercedes-Benz Group AG below 10% by divesting their shares on a pro-rata basis concurrently with the share buyback programme.

From March to December 2023, as part of the share buyback programme, 29 million of the Company's own shares were repurchased at a purchase price of €1,887 million, representing €83 million or 2.70% of the share capital. The purchase price was recorded under treasury shares together with a liability of €369 million for buyback obligations.

On 21 February 2024, Mercedes-Benz Group AG has resolved to implement a share buyback policy. Based on such policy, the future Free Cash Flow from the industrial business (as available post potential small-scale M&A) generated beyond the approximately 40% dividend payout ratio of Group net profit shall be used to fund share buybacks with the purpose of redeeming shares.

In this context, Mercedes-Benz Group AG moreover has resolved to conduct a further share buyback programme, through which it is intended to acquire own shares worth up to €3 billion (not including incidental costs) on the stock exchange and to then cancel them. The further share buyback programme will be based on the authorization by the Annual General Meeting of Mercedes-Benz Group AG 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. It is scheduled to commence immediately after the conclusion of the ongoing share buyback programme announced on 16 February 2023, and is expected to be completed before the expiry of the Annual General Meeting's above-mentioned authorization.

Future share buyback programmes are subject to the necessary resolutions of the company's corporate bodies required in each individual case.

## Employee share purchase plan

In the first quarter of 2023, as in the previous year, Mercedes-Benz Group AG purchased 0.9 million shares of Mercedes-Benz Group AG 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 group employees, were purchased for a price of €66 million and represented €2.7 million or 0.09% of the share capital (2022: 0.7 million shares of Mercedes-Benz Group AG 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 remeasuring of defined benefit plans and the corresponding effects arising from equity-method investments and the respective related deferred taxes are presented within retained earnings.

In other comprehensive income/loss 2023, gains/losses on equity-method investments that will not be reclassified to profit/loss in the statement of income includes a loss of €10 million (2022: gain of €289 million) from effects of remeasuring of defined benefit plans.

## 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). The management will propose to the shareholders at the Annual General Meeting the payment of €5,517 million of the distributable profit of Mercedes-Benz Group AG for the 2023 financial year as a dividend to the shareholders, equivalent to €5.30 per no-par-value share entitled to a dividend and the transfer of €532 million to retained earnings. A portion of €153 million of the amount proposed for allocation to retained earnings is attributable to 28.9 million treasury shares not entitled to dividends held directly or indirectly by the company on 31 December 2023. As the number of treasury shares held directly or indirectly by the Company will change before the Annual General Meeting due to the ongoing share buyback programme, a proposal for a correspondingly adjusted resolution will be submitted to the Annual General Meeting. With an unchanged dividend of €5.30 per no-par-value share entitled to a dividend the portion of the distributable profit to be transferred into retained earnings and the total distribution amount will be adjusted accordingly.

For the 2022 financial year, in accordance with the adjusted proposal for the appropriation of profits, the Annual General Meeting resolved that €5,556 million (€5.20 per no-par-value share entitled to a dividend) be distributed to the shareholders from the distributable profit and the portion of €7 million from the distributable profit attributable to the 1.3 million treasury shares not entitled to dividends held by Mercedes-Benz Group AG at the time of the 2023 Annual General Meeting be allocated to retained earnings.

## 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.

The changes in other reserves are included in other comprehensive income/loss and are presented in the Consolidated Statement of Comprehensive Income/Loss.

In other comprehensive income/loss 2023, gains/losses on equity-method investments that may be reclassified to profit/loss in the statement of income in the future includes a loss of €247 million (2022: gain of €141 million) from accumulated unrealized gains/losses from currency translation.

# 21. Share-based payment

At 31 December 2023, the Group has the 2020-2023 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 2019 was paid out as planned in the first quarter of 2023.

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 the following table.

The details shown in the table do not represent any paid or committed remuneration, but refer to expenses calculated according to IFRS.

**Effects of share-based payment**

| | Expense | | Provision | |
|---|---|---|---|---|
| | | | At 31 December | |
| | **2023** | 2022 | **2023** | 2022 |
| In millions of euros | | | | |
| PPSP | **248** | 233 | **596** | 654 |
| thereof PPSP of the members of the Board of Management | **16** | 17 | **36** | 43 |
| Medium-term component of annual bonus of the members of the Board of Management | **8** | 8 | **15** | 15 |
| | **256** | 241 | **611** | 669 |

## Performance Phantom Share Plans

In 2023, 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, in the case of the plans PPSP 2020 to 2022, 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 2020 to 2022, 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. PPSP 2023 includes environmental, social and governance (ESG) targets in the achievement of objectives in order to promote the sustainable realignment and long-term, sustainable development of the Group. From PPSP 2023, overall target achievement will be determined based on the weighted achievement of the financial targets (relative share performance and RoS) and the ESG targets over the three-year performance period. The achievement of the financial targets accounts for 80% and the achievement of the ESG targets for 20% of the overall target achievement of the PPSP.

In the case of plans PPSP 2020 to 2022, 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’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 shares and the estimated target achievement.

## 22. Pensions and similar obligations

Commitments specific to various countries for defined benefit pension plans and defined contribution pension plans 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.

The following table shows the composition of provisions for pensions and similar obligations.

**Composition of provisions for pensions and similar obligations**

| | At 31 December | |
|---|---|---|
| | **2023**[1] | 2022 |
| In millions of euros | | |
| Provisions for pension benefits | **760** | 683 |
| Provisions for post-employment healthcare benefits | **330** | 338 |
| | **1,090** | 1,021 |

1 Including the part of pension obligations that was reclassified to the balance sheet item liabilities held for sale.

### 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.

### Pension plans and pension plan assets

Most employees in Germany have defined benefit pension commitments; most of the pension commitments 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 pension 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 international obligations 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 the following table.

**Development of funded status**

| | At 31 December | | **2023** | At 31 December | | 2022 |
|---|---|---|---|---|---|---|
| | Total | Germany | International | Total | Germany | International |
| In millions of euros | | | | | | |
| **Present value of the defined benefit obligations** | **21,992** | **20,660** | **1,332** | 20,444 | 19,137 | 1,307 |
| **Fair value of plan assets** | **21,890** | **20,646** | **1,244** | 20,526 | 19,268 | 1,258 |
| **Funded status** | **-102** | **-14** | **-88** | 82 | 131 | -49 |
| Actuarial loss due to asset ceiling | **-15** | **-** | **-15** | -27 | - | -27 |
| **Net defined benefit asset** | **-117** | **-14** | **-103** | 55 | 131 | -76 |
| thereof recognised in other assets | **643** | **513** | **130** | 738 | 609 | 129 |
| thereof recognised in provisions for pensions and similar obligations | **-760** | **-527** | **-233** | -683 | -478 | -205 |

## 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 defined benefit obligations and the fair value of the plan assets

**Present value of the defined benefit obligations and fair value of the plan assets**

| | **2023** | 2022 |
|---|---|---|
| In millions of euros | | |
| **Present value of the defined benefit obligations at 1 January** | **20,444** | 28,504 |
| Current service cost | **351** | 522 |
| Interest cost | **742** | 324 |
| Contributions by plan participants | **39** | 41 |
| Actuarial gains (-)/losses from changes in demographic assumptions | **-8** | -50 |
| Actuarial gains (-)/losses from changes in financial assumptions | **1,316** | -7,860 |
| Actuarial gains (-)/losses | **1,308** | -7,910 |
| Past service cost, curtailments and settlements | **-** | -1 |
| Pension benefits paid | **-937** | -933 |
| Currency exchange-rate changes and other changes | **45** | **-103** |
| **Present value of the defined benefit obligations at 31 December** | **21,992** | 20,444 |
| | | |
| **Fair value of plan assets at 1 January** | **20,526** | 24,212 |
| Interest income from plan assets | **751** | 291 |
| Actuarial gains/ losses (-) | **1,280** | **-4,507** |
| Actual profit/loss on plan assets | **2,031** | -4,216 |
| Contributions by the employer | **122** | 1,448 |
| Contributions by plan participants | **39** | 40 |
| Pension benefits paid | **-898** | -890 |
| Currency exchange-rate changes and other changes | **70** | **-68** |
| **Fair value of plan assets at 31 December** | **21,890** | 20,526 |

## 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 the following table.

**Composition of plan assets**

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| In millions of euros | | |
| Equity instruments[1] | **7,611** | 6,733 |
| Government bonds | **3,174** | 2,569 |
| Corporate bonds | **8,729** | 8,588 |
| Securitized bonds | **140** | 140 |
| Bonds | **12,043** | 11,297 |
| Other exchange-traded instruments | **117** | 106 |
| **Exchange-traded instruments** | **19,771** | 18,136 |
| Alternative investments and other non-exchange-traded instruments | **642** | 609 |
| Real estate | **642** | 642 |
| Cash and cash equivalents | **835** | 1,139 |
| **Non-exchange-traded instruments** | **2,119** | 2,390 |
| **Fair value of plan assets** | **21,890** | 20,526 |

1 Including the shares in Daimler Truck in the amount of €1,398 million (2022: €1,190 million) and in Nissan Motor Co., Ltd. in the amount of €526 million (2022: €434 million).

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.

## Pension costs

The components of pension costs included in the Consolidated Statement of Income are shown in the following table.

**Pension costs**

| | **2023** | 2022 |
|---|---|---|
| In millions of euros | | |
| Current service cost | **-351** | -522 |
| Past service cost, curtailments and settlements | **-** | 1 |
| Net interest expense | **-23** | -45 |
| Net interest income | **32** | 12 |
| | **-342** | -554 |

## 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 pension 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.

The following significant weighted average measurement factors are used to calculate pension benefit obligations.

**Significant factors for the calculation of pension benefit obligations**

| | At 31 December | | At 31 December | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | Germany | Germany | International | International |
| in % | | | | |
| Discount rates | **3.2** | 3.8 | **5.0** | 5.3 |
| Expected increase in cost of living[1] | **2.2** | 2.2 | - | - |

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.

## Sensitivity analysis

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.

An increase or decrease in the main actuarial assumptions would have the following effects on the present value of the defined benefit pension obligations.

**Sensitivity analysis for the present value of defined benefit obligations**

| | | At 31 December | |
|---|---|---|---|
| | | **2023** | 2022 |
| In millions of euros | | | |
| Sensitivity to | | | |
| discount rates | + 0.25% | **-617** | -569 |
| discount rates | - 0.25% | **649** | 597 |
| expected increases in cost of living | + 0.10% | **58** | 54 |
| expected increases in cost of living | - 0.10% | **-58** | -53 |
| life expectancy | + 1 year | **359** | 304 |
| life expectancy | - 1 year | **-320** | -271 |

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

For the year 2024, the Group plans to make contributions of €0.1 billion to the plan assets; the final amount is usually set in the fourth quarter of a year. The pensions benefits paid are expected to amount to €1.1 billion in 2024.

The weighted average duration of the defined benefit obligations amounts to 13 years (2022: 13 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 2023, the total costs from defined contribution plans amounted to €1.0 billion (2022: €1.0 billion). Of those payments, €1.0 billion (2022: €1.0 billion) was related to state pension plans.

# 23. Provisions for other risks

## 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 2026.

## 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 2032.

## Liability and litigation risks and regulatory proceedings

Provisions for liability and litigation risks and regulatory proceedings comprise costs for various legal proceedings, claims and governmental investigations, which can lead in particular to payments of compensation, punitive damages or other costly actions. 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 2026.

Further information on liability and litigation risks and regulatory proceedings is provided in Note 30.

## Other

Provisions for other risks primarily comprise expected costs for provisions for environmental protection, other taxes and charges related to income taxes as well as obligations from outstanding commission. They also include provisions for anticipated losses on pending transactions and various other risks which cannot be allocated to any other class of provision.

The development of provisions for other risks is as follows.

