

# Interim Report 2023

Mercedes-Benz International Finance B.V.





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INTERIM  
MANAGEMENT  
REPORT

## **Corporate profile**

Mercedes-Benz International Finance B.V. (the “Company”) was incorporated in the Netherlands on April 4, 1986. With effect from January 1, 2023 Mercedes-Benz Group AG as sole shareholder transferred the ownership of the Company to its subsidiary Mercedes-Benz Capital Investments B.V. Since 1 January 2023 the Company is part of the fiscal unity for corporate income tax together with Mercedes-Benz Group companies located in the Netherlands. The purpose of the Company is to assist the financing of business activities conducted by companies of the Mercedes-Benz Group and to provide financial services in connection therewith. The Company’s goal is to mitigate the related market risks, especially interest rate and currency risk, and liquidity risk associated with financial instruments by applying the matched funding principle and by using derivative financial instruments, such as interest rate swaps and foreign exchange swaps.

Given its objectives and strategy, the Company is economically interrelated with the ultimate parent company, Mercedes-Benz Group AG, Germany. In assessing the general risk profile of the Company, the solvency of the Mercedes-Benz Group as a whole needs to be considered. The liquidity is assured by managing and monitoring the liquidity position on the basis of a rolling cash flow forecast. The derived funding requirements are secured by a spectrum of various debt instruments issued on the international money and capital market or refinanced by funds obtained from affiliated companies.

The Interim Financial Statements of the Company for the six months ended June 30, 2023 and June 30, 2022 have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code and comply with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

At the end of June 2023, the Company employed 3 people (2022: 5).

## **Business development**

In the first half of 2023, overall financial results from Company’s business activities were largely in line with those of first half 2022.

The Interest result amounted to euro 16.1 million (2022: euro 16.9 million, effected by an amount of euro 5.0 million paid to Mercedes-Benz Group AG as compensation payment). The result from foreign currency translation showed an income of euro 4.3 million (2022: euro 0.3 million). General administrative expense remained almost unchanged and amounted to euro 0.9 million (2022: euro 0.8 million). The Income tax expense remained unchanged and amounted to euro 16.4 million (2021: euro 16.4 million). Altogether, this results in a Net income of euro 3.2 million, compared to euro nil million in the first half of 2022.

The Other comprehensive income / loss was comprised of unrealized gains and losses as well as reclassifications from cash flow hedges. The Company recorded mainly due to its interest rate hedging net losses after tax of euro 11.3 million in 2023 in comparison with net gains of euro 58.9 million in the previous year.

The balance sheet total decreased compared with December 31, 2022 from euro 27,204 million to euro 25,899 million. This decrease of 5% in total assets was primarily due to a decline

in funding activities for Mercedes-Benz Group companies related to their global leasing and sales-financing business. The Company's shrink of Receivables from Mercedes-Benz Group companies from euro 26,093 million to euro 25,178 million (excl. Inhouse Bank position) find its reflection in the decrease of Debt securities from euro 22,261 million to euro 21,368 million.

The Company participated as an issuer in Mercedes-Benz's euro 70 billion Euro Medium Term Note program ("EMTN"), Mercedes-Benz's euro 15 billion multi-currency Commercial Paper program ("CP") and in its Universal Registration program for debt financing instruments in the China Interbank Bond Market ("Bond Connect" NAFMII). In the six months ended June 30, 2023, the Company issued 4 bonds under its EMTN program in the total amount of euro 3.0 billion (2022: substitutions of 5 bonds in the total amount of euro 5.0 billion). In the Chinese market the Company placed one so-called Panda bonds with a total volume of CNY 1.0 billion. (2022: 2 bonds in the total amount of CNY 4.0 billion.) The outstanding volume under the euro 15 billion multi-currency Commercial Paper program ("CP") amounted to euro nil at June 30, 2023 (2022: euro nil).

The Company's equity declined compared with December 31, 2022 from euro 702 million to euro 691 million. The negative effect in equity resulted from the Other comprehensive loss of euro 14.4 million.

The cash flow released from operating activities amounting to euro 1,043 million (2022: euro -2,638 million) was mainly influenced by the decline of the Receivables from Mercedes-Benz Group companies, while the cash flow provided by financing activities of euro -1,041 million (2021: euro 2,641 million) was mainly driven by the related development of the refinancing side.

### **Risk and opportunity report**

The Company is primarily exposed to financial risks that are directly and indirectly linked to the business development of the Mercedes-Benz Group and the international financial markets.

The Company has aligned its risk and opportunity management system with the Mercedes-Benz Group to identify business risks and opportunities at an early stage and to assess, control and manage them consequently. This is integrated into the value-based management and planning system of the Mercedes-Benz Group and is an integral part of the overall planning, management and reporting process in the Company. Standardized rules and procedures are consistently applied in line with the internationally recognized COSO framework for internal control systems. The Company identified no risks which threaten the going concern status or have a materially adverse impact on its liquidity or capital resources as well as financial performance or position.

The financial management aims to minimize the impact of fluctuations in interest rates and currency rates on the earnings of the Company by matching amounts and maturities (natural hedges) or using derivative financial instruments. The hedging decisions are based on exposure assessments regularly aligned with the internal committees at group level.

