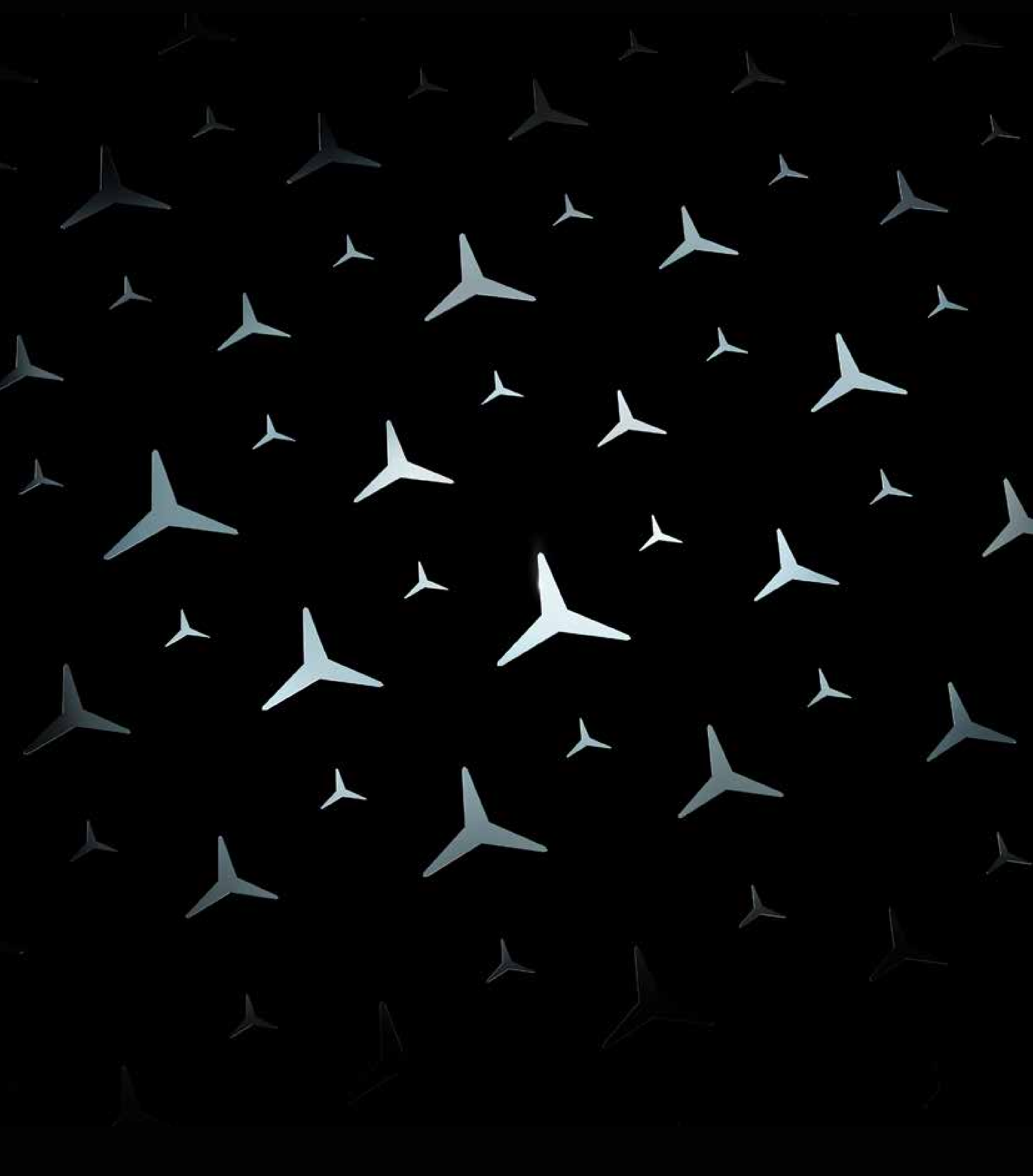

Annual Report 2021

Mercedes-Benz International Finance B.V.

Contents

ANNUAL MANAGEMENT REPORT

Corporate profile

Mercedes-Benz International Finance B.V. (formerly Daimler International Finance B.V., the "Company") was incorporated in the Netherlands on April 4, 1986 and is a wholly owned subsidiary of Mercedes-Benz Group AG, Stuttgart, Germany. 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 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. The debt securities are guaranteed by Mercedes-Benz Group AG.

On February 1, 2022, Daimler AG became Mercedes-Benz Group AG. Following the successful stock market debut of Daimler Truck, the Group's renewed focus on the automotive business has been underlined with a new name. Parallel to the renaming of Daimler AG, Daimler International Finance B.V. also adapted its name to Mercedes-Benz International Finance B.V. effective as of February 1, 2022.

The Financial Statements of the Company 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 2021, the Company employed 6 people (2020: 6).

Business development

In the year 2021, the Company's Interest result of euro 36.6 million (2020: euro 30.3 million) was significantly above the prior-year level due to the more efficient capital allocation and the related higher net interest margin. This development was affected by a compensation payment to Mercedes-Benz Group AG of euro 13.2 million (2020: Company received euro 15.0 million).

The Financial result from foreign currency translation declined to an expense of euro 0.6 million (2020: income of euro 1.2 million) in line with market developments. The General administrative expense dropped by 18% to euro 1.8 million in the year 2021 mainly driven by lower personnel expenses and reduced advisory costs related to the maintenance of debt issuance programs.

The Income tax expense of euro 24.5 million (2020: euro 16.5 million) went up primarily due to non-creditable foreign withholding tax. Overall, this results in a Net income of euro 9.6 million (2020: euro 12.8 million). The effective tax rate for 2021 was 71.8% (2020: 56.2%; note 6).

The Other comprehensive income was comprised of unrealized gains and losses as well as reclassifications from cash flow hedges. Thus, the Company recorded net gains after tax of euro 3.7 million in 2021 in comparison with net gains of euro 8.3 million in the previous year.

The balance sheet total increased compared with December 31, 2020 from euro 21,881 million to euro 23,587 million. This increase of 8% in total assets was primarily due to the extension of funding activities for Mercedes-Benz Group companies mainly driven by their global leasing and sales-financing business. The Company's growth of Receivables from Mercedes-Benz Group companies from euro 20,143 million to euro 21,255 million (excl. Inhouse Bank position) was refinanced by a similar rise of Debt securities from euro 20,668 million to euro 22,089 million.

The Company participated as an issuer in Mercedes-Benz's euro 70 billion Euro Medium Term Note program ("EMTN") as well as in a Private Placement and Universal Registration program for debt financing instruments in the China Interbank Bond Market ("Bond Connect" NAFMII). This Universal Registration program further allows the public issuance of various debt financing instruments in China and widens the investor base. In 2021, the Company was substituted in place of Mercedes-Benz Group AG as the issuer of 2 EUR-denominated bonds in the total amount of euro 2.8 billion and issued 4 bonds under the Private Placement program in the total amount of euro 1.1 billion as well as 2 bonds under the Universal Registration program in the total amount of euro 0.6 billion (2020: 3 bonds under the EMTN program in the total amount of euro 2.8 billion and 2 bonds under the Private Placement program in the total amount of euro 0.8 billion). The outstanding volume under the Mercedes-Benz's euro 15 billion multi-currency Commercial Paper program ("CP") amounted to euro nil (2020: euro 0.3 billion).

The Company's equity improved compared with December 31, 2020 from euro 560 million to euro 573 million. The positive effect in equity resulted from the Net income of euro 9.6 million and the Other comprehensive income of euro 3.7 million.

The cash flow used for operating activities amounting to euro 1,026 million (2020: euro 1,643 million) was largely influenced by the growth of the Receivables from Mercedes-Benz Group companies, while the cash flow provided by financing activities of euro 1,027 million (2020: euro 1,643 million) was mainly driven by the related development of the Debt Securities.

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 2022, the Interest 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 annual 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.