**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 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 |
| Additions | **3,483** | **2,308** | **567** | **1,454** | **7,812** |
| Utilizations | **-3,377** | **-2,242** | **-206** | **-1,106** | **-6,931** |
| Reversals | **-357** | **-78** | **-502** | **-286** | **-1,223** |
| Compounding and effects from changes in discount rates | **217** | **142** | **68** | **10** | **437** |
| Exchange-rate effects and other changes | **-143** | **-71** | **-578** | **-26** | **-818** |
| **Balance at 31 December 2023** | **6,399** | **4,672** | **2,104** | **2,125** | **15,300** |
| thereof current | **2,980** | **2,580** | **675** | **1,720** | **7,955** |
| thereof non-current | **3,419** | **2,092** | **1,429** | **405** | **7,345** |

# 24. Financing liabilities

The composition of financing liabilities is as follows.

**Financing liabilities**

| | | | At 31 December | | | At 31 December |
|---|---|---|---|---|---|---|
| | | | **2023** | | | 2022 |
| | Current | Non-current | Total | Current | Non-current | Total |
| In millions of euros | | | | | | |
| | | | | | | |
| Bonds | **12,062** | **43,454** | **55,516** | 12,104 | 41,995 | 54,099 |
| Commercial paper | **3,452** | **18** | **3,470** | 2,174 | 10 | 2,184 |
| Liabilities to financial institutions | **15,619** | **9,698** | **25,317** | 17,488 | 7,250 | 24,738 |
| Deposits in the direct banking business | **5,625** | **134** | **5,759** | 9,529 | 1,009 | 10,538 |
| Liabilities from ABS transactions | **7,172** | **8,497** | **15,669** | 7,433 | 9,452 | 16,885 |
| Lease liabilities | **453** | **1,713** | **2,166** | 598 | 2,047 | 2,645 |
| Loans, other financing liabilities | **531** | **210** | **741** | 460 | 288 | 748 |
| | **44,914** | **63,724** | **108,638** | 49,786 | 62,051 | 111,837 |

Information on the maturities of lease liabilities as of 31 December 2023 is provided in Note 33.

# 25. Other financial liabilities

The composition of other financial liabilities is shown in the following table.

Further information on other financial liabilities is provided in Note 32.

**Other financial liabilities**

| | | | At 31 December | | | At 31 December |
|---|---|---|---|---|---|---|
| | | | **2023** | | | 2022 |
| | Current | Non-current | Total | Current | Non-current | Total |
| In millions of euros | | | | | | |
| Derivative financial instruments used in hedge accounting | **317** | **798** | **1,115** | 672 | 1,611 | 2,283 |
| Financial liabilities recognized at fair value through profit or loss | **120** | **68** | **188** | 25 | 146 | 171 |
| Liabilities from residual value guarantees | **519** | **238** | **757** | 475 | 258 | 733 |
| Liabilities from wages and salaries | **864** | **6** | **870** | 946 | 6 | 952 |
| Accrued interest expenses | **810** | **-** | **810** | 663 | - | 663 |
| Deposits received | **248** | **454** | **702** | 230 | 424 | 654 |
| Other | **2,598** | **78** | **2,676** | 2,393 | 79 | 2,472 |
| Miscellaneous other financial liabilities | **5,039** | **776** | **5,815** | 4,707 | 767 | 5,474 |
| | **5,476** | **1,642** | **7,118** | 5,404 | 2,524 | 7,928 |

# 26. Deferred income

The composition of deferred income is as follows.

**Deferred income**

| | | | At 31 December | | | At 31 December |
|---|---|---|---|---|---|---|
| | | | **2023** | | | 2022 |
| | 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 | **125** | **138** | **263** | 95 | 141 | 236 |
| Deferral of advance rental payments received from operating lease arrangements | **1,097** | **995** | **2,092** | 985 | 962 | 1,947 |
| Other deferred income | **256** | **90** | **346** | 311 | 131 | 442 |
| | **1,478** | **1,223** | **2,701** | 1,391 | 1,234 | 2,625 |

# 27. Contract and refund liabilities

Following table shows the composition of contract and refund liabilities.

**Contract and refund liabilities**

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| In millions of euros | | |
| Service and maintenance contracts and extended warranties | **4,147** | 4,161 |
| Other contract liabilities | **1,678** | 1,672 |
| Contract liabilities | **5,825** | 5,833 |
| Obligations from sales transactions | **4,236** | 4,481 |
| Other refund liabilities | **330** | 240 |
| Refund liabilities | **4,566** | 4,721 |
| Contract and refund liabilities | **10,391** | 10,554 |
| thereof non-current | **3,514** | 3,656 |
| thereof current | **6,877** | 6,898 |

# 28. Other liabilities

Other liabilities are composed as follows.

**Other liabilities**

| | | | At 31 December | | | At 31 December |
|---|---|---|---|---|---|---|
| | | | **2023** | | | 2022 |
| | Current | Non-current | Total | Current | Non-current | Total |
| In millions of euros | | | | | | |
| Income tax liabilities | **948** | **1,473** | **2,421** | 1,416 | 1,232 | 2,648 |
| Other tax liabilities | **1,565** | **8** | **1,573** | 1,564 | 4 | 1,568 |
| Miscellaneous other liabilities | **169** | **39** | **208** | 155 | 2 | 157 |
| | **2,682** | **1,520** | **4,202** | 3,135 | 1,238 | 4,373 |

# 29. Consolidated Statement of Cash Flows

## Calculation of funds

At 31 December 2023, cash and cash equivalents included restricted funds of €91 million (2022: €187 million). The restricted funds representing cash and cash equivalents were related to subsidiaries where foreign exchange controls apply, so that the Group has restricted access to the funds.

## Cash flow from operating activities

Other operating assets and liabilities changed as follows.

**Changes in other operating assets and liabilities**

| | **2023** | 2022 |
|---|---|---|
| In millions of euros | | |
| Provisions | **487** | 355 |
| Financial instruments | **-55** | -104 |
| Miscellaneous other assets and liabilities | **1,192** | 107 |
| | **1,624** | 358 |

The increase in miscellaneous other assets and liabilities compared with the previous year was primarily related to miscellaneous other financial assets, liabilities from accrued interest and deferred income.

In the prior year, 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 miscellaneous other financial liabilities and the contract liabilities for service and maintenance agreements.

The following cash flows are included in Cash flow from operating activities.

**Cash flows included in Cash flow from operating activities**

| | **2023** | 2022 |
|---|---|---|
| In millions of euros | | |
| Interest paid | **-306** | -486 |
| Interest received | **630** | 231 |
| Dividends received from equity-method investments | **2,056** | 1,605 |
| Dividends received from other shareholdings | **307** | 130 |

The other non-cash expense and income shown in the reconciliation of profit before income taxes to cash flow from operating activities in the reporting year primarily comprised the Group's share of gains/losses on equity-method investments and the result from the fair value measurement of debt instruments.

In the previous year, this item was affected in particular by the Group's share in the gains/losses on equity-method investments, 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.

## 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 €640 million (2022: €565 million).

Liabilities arising from financing activities, divided into cash and non-cash components, changed as follows.

**Changes in liabilities arising from financing activities**

| | 2023 | 2022 |
|---|---|---|
| In millions of euros | | |
| | | |
| Cash flows | **-697** | -13,344 |
| Change of control in subsidiaries | **-384** | -596 |
| Changes in foreign exchange-rates | **-2,787** | 580 |
| Fair value changes | **46** | 145 |
| Other changes | **865** | -1,211 |

The lower cash outflow relative to the same period of the prior year is primarily due to the significantly higher repayments of liabilities from financing activities in the prior year.

# 30. 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, among other things, 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 the Mercedes-Benz Group 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

The Mercedes-Benz Group 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 the Mercedes-Benz Group 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 took the position that the Mercedes-Benz Group had failed to disclose Auxiliary Emission Control Devices (AECDs) in certain of its US diesel vehicles and that several of these AECDs were illegal defeat devices.

As part of these settlements, the Mercedes-Benz Group 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, the Mercedes-Benz Group 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 the Mercedes-Benz Group conduct an internal investigation. The Mercedes-Benz Group conducted such an internal investigation in cooperation with the DOJ's investigation; the 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 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 AECDs and defeat devices. The Mercedes-Benz Group 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. 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. The criminal investigation proceedings of the Stuttgart public prosecutor's office against further Mercedes-Benz employees on the suspicion of, amongst others, fraud have meanwhile been discontinued.

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 and in December 2023, the KBA issued further decisions regarding vehicles equipped with various EU6 or EU5 diesel engines. 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, the Mercedes-Benz Group continues to cooperate fully with the KBA. To a large extent, the remedial actions requested by the KBA were developed by the Mercedes-Benz Group and assessed and approved by the KBA; the necessary recalls were initiated. For some of the vehicles affected by the KBA's decision from December 2023, developments, examinations and approvals of the remedial measures are still pending. 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, the Group 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, authorities of various foreign states, particularly the South Korean Ministry of Environment and the South Korean competition authority (Korea Fair Trade Commission) are conducting various investigations and/or procedures in connection with diesel exhaust emissions. In this context, these South Korean authorities have made determinations and imposed sanctions against Mercedes-Benz which Mercedes-Benz has appealed. In the same context, national antitrust authorities of various countries are also conducting investigations, including the South Korean antitrust authority, which has made certain findings and imposed fines on some car manufacturers. In February 2024, the criminal proceeding in South Korea was concluded.

The Mercedes-Benz Group 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

In a lawsuit filed by the Environmental Protection Commission of Hillsborough County, Florida in September 2020, the plaintiff claimed that, amongst others, Mercedes-Benz Group AG and MBUSA had 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’s appeal to this decision was dismissed in the third quarter of 2023. The decision is final, and the proceedings are concluded.

Consumer class actions 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 since June 2020, in Portugal as well as since November 2022 in Australia. The plaintiffs inter alia assert that the Mercedes-Benz Group had used devices that impermissibly impair the effectiveness of emission control systems in reducing nitrogen-oxide (NOx) emissions and which cause excessive emissions from vehicles with diesel engines. Furthermore, they claim that Mercedes-Benz Group AG deceived consumers in connection with advertising Mercedes-Benz diesel vehicles. The proceedings in England and Wales consist of several individual lawsuits that have been consolidated into a class action. A class action lawsuit is also pending in Scotland. In these proceedings, allegedly injured parties must actively register for the enforcement of claims (opt-in). The plaintiffs in the consumer class action in England and Wales also allege, among other things, anti-competitive behaviour relating to technology for the treatment of diesel exhaust emissions.

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 in particular to the KBA’s recall orders (see above). Although the number of pending cases is declining, a future increase 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 an action seeks a ruling that certain preconditions of alleged consumer claims are met. Following a decision of the European Court of Justice in the first quarter of 2023, the German Federal Court of Justice ruled in the second quarter of 2023 that vehicle purchasers are entitled to claim damages against the manufacturer if it intentionally or negligently used an inadmissible defeat device.

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 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 Group 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 the Mercedes-Benz Group's position. For recognized provisions, this does not apply to the extent that a settlement has been reached or a proceeding has been concluded.

## Other legal proceedings

Starting in July 2017, a number of class action suits were filed in the United States and Canada against Mercedes-Benz Group AG and other manufacturers of automobiles as well as a number 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 the concerned Mercedes-Benz Group companies. Furthermore, in 2023, several class actions in Canada were finally dismissed as the plaintiffs discontinued their claims. The Mercedes-Benz Group also expects the remaining lawsuit pending in Canada to be discontinued and it will continue to defend itself against it until the discontinuance is final. This development leads to a material reduction of the risk associated with the class actions. They therefore no longer qualify for separate reporting, which is why the Mercedes-Benz Group will no longer report on them in the future.