The Company manages its liquidity by holding adequate volumes of cash and by applying as far as possible the matched funding principle. In accordance with internal guidelines, this ensures that financial liabilities generally have at least the same maturity profile as the financial assets, and thus reduces the Company's liquidity risk.

The Company's exposure to credit risk is mainly influenced by the Mercedes-Benz Group related default risk, as the Company solely provides loans to Mercedes-Benz Group companies which are managed based on internal limit systems and guaranteed by Mercedes-Benz Group AG. The credit risk from deposits or financial derivatives are steered based on Mercedes-Benz Group's global counterparty limits.

### **Integrity and compliance**

As part of the Mercedes-Benz organization, the Company has implemented all compliance principles, as set out in binding form in the Group's Integrity Code. This framework contains central corporate principles of behavior that Mercedes-Benz expects all of its employees and business partners to adhere to out of a sense of conviction. Mercedes-Benz's goal is to maintain a common understanding of ethical behavior in order to reduce risks and help ensure the Group's sustained success. This also means acting in accordance with laws and regulations within the daily business activities. Among other things, the guideline includes the compliance with anti-corruption regulations, data protection laws, equal treatment rules, sanctions and the prevention of money laundering.

### **Outlook**

The Company is expected to maintain its current core activities and will actively support all major changes in the treasury operation deemed necessary to ensure the sustainable efficiency and effectiveness of financing capital use within the Mercedes-Benz Group. The business development will go hand in hand with a change in number of interest rate and foreign exchange derivatives.

For the year 2023, the Financial result from the Company's operating activities is expected to evolve in line with the balance sheet development. The changes in the fair value of derivative financial instruments may have another impact on the financial performance of the Company.

This interim report may contain forward-looking statements based on current expectations of the management. Various known and unknown risks (including the effects of the Russia-Ukraine conflict on the world economy), uncertainties and other factors could lead to considerable differences between the future results, financial situation development and/or performance and the historical results presented. Undue reliance should not be placed on forward-looking statements which speak only as of the date of this report.

### **Diversity of Board members**

The Board of Management and the Supervisory Board are unbalanced since less than 30% of its members are female. The Board members have been appointed based on qualifications and availability, irrespective of gender. In order to create more balance, the Boards will take these regulations into account to the extent possible for future appointments of Board members.

INTERIM  
FINANCIAL  
STATEMENTS



Interim Report 2023 · Mercedes-Benz International Finance B.V.  
**Interim Financial Statements • Statement of Income and Statement of Comprehensive Income/Loss**  
**(unaudited)**

in euro thousand	Note	30.06.2023	30.06.2022
Interest income Mercedes-Benz Group companies		671,178	296,699
Interest income third parties		9,075	835
<b>Interest income</b>		<b>680,253</b>	<b>297,534</b>
Interest expense Mercedes-Benz Group companies		-529,830	-153,021
Interest expense third parties		-134,274	-127,588
<b>Interest expense</b>		<b>-664,104</b>	<b>-280,609</b>
<b>Interest result</b>		<b>16,149</b>	<b>16,925</b>
Other financial income and expense		4,271	334
<b>Financial result</b>		<b>20,420</b>	<b>17,259</b>
General administrative expense		-860	-843
<b>Income before taxation</b>		<b>19,560</b>	<b>16,416</b>
Income taxes		-16,389	-16,432
<b>Net income/loss</b>		<b>3,171</b>	<b>-16</b>
<b>Other comprehensive income/loss</b>			
<b>Derivative financial instruments</b>			
Derivative financial instruments (after tax)	7	-14,448	58,929
Unrealized revaluation of cash flow hedges charged directly to shareholder's equity		-14,448	58,929
<b>Total comprehensive income/loss</b>		<b>-11,277</b>	<b>58,913</b>

The Total comprehensive income is attributable to the shareholder of the Company.

Interim Report 2023 · Mercedes-Benz International Finance B.V.  
**Interim Financial Statements • Statement of Financial Position**  
**(before appropriation of result, unaudited)**

<b>Assets</b>	Note	<b>30.06.2023</b>	31.12.2022
in euro thousand			
Property, plant and equipment		321	356
Receivables from Mercedes-Benz Group companies	3	11,109,001	10,574,253
Derivative assets	10	309,940	346,516
<b>Total non-current assets</b>		<b>11,419,262</b>	10,921,125
Receivables from Mercedes-Benz Group companies	3	14,236,749	15,902,308
Derivative assets	10	230,635	375,944
Other assets		8,588	2,792
Cash and cash equivalents	4	3,816	1,638
<b>Total current assets</b>		<b>14,479,788</b>	16,282,682
<b>Total assets</b>		<b>25,899,050</b>	27,203,807
<b>Equity and liabilities</b>			
in euro thousand			
Issued capital	5	500	500
Share premium reserve	6	500,000	500,000
Cash flow hedge reserve	7	119,212	133,660
Retained earnings		67,771	63,066
Undistributed income		3,171	4,705
<b>Total equity</b>		<b>690,654</b>	701,931
Debt securities	8	15,159,380	14,750,390
Liabilities due to Mercedes-Benz Group companies	9	402,496	482,057
Derivative liabilities	10	970,130	1,083,197
Deferred tax liabilities		41,396	46,419
<b>Total non-current liabilities</b>		<b>16,573,402</b>	16,362,063
Debt securities	8	6,208,491	7,510,624
Liabilities due to Mercedes-Benz Group companies	9	2,117,484	2,274,991
Derivative liabilities	10	173,113	181,184
Interest payables and other liabilities		135,906	173,014
<b>Total current liabilities</b>		<b>8,634,994</b>	10,139,813
<b>Total equity and liabilities</b>		<b>25,899,050</b>	27,203,807