FINANCIAL STATEMENTS

in euro thousand	Note	2021	2020
Interest income Mercedes-Benz Group companies		**518,285**	450,938
Interest income third parties		**2,021**	3,073
Interest income	**3**	**520,306**	454,011
Interest expense Mercedes-Benz Group companies		**-231,132**	-212,279
Interest expense third parties		**-252,579**	-211,419
Interest expense	**3**	**-483,711**	-423,698
Interest result	**3**	**36,595**	30,313
Other financial income and expense	**4**	**-642**	1,181
Financial result		**35,953**	31,494
General administrative expense	**5**	**-1,841**	-2,188
Income before taxation		**34,112**	29,306
Income taxes	**6**	**-24,505**	-16,467
Net income/loss		**9,607**	12,839

Other comprehensive income/loss			
Derivative financial instruments			
Unrealized gains/losses (pre-tax)		**-367,159**	240,244
Reclassifications to profit and loss (pre-tax)		**372,249**	-229,196
Taxes on unrealized gains/losses and on reclassifications		**-1,388**	-2,762
Derivative financial instruments (after tax)	**12**	**3,702**	8,286
Unrealized revaluation of cash flow hedges charged directly to shareholder's equity		**3,702**	8,286
Total comprehensive income/loss		**13,309**	21,125

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

Assets in euro thousand	Note	**31.12.2021**	31.12.2020
Property, plant and equipment	**7**	**406**	786
Receivables from Mercedes-Benz Group companies	**8**	**11,788,558**	11,520,779
Derivative assets	**20**	**133,511**	328,468
Total non-current assets		**11,922,475**	11,850,033
Receivables from Mercedes-Benz Group companies	**8**	**11,643,567**	9,957,621
Derivative assets	**20**	**20,493**	73,699
Cash and cash equivalents	**9**	**607**	37
Total current assets		**11,664,667**	10,031,357
Total assets		**23,587,142**	21,881,390

Equity and liabilities in euro thousand	Note	**31.12.2021**	31.12.2020
Issued capital	**10**	**500**	500
Share premium reserve	**11**	**500,000**	500,000
Cash flow hedge reserve	**12**	**9,398**	5,696
Retained earnings	**13**	**53,460**	40,621
Undistributed income	**14**	**9,607**	12,839
Total equity		**572,965**	559,656
Debt securities	**15**	**17,644,688**	17,387,910
Liabilities due to Mercedes-Benz Group companies	**16**	**229,156**	127,611
Derivative liabilities	**20**	**186,564**	112,689
Deferred tax liabilities	**6**	**2,078**	1,843
Total non-current liabilities		**18,062,486**	17,630,053
Debt securities	**15**	**4,444,163**	3,280,119
Liabilities due to Mercedes-Benz Group companies	**16**	**142,047**	251,599
Derivative liabilities	**20**	**190,033**	49,536
Interest payables and other liabilities	**17**	**175,448**	110,427
Total current liabilities		**4,951,691**	3,691,681
Total equity and liabilities		**23,587,142**	21,881,390

in euro thousand	Note	2021	2020
Net income/loss		**9,607**	12,839
Adjustments for non-cash items			
Interest income		**-520,306**	-454,011
Interest expense		**483,711**	423,698
Other financial income and expense		**642**	-1,181
Income taxes		**24,505**	16,467
Changes in operating assets and liabilities			
Additions to Receivables from Mercedes-Benz Group companies		**-20,088,515**	-21,648,798
Repayment of Receivables from Mercedes-Benz Group companies		**18,775,955**	19,885,665
Other liabilities		**-476**	905
Derivative foreign currency received		**435,773**	454,409
Derivative foreign currency paid		**-412,698**	-451,404
Interest received		**783,697**	530,052
Interest paid		**-491,784**	-397,572
Tax paid		**-26,153**	-14,129
Cash used for/provided by operating activities		**-1,026,042**	-1,643,060
Cash used for investing activities		**-**	-
Change in financing assets and liabilities			
Additions to Debt securities		**4,305,996**	3,861,532
Repayment of Debt securities		**-3,279,384**	-2,247,129
Additions to Liabilities due to Mercedes-Benz Group companies		**3,650,000**	2,028,694
Repayment of Liabilities due to Mercedes-Benz Group companies		**-3,650,000**	-2,000,000
Cash provided by financing activities	**18**	**1,026,612**	1,643,097
Net increase/decrease in Cash and cash equivalents		**570**	37
Cash and cash equivalents at January 1		**37**	-
Cash and cash equivalents at December 31	**9**	**607**	37

in euro thousand	Issued capital	Share premium reserve	Cash flow hedge reserve	Retained earnings	Undis-tributed income	**Total equity**
Balance at January 1, 2020	500	500,000	-2,590	35,868	4,753	538,531
Net income/loss	-	-	-	-	12,839	12,839
Other comprehensive income/loss after tax	-	-	8,286	-	-	8,286
Total comprehensive income/loss	-	-	8,286	-	12,839	21,125
Appropriation of results 2019	-	-	-	4,753	-4,753	-
Balance at December 31, 2020	500	500,000	5,696	40,621	12,839	559,656
Balance at January 1, 2021	**500**	**500,000**	**5,696**	**40,621**	**12,839**	**559,656**
Net income/loss	**-**	**-**	**-**	**-**	**9,607**	**9,607**
Other comprehensive income/loss after tax	**-**	**-**	**3,702**	**-**	**-**	**3,702**
Total comprehensive income/loss	**-**	**-**	**3,702**	**-**	**9,607**	**13,309**
Appropriation of results 2020	**-**	**-**	**-**	**12,839**	**-12,839**	**-**
Balance at December 31, 2021	**500**	**500,000**	**9,398**	**53,460**	**9,607**	**572,965**

01. Significant accounting policies

General information

The Financial Statements of Mercedes-Benz International Finance B.V. (formerly Daimler International Finance B.V., the “Company”) 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).

On February 1, 2022, Daimler AG became Mercedes-Benz Group AG. Following the successful stock market debut of Daimler Truck, the Group’s renewed focus on the automotive business has been underlined with a new name. Parallel to the renaming of Daimler AG, Daimler International Finance B.V. also adapted its name to Mercedes-Benz International Finance B.V. effective as of February 1, 2022.

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 Group AG in Stuttgart, Germany. 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 year, the Company employed 6 persons (2020: 6 persons).

The 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 the Financial Statements for issue on April 26, 2022.

Basis of preparation

Applied IFRS
The accounting policies applied in the Financial Statements comply with the IFRS required to be applied in the EU as of December 31, 2021.

IFRS issued, EU endorsed and initially adopted in the reporting period
In August 2020, the International Accounting Standards Board (“IASB”) published Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments address issues related to the application of the reform and its effects on financial reporting for lease contracts, hedges and other financial instruments caused by replacing existing interest rate benchmarks with alternative benchmark rates. The Company is applying the changes for the first time for the financial year beginning on January 1, 2021. There has been no material impact on the financial performance or position and cash flows.

In March 2021, the IASB published an amendment to IFRS 16 (“Covid-19 Related Rent Concessions beyond June 30, 2021”), in which they extend the application period of the accounting policy choice to lessees applying the practical relief for rent concessions because of the covid-19 pandemic. The Company does not apply this practical expedient for lessees.

Presentation
Presentation in the Statement of Financial Position differentiates between current and non-current assets and liabilities. Assets and liabilities are classified as current if they are expected to be realized or settled within one year or within a longer and normal operating cycle. Deferred tax assets and liabilities and similar obligations are generally presented as non-current items. The Statement of Income is presented using the cost-of-sales method.

Measurement
The Financial Statements have been prepared on the historical-cost basis with the exception of certain items such as financial assets measured at fair value through profit or loss, derivative financial instruments and hedged items. The measurement models applied to those exceptions are described below.

Foreign currency translation
Transactions in foreign currency are translated at the relevant foreign exchange rates prevailing at the transaction date. In subsequent periods, assets and liabilities denominated in foreign currency are translated using period-end exchange rates. The gains and losses from this measurement are recognized in profit and loss (note 4).

Accounting policies

Financial result
The Financial result comprises the Interest result (note 3), and the Other financial income and expense (note 4).

The Interest result is the difference between Interest income and Interest expense. The Interest income comprises interest income on funds invested. The Interest expense includes interest expense on borrowings. The Interest income and expense are recognized as they accrue in profit or loss, using the effective interest method.

The Other financial income and expense consists of exchange rate differences of assets and liabilities in foreign currency. Foreign currency gains and losses are reported on a net basis.

Income taxes
The Income taxes (note 6) are comprised of current income taxes and deferred taxes.

Current income taxes are calculated based on the local taxable income and local tax rules for the period. In addition, current income taxes presented for the period include adjustments for uncertain tax payments or tax refunds for periods not yet finally assessed, however, excluding interest expenses and interest refunds and penalties on the underpayment of taxes.

Changes in deferred tax assets and liabilities are generally recognized through profit and loss in deferred taxes in the Statement of Income. Taxes on items directly recognized in equity are likewise recognized in equity instead of the Statement of Income.