As already reported, class actions in connection with Takata airbags are pending in the United States, Canada 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 Group companies 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 lawsuits in the United States also asserted claims by automotive recyclers who alleged injury because they were not able to re-sell salvaged airbag inflators that are subject to the Takata recall. This claim has since then been finally dismissed. Also, the remaining consumer class action in the United States was dismissed against Mercedes-Benz Group AG in its entirety, and against MBUSA in part. The plaintiffs have appealed the dismissal of Mercedes-Benz Group AG and the proceedings against MBUSA are still pending. Since February 2023, the class actions in Canada were discontinued by the plaintiffs; one of the class actions was finally dismissed and the formal court dismissal for the other class action is still pending. 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. In August 2023, the court dismissed the claims in their entirety. In January 2024, the plaintiffs appealed the decision. MBAuP considers those claims to be without merit and continues to defend itself against the claims.

Since 2022, a class action has been pending 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 can 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. The Mercedes-Benz Group considers the lawsuits to be without merit and defends itself against them.

## Accounting estimates and management judgements 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. The Mercedes-Benz Group may also become liable for payments in legal proceedings for which no provisions were recognized and/or contingent liabilities were disclosed. Uncertainty exists with regard to the amounts or due dates of possible cash outflows. Although the final result of any such proceedings could materially affect the Group's operating results and cash flows for a particular reporting period, the Mercedes-Benz Group believes that it should not exert a sustained influence on the Group's financial position.

# 31. Contingent liabilities and other financial obligations

## Contingent liabilities

At 31 December 2023, the best estimate for obligations from **contingent liabilities** was €2,553 million (2022: €4,122 million). The other contingent liabilities are mainly related to the legal proceedings and product warranties described in Note 30. Compared to the previous year, the decrease in contingent liabilities is a result of discontinuing the business activities in Russia and the disposal of contingent liabilities with the realization of the transaction.

## Other financial obligations

At 31 December 2023, other financial obligations exist from the **acquisition of intangible assets, property, plant and equipment and lease property** of €5,684 million (2022: €5,729 million).

In addition, the Mercedes-Benz Group issued **irrevocable loan commitments** at 31 December 2023. These loan commitments had not been utilized as of that date. Further information with respect to these irrevocable loan commitments is provided in Note 33.

# 32. Financial instruments

## Carrying amounts and fair values of financial instruments

The table Carrying amounts and fair values of financial instruments shows the carrying amounts and fair values of the respective classes of the Group's financial instruments and contain the Group amounts, including assets and liabilities held for sale. The fair values of financial instruments were calculated on the basis of market information available on the balance sheet date. The following methods and assumptions 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 2023 and 31 December 2022.

**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 the table Carrying amounts and fair values of financial instruments and primarily comprise the shares in Sila Nanotechnologies Inc., Momenta Global Limited and Aston Martin Lagonda Global Holdings Plc. 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 reclassifications 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.

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

**Carrying amounts and fair values of financial instruments**

| | | At 31 December | | At 31 December |
|---|---|---|---|---|
| | | **2023** | | 2022 |
| | Carrying amount | Fair value | Carrying amount | Fair value |
| In millions of euros | | | | |
| | | | | |
| Receivables from financial services | **88,211** | **89,847** | 85,549 | 86,343 |
| Trade receivables | **7,419** | **7,419** | 8,100 | 8,100 |
| Cash and cash equivalents | **15,972** | **15,972** | 17,679 | 17,679 |
| Marketable debt securities and similar investments | **6,858** | **6,858** | 7,060 | 7,060 |
| Recognized at fair value through profit or loss | **5,611** | **5,611** | 4,460 | 4,460 |
| Recognized at fair value through other comprehensive income | **1,155** | **1,155** | 1,641 | 1,641 |
| Measured at cost | **92** | **92** | 959 | 959 |
| Other financial assets | | | | |
| Equity instruments and debt instruments | **1,507** | **1,507** | 1,439 | 1,439 |
| Recognized at fair value through profit or loss | **649** | **649** | 671 | 671 |
| Recognized at fair value through other comprehensive income | **858** | **858** | 768 | 768 |
| Other financial assets recognized at fair value through profit or loss | **347** | **347** | 584 | 584 |
| Derivative financial instruments used in hedge accounting | **2,660** | **2,660** | 2,463 | 2,463 |
| Other receivables and miscellaneous other financial assets | **3,013** | **3,013** | 3,113 | 3,113 |
| **Financial assets** | **125,987** | **127,623** | 125,987 | 126,781 |
| | | | | |
| Financing liabilities | **106,517** | **106,007** | 109,192 | 107,417 |
| Trade payables | **12,850** | **12,850** | 12,204 | 12,204 |
| Other financial liabilities | | | | |
| Financial liabilities recognized at fair value through profit or loss | **188** | **188** | 171 | 171 |
| Derivative financial instruments used in hedge accounting | **1,115** | **1,115** | 2,283 | 2,283 |
| Miscellaneous other financial liabilities | **5,852** | **5,852** | 5,454 | 5,454 |
| Contract and refund liabilities | | | | |
| Obligations from sales transactions | **4,236** | **4,236** | 4,481 | 4,481 |
| **Financial liabilities** | **130,758** | **130,248** | 133,785 | 132,010 |

# 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.

The following table 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.

**Disclosure for recognized derivative financial instruments that are subject to an enforceable master netting arrangement or similar agreement**

| | At 31 December | | At 31 December | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | Other financial assets[1] | | Other financial liabilities[2] | |
| In millions of euros | | | | |
| Gross and net amounts of financial instruments in the Consolidated Statement of Financial Position | **3,007** | 3,047 | **1,303** | 2,454 |
| Amounts subject to a master netting arrangement | **-1,104** | -2,045 | **-1,104** | -2,045 |
| Net amounts | **1,903** | 1,002 | **199** | 409 |

1 The other financial assets which are subject to a master netting arrangement comprise derivative financial instruments that are included in hedge accounting and financial assets recognized at fair value through profit or loss (see Note 16).
2 The other financial liabilities which are subject to a master netting arrangement comprise derivative financial instruments that are included in hedge accounting and financial liabilities recognized at fair value through profit or loss (see Note 25).

## Measurement hierarchy

The following table 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 whether reclassifications between the measurement hierarchies are necessary compared to 31 December of the previous year.

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.

**Measurement hierarchy of financial assets and liabilities recognized at fair value**

| | | | | At 31 December **2023** | | | | At 31 December 2022 |
|---|---|---|---|---|---|---|---|---|
| | Total | Level 1[1] | Level 2[2] | Level 3[3] | Total | Level 1[1] | Level 2[2] | Level 3[3] |
| In millions of euros | | | | | | | | |
| Marketable debt securities | **6,766** | **6,712** | **54** | **-** | 6,101 | 5,849 | 252 | - |
| Recognized at fair value through profit or loss | **5,611** | **5,607** | **4** | **-** | 4,460 | 4,457 | 3 | - |
| Recognized at fair value through other comprehensive income | **1,155** | **1,105** | **50** | **-** | 1,641 | 1,392 | 249 | - |
| Equity instruments and debt instruments | **1,507** | **417** | **406** | **684** | 1,439 | 457 | 339 | 643 |
| Recognized at fair value through profit or loss | **649** | **59** | **214** | **376** | 671 | 116 | 124 | 431 |
| Recognized at fair value through other comprehensive income | **858** | **358** | **192** | **308** | 768 | 341 | 215 | 212 |
| Other financial assets recognized at fair value through profit or loss | **347** | **-** | **339** | **8** | 584 | - | 578 | 6 |
| Derivative financial instruments used in hedge accounting | **2,660** | **-** | **2,660** | **-** | 2,463 | - | 2,463 | - |
| **Financial assets recognized at fair value** | **11,280** | **7,129** | **3,459** | **692** | 10,587 | 6,306 | 3,632 | 649 |
| | | | | | | | | |
| Financial liabilities recognized at fair value through profit or loss | **188** | **-** | **188** | **-** | 171 | - | 171 | - |
| Derivative financial instruments used in hedge accounting | **1,115** | **-** | **1,115** | **-** | 2,283 | - | 2,283 | - |
| **Financial liabilities recognized at fair value** | **1,303** | **-** | **1,303** | **-** | 2,454 | - | 2,454 | - |

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.

The following table 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.

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

| | | | | At 31 December | | | | At 31 December |
|---|---|---|---|---|---|---|---|---|
| | | | | **2023** | | | | 2022 |
| | 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 | **89,847** | **-** | **89,847** | **-** | 86,343 | - | 86,343 | - |
| Fair values of financial liabilities measured at cost | | | | | | | | |
| Financing liabilities | **106,007** | **49,437** | **56,570** | **-** | 107,417 | 38,729 | 68,688 | - |
| thereof bonds | **55,046** | **49,437** | **5,609** | **-** | 52,668 | 38,729 | 13,939 | - |
| thereof liabilities from ABS transactions | **15,696** | **-** | **15,696** | **-** | 16,839 | - | 16,839 | - |
| thereof other financing liabilities | **35,265** | **-** | **35,265** | **-** | 37,910 | - | 37,910 | - |

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

**Carrying amounts of financial instruments according to measurement categories[1]**

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| In millions of euros | | |
| Financial assets measured at (amortized) cost | **95,472** | 96,549 |
| Receivables from financial services[2] | **68,976** | 66,698 |
| Trade receivables | **7,419** | 8,100 |
| Cash and cash equivalents | **15,972** | 17,679 |
| Marketable debt securities and similar investments | **92** | 959 |
| Other receivables and miscellaneous other financial assets | **3,013** | 3,113 |
| Financial assets recognized at fair value through other comprehensive income | **2,013** | 2,409 |
| Marketable debt securities and similar investments | **1,155** | 1,641 |
| Equity instruments and debt instruments | **858** | 768 |
| Financial assets recognized at fair value through profit or loss | **6,607** | 5,715 |
| Marketable debt securities and similar investments | **5,611** | 4,460 |
| Equity instruments and debt instruments | **649** | 671 |
| Other financial assets recognized at fair value through profit or loss[3] | **347** | 584 |
| Financial liabilities measured at (amortized) cost | **129,451** | 131,324 |
| Trade payables | **12,850** | 12,204 |
| Financing liabilities[4] | **106,517** | 109,192 |
| Miscellaneous other financial liabilities[5] | **5,848** | 5,447 |
| Obligations from sales transactions | **4,236** | 4,481 |
| Financial liabilities recognized at fair value through profit or loss[3] | **188** | 171 |

1 The carrying amounts of derivative financial instruments used in hedge accounting are not included in the table as these financial instruments are not assigned to a measurement category.
2 This does not include lease receivables of €19,235 million (2022: €18,851 million) as these are not assigned to a measurement category.
3 These amounts relate to derivative financial instruments that are not included in hedge accounting.
4 This does not include liabilities from lease transactions of €2,207 million (2022: €2,645 million) as these are not assigned to a measurement category.
5 This does not include financial guarantees of €4 million (2022: €7 million) as these are not assigned to a measurement category.

## Net gains or losses

The following table shows the net gains/losses on financial instruments included in the Consolidated Statement of Income (excluding derivative financial instruments used in hedge accounting).

**Net gains/losses**

| | **2023** | 2022 |
|---|---|---|
| In millions of euros | | |
| Equity and debt instruments recognized at fair value through profit or loss | **-21** | -173 |
| Other financial assets and financial liabilities recognized at fair value through profit or loss[1] | **-49** | 94 |
| Equity instruments recognized at fair value through other comprehensive income | **4** | 4 |
| Other financial assets recognized at fair value through other comprehensive income | **-** | -7 |
| Financial assets measured at (amortized) cost | **-760** | -651 |
| Financial liabilities measured at (amortized) cost | **109** | -172 |

1 The amounts relate to derivative financial instruments that are not 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 exchange-rate effects.

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 €406 million (2022: minus €610 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 exchange-rate effects.

## Total interest income and total interest expense

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

**Total interest income and total interest expense**

| | **2023** | 2022 |
|---|---|---|
| In millions of euros | | |
| Total interest income | **5,528** | 4,571 |
| thereof from financial assets and liabilities measured at (amortized) costs | **5,458** | 4,550 |
| thereof from financial assets recognized at fair value through other comprehensive income | **70** | 21 |
| Total interest expense | **-2,936** | -1,980 |
| thereof from financial assets and liabilities measured at (amortized) costs | **-2,936** | -1,980 |
| 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 currency risks; interest rate 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.