Interim Report 2023 · Mercedes-Benz International Finance B.V.  
Interim Financial Statements • Statement of Cash Flows (unaudited)

in euro thousand	Note	30.06.2023	30.06.2022
Net income/loss		3,171	-16
<b>Adjustments for non-cash items</b>			
Interest income		-680,253	-297,534
Interest expense		664,104	280,609
Other financial income and expense		-4,271	-334
Income taxes		16,389	16,432
<b>Changes in operating assets and liabilities</b>			
Additions to Receivables from Mercedes-Benz Group companies		-25,484,184	-12,688,599
Repayment of Receivables from Mercedes-Benz Group companies		26,628,226	10,050,597
Other liabilities		-3,805	1,471
Derivative foreign currency received		654,376	305,220
Derivative foreign currency paid		-665,117	-301,489
Interest received		650,854	317,282
Interest paid		-714,555	-303,461
Tax paid		-22,158	-17,899
<b>Cash used for/provided by operating activities</b>		<b>1,042,777</b>	<b>-2,637,721</b>
<b>Cash used for investing activities</b>		<b>-</b>	<b>-</b>
<b>Change in financing assets and liabilities</b>			
Additions to Debt securities		3,119,287	5,568,618
Repayment of Debt securities		-3,879,886	-2,927,581
Additions to Liabilities due to Mercedes-Benz Group companies		9,140,000	0
Repayment of Liabilities due to Mercedes-Benz Group companies		-9,420,000	0
<b>Cash provided by financing activities</b>		<b>-1,040,599</b>	<b>2,641,037</b>
<b>Net increase/decrease in Cash and cash equivalents</b>		<b>2,178</b>	<b>3,316</b>
Cash and cash equivalents at January 1		1,638	607
Cash and cash equivalents at June 30	4	3,816	3,923

Interim Report 2023 · Mercedes-Benz International Finance B.V.  
**Interim Financial Statements • Statement of Changes in Equity (unaudited)**

in euro thousand	Issued capital	Share premium reserve	Cash flow hedge reserve	Retained earnings	Undistributed income	Total equity
<b>Balance at January 1, 2022</b>	500	500,000	9,398	53,460	9,607	572,965
Net income/loss	-	-	-	-	-16	-16
Other comprehensive income/loss after tax	-	-	58,929	-	-	58,929
<b>Total comprehensive income/loss</b>	-	-	58,929	-	-16	58,913
Appropriation of results 2021	-	-	-	9,607	-9,607	-
<b>Balance at June 30, 2022</b>	500	500,000	68,327	63,067	-16	631,878

<b>Balance at January 1, 2023</b>	500	500,000	133,660	63,067	4,705	701,931
Net income/loss	-	-	-	-	3,171	3,171
Other comprehensive income/loss after tax	-	-	-14,448	-	-	-14,448
<b>Total comprehensive income/loss</b>	-	-	-14,448	-	3,171	-11,277
Appropriation of results 2022	-	-	-	4,705	-4,705	-
<b>Balance at June 30, 2023</b>	500	500,000	119,212	67,771	3,171	690,654

## **01. Significant accounting policies**

### **General information**

The unaudited Interim Financial Statements of Mercedes-Benz International Finance B.V. have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code and comply with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Mercedes-Benz International Finance B.V. is a private limited company under the laws of the Netherlands. The Company is entered in the Commercial Register of the Chamber of Commerce under No. 30078162 and its registered office is located at Ravenswade 4, Nieuwegein, The Netherlands. The issued share capital is fully owned by the parent company Mercedes-Benz Capital Investments B.V.. The Supervisory Board comprised the three members: Frank Wetter (chairman), Jürgen Vogt and Dr. Stephanie Pfeifer. The purpose of the Company is to assist the financing of business activities conducted by Mercedes-Benz Group companies and to provide financial services in connection therewith. During the first half of 2023, the Company employed 3 persons (2022: 5 persons).

The Interim Financial Statements of the Company are presented in euros. Unless otherwise stated, all amounts are reported in thousands of euros. All figures shown are rounded in accordance with standard business rounding principles.

The Board of Management authorized Interim Financial Statements for issue on August, XX 2023.

### **Basis of preparation**

The unaudited Interim Financial Statements of June 30, 2023 have been prepared in accordance with the International Accounting Standard (IAS) 34 by using, in all material aspects, the same accounting policies as those used for preparation of the Annual Report 2022. The Interim Financial Statements should be read in conjunction with the December 31, 2022 audited IFRS Financial Statements and notes which were submitted to the Luxembourg Stock Exchange on April 24, 2023. The Interim Financial Statements of June 30, 2023 have neither been audited nor reviewed. The Statements of Income for the interim periods presented are not necessarily indicative of the results that may be expected for any future period or the full fiscal year.

