



Interim Report Q2 2023

Mercedes-Benz Group



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Key Figures

Mercedes-Benz Group in the second quarter

A.01

	Q2 2023	Q2 2022	Change
In millions of euros			in %
Revenue	38,241	36,440	+5
EBIT	4,988	4,622	+8
Adjusted EBIT	5,211	4,939	+6
Net profit	3,641	3,198	+14
Earnings per share (in euros) ¹	3.34	2.91	+15
Free cash flow of the industrial business	3,363	1,417	+137
Adjusted free cash flow of the industrial business	3,479	2,069	+68
Net liquidity of the industrial business	25,845	19,140	+35
Investments in property, plant and equipment	836	777	+8
Research and development expenditure	2,423	2,154	+12

¹ Based on net profit attributable to shareholders of Mercedes-Benz Group AG.

Divisions in the second quarter

A.02

	Q2 2023	Q2 2022	Change
In millions of euros			in %
Mercedes-Benz Cars			
Unit sales (in units)	515,746	487,116	+6
Revenue	28,244	26,999	+5
EBIT	3,852	3,792	+2
Adjusted EBIT	3,812	3,833	-1
Return on sales (in %)	13.6	14.0	.
Adjusted return on sales (in %)	13.5	14.2	.
CFBIT	3,769	2,393	+58
Adjusted CFBIT	3,842	2,948	+30
Adjusted cash conversion rate ¹	1.0	0.8	.
Investments in property, plant and equipment	779	739	+5
Research and development expenditure	2,168	1,940	+12
thereof capitalized development costs	697	676	+3
Mercedes-Benz Vans			
Unit sales (in units)	119,505	100,125	+19
Revenue	5,123	4,107	+25
EBIT	806	382	+111
Adjusted EBIT	792	414	+91
Return on sales (in %)	15.7	9.3	.
Adjusted return on sales (in %)	15.5	10.1	.
CFBIT	777	254	+206
Adjusted CFBIT	819	333	+146
Adjusted cash conversion rate ¹	1.0	0.8	.
Investments in property, plant and equipment	55	32	+72
Research and development expenditure	235	195	+21
thereof capitalized development costs	82	29	+183
Mercedes-Benz Mobility			
Revenue	6,506	6,715	-3
EBIT	172	624	-72
Adjusted EBIT	448	624	-28
Return on equity (in %)	4.9	17.1	.
Adjusted return on equity (in %)	12.8	17.1	.
New business	15,415	14,115	+9

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

Mercedes-Benz Group in the first half year

A.03

	Q1-2 2023	Q1-2 2022	Change
In millions of euros			in %
Revenue	75,757	71,298	+6
EBIT	10,492	9,851	+7
Adjusted EBIT	10,633	10,240	+4
Net profit	7,652	6,784	+13
Earnings per share (in euros) ¹	7.03	6.17	+14
Free cash flow of the industrial business	5,527	2,633	+110
Adjusted free cash flow of the industrial business	5,724	3,279	+75
Net liquidity of the industrial business	25,845	19,140	+35
Investments in property, plant and equipment	1,625	1,632	-
Research and development expenditure	4,893	4,133	+18
Employees (30 June) ²	167,727	171,522	-2

1 Based on net profit attributable to shareholders of Mercedes-Benz Group AG.

2 Active workforce without holiday workers.

Divisions in the first half year

A.04

	Q1-2 2023	Q1-2 2022	Change
In millions of euros			in %
Mercedes-Benz Cars			
Unit sales (in units)	1,019,229	974,124	+5
Revenue	56,056	52,835	+6
EBIT	8,000	8,063	-1
Adjusted EBIT	7,925	8,076	-2
Return on sales (in %)	14.3	15.3	.
Adjusted return on sales (in %)	14.1	15.3	.
CFBIT	6,750	4,240	+59
Adjusted CFBIT	6,862	4,628	+48
Adjusted cash conversion rate ¹	0.9	0.6	.
Investments in property, plant and equipment	1,511	1,573	-4
Research and development expenditure	4,422	3,810	+16
thereof capitalized development costs	1,382	1,269	+9
Employees (30 June) ³	134,044	138,205	-3
Mercedes-Benz Vans			
Unit sales (in units)	218,390	188,633	+16
Revenue	9,738	7,794	+25
EBIT	1,568	730	+115
Adjusted EBIT	1,511	880	+72
Return on sales (in %)	16.1	9.4	.
Adjusted return on sales (in %)	15.5	11.3	.
CFBIT	1,187	632	+88
Adjusted CFBIT	1,269	770	+65
Adjusted cash conversion rate ¹	0.8	0.9	.
Investments in property, plant and equipment	106	50	+112
Research and development expenditure	426	279	+53
thereof capitalized development costs	172	38	+353
Employees (30 June) ³	19,178	19,303	-1
Mercedes-Benz Mobility			
Revenue	13,145	13,497	-3
EBIT	711	1,357	-48
Adjusted EBIT	987	1,357	-27
Return on equity (in %)	10.2	18.6	.
Adjusted return on equity (in %)	14.2	18.6	.
New business	30,116	28,655	+5
Contract volume (30 June) ²	131,375	134,986	-3
Employees (30 June) ³	9,997	9,629	+4

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

2 Contract volume at 31 December 2022: 132,379 Mio. €.

3 Active workforce without holiday workers.

Reporting principles

The Interim Report as of 30 June 2023 of Mercedes-Benz Group AG comprises an Interim Group Management Report, condensed Interim Consolidated Financial Statements (Interim Financial Statements) as well as a responsibility statement of the legal representatives. In keeping with IAS 34 (Interim Financial Reporting), the Interim Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and their interpretations as endorsed by the European Union (EU) and effective at the reporting date. This Interim Report also complies with the requirements of the German Securities Trading Act (WpHG) and with German Accounting Standard No. 16 (GAS 16 – Interim Financial Reporting) issued by the German Accounting Standards Committee (GASC).

This Interim Report should be read in conjunction with the Annual Report for financial year 2022 and the additional information on the Company contained therein.

The Group comprises the segments Mercedes-Benz Cars, Mercedes-Benz Vans and Mercedes-Benz Mobility. The reconciliation of the segments for the Group (reconciliation) presents the functions and services provided by the Group's headquarters. In addition, it includes equity investments that are not allocated to the segments, effects at the corporate level and the impact on earnings of eliminating intra-Group transactions between the segments.

The Interim Report is presented in euros (€). Unless otherwise stated, all amounts are stated in millions of euros. All figures shown are commercially rounded.

The Board of Management authorized the Interim Report for publication on 26 July 2023. It is published in German and English. The German version is binding.

The Interim Report was reviewed by the Group auditor.

Forward-looking statements

This document contains forward-looking statements that reflect our current views about future events. The words "anticipate", "assume", "believe", "estimate", "expect", "intend", "may", "can", "could", "plan", "project", "should" and similar expressions are used to identify forward-looking statements. These statements are subject to many risks and uncertainties, including an adverse development of global economic conditions, in particular a decline of demand in our most important markets; a deterioration of our refinancing possibilities on the credit and financial markets; events of force majeure including natural disasters, pandemics, acts of terrorism, political unrest, armed conflicts, industrial accidents and their effects on our sales, purchasing, production or financial services activities; changes in currency exchange rates, customs and foreign trade provisions; a shift in consumer preferences towards smaller, lower-margin vehicles; a possible lack of acceptance of our products or services which limits our ability to achieve prices and adequately utilize our production capacities; price increases for fuel, raw materials or energy; disruption of production due to shortages of materials or energy, labour strikes or supplier insolvencies; a decline in resale prices of used vehicles; the effective implementation of cost-reduction and efficiency-optimization measures; the business outlook for companies in which we hold a significant equity interest; the successful implementation of strategic cooperations and joint ventures; changes in laws, regulations and government policies, particularly those relating to vehicle emissions, fuel economy and safety; the resolution of pending governmental investigations or of investigations requested by governments and the outcome of pending or threatened future legal proceedings; and other risks and uncertainties, some of which are described under the heading "Risk and Opportunity Report" in the current Annual Report or in this Interim Report. If any of these risks and uncertainties materializes or if the assumptions underlying any of our forward-looking statements prove to be incorrect, the actual results may be materially different from those we express or imply by such statements. We do not intend or assume any obligation to update these forward-looking statements since they are based solely on the circumstances at the date of publication.

Interim Group Management Report

Important events

First quarter 2023

Creation of a global high-power charging network

On 5 January 2023, the Mercedes-Benz Group announced far-reaching plans to build a high-power charging network in North America, Europe, China and other core markets. The goal is to create a global charging network by the end of the decade.

Certification granted for SAE Level 3 system for US market

On 26 January 2023, the Mercedes-Benz Group became the world's first automaker to receive SAE Level 3¹ certification for conditionally automated driving on US roads in the state of Nevada. The "DRIVE PILOT" was released for sale in Germany in May 2022 after the German Federal Motor Transport Authority issued the SAE Level 3 system a licence to operate on the basis of the internationally valid regulation UN-R157.

Mercedes-Benz Group AG decides on share buyback programme

With the approval of the Supervisory Board, the Board of Management resolved a share buyback programme on 16 February 2023. On 3 March 2023, the company started to acquire treasury shares on the stock exchange. Treasury shares worth up to €4 billion (excluding incidental costs) are to be purchased over a period of up to two years and subsequently cancelled.

Further information on this is provided in Note 15 of the Notes to the Interim Consolidated Financial Statements.

Mercedes-Benz and Google form partnership for next-generation vehicle navigation

As announced on 22 February 2023, the Mercedes-Benz Group plans to integrate innovative vehicle-related geospatial data and route planning capabilities from the Google Maps platform into the Mercedes-Benz Operating System (MB.OS). With this partnership, the Group plans to become the first automaker to develop its own navigation experience based on a new concept that combines new in-vehicle geospatial data and navigation features from the Google Maps platform.

The system is to be introduced in the middle of the decade with the new MMA (Mercedes Modular Architecture) platform. MB.OS was designed and developed in-house at Mercedes-Benz. This was done to give the Company complete control over the customer relationship as well as ensure data privacy and the unparalleled integration of all vehicle functions.

Foundation laid for sustainable battery recycling factory

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

The Group plans to invest an eight-digit euro sum in the construction of the net CO₂-neutral plant. For the first stage of the plant (mechanical dismantling facility) commissioning is scheduled to start as early as the end of this year. Subject to discussions with the government authorities, the pilot plant is to be rounded out by a hydrometallurgical facility just a few months later.

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

Mercedes-Benz underscores ESG commitment with significant achievements and measurable targets

At the ESG (Environmental, Social and Governance) Conference on 30 March 2023, the Board of Management of the Mercedes-Benz Group emphasized to investors and analysts its measures for reducing its CO₂ footprint and creating sustainable value for all stakeholders.

The key measures are to accelerate electrification with a growing portfolio and dedicated fast-charging network, to promote supply chain decarbonization and resource conservation through the use of renewable energy sources and responsible sourcing of raw materials, and to forge ahead with the creation of a circular economy and the direct sourcing of raw materials. The Company also aims to reduce CO₂ emissions in production by 80% by 2030¹.

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

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

Mercedes-Benz Group has engaged CICERO Shades of Green, now part of S&P Global, an expert in research-based assessment of green finance frameworks, to review the Mercedes-Benz Group framework. The Mercedes-Benz Group framework has received the highest rating of "Dark Green" from CICERO.