Deferred tax assets or liabilities are calculated on the basis of temporary differences between the tax basis and the financial reporting of assets and liabilities. Measurement is based on the tax rates expected to be effective in the period in which an asset is recognized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been substantively enacted at the reporting date or are soon to be enacted. The Company recognizes a valuation allowance for deferred tax assets when it is unlikely that a corresponding amount of future taxable profit will be available against which the deductible temporary differences, tax loss carryforwards and tax credits can be utilized.

Property, plant and equipment
The Property, plant and equipment (note 7) are measured at acquisition costs less accumulated depreciation. If necessary, accumulated impairment losses are recognized.

Leasing
Leases include all contracts that transfer the right to use a specified asset for a stated period of time in exchange for consideration, even if the right to use such asset is not explicitly described in the contract. The Company is a lessee of real estate property, namely its office.

IFRS 16 introduced a single lessee accounting model, requiring lessees to recognize assets for the right to use as well as leasing liabilities for the outstanding lease payments. This means that as of January 1, 2019 the lease had to be reported in the Statement of Financial Position. *Right-of-use assets*, which are included under Property, Plant and Equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, the Company also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to Liabilities due to Mercedes-Benz Group companies (note 16), are measured initially at the present value of the lease payments. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting the Other comprehensive income) the carrying amount to reflect the lease payments made.

According to IFRS 16, the depreciation of right-of-use assets and the lease expenses of leases are recognized within the General administrative expense (note 5). The interest due on the lease liability is a component of interest expense.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another entity. Financial instruments in the form of financial assets and financial liabilities are generally presented separately. Financial instruments are recognized as soon as the Company becomes a party to the contractual provisions of the financial instrument. In the case of purchases or sales of financial assets through the regular market, the Company uses the transaction date as the date of initial recognition or de-recognition.

Upon initial recognition, the financial instruments are measured at fair value. For the purpose of subsequent measurement, the financial instruments are allocated to one of the categories mentioned in IFRS 9 Financial Instruments (financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss). Transaction costs directly attributable to acquisition or issuance are considered by determining the carrying amount if the financial instruments are not measured at fair value through profit or loss.

Financial assets

Financial assets primarily comprise the Receivables from Mercedes-Benz Group companies (note 8) and the Derivative assets (note 20). The classification of financial instruments is based on the business model in which these instruments are held and on their contractual cash flows.

The determination of the business model is made at the portfolio level and is based on management's intention and past transaction patterns. The assessments of the contractual cash flows are made on an instrument by instrument basis.

Financial assets at amortized cost. Financial assets at amortized cost are non-derivative financial assets with contractual cash flows that consist solely of payments of principal and interest on the nominal amount outstanding and which are held with the aim of collecting the contractual cash flows, such as the Receivables from Mercedes-Benz Group companies or the Cash and cash equivalents (business model "hold to collect"). The intergroup cash position is reflected in the Inhouse Bank position with Mercedes-Benz Group AG as the sub-item of the Receivables from Mercedes-Benz Group companies. Cash and cash equivalents consist of cash at bank accounts which are not part of the Global Payment Platform of Mercedes-Benz Group AG. The cash positions correspond with the classification in the Statement of Cash Flows.

After initial recognition, financial assets at amortized cost are subsequently carried at amortized cost using the effective interest method less any loss allowances. Gains and losses are recognized in the Statement of Income when the financial assets at amortized cost are impaired or derecognized. Interest effects on the application of the effective interest method are also recognized in profit or loss as well as effects from foreign currency translation.

Financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss include financial assets with cash flows other than those of principal and interest on the nominal amount outstanding. Furthermore, financial assets that are held in a business model other than "hold to collect" or "hold to collect and sell" are included here. In addition, derivatives, which are not classified as hedging instruments in hedge accounting, are included here. Gains or losses on these financial assets are recognized in profit or loss.

Financial assets at fair value through other comprehensive income. Financial assets at fair value through other comprehensive income are non-derivative financial assets with contractual cash flows that consist solely of payments of principal and interest on the nominal amount outstanding which are held to collect the contractual cash flows as well as to sell the financial assets, e.g. to achieve a defined liquidity target (business model "hold to collect and sell").

After initial measurement, financial assets at fair value through other comprehensive income are measured at fair value, with unrealized gains or losses being recognized in the Other comprehensive income/loss. Upon disposal of financial assets, the accumulated gains and losses recognized in the Other comprehensive income/loss resulting from measurement at fair value are recognized in profit or loss. Interest earned on financial assets at fair value through other comprehensive income is reported as interest income using the effective interest method.

Impairment of financial assets
IFRS 9 introduced the expected credit loss impairment approach to be applied on all financial assets at amortized cost or at fair value through other comprehensive income. Under IFRS 9, the projections of the future are taken into consideration.

The expected credit loss approach uses three stages for allocating impairment losses:

Stage 1: expected credit losses within the next twelve months

Stage 1 includes all contracts with no significant increase in credit risk since initial recognition and usually includes new acquisitions and contracts with fewer than 31 days past due date. The portion of the lifetime expected credit losses resulting from default events possible within the next 12 months is recognized.

Stage 2: expected credit losses over the lifetime – not credit impaired

If a financial asset has a significant increase in credit risk since initial recognition but is not yet credit impaired, it is moved to Stage 2 and measured at lifetime expected credit loss, which is defined as the expected credit loss that results from all possible default events over the expected life of a financial instrument.

Stage 3: expected credit losses over the lifetime – credit impaired

If a financial asset is defined as credit-impaired or in default, it is transferred to Stage 3 and measured at lifetime expected credit loss. Objective evidence for a credit-impaired financial asset includes 91 days past due date and other information about significant financial difficulties of the borrower.

The determination of whether a financial asset has experienced a significant increase in credit risk is based on external and internal information on the credit quality of the financial asset. The Receivables from Mercedes-Benz Group companies are mainly guaranteed by Mercedes-Benz Group AG (note 21).

In general, an impaired financial asset is written off when there is no reasonable expectation of recovery, for example after insolvency proceedings or a court decision of uncollectibility.

Offsetting of financial instruments
Financial assets and liabilities are offset and the net amount is presented in the Statement of Financial Position provided that an enforceable right currently exists to offset the amounts involved, and there is an intention to carry out the offsetting on a net basis or settle a liability when the related asset is sold.

Financial liabilities
Financial liabilities primarily include the Debt securities (note 15), the Liabilities due to Mercedes-Benz Group companies (note 16), the Derivative liabilities (note 20) and Other liabilities (note 17).

Financial liabilities measured at amortized cost. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities at fair value through profit or loss. Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Derivatives which are not used as hedging instruments in hedge accounting are classified as held for trading. Gains or losses on liabilities held for trading are recognized in profit or loss.

Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments, such as interest rate and cross currency interest rate swaps or forward agreements, exclusively for hedging financial risks that arise from its operating or financing activities. These are mainly interest rate risks and currency risks.

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IFRS 9 are met, the Company designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge or a cash flow hedge. In a fair value hedge, the changes in the fair value of a recognized asset or liability or an unrecognized firm commitment are hedged. In a cash flow hedge, the variability of cash flows to be received or paid from expected transactions related to a recognized asset or liability or a highly probable forecast transaction is hedged. The documentation of the hedging relationship includes the objectives and strategy of risk management, the type of hedging relationship, the nature of the risk being hedged, the identification of the eligible hedging instrument and the eligible hedged item, as well as an assessment of the effectiveness requirements comprising the risk mitigating economic relationship, the absence of deteriorating effects from credit risk and the appropriate hedge ratio. Hedging transactions are regularly assessed to determine whether the effectiveness requirements are met while they are designated.

Changes in the fair value of derivative financial instruments that are designated in a hedge relationship are recognized periodically in either profit or loss or other comprehensive income, depending on whether the derivative is designated as a hedge of changes in fair value or cash flows. Changes in the fair value of non-designated derivatives are recognized in profit or loss. For fair value hedges, changes in the fair value of the hedged item attributable to the hedged risk and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument are recognized after tax in the Other comprehensive income.

Under IFRS 9, with cash flow hedges, amounts recognized in the Other comprehensive income as effective hedging gains or losses from hedging instruments are removed from the reserves for derivative financial instruments and directly included in the initial cost or carrying amount of the hedged item at initial recognition if a hedged forecast transaction results in the recognition of a non-financial asset or non-financial liability.