## **02. Accounting estimates and management judgments**

In the Interim Financial Statements, to a certain degree, estimates and management judgments have to be made which can affect the amounts and reporting of assets and liabilities, the reporting of contingent assets and liabilities on the balance sheet date, and the amounts of income and expense reported for the period. The major items affected by such estimates and management judgments are described as follows. Actual amounts may differ from the estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognized in the period, in which the estimate is revised and in future periods, on which the revision has an impact.

In the context of fair value measurement for financial instruments, estimates have to be made to determine the fair values of financial assets and liabilities, especially when no quoted prices in active markets are available. In accordance with the established Mercedes-Benz Group framework, the Company uses valuation techniques on the basis of the discounted estimated future cash flows by applying appropriate market interest rates and forward exchange rates. Interest rate derivatives are presented at their clean fair value, i.e. the respective accrued interest is presented separately (note 10).

The Company regularly estimates the creditworthiness of Mercedes-Benz Group companies related to the default risk of Mercedes-Benz Group AG, even though the Receivables from Mercedes-Benz Group companies and Debt securities are both guaranteed by Mercedes-Benz Group AG. In this context, further factors are taken into consideration, including historical loss experience, size and composition of certain portfolios as well as current and forward-looking economic conditions (note 11).

The calculation of income taxes is based on the legislation and regulations applicable in various countries. Different interpretations can occur especially in connection with the recognition and measurement of balance sheet items as well as in connection with the tax assessment of expenses and income. For the calculation of deferred tax assets, assumptions have to be made regarding future taxable income and the time of realization of the deferred tax assets. In this context, the Company takes into consideration, among other things, the projected earnings from business operations, the effects on earnings of the reversal of taxable temporary differences, and realizable tax strategies. As future business developments are uncertain and are sometimes beyond the Company's control, the assumptions to be made in connection with accounting for deferred tax assets are connected with a substantial degree of uncertainty. On each balance sheet date, the Company carries out impairment tests on deferred tax assets on the basis of the planned taxable income in future financial years; if the Company assesses that the probability of future tax advantages being partially or fully unrealized is more than 50%, the deferred tax assets are impaired.

The Company applies judgement in presenting related information together in a manner that it considers to be most relevant to an understanding of its financial performance and position.

### **03. Receivables from Mercedes-Benz Group companies**

in euro thousand	30.06.2023	31.12.2022
Non-current receivables from Mercedes-Benz Group companies	11,109,001	10,574,253
Current receivables from Mercedes-Benz Group companies	14,236,749	15,902,308
<b>Receivables from Mercedes-Benz Group companies</b>	<b>25,345,750</b>	<b>26,476,561</b>

The Receivables from Mercedes-Benz Group companies decreased by euro 1,131 million to a level of euro 25,346 million as per June 30, 2023. In the most recent reporting period, the Company continued to develop further its funding activities in Europe and globally for the Mercedes-Benz Group.

The Receivables from Mercedes-Benz Group companies consisted of 95% (2022: 95%) fixed interest rate loans. The Inhouse Bank position with Mercedes-Benz Group AG is described in note 4.

in euro thousand	<b>30.06.2023</b>	31.12.2022
Receivables from Mercedes-Benz Group companies	<b>25,177,799</b>	26,092,981
Inhouse Bank Mercedes-Benz Group AG	<b>167,951</b>	383,580
<b>Receivables from Mercedes-Benz Group companies</b>	<b>25,345,750</b>	26,476,561

#### **04. Cash and cash equivalents**

The Company participates in the Global Payment Platform from Mercedes-Benz Group AG. Therefore, the daily available intergroup cash positions are reflected in the Inhouse Bank position with Mercedes-Benz Group AG. The total balance is accounted for as Receivable from Mercedes-Benz Group companies (note 3).

#### **05. Issued capital**

The authorized share capital consists of 5,000 ordinary shares with a par value of euro 500 of which 1,000 shares have been called up and fully paid-in. The holder of ordinary shares, Mercedes-Benz Capital Investments B.V., is entitled to execute its rights under the Dutch Civil Code without any restrictions. Since January 1, 2017, there has been no changes in the number of shares outstanding.

#### **06. Share premium reserve**

The share premium reserve comprises additional paid-in capital on the issue of the shares. Since January 1, 2017, there has been no changes in this line item.

#### **07. Cash flow hedge reserve**

The Cash flow hedge reserve comprises the effective portion of the accumulated net change in the fair value of cash flow hedge instruments for hedged transactions. This Cash flow hedge reserve is released during the period that the cash flows from the hedged items are realized. The Cash flow hedge reserve is not freely distributable in accordance with the Dutch Civil Code. At June 30, 2023, the Cash flow hedge reserve charged directly to shareholder's equity add up to euro 119.2 million (2022: euro 133.7 million). The Cash flow hedge reserve is presented in the Statement of Other comprehensive income.