Second quarter 2023

Sale of shares in the Russian subsidiaries

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

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

Further information on this is provided in Note 2 of the Notes to the Interim Consolidated Financial Statements.

Annual General Meeting of Mercedes-Benz Group AG

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

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

¹ In comparison to 2018.

CO₂ reduction in the aluminium supply chain

Mercedes-Benz is working with its partners to decarbonize the aluminium supply chain. As reported in the Annual Report 2022, Mercedes-Benz AG and the Norwegian aluminium producer Norsk Hydro ASA (Hydro) signed a letter of intent in December 2022 for a low-CO₂ technology roadmap between 2023 and 2030.

Mercedes-Benz already purchases CO₂-reduced aluminium from Hydro. As a next milestone, Mercedes-Benz announced on 9 May 2023 that Hydro should supply even more CO₂-reduced aluminium to the foundry at the Mercedes-Benz plant in Untertürkheim: With a minimum of 25% recycled material in Hydro's tested aluminium, the CO₂ footprint should be reduced.

Following the completion of the successful test phase for the low-CO₂ aluminium, the company plans to bring sophisticated structural castings for the body-in-white made from the more sustainable material into series production this year.

Mercedes-Benz Vans Strategy Update

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

Supply agreement and memorandum of understanding to establish a North American supply chain between Mercedes-Benz AG and H2 Green Steel

The Mercedes-Benz Group announced on 7 June 2023 that it had signed a supply agreement with Swedish startup H2 Green Steel AB (H2GS) for approximately 50,000 metric tons of nearly CO₂-free steel per year for its European stamping plants. At the same time, the two companies are deepening their partnership with a memorandum of understanding to jointly establish a sustainable steel supply chain in North America.

Following the investment in H2GS in 2021, the new supply agreement will enable Mercedes-Benz to use virtually CO₂-free steel in series production. The strategic partner plans to start production in 2025.

Mercedes-Benz expands charging options for customers: Access to Tesla Superchargers in North America

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

Business development

Automotive markets

The development of the **world economy** continued to be rather subdued in the second quarter of 2023 and was thus also noticeably below its long-term trend growth in the first six months of the year as a whole. The continued unexpectedly robust development of the US economy, a noticeable economic slowdown in China, and a European economy that remained weak — particularly in the industrial sector — contributed to this overall picture in the reporting period. Inflation rates have recently been gradually declining, but in many places they have remained at exceptionally high levels. Accordingly, major central banks had to continue their restrictive monetary policies. The situation in the banking sector, particularly in the USA, has calmed down considerably compared to the end of the first quarter. Bottlenecks in global supply chains continued to ease, benefiting automobile production worldwide and having a positive impact on key automotive markets.

Overall, the global **car market** was significantly above the low level of the second quarter of the previous year and also above that in the first six months of the year. A comparatively favourable market trend was observed across the major sales regions. In the second quarter, the European market significantly exceeded the weak level of the previous year. The US market for light vehicles also recorded significant growth in the past quarter. The Chinese car market also significantly exceeded its prior-year level. However, development there was severely impacted by covid-related lockdowns in the second quarter of last year.

Important **van markets** developed favourably in the past quarter and in the first six months of 2023 as a whole. In the Europe region, the market for mid-size and large vans overall was slightly above that of the previous year in the second quarter. The segment for small vans grew significantly. The US market for large vans continued to show strong signs of recovery in the second quarter and greatly surpassed the prior-year level. Very strong growth was recorded in the Chinese market for mid-size vans. However, growth there in the second quarter continued to be driven primarily by new competitor models in the market segment relevant to Mercedes-Benz.

Unit sales

Mercedes-Benz Cars sold 515,700 units in the second quarter of 2023 (Q2 2022: 487,100), increasing sales by 6% year-on-year. The growth in unit sales is primarily attributable to Top-End vehicles and all-electric vehicles, particularly in the Entry product category. As result, all-electric vehicles' share of total unit sales almost doubled compared to the same period last year (Q2 2023: 12%; Q2 2022: 6%).

Unit sales of Mercedes-Benz Cars increased year-on-year in the largest sales regions in the second quarter of 2023. A total of 157,100 vehicles (Q2 2022: 149,900) were sold in Europe (European Union, United Kingdom, Switzerland and Norway). Germany was the main contributor, with growth of 23% to 58,600 units. In China, the single largest market for Mercedes-Benz Cars, unit sales totalled 183,600 vehicles (Q2 2022: 164,600). In North America, unit sales totalled 98,800 vehicles (Q2 2022: 96,200). At 88,100 units (Q2 2022: 83,200), unit sales in the region's main market, the United States, were higher than in the previous year.

In the first six months of 2023, Mercedes-Benz Cars recorded a 5% increase in unit sales (Q1-2 2023: 1,019,200; Q1-2 2022: 974,100). The growth in unit sales is attributable to Top-End vehicles and vehicles in the Entry product category. All-electric vehicles' share of total unit sales reached 11% in the first six months of 2023 (Q1-2 2022: 6%).

Unit sales of Mercedes-Benz Cars increased year-on-year in the largest sales regions in the first six months of 2023. A total of 321,000 vehicles (Q1-2 2022: 301,300) were sold in Europe (European Union, United Kingdom, Switzerland and Norway). Strong growth of 22% to 119,000 units was recorded in Germany. In China, unit sales totalled 374,600 vehicles (Q1-2 2022: 350,700). In North America, unit sales totalled 173,900 vehicles (Q1-2 2022: 170,400). At 152,600 units (Q1-2 2022: 148,000), unit sales in the region's main market, the United States, were slightly higher than in the previous year. The significant decline in unit sales in the rest of the world was due in particular to the discontinuation of business activities in Russia since March 2022.

C.01

Mercedes-Benz Cars unit sales

	Q2 2023	Q2 2022	Change	Q1-2 2023	Q1-2 2022	Change
In units			in %			in %
Total unit sales of Mercedes-Benz Cars	515,746	487,116	+6	1,019,229	974,124	+5
Top-End ¹	84,792	75,462	+12	176,564	153,533	+15
% share of unit sales	16.4	15.5		17.3	15.8	
Core ²	276,808	272,593	+2	525,191	552,768	-5
% share of unit sales	53.7	56.0		51.5	56.7	
Entry ³	154,146	139,061	+11	317,474	267,823	+19
% share of unit sales	29.9	28.5		31.2	27.5	
thereof						
Electrified vehicles (xEVs)	95,910	63,594	+51	187,608	137,594	+36
Battery electric vehicles (BEVs)	61,211	31,259	+96	112,850	58,619	+93
Plug-in hybrid vehicles (PHEVs)	34,699	32,335	+7	74,758	78,975	-5
% share of unit sales	18.6	13.1		18.4	14.1	

1 Mercedes-AMG, Mercedes-Maybach, G-Class, S-Class, GLS, EQS and EQS SUV.

2 All derivatives of the C-Class and E-Class, including the EQC, EQE and EQE SUV.

3 All derivatives of the A-Class and B-Class, including the EQA, EQB and smart.

Mercedes-Benz Vans significantly increased its global unit sales in the second quarter of 2023 to 119,500 units (Q2 2022: 100,100).

At 74,100 units, unit sales in the core region of Europe were significantly above the prior-year quarter (Q2 2022: 60,000). Mercedes-Benz Vans sold 30,600 units (Q2 2022: 24,400) in Germany. At 20,300 units (Q2 2022: 19,400), sales in the United States achieved a record high for the second quarter. In China, sales totalled 9,700 units (Q2 2022: 7,700) and were thus also significantly higher than in the prior year.

Global sales of all-electric vans increased to 5,100 units in the second quarter of 2023 (Q2 2022: 4,300). All-electric models thus accounted for a 4% share of total unit sales.

Mercedes-Benz Vans also increased total sales by 16% to 218,400 units in the first six months of 2023 (Q1-2 2022: 188,600).

At 139,600 units, unit sales in the core region of Europe were significantly above the first six months of the prior year (Q1-2 2022: 112,700). Mercedes-Benz Vans sold 54,300 units (Q1-2 2022: 44,100) in Germany. In the United States, unit sales were on a par with the previous year at 34,200 vehicles (Q1-2 2022: 34,200). In China, unit sales totalled 15,700 vehicles (Q1-2 2022: 15,900).

Total sales of all-electric vans rose in the first six months of 2023 to 8,600 units (Q1-2 2022: 7,200). All-electric models thus accounted for a 4% share of global unit sales.

At €15.4 billion, new business at **Mercedes-Benz Mobility** in the second quarter of 2023 was substantially higher than in the prior-year period. One of the main reasons for the positive development was a strong increase in unit sales of Top-End vehicles.

This caused new business in the German market to rise year-on-year by 16%. The US market also benefited from the increase in unit sales and recorded a positive trend in the proportion of leased and financed vehicles in the Group's unit sales. New business thus increased by 30% compared to the same quarter of the previous year. In China, on the other hand, there was a decline in new business in the second quarter of 2023 by 20% due to increased competition in the financial services sector.

At €30.1 billion, new business at Mercedes-Benz Mobility in the first six months of 2023 was slightly higher than in the prior-year period.

Supported by a significant increase in unit sales in the German market, new business there rose year-on-year in the first six months of 2023 by 13%. In the United States, new business increased significantly in the first six months of the year (+24%). A strong increase in unit sales in the Top-End segment and a positive trend in the proportion of leased and financed vehicles in the Group's unit sales were key reasons for this development. In China, on the other hand, increased competition in the financial services sector caused new business to decline in the first six months of 2023 by 24%.

At 30 June 2023, contract volume amounted to €131.4 billion and was thus at the level of 31 December 2022.

Investment and research activities

The **investments in property, plant and equipment** of the **Mercedes-Benz Group** amounted to €0.8 billion in the second quarter of 2023 (Q2 2022: €0.8 billion).

In the first six months of 2023 investments in property, plant and equipment by the Group amounted to €1.6 billion (Q1-2 2022: €1.6 billion).

Investments in property, plant and equipment at **Mercedes-Benz Cars** were dominated by the new vehicle architectures in both the second quarter and the first six months of 2023. At **Mercedes-Benz Vans**, the main driver of investment in the first six months of 2023 was again the planned transformation to an all-electric Mercedes-Benz van fleet.

The **research and development expenditure** of the **Mercedes-Benz Group** amounted to €2.4 billion in the second quarter of 2023 (Q2 2022: €2.2 billion), of which €0.8 billion (Q2 2022: €0.7 billion) was capitalized. In the first six months of 2023, research and development expenditure amounted to €4.9 billion (Q1-2 2022: 4.1 billion), of which €1.6 billion (Q1-2 2022: €1.3 billion) was capitalized.

At **Mercedes-Benz Cars** as well as **Mercedes-Benz Vans**, the focus of research and development activities in the second quarter and the first six months of 2023 was on electric drives, digitalization and automated driving. The increase is due to higher costs for new vehicles and for future technologies, in particular for the proprietary MB.OS operating system.

C.02

Investments in property, plant and equipment¹

	Q2 2023	Q2 2022	Change	Q1-2 2023	Q1-2 2022	Change
In millions of euros			in %			in %
Mercedes-Benz Group	836	777	+8	1,625	1,632	-
thereof Mercedes-Benz Cars	779	739	+5	1,511	1,573	-4
thereof Mercedes-Benz Vans	55	32	+72	106	50	+112

¹ The investments in property, plant and equipment correspond to additions to property, plant and equipment in the Consolidated Statement of Cash Flows in the Interim Financial Statements.