The following table shows the amounts for the transactions designated as hedging instruments.

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 were mostly not included in the hedge accounting.

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

Explanations of the hedging of exchange-rate risks, interest rate risks and commodity price risks can be found in Note 33 in the sub-item Finance market risk.

**Amounts for the transactions designated as hedging instruments**

| | Currency risk | | Interest rate risk | | | | Commodity price risk | |
|---|---|---|---|---|---|---|---|---|
| | Cash flow hedges[1] | | Cash flow hedges[2] | | Fair-value hedges[2] | | Cash flow hedges[1] | |
| | At 31 December | | At 31 December | | At 31 December | | At 31 December | |
| In millions of euros | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| **Carrying amount of the hedging instruments** | | | | | | | | |
| Other financial assets current | **904** | 442 | **100** | 23 | **33** | 2 | **1** | 1 |
| Other financial assets non-current | **760** | 456 | **858** | 1,539 | **4** | - | **-** | - |
| Other financial liabilities current | **265** | 629 | **7** | 7 | **45** | 36 | **-** | - |
| Other financial liabilities non-current | **181** | 376 | **44** | 44 | **573** | 1,191 | **-** | - |
| **Fair value changes[3]** | **1,877** | 1,321 | **-628** | 1,334 | **625** | -1,820 | **-** | 5 |

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.

## 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 amounts related to items designated as cash flow hedges are shown in the following table.

The Group also partially hedges the currency risk of selected investments with the application of derivative or non-derivative financial instruments. Neither in the reporting year nor in the previous year were there any active hedges of net investments in foreign operations.

**Cash flow hedges and hedges of net investments in foreign operations**

| | | | **2023** | | | 2022 |
|---|---|---|---|---|---|---|
| | 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] | **-1,879** | **628** | **-** | -1,319 | -1,334 | -5 |
| Balance of the reserves for derivative financial instruments (before taxes) | | | | | | |
| Continuing hedges | **1,858** | **870** | **-** | 1,339 | 1,501 | 1 |
| Discontinued/terminated hedges | **42** | **-** | **-** | -229 | -4 | - |
| thereof hedges of net investments in foreign operations | **-270** | | | -270 | | |

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

The gains and losses on items designated as cash flow hedges are shown in the following table.

Expenses of €2 million (2022: income of €2 million) were attributable to the hedge ineffective portion of the hedges.

During 2022, shifts in delivery dates and volumes occurred in various markets, making some planned vehicle sales in specific currencies unlikely, with the consequence that hedge accounting for these sales had to be terminated.

This particularly affected the currency CNY as a consequence of the Covid-19 pandemic. The reclassification from the reserves for derivative financial instruments to the Consolidated Statement of Income did not result in any material effects.

**Gains and losses on cash flow hedges and hedges of net investments in foreign operations**

| | Currency risk | | Interest rate risk | | Commodity price risk |
|---|---|---|---|---|---|
| In millions of euros | | | | | |
| Line item in the Statement of Income in which the reclassifications are included | Revenues | Cost of sales | Cost of sales | Interest expense | Cost of sales |
| **2023** | | | | | |
| Gains and losses recognized in other comprehensive income | **1,979** | **-100** | **-100** | **-528** | **-** |
| Reclassification of gains and losses from reserves for derivative financial instruments to the statement of income | | | | | |
| For hedges for which the hedged future cash flows are no longer expected to occur | **-70** | **3** | **-1** | **-** | **-** |
| For hedges that have been transferred because the hedged item has affected profit or loss | **-1,111** | **-** | **-13** | **29** | **-** |
| **2022** | | | | | |
| Gains and losses recognized in other comprehensive income | 1,313 | 6 | 152 | 1,183 | 5 |
| Reclassification of gains and losses from reserves for derivative financial instruments to the statement of income | | | | | |
| For hedges for which the hedged future cash flows are no longer expected to occur | 6 | -2 | - | - | - |
| For hedges that have been transferred because the hedged item has affected profit or loss | 1,045 | - | -20 | 31 | - |

## 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 the following table.

**Fair-value hedges**

| | Interest rate risk | |
|---|---|---|
| | **2023** | 2022 |
| In millions of euros | | |
| Carrying amounts of the hedged items | | |
| Financing liabilities current | **4,203** | 3,395 |
| Financing liabilities non-current | **14,177** | 17,943 |
| thereof hedge adjustments | | |
| Financing liabilities current | **-44** | -33 |
| Financing liabilities non-current | **-599** | -1,192 |
| Fair-value changes of the hedged items[1] | **-625** | 1,820 |
| Accumulated amount of hedge adjustments from inactive hedges remaining in the statement of financial position | **8** | 8 |

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

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.

### Reserves for derivative financial instruments

The following table shows the reconciliation of the reserves for derivative financial instruments (excluding reserves for hedges of net investments in foreign operations).

At 31 December 2023, the balance of reserves for hedges of net investments in foreign operations amounted to €189 million (2022: €189 million).

**Reconciliation of reserves for derivative financial instruments**

| | Reserves for derivative financial instruments | | Thereof reserves for hedge costs | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| In millions of euros | | | | |
| **Balance at 1 January** | **984** | -642 | **-1,048** | -74 |
| Unrealized gains/losses before taxes | **1,168** | 878 | **-82** | -1,772 |
| Currency risk | **1,799** | -446 | **-79** | -1,767 |
| Interest rate risk | **-631** | 1,320 | **-3** | -5 |
| Commodity price risk — inventory purchases | **-** | 4 | **-** | - |
| Reclassification to profit and loss before taxes | **-474** | 1,490 | **688** | 428 |
| Currency risk | **-489** | 1,479 | **688** | 428 |
| Interest rate risk | **15** | 11 | **-** | - |
| Reclassification to cost of acquisition of non-financial assets before taxes | **35** | -83 | **-51** | -42 |
| Currency risk — procurement | **37** | -74 | **-51** | -42 |
| Commodity price risk — inventory purchases | **-2** | -9 | **-** | - |
| Other changes | **-1** | -1 | **1** | -1 |
| Taxes on changes in unrealized gains/losses and reclassifications | **-227** | -658 | **-166** | 413 |
| **Balance at 31 December** | **1,485** | 984 | **-658** | -1,048 |

## Nominal values of derivative financial instruments used in hedge accounting

At 31 December 2023, the Mercedes-Benz Group utilized derivative financial instruments with a maximum maturity of 71 and 115 months, respectively, (2022: 57 and 127 months) as hedges for currency risks and interest rate risks.

The following table 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 maturities of the derivative financial instruments generally correspond with those of the underlying transactions. The realization of the underlying transactions is expected to correspond with the maturities of the hedging transactions shown in the following table.

**Nominal amounts of derivative financial instruments used in hedge accounting**

| | | | | At 31 December **2023** | | | | At 31 December 2022 |
|---|---|---|---|---|---|---|---|---|
| | | | | 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 | **24,200** | **18,297** | **50** | **42,547** | 27,727 | 27,945 | - | 55,672 |
| Interest rate risk | **8,635** | **27,961** | **2,795** | **39,391** | 5,764 | 30,967 | 6,857 | 43,588 |
| Fair-value hedges | **4,403** | **13,144** | **1,593** | **19,140** | 4,174 | 15,229 | 3,521 | 22,924 |
| 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 |
| Cash flow hedges | **4,232** | **14,817** | **1,202** | **20,251** | 1,590 | 15,738 | 3,336 | 20,664 |
| thereof major hedging instruments affected by the reform of the interest rate benchmark[1] | | | | | | | | |
| in the currency USD | **-** | **-** | **-** | **-** | - | 2,578 | 1,336 | 3,914 |
| Commodity price risk | **-** | **-** | **-** | **-** | 7 | - | - | 7 |

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 33.

### Average prices of hedging instruments

The following table shows the average prices of hedging instruments by risk category for the major risks.

**Average prices of hedging instruments for the major risks**

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| Currency risk | | |
| USD per € | **1.10** | 1.10 |
| CNY per € | **7.29** | 7.37 |
| GBP per € | **0.88** | 0.87 |
| Interest rate risk | | |
| Fair-value hedges | | |
| Average interest rate — € | **-2.95%** | -0.95% |
| Average interest rate — USD | **-2.99%** | -1.46% |
| Cash flow hedges | | |
| Average interest rate — € | **3.72%** | 2.08% |
| Average interest rate — USD | **3.21%** | 1.87% |
| Commodity price risk | | |
| Platinum (in USD per troy ounce) | **-** | 884 |

# 33. 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 price risks arise from the procurement of raw materials and energy, for example. An equity price risk results from investments in listed companies. In addition, the Group is exposed to credit risks from its leasing and mainly financing activities and from its business operations (trade receivables). Furthermore, the Group is exposed to country and liquidity 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 32. 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 22 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 encompasses both the direct risk of default and the risk of a deterioration of creditworthiness as well as concentration risks.

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

The following table shows the maximum risk positions at the balance sheet date.

**Maximum risk positions of financial assets, irrevocable loan commitments and financial guarantees[1]**

| | | Maximum risk position | |
|---|---|---|---|
| | Note | **2023** | 2022 |
| In millions of euros | | | |
| Liquid assets | | **22,830** | 24,739 |
| Receivables from financial services | 14 | **88,211** | 85,549 |
| Trade receivables | 19 | **7,419** | 8,100 |
| Derivative financial instruments used in hedge accounting (assets only) | 32 | **2,660** | 2,463 |
| Derivative financial instruments not used in hedge accounting (assets only) | 32 | **347** | 584 |
| Other receivables and financial assets | 32 | **3,013** | 3,113 |
| Irrevocable loan commitments | | **2,476** | 3,234 |
| Financial guarantees | | **284** | 551 |

1 The maximum exposure information presented in the table refers to Group amounts, including assets and liabilities held for sale.

### 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 2023, this segment accounted for 72% 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 deposits 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 deposits, guarantees and, to a lesser extent, residual debt insurances, are essential elements for credit decisions.

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 for loan and leasing contracts are based on the indicators or criteria which, in the judgement 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 immediate 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 decreased compared to the previous year due to the sale of the Russian Mercedes-Benz Mobility companies for which very high provisions were recorded in 2022. The default rate has increased compared to the very low figures in the previous year, mainly due to a challenging lending environment in the United States.

For information on credit risks included in receivables from financial services, see Note 14. Information on the measurement of expected credit losses is provided in Note 1.

**Trade receivables**

Trade receivables are mostly receivables from worldwide sales of vehicles and spare parts. The credit risk from trade receivables encompasses the default risk of customers, e.g. dealers and general distribution companies, as well as other corporate and private customers. In order to identify credit risks, 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 Group-wide.

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 deposits 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 loss allowances recognized is provided in Note 19.

**Derivative financial instruments**

The Group uses derivative financial instruments exclusively for hedging financial risks that arise from its operational business, financing activities or liquidity management. 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**

The Mercedes-Benz Group is exposed to credit risk only to a small extent with respect to other receivables and financial assets included in other financial assets in 2023 and 2022.

**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 2023, irrevocable loan commitments amounted to €2,476 million (2022: €3,234 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 amounted to €284 million at 31 December 2023 (2022: €551 million) and included liabilities recognized at 31 December 2023 in the amount of €4 million (2022: €7 million). Financial guarantees represent contractual arrangements. These guarantees generally provide that in the event of default or nonpayment by the primary debtor, the Group will be required to settle such financial obligations generally up to a contractually agreed amount.

## 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 Group companies, 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.

## 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 equipment on operating leases and the receivables from financial services.

At 31 December 2023, the liquidity of the Mercedes-Benz Group amounted to €22.8 billion (2022: €24.7 billion). In 2023, significant cash inflows resulted from the business of the Mercedes-Benz Cars and Mercedes-Benz Vans segments. Furthermore, dividends received from Daimler Truck Holding AG and Beijing Benz Automotive Co., Ltd. in particular had a positive effect on liquidity. Cash outflows resulted in particular from investments in intangible assets and property, plant and equipment, income taxes paid, the dividend payment to the shareholders of Mercedes-Benz Group AG and payments made as part of the share buyback programme. 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 papers, 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. It grants the Mercedes-Benz Group additional financial flexibility until 2025. The credit line was unused as of 31 December 2023. In addition, customer deposits at Mercedes-Benz Bank are used as a further source of refinancing.