For other cash flow hedges, the accumulated hedging gains or losses from hedging instruments are reclassified from the reserves for derivative financial instruments to the Statement of Income when the hedged item affects profit or loss. The ineffective portions of fair value changes are recognized directly in profit or loss.

For derivative instruments designated in a hedge relationship, certain components can be excluded from designation and the changes in these components' fair value are then deferred in other comprehensive income under IFRS 9. This applies for example to the time value of options or cross currency basis spreads.

Hedge relationships are to be discontinued prospectively if a particular hedge relationship ceases to meet the qualifying criteria for hedge accounting under IFRS 9. Instances that require discontinuation of hedge accounting are, among others, loss of the economic relationship between the hedged item and the hedging instrument, disposal or termination of the hedging instrument, or a revision of the documented risk management objective of a particular hedge relationship. Accumulated hedging gains and losses from cash flow hedges are retained and are reclassified from equity as described, when hedged cash flows affect profit and loss, if the hedged future cash flows are still expected to occur. Otherwise, accumulated hedging gains and losses are immediately reclassified to profit or loss.

If derivative financial instruments do not or no longer qualify for hedge accounting because the qualifying criteria for hedge accounting are not or are no longer met, the derivative financial instruments are measured at fair value through profit or loss.

Employee benefits

The pension plan for the Company qualifies as a defined contribution plan. The Company has no obligation to pay supplementary contributions in the event of a shortfall in the pension fund, other than payment of future contributions. Equally the Company has no claim to any surpluses in the pension fund.

Presentation in the Statement of Cash Flows

The cash flow statement is prepared in accordance with the indirect method and distinguishes between cash flows from operating, investing and financing activities. The changes in the Receivables from Mercedes-Benz Group companies, the Derivative foreign currency received / paid and the Interest received / paid are classified as cash provided by / used for operating activities. The cash flows from the changes in the Debt securities and the Liabilities due to Mercedes-Benz Group companies are presented within cash provided by financing activities.

02. Accounting estimates and management judgments

In the 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 (note 20).

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 21).

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 (note 6).

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. Interest income and expense

The composition of Interest result from financial assets and liabilities is shown in the following:

in euro thousand	**2021**	2020
Interest income on financial assets at amortized cost	**149,262**	133,090
Interest income on financial assets included in a hedge relationship	**368,523**	320,204
Interest income on derivatives not included in a hedge relationship	**2,521**	717
Interest income	**520,306**	454,011
Interest expense on financial liabilities at amortized cost	**-107,692**	-81,162
Interest expense on financial liabilities included in a hedge relationship	**-367,424**	-342,536
Interest expense on derivatives not included in a hedge relationship	**-8,595**	-
Interest expense	**-483,711**	-423,698
Interest result	**36,595**	30,313

The Interest result is split between Mercedes-Benz Group companies and third parties:

in euro thousand	2021	2020
Interest income Mercedes-Benz Group companies	**518,285**	450,938
Interest income third parties	**2,021**	3,073
Interest income	**520,306**	454,011
Interest expense Mercedes-Benz Group companies	**-231,132**	-212,279
Interest expense third parties	**-252,579**	-211,419
Interest expense	**-483,711**	-423,698
Interest result	**36,595**	30,313

The Interest income from third parties euro 2,021 thousand (2020: euro 3,073 thousand) was mainly earned on amortized discounts from bonds above par. The Interest expense from third parties euro 252,579 thousand (2020: euro 211,419 thousand) comprised the interest expense due to transactions in debt securities.

The Interest result increased to euro 36,595 thousand (2020: euro 30,313 thousand) in line with the balance sheet development as well as more efficient capital allocation and the related higher net interest margin on the basis of the matched funding principle and hedging strategy of its financing activities. In 2021, the Company made a compensation payment to Mercedes-Benz Group AG of euro 13,158 thousand (2020: received euro 14,960 thousand) related to its business model and presented as interest expenses on financial assets at amortized cost.

04. Other financial income and expense

The Company incurred a minor foreign currency risk on its intergroup cash positions (note 8) which were recognized against the foreign exchange rates applying on the balance sheet date. In 2021, the line item comprised a loss of euro 642 thousand (2020: gain of euro 1,181 thousand) due to exchange rate differences which slightly decreased the Financial result.

05. General administrative expense

in euro thousand	2021	2020
Salaries and social security charges	**-658**	-729
Pension costs – defined contribution plan	**-42**	-45
Audit and advisory costs	**-301**	-328
Other general administrative expense	**-840**	-1,086
General administrative expense	**-1,841**	-2,188

The General administrative expense in total amounted to euro 1,841 thousand in 2021 (2020: euro 2,188 thousand) and consisted of expenses not directly attributable to operating activities, such as personnel expenses, audit and advisory costs, and other general administrative costs.

The personnel expenses comprised salaries and wages in the amount of euro 617 thousand (2020: euro 694 thousand), social contributions in the amount of euro 41 thousand (2020: euro 35 thousand), and pension costs. The average number of people employed is shown in the section General Information (note 1). The Remuneration of the members of the Board of Management and the Supervisory Board being active during the periods is shown in note 24.

With reference to section 2:382a (1) and (2) of the Dutch Civil Code, the following audit and advisory costs have been charged by KPMG Accountants N.V. as the auditor of the Company:

in euro thousand	**2021**	2020
Audit services	**-101**	-100
Advisory services	**-**	-
Tax services	**-**	-

The Other general administrative expense comprised legal charges and advisory costs related to the debt issuance program, housing costs and other administrative costs.

06. Income taxes

The following table shows the components of Income taxes:

in euro thousand	**2021**	2020
Current tax income/expense	**-24,505**	-16,467
Deferred tax income/expense	**-**	-
Income taxes in the Statement of Income	**-24,505**	-16,467

The reconciliation of the effective tax rate is shown below:

in euro thousand		**2021**		2020
Income before taxation		**34,112**		29,306
Income taxes using the domestic corporate tax rate (calculation)	**25%**	**-8,512**	25%	-7,309
Tax benefit/loss related to other periods and other foreign taxes		**-21,531**		-12,223
Deductible foreign taxes		**5,538**		3,065
Income taxes in the Statement of Income		**-24,505**		-16,467
Effective tax rate		**71.8%**		56.2%

The deferred tax liabilities of euro 2,078 thousand (2020: deferred tax liabilities of euro 1,843 thousand) mainly consisted of taxes on unrealized gains or losses and on reclassifications of cash flow hedges within the Other comprehensive income charged with a tax rate of 25.8% directly to shareholder’s equity.

07. Property, plant and equipment

Property, plant and equipment as shown in the Statement of Financial Position with a carrying amount of euro 406 thousand (2020: euro 786 thousand) mainly included right-of-use assets from lessee accounting related to a lease contract with Mercedes-Benz Nederland B.V. for an office space with a non-cancellable term of 10 years and a carrying amount of euro 385 thousand. The remaining duration is 7 years. The lease payment per year is euro 55 thousand.

08. Receivables from Mercedes-Benz Group companies

in euro thousand	**31.12.2021**	31.12.2020
Non-current receivables from Mercedes-Benz Group companies	**11,788,558**	11,520,779
Current receivables from Mercedes-Benz Group companies	**11,643,567**	9,957,621
Receivables from Mercedes-Benz Group companies	**23,432,125**	21,478,400

The Receivables from Mercedes-Benz Group companies increased by euro 1,954 million to a level of euro 23,432 million as per December 31, 2021. In prior years, Mercedes-Benz Group decided at group level to concentrate certain of its European non-euro intercompany loan funding to the Netherlands. In 2020, the funding portfolio continued to prosper mainly driven by the global leasing and sales-financing business of Mercedes-Benz Group companies. 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% (2020: 94%) fixed rate loans. The Inhouse Bank position with Mercedes-Benz Group AG is described in note 9.

in euro thousand	**31.12.2021**	31.12.2020
Receivables from Mercedes-Benz Group companies	**21,254,850**	20,143,138
Inhouse Bank Mercedes-Benz Group AG	**2,177,275**	1,335,262
Receivables from Mercedes-Benz Group companies	**23,432,125**	21,478,400

The Receivables from Mercedes-Benz Group companies have the following maturity structure:

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total receivables**
31.12.2021	**11,643,567**	**11,428,558**	**360,000**	**23,432,125**
31.12.2020	9,957,621	10,960,779	560,000	21,478,400

09. 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 8).

10. 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 Group AG, 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.

11. 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.