## 08. Debt securities

in euro thousand	30.06.2023	31.12.2022
<b>Total bonds</b>	<b>21,091,845</b>	21,979,854
Non-current bonds	15,159,380	14,469,230
Current bonds	5,932,465	7,510,624
Promissory-note loan (solely non-current)	276,026	281,160
<b>Debt securities</b>	<b>21,367,871</b>	22,261,014

The Company participated as an issuer in Mercedes-Benz's euro 70 billion Euro Medium Term Note program ("EMTN"), Mercedes-Benz's euro 15 billion multi-currency Commercial Paper program ("CP") and in its Universal Registration program for debt financing instruments in the China Interbank Bond Market ("Bond Connect" NAFMII). In the six months ended June 30, 2023, the Company issued 4 bonds under its EMTN program in the total amount of euro 3.0 billion (2022: substitutions of 5 bonds in the total amount of euro 5.0 billion). In the Chinese market the Company placed one so-called Panda bonds with a total volume of CNY 1.0 billion. (2022: 2 bonds in the total amount of CNY 4.0 billion.) The outstanding volume under the euro 15 billion multi-currency Commercial Paper program ("CP") amounted to euro nil at June 30, 2023 (2022: euro nil).

These Mercedes-Benz debt issuance programs are based on unconditional and irrevocable guarantees from Mercedes-Benz Group AG. The outstanding bonds issued by the Company are either listed on the Luxembourg Stock Exchange or the SIX Swiss Exchange or are non-listed.

## 09. Liabilities due to Mercedes-Benz Group Companies

in euro thousand	30.06.2023	31.12.2022
Non-current liabilities due to Mercedes-Benz Group companies	402,496	482,057
Current liabilities due to Mercedes-Benz Group companies	2,117,484	2,274,991
<b>Liabilities due to Mercedes-Benz Group companies</b>	<b>2,519,980</b>	2,757,048

All Liabilities due to Mercedes-Benz Group companies were based on fixed interest rates.

in euro thousand	30.06.2023	31.12.2022
Liabilities due to Mercedes-Benz Group AG	96,031	62,831
Liabilities due to Mercedes-Benz Capital Investments B.V.	1,197,086	187,992
Liabilities due to Mercedes-Benz Capital Nederland B.V.	1,197,697	2,476,887
Liabilities due to Mercedes-Benz Argentina S.A.U.	28,866	29,003
Liabilities due to Mercedes-Benz Nederland B.V.	300	335
<b>Liabilities due to Mercedes-Benz Group companies</b>	<b>2,519,980</b>	2,757,048



## 10. Financial instruments

### Carrying amounts and fair values of financial instruments

The following table shows the carrying amounts and fair values of the respective classes of the Company's financial instruments in accordance with IFRS 9:

Assets	Carrying amount		Fair value	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
in euro thousand				
Derivative assets				
Fair value hedges	291,182	264,828	291,182	264,828
Cash flow hedges	230,005	232,648	230,005	232,648
Other derivative assets	19,388	224,984	19,388	224,984
Receivables from Mercedes-Benz Group Companies	25,345,750	26,476,561	24,418,711	26,379,956
Cash and cash equivalents	3,816	1,638	3,816	1,638
<b>Total financial assets</b>	<b>25,890,141</b>	<b>27,200,659</b>	<b>24,963,102</b>	<b>27,104,054</b>
<b>Liabilities</b>				
in euro thousand				
Derivative liabilities				
Fair value hedges	1,122,340	1,232,521	1,122,340	1,232,521
Cash flow hedges	2,631	6,655	2,631	6,655
Other derivative liabilities	18,272	25,205	18,272	25,205
Debt securities	21,367,871	22,261,014	21,546,206	22,409,150
Liabilities due to Mercedes-Benz Group Companies	2,519,980	2,757,048	2,514,070	2,755,317
Interest payables and other liabilities	135,906	173,014	135,906	173,014
<b>Total financial liabilities</b>	<b>25,167,000</b>	<b>26,455,457</b>	<b>25,339,425</b>	<b>26,601,862</b>

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Given the varying influencing factors, the reported fair values can only be viewed as indicators of the prices that may actually be achieved on the market. The fair values of financial instruments were calculated on the basis of market information available on the balance sheet date. Interest rate derivatives are presented at their clean fair value, i.e. the respective accrued interest is presented separately.

The fair values in the financial asset and liability categories approximate their carrying values, except for Mercedes-Benz Group receivables with fixed interest rates and non-current debt securities. The fair values of Mercedes-Benz Group receivables with fixed interest rates are determined on the basis of discounted expected future cash flows. The discounting is based on the current interest rates at which similar loans with identical terms could be obtained at period-end. Non-current debt securities measured at fair value were measured using quoted market prices at period-end. If quoted market prices were not available, the fair value is measured based on inputs that are either directly or indirectly observable in active markets.

Financial instruments measured at fair value through profit or loss include derivative financial instruments not used in designated hedge relationship. These financial instruments as well as derivative financial instruments used in designated hedge relationship comprise:

- derivative currency hedging contracts; the fair values of cross currency interest rate swaps

are determined on the basis of the discounted estimated future cash flows using market interest rates appropriate to the remaining terms of the financial instruments.

