

Mercedes-Benz Australia/Pacific Pty Ltd

ABN 23 004 411 410

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR 30 JUNE 2019**

Mercedes-Benz Australia/Pacific Pty Ltd

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2019

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Mercedes-Benz Australia/Pacific Pty Ltd
INTERIM MANAGEMENT REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2019

This interim management report is presented together with the interim financial report of Mercedes-Benz Australia/Pacific Pty Ltd ("the Company") for the half year ended 30 June 2019.

Principal activities

The principal activities of the Company during the half year ended 30 June 2019 were the importation, marketing and distribution of passenger and commercial motor vehicles and their component parts.

The Company is also involved in financing activities for its working capital management and on behalf of itself and some other related parties of the local Daimler group.

There were no significant changes in the nature of the Company's activities during the year.

Operating and financial review

The Company made a loss, after income tax, for the half year ended 30 June 2019 amounting to \$18.412 million (2018: \$49.344 million profit).

Significant changes in the state of affairs

In the opinion of the Directors there was a significant change in the state of affairs of the Company that occurred during the half-year under review (refer to Note 5).

Likely developments

Operations

The Company will continue to pursue its policy of increasing its key market share as well as maintaining its contribution to the Daimler global organisation.

The Company's financing activities for other related parties of the local Daimler group are expected to continue depending on the requirements of these related parties.

Risk Report

Many factors could directly or indirectly affect the Company's business, financial position, financial performance and cash flows. These factors include, but are not limited to, changes in economic and market conditions, credit risk and currency risk. Further information regarding the Company's risk management strategies are described in the Company's 2019 Annual Financial Report.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005) and in accordance with that Class Order, amounts in the financial report and interim management report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Mercedes-Benz Australia/Pacific Pty Ltd

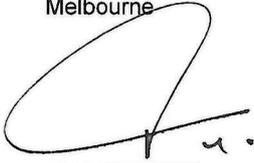
RESPONSIBILITY STATEMENT

The Company directors' report (where necessary read together with the financial report and notes to the financial statements which accompany the directors' report) provides a fair review of the development and performance of the business and the position of the Company for the half year ended 30 June 2019, together with a description of the principal opportunities and risks associated with the expected development of the Company.



Mr. Horst von Sanden
CEO and Director

Melbourne



Ms. Diane Tarr
Director

Melbourne



Mr. Volker Malzahn
CFO and Director

Melbourne



Mr. Steve Mchutchon
Director

Melbourne

Mercedes-Benz Australia/Pacific Pty Ltd

UNAUDITED STATEMENT OF FINANCIAL POSITION

	30 June 2019 \$'000	31 Dec 2018 \$'000
Current assets		
Cash and cash equivalents	62,607	124,677
Trade and other receivables	2,450,165	2,540,704
Inventories	790,543	693,425
Derivative financial instruments	107	20,200
Total current assets	3,303,422	3,379,006
Non-current assets		
Trade and other receivables	939,392	1,340,480
Deferred tax assets	78,509	59,955
Intangible assets	3,671	4,234
Property, plant and equipment	72,573	61,191
Derivative financial instruments	-	290
Total non-current assets	1,094,145	1,466,150
Total assets	4,397,567	4,845,156
Current liabilities		
Trade and other payables	760,384	604,949
Loans and borrowings	1,860,609	2,023,988
Derivative financial instruments	107	466
Employee benefits	4,053	2,637
Provisions	48,870	36,189
Deferred income	1,940	819
Total current liabilities	2,675,963	2,669,048
Non-current liabilities		
Trade and other payables	44,906	32,172
Loans and borrowings	939,392	1,340,480
Derivative financial instruments	-	290
Employee benefits	5,022	4,491
Provisions	75,870	52,568
Deferred income	15,096	7
Total non-current liabilities	1,080,286	1,430,008
Total liabilities	3,756,249	4,099,056
Net assets	641,318	746,100
Share capital	70,000	70,000
Reserves	-	64
Retained earnings	571,318	676,036
Total equity	641,318	746,100

The notes on pages 5 to 7 are an integral part of these financial statements.