C.03

Research and development

	Q2 2023	Q2 2022	Change	Q1-2 2023	Q1-2 2022	Change
In millions of euros			in %			in %
Research and development expenditure at Mercedes-Benz Group	2,423	2,154	+12	4,893	4,133	+18
thereof Mercedes-Benz Cars	2,168	1,940	+12	4,422	3,810	+16
thereof Mercedes-Benz Vans	235	195	+21	426	279	+53
Research and non-capitalized development costs	1,644	1,449	+13	3,339	2,826	+18
Capitalized development costs	779	705	+10	1,554	1,307	+19
Capitalization rate in %	32	33		32	32	

Profitability, cash flows and financial position

To provide a better insight into the Group's profitability, cash flows and financial position, the condensed Consolidated Statement of Income/Loss, the condensed Consolidated Statement of Cash Flows and the condensed Consolidated Statement of Financial Position are shown for the industrial business and for Mercedes-Benz Mobility as well as for the Mercedes-Benz Group. The industrial business comprises the segments Mercedes-Benz Cars and Mercedes-Benz Vans. Mercedes-Benz Mobility is identical to the Mercedes-Benz Mobility segment. The effects from intra-Group eliminations between the industrial business and Mercedes-Benz Mobility, as well as items at the corporate level, are generally allocated to the industrial business. In justified individual cases, effects on the profitability, cash flows and financial position are not assigned to the corresponding segment according to a legal perspective; instead the segment reporting follows an economic perspective.

In order to provide a more transparent presentation of the ongoing business, adjusted figures are also calculated and reported for both the Group and the segments. The adjustments include individual items in so far as they lead to material effects in a reporting year. These individual items can relate in particular to legal proceedings and related measures, restructuring measures and M&A transactions. Further information on the performance measurement system can be found in the Annual Report 2022 in the Corporate Profile chapter of the Combined Management Report with Non-Financial Declaration.

Profitability

Mercedes-Benz Group Statement of income for the three-month period ended 30 June 2023

Revenue of €38,241 million in the second quarter of 2023 was slightly above the prior-year quarter of €36,440 million. The increase in revenue was due in particular to the improved pricing and the increase in unit sales.

The slight increase in the **cost of sales** compared to the prior-year quarter essentially resulted from higher raw material prices, expenses paid to suppliers for additional costs due to inflation and the supply chain and due to the increased revenues.

The **other functional costs** were substantially above the level of the same quarter of the previous year. Administration costs have risen, among other things, due to inflation-related additional costs. The increase in research and non-capitalized development costs is primarily based on higher expenses for new vehicles and future technologies.

The **other operating income/expense** in the second quarter of 2023 was significantly above the level of the same quarter of the previous year. This was primarily due to lower overall expenses in connection with ongoing governmental and court proceedings and measures taken relating to Mercedes-Benz diesel vehicles.

In particular, the higher proportional contribution of the investment in Daimler Truck Holding AG led to a significant increase in the **gains/losses on equity-method investments**.

The **other financial income** in the second quarter of 2023 amounted to €101 million (Q2 2022: €171 million).

EBIT amounted to €4,988 million in the second quarter of 2023, and was thus 8% above the prior-year level of €4,622 million. Exchange-rate effects had a negative net impact.

Due to the global increase in interest rates, net **interest income/expense** improved in the second quarter of 2023 to an income of €97 million (Q2 2022: expense of €73 million).

The **income tax expense** recognized in the second quarter of 2023 amounted to €1,444 million (Q2 2022: €1,351 million). The tax rate was 28.4% (Q2 2022: 29.7%) and thus slightly below the level of the expected Group tax rate of 29.825%.

Net profit amounted to €3,641 million in the second quarter of 2023 (Q2 2022: €3,198 million). **Non-controlling interests** accounted for a profit of €78 million (Q2 2022: €91 million). The **share of net profit attributable to shareholders of Mercedes-Benz Group AG** amounted to €3,563 million (Q2 2022: €3,107 million). This led to an increase in **earnings per share** to €3.34 (Q2 2022: €2.91).

The calculation of earnings per share (basic) is based on an average number of outstanding shares of 1,065.4 million (Q2 2022: 1,069.8 million).

Table C.04 shows the condensed Consolidated Statement of Income/Loss of the Mercedes-Benz Group as well as of the industrial business and Mercedes-Benz Mobility.

Table C.05 shows both the composition of Group EBIT by segment and the reconciliation as well as the reconciliation of EBIT to adjusted EBIT.

C.04

Condensed Consolidated Statement of Income/Loss for the three-month period ended 30 June

	Mercedes-Benz Group		Industrial Business		Mercedes-Benz Mobility	
	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022
In millions of euros						
Revenue	38,241	36,440	31,735	29,725	6,506	6,715
Cost of sales	-29,284	-27,938	-23,588	-22,244	-5,696	-5,694
Gross profit	8,957	8,502	8,147	7,481	810	1,021
Selling expenses	-2,522	-2,406	-2,340	-2,225	-182	-181
General administrative expenses	-701	-590	-480	-387	-221	-203
Research and non-capitalized development costs	-1,644	-1,449	-1,644	-1,449	-	-
Other operating income/expense	266	-1	497	-11	-231	10
Gains/losses on equity-method investments, net	531	395	535	415	-4	-20
Other financial income/expense, net	101	171	101	174	-	-3
EBIT	4,988	4,622	4,816	3,998	172	624
Interest income/expense	97	-73	97	-72	-	-1
Profit before income taxes	5,085	4,549	4,913	3,926	172	623
Income taxes	-1,444	-1,351	-1,384	-1,208	-60	-143
Net profit	3,641	3,198	3,529	2,718	112	480
thereof profit attributable to non-controlling interests	78	91				
thereof profit attributable to shareholders of Mercedes-Benz Group AG	3,563	3,107				
Earnings per share (in euros)						
for profit attributable to shareholders of Mercedes-Benz Group AG						
Basic	3.34	2.91				
Diluted	3.34	2.91				

EBIT of the segments for the three-month period ended 30 June 2023

The adjusted EBIT of the **Mercedes-Benz Cars** segment was at the previous year's level and was influenced by the following material factors:

- Improved net pricing
- Increased unit sales
- Negative development of exchange rates
- Higher raw-material prices and expenses to suppliers for additional costs due to inflation and the supply chain
- Higher expenses for future technologies and vehicles

The following adjustments are included in EBIT:

- In the second quarter of 2023 income in connection with the discontinuation of business activities in Russia in March 2022
- In the second quarter of 2023 expenses in connection with ongoing governmental and court proceedings and measures taken relating to Mercedes-Benz diesel vehicles

The **Mercedes-Benz Vans** segment was able to achieve an adjusted EBIT significantly above the level of the prior-year period. The development of earnings showed the following main influencing factors:

- Strongly improved net pricing
- Significantly increased unit sales
- Higher expenses for material and expenses to suppliers for additional costs due to inflation and the supply chain

The following adjustments are included in EBIT:

- In the second quarter of 2023 income (in the prior-year period expenses) in connection with ongoing governmental and court proceedings and measures taken relating to Mercedes-Benz diesel vehicles
- In the second quarter of 2023 income in connection with the discontinuation of business activities in Russia in March 2022

In the second quarter of 2023, the **Mercedes-Benz Mobility** segment reported a significant decline in adjusted EBIT. The segment's earnings were primarily influenced by the following factors:

- Declining interest margin due to higher interest rates and increased competitive pressure in the financial services sector
- Oppositely normalized cost of credit risk development despite a challenging environment

The following adjustment is included in EBIT:

- In the second quarter of 2023 expenses in connection with the discontinuation of business activities in Russia

In the second quarter of 2023, the EBIT of the **reconciliation** in particular includes the positive earnings contribution of the equity-method investment in Daimler Truck Holding AG. On the other hand, in the previous year earnings were affected by adjustments in connection with the sale of individual investments and business activities to Daimler Truck.

C.05

EBIT for the three-month period ended 30 June

	Mercedes-Benz Group	Mercedes-Benz Cars	Mercedes-Benz Vans	Mercedes-Benz Mobility	Reconciliation
In millions of euros					
Q2 2023					
Revenue	38,241	28,244	5,123	6,506	-1,632
Cost of sales	-29,284	-21,275	-3,857	-5,696	1,544
Gross profit	8,957	6,969	1,266	810	-88
Selling expenses	-2,522	-2,002	-356	-182	18
General administrative expenses	-701	-407	-64	-221	-9
Research and non-capitalized development costs	-1,644	-1,471	-153	-	-20
Other income/expense	898	763	113	-235	257
EBIT	4,988	3,852	806	172	158
Legal proceedings (and related measures)	18	26	-9	-	1
Restructuring measures	-	-	-	-	-
M&A transactions	-	-	-	-	-
Expenses in connection with adjustments of the business activities in Russia	205	-66	-5	276	-
Adjusted EBIT	5,211	3,812	792	448	159
Return on sales/return on equity (in %)					
		13.6	15.7	4.9	
Adjusted return on sales/return on equity (in %)¹					
		13.5	15.5	12.8	
Q2 2022					
Revenue	36,440	26,999	4,107	6,715	-1,381
Cost of sales	-27,938	-20,368	-3,224	-5,694	1,348
Gross profit	8,502	6,631	883	1,021	-33
Selling expenses	-2,406	-1,925	-313	-181	13
General administrative expenses	-590	-348	-69	-203	30
Research and non-capitalized development costs	-1,449	-1,264	-166	-	-19
Other income/expense	565	698	47	-13	-167
EBIT	4,622	3,792	382	624	-176
Legal proceedings (and related measures)	73	41	32	-	-
Restructuring measures	-	-	-	-	-
M&A transactions	244	-	-	-	244
Expenses in connection with adjustments of the business activities in Russia	-	-	-	-	-
Adjusted EBIT	4,939	3,833	414	624	68
Return on sales/return on equity (in %)					
		14.0	9.3	17.1	
Adjusted return on sales/return on equity (in %)¹					
		14.2	10.1	17.1	

¹ Adjusted return on sales is calculated as the ratio of adjusted EBIT to revenue. The adjusted return on equity is determined as the ratio of adjusted EBIT to the average equity of each quarter.

Mercedes-Benz Group Statement of income for the six-month period ended 30 June 2023

Revenue of €75,757 million in the first six months of 2023 was slightly above the prior-year figure of €71,298 million. The increase in revenue was due in particular to the improved pricing and the increase in unit sales.

The slight increase in the **cost of sales** compared to the prior year essentially resulted from higher raw material prices, expenses paid to suppliers for additional costs due to inflation and the supply chain and due to the increased revenues. The prior-year included expenses in connection with the discontinuation of business activities in Russia.

The **other functional costs** were substantially above the level of the previous year. The increase in research and non-capitalized development costs is mainly due to higher expenses for new vehicles and future technologies. Administration costs have risen, among other things, due to inflation-related additional costs.

The significant decrease in **other operating income/expense** resulted primarily from the income reported in the first six months of 2022 from the sale of the retail activities in Canada and from the sale of shares in Mercedes-Benz Grand Prix Ltd. as well as from lower expenses in connection with ongoing governmental and court proceedings and measures taken relating to Mercedes-Benz diesel vehicles in the first six months of 2023.

In particular, the higher proportional contribution of the investment in Daimler Truck Holding AG led to a significant increase in the **gain/losses on equity-method investments**.

The **other financial income** in the first six months of 2023 amounted to €62 million (Q1-2 2022: €268 million). The decline resulted primarily from the compounding and the change in discount factors for provisions for other risks.