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

The following liquidity runoff shows how the cash flows in connection with liabilities, derivative financial instruments and irrevocable loan commitments and financial guarantees as at 31 December 2023 may affect the Group's future liquidity situation.

**Liquidity runoff for liabilities and financial guarantees[1]**

| | Total | 2024 | 2025 | 2026 | 2027 | 2028 | ≥ 2029 |
|---|---|---|---|---|---|---|---|
| In millions of euros | | | | | | | |
| | | | | | | | |
| Financing liabilities[2] | 117,383 | 47,842 | 26,397 | 16,673 | 6,559 | 4,252 | 15,660 |
| thereof lease liabilities (undiscounted) | 2,444 | 500 | 430 | 341 | 275 | 217 | 681 |
| Derivative financial instruments[3] | 951 | 635 | 197 | 78 | 45 | -1 | -3 |
| thereof with gross settlement | 545 | 389 | 111 | 38 | 16 | -6 | -3 |
| Cash outflows | 19,129 | 14,157 | 2,913 | 1,161 | 630 | 220 | 48 |
| Cash inflows | -18,584 | -13,768 | -2,802 | -1,123 | -614 | -226 | -51 |
| thereof with net settlement | 406 | 246 | 86 | 40 | 29 | 5 | - |
| Cash outflows | 406 | 246 | 86 | 40 | 29 | 5 | - |
| Trade payables[4] | 12,828 | 12,826 | 1 | 1 | - | - | - |
| Miscellaneous other financial liabilities excluding accrued interest and liabilities from financial guarantees | 5,001 | 4,225 | 305 | 192 | 142 | 87 | 50 |
| Obligations from sales transactions | 4,236 | 4,236 | - | - | - | - | - |
| Irrevocable loan commitments[5] | 2,476 | 2,476 | - | - | - | - | - |
| Financial guarantees[6] | 284 | 284 | - | - | - | - | - |
| | 143,159 | 72,524 | 26,900 | 16,944 | 6,746 | 4,338 | 15,707 |

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.

## 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 and interest rates as well as commodity and energy 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 for energy needs, including fixed purchase prices of the electricity generated by a specific plant for generating wind or solar power.

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.

As the reform for EURIBOR and USD, GBP, CHF and JPY LIBOR has already been implemented, the contractual adjustment of financial instruments has already been made in line with a corresponding interest rate reference.

The conversion of the outstanding reference rates of hedging instruments and their underlying transactions was identical and without any material delay. The Mercedes-Benz Group considered the economic relationship and thus the continuation of hedge accounting to be still existing as of 31 December 2022.

The nominal values of those hedging instruments that were affected in the prior year and are included in a hedging relationship can be found in table Nominal amounts of derivative financial instruments used in hedge accounting in Note 32.

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 relevant 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 not yet converted as part of the IBOR reform in the previous year (USD LIBOR) amounted to €4,790 million in financial liabilities and €9,258 million in derivatives as of 31 December 2022.

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 costs of revenue 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. At the end of 2023, the currency management for calendar year 2024 showed an unhedged position in the automotive business of 35% of the underlying forecasted cash flows in US dollars and an unhedged position of 29% of the underlying forecast cash flows in British pounds, while the forecast cash flows in Chinese renminbi were almost fully hedged with an unhedged position of 4%.

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.

The following table shows the period-end, high, low and average value-at-risk figures of the exchange-rate risks for the 2023 and 2022 portfolios of derivative financial instruments, which were entered into primarily in connection with the vehicle business operations and the trade receivables and payables existing at the end of quarter. Average exposure has been computed on an end-of-quarter basis. The other transactions underlying the derivative financial instruments are not included in the following value-at-risk presentation, since they comprise forecast cash flows. See also table Nominal amounts of derivative financial instruments used in hedge accounting in Note 32.

**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 Cash Flow Hedges and hedges of a net investment in foreign operations in note 32. There were no material effects on earnings in the years 2022 and 2023.

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

| | | | | **2023** | | | | 2022 |
|---|---|---|---|---|---|---|---|---|
| | Year-end | High | Low | Average | Year-end | High | Low | Average |
| In millions of euros | | | | | | | | |
| Exchange-rate risk | **612** | **1,109** | **539** | **711** | 814 | 1,372 | 814 | 1,007 |
| Interest rate risk | **189** | **295** | **175** | **214** | 275 | 492 | 275 | 351 |
| Commodity price risk | **-** | **-** | **-** | **-** | - | 4 | - | 2 |

The development of the value at risk from foreign currency hedging in 2023 was primarily shaped by a decrease in the volume of hedging transactions and volatilities.

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.

Because currency risks from liquidity investments or liabilities in foreign currencies are generally fully offset due to the Group's investment or refinancing and the derivative financial instruments used in this regard, these financial instruments were 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 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, currency 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 currency 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. However, the majority of interest rate sensitive assets and liabilities results from the financial services business operated by Mercedes-Benz Mobility. 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.

The table Value at risk for exchange risk, interest rate risk and commodity price risk shows the period-end, high, low and average value-at-risk figures of the interest rate risk for the 2023 and 2022 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 2023, 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 2022 and 2023.

## Commodity-price risk

The Mercedes-Benz Group is exposed to the risk of changes in market prices (e.g. for raw materials and energy) in connection with procuring manufacturing supplies used in production. The Mercedes-Benz Group usually counteracts the risk of short-term fluctuations in market prices by means of short and medium-term price escalation clauses or fixing of purchase prices in the supply contracts. The Mercedes-Benz Group concludes e.g. 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.

A small portion of the raw-material price risk relating to the forecast procurement of precious metals was 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. The previously existing hedges expired in 2023.

The table Value at risk for exchange-rate risk, interest rate risk and commodity price risk shows the period-end, high, low and average value-at-risk figures for the 2022 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.

**Derivative financial instruments without hedge accounting**

In 2023, the nominal volumes of hedging instruments not designated in a hedging relationship, amounted to €9 billion (2022: €12 billion) for derivatives used to hedge interest rate risks and €13 billion (2022: €15 billion) for derivatives used to hedge exchange-rate risks, as well as €644 million (2022: €644 million) for derivatives used to hedge commodity price risks (energy and raw materials).

## 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 BBAC. These investments are not included in a market risk assessment by the Group.

# 34. Segment reporting

## Reported segments

The Group comprises the segments Mercedes-Benz Cars, Mercedes-Benz Vans and Mercedes-Benz Mobility.

The breakdown of the segments corresponds to the internal organizational and reporting structure. The vehicle segments develop and manufacture premium and luxury cars as well as vans. In addition to the Mercedes-Benz brand, the brand portfolio of the Mercedes-Benz Cars segment encompasses the brands Mercedes-AMG and Mercedes-Maybach, as well as the G-Class product brand. Mercedes me 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 automotive brands worldwide. The product range primarily includes customized mobility and financial services: 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 and digital mobility services, seamless payment methods and the expansion of the charging infrastructure.

## Reconciliation

The reconciliation includes functions and services provided by the Group's headquarters as well as by equity investments 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 principally 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 principally 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 pensions and similar obligations 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 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.

The present segment information for the years 2023 and 2022 is as follows.

**Segment information**

| | Mercedes-Benz Cars | | Mercedes-Benz Vans | | Mercedes-Benz Mobility | | Total Segments | | Reconciliation | | Mercedes-Benz Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| In millions of euros | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| External revenue | **107,805** | 107,067 | **19,661** | 16,719 | **25,752** | 26,231 | **153,218** | 150,017 | **-** | - | **153,218** | 150,017 |
| Intersegment revenue | **4,951** | 4,534 | **627** | 498 | **966** | 723 | **6,544** | 5,755 | **-6,544** | -5,755 | **-** | - |
| Total revenue | **112,756** | 111,601 | **20,288** | 17,217 | **26,718** | 26,954 | **159,762** | 155,772 | **-6,544** | -5,755 | **153,218** | 150,017 |
| Segment profit/loss (EBIT) | **14,224** | 16,340 | **3,138** | 1,897 | **1,302** | 2,428 | **18,664** | 20,665 | **996** | -207 | **19,660** | 20,458 |
| thereof gains/losses on equity-method investments | **1,355** | 1,586 | **126** | 122 | **-155** | -209 | **1,326** | 1,499 | **803** | 233 | **2,129** | 1,732 |
| thereof profit/loss from compounding and ef-fects from changes in discount rates of provisions for other risks | **-338** | 457 | **-98** | 86 | **-** | 2 | **-436** | 545 | **-1** | - | **-437** | 545 |
| Segment assets | **93,435** | 91,908 | **10,486** | 10,036 | **145,057** | 142,524 | **248,978** | 244,468 | **-8,152** | -8,138 | **240,826** | 236,330 |
| thereof carrying amounts of equity-method investments | **3,922** | 4,479 | **325** | 328 | **208** | 271 | **4,455** | 5,078 | **8,649** | 8,452 | **13,104** | 13,530 |
| Segment liabilities | **51,668** | 51,964 | **9,232** | 9,025 | **132,043** | 128,948 | **192,943** | 189,937 | **-11,813** | -12,290 | **181,130** | 177,647 |
| Additions to non-current assets | **14,939** | 12,687 | **1,570** | 1,295 | **13,541** | 11,277 | **30,050** | 25,259 | **-225** | -173 | **29,825** | 25,086 |
| thereof investments in intangible assets | **4,055** | 3,197 | **372** | 179 | **50** | 43 | **4,477** | 3,419 | **-9** | -1 | **4,468** | 3,418 |
| thereof investments in property, plant and equipment | **3,345** | 3,265 | **351** | 199 | **49** | 18 | **3,745** | 3,482 | **-** | -1 | **3,745** | 3,481 |
| Depreciation and amortization of non-current assets | **7,386** | 7,213 | **608** | 620 | **5,778** | 6,130 | **13,772** | 13,963 | **-75** | -72 | **13,697** | 13,891 |
| thereof amortization of intangible assets | **2,232** | 2,143 | **159** | 186 | **64** | 68 | **2,455** | 2,397 | **4** | 3 | **2,459** | 2,400 |
| thereof depreciation of property, plant and equipment | **3,893** | 3,800 | **261** | 266 | **50** | 56 | **4,204** | 4,122 | **-** | -1 | **4,204** | 4,121 |

## Reconciliation

The following table shows the reconciliation of EBIT according to segment reporting to the Consolidated Statement of Income.

**Reconciliation of EBIT to Group figures**

| | 2023 | 2022 |
|---|---|---|
| In millions of euros | | |
| Total of segments' profit/loss (EBIT) | **18,664** | 20,665 |
| Gains/losses on equity-method investments | **803** | 233 |
| Other reconciling items | **55** | -458 |
| Eliminations | **138** | 18 |
| EBIT as shown in the Consolidated Statement of Income/Loss | **19,660** | 20,458 |

The **gains/losses on equity-method investments** includes the positive profit contribution of €797 million (2022: €226 million) from Daimler Truck Holding AG.

The line item **Other reconciling items** includes further items at the corporate level. In the prior year, the line item included expenses in connection with the sale of individual investments and business activities to Daimler Truck Holding AG or its subsidiaries.

The reconciliation of segment assets and liabilities to relevant amounts for the Group is shown in the next table.

