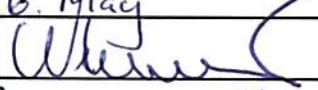


Mercedes-Benz Danmark A/S

CVR no. 14 81 51 98

Annual report 2021

The annual report was presented and approved at the
Company's annual general meeting on
on 16. May 20 22

Chairman 25/5/22

CVR No. 14 81 51 98
Digevej 114
DK-2300 Copenhagen

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Statement by the Executive and Supervisory Boards

The Executive and Supervisory Boards have today discussed and approved the annual report of Mercedes-Benz Denmark A/S for the financial year 1 January – 31 December 2021.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2021 and of the result of the Company's operations for the financial year 1 January – 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 3 May 2022

Executive Board:



Niels Kowollik
CEO



Florian Manhart



Felix Braun



Martin Lindell

Supervisory Board:

Andreas
Kleinkauf

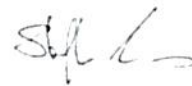
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Andreas Kleinkauf
Chairman

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Christian Struwe



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Steffen Lucas

Independent auditor's report

To the shareholders of Mercedes-Benz Danmark A/S

Opinion

We have audited the financial statements of Mercedes-Benz Danmark A/S for the financial year 1 January – 31 December 2021 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, 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 opinion. 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.

Independent auditor's report

- obtain an understanding of internal control relevant to the audit 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 the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. 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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 3 May 2022

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98



Kenn W. Hansen
State Authorised Public Accountant
mne30154

Management's review

Company details

Mercedes-Benz Danmark A/S
Digevej 114
2300 København S
Denmark

Telephone: +45 33 78 56 56
Fax: +45 33 78 54 65
Home page: www.mercedes-benz.dk

Registration no. 14 81 51 98
Established: 1990
Registered office: Copenhagen
Financial year: 1 January – 31 December

Supervisory Board

Andreas Kleinkauf, Chairman
Steffen Lucas
Christian Struwe

Executive Board

Niels Kowollik, CEO
Florian Manhart
Felix Braun
Martin Lindell

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 Copenhagen
Denmark

Management's review

Financial highlights for the Company

DKK'000	2021	2020	2019	2018	2017
---------	------	------	------	------	------

Key figures

Revenue	5,230,303	4,563,139	4,868,921	4,669,065	3,928,137
Gross profit	256,151	293,094	432,612	308,101	170,627
Ordinary operating profit	146,925	180,709	303,350	179,662	46,479
Result from interest and expense and similar items	956	-6,647	1,422,983	195,091	254,500
Profit for the year	86,640	135,069	1,661,204	336,652	292,572

Fixed assets	733,769	776,644	778,821	935,569	1,024,771
Current assets	2,155,523	1,818,491	3,273,365	1,669,331	1,362,762
Total assets	2,889,292	2,595,135	4,049,186	2,604,900	2,387,533
Share capital	70,000	70,000	70,000	70,000	70,000
Equity	1,494,562	1,542,991	3,069,126	1,657,922	1,591,270
Provisions	110,010	35,977	27,777	6,616	3,944
Liabilities other than provisions	1,284,720	1,016,167	952,283	940,362	792,319

Investment in property, plant and equipment	0	1,092	0	418	0
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Financial ratios

Gross margin ratio (%)	4,9	6,4	8,9	6,6	4,3
Operating margin ratio (%)	2,8	4,0	6,2	3,8	1,2
Current ratio (%)	167,8	179,0	343,7	177,5	172,0
Solvency ratio (%)	51,7	59,5	75,8	63,6	66,6
Return on equity (%)	5,7	5,9	70,3	20,7	18,2

Average number of full-time employees	51	51	50	49	48
---------------------------------------	----	----	----	----	----

The financial ratios have been calculated as follows:

Gross margin ratio

$$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

Operating margin ratio

$$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$$

Current ratio

$$\frac{\text{Current assets} \times 100}{\text{Short-term debt}}$$

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

Return on equity

$$\frac{\text{Profit after tax} \times 100}{\text{Average equity}}$$

Management's review

Operating review

Principal activities

Mercedes-Benz Danmark A/S is a 100% owned subsidiary of Mercedes-Benz Group AG.

Mercedes-Benz Danmark A/S is an import and wholesale company of passenger cars, vans, trucks as well as spare parts in Denmark.

The subsidiaries are retailing as well as supporting services of cars, vans, and trucks and selling spare parts.