- derivative interest rate hedging contracts; the fair values of interest rate swaps are calculated on the basis of the discounted estimated future cash flows using the market interest rates appropriate to the remaining terms of the financial instruments.

## Measurement hierarchy

The following table provides an overview of the classification into measurement hierarchies for the fair values of the financial assets and liabilities in accordance with IFRS 13:

Assets in euro thousand	30.06.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative assets						
Fair value hedges	-	291,182	-	-	264,828	-
Cash flow hedges	-	230,005	-	-	232,648	-
Other derivative assets	-	19,388	-	-	224,984	-
Receivables Mercedes-Benz Group companies	-	24,418,711	-	-	26,379,956	-
Cash and cash equivalents	-	3,816	-	-	1,638	-

Liabilities in euro thousand	30.06.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative liabilities						
Fair value hedges	-	1,122,340	-	-	1,232,521	-
Cash flow hedges	-	2,631	-	-	6,655	-
Other derivative liabilities	-	18,272	-	-	25,205	-
Debt securities	16,763,934	4,782,272	-	14,630,587	7,778,563	-
Liabilities Mercedes-Benz Group companies	-	2,514,070	-	-	2,755,317	-
Interest payables and other liabilities	-	135,906	-	-	173,014	-

Level 1 inputs are based on quoted prices (unadjusted) in active markets for these or identical assets or liabilities.

Level 2 inputs are based on inputs that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 inputs are based on inputs for which no observable market data is available.

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

## Measurement categories

The carrying amounts of financial instruments according to measurement categories are shown in the table below. The table does not include the carrying amounts of derivative financial instruments used in hedge accounting as these financial instruments are not assigned to a measurement category.

Interim Report 2023 · Mercedes-Benz International Finance B.V.  
**Notes to the Interim Financial Statements (unaudited)**

<b>Assets</b>	<b>30.06.2023</b>	31.12.2022
in euro thousand		
Receivables from Mercedes-Benz Group companies	<b>25,345,750</b>	26,476,561
Cash and cash equivalents	<b>3,816</b>	1,638
<b>Total financial assets measured at amortized cost</b>	<b>25,349,566</b>	26,478,199
<hr/>		
<b>Liabilities</b>	<b>30.06.2023</b>	31.12.2022
in euro thousand		
Debt securities	<b>21,367,871</b>	22,261,014
Liabilities due to Mercedes-Benz Group companies	<b>2,519,980</b>	2,757,048
Interest payables and other liabilities	<b>135,906</b>	173,014
<b>Total financial liabilities measured at amortized cost</b>	<b>24,023,757</b>	25,191,076

## 11. Management of risks

The exposure of the Company can be broken down into financial and non-financial risks.

### Risk management framework

During the normal course of its business, the Company is exposed to, especially market risks, interest rate and currency, as well as credit, liquidity and other operational risks. To mitigate the main market risks, derivative financial instruments are used. The Company does not trade speculatively in these derivative financial instruments. The standardized rules and procedures adopted by the Company to cover banking, foreign exchange and other treasury matters are in line with objectives and policies for financial risk management within the Mercedes-Benz Group.

### Solvency

Given its objectives and strategy, the Company is economically interrelated with its ultimate parent company, Mercedes-Benz Group AG, Germany. In assessing the general risk profile of the Company, the solvency of the Mercedes-Benz Group as a whole, headed by Mercedes-Benz Group AG, needs to be considered.

### Credit risk

Credit risk is the risk of economic loss arising from counterparty's failure to repay or service debt in accordance with the contractual terms. Credit risk encompasses both the direct risk of default and the risk of a deterioration of creditworthiness. The credit risk is regularly monitored and consequently managed based on the defined standards, guidelines and procedures. The Mercedes-Benz Group has established appropriate credit risk and counterparty limit systems which are continuously reassessed together with their respective utilizations.

The Company provides financing within the Mercedes-Benz Group and concludes derivative financial instruments for hedging risks almost exclusively with Mercedes-Benz Group AG.

The Receivables from Mercedes-Benz Group companies are guaranteed by Mercedes-Benz

Group AG. The Company receives from Mercedes-Benz Group AG the then outstanding amount of such financing minus 1% retention which in any case not exceeds the overall maximum threshold of euro 50 million. As a result, the credit risk of intergroup financial receivables is effectively mitigated to the default risk of Mercedes-Benz Group AG. The Receivables from Mercedes-Benz Group companies are attributed to stage 1 in accordance with IFRS 9 (note 3).

### **Liquidity risk**

Liquidity risk comprises the risk that a company cannot meet its financial obligations as they fall due. The Company manages its liquidity by holding adequate volumes of intergroup cash (note 3) and by applying as far as possible the matched funding principle. In accordance with internal guidelines, this principle ensures that financial obligations generally have the same maturity profile as the financial assets, and thus mitigates the Company's liquidity risk.

Mercedes-Benz Group AG unconditionally and irrevocably guarantees all debt securities.