**Reconciliation of segment assets and liabilities to Group figures**

| | 2023 | 2022 |
|---|---|---|
| In millions of euros | | |
| Total of segment assets | **248,978** | 244,468 |
| Equity-method investment in DTHAG | **8,425** | 8,199 |
| Other equity-method investments[1] | **224** | 253 |
| Income tax assets[2] | **3,448** | 3,107 |
| Other reconciling items and eliminations | **-20,249** | -19,697 |
| Segment assets Group | **240,826** | 236,330 |
| Unallocated financial instruments (including liquidity) and assets from pensions and similar obligations[2] | **22,196** | 23,685 |
| Total assets Group | **263,022** | 260,015 |
| | | |
| Total of segment liabilities | **192,943** | 189,937 |
| Income tax liabilities[2] | **8,226** | 7,614 |
| Other reconciling items and eliminations | **-20,039** | -19,904 |
| Segment liabilities Group | **181,130** | 177,647 |
| Unallocated financial instruments and liabilities from pensions and similar obligations[2] | **-10,924** | -4,172 |
| Total equity Group | **92,816** | 86,540 |
| Total equity and liabilities Group | **263,022** | 260,015 |

1 This mainly comprises the equity-method 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 the following table.

**Revenue and non-current assets by region**

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| In millions of euros | | | | |
| Europe | **61,895** | 56,487 | **64,719** | 61,983 |
| thereof Germany | **25,799** | 23,085 | **46,511** | 45,587 |
| North America | **40,488** | 40,091 | **18,430** | 19,722 |
| thereof United States | **36,041** | 35,829 | **16,526** | 17,883 |
| Asia | **43,382** | 45,558 | **1,497** | 1,625 |
| thereof China | **25,284** | 27,324 | **507** | 537 |
| Other markets | **7,453** | 7,881 | **749** | 1,341 |
| | **153,218** | 150,017 | **85,395** | 84,671 |

# 35. Capital management

Net assets and value added represent the basis for capital management at the Mercedes-Benz Group. Although individual companies in the Mercedes-Benz Mobility segment are subject to the capital requirements of the respective banking supervision, Mercedes-Benz Group AG is not subject to external minimum capital requirements.

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.

**Average net assets**

| | **2023** | 2022 |
|---|---|---|
| In millions of euros | | |
| Mercedes-Benz Cars | **41,407** | 38,189 |
| Mercedes-Benz Vans | **1,253** | 885 |
| Mercedes-Benz Mobility[1] | **13,774** | 14,466 |
| Net assets of the segments | **56,434** | 53,540 |
| Equity-method investment in DTHAG | **8,221** | 8,078 |
| Other equity-method investments[2] | **253** | 303 |
| Assets and liabilities from income taxes[3] | **-5,159** | -3,818 |
| Other corporate items and eliminations[3] | **94** | 422 |
| Net assets of the Mercedes-Benz Group | **59,843** | 58,525 |

1 Equity.
2 Unless allocated to the segments.
3 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 year, the cost of capital rate used for the internal capital management amounted to 9% 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 optimizing the net assets, e.g. 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. An example of this is an appropriate level of liquidity, oriented towards the operational requirements.

## 36. Earnings per share

The calculation of basic and diluted earnings per share is based on net profit attributable to shareholders of Mercedes-Benz Group AG. The profit attributable to shareholders of Mercedes-Benz Group AG (basic and diluted) amounts to €14,261 million (2022: €14,501 million). The weighted average number of shares outstanding (basic and diluted) amounts to 1,059.6 million issued shares (2022: 1,069.8 million issued shares). The decrease in the weighted average number of shares outstanding is due to the share buyback programme resolved by the Board of Management on 16 February 2023.

## 37. Related-party disclosures

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

Business transactions with related parties are generally carried out at market terms.

**Transactions with related parties**

| | Income from sales of goods and services and other income | | Expense from purchases of goods and services and other expense | | Receivables and right-of-use-assets | | Liabilities and provisions[1] | |
|---|---|---|---|---|---|---|---|---|
| | | | | | At 31 December | | At 31 December | |
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| In millions of euros | | | | | | | | |
| Associated companies | **16,800** | 18,601 | **2,337** | 2,653 | **4,351** | 4,842 | **541** | 557 |
| thereof Daimler Truck | **943** | 1,120 | **1,751** | 2,120 | **1,682** | 2,262 | **299** | 332 |
| thereof LSHAI | **9,257** | 9,641 | **287** | 232 | **1,227** | 887 | **12** | 23 |
| thereof BBAC | **6,581** | 7,821 | **298** | 300 | **1,396** | 1,646 | **221** | 195 |
| Joint ventures | **469** | 639 | **31** | 32 | **223** | 93 | **17** | 1 |
| Companies controlled by related persons | **-** | - | **185** | - | **-** | - | **65** | - |

1 Including liabilities from default risks from guarantees for related parties.

## Associated companies

The transactions 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.

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.

The leased equipment of the Mercedes-Benz Mobility segment includes 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 2023 this guarantee was €37 million (31 December 2022: €66 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 the table include demands for the repurchase of vehicles of €1,121 million (31 December 2022: €1,312 million) shown in receivables from financial services and right-of-use assets of €268 million (31 December 2022: €548 million) vis-à-vis Daimler Truck shown in equipment on operating leases. These right-of-use assets were depreciated as planned by €217 million in 2023 (2022: €399 million).

In addition, the Mercedes-Benz Group holds a minority interest of €207 million (31 December 2022: €162 million) in real estate companies controlled by Daimler Truck Group, which is shown as debt instruments in other financial assets.

At 31 December 2023, off-balance-sheet obligations to the Daimler Truck Group amounted to €110 million (31 December 2022: €310 million).

## Joint ventures

On 12 May 2022, Mercedes-Benz AG signed an agreement with PSA Automobiles SA, Opel Automobile GmbH, Saft EV SAS and Saft Groupe 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 investment in the European battery cell manufacturer ACC was made in order to promote the development and production of high-performance battery cells and modules in the course of the transformation to a sustainable business strategy. 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.

In the third quarter of 2023, an additional contract with PSA Automobiles SA, Opel Automobile GmbH, Saft EV SAS, Saft Groupe and Automotive Cells Company SE (ACC) was signed in which the Group committed to providing further funds of up to €457 million to ACC in addition to the commitments agreed in 2022. The other shareholders also confirmed that they are obligated to provide additional funds.

In January 2024, a loan of €110 million issued by the Mercedes-Benz Group was converted into equity. Moreover, in March 2024, ACC drew down €105 million of the total contractually committed funds of €867 million. As a result, the carrying amount of ACC increased accordingly.

As of 31 December 2023, there are off-balance-sheet obligations of €256 million (31 December 2022: €157 million).

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 obliges the shareholders to provide financial support up to a maximum amount of €573 million each in the event 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 13 provides further details of the business activities of the significant associated companies.

## 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.

Mr. Stefan Pierer has been a member of the Supervisory Board of Mercedes-Benz Group AG and Mercedes-Benz AG since May 2023. The Mercedes-Benz Group maintains supply and service relationships with some companies in the Pierer Group. The Pierer Group includes the SHW Group, a global automotive supplier, as well as other companies. In August 2023, Stefan Pierer also acquired 100% of the shares of Leoni AG, an international automotive supplier. The table Transactions with related parties shows the information on the volume of goods and services supplied by these companies in the line Companies controlled by related persons.

## 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 22 for further information.

## Subsequent liability

In 2019, Mercedes-Benz Group AG hived down assets and liabilities of the former Mercedes-Benz Cars & Vans segment 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 spin off and 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.

# 38. Remuneration of the members of the Board of Management and the Supervisory Board

The table below shows the remuneration granted during 2023 to the members of the Board of Management and the Supervisory Board who were active in 2023.

**Remuneration of the members of the Board of Management and the Supervisory Board in accordance with IAS 24.17**

| | **2023** | 2022 |
|---|---|---|
| In millions of euros | | |
| | | |
| Remuneration of the Board of Management | | |
| Fixed remuneration (base salary) | **10** | 9 |
| Short-term variable remuneration (2023: 100 (2022: 50)% of annual bonus) | **16** | 8 |
| Mid-term variable remuneration (2022: 50% of annual bonus, “deferral”) | **-** | 8 |
| Variable remuneration with a long-term incentive effect (PPSP) | **16** | 15 |
| Post-employment benefits (service cost) | **2** | 2 |
| Remuneration of the Board of Management | **44** | 42 |
| Remuneration of the Supervisory Board | **6** | 7 |
| Total | **50** | 49 |

Expenses for variable remuneration of the Board of Management with a long-term incentive effect, as shown in the following table, result from the ongoing measurement at fair value at each balance sheet date of all rights granted and not yet due under the stock-based Performance Phantom Share Plans (PPSP), i.e., for the plans of the years 2020 to 2023 with the fair value at the respective balance sheet date. In 2023, the active members of the Board of Management were granted 181,341 (2022: 137,655) phantom shares in connection with the PPSP; the fair value of these phantom shares at the grant date was €13 million (2022: €8 million). See Note 21 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 €39 million (2022: €32 million), including the stock-based remuneration with a fair value of €13 million (2022: €8 million).

The members of the Supervisory Board are solely granted short-term fixed remuneration for their board and committee activities amounted to €6 million (2022: €7 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 2023, 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 2023.

Payments made in 2023 to former members of the Board of Management of Mercedes-Benz Group AG and their survivors amounted to a total of €20 million (2022: €21 million). The pension provisions for former members of the Board of Management and their survivors amounted to €265 million as of 31 December 2023 (2022: €246 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.

# 39. Auditor fees

The shareholders of Mercedes-Benz Group AG elected KPMG AG Wirtschaftsprüfungsgesellschaft as the external auditor at the Annual General Meeting held on 3 May 2023. The following table 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 certifications and reviews of IT systems or in connection with the issuance of comfort letters. Other services were mainly commissioned for process consulting not relevant to accounting and for quality assurance.

**Auditor fees**

| | **2023** | 2022 |
|---|---|---|
| In millions of euros | | |
| Audit services | **39** | 38 |
| thereof KPMG AG Wirtschaftsprüfungsgesellschaft | **25** | 24 |
| Other attestation services | **8** | 6 |
| thereof KPMG AG Wirtschaftsprüfungsgesellschaft | **7** | 4 |
| Tax services | **-** | - |
| thereof KPMG AG Wirtschaftsprüfungsgesellschaft | **-** | - |
| Other services | **3** | 2 |
| thereof KPMG AG Wirtschaftsprüfungsgesellschaft | **2** | 2 |
| | **50** | 46 |

# 40. Events after the reporting period

**Review of future structure of Own Retail in Germany**

On 19 January 2024, the Mercedes-Benz Group announced a comprehensive review of the structures of the Group's Own Retail in Germany. The review is open-ended as regards its outcome and will be conducted individually and step-by-step at each retail location. The Company expects the transformation process to take several years. Contract negotiations with potential buyers had not yet taken place as of the balance sheet date. At the present time, it is not possible to reliably estimate the effects on the profitability, financial position and liquidity and capital resources.