EBIT amounted to €10,492 million in the first six months of 2023, and was thus 7% above the prior-year level of €9,851 million. Exchange-rate effects had a negative net impact.

Due to the global increase in interest rates, net **interest income/expense** in the first six months of 2023 increased to an income of €162 million (Q1-2 2022: expense of €115 million).

The **income tax expense** recognized in the first six months of 2023 amounted to €3,002 million (Q1-2 2022: €2,952 million). The tax rate was 28.2% (Q1-2 2022: 30.3%) and thus slightly below the level of the expected Group tax rate of 29.825%.

Net profit amounted to €7,652 million in the first six months of 2023 (Q1-2 2022: €6,784 million). **Non-controlling interests** accounted for a profit of €144 million (Q1-2 2022: €187 million). The **share of net profit attributable to shareholders of Mercedes-Benz Group AG** amounted to €7,508 million (Q1-2 2022: €6,597 million). This led to an increase in **earnings per share** to €7.03 (Q1-2 2022: €6.17).

The calculation of earnings per share (basic) is based on an average number of outstanding shares of 1,067.6 million (Q1-2 2022: 1,069.8 million).

Table C.06 shows the condensed Consolidated Statement of Income/Loss of the Mercedes-Benz Group as well as of the industrial business and Mercedes-Benz Mobility.

Table C.07 shows both the composition of Group EBIT by segment and the reconciliation as well as the reconciliation of EBIT to adjusted EBIT.

Further information on the items in the Consolidated Statement of Income/Loss can be found in the respective notes in the Notes to the Interim Consolidated Financial Statements.

C.06

Condensed Consolidated Statement of Income/Loss for the six-month period ended 30 June

	Mercedes-Benz Group		Industrial Business		Mercedes-Benz Mobility	
	Q1-2 2023	Q1-2 2022	Q1-2 2023	Q1-2 2022	Q1-2 2023	Q1-2 2022
In millions of euros						
Revenue	75,757	71,298	62,612	57,801	13,145	13,497
Cost of sales	-57,393	-54,832	-45,982	-43,404	-11,411	-11,428
Gross profit	18,364	16,466	16,630	14,397	1,734	2,069
Selling expenses	-4,884	-4,631	-4,524	-4,290	-360	-341
General administrative expenses	-1,350	-1,200	-930	-815	-420	-385
Research and non-capitalized development costs	-3,339	-2,826	-3,339	-2,826	-	-
Other operating income/expense	596	997	813	943	-217	54
Gains/losses on equity-method investments, net	1,043	777	1,070	817	-27	-40
Other financial income/expense, net	62	268	61	268	1	-
EBIT	10,492	9,851	9,781	8,494	711	1,357
Interest income/expense	162	-115	162	-113	-	-2
Profit before income taxes	10,654	9,736	9,943	8,381	711	1,355
Income taxes	-3,002	-2,952	-2,786	-2,602	-216	-350
Net profit	7,652	6,784	7,157	5,779	495	1,005
thereof profit attributable to non-controlling interests	144	187				
thereof profit attributable to shareholders of Mercedes-Benz Group AG	7,508	6,597				
Earnings per share (in euros)						
for profit attributable to shareholders of Mercedes-Benz Group AG						
Basic	7.03	6.17				
Diluted	7.03	6.17				

EBIT of the segments for the six-month period ended 30 June 2023

The adjusted EBIT of the **Mercedes-Benz Cars** segment was at the previous year's level and was influenced by the following material factors:

- Improved net pricing
- Increased unit sales and an improved product mix
- Higher raw-material prices and expenses to suppliers for additional costs due to inflation and the supply chain
- Higher expenses for future technologies and vehicles
- Negative development of exchange rates
- Negative valuation effects from discounting non-current provisions

The following adjustments are included in EBIT:

- In the first six months of 2023 income (in the prior-year period expenses) in connection with the discontinuation of business activities in Russia in March 2022
- In the first six months of 2023 income (in the prior-year period expenses) in connection with ongoing governmental and court proceedings and measures taken relating to Mercedes-Benz diesel vehicles
- In 2022 income from the sale of the retail activities in Canada and from the sale of shares in Mercedes-Benz Grand Prix Ltd.

The **Mercedes-Benz Vans** segment was able to achieve an adjusted EBIT significantly above the level of the prior-year period. The development of earnings showed the following main influencing factors:

- Strongly improved net pricing
- Significantly increased unit sales
- Higher expenses for material and expenses to suppliers for additional costs due to inflation and the supply chain

The following adjustments are included in EBIT:

- In the first six months of 2023 income (in the prior-year period expenses) in connection with ongoing governmental and court proceedings and measures taken relating to Mercedes-Benz diesel vehicles
- In the first six months of 2023 income (in the prior-year period expenses) in connection with the discontinuation of business activities in Russia in March 2022
- In 2022 income from the sale of the retail activities in Canada

In the first six months of 2023, the **Mercedes-Benz Mobility** segment reported a significant decline in adjusted EBIT. The segment's earnings were primarily influenced by the following factors:

- Declining interest margin due to higher interest rates and increased competitive pressure in the financial services sector
- Slightly increased expenses for the transformation to a digital and seamlessly integrated customer experience
- Oppositely normalized cost of credit risk development despite a challenging environment

The following adjustment is included in EBIT:

- In the first six months of 2023 expenses in connection with the discontinuation of business activities in Russia

In the first six months of 2023, the EBIT of the **reconciliation** in particular includes the positive earnings contribution of the equity-method investment in Daimler Truck Holding AG. On the other hand, the previous year earnings were affected by adjustments in connection with the sale of individual investments and business activities to Daimler Truck.

C.07

EBIT for the six-month period ended 30 June

	Mercedes-Benz Group	Mercedes-Benz Cars	Mercedes-Benz Vans	Mercedes-Benz Mobility	Reconciliation
In millions of euros					
Q1-2 2023					
Revenue	75,757	56,056	9,738	13,145	-3,182
Cost of sales	-57,393	-41,735	-7,264	-11,411	3,017
Gross profit	18,364	14,321	2,474	1,734	-165
Selling expenses	-4,884	-3,862	-685	-360	23
General administrative expenses	-1,350	-817	-118	-420	5
Research and non-capitalized development costs	-3,339	-3,040	-254	-	-45
Other income/expense	1,701	1,398	151	-243	395
EBIT	10,492	8,000	1,568	711	213
Legal proceedings (and related measures)	-64	-9	-52	-	-3
Restructuring measures	-	-	-	-	-
M&A transactions	-	-	-	-	-
Expenses in connection with adjustments of the business activities in Russia	205	-66	-5	276	-
Adjusted EBIT	10,633	7,925	1,511	987	210
Return on sales/return on equity (in %)					
		14.3	16.1	10.2	
Adjusted return on sales/return on equity (in %)¹					
		14.1	15.5	14.2	
Q1-2 2022					
Revenue	71,298	52,835	7,794	13,497	-2,828
Cost of sales	-54,832	-40,021	-6,114	-11,428	2,731
Gross profit	16,466	12,814	1,680	2,069	-97
Selling expenses	-4,631	-3,686	-612	-341	8
General administrative expenses	-1,200	-712	-128	-385	25
Research and non-capitalized development costs	-2,826	-2,541	-241	-	-44
Other income/expense	2,042	2,188	31	14	-191
EBIT	9,851	8,063	730	1,357	-299
Legal proceedings (and related measures)	354	218	135	-	1
Restructuring measures	-	-	-	-	-
M&A transactions	-674	-863	-36	-	225
Expenses in connection with adjustments of the business activities in Russia	709	658	51	-	-
Adjusted EBIT	10,240	8,076	880	1,357	-73
Return on sales/return on equity (in %)					
		15.3	9.4	18.6	
Adjusted return on sales/return on equity (in %)¹					
		15.3	11.3	18.6	

¹ Adjusted return on sales is calculated as the ratio of adjusted EBIT to revenue. The adjusted return on equity is determined as the ratio of adjusted EBIT to the average equity of each quarter.

Cash flows

The cash flow information presented in the following tables refers to Group amounts, including assets and liabilities held for sale.

Condensed Consolidated Statement of Cash flows

Table C.08 shows the condensed Consolidated Statement of Cash flows.

C.08

Condensed Consolidated Statement of Cash flows

	Mercedes-Benz Group		Industrial Business		Mercedes-Benz Mobility	
	Q1-2 2023	Q1-2 2022	Q1-2 2023	Q1-2 2022	Q1-2 2023	Q1-2 2022
In millions of euros						
Cash and cash equivalents at beginning of period	17,679	23,182	14,094	18,034	3,585	5,148
thereof cash and cash equivalents classified as assets held for sale at beginning of period	-	62	-	-	-	62
Profit before income taxes	10,654	9,736	9,943	8,381	711	1,355
Depreciation and amortization/impairments	3,283	3,226	3,226	3,167	57	59
Other non-cash expenses and income and gains/losses from disposals of assets	-975	-1,274	-1,300	-1,346	325	72
Change in operating assets and liabilities						
Inventories	-3,809	-4,213	-3,806	-4,255	-3	42
Trade receivables and trade payables	2,180	2,310	2,095	2,016	85	294
Receivables from financial services	-2,701	-1,664	18	-10	-2,719	-1,654
Vehicles on operating leases	355	2,046	-184	-533	539	2,579
Other operating assets and liabilities	190	-752	-26	-861	216	109
Dividends received from equity-method investments	1,354	818	1,354	818	-	-
Income taxes paid	-3,186	-2,266	-2,521	-1,594	-665	-672
Cash flow from operating activities	7,345	7,967	8,799	5,783	-1,454	2,184
Additions to property, plant and equipment and intangible assets	-3,569	-3,030	-3,544	-3,010	-25	-20
Investments in and disposals of shareholdings and other business operations	123	1,386	216	-1	-93	1,387
Acquisitions and sales of marketable debt securities and similar investments	370	1,353	313	1,447	57	-94
Other cash flows	96	181	57	128	39	53
Cash flow from investing activities	-2,980	-110	-2,958	-1,436	-22	1,326
Change in financing liabilities	130	-11,610	1,084	-8,796	-954	-2,814
Dividends paid	-5,727	-5,575	-5,722	-5,550	-5	-25
Acquisition of treasury shares	-710	-48	-710	-48	-	-
Other cash flows	105	29	66	29	39	-
Internal equity and financing transactions	-	-	-1,441	1,813	1,441	-1,813
Cash flow from financing activities	-6,202	-17,204	-6,723	-12,552	521	-4,652
Effect of foreign exchange-rate changes on cash and cash equivalents	-414	498	-340	398	-74	100
Cash and cash equivalents at end of period	15,428	14,333	12,872	10,227	2,556	4,106
thereof cash and cash equivalents classified as assets held for sale at end of period	-	17	-	11	-	6

Free cash flow of the industrial business

The free cash flow of the industrial business is regarded as a key performance indicator for the Mercedes-Benz Group. The free cash flow of the industrial business is derived from the reported cash flows from the operating and investing activities in table C.09. The cash flow from sales and purchases of marketable debt securities and similar investments included in cash flow from investing activities are deducted, as those securities are allocated to liquidity and changes in them are thus not a part of the free cash flow. On the other hand, effects in connection with the recognition and measurement of right-of-use assets, which result from lessee accounting and are largely non-cash items, are included in the free cash flow of the industrial business. Other adjustments relate to effects from the financing of the Group's own dealerships and effects from internal deposits within the Group. In addition, the calculation of the free cash flow includes the cash flows to be shown under cash flow from financing activities in connection with the acquisition or disposal of interests in subsidiaries without loss of control.