### **Market risk**

The Company is mainly exposed to market risks which comprises interest rate and currency risks. The Company manages market risks to minimize the impact of fluctuations in interest rates and foreign exchange rates on the results. The exposure to these market risks are regularly calculated to provide the basis for hedging decisions which include the selection of hedging instruments and the determination of hedging volumes and the corresponding periods.

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 are being developed on a national level in the context of the respective legal systems and currencies; they can therefore vary with regard to their structure, methodology and period of publication.

Despite market uncertainty, the existing benchmark interest rates are still applied as reference rates in financial markets and have an impact on the valuation of financial transactions. This also applies for financial instruments in hedging relationships with a maturity beyond June 30, 2023. With EURIBOR as well as GBP, CHF, JPY and USD LIBOR reform already implemented, all necessary contractual adjustments of financial instruments with a corresponding interest rate risk reference were made before June 30, 2023. Therefore, no material amounts of interest rate risk hedging relationships are currently affected by the benchmark reform.

The Company expects possible future conversions of reference rates of hedging instruments and their underlying transactions to be identical and without material delay. The Company continues to consider the economic relationship and thus the continuation of hedge accounting to be still existing as of June 30, 2023.

The effect of the application of the new interest rates on the Financial Statements is being reviewed on an ongoing basis. In order to conduct financial transactions based on the new indices, Mercedes-Benz Group is preparing its IT-systems accordingly. Uncertainty still exists about future market standards with interest conventions for individual financial products (cash products and also interest derivatives) that reference the new risk-free rates.

As part of its risk management system, the Mercedes-Benz Group employs value at risk analyses. In performing these analyses, the Company quantifies its market risk due to changes in interest rates and foreign currency exchange rates 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.

Mercedes-Benz Group calculates the value at risk based on the variance-covariance approach.

*Hedge accounting.* When designating derivative financial instruments, a hedge ratio of 1 is generally applied. The respective volumes, interest curves and currencies of the hedged item and the hedging instrument as well as maturity dates are matched. In the case of combined derivative financial instruments for interest currency hedges, the cross currency basis spread is not designated into the hedge relationship, but deferred as a hedging cost in Other Comprehensive Income and recognized in profit and loss pro rata over the hedge term. The Company ensures an economic relationship between the underlying transaction and the hedging instrument by ensuring consistency of interest rate, currency, volume and maturity. The effectiveness of the hedge is assessed at the beginning and during the economic relationship using the hypothetical derivative method.

### **Interest rate risk**

The Company's general policy is to mitigate interest rate risk by matching funding in terms of maturities and interest rates wherever economically feasible. Potential interest rate gaps are managed in manner that the portfolio is immunized to a considerable degree against interest rate changes. The Company assesses its interest rate risk position by comparing assets and liabilities for corresponding maturities, including the impact of the relevant derivative financial instruments. An asset and liability committee within the Mercedes-Benz Group sets targets for the interest rate risk position which are monitored on a monthly basis. In order to achieve the targeted interest rate risk positions in terms of maturities and interest rate fixing periods, the Company also uses derivative financial instruments such as interest rate swaps.

### **Currency risk**

The objective of the Company is to eliminate currency risk. Therefore, the Company enters into foreign exchange contracts to hedge currency risks as far as cash flows and earnings are not lent on in the same currency (natural hedge). As a result, the Company incurred only limited foreign currency risk from its ordinary debt issuances and intergroup financing activities.

### **Operating and Compliance risks**

The non-financial risks consist of operating risks mainly resulting from the usage of information technology, and compliance risks. The Company uses IT systems to monitor financial positions and daily cash flows, and to process payments to internal and external counterparties. System failures can, therefore, lead to delays in payment processes. Further operating risks can arise in connection with the settlement of financial transactions. The management of daily cash flows at the Company depends on the timely receipt of funds from external institutions who act as

counterparties to financial transactions. To avoid negative impacts of system failures, all key systems are set up in parallel or backup facilities are available within the Mercedes-Benz Group.

## **12. Capital management**

The Company's objectives when managing capital at an individual company level are to safeguard its ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Company may issue new shares or adjust the amount of dividends paid to shareholder to steer the capital structure. The Company has no prescribed dividend policy.

The Company's equity, as shown in the Statement of Financial Position, constitutes its capital. The Company maintains its level of capital by reference to its financial obligations and commitments arising from operations requirements. In view of the Company's borrowings or debt, the capital level as at the end of the reporting periods is deemed adequate by the Board of Management. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the relevant period.

## **13. Related party disclosures**

An exchange of internal cooperation between affiliates of a multinational corporation as the Mercedes-Benz Group is common practice.

### **Identity of related parties**

In its responsibility to assist the financing of business activities conducted by companies of the Mercedes-Benz Group, Mercedes-Benz International Finance B.V. applies transfer prices for financial instruments in conformity with external market levels and in accordance with national and international tax requirements (such as arm's length principle, principle of economic allegiance, separate entity approach, Art 9 OECD-MA Rz 126).