# 41. 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 Group's website.

## Information on investments

The statement of investments of the Group pursuant to Section 313 Subsection 2 Nos. 1-6 of the German Commercial Code (HGB) is presented in the following table. 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 (HGB) 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 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.

| Name of the company | Domicile, country/region | Equity interest in percent[1] | Footnote |
|---|---|---|---|
| **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 |
| AssetCo, LLC | Wilmington, USA | 20.00 | 3 |
| 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 | Sintra, 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 | |
| CARS Technik & Logistik GmbH | Wiedemar, Germany | 100.00 | 5 |
| DAF Investments, Ltd. | Wilmington, USA | 100.00 | |
| Daimler Fleet Management GmbH | Stuttgart, Germany | 100.00 | |
| Daimler Fleet Management South Africa (Pty.) Ltd. i. L. | Pretoria, South Africa | 65.00 | 4 |
| 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 |

| Name of the company | Domicile, country/region | Equity interest in percent[1] | Footnote |
|---|---|---|---|
| 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 |
| FOTIC – MB Leasing No. 6 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 | Pretoria, 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 |
| 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 2021-B | Wilmington, USA | 0.00 | 3 |
| Mercedes-Benz Auto Lease Trust 2023-A | Wilmington, USA | 0.00 | 3 |
| Mercedes-Benz Auto Receivables Trust 2020-1 | 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 Auto Receivables Trust 2023-1 | Wilmington, USA | 0.00 | 3 |
| Mercedes-Benz Auto Receivables Trust 2023-2 | 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 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 Broker Biztositási Alkusz Hungary Kft. | Budapest, Hungary | 100.00 | |

| Name of the company | Domicile, country/region | Equity interest in percent[1] | Footnote |
|---|---|---|---|
| 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 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 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 Ceská republika s.r.o. | Prague, Czech Republic | 100.00 | |
| Mercedes-Benz Financial Services España, E.F.C., S.A. | Alcobendas, Spain | 100.00 | |
| Mercedes-Benz Financial Services France S.A. | Montigny-le-Bretonneux, France | 100.00 | |
| Mercedes-Benz Financial Services Hong Kong Ltd. | Hong Kong, China | 80.00 | |
| Mercedes-Benz Financial Services 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 | |
| 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 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 | |

| Name of the company | Domicile, country/region | Equity interest in percent[1] | Footnote |
|---|---|---|---|
| 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 Group China Ltd. | Beijing, China | 100.00 | |
| Mercedes-Benz Grund Services GmbH | Schönefeld, Germany | 100.00 | 5 |
| Mercedes-Benz High Power Charging Europe GmbH | Stuttgart, Germany | 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 HPC North America LLC | Wilmington, USA | 80.00 | |
| Mercedes-Benz India Private Limited | Pune, India | 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 | 51.00 | |
| Mercedes-Benz Insurance Services UK Limited | Milton Keynes, United Kingdom | 100.00 | |
| Mercedes-Benz Intellectual Property GmbH & Co. KG | Stuttgart, Germany | 100.00 | 5 |
| 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 | |
| Mercedes-Benz Leasing GmbH | Stuttgart, Germany | 100.00 | |
| Mercedes-Benz Leasing IFN S.A. | Bucharest, Romania | 100.00 | |
| Mercedes-Benz Leasing Kft. | Budapest, Hungary | 100.00 | |
| Mercedes-Benz Leasing Polska Sp. z o.o. | Warsaw, Poland | 100.00 | |

| Name of the company | Domicile, country/region | Equity interest in percent[1] | Footnote |
|---|---|---|---|
| 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. | New York, 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 | |
| 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 Mobility & Technology Service (Beijing) Co., Ltd. | Beijing, China | 100.00 | |
| 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 | Salzburg, 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 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 | |

| Name of the company | Domicile, country/region | Equity interest in percent[1] | Footnote |
|---|---|---|---|
| Mercedes-Benz Research & Development North America, Inc. | Wilmington, USA | 100.00 | |
| Mercedes-Benz Retail Group UK Limited | Milton Keynes, United Kingdom | 100.00 | |
| Mercedes-Benz Retail Receivables LLC | Farmington Hills, USA | 100.00 | |
| Mercedes-Benz Retail, Unipessoal Lda. | Mem Martins, Portugal | 100.00 | |
| Mercedes-Benz Roma S.p.A. | Rome, Italy | 100.00 | |
| Mercedes-Benz Romania S.R.L. | Bucharest, Romania | 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 | 5 |
| 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 |
| Mercedes-Benz Vietnam Ltd. | Ho Chi Minh City, Vietnam | 70.00 | |
| Mercedes-Benz Warszawa Sp. z o.o. | Warsaw, Poland | 100.00 | |
| Mercedes-Benz Wholesale Receivables LLC | Wilmington, USA | 100.00 | |
| Movinx Americas Company, Inc. | Schaumburg, USA | 100.00 | |
| Movinx GmbH | Berlin, Germany | 100.00 | 7 |
| Movinx UK Ltd. | London, United Kingdom | 100.00 | |
| Multifleet G.I.E. | Le Bourget, France | 50.10 | |
| Silver Arrow Athlon NL 2021-1 | Utrecht, Netherlands | 0.00 | 3 |
| Silver Arrow Australia 2019-1 | Melbourne, Australia | 0.00 | 3 |

| Name of the company | Domicile, country/region | Equity interest in percent[1] | Footnote |
|---|---|---|---|
| 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 2021-2 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 China Mercedes-Benz Leasing Co., Ltd. 2023-1 | Beijing, China | 0.00 | 3 |
| SILVER ARROW CHINA 2023-1 RETAIL AUTO LOAN ASSET BACKED NOTES TRUST | Beijing, China | 0.00 | 3 |
| SILVER ARROW CHINA 2023-2 RETAIL AUTO LOAN ASSET BACKED NOTES TRUST | Beijing, China | 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 subsidiaries[2]** | | | |
| 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 Unterstützungskasse GmbH | Stuttgart, Germany | 100.00 | |
| Dreizehnte Vermögensverwaltungsgesellschaft DVB mbH | Stuttgart, Germany | 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 | |

| Name of the company | Domicile, country/region | Equity interest in percent[1] | Footnote |
|---|---|---|---|
| MBition GmbH | Berlin, Germany | 100.00 | |
| 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 Business Services Sdn Bhd | Puchong, Malaysia | 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 Digital Tech Ltd. | Shanghai, China | 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 Gastronomie GmbH | Stuttgart, Germany | 100.00 | |
| Mercedes-Benz Group Services Berlin GmbH | Berlin, Germany | 100.00 | |
| Mercedes-Benz Group Services Madrid, S.A.U. | San Sebastián de los Reyes, Spain | 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. | Montigny-le-Bretonneux, 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 Motorsport Limited | Brackley, United Kingdom | 100.00 | |
| Mercedes-Benz Heritage 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 Second Life Solutions LLC | Wilmington, USA | 100.00 | |
| Mercedes-Benz Slovakia s.r.o. | Bratislava, Slovakia | 100.00 | |
| Mercedes-Benz Tech Innovation GmbH | Ulm, Germany | 100.00 | |
| Mercedes-Benz Tech Motion GmbH | Böblingen, 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 Manufacturing Poland sp. z o.o. | Jawor, Poland | 100.00 | |

| Name of the company | Domicile, country/region | Equity interest in percent[1] | Footnote |
|---|---|---|---|
| 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 |
| PT Mercedes-Benz Consulting Services Indonesia | Bogor, Indonesia | 100.00 | |
| Sechste Vermögensverwaltungsgesellschaft Zeus mbH | Stuttgart, Germany | 100.00 | |
| Star Transmission srl | Cugir, Romania | 100.00 | |
| STARKOM, proizvodnja in trgovina d.o.o. | Maribor, Slovenia | 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 | |
| SMART MOBILITY PTE. LTD. | Singapore, Singapore | 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 | 30.03 | |
| Bolt Technology OÜ | Tallinn, Estonia | 7.41 | |
| Daimler Truck Holding AG | Leinfelden-Echterdingen, Germany | 30.00 | |
| IONITY Holding GmbH & Co. KG | Munich, Germany | 15.12 | |
| Ionna LLC | Torrance, USA | 16.67 | |
| LSH Auto International Limited | Hong Kong, China | 15.00 | |
| Mercedes-Benz Grand Prix Ltd. | Brackley, United Kingdom | 33.33 | |
| There Holding B.V. | Rijswijk, Netherlands | 30.59 | |

| Name of the company | Domicile, country/region | Equity interest in percent[1] | Footnote |
|---|---|---|---|
| **VI. Joint operations, joint ventures, associated companies accounted for at (amortized) cost and substantial other investments recognized at fair value[2]** | | | |
| ASOCIACIÓN VASCA PARA EL DESARROLLO DE TECNOLOGÍAS DE FABRICACIÓN AVANZADA EN AUTOMOCIÓN | Vitoria, Spain | 0.00 | |
| Aston Martin Lagonda Global Holdings Plc | Gaydon, United Kingdom | 8.90 | |
| BDF IP Holdings Ltd. | Burnaby, Canada | 33.00 | |
| Beijing Mercedes-Benz Sales Service Co., Ltd. | Beijing, China | 51.00 | |
| BTV technologies GmbH | Unna, Germany | 40.00 | |
| ChargePoint Holdings Inc. | Campbell, USA | 2.40 | |
| 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 | 9.44 | |
| 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 |
| Gamma 3 Daimler Truck Grundstücksverwaltung GmbH & Co. OHG | Schönefeld, Germany | 10.10 | 7 |
| Gamma 4 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 | 5.57 | |
| 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 | 8.90 | |
| 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 | 5.40 | |

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.

# The Board of Management

Stuttgart, 15 March 2024

| | | | |
|---|---|---|---|
| Ola Källenius | Dr. Jörg Burzer | Renata Jungo Brüngger | Sabine Kohleisen |
| Markus Schäfer | Britta Seeger | Hubertus Troska | Harald Wilhelm |


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# FURTHER INFORMATION

# FURTHER INFORMATION

# 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, 15 March 2024

Ola Källenius

Dr Jörg Burzer

Renata Jungo Brüngger

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, 2023, 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, 2023 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 for the financial year from January 1 to December 31, 2023.

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, 2023, and of its financial performance for the financial year from January 1 to December 31, 2023 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 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, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

## Impairment Risk on Operating Leases

Please refer with regard to the accounting policies and methods applied to the notes to the consolidated financial statements in Note 1 "Significant accounting policies" and Note 2 "Accounting estimates and management judgements". Further information on the operating leases can be found in the notes to the consolidated financial statements in Note 12 "Equipment on operating leases" and in the comments in the combined management report in the section entitled "Industry and business risks and opportunities".

**The risk for the consolidated financial statements**

The statement of financial position caption "Equipment on operating leases" (€ 41,712 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 the significant US-market 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.

## Valuation 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 14 "Receivables from financial services", in Note 33 "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 (€ 88,211 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 € 1,055 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 in relation to the risk models as well as the determination of the value-determining factors and the valuation allowances, also in part through recalculation. We also assessed the relevant IT systems and internal processes. In addition to the correctness of the relevant IT systems and associated interfaces to ensure the completeness and accuracy of the data using our IT special lists, the audit also included the testing of automated controls for data entry and data processing. Our audit focused on assessing the methodology used to determine and to calculate the probabilities of default and loss given default, which are derived from historical data. We took into account the current economic uncertainties in connection with the effects of several geopolitical hotspots when testing the macroeconomic scenarios and the model assumptions made. Based on the results of a validation performed by Mercedes-Benz Mobility, we satisfied ourselves of the appropriateness of key risk provisioning parameters and assessed the parameter adjustments made to reflect current market conditions. In this context, we examined the data underlying the validations.

**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 23 “Provisions for other risks” and in the comments in the combined management report in the section entitled “Company-specific risks and opportunities – Warranty and goodwill cases”.

**The risk for the consolidated financial statements**
The provision for product warranties amounts to € 6,399 million and is included in the provisions for other risks.

Mercedes-Benz Group is exposed to claims arising from various types of product warranty claims or grants various types of product guarantees under which it vouches for the defect-free functioning of a Mercedes-Benz Group product sold or a service provided for a certain period of time. In order to confirm or reassess future warranty, guarantee and goodwill expenses, continuously updated information on the type and volume of damage that has occurred and its rectification is recorded and analysed at the level of division, model series, damage code 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.

## The Accounting Treatment of Legal Proceedings

Please refer to Note 1 “Significant accounting policies” and Note 2 “Accounting estimates and judgments made by management” in the notes to the consolidated financial statements for information on the accounting policies applied. Further information on legal proceedings can be found in Note 23 “Provisions for other risks”, in Note 30 “Legal proceedings” in the notes to the consolidated financial statements and in the combined management report in the section “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. Product-related proceedings involve, among other things, claims asserted in part by way of a class action due to possible vehicle defects. 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 Germany, United Kingdom and other countries in the Mercedes-Benz Cars and Mercedes-Benz Vans segments

Consumer lawsuits, some of which have been consolidated into a class action, and other lawsuits in various jurisdictions, including the United Kingdom, allege that Mercedes-Benz Group AG and/or individual subsidiaries have used devices that improperly reduce the effectiveness of emission control systems to reduce nitrogen oxide (NOx) emissions and cause excessive emissions from diesel vehicles. In addition, the plaintiffs allege that consumers were deceived in connection with advertising claims for Mercedes-Benz diesel vehicles.