The activities of Mercedes-Benz Danmark A/S take place under the trademarks Mercedes-Benz, Smart, Maybach, Mercedes EQ and AMG.

Development in activities and financial matters

The income statement for Mercedes-Benz Danmark A/S for 2021 shows a profit after taxes of DKK 86,640 thousand against a profit after taxes of DKK 135,069 thousand last year.

The balance sheet at 31 December 2021 shows an equity of DKK 1,494,562 thousand (31 December 2020: DKK 1,542,991 thousand).

During the year, the Danish Motor Vehicle Agency initiated an inquiry for car registrations between 2015 and 2017. The Company has made an initial risk provision as the results of the inquiry are still ongoing. The total effect for the initial provision has affected the result with a cost of DKK 79.1 million. Further, the result are affected by an loss from investments in group entities of DKK 51.6 million.

Management considers the Company's financial performance in the year for satisfactory.

Outlook

During 2021, the automotive industry was heavily impacted by production limitations and shortage of components, such as semiconductors. In general, this lead to longer lead times from factory to customer for most model types. Furthermore, the restrictions due to the Covid-19 pandemic had a large impact on the whole society during the main part of the year. For Mercedes-Benz Danmark A/S, the production constraints limited the number of delivered vehicles in 2021. For Mercedes-Benz passenger cars, the number of delivered vehicles in 2021 was at the same level as in 2020. On the other hand, the order intake increased by 11%. The high order backlog per 31 December will contribute to increase the number of vehicle deliveries in 2022. In combination with a very competitive product portfolio, an increasing share of highly demanded electric vehicles and plug-in hybrids, enhanced production availability, and lifted Covid-19 restrictions, the Outlook for 2022 is relatively promising. The Company expects revenues in 2022 in the range of DKK 5,700 – 6,200 mio coming from organic growth. Higher purchase prices will limit the overall profits before tax, which are expected to be in a range in a range of DKK 80 – 120 mio.

Management's review

Operating review

Risks

Credit risks

The Company's customers mainly consist of the Danish Mercedes-Benz dealers, where there is no credit risk outside normal course of business.

Financial risks

The Company is not exposed to any significant financial risks. Mercedes-Benz Group AG is involved in proactive work to ensure economic development in the Group.

Intellectual capital

The Company focuses on developing the employees to ensure that the skills and know-how within the Company meet the market's requirements. On a regular basis, trainings are offered either at the internal Mercedes-Benz Global Training center in Malmö, as digital online trainings, or physical trainings off-site. The Company retains its employees by offering development opportunities and a good work environment that attracts people in a market with high competition.

Corporate responsibility

As a wholly-owned subsidiary of Mercedes-Benz Group AG, the Company is included in Group's Sustainability Report for 2021, which covers areas such as climate and environment, social and employee conditions, human rights and business ethics. Therefore, the Company does not present it in the Annual Report, cf. the Danish Financial Statements Act §99a, section 6. The 2021 Sustainability Report of Mercedes-Benz Group AG can be found on the link: <https://group.mercedes-benz.com/sustainability>

Management's review

Operating review

Diversity policy

The Company applies equal opportunity treatment, according to the equal opportunities policy of the parent company Mercedes-Benz Group AG, which aims to provide both gender - when possible - to be represented in all departments, committees, groups and management.

There were no female board members employed in the Company at 31 December 2021. The goal is that each gender will be represented. When making changes in the board, a careful consideration over competences of the candidates is conducted, however changes have ended up with a male majority, which primarily is the result of the industry conditions related to gender diversity. The Company has a goal is to hire one female board member by the end of 2025.

Mercedes-Benz Group's global goal is that the management level should be represented by at least 20% females. As of 31 December 2021, 33% (31 December 2020: 30%) of the executive and functional managers in Mercedes-Benz Danmark A/S were women. The Company is determined to contribute to the society by further increasing the rate of female managers by providing opportunities and individual development plans. In the internal guideline on diversity, it is stated that all employees must feel job satisfaction, commitment and security and have the same rights, obligations and opportunities regardless of gender, gender identity or gender expression, age, sexual orientation, disability, ethnicity, religion or other belief. The work on gender equality and diversity is conducted in a determined way, in collaboration with employees and trade unions. All employees, regardless of position, have a great opportunity to accept each others differences and to respect the dignity to which everyone is entitled in their workplace. The expectation is that the share of females in the Company will remain similar as today.