C.09

Free cash flow of the industrial business

	Q1-2 2023	Q1-2 2022	Change
In millions of euros			
Cash flow from operating activities	8,799	5,783	+3,016
Cash flow from investing activities	-2,958	-1,436	-1,522
Change in marketable debt securities and similar investments	-313	-1,447	+1,134
Right-of-use assets	-148	-234	+86
Other adjustments	147	-33	+180
Free cash flow of the industrial business	5,527	2,633	+2,894
Legal proceedings (and related measures)	221	436	-215
Restructuring measures	101	344	-243
M&A transactions	-125	-134	+9
Adjusted free cash flow of the industrial business	5,724	3,279	+2,445

The free cash flow of the industrial business amounted to €5.5 billion (2022: €2.6 billion). The increase during the first six months of 2023 was influenced by the following, partly opposing factors:

- Higher profit before income taxes adjusted for non-cash items and consequently also higher income taxes paid
- Higher dividend payments from equity-method investments, in particular Daimler Truck Holding AG and Beijing Benz Automotive Co., Ltd.
- Positive development of working capital mainly due to lower inventory build-up compared to the previous year; the inventory build-up is a result of the introduction of the direct sales model in additional markets, ramp-ups in production due to new model years and high levels of vehicles in the process of delivery
- In the previous year, higher payments in connection with ongoing governmental and legal proceedings and related measures taken with regard to Mercedes-Benz diesel vehicles as well as for restructuring measures (in total €0.5 billion)
- In the first six months of 2023, cash inflows from the disposal of the sales company in Greece of €0.1 billion and from the purchase price payment for the sale of shares in Mercedes-Benz Grand Prix Ltd. of €0.1 billion (2022: cash inflow from the restructuring of the sales activities in Canada of €0.6 billion and cash outflow from the investment in Automotive Cells Company SE of €0.4 billion)

In the interest of greater transparency in reporting on the ongoing business, we additionally calculate and report an **adjusted free cash flow of the industrial business** of €5.7 billion (2022: €3.3 billion) in table C.09. The following adjustments were taken into account in the first six months of 2023 and 2022:

- The legal proceedings include payments by the industrial business in connection with ongoing governmental and legal proceedings and related measures taken with regard to Mercedes-Benz diesel vehicles

- The restructuring measures include payments made in connection with the programmes for the optimization of personnel costs
- The M&A transactions include the cash inflow from the purchase price payment for the sale of shares in Mercedes-Benz Grand Prix Ltd. (2022: cash inflows from the restructuring of retail activities in Canada, opposing cash outflows from investment in Automotive Cells Company SE)

As well as being calculated on the basis of the disclosed cash flows from operating and investing activities, the free cash flow of the industrial business can also be calculated on the basis of the cash flows before interest and taxes (CFBIT) of the automotive segments. The reconciliation from the CFBIT of Mercedes-Benz Cars and Mercedes-Benz Vans to the free cash flow of the industrial business also includes the payments for interest and taxes. The other reconciling items primarily comprise eliminations between the segments and items that are allocated to the industrial business but for which the automotive segments are not responsible.

Table C.10 shows the reconciliation of the CFBIT of the automotive segments to the free cash flow of the industrial business.

Free cash flow of the Mercedes-Benz Group

In the first six months of 2023, the free cash flow of the Mercedes-Benz Group resulted in a cash inflow of €4.2 billion (2022: €6.3 billion). Besides the effects of the free cash flow of the industrial business, the free cash flow of the Mercedes-Benz Group is mainly affected by the leasing and sales-financing business of Mercedes-Benz Mobility.

In the first six months of 2022, a cash inflow in the amount of €1.1 billion which related to the payments received from the sale of intercompany loans in connection with the sale of various units of the truck financing business and does not legally relate to Mercedes-Benz Mobility was economically allocated to the **cash flow from investing activities of Mercedes-Benz Mobility**. An opposing repayment of the financing liabilities in the same amount was recognized in the cash flow from financing activities of Mercedes-Benz Mobility. In the first six months of 2023, there were no reclassifications of cash flows between the cash flows from investing activities of the industrial business and Mercedes-Benz Mobility.

Cash flow from financing activities of the Mercedes-Benz Group

In the reporting period, the cash flow from financing activities of the Mercedes-Benz Group (cf. table C.08) resulted in a cash outflow of €6.2 billion (2022: €17.2 billion). The lower cash outflow relative to the same period of the prior year is primarily due to the significantly lower net refinancing in the previous year.

C.10

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

	Q2 2023	Q2 2022	Q1-2 2023	Q1-2 2022
In millions of euros				
CFBIT Mercedes-Benz Cars	3,769	2,393	6,750	4,240
CFBIT Mercedes-Benz Vans	777	254	1,187	632
Income taxes paid/refunded	-1,532	-985	-2,521	-1,594
Interest paid/received	85	14	40	-151
Other reconciling items	264	-259	71	-494
Free cash flow of the industrial business	3,363	1,417	5,527	2,633

CFBIT and cash conversion rate of the automotive segments

The CFBIT of the automotive segments is derived from EBIT and the change in net assets, and also includes additions to right-of-use assets. Table C.11 shows the composition of CFBIT for Mercedes-Benz Cars and Mercedes-Benz Vans compared with the prior-year period. In addition, the reconciliation from CFBIT to adjusted CFBIT and the adjusted cash conversion rate for Mercedes-Benz Cars and Mercedes-Benz Vans are shown.

The line Other is mainly impacted by dividend payments from equity-method investments, payments for the settlement of payables and provisions recognized in previous years, and, in particular in the first six months of 2022, the elimination of non-cash income included in EBIT in connection with the sale of shares in Mercedes-Benz Grand Prix Ltd.

C.11

Reconciliation to adjusted CFBIT for the three-month period ended 30 June

	Mercedes-Benz Cars		Mercedes-Benz Vans	
	Q2 2023	Q2 2022	Q2 2023	Q2 2022
In millions of euros				
EBIT	3,852	3,792	806	382
Change in working capital	-482	-1,172	-283	-161
Net financial investments	-52	-518	-53	1
Net investments in property, plant and equipment and intangible assets	-1,536	-1,574	-150	-68
Depreciation and amortization/impairments	1,497	1,476	105	110
Other	490	389	352	-10
CFBIT	3,769	2,393	777	254
Legal proceedings (and related measures)	73	147	42	79
Restructuring measures	-	18	-	-
M&A transactions	-	390	-	-
Adjusted CFBIT	3,842	2,948	819	333
Adjusted EBIT	3,812	3,833	792	414
Adjusted cash conversion rate¹	1.0	0.8	1.0	0.8

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

C.12

Reconciliation to adjusted CFBIT for the six-month period ended 30 June

	Mercedes-Benz Cars		Mercedes-Benz Vans	
	Q1-2 2023	Q1-2 2022	Q1-2 2023	Q1-2 2022
In millions of euros				
EBIT	8,000	8,063	1,568	730
Change in working capital	-1,317	-2,056	-385	-106
Net financial investments	298	-104	-34	44
Net investments in property, plant and equipment and intangible assets	-3,258	-3,000	-292	-102
Depreciation and amortization/impairments	3,018	2,934	208	232
Other	9	-1,597	122	-166
CFBIT	6,750	4,240	1,187	632
Legal proceedings (and related measures)	145	270	79	165
Restructuring measures	92	293	3	16
M&A transactions	-125	-175	-	-43
Adjusted CFBIT	6,862	4,628	1,269	770
Adjusted EBIT	7,925	8,076	1,511	880
Adjusted cash conversion rate¹	0.9	0.6	0.8	0.9

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

Net liquidity and net debt

The **net liquidity of the industrial business**, which is shown in table C.13, decreased by €0.8 billion to €25.8 billion since 31 December 2022. The decrease is mainly due to the dividend paid to the shareholders of Mercedes-Benz Group AG and the payments made in connection with the share buyback programme in the second quarter of 2023. This was offset by the positive free cash flow of the industrial business and the transfer of profits from Mercedes-Benz Mobility.

As can be seen in table C.08, after taking exchange-rate effects into account, the cash and cash equivalents of the Mercedes-Benz Group have decreased slightly to €15.4 billion since 31 December 2022. Total liquidity, which also includes marketable debt securities and similar investments, decreased by €2.6 billion to €22.1 billion. As shown in table C.14, **net debt** at the Group level, which primarily results from refinancing the leasing and sales-financing business, slightly increased by €0.3 billion to €88.4 billion compared with 31 December 2022.

C.13

Net liquidity of the industrial business

	30 June 2023	31 Dec. 2022	Change
In millions of euros			
Cash and cash equivalents	12,872	14,094	-1,222
Marketable debt securities and similar investments	5,817	6,083	-266
Liquidity	18,689	20,177	-1,488
Financing liabilities ¹	8,429	7,507	+922
Market valuation and currency hedges for financing liabilities	-1,273	-1,047	-226
Financing liabilities (nominal)	7,156	6,460	+696
Net liquidity	25,845	26,637	-792

¹ Financing liabilities include liabilities from refinancing of internal dealerships.

C.14

Net debt of the Mercedes-Benz Group

	30 June 2023	31 Dec. 2022	Change
In millions of euros			
Cash and cash equivalents	15,428	17,679	-2,251
Marketable debt securities and similar investments	6,702	7,060	-358
Liquidity	22,130	24,739	-2,609
Financing liabilities	-109,281	-111,837	+2,556
Market valuation and currency hedges for financing liabilities	-1,261	-1,048	-213
Financing liabilities (nominal)	-110,542	-112,885	+2,343
Net debt	-88,412	-88,146	-266

Refinancing

The Mercedes-Benz Group once again successfully utilized the international money and capital markets for **refinancing** in the first six months of 2023.

During this period, the Mercedes-Benz Group had a cash inflow of €6.8 billion from the **issuance of bonds** (2022: €0.8 billion). The redemption of bonds resulted in cash outflows of €7.3 billion (2022: €9.7 billion).

In the first six months of 2023, an **asset-backed securities (ABS) transaction** with a volume of €0.7 billion was conducted in Germany. Additional ABS transactions were conducted in China generating a volume of CNY9.4 billion and in the USA with a volume of US\$2.5 billion.

The **“sustainability-linked loan”** of €11 billion had not been utilized as of the balance sheet date.

Financial position

As of 30 June 2023 the **balance sheet total** of the Group was slightly below the level of 31 December 2022.

Adjusted for exchange-rate effects, there was an increase of €2.7 billion.

Table C.15 shows the condensed Consolidated Statement of Financial Position for the Mercedes-Benz Group as well as for the industrial business and Mercedes-Benz Mobility.