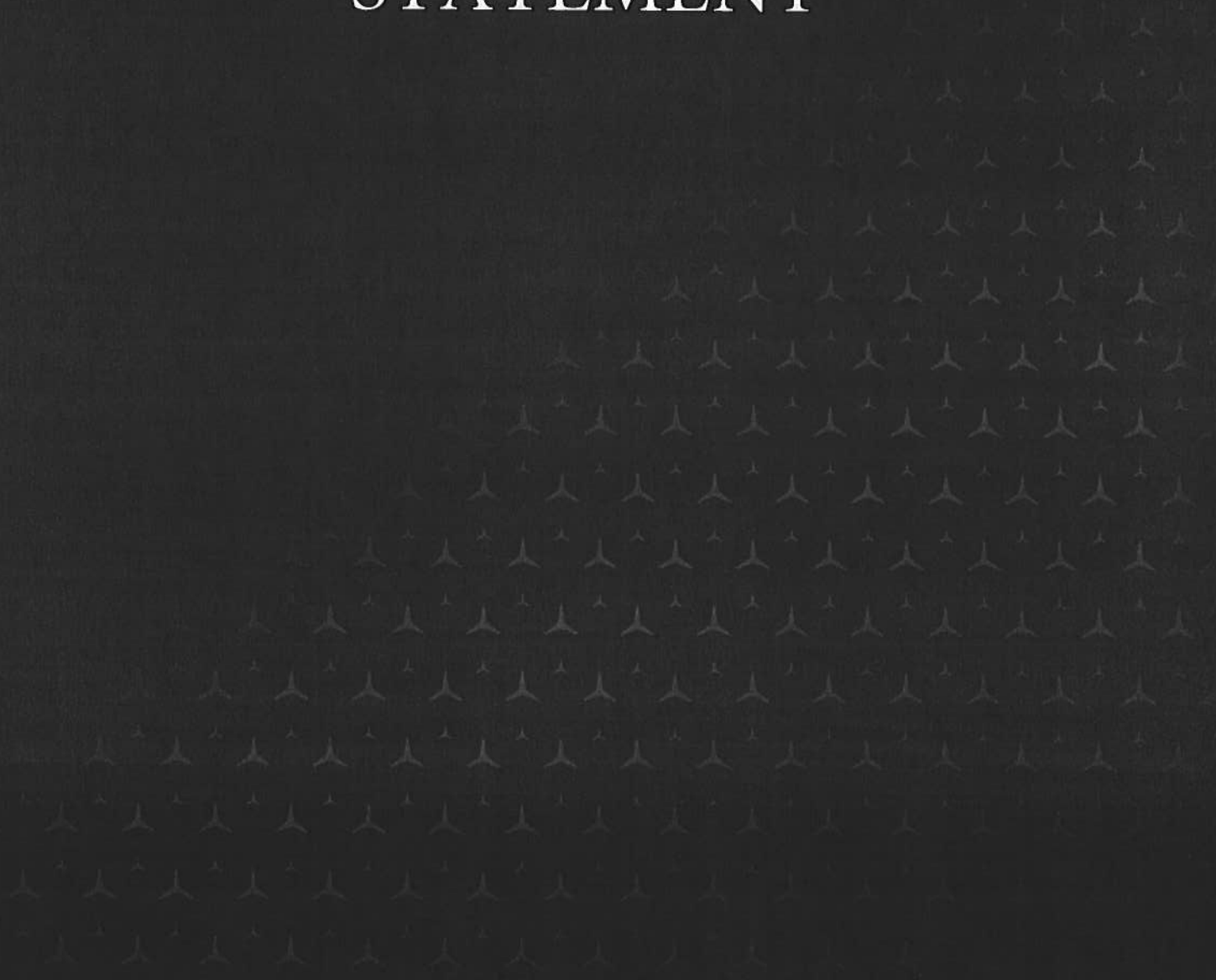
### **Key personnel**

Mercedes-Benz International Finance B.V. has two directors in the Board of Management who receive compensation from Mercedes-Benz International Finance B.V. The Company does not have other key personnel than the Board of Management and the Supervisory Board.

### **Transactions with Mercedes-Benz Group companies**

Mercedes-Benz International Finance B.V. obtains funds mainly from the capital markets, and affiliated companies by entering into loan agreements. The debt issuances under the EMTN, the Chinese Private and Public Placement and the CP programs are unconditionally and irrevocably guaranteed by Mercedes-Benz Group AG for which the Company pays a guarantee fee to its parent company. These funds represent currently 89% of the borrowed funds (2022: 89%). The Company also obtained funds from affiliated companies in the amount of euro 2.4 billion (2022: euro 2.7 billion). Together with the Company's equity, all of these funds are made available to Mercedes-Benz Group companies.

# RESPONSIBILITY STATEMENT



To the best of our knowledge, and in accordance with Part 9 of Book 2 of the Dutch Civil Code and the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), the Interim Financial Statements give a true and fair view of the financial position, cash flows and profit or loss of Mercedes-Benz International Finance B.V., and the Company's Interim Management Report includes a fair review of the development and performance of the business and the position of Mercedes-Benz International Finance B.V., together with a description of the principal risks and opportunities associated with the expected development of the Company.

Nieuwegein, August 09, 2023

Mercedes-Benz International Finance B.V.  
The Board of Management

Maarten van Pelt

Volker Lach