Data ethics

As a wholly-owned subsidiary of Mercedes-Benz Group AG, the Company is included in Group's Sustainability Report for 2021, which covers areas such as climate and environment, social and employee conditions, human rights and business ethics. Therefore, the Company does not present it in the Annual Report, cf. the Danish Financial Statements Act §99d, section 6. The 2021 Sustainability Report of Mercedes-Benz Group AG can be found on the link: <https://group.mercedes-benz.com/sustainability/data/>

Management's review

Operating review

Environment and working environment policies

Environment

The Company's own operations as a distributor in Denmark is not considered to have a significant impact on the environment. However, measures are taken wherever possible within the daily operations to reduce any environmental impact.

Furthermore, Mercedes-Benz Group AG is continuously working on limiting the environmental impact in development and production.

Working environment

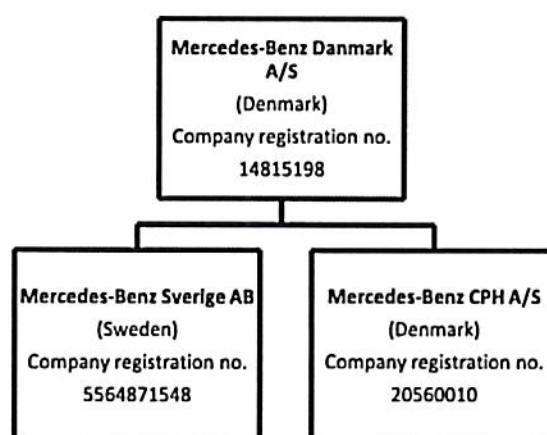
The Company works actively and systematically on the working environmental effects of the daily operations with due consideration to the Company's purpose, activities and available resources.

The individual employee plays an important part in minimising the total environmental effects of the Company's operations.

Committed employees is a cornerstone to success. The commitment of the employees are measured regularly to create the foundation for a good working environment with highly motivated employees.

Moreover, the Group is responsible for its own environmental effects, focusing on reducing the environmental impact of the products. A comprehensive program of sustainable development is a key success factor in the Mercedes-Benz Group.

Group chart



Mercedes-Benz Danmark A/S is owned by Mercedes-Benz Group AG. Both subsidiaries Mercedes-Benz Sverige AB and Mercedes-Benz CPH A/S are wholly-owned subsidiaries of Mercedes-Benz Danmark A/S. The companies included in the group chart are consolidated into the Group Financial Statements of Mercedes-Benz Group AG.

Financial statements for the year ended 31 December

Income statement

DKK'000	Note	2021	2020
Revenue	1	5,230,303	4,563,139
Cost of goods sold	2, 8	-4,974,152	-4,270,045
Gross profit		256,151	293,094
Distribution costs	2, 8	-63,185	-70,102
Administrative expenses	2, 8	-46,041	-42,283
Ordinary operating profit		146,925	180,709
Other operating income		0	110
Other operating cost		-2,975	0
Operating profit		143,950	180,819
Income from investments in group entities	3	25,947	0
Impairment loss from investments in group entities		-51,573	0
Interest income and similar items	4	2,763	331
Interest expense and similar items	5	-1,807	-6,978
Profit before tax		119,280	174,172
Tax on profit for the year	6	-32,640	-39,103
Profit for the year	7	86,640	135,069

Financial statements for the year ended 31 December

Balance sheet

DKK'000	Note	2021	2020
ASSETS			
Fixed assets			
Property, plant and equipment	8		
Fixtures and fittings, tools and equipment		798	1,100
		<u>798</u>	<u>1,100</u>
Investments			
Investments in subsidiaries	9	732,971	775,544
		<u>732,971</u>	<u>775,544</u>
Total fixed assets		<u>733,769</u>	<u>776,644</u>
Current assets			
Inventories			
Finished goods and goods for resale		205,534	249,767
Receivables			
Trade receivables		74,817	55,225
Amounts owed by group enterprises		1,775,438	1,382,323
Other receivables		32,270	47,003
Deferred tax asset	10	23,860	5,959
Prepayments	11	9,140	13,593
		<u>1,915,525</u>	<u>1,504,103</u>
Cash at bank and in hand		<u>34,464</u>	<u>64,621</u>
Total current assets		<u>2,155,523</u>	<u>1,818,491</u>
TOTAL ASSETS		<u>2,889,292</u>	<u>2,595,135</u>