C.15

Condensed Consolidated Statement of Financial Position

	Mercedes-Benz Group		Industrial Business		Mercedes-Benz Mobility	
	30 June 2023	31 Dec. 2022	30 June 2023	31 Dec. 2022	30 June 2023	31 Dec. 2022
In millions of euros						
Assets						
Intangible assets	16,427	15,869	15,855	15,275	572	594
Property, plant and equipment	26,303	27,250	26,019	26,942	284	308
Equipment on operating leases	41,025	41,552	14,267	14,038	26,758	27,514
Receivables from financial services	85,496	85,549	-73	-66	85,569	85,615
Equity-method investments	12,845	13,530	12,538	13,259	307	271
Inventories	28,657	25,621	27,907	24,906	750	715
Trade receivables	7,555	8,100	6,850	7,328	705	772
Cash and cash equivalents	15,428	17,679	12,872	14,094	2,556	3,585
Marketable debt securities and similar investments	6,702	7,060	5,817	6,083	885	977
thereof current	5,938	6,237	5,756	5,970	182	267
thereof non-current	764	823	61	113	703	710
Other financial assets	9,156	7,931	-4,070	-5,140	13,226	13,071
Other assets	9,236	9,874	-38	772	9,274	9,102
Total assets	258,830	260,015	117,944	117,491	140,886	142,524
Equity and liabilities						
Equity	88,675	86,540	74,634	72,964	14,041	13,576
Provisions	15,759	17,044	14,933	16,211	826	833
Financing liabilities	109,281	111,837	-8,472	-7,549	117,753	119,386
thereof current	49,868	49,786	-14,278	-20,668	64,146	70,454
thereof non-current	59,413	62,051	5,806	13,119	53,607	48,932
Trade payables	13,894	12,204	12,764	11,101	1,130	1,103
Other financial liabilities	7,485	7,928	4,946	5,128	2,539	2,800
Contract and refund liabilities	10,077	10,554	9,760	10,234	317	320
Other liabilities	13,659	13,908	9,379	9,402	4,280	4,506
Total equity and liabilities	258,830	260,015	117,944	117,491	140,886	142,524

Mercedes-Benz Mobility accounts for 54% of the Mercedes-Benz Group's balance sheet total, almost unchanged from 31 December 2022. Current assets account for 40% of the balance sheet total and are at the prior-year level. Current liabilities amount to 34% of the balance sheet total and are also at the prior-year level.

The closing of the sale of the Russian subsidiaries was completed in April 2023. As a result, assets of €1.0 billion and liabilities of €1.1 billion were deconsolidated in the second quarter of 2023.

Assets

Inventories increased compared to 31 December 2022, partly due to the introduction of the direct sales model in additional markets, ramp-ups in production due to new model years as well as high levels of vehicles in the process of delivery.

The increase in **other financial assets** is mainly attributable to the positive market development of derivative financial instruments.

Oppositely, the **cash and cash equivalents** decreased, as can be seen in the condensed Consolidated Statement of Cash flows.

Liabilities and equity

The Group's **equity** increased, in particular as a result of the positive earnings development within the first six months. With a slight decrease in the balance sheet total, the Group's **equity ratio** of 34.3% was above the prior-year level (31 December 2022: 33.3%); the equity ratio for the industrial business was 63.3% (31 December 2022: 62.1%).

Provisions of €15.8 billion were below the level of €17.0 billion as of 31 December 2022. This was due in particular to the decrease in provisions for other risks.

Financing liabilities of €109.3 billion were below the level of the previous year (31 December 2022: €111.8 billion). The decrease was due to the lower net refinancing as a result of the positive liquidity situation.

Trade payables were higher than the figures for 31 December 2022, partly due to the higher production level.

Further information on the assets presented in the Statement of Financial Position and on the Group's equity and liabilities is provided in the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity and the related notes in the Notes to the Interim Consolidated Financial Statements.

Table C.16 shows the derivation of net assets of the automotive segments. They relate to the operating assets and liabilities for which the segments are responsible.

C.16

Derivation of net assets of the automotive segments

	Mercedes-Benz Cars		Mercedes-Benz Vans	
	30 June 2023	31 Dec. 2022	30 June 2023	31 Dec. 2022
In millions of euros				
Intangible assets	14,461	13,988	1,384	1,276
Property, plant and equipment	24,146	25,010	1,878	1,936
Inventories	24,715	22,419	3,282	2,558
Trade receivables	5,663	6,083	1,187	1,244
Other segment assets	24,280	24,408	2,940	3,022
Segment assets	93,265	91,908	10,671	10,036
Trade payables	11,167	9,838	1,612	1,259
Other segment liabilities	40,901	42,126	7,672	7,766
Segment liabilities	52,068	51,964	9,284	9,025
Net assets	41,197	39,944	1,387	1,011

Outlook

Automotive markets

With regional differences the overall growth momentum of the **world economy** is likely to remain rather subdued in the second half of the year. Despite an ongoing monthly decrease in the rate of inflation, inflation is expected to remain above average in many places, which is likely to result in continued restrictive monetary policies by major central banks. These developments are likely to continue to weigh on consumers and companies and weaken economic growth accordingly. Geopolitical imponderables remain another uncertainty factor. By contrast, energy prices are expected to remain at a significantly lower level than in the previous year for the rest of 2023 and also on average for the year as a whole. The noticeably improved situation in global supply chains should continue to benefit the development of the automotive markets in the second half of the year, although market demand is expected to remain subdued in important markets.

As a result, the global **car market** is expected to grow slightly in the full year 2023 compared to the previous year. The European market, despite a weaker outlook for the second half of the year, is expected to grow significantly in 2023 as a whole. The US light vehicle market is also likely to grow significantly. The car market in China is expected to increase slightly.

The outlook for important **van markets** is comparatively favourable for the full year 2023. In Europe, the market segment for mid-size and large vans is likely to experience slight overall growth. A significant increase is expected for the small van segment in Europe. The US market for large vans is now expected to increase substantially. The Chinese market segment for mid-size vans is also expected to show significant growth.

Overview of forecast key figures

Based on the development of the automotive markets, the following forecasts are issued in comparison to the forecasts for the full year 2023 made in the chapter Outlook of the Combined Management Report with Non-Financial Declaration of the Annual Report 2022.

Mercedes-Benz Cars has the following expectations for 2023 as a whole:

- Unit sales: at the prior-year level
- Revenue: at the prior-year level
- Adjusted return on sales: 12–14%
- Adjusted cash conversion rate: 0.8–1.0
- Investments in property, plant and equipment: significantly above the prior-year level
- Research and development expenditures: now significantly above the prior-year level

Mercedes-Benz Vans has the following expectations for 2023 as a whole:

- Unit sales: now significantly above the prior-year level
- Revenue: now significantly above the prior-year level
- Adjusted return on sales: now 13–15%
- Adjusted cash conversion rate: now 0.7–0.9
- Investments in property, plant and equipment: significantly above the prior-year level
- Research and development expenditures: significantly above the prior-year level

Mercedes-Benz Mobility has the following expectations for 2023 as a whole:

- New business: slightly above the prior-year level
- Contract volume: now at the prior-year level
- Revenue: now slightly below the prior-year level
- Adjusted return on equity: 12–14%

The **Mercedes-Benz Group** has the following expectations for 2023 as a whole:

- Revenue: at the prior-year level
- EBIT: now at the prior-year level
- Free cash flow of the industrial business: now slightly above the prior-year level
- CO₂ emissions of the new car fleet in Europe³: significantly below the prior-year level

³ Average CO₂ emissions of the new car fleet of newly registered Mercedes-Benz cars in Europe (European Union, Norway and Iceland) in the reporting year as measured on the basis of the WLTP, i.e. including vans that are registered as passenger cars.

Risk and opportunity report

The Mercedes-Benz Group is exposed to a large number of risks that are directly linked with the business activities of Mercedes-Benz Group AG and its subsidiaries or that result from external influences. At the same time, it is important to identify opportunities in order to safeguard and enhance the competitiveness of the Mercedes-Benz Group.

At the Mercedes-Benz Group, the risk and opportunity management system is integrated into the value-based management and planning system and is a fixed component of the overall planning, management and reporting process. Changes in risks and opportunities are continuously monitored, assessed and, if necessary, incorporated into the planning during the year.

For a detailed presentation of the risk and opportunity management system and the risk and opportunity situation, please refer to the chapter Risk and Opportunity Report in the Combined Management Report with Non-Financial Declaration of the Annual Report 2022.

Compared to the presentation described therein, the following significant changes occurred in the reporting period:

Procurement-market risks

Primarily, due to the stabilization on the energy markets and the price development for energy supplies in the first quarter 2023, the procurement-market risks have decreased from High to Medium.

Financial risks

In the Annual Report 2022, the country risks also included the risk assessment in connection with business activities in Russia. As early as 31 March 2023, country risks have decreased from High to Medium mainly due to the sale of the shares in the Russian subsidiaries of the Mercedes-Benz Group.

Legal risks

As previously reported, a large number of customers of diesel vehicles have filed lawsuits in Germany for damages or rescission of sales contracts. Following a decision of the European Court of Justice in the first quarter of 2023, the German Federal Court of Justice ruled in the second quarter of 2023 that vehicle purchasers are entitled to claim damages against the manufacturer if it intentionally or negligently used an inadmissible defeat device.

Mercedes-Benz Group AG and the respective other affected companies of the Group regard these lawsuits as being without merit and continue to defend themselves against the claims.

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Consolidated Statement of Income/Loss Q2

D.01

	Q2 2023	Q2 2022
In millions of euros		
Revenue	38,241	36,440
Cost of sales	-29,284	-27,938
Gross profit	8,957	8,502
Selling expenses	-2,522	-2,406
General administrative expenses	-701	-590
Research and non-capitalized development costs	-1,644	-1,449
Other operating income	557	515
Other operating expense	-291	-516
Gains/losses on equity-method investments, net	531	395
Other financial income/expense, net	101	171
Earnings before interest and taxes (EBIT)	4,988	4,622
Interest income	157	53
Interest expense	-60	-126
Profit before income taxes	5,085	4,549
Income taxes	-1,444	-1,351
Net profit	3,641	3,198
thereof profit attributable to non-controlling interests	78	91
thereof profit attributable to shareholders of Mercedes-Benz Group AG	3,563	3,107
Earnings per share (in euros)		
for profit attributable to shareholders of Mercedes-Benz Group AG		
Basic	3.34	2.91
Diluted	3.34	2.91

The accompanying Notes to the Consolidated Financial Statements are an integral part of these Interim Financial Statements.

Consolidated Statement of Income/Loss Q1-2

D.02

	Q1-2 2023	Q1-2 2022
In millions of euros		
Revenue	75,757	71,298
Cost of sales	-57,393	-54,832
Gross profit	18,364	16,466
Selling expenses	-4,884	-4,631
General administrative expenses	-1,350	-1,200
Research and non-capitalized development costs	-3,339	-2,826
Other operating income	1,005	1,904
Other operating expense	-409	-907
Gains/losses on equity-method investments, net	1,043	777
Other financial income/expense, net	62	268
Earnings before interest and taxes (EBIT)	10,492	9,851
Interest income	310	94
Interest expense	-148	-209
Profit before income taxes	10,654	9,736
Income taxes	-3,002	-2,952
Net profit	7,652	6,784
thereof profit attributable to non-controlling interests	144	187
thereof profit attributable to shareholders of Mercedes-Benz Group AG	7,508	6,597
Earnings per share (in euros)		
for profit attributable to shareholders of Mercedes-Benz Group AG		
Basic	7.03	6.17
Diluted	7.03	6.17

The accompanying Notes to the Interim Consolidated Financial Statements are an integral part of these Interim Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income/Loss Q2

D.03

	Q2 2023	Q2 2022
In millions of euros		
Net profit	3,641	3,198
Gains/losses from currency translation	-209	738
Gains/losses on debt instruments	1	-13
Gains/losses on derivative financial instruments	464	-147
Gains/losses on equity-method investments	-87	182
Items that may be reclassified to profit/loss in the Statement of Income in the future	169	760
Actuarial gains/losses from pensions and similar obligations	138	1,403
Gains/losses on equity instruments	83	-51
Gains/losses on equity-method investments	-10	193
Items that will not be reclassified to profit/loss in the Statement of Income	211	1,545
Other comprehensive income/loss after taxes	380	2,305
thereof income/loss attributable to non-controlling interests after taxes	-54	11
thereof income/loss attributable to shareholders of Mercedes-Benz Group AG after taxes	434	2,294
Total comprehensive income/loss	4,021	5,503
thereof income/loss attributable to non-controlling interests	24	102
thereof income/loss attributable to shareholders of Mercedes-Benz Group AG	3,997	5,401

The accompanying Notes to the Consolidated Financial Statements are an integral part of these Interim Financial Statements.