Mercedes-Benz Australia/Pacific Pty Ltd
UNAUDITED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE

	2019 \$'000	2018 \$'000
Revenue	1,395,198	1,251,320
Cost of sales	(1,350,271)	(1,145,518)
Gross profit	<u>44,927</u>	<u>105,802</u>
Other income	13,978	13,388
Employee expenses	(23,033)	(18,624)
Depreciation expense	(3,656)	(1,730)
Other expenses	(57,620)	(36,032)
Result from operating activities	<u>(25,404)</u>	<u>62,804</u>
Net finance income/(expense)	<u>(493)</u>	<u>6,903</u>
Profit/(loss) before income tax	<u>(25,897)</u>	<u>69,707</u>
Income tax benefit/(expense)	<u>7,485</u>	<u>(20,363)</u>
Profit/(loss) for the period	<u>(18,412)</u>	<u>49,344</u>

The notes on pages 5 to 7 are an integral part of these financial statements.

Mercedes-Benz Australia/Pacific Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2019

1 REPORTING ENTITY

Mercedes-Benz Australia/Pacific Pty Ltd ("the Company") is a company domiciled in Australia. The address of the Company's registered office is Lexia Place, Mulgrave, Victoria 3170.

The Company is primarily involved in the importation, marketing and distribution of passenger and commercial motor vehicles and their component parts.

2 BASIS OF PREPARATION

(a) Statement of compliance

The condensed interim financial report has been prepared in order to meet certain requirements set out in Article 4 of the law of 11 January 2008 on transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (the "Transparency Law") and the Luxembourg Grand-Ducal decree dated 11 January 2008 on transparency requirements for issuers of securities (the "Transparency Regulation").

The financial statements were authorised for issue by the Board of Management on 19 August 2019.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value
- liabilities for cash-settled share-based payment arrangements are measured at fair value
- the defined benefit asset is measured as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

The financial statements have been prepared on a going concern basis.

(c) Functional and presentation currency

The financial statements are presented in Australian dollars which is the Company's functional currency.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005) and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand, unless otherwise stated.

3 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company in its financial statements as at and for the year ended 31 December 2018.

4 DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

(a) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(b) Loans and borrowings

Fair value of loans and borrowings is determined for disclosure purposes. The fair value of loans and borrowings that are readily traded are revalued at reporting date to market value using quoted market prices or, if not readily traded, are measured based on present value of future expected principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(c) Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a market rate of interest at the reporting date.

The fair value of interest rate and cross currency swaps are based on market values which approximate estimated future cash flows based on the terms of maturity of each contract and using observable market interest and foreign exchange rates at the reporting date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the entity and counterparty when appropriate.

5 SIGNIFICANT CHANGE IN STATE OF AFFAIRS

Project Future

On 1 January 2019, the net assets of Mercedes-Benz Vans Australia Pacific Pty Ltd was transferred to the Company as part of the global structure change approved by Daimler AG Board of Management referred to as Project Future.

(a) Consideration transferred

The consideration amount for the net assets acquired by the Company amounted to \$13.694m and this amount was recognised as a debt payable to Mercedes-Benz Vans Australia Pacific Pty Ltd.

(b) Identifiable assets acquired and liabilities assumed

The below table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	\$'000
Assets	
Property, plant and equipment	\$6,234
Inventories	\$258,113
Trade receivables	\$23,641
Deferred Tax Asset	\$13,325
Prepayments	\$2,858
Assumed Liabilities	
Trade payables	(\$63,892)
Employee benefits	(\$936)
Provisions	(\$27,634)
Deferred income	(\$1,314)
Other liabilities	(\$49,474)
Less: Amount owed to the Company	(\$147,227)
Total identifiable net assets acquired	<u><u>\$13,694</u></u>

(c) Debt forgiveness

On 27 June 2019, the Company entered into a debt forgiveness deed arrangement with Mercedes-Benz Vans Australia Pacific Pty Ltd.

As a result, the debt forgiven by Mercedes-Benz Vans Australia Pacific Pty Ltd was recorded directly to retained earnings.

Below is the reconciliation of retained earnings subsequent to the debt forgiveness transaction:

	\$'000
Retained earnings as of 1 January 2019	\$676,036
Net loss for the period	(\$18,412)
Dividends declared during the period	(\$100,000)
Debt relief due to debt forgiveness deed	\$13,694
Retained earnings as of 30 June 2019	<u><u>\$571,318</u></u>