Financial statements for the year ended 31 December

Balance sheet

DKK'000	Note	2021	2020
EQUITY AND LIABILITIES			
Equity			
Share capital	12	70,000	70,000
Retained earnings		1,337,922	1,337,922
Dividend proposed		86,640	135,069
Total equity		1,494,562	1,542,991
Provisions			
Other provisions	13	110,010	35,977
Total provisions		110,010	35,977
Liabilities other than provisions			
Short-term liabilities other than provisions			
Trade payables		47,025	20,585
Payables to group enterprises		413,608	183,509
Corporation tax		49,372	38,193
Deferred income		187,690	165,446
Other payables		587,025	608,434
		1,284,720	1,016,167
Total liabilities other than provisions		1,284,720	1,016,167
TOTAL EQUITY AND LIABILITIES		2,889,292	2,595,135
Contingent liabilities and securities			
Related parties	14		
Events after the balance sheet date	15		
Accounting policies	16		
	17		

Financial statements for the year ended 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Dividend proposed	Total
Equity at 1 January 2020	70,000	1,337,922	1,661,204	3,069,126
Paid dividend	0	0	-1,661,204	-1,661,204
Profit for the year	0	0	135,069	135,069
Equity at 1 January 2021	70,000	1,337,922	135,069	1,542,991
Paid dividend	0	0	-135,069	-135,069
Profit for the year	0	0	86,640	86,640
Equity at 31 December 2021	<u>70,000</u>	<u>1,337,922</u>	<u>86,640</u>	<u>1,494,562</u>

Financial statements for the year ended 31 December

Notes

1 Revenue

The specification of revenue on activities and geographical markets have been left out for competitive reasons pursuant to section 96 (1) of the Danish Financial Statement Act.

2 Staff costs

DKK'000

	2021	2020
Wages and salaries	38,306	34,589
Pensions	3,188	3,362
Other social security costs	0	0
	<u>41,494</u>	<u>37,951</u>

Staff cost are recognised as follows in the financial statements:

Cost of goods sold	17,635	16,129
Distribution cost	13,651	12,486
Administrative expenses	10,207	9,336
	<u>41,494</u>	<u>37,951</u>

Average number of employees

51	51
----	----

Remuneration to the Executive Board is invoiced to Mercedes-Benz Danmark A/S, based on estimated time spent for the Company, as management fee and amounts to DKK 3,581 thousand (2020: DKK 3,821 thousand) which is included in administrative costs.

Incentive and bonus schemes

The Company has set up an incentive scheme applying to the Executive Board and management employees with the option to subscribe for new shares. Per 31 December 2021, divisional Managing Directors, CFO and CEO, are included in incentive scheme with the term of stock program over three years.

A bonus scheme for the Executive Management is established. The bonus scheme is based on global company performance.

Financial statements for the year ended 31 December

Notes

3	Income from investments in group entities		
	DKK'000	2021	2020
	Dividend	25,947	0
		<u>25,947</u>	<u>0</u>
4	Interest income and similar items		
	Interest income from group entities	15	331
	Foreign exchange gains	2,748	0
		<u>2,763</u>	<u>331</u>
5	Interest expense and similar items		
	Interest expense to group enterprises	1,253	1,017
	Foreign exchange losses	0	3,854
	Other interest expense and similar items	554	2,107
		<u>1,807</u>	<u>6,978</u>
6	Tax on profit for the year		
	Current tax for the year	49,372	38,193
	Adjustment of deferred tax	-17,901	-3,456
	Adjustment of tax regarding previous years	1,169	4,366
		<u>32,640</u>	<u>39,103</u>
7	Proposed profit appropriation		
	Dividend proposal	86,640	135,069
		<u>86,640</u>	<u>135,069</u>

Financial statements for the year ended 31 December

Notes

8 Property, plant and equipment

DKK'000	Fixtures and fittings, tools and equipment and IT
Cost at 1 January 2021	2,195
Cost at 31 December 2021	2,195
Depreciation at 1 January 2021	-1,095
Depreciation for the year	-302
Depreciation at 31 December 2021	-1,397
Carrying amount at 31 December 2021	798
Depreciated over (years)	3-5

Total depreciation on property, plant and equipment are included in the following items in the income statements:

DKK'000	2021	2020
Cost of goods sold	10	9
Distribution costs	13	12
Administration expenses	279	248
	302	269

Financial statements for the year ended 31 December

Notes

9 Investments in subsidiaries DKK'000

	2021	2020
Cost at 1 January	775,544	775,544
Investments for the year	9,000	0
Cost at 31 December	784,544	775,544
Impairment loss at 1 January	0	0
Impairment loss for the year	-51,573	0
Impairment loss at 31 December	-51,573	0
Carrying amount at 31 December	732,971	775,544

Name	Registered office	Ownership share	Equity	Profit/loss for the year
Mercedes-Benz CPH A/S	Horsholm	100%	37,760	10,083
Mercedes Benz Sverige AB	Malmo	100%	901,184	114,693

The company has calculated the recoverable amount for the subsidiaries and compared these to the carrying amount of these. The recoverable amount derived in connection with the impairment test is calculated on the basis of expected free net cash flow for the years 2022 – 2025 added the value in the terminal period.