Consolidated Statement of Comprehensive Income/Loss Q1-2

D.04

	Q1-2 2023	Q1-2 2022
In millions of euros		
Net profit	7,652	6,784
Gains/losses from currency translation	-598	1,216
Gains/losses on debt instruments	2	-26
Gains/losses on derivative financial instruments	916	251
Gains/losses on equity-method investments	-160	189
Items that may be reclassified to profit/loss in the Statement of Income in the future	160	1,630
Actuarial gains/losses from pensions and similar obligations	516	2,333
Gains/losses on equity instruments	173	-171
Gains/losses on equity-method investments	-12	343
Items that will not be reclassified to profit/loss in the Statement of Income	677	2,505
Other comprehensive income/loss after taxes	837	4,135
thereof income/loss attributable to non-controlling interests after taxes	-83	26
thereof income/loss attributable to shareholders of Mercedes-Benz Group AG after taxes	920	4,109
Total comprehensive income/loss	8,489	10,919
thereof income/loss attributable to non-controlling interests	61	213
thereof income/loss attributable to shareholders of Mercedes-Benz Group AG	8,428	10,706

The accompanying Notes to the Consolidated Financial Statements are an integral part of these Interim Financial Statements.

Consolidated Statement of Financial Position

D.05

	30 June 2023	31 Dec. 2022
In millions of euros		
Assets		
Intangible assets	16,427	15,869
Property, plant and equipment	26,303	27,250
Equipment on operating leases	41,025	41,552
Equity-method investments	12,845	13,530
Receivables from financial services	47,887	48,237
Marketable debt securities and similar investments	764	823
Other financial assets	5,008	4,478
Deferred tax assets	2,886	3,725
Other assets	2,140	1,677
Total non-current assets	155,285	157,141
Inventories	28,657	25,621
Trade receivables	7,555	8,100
Receivables from financial services	37,609	37,312
Cash and cash equivalents	15,428	17,679
Marketable debt securities and similar investments	5,938	6,237
Other financial assets	4,148	3,453
Other assets	4,210	4,472
Total current assets	103,545	102,874
Total assets	258,830	260,015

The accompanying Notes to the Consolidated Financial Statements are an integral part of these Interim Financial Statements.

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	30 June 2023	31 Dec. 2022
In millions of euros		
Equity and liabilities		
Share capital	3,070	3,070
Capital reserves	11,718	11,718
Retained earnings	70,146	67,695
Other reserves	3,367	2,932
Treasury shares	-643	-
Equity attributable to shareholders of Mercedes-Benz Group AG	87,658	85,415
Non-controlling interests	1,017	1,125
Total equity	88,675	86,540
Provisions for pensions and similar obligations	1,000	1,021
Provisions for other risks	6,437	6,438
Financing liabilities	59,413	62,051
Other financial liabilities	2,207	2,524
Deferred tax liabilities	7,252	6,910
Deferred income	1,204	1,234
Contract and refund liabilities	3,549	3,656
Other liabilities	1,117	1,238
Total non-current liabilities	82,179	85,072
Trade payables	13,894	12,204
Provisions for other risks	8,322	9,585
Financing liabilities	49,868	49,786
Other financial liabilities	5,278	5,404
Deferred income	1,423	1,391
Contract and refund liabilities	6,528	6,898
Other liabilities	2,663	3,135
Total current liabilities	87,976	88,403
Total equity and liabilities	258,830	260,015

The accompanying Notes to the Consolidated Financial Statements are an integral part of these Interim Financial Statements.

Consolidated Statement of Cash Flows

D.06

	Q1-2 2023	Q1-2 2022
In millions of euros		
Profit before income taxes	10,654	9,736
Depreciation and amortization/impairments	3,283	3,226
Other non-cash expense and income	-1,056	-714
Gains (-)/losses (+) from disposals of assets	81	-560
Change in operating assets and liabilities		
Inventories	-3,809	-4,213
Trade receivables and trade payables	2,180	2,310
Receivables from financial services	-2,701	-1,664
Vehicles on operating leases	355	2,046
Other operating assets and liabilities	190	-752
Dividends received from equity-method investments	1,354	818
Income taxes paid	-3,186	-2,266
Cash flow from operating activities	7,345	7,967
Additions to property, plant and equipment	-1,625	-1,632
Additions to intangible assets	-1,944	-1,398
Proceeds from disposals of property, plant and equipment and intangible assets	151	162
Investments in shareholdings	-220	-765
Proceeds from disposals of shareholdings and other business operations	343	2,151
Acquisition of marketable debt securities and similar investments	-4,087	-446
Proceeds from sales of marketable debt securities and similar investments	4,457	1,799
Other cash flows	-55	19
Cash flow from investing activities	-2,980	-110
Change in financing liabilities	130	-11,610
Dividend paid to shareholders of Mercedes-Benz Group AG	-5,556	-5,349
Dividends paid to non-controlling interests	-171	-226
Acquisition of treasury shares	-710	-48
Other cash flows	105	29
Cash flow from financing activities	-6,202	-17,204
Effect of foreign exchange-rate changes on cash and cash equivalents	-414	498
Change in cash and cash equivalents	-2,251	-8,849
Cash and cash equivalents at beginning of period	17,679	23,182
Less cash and cash equivalents classified as assets held for sale at beginning of period	-	62
Cash and cash equivalents at beginning of period (Consolidated Statement of Financial Position)	17,679	23,120
Cash and cash equivalents at end of period	15,428	14,333
Less cash and cash equivalents classified as assets held for sale at end of period	-	17
Cash and cash equivalents at end of period (Consolidated Statement of Financial Position)	15,428	14,316

The accompanying Notes to the Consolidated Financial Statements are an integral part of these Interim Financial Statements.

Consolidated Statement of Changes in Equity

D.07

In millions of euros	Share capital	Capital reserves	Retained earnings	Other reserves	
				Currency translation	Equity instruments/ debt instruments
Balance at 1 Jan. 2022	3,070	11,723	55,926	1,691	202
Net profit	-	-	6,597	-	-
Other comprehensive income/loss after taxes	-	-	2,674	1,371	-195
Total comprehensive income/loss	-	-	9,271	1,371	-195
Dividends	-	-	-5,349	-	-
Changes in the consolidated group	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-
Issue and disposal of treasury shares	-	-	-	-	-
Other	-	-2	16	-	-10
Balance at 30 June 2022	3,070	11,721	59,864	3,062	-3
Balance at 1 Jan. 2023	3,070	11,718	67,695	2,161	-241
Net profit	-	-	7,508	-	-
Other comprehensive income/loss after taxes	-	-	499	-674	181
Total comprehensive income/loss	-	-	8,007	-674	181
Dividends	-	-	-5,556	-	-
Capital increase/Issue of new shares	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-
Issue and disposal of treasury shares	-	-	-	-	-
Other	-	-	-	-	-1
Balance at 30 June 2023	3,070	11,718	70,146	1,487	-61

The accompanying Notes to the Consolidated Financial Statements are an integral part of these Interim Financial Statements.

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Derivative financial instruments	Treasury shares	Equity attributable to shareholders of Mercedes-Benz Group AG	Non-controlling interests	Total equity	
					In millions of euros
-661	-	71,951	1,216	73,167	Balance at 1 Jan. 2022
-	-	6,597	187	6,784	Net profit
259	-	4,109	26	4,135	Other comprehensive income/loss after taxes
259	-	10,706	213	10,919	Total comprehensive income/loss
-	-	-5,349	-245	-5,594	Dividends
-	-	-	-38	-38	Changes in the consolidated group
-	-48	-48	-	-48	Acquisition of treasury shares
-	48	48	-	48	Issue and disposal of treasury shares
-51	-	-47	2	-45	Other
-453	-	77,261	1,148	78,409	Balance at 30 June 2022
1,012	-	85,415	1,125	86,540	Balance at 1 Jan. 2023
-	-	7,508	144	7,652	Net profit
914	-	920	-83	837	Other comprehensive income/loss after taxes
914	-	8,428	61	8,489	Total comprehensive income/loss
-	-	-5,556	-209	-5,765	Dividends
-	-	-	40	40	Capital increase/Issue of new shares
-	-709	-709	-	-709	Acquisition of treasury shares
-	66	66	-	66	Issue and disposal of treasury shares
15	-	14	-	14	Other
1,941	-643	87,658	1,017	88,675	Balance at 30 June 2023

Notes to the Interim Consolidated Financial Statements

1. Basis of preparation

General information

These condensed Interim Consolidated Financial Statements (Interim Financial Statements) of Mercedes-Benz Group AG and its subsidiaries (“Mercedes-Benz Group” or “the Group”) have been prepared in accordance with Section 115 of the German Securities Trading Act (WpHG) and in conformity with the International Accounting Standard (IAS) 34 Interim Financial Reporting.

The Interim Financial Statements comply with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The reporting period of the Interim Financial Statements is the period from 1 January 2023 to 30 June 2023.

The Interim Report is presented in euros (€). Unless otherwise stated, all amounts are stated in millions of euros.

The Board of Management authorized the Interim Report for publication on 26 July 2023.

The Interim Financial Statements should be read in conjunction with the audited and published IFRS Consolidated Financial Statements and Notes thereto of 31 December 2022. The accounting policies applied by the Group in these Interim Financial Statements fundamentally correspond with those applied for the Consolidated Financial Statements for the year 2022.

Mercedes-Benz Group AG is a public limited liability company organized under the laws of the Federal Republic of Germany. The Company is entered in the Commercial Register of the Stuttgart District Court under the number HRB 19360 and its registered office is located at Mercedesstraße 120, 70372 Stuttgart, Germany.

All significant intercompany accounts and transactions have been eliminated. In the opinion of the management, the Interim Financial Statements reflect all adjustments (i.e., normal recurring adjustments) necessary for a fair presentation of the profitability, cash flows and financial position of the Group. Earnings in the interim periods presented are not necessarily indicative of the earnings that may be expected for any future period or for the full financial year.

Issued IFRS but not yet endorsed by the EU

In December 2021, the OECD published guidelines for a new global minimum tax framework aimed at curbing tax avoidance and profit shifting by multinational corporations. EU member states unanimously agreed in December 2022 to implement these rules in the form of a directive. This directive must be transposed into the national law of the member states by 31 December 2023 in order to be applicable for financial years beginning after that date. As of the reporting date, these rules have neither been enacted nor substantively enacted into German law. In May 2023, the IASB published **International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)** in order to introduce a mandatory temporary exemption from the requirements in IAS 12 Income Taxes for the recognition and disclosure of information on deferred tax assets and liabilities. The amendments also introduce disclosure requirements that will apply immediately after endorsement by the EU. Mercedes-Benz Group is currently analysing the potential future impact of these new regulations on the Group.