12. 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 December 31, 2021, the Cash flow hedge reserve charged directly to shareholder's equity add up to euro 3.7 million positive (2020: euro 8.3 million positive). The Cash flow hedge reserve is presented in the Statement of Other comprehensive income.

The following table shows the reconciliation of the Cash flow hedge reserve:

in euro thousand	**2021**	2020
Balance at January 1	**5,696**	-2,590
Unrealized gains/losses (pre-tax)		
Foreign currency derivatives	**-374,616**	238,247
Interest rate derivatives	**7,457**	1,997
Reclassifications to profit and loss (pre-tax)		
Foreign currency derivatives	**372,249**	-229,196
Taxes on unrealized gains/losses and on reclassifications	**-1,388**	-2,762
Balance at December 31	**9,398**	5,696
Unrealized revaluation of cash flow hedges charged directly to shareholder's equity	**3,702**	8,286

13. Retained earnings

The Retained earnings comprise the accumulated net income and loss of the Company. In addition, the effects of remeasuring the deferred taxes are presented within Retained earnings.

14. Undistributed income

The Board of Management proposes to add the net income for the year 2021 amounting to euro 9.6 million (2020: euro 12.8 million) to the Retained earnings.

15. Debt securities

in euro thousand	31.12.2021	31.12.2020
Total bonds	**21,824,154**	20,124,255
Non-current bonds	**17,379,991**	17,143,671
Current bonds	**4,444,163**	2,980,584
Commercial papers (solely current)	-	299,535
Promissory-note loan (solely non-current)	**264,697**	244,239
Debt securities	**22,088,851**	20,668,029

The Company participated as an issuer in Mercedes-Benz's euro 70 billion Euro Medium Term Note program ("EMTN") as well as in a Private Placement and Universal Registration program for debt financing instruments in the China Interbank Bond Market ("Bond Connect" NAFMII). In 2021, the Company was substituted in place of Mercedes-Benz Group AG as the issuer of 2 EUR-denominated bonds in the total amount of euro 2.8 billion and issued 4 bonds under the Private Placement program in the total amount of euro 1.1 billion as well as 2 bonds under the Universal Registration program in the total amount of euro 0.6 billion (2020: 3 bonds under the EMTN program in the total amount of euro 2.8 billion and 2 bonds under the Private Placement program in the total amount of euro 0.8 billion). Furthermore, the Company participated in the euro 15 billion multi-currency Commercial Paper program ("CP") which supported flexible and broad access to the international money markets.

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 SIX Swiss Exchange or are non-listed.

16. Liabilities due to Mercedes-Benz Group Companies

in euro thousand	31.12.2021	31.12.2020
Non-current liabilities due to Mercedes-Benz Group companies	**229,156**	127,611
Current liabilities due to Mercedes-Benz Group companies	**142,047**	251,599
Liabilities due to Mercedes-Benz Group companies	**371,203**	379,210

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

in euro thousand	31.12.2021	31.12.2020
Liabilities due to Mercedes-Benz Group AG	**41,749**	50,368
Liabilities due to Mercedes-Benz Capital Investments B.V.	**299,832**	300,242
Liabilities due to Mercedes-Benz Argentina S.A.U.	**29,237**	27,835
Liabilities due to Mercedes-Benz Nederland B.V.	**385**	765
Liabilities due to Mercedes-Benz Group companies	**371,203**	379,210

17. Interest payables and other liabilities

in euro thousand	**31.12.2021**	31.12.2020
Interest payables to third parties	**174,038**	108,541
Other liabilities	**1,410**	1,886
Interest payables and other liabilities	**175,448**	110,427

The Interest payables to third parties were related to the accrued interest from Debt securities.

Other liabilities of euro 705 thousand related to taxation and social security premiums.

18. Statement of cash flows

The reconciliation of changes in liabilities arising from financing activities is shown below:

in euro thousand	**2021**	2020
Cash provided by financing activities	**1,026,612**	1,643,097
Changes in foreign exchange rates	**428,200**	-254,712
Fair value changes	**-29,982**	220,089
Other changes	**-2,847**	-2,471

19. Contingent liabilities

At December 31, 2021, the Company had no off-balance sheet commitments (2020: euro nil).

20. 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**	
in euro thousand	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020
Derivative assets				
Fair value hedges	**132,975**	375,067	**132,975**	375,067
Cash flow hedges	**12,468**	27,100	**12,468**	27,100
Other derivative assets	**8,561**	-	**8,561**	-
Receivables from Mercedes-Benz Group Companies	**23,432,125**	21,478,400	**23,708,759**	21,784,243
Cash and cash equivalents	**607**	37	**607**	37
Total financial assets	**23,586,736**	21,880,604	**23,863,370**	22,186,447

Liabilities	**Carrying amount**		**Fair value**	
in euro thousand	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020
Derivative liabilities				
Fair value hedges	**326,985**	90,804	**326,985**	90,804
Cash flow hedges	**14,486**	71,421	**14,486**	71,421
Other derivative liabilities	**35,126**	-	**35,126**	-
Debt securities	**22,088,851**	20,668,029	**22,349,345**	20,794,209
Liabilities due to Mercedes-Benz Group Companies	**371,203**	379,210	**376,527**	383,807
Interest payables and other liabilities	**175,448**	110,427	**175,448**	110,427
Total financial liabilities	**23,012,099**	21,319,891	**23,277,917**	21,450,668

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.

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 year-end. Non-current debt securities measured at fair value were measured using quoted market prices at year-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.

Offsetting of financial instruments

The Mercedes-Benz Group concludes derivative transactions in accordance with the master netting arrangements (framework agreement) of the International Swaps and Derivatives Association (ISDA) and comparable national framework agreements. However, these arrangements do not meet the criteria for offsetting in the Statement of Financial Position, as they allow netting only in case of future events such as default or insolvency on the part of the counterparties.

The following table shows the carrying amounts of the derivative financial instruments and the possible financial effects of netting in accordance with the enforceable netting arrangements:

in euro thousand		**31.12.2021**		31.12.2020
	Assets	**Liabilities**	Assets	Liabilities
Gross amounts (balance sheet)	**154,004**	**-376,597**	402,167	-162,225
Possible netting in case of insolvency	**-154,004**	**154,004**	-162,225	162,225
Net amount after offsetting	**-**	**-222,593**	239,942	-

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			**31.12.2021**			31.12.2020
in euro thousand	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Derivative assets						
Fair value hedges	**-**	**132,975**	**-**	-	375,067	-
Cash flow hedges	**-**	**12,468**	**-**	-	27,100	-
Other derivative assets	**-**	**8,561**	**-**	-	-	-
Receivables from Mercedes-Benz Group companies	**-**	**23,708,759**	**-**	-	21,784,243	-
Cash and cash equivalents	**-**	**607**	**-**	-	37	-

Liabilities			**31.12.2021**			31.12.2020
in euro thousand	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Derivative liabilities						
Fair value hedges	**-**	**326,985**	**-**	-	90,804	-
Cash flow hedges	**-**	**14,486**	**-**	-	71,421	-
Other derivative liabilities	**-**	**35,126**	**-**	-	-	-
Debt securities	**19,515,897**	**2,833,448**	**-**	19,818,919	975,290	-
Liabilities due to Mercedes-Benz Group companies	**-**	**376,527**	**-**	-	383,807	-
Interest payables and other liabilities	**-**	**175,448**	**-**	-	110,427	-

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.

Assets in euro thousand	31.12.2021	31.12.2020
Receivables from Mercedes-Benz Group companies	**23,432,125**	21,478,400
Cash and cash equivalents	**607**	37
Total financial assets measured at amortized cost	**23,432,732**	21,478,437

Liabilities in euro thousand	31.12.2021	31.12.2020
Debt securities	**22,088,851**	20,668,029
Liabilities due to Mercedes-Benz Group companies	**371,203**	379,210
Interest payables and other liabilities	**175,448**	110,427
Total financial liabilities measured at amortized cost	**22,635,502**	21,157,666

Net gains or losses

The following table shows the net gains and losses on financial instruments included in the Statement of Income and Statement of Comprehensive Income/Loss (excluding revaluation on hedging instruments).

in euro thousand	2021	2020
Financial instruments measured at fair value through profit and loss	**-127,040**	-40,283
Financial assets measured at amortized cost	**2,021,704**	456,020
Financial liabilities measured at amortized cost	**-1,486,462**	-613,457

The net gains or losses on financial instruments measured at fair value through profit or loss comprised the realized interest result from hedging instruments and the revaluation of derivatives not included in a hedge relationship.