In Germany, a large number of customers of diesel vehicles are suing for damages or cancellation of purchase contracts. They claim that the diesel vehicles were equipped with unauthorised defeat devices and/or had unacceptably high emission or consumption values.

In addition, investors have filed claims for damages in Germany due to the alleged violation of capital market disclosure regulations and have also claimed damages out of court. The investors allege that the Mercedes-Benz Group did not immediately publish insider information in connection with the emissions behaviour of its Mercedes-Benz diesel vehicles and also made false and misleading public statements. They also claim that the purchase price of the financial instruments they acquired (in particular Mercedes-Benz Group shares; formerly Daimler shares) would have been lower if the Mercedes-Benz Group had reported as required.

b) Diesel emissions behaviour: Regulatory proceedings in the Mercedes-Benz Cars and Mercedes-Benz Vans segments

The Mercedes-Benz Group is subject to ongoing governmental inquiries, investigations, examinations, orders and proceedings relating to various laws and regulations in connection with diesel exhaust emissions. The activities of various authorities worldwide relate in particular to test results and emission control systems in Mercedes-Benz diesel vehicles and/or the Mercedes-Benz Group's interactions with the relevant authorities as well as related legal issues and implications, for example under applicable environmental, criminal, consumer protection and antitrust laws.

The Mercedes-Benz Group has recognized provisions for legal proceedings as at December 31, 2023. The prerequisite for the recognition of provisions for legal proceedings is that a current external obligation exists that is likely to lead to an outflow of resources embodying economic benefits and can be reliably estimated. The amount of the provisions is determined on the basis of the best possible estimate of the obligation by the legal representatives as at the balance sheet date. The recognition and measurement of the recognized provisions for the legal proceedings are based on discretionary estimates and assumptions by the legal representatives.

There is a risk for the financial statements that the provisions for the legal proceedings are not recognized or not recognized to a sufficient extent.

**Our audit approach**
Our audit procedures included, on the one hand, an assessment of the process established by the company to ensure the identification of risks, the assessment of the outcome of the proceedings and the presentation of the legal proceedings in the financial statements. Secondly, we held discussions with the internal legal department and other departments familiar with the matters, external advisors and lawyers of the company in order to obtain an explanation of the developments and the reasons that led to the corresponding assessments. In addition, we assessed the underlying documents and minutes as well as the calculations for the respective provisions. We were provided with the legal representatives' assessment of the developments in the aforementioned areas in written form by the company. We also interviewed the legal representatives of the company. As at the balance sheet date, assessments by external lawyers were available on the material proceedings, which support the risk assessment made by the legal representatives.

Where agreement has since been reached on individual matters, we compared the amounts originally estimated with the final obligations to obtain an understanding of the quality of the estimates.

Finally, we assessed the appropriateness of the disclosures on the aforementioned legal proceedings in the notes to the consolidated financial statements and in the combined management report.

**Our observations**
The judgement-based estimates 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:

  - Energy consumption, $CO_2$ emissions, waste volumes and water consumption in production (chapter “Environmental concerns”),

  - accident frequency at production sites (chapter “Employee matters”),

- the key figures on the EU taxonomy in the body text and in the tables in the "EU taxonomy" chapter.

In accordance with our engagement, we have performed a separate financial audit of these disclosures. With regard to the nature, scope and results of this assurance engagement, we draw attention to our assurance report dated March 14, 2024.

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.

- 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-2023-12-31-de.zip" (SHA256-Hashwert: 0a45a843dc53847d4a97e63ad2ccf5b0abbf926a0de13ea0facc21bca504529b) 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, 2023 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 QMS 1 (09.2022)).

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 May 3, 2023. We were engaged by the Supervisory Board on June 21, 2023. 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 15, 2024

KPMG AG
Wirtschaftsprüfungsgesellschaft
Original German version signed by:

| | |
|---|---|
| Sailer | Bock |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| [German Public Auditor] | [German Public Auditor] |

# Key Figures

## Financial Key Figures for the Mercedes-Benz Group

| | **2023** | 2022 | 23/22 |
|---|---|---|---|
| In millions of euros | | | % change |
| | | | |
| Revenue | **153,218** | 150,017 | 2 |
| EBIT | **19,660** | 20,458 | -4 |
| Adjusted EBIT | **20,004** | 20,655 | -3 |
| Net profit | **14,531** | 14,809 | -2 |
| Earnings per share (in euros)[1] | **13.46** | 13.55 | -1 |
| Dividend per share (in euros) | **5.30** | 5.20 | 2 |
| Free cash flow of the industrial business | **11,316** | 8,128 | 39 |
| Adjusted free cash flow of the industrial business | **11,720** | 9,294 | 26 |
| Net liquidity of the industrial business (31 December) | **31,659** | 26,637 | 19 |
| Investments in property, plant and equipment | **3,745** | 3,481 | 8 |
| Research and development expenditure | **9,996** | 8,541 | 17 |

1 Based on net profit attributable to shareholders of Mercedes-Benz Group AG.

# Financial Key Figures for the Segments

| | Mercedes-Benz Cars | | | Mercedes-Benz Vans | | |
|---|---|---|---|---|---|---|
| | **2023** | 2022 | 23/22 | **2023** | 2022 | 23/22 |
| In millions of euros | | | % change | | | % change |
| Revenue | **112,756** | 111,601 | 1 | **20,288** | 17,217 | 18 |
| EBIT | **14,224** | 16,340 | -13 | **3,138** | 1,897 | 65 |
| Adjusted EBIT | **14,252** | 16,245 | -12 | **3,063** | 1,927 | 59 |
| Return on sales (in %) | **12.6** | 14.6 | . | **15.5** | 11.0 | . |
| Adjusted return on sales (in %) | **12.6** | 14.6 | . | **15.1** | 11.2 | . |
| CFBIT | **12,336** | 10,718 | 15 | **2,817** | 1,731 | 63 |
| Adjusted CFBIT | **12,535** | 11,413 | 10 | **3,018** | 2,039 | 48 |
| Adjusted cash conversion rate[1] | **0.9** | 0.7 | 29 | **1.0** | 1.1 | -9 |
| Investments in property, plant and equipment | **3,345** | 3,265 | 2 | **351** | 199 | 76 |
| Research and development expenditure | **9,099** | 7,986 | 14 | **873** | 552 | 58 |
| thereof capitalized development costs | **3,417** | 2,802 | 22 | **349** | 137 | 155 |

| | Mercedes-Benz Mobility | | |
|---|---|---|---|
| Revenue | **26,718** | 26,954 | -1 |
| EBIT | **1,302** | 2,428 | -46 |
| Adjusted EBIT | **1,695** | 2,428 | -30 |
| Return on equity (in %) | **9.5** | 16.8 | . |
| Adjusted return on equity (in %) | **12.3** | 16.8 | . |
| New business | **62,014** | 58,031 | 7 |
| Contract volume (31 December) | **135,027** | 132,379 | 2 |

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

# Non-Financial Key Figures

| | **2023** | 2022 |
|---|---|---|
| **Environmental issues** | | |
| Mercedes-Benz Cars unit sales | **2,044,051** | 2,040,719 |
| Share of electrified vehicles, Mercedes-Benz Cars (in %) | **19.7** | 16.3 |
| Share of all-electric vehicles, Mercedes-Benz Cars (in %) | **11.8** | 7.3 |
| Mercedes-Benz Vans unit sales | **447,790** | 415,344 |
| Share of electrified vehicles, Mercedes-Benz Vans (in %)[1] | **5.1** | 3.6 |
| $CO_2$ emissions of the new car fleet in Europe in accordance with WLTP (in g/km)[2, 3] | **109** | 115 |
| $CO_2$ emissions of the new car fleet in the United States (in g $CO_2$/mi) | **170**[3] | 241[4] |
| Fuel consumption of the new car fleet in China (in l/100km)[5] | **8.5**[3] | 8.2[4] |
| $CO_2$ emissions of the light commercial vehicle fleet in Europe (in g/km)[3] | **204** | 209 |
| $CO_2$ emissions of the light duty truck fleet in the United States (in g $CO_2$/mi) | **259**[3] | 296[4] |
| $CO_2$ emissions in production (Scope 1 and Scope 2) (in 1,000 t)[6] | **511** | 539 |
| Energy consumption in production (in GWh)[6] | **4,943** | 5,294 |
| Waste volume in production (in 1,000 t)[6] | **565** | 584 |
| Water consumption in production (in 1,000 $m^3$)[6, 7] | **1,913** | – |
| **Employee issues**[8] | | |
| Employees, Mercedes-Benz Group | **166,056** | 168,815 |
| Employees, Mercedes-Benz Cars | **132,560** | 135,400 |
| Employees, Mercedes-Benz Vans | **19,132** | 19,137 |
| Employees, Mercedes-Benz Mobility | **9,768** | 9,850 |
| Share of women in management positions, Mercedes-Benz Group Level 1 – Level 3 (in %) | **25.7** | 24.7 |
| **Social issues** | | |
| Review of critical raw materials (in %)[9] | **57** | 41 |

1 This figure refers exclusively to all-electric vehicles.
2 Average $CO_2$ emissions of the new car fleet ($CO_2$ pool) 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 type approval procedure. The Mercedes-Benz $CO_2$ pool also includes vans that were registered as passenger cars and, since 2023, vehicles from the joint venture smart Automobile Co., Ltd. based on internal data.
3 Internal values.
4 Value confirmed by authorities.
5 Calculation includes off-cycle technologies (technologies for real reductions in $CO_2$ emissions, the effect of which cannot be measured in the standard cycle).
6 In addition to the production sites of the consolidated subsidiaries, the production sites of the following non-consolidated subsidiaries are included: Star Transmission srl (Cugir, Romania), STARKOM, proizvodnja in trgovina d.o.o. (Maribor, Slovenia) and STARCAM s.r.o. (Most, Czech Republic).
7 This key figure is determined based on the standards of the Global Reporting Initiative and CDP starting from 2023. There is no corresponding figure for the year 2022.
8 Number of active employees including holiday workers as of 31 December 2023. With the implementation of the European Sustainability Reporting Standards as of 2024, the number of employees becomes a further criterion for the inclusion of an entity in the scope of consolidation. The number of active employees of non-consolidated subsidiaries, who will thus be included in the scope of consolidation from 2024, is not included in the above figure.
9 The Mercedes-Benz Group has prioritized 24 high-risk materials that have been reviewed in a raw material assessment. The key figure shows the overall progress of the evaluation process across all 24 raw materials.

# Further Information

Further information about the **Mercedes-Benz Group-share** can be found at

group.mercedes-benz.com/investors

The Mercedes-Benz Group AG Annual and Interim Reports and company financial statements are also 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.

The reports are published in German and English. The German version is binding.

For sustainability reasons, the Annual and Interim Reports are not printed in hard copy. We make all Annual and Interim Reports available online and as PDF files to download.

group.mercedes-benz.com/investors/reports-news

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**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 negative change in market conditions 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; changes in laws, regulations and government policies (or changes in their interpretation), particularly those relating to vehicle emissions, fuel economy and safety or to ESG reporting (environmental, social or governance topics); price increases for fuel, raw materials or energy; disruption of production due to shortages of materials or energy, labour strikes or supplier insolvencies; a shift in consumer preferences towards smaller, lower-margin vehicles; a limited demand for all-electric vehicles; a possible lack of acceptance of our products or services which limits our ability to achieve prices and adequately utilize our production capacities; 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; 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.

**Statements regarding electricity and fuel consumption and $CO_2$ emissions**
Further information on official fuel consumption and on the official specific $CO_2$ emissions of new cars can be taken from “Leitfaden über den Kraftstoffverbrauch, die $CO_2$-Emissionen und den Stromverbrauch neuer Personenkraftwagen” dat.de/fileadmin/media/LeitfadenCO2/GuideCO2.pdf

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