The impairment test is based on growth rate of approximately 3% with an Weighted Average Cost of Capital (WACC) of 8%, which is considered as the average within the business areas in which the subsidiaries operate.

Based on the above assumptions the impairment test indicates impairment of financial fixed assets totaling to DKK 51.6 Million on the subsidiary Mercedes-Benz CPH A/S. No impairment indications are identified on Mercedes-Benz Sverige AB.

The impairment test is based on various assumptions and the valuation of subsidiaries are therefore associated with uncertainties.

Financial statements for the year ended 31 December

Notes

10 Deferred tax asset

DKK'000	2021	2020
Deferred tax at 1 January	5,959	2,504
Deferred tax adjustment for the year in the income statement	17,901	3,455
	<u>23,860</u>	<u>5,959</u>

Deferred tax asset relates to:

Fixtures and fittings, tools and equipment	62	75
Trade receivables	1	3
Provisions	18,806	0
Other payables	4,991	5,881
	<u>23,860</u>	<u>5,959</u>

11 Prepayments

Prepayments consist of prepaid rent, insurance, etc.

12 Share capital

DKK'000	2021	2020
The share capital consists of:		
1 share of DKK 300 thousand	300	300
1 share of DKK 69,700 thousand	69,700	69,700
	<u>70,000</u>	<u>70,000</u>

No changes have occurred in share capital for the past 5 years.

13 Other provisions

Other provisions comprise anticipated costs of buy-back commitments. Based on previous experience in respect of the level of buy-backs, provisions have been recognised for expected buy-back commitments.

The Danish Motor Vehicle Agency has made an initial inquiry for car registrations between 2015 and 2017. The provision are an expression of the best estimate of Management, but by nature it is associated with some degree of uncertainty.

Other provisions	110,010	35,977
	<u>110,010</u>	<u>35,977</u>

Financial statements for the year ended 31 December

Notes

14 Contingent liabilities and security

The Company is jointly liable with the other jointly taxed Danish companies for the tax on the joint taxation income until and including the income year 2021.

On behalf of the distributors the Company has provided securities towards the Danish group company Mercedes-Benz Finans Danmark A/S.

As part of a stock-finance agreement, the Company transferred receivables in respect of sale of vehicles to dealers to the group company, Mercedes-Benz Finans Danmark A/S. The Company is partly liable for any loss on the transferred receivables. Financing is secured on the vehicles.

Operational leasing

The Company has signed an operational leasing contract with an average yearly leasing cost at DKK 2,211 thousand (2020: DKK 2,211 thousand). The leasing contract has a duration of 35 months with a total value of DKK 6,448 thousand (2020: 48 months with a total value of DKK 8,843 thousand).

15 Related parties

Mercedes-Benz Danmark A/S related parties comprise the following:

- Own subsidiaries, see group chart
- Other companies in the Mercedes-Benz Group AG group, with headquarters in Stuttgart, Germany.

Parties exercising control

Mercedes-Benz Group AG, Stuttgart, owns the entire share capital of the Company.

The consolidated financial statements of Mercedes-Benz Group AG can be obtained at the website www.group.mercedes-benz.com.

Other related parties

Related parties exercising significant influence comprise the Company's Executive and Supervisory Boards, executive employees and their family members. Further, related parties comprise companies in which the above persons have substantial interests.

Financial statements for the year ended 31 December

Notes

16 Related parties (continued)

Related party transactions

DKK'000	2021	2020
Sale of goods to group enterprises	1,007,510	928,333
Purchase of goods from group enterprises	-4,514,471	-3,911,337
	<u>-3,506,961</u>	<u>-2,983,004</u>

Payables to group companies and amounts owed by group entities are disclosed in the balance sheet, and interest income from and interest expenses to group companies is disclosed in note 4 and note 5. Further income from investments in group entities is disclosed in note 3.