The net gains or losses on financial assets and liabilities measured at amortized cost comprised the effects of interest income and expense (note 3) and currency translation (note 4).

Information on derivative financial instruments

Use of derivatives

The Company uses derivative financial instruments exclusively for hedging financial risks that arise from its operating or financing activities. These are mainly interest rate and currency risks which were defined as risk categories in accordance with IFRS 9. For these hedging purposes, the Company mainly uses currency forward transactions, cross currency interest rate swaps and interest rate swaps.

The following table shows the amounts for transactions designated as hedging instruments:

in euro thousand	Interest rate risks		Currency risks	
	Fair value hedges[1]	Cash flow hedges[1]	Cash flow hedges[2]	Others[3]
December 31, 2021				
Carrying amount of the hedging instruments				
Derivative assets non-current	**122,014**	**11,497**	**-**	**-**
Derivative assets current	**10,961**	**971**	**-**	**8,561**
Derivative liabilities non-current	**178,959**	**7,605**	**-**	**-**
Derivative liabilities current	**148,026**	**6,881**	**-**	**35,126**
Fair value changes[4]	**-196,709**	**-367,159**	**-**	**-**
December 31, 2020				
Carrying amount of the hedging instruments				
Derivative assets non-current	328,071	397	-	-
Derivative assets current	46,996	86	26,617	-
Derivative liabilities non-current	73,340	39,349	-	-
Derivative liabilities current	17,464	20,220	11,852	-
Fair value changes[4]	124,712	112,720	125,413	-

1 includes the following derivative instrument types: interest rate swaps, cross currency interest rate swaps.
2 includes the following derivative instrument types: currency forward transactions.
3 currency forward transactions for the purpose of hedging against currency risk without application of hedge accounting.
4 Gains and losses from hedging instruments used for recognizing hedge ineffectiveness.

Fair value hedges

The Company uses fair value hedges primarily for hedging interest rate risks.

The amounts of the items hedged with fair value hedges are included in the table below:

in euro thousand	Interest rate risks	
	2021	2020
December 31		
Carrying amounts of the hedged items		
Receivables from Mercedes-Benz Group Companies non-current	**7,263,507**	6,906,598
Receivables from Mercedes-Benz Group Companies current	**5,716,411**	5,035,069
thereof hedge adjustments		
Receivables from Mercedes-Benz Group Companies non-current	**-37,833**	37,839
Receivables from Mercedes-Benz Group Companies current	**-29,701**	27,628
Debt securities and liabilities to Mercedes-Benz Group Companies current	**4,544,163**	2,994,651
Debt securities and liabilities to Mercedes-Benz Companies non-current	**17,608,762**	17,129,604
thereof hedge adjustments		
Debt securities and liabilities to Mercedes-Benz Group Companies current	**6,576**	22,170
Debt securities and liabilities to Mercedes-Benz Group Companies non-current	**35,695**	272,339
Fair value changes of the hedged items[1]	**196,709**	-122,601
Accumulated amount of hedge adjustments from inactive hedges remaining in the Statement of Financial Position	**35**	2,056

1 Fair value changes of the hedged items used for recognizing hedge ineffectiveness.

The following table shows the gains and losses on hedging instruments and hedged items which are deemed to be part of a fair value hedge relationship:

in euro thousand	**2021**	2020
Revaluation on hedging instruments (Foreign currency derivatives)	**44,522**	15,732
Revaluation on hedging instruments (Interest rate derivatives)	**-241,231**	106,869
Fair value changes from hedged items attributable to hedged risk	**196,709**	-122,601
Ineffective portion of fair value hedges	**-**	-

There is no fair value hedge ineffectiveness in the relevant reporting periods.

Cash flow hedges

The Company uses cash flow hedges for hedging interest rate and currency risks.

The amounts related to items designated as cash flow hedges are shown in the table below:

in euro thousand	Interest rate risks		Currency risks	
	2021	2020	**2021**	2020
Fair value changes of the hedged items[1]	**-367,159**	114,831	**-**	-125,413
Balance of the reserves for derivative financial instruments (pre-tax)	**12,667**	7,577	**-**	-

1 Fair value changes of the hedged items used for recognizing hedge ineffectiveness.

The following table shows the gains and losses on items which are deemed to be part of a cash flow hedge relationship and the amounts relating to cash flow hedge ineffectiveness:

in euro thousand	**2021**	2020
Revaluation on hedging instruments (Foreign currency derivatives)	**-374,616**	238,247
Revaluation on hedging instruments (Interest rate derivatives)	**7,457**	1,997
Ineffective portion of cash flow hedges	**-**	-
Unrealized gains/losses (pre-tax)	**-367,159**	240,244
Reclassifications to profit and loss (pre-tax)	**372,249**	-229,196
Taxes on unrealized gains/losses and on reclassification	**-1,388**	-2,762
Unrealized revaluation of cash flow hedges charged directly to shareholder's equity	**3,702**	8,286

For the reconciliation of the Cash flow hedge reserve see note 12.

Nominal values of derivative financial instruments

The following table shows the nominal values and fair values of derivative financial instruments entered into for the purpose of hedging interest rate and currency risks that arise from the Company's operating or financing activities.

Assets		**31.12.2021**		31.12.2020
in euro thousand	**Nominal amount**	**Fair value**	Nominal amount	Fair value
Interest rate derivatives	**14,338,104**	**145,443**	13,823,999	288,939
thereof fair value hedges	**10,968,478**	**132,975**	13,223,999	288,884
thereof cash flow hedges	**3,369,626**	**12,468**	600,000	55
Foreign currency derivatives	**716,981**	**8,561**	5,741,875	113,228
thereof fair value hedges	-	-	3,807,094	86,183
thereof cash flow hedges	-	-	1,934,781	27,045
thereof other derivative assets	**716,981**	**8,561**	-	-
Total derivative financial instruments	**15,055,085**	**154,004**	19,565,874	402,167

Liabilities		**31.12.2021**		31.12.2020
in euro thousand	**Nominal amount**	**Fair value**	Nominal amount	Fair value
Interest rate derivatives	**13,091,085**	**341,471**	1,811,447	916
thereof fair value hedges	**12,190,539**	**326,985**	1,311,447	850
thereof cash flow hedges	**900,546**	**14,486**	500,000	66
Foreign currency derivatives	**1,258,161**	**35,126**	4,923,414	161,309
thereof fair value hedges	-	-	2,660,074	89,954
thereof cash flow hedges	-	-	2,263,340	71,355
thereof other derivative assets	**1,258,161**	**35,126**	-	-
Total derivative financial instruments	**14,349,246**	**376,597**	6,734,861	162,225

The nominal values of derivative financial instruments have the following maturity structure:

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total nominal amounts**
December 31, 2021				
Nominal amount of the hedging instruments				
Interest rate risks	**5,501,510**	**20,177,678**	**1,750,000**	**27,429,188**
Fair value hedges	**5,041,442**	**16,367,575**	**1,750,000**	**23,159,017**
thereof major hedging instruments affected by the interest rate benchmark reform in GBP	-	-	-	-
Cash flow hedges	**460,068**	**3,810,103**	-	**4,270,171**
thereof major hedging instruments affected by the interest rate benchmark reform in USD	-	**264,877**	-	**264,877**
Foreign currency risks	**1,975,143**	-	-	**1,975,143**
December 31, 2020				
Nominal amount of the hedging instruments				
Interest rate risks	5,063,434	15,766,775	2,750,000	23,580,209
Fair value hedges	3,923,801	14,328,813	2,750,000	21,002,614
thereof major hedging instruments affected by the interest rate benchmark reform in GBP	-	2,007,719	-	2,007,719
Cash flow hedges	1,139,633	1,437,962	-	2,577,595
thereof major hedging instruments affected by the interest rate benchmark reform in USD[1]	-	244,479	-	244,479
Foreign currency risks	2,720,526	-	-	2,720,526

1 The volumes of risk exposure in cash flow hedges directly affected by the interest rate benchmark reform are generally in line with the reported volumes of the hedging instruments because of the basic hedging ratio of 1. Further information on the benchmark reform is provided in note 21.

Further disclosures of interest rate and currency risk see note 21 under the section *Market risk*.

21. 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 the 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 8).

The maximum risk positions of financial assets, which are generally subject to credit risk, are equal to their carrying amounts. The following table gives an overview of maximum exposures:

in euro thousand	**31.12.2021**	31.12.2020
Receivables from Mercedes-Benz Group companies (incl. Inhouse Bank Mercedes-Benz Group AG)	**23,432,125**	21,478,400
Cash and Cash equivalents	**607**	37
Derivative assets	**154,004**	402,167
Gross exposure	**23,586,736**	21,880,604
Receivables guaranteed by Mercedes-Benz Group AG	**23,382,125**	21,428,400
Residual unguaranteed exposure	**204,611**	452,204

The Company has recognized no credit defaults in the relevant reporting periods.

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 8) 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.

The following table provides an overview of how the future liquidity situation of the Company can be affected by the cash flows from liabilities as of December 31, 2021.

in euro thousand[1]	Total	2022	2023	2024	2025	2026	≥2027
Debt securities[2]	22,749,435	4,742,943	6,910,247	2,696,272	4,311,821	2,309,373	1,778,780
Liabilities due to Mercedes-Benz Group companies[2]	334,607	101,357	1,181	101,179	130,891	-	-
Derivative financial instruments[3]	505,830	305,580	130,385	74,317	-7,311	4,034	-1,175
thereof with gross settlement	461,628	294,188	118,896	48,543	-	-	-
Cash outflows	8,872,264	4,471,914	2,297,858	2,102,492	-	-	-
Cash inflows	-8,410,637	-4,177,726	-2,178,962	-2,053,949	-	-	-
thereof with net settlement	44,202	11,392	11,489	25,774	-7,311	4,034	-1,175

1 The amounts were calculated as follows:
(a) If the counterparty can request payment at different dates, the liability is included on the basis of the earliest date on which the Company can be required to pay.
(b) The cash flows of floating interest financial instruments are estimated on the basis of forward rates.

2 The stated cash flows of financing liabilities consist of their undiscounted principal and interest payments.

3 The undiscounted sum of the cash flows of the derivative financial liabilities is shown for the respective year.

Mercedes-Benz Group AG unconditionally and irrevocably guarantees all the 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 Offer Rate (for USD, GBP, CHF and JPY) were comprehensively and internationally reformed by the end of 2021. 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 for USD, for example, are still applied as reference rates in financial markets and have an impact on the valuation of financial transactions. This also applies for financial instruments in hedging relationships with a maturity beyond the end of 2021. With EURIBOR as well as GBP, CHF and JPY LIBOR reform already implemented, the contractual adjustment of financial instruments with a corresponding interest rate risk reference was made by December 31, 2021. The material share of interest rate risk hedging relationships that is still affected by the benchmark reform is based on the USD currency.

The nominal values of the affected derivative financial instruments can be found on page 33. The Company expects the conversion of the outstanding reference rates of hedging instruments and their underlying transactions to be identical and without any material delay. The Company continues to consider the economic relationship and thus the continuation of hedge accounting to be still existing as of December 31, 2021.

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 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.

The following table shows the period-end value at risk figures of the interest rate risk for the 2021 and 2020 portfolios of interest rate sensitive financial instruments and derivative financial instruments of the Company. In this respect, the table shows the interest rate risk regarding the unhedged position of interest rate sensitive financial instruments.

in euro thousand	**31.12.2021**	31.12.2020
Interest rate risk	**4,342**	2,537

In the course of the year 2021, changes on the value at risk of interest rate sensitive financial instruments were primarily determined by the development of interest rate volatilities.

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.

The following table shows the period-end value at risk figures of the exchange rate risk for the 2021 and 2020 portfolios of exchange rate sensitive financial instruments and derivative financial instruments of the Company (including interest payments).

in euro thousand	**31.12.2021**	31.12.2020
Currency risk	**1,661**	1,373

The Company mainly incurred a minor currency risk on the intergroup cash position (note 8) which is recognized against the exchange rate applying on the balance sheet date (note 4).

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 or available within the Mercedes-Benz Group.

22. 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 years.

23. 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. Therefore, the details regarding the compensation of key management personnel is described in note 24.

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 CP programs are unconditionally and irrevocably guaranteed by Mercedes-Benz Group AG for which the Company pays a guarantee fee to its parent company. The funds represent currently 99% of the borrowed funds (2020: 98%). The Company also obtained funds from affiliated companies in the amount of euro 329 million (2020: euro 328 million). Together with the Company's equity, all of these funds are made available to Mercedes-Benz Group companies.

24. Remuneration of the Board of Management and the Supervisory Board

The remuneration for directors, including pension obligations as intended in Section 2:383 of the Dutch Civil Code, which were charged in the financial year to the Company, amounted to euro 0.3 million (2020: euro 0.3 million). These costs were partly recharged for rendered services to other Mercedes-Benz Group companies. The members of the Supervisory Board did not receive any remuneration in the relevant reporting periods.

OTHER INFORMATION

Independent Auditor's Report

The Auditor's Report is shown on the following pages.

Statutory rules as to appropriation of result

Article 13 of the Articles of Association states:

1. The Company's income is wholly at the disposal of the general meeting of shareholder.

2. The Company may only make distributions to the shareholder and other parties entitled to the income available for distribution in so far as its capital and reserves exceed the paid-up and called part of the reserves required to be held under law.

3. The distribution of income takes place after adoption of the annual accounts indicating such distribution to be justified.

4. The Company may only make interim distributions if the requirement in clause two has been satisfied.

5. The entitlements to income distribution lapse after a period of five years after the date on which they became payable.

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 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 Annual 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, April 26, 2022

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

Maarten van Pelt

Volker Lach

- The responsibility for the audit committee function for the Company has been placed and will be executed by the Supervisory Board.
- Pursuant to the Articles of Association, we are pleased to submit the Financial Statements for the year 2021 and 2020 as drawn up by the Board of Management.
- The Financial Statements, which both the Supervisory Board and the Board of Management have signed, have been audited by KPMG Accountants N.V.
- The Independent Auditor's Report is included under the section *Other Information* below.

Nieuwegein, April 26, 2022

Mercedes-Benz International Finance B.V.
The Supervisory Board

Frank Wetter Chairman	Jürgen Vogt	Dr. Stephanie Pfeifer

Independent auditor's report

To: the General Meeting of Shareholders and the Supervisory Board of Mercedes-Benz International Finance B.V.

Report on the audit of the financial statements 2021 included in the annual report

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Mercedes-Benz International Finance B.V. as at 31 December 2021 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2021 of Mercedes-Benz International Finance B.V. (the Company) based in Utrecht.

The financial statements comprise:

1 the Statement of Financial Position as at 31 December 2021;

2 the following statements for the year ended 31 December 2021: the Statement of Income and Statement of Comprehensive Income/Loss, the Statement of Cash Flows and the Statement of Changes in Equity; and

3 the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Mercedes-Benz International Finance B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit procedures were determined in the context of our audit of the financial statements as a whole. Our observations in respect of going concern, fraud and non-compliance with laws and regulations and the key audit matters should be viewed in that context and not as separate opinions or conclusions.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit approach

Summary

Materiality

- Materiality of EUR 120 million
- 0.5% of total assets
- Reporting threshold EUR 6.0 million (5% of materiality)

Going concern and Fraud/Noclar

- Going concern: no significant going concern risks identified
- Fraud & Non-compliance with laws and regulations (Noclar): management override of controls as presumed fraud risk identified

Key audit matters

- Hedge accounting;
- Estimation uncertainty in respect of the valuation of loans and receivables to Group entities.

Opinion

Unqualified

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 120,000,000 (2020: EUR 90,000,000). The materiality is determined with reference to total assets (0.5%). We consider total assets as the most appropriate benchmark because assets of the Company generate the cash flows required to service the notes issued, the Company's noteholders – as the primary stakeholders of the entity – will focus primarily on the appropriate accounting (including valuation) for these assets. Materiality significantly changed compared to last year due to the increase of the benchmark. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements identified during our audit in excess of EUR 6,000,000, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Audit response to going concern – no significant going concern risks identified

The Board of Management performed its going concern assessment, in which amongst others the Company's high dependency of the Group's ability to fulfill its obligations towards the Company was considered. The Board of Management did not identify any significant going concern risks.

To assess the Board of Management' assessment, we performed, inter alia, the following procedures:

- we considered whether the Board of Managements' assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit;
- we analyzed the Company's financial position as at year-end and compared it to the previous financial year in terms of indicators that could identify significant going concern risks;
- we considered whether the outcome of our audit procedures, to determine the recoverability of the intercompany loans, as described in the key audit matter on valuation of loans, could indicate a significant going concern risk.