16 Events after the balance sheet date

No significant events have occurred subsequent to the balance sheet date.

17 Accounting policies

The annual report of Mercedes-Benz Danmark A/S for 2021 has been prepared in accordance with the provisions applying to large class C entities under the Danish Financial Statements Act.

The accounting policies applied are unchanged from last year.

Omission of cash flow statements

Pursuant to section 86 (4) of the Danish Financial Statements Act, a cash flow statement has not been prepared as the Company's cash flows are included in the cash flow statement of Mercedes-Benz Group AG, Stuttgart, Germany.

Omission of consolidated financial statements

Pursuant to section 112 of the Danish Financial Statements Act, consolidated financial statements have not been prepared for Mercedes-Benz Danmark A/S, as the figures are included in the consolidated financial statements of Mercedes-Benz Group AG, Stuttgart, Germany.

Financial statements for the year ended 31 December

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18 Accounting policies (continued)

Omission to disclose fees for auditor elected

Pursuant to section 96(3) of the Danish Financial Statements Act, fees for auditor elected by the general assembly are not published as these are included in the consolidated financial statements of Mercedes-Benz Group AG, Stuttgart, Germany.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as interest income or expense and similar items.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as interest income or expense and similar items.

Income statement

Revenue

Income from the sale of goods and finished goods, comprising the sale of cars, vans, trucks and spareparts, is recognised as revenue when delivery and transfer of the risk to the buyer have taken place, and the income may be reliably measured and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms 2010.

Revenue from the sale of goods where delivery has been postponed upon the buyer's request is recognised as revenue when ownership of the goods has been transferred to the buyer.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discount granted are deducted from revenue.

Revenue from sale of services, comprising service on cars, is recognised in the income statement as the services are provided.

Cost of goods sold

Production costs comprise costs, including depreciation and amortisation and salaries, incurred generating the revenue for the year.

Distribution costs

Costs incurred in distributing goods contain sales campaigns. Also, costs relating to sales staff, advertising, exhibitions and depreciation are recognised as distribution costs.

Financial statements for the year ended 31 December

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18 Accounting policies (continued)

Administrative expenses

Administrative expenses comprise expenses incurred during the year for Company management and administration, including expenses for administrative staff, office premises, office expenses, and depreciation.

Other operating expenses/income

Other operating expenses/income comprise items secondary to the principal activities of the company, including gains and losses on disposal of property, plant and equipment.

Income from equity investments in group entities

Income from equity investments in group entities comprises dividend and realised capital gains and losses from equity investments recognised as investments in the balance sheet.

Dividends from equity investments in group entities measured at cost are recognised as income in the Company's income statement in the financial year when the dividends are declared.

In case of indication of impairment, an impairment test is conducted. Indication of impairment exists if distributed dividend exceeds profit for the year or if the carrying amount of equity investments exceeds the consolidated carrying amounts of the net assets in the subsidiary.

Interest income and expense and similar items

Interest income and expenses comprise interest income and expense, gains and losses on transactions de-nominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

The Company is comprised by the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when the ultimate parent company has control of the subsidiaries up to the date when they are excluded from the control.

The Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

Upon payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable income.

Tax for the year comprises current tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

Financial statements for the year ended 31 December

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18 Accounting policies (continued)

Balance sheet

Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	3-5 years
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The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Investments

Equity investments in subsidiaries are measured at cost. In case of indication of impairment, an impairment test is conducted. When the cost exceeds the recoverable amount, write-down is made to this lower value.

Impairment of fixed assets

The carrying amount of property, plant and equipment as well as equity investments in group entities is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised write-downs are reversed when the basis for the write-down no longer exists.

Financial statements for the year ended 31 December

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18 Accounting policies (continued)

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected sales price.

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses.

Cash pooling agreement

The company's cash pooling agreement is recognised as amounts owed by group enterprises or amounts owed to group enterprises as the overall financial commitment with bank rests with Mercedes-Benz Group AG.

Prepayments

Prepayments comprise prepayments of cost incurred relating to subsequent financial years.

Equity - dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Financial statements for the year ended 31 December

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18 Accounting policies (continued)

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Provisions

Provisions comprise anticipated costs related to settlement of buy-back provisions. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation and it is probable that there may be an outflow of resources to settle the obligation.

Payables to group entities

Payables to group entities include the Company's share of the group cash-pool agreements.

Liabilities other than provisions

Liabilities other than provisions are measured at amortised cost, which usually corresponds to nominal value.