The outcome of our risk assessment procedures did not give reason to perform additional audit procedures on the Board of Managements' going concern assessment.

Audit response to the risk of fraud and non-compliance with laws and regulations

In section 'integrity and compliance' of the management board's report, the management board describes its procedures in respect of the risk of fraud and non-compliance with laws and regulations.

As part of our audit, we gained insight into the Company and its business environment, and assessed the design and implementation of the Company's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the Company's code of conduct and whistleblowing procedures and its procedures to investigate indications of possible fraud and non-compliance. Furthermore, we performed relevant inquiries with management, and other relevant functions, namely Internal Audit. As part of our audit procedures, we:

- evaluated other positions held by management board members and/or other employees and paid special attention to procedures and governance/compliance in view of possible conflicts of interest;
- evaluated investigation reports on indications of possible fraud and non-compliance;
- evaluated correspondence with supervisory authorities and regulators as well as legal confirmation letters.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Company and did not identify areas that likely have a material effect on the financial statements.

We evaluated the fraud and non-compliance risk factors to consider whether those factors by themselves would cause the existence of a reasonable possibility of a risk of material misstatement in the financial statements.

Further we assessed the presumed fraud risk on revenue recognition as irrelevant, since the Company's sole significant source of income is finance income. Such finance income is derived from long term loan agreements with Group Companies including fixed terms and conditions in respect of interest. As a consequence, we did not identify an incentive nor pressure for the management board members to achieve certain results or specific finance income targets and there appears to be limited perceived opportunity to commit a material fraud in this area.

Based on the above and on the relevant auditing standards, we identified the following presumed fraud risk in respect of management override of controls that is relevant to our audit and responded as follows:

— **Management override of controls as presumed fraud risk**

Risk:

- The management board is in a unique position to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively, such as: the estimate related to the recoverability of loans (principle and interest) receivables from related parties.

Responses:

- We evaluated the design and the implementation of internal controls that mitigate fraud and non-compliance risks, such as processes related to journal entries and estimates.
- We performed a data analysis of high-risk journal entries and evaluated key estimates and judgments for bias by the Company's management board, including retrospective reviews of prior years' estimate with respect to recoverability of loans (principle and interest) receivables from related parties. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk, including testing of transactions back to source information.
- We incorporated elements of unpredictability in our audit.

Our procedures to address the identified risk of fraud in respect of management override of controls did not result in a key audit matter.

We communicated our risk assessment, audit responses and results to the management board and the Audit Committee of the Supervisory Board.

Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

Hedge accounting

Description

The Company manages its exposure to interest rate and foreign currency risk by means of derivative financial instruments and applies hedge accounting to a significant part of its derivatives portfolio to avoid the accounting mismatch between the measurement of the derivatives (fair value) and the hedged item (amortized cost or off balance) in its financial statements. The accounting treatment of derivative financial instruments depends on whether the hedge relationship qualifies for hedge accounting and whether it is a fair value or cash flow hedge accounting relationship.

Given the significance of the application of hedge accounting for the financial position as a whole and the inherent complexity of hedge accounting we consider this a key audit matter.

Our response

We have inspected the hedge documentation provided by the Company supporting hedge accounting and have assessed the calculation method of the defined hedged risk, and we have assessed the Company's hedge effectiveness testing. We have assessed each hedge relationship based on the accounting requirements of IFRS 9. We have also assessed whether the disclosure requirements were met in the financial statements.

Our observation

The results of our procedures relating to the Company's application of hedge accounting were satisfactory. We observed that the Company applied hedge accounting and related disclosure requirements in accordance with EU – IFRS.

Estimation uncertainty in respect of the valuation of loans and receivables to group entities

Description

As included in notes 8 and 21 to the financial statements the Company's exposure, in terms of credit risk, to group companies may have a pervasive effect on the Company's financial statements, in the event that they can no longer fulfil their financial obligations towards the Company. The Company's ability to meet its financial obligations to bond/note holders depends on the cash flow generated from the repayment of (accrued) interest and principal by the group companies and available cash & cash equivalents. The outstanding balances as at 31 December 2021 of 23,432 million (long term receivable and short term receivable) represent appr. 99.4% (2020: appr. 98.2%) of the balance sheet total.

As the intercompany loans and interest receivables from group companies are material to the Company's balance sheet and given the related estimation uncertainty on impairment losses, the risk of a financial loss of the Company is significant. We therefore consider the recoverability of the loans provided to group companies and their related interest income receivable to be a key audit matter.

The repayment of loans extended to Group companies is guaranteed by Mercedes-Benz Group AG above a threshold of EUR 50 million on a portfolio level. The Company is therefore, besides being dependent on the creditworthiness of the direct counterparty of its loans, dependent on the creditworthiness of Mercedes-Benz Group AG as a whole for repayment of loans extended to Group companies.

The Board of Management evaluates the intercompany receivables against IFRS 9 requirements, by estimating intercompany probability of default on the basis of the creditworthiness of the group companies and the applicable market data. The guarantee issued by the Company's ultimate parent company, covering the risk around the recoverability of intercompany receivables up to 99.77% was also considered in the Board of Managements' evaluation.

Our response

Our audit procedures included an assessment of the creditworthiness of the financial position and liquidity of the Mercedes-Benz Group to assess whether the loans and receivables extended to other Group entities are recoverable under the terms of the guarantee. To this end we have performed, amongst others, the following procedures with respect to the exposure on Group entities:

- Inspect the audited 2021 financial statements of Mercedes-Benz Group AG;
- Inquired with management regarding recent developments in the financial position and cash flows of the Group and whether any conditions exist as at, or subsequent to the reporting date that may lead to Mercedes-Benz Group AG's inability to meet its contractual obligations;

- Evaluation of the information from rating agencies Moody's Investor Service, Standard & Poor's Ratings Group and Fitch Ratings with respect to the credit ratings of Mercedes-Benz Group AG as at 31 December 2021;
- Perform an assessment of the financial condition and performance of the direct counterparties to identify potential impairment triggers for the loans advanced by the Company;
- Inspect the terms and conditions of the Guarantee Agreement between Mercedes-Benz Group AG and the Company in relation to the loans and receivables extended to Group entities.

Our observation

The results of our audit procedures relating to the recoverability of the loan receivables and interest receivables from Group Companies were satisfactory. We consider the disclosures relating to credit risk as included in the credit risk paragraph in note 21 and the disclosures in Note 8 of the financial statements to be adequate.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

the Board of Management is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the Shareholders as auditor of Mercedes-Benz International Finance B.V. as of the audit for the year 2003 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

European Single Electronic Format (ESEF)

Mercedes-Benz International Finance B.V. has prepared its annual report in ESEF. The requirements for this format are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (these requirements are hereinafter referred to as: the RTS on ESEF).

In our opinion, the annual report prepared in the XHTML format, including the financial statements of Mercedes-Benz International Finance B.V., has been prepared in all material respects in accordance with the RTS on ESEF.

Management is responsible for preparing the annual report including the financial statements, in accordance with the RTS on ESEF. Our responsibility is to obtain reasonable assurance for our opinion whether the annual report is in accordance with the RTS on ESEF.

Our procedures taking into consideration Alert 43 of NBA (the Netherlands Institute of Chartered Accountants), included amongst others:

- obtaining an understanding of the entity's financial reporting process, including the preparation of the annual financial report in the XHTML- format;
- examining whether the annual report in the XHTML-format is in accordance with the RTS on ESEF.

Description of responsibilities regarding the financial statements

Responsibilities of the Board of Management and the Supervisory Board for the financial statements

the Board of Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In that respect the Board of Management, under supervision of the Supervisory Board, is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

As part of the preparation of the financial statements, the Board of Management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Management should prepare the financial statements using the going concern basis of accounting unless the Board of Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is included in the appendix to this auditor's report. This description forms part of our auditor's report.

Utrecht, 26 April 2022

KPMG Accountants N.V.

S. van Oostenbrugge RA

Appendix:
Description of our responsibilities for the audit of the financial statements

Appendix

Description of our responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 the risk resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining 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;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Management;
- concluding on the appropriateness of the Board of Management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on <the Legal Entity EN>'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 a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are solely responsible for the opinion and therefore responsible to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. In this respect we are also responsible for directing, supervising and performing the group audit.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audits of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Mercedes-Benz International Finance B.V., Ravenswade 4, 3439 LD Nieuwegein, The Netherlands