2. Other significant acquisitions and disposals of investments

Sale of shares in the Russian subsidiaries

On 2 March 2022, the Mercedes-Benz Group decided to stop exporting cars and vans to Russia and to cease local production in Russia until further notice. At the end of October 2022, the Mercedes-Benz Group signed contracts with the Russian car dealer Avtodom AO for the sale of the shares in the Russian subsidiaries.

A degree of discretion has been exercised in the consideration and subsequent derivation of the effects of the sanctions and counter-sanctions on the business activities.

The recognition and valuation of the assets and liabilities due to the discontinuation of the business activities in Russia, in particular the processing of existing transactions, resulted in expenses of around €0.7 billion in the automotive segments in 2022. Total expenses of around €0.2 billion resulted from the measurement of credit default risks and increased refinancing expenses in the segment Mercedes-Benz Mobility. The bulk of the expenses were included in cost of sales.

As of 31 December 2022, completion of the transaction was still subject to authorities' approval and the implementation of the contractually agreed conditions.

With the closing of the transaction on 19 April 2023, the shares of Russian subsidiaries were deconsolidated.

The sale of the Russian subsidiaries resulted in no significant cash inflow. This leads to a cash outflow in the amount of the disposed cash and cash equivalents of €91 million, which is mainly attributable to the Mercedes-Benz Mobility segment.

The assets of €976 million disposed of with the deconsolidation essentially include property, plant and equipment of €290 million and receivables from financial services of €280 million. In addition, cash and cash equivalents of €91 million are included. The disposed liabilities of €1,065 million include in particular provisions of €636 million and financing liabilities of €347 million. The Group had issued a global guarantee for the financing liabilities to financial institutions, which ended when the transaction was completed. The contingent liabilities reported as of 31 December 2022 in connection with the cessation of business activities in Russia could also be derecognized upon completion of the transaction.

The transaction costs amounted to €3 million. After realizing the currency reserve of €291 million, a loss on disposal of €205 million resulted. This was reported in other operating expenses. Expenses of €276 million were attributable to the Mercedes-Benz Mobility segment; the Mercedes-Benz Cars and Mercedes-Benz Vans segments generated income of €66 million and €5 million, respectively.

Sale of Daimler's commercial vehicle business

With the completion of the spin-off and hive-down of the Daimler commercial vehicle business substantial parts of the former Daimler commercial vehicle business including the associated financial services business were deconsolidated on 9 December 2021.

The initially remaining financial services of the Daimler commercial vehicle business were sold to Daimler Truck Holding AG or its subsidiaries in 2022. At the Mercedes-Benz Mobility segment, assets of €3,191 million and liabilities of €746 million were disposed of on or before 31 December 2022.

In addition, in individual countries, investments in operating entities or business operations of the former commercial vehicle business were sold to external third parties in 2022. Assets of €149 million and liabilities of €106 million, mainly from the Mercedes-Benz Cars segment, were disposed of on or before 31 December 2022.

The Group received €2,355 million from the (in the prior year partially still preliminary) purchase prices in 2022, including the repayment of the existing intragroup financing liabilities of the companies and business activities within the Mercedes-Benz Group.

The valuation and sale and the transfer of the Mercedes-Benz Mobility companies resulted in net expenses of €184 million in 2022, which were reported in the reconciliation in the segment reporting. Income of €32 million was realized for the operating investments and business activities disposed of in 2022, in particular in the Mercedes-Benz Cars segment. In total, expenses from the realization of the currency reserve of €58 million were recognized. In the second quarter of 2022 expenses from the valuation and sale and transfer of investments and business operations of the commercial vehicles business of the Mercedes-Benz Mobility segment of €219 million were included.

In the first half of 2023 there were no material effects on the profitability, cash flows and financial position herefrom.

Sale of retail activities and other sales companies

In December 2021, the contractual arrangements on the sale of the retail activities in Canada were concluded. The transaction became effective in February 2022 and the Group recognized other operating income of €514 million, which was mainly allocated to the Mercedes-Benz Cars segment. The cash inflow amounted to €608 million and was also mainly allocated to the Mercedes-Benz Cars segment. Parts of the purchase price were financed by Mercedes-Benz Financial Services in Canada and led to a cash outflow of €393 million at the Mercedes-Benz Mobility segment.

In addition, further dealers in various countries, in particular those allocated to the Mercedes-Benz Cars segment, were sold in the second half of 2022. The disposals resulted in income of €107 million and cash inflows of €362 million.

The sales company in Greece was sold in the first quarter of 2023. The sale generated income of €42 million for the Mercedes-Benz Cars segment. The cash inflow amounts to €119 million.

Sale of interests in Mercedes-Benz Grand Prix Ltd.

In the fourth quarter of 2021, the Mercedes-Benz Group signed the contractual agreements with Motorsports Invest Ltd. and INEOS Industries Holdings Ltd. on the sale of shares of Mercedes-Benz Grand Prix Ltd. Some of the agreements concluded already took effect in 2021. When the other agreements became effective in January 2022, the Group lost control over Mercedes-Benz Grand Prix Ltd. and included the remaining 33.3% interest in the company in the Consolidated Financial Statements using the equity method. The sale of the shares resulted in other operating income of €385 million in the Mercedes-Benz Cars segment in the first quarter of 2022. The purchase price payment agreed for the first quarter of 2023 resulted in a cash inflow of €125 million.

3. Revenue

Revenue disclosed in the Consolidated Statement of Income includes revenue from contracts with customers and other revenue not in the scope of IFRS 15.

Other revenue primarily comprises revenue from the rental and leasing business, interest from the financial services business and effects from currency hedging.

Revenue from contracts with customers (revenue according to IFRS 15) is disaggregated by the two categories — type of products and services, and geographical regions — and presented in tables D.08 and D.09. The category type of products and services corresponds to the reported segments.

D.08

Revenue for the three-month period ended 30 June

	Mercedes-Benz Cars	Mercedes-Benz Vans	Mercedes-Benz Mobility	Total segments	Reconciliation ¹	Mercedes-Benz Group
In millions of euros						
Q2 2023						
Europe	9,148	3,069	1,326	13,543	-942	12,601
North America	7,447	1,108	1,365	9,920	-69	9,851
Asia	9,750	267	29	10,046	-2	10,044
Other markets	1,161	480	21	1,662	-	1,662
Revenue according to IFRS 15	27,506	4,924	2,741	35,171	-1,013	34,158
Other revenue	738	199	3,765	4,702	-619	4,083
Total revenue	28,244	5,123	6,506	39,873	-1,632	38,241
Q2 2022						
Europe	8,795	2,396	1,210	12,401	-747	11,654
North America	6,140	970	1,711	8,821	-9	8,812
Asia	10,327	262	34	10,623	-4	10,619
Other markets	1,488	362	19	1,869	1	1,870
Revenue according to IFRS 15	26,750	3,990	2,974	33,714	-759	32,955
Other revenue	249	117	3,741	4,107	-622	3,485
Total revenue	26,999	4,107	6,715	37,821	-1,381	36,440

¹ The reconciliation includes eliminations of intragroup revenue between the segments.

D.09

Revenue for the six-month period ended 30 June

	Mercedes-Benz Cars	Mercedes-Benz Vans	Mercedes-Benz Mobility	Total segments	Reconciliation ¹	Mercedes-Benz Group
In millions of euros						
Q1-2 2023						
Europe	18,819	6,052	2,735	27,606	-1,808	25,798
North America	13,617	1,915	2,795	18,327	-129	18,198
Asia	19,994	464	61	20,519	-2	20,517
Other markets	2,297	908	43	3,248	-	3,248
Revenue according to IFRS 15	54,727	9,339	5,634	69,700	-1,939	67,761
Other revenue	1,329	399	7,511	9,239	-1,243	7,996
Total revenue	56,056	9,738	13,145	78,939	-3,182	75,757
Q1-2 2022						
Europe	17,456	4,512	2,477	24,445	-1,566	22,879
North America	11,295	1,740	3,373	16,408	-18	16,390
Asia	20,526	524	71	21,121	-7	21,114
Other markets	2,934	688	40	3,662	0	3,662
Revenue according to IFRS 15	52,211	7,464	5,961	65,636	-1,591	64,045
Other revenue	624	330	7,536	8,490	-1,237	7,253
Total revenue	52,835	7,794	13,497	74,126	-2,828	71,298

¹ The reconciliation includes eliminations of intragroup revenue between the segments.

4. Functional costs

Cost of sales increased slightly in the second quarter as well as in the first half of the year 2023 compared to the prior-year period. The increase resulted primarily from higher raw material prices and expenses paid to suppliers for additional costs due to inflation and supply chains as well as from slightly increased revenues. The first half of the year 2022 included expenses in connection with the discontinuation of business activities in Russia.

The selling expenses increased slightly in the second quarter as well as in the first half of the year 2023 compared to the prior-year period. The increase is related in particular to higher revenues and the introduction of the direct sales model in additional markets.

General administrative expenses increased significantly in the second quarter as well as in the first half of the year 2023. The increase is mainly due to inflation-related additional costs.

Research and non-capitalized development costs in the second quarter as well as in the first half of the year 2023 were significantly above the level of the prior-year period. The increase is due to higher expenditures for new vehicles and future technologies, in particular for the proprietary MB.OS operating system.

5. Other operating income and expense

Other operating income amounted to €557 million in the second quarter of 2023 (Q2 2022: €515 million) and €1,005 million in the first half of the year 2023 (Q1-2 2022: €1,904 million).

The drop in other operating income in the first half of the year 2023 resulted mainly from other operating income recognized in the comparison period from the sale of the retail activities in Canada (€514 million) and of shares in Mercedes-Benz Grand Prix Ltd. (€385 million).

Other operating expense was €291 million in the second quarter of 2023 (Q2 2022: €516 million) and €409 million in the first half of the year 2023 (Q1-2 2022: €907 million).

The decrease in other operating expenses in the second quarter as well as in the first half of the year 2023 mainly resulted from decreased expenses in connection with ongoing governmental and court proceedings and measures taken relating to Mercedes-Benz diesel vehicles.

The loss of €205 million from the deconsolidation of the shares in the Russian subsidiaries booked in other operating expenses in the second quarter of 2023 is mainly attributable to the Mercedes-Benz Mobility segment.

In the second quarter of 2022 expenses of €219 million resulted from the valuation as well as the sale and transfer of investments and business operations of the commercial vehicle business of the Mercedes-Benz Mobility segment, which are reported in the reconciliation.

6. Other financial income/expense, net

Table D.10 shows the components of other financial income/expense, net.

D.10

Other financial income/expense, net

	Q2 2023	Q2 2022	Q1-2 2023	Q1-2 2022
In millions of euros				
Income and expense from compounding and effects from changes in discount rates of provisions for other risks	-20	322	-120	502
Miscellaneous other financial income/expense, net	121	-151	182	-234
	101	171	62	268

In both reporting periods in 2023 miscellaneous other financial income/expense, net primarily comprised positive effects from the measurement of equity instruments included in other financial assets as well as higher dividends from these instruments. Income (net expense in the prior-year period) from the foreign currency valuation of other financial assets also contributed to an increase in miscellaneous other financial income/expense, net.

7. Interest income and interest expense

The composition of interest income and interest expense is shown in table D.11.

D.11

Interest income and interest expense

	Q2 2023	Q2 2022	Q1-2 2023	Q1-2 2022
In millions of euros				
Interest income				
Net interest income on the net assets of defined-benefit pension plans	8	2	15	4
Interest and similar income	149	51	295	90
	157	53	310	94
Interest expense				
Net interest expense on the net obligation from defined-benefit pension plans	-10	-16	-20	-30
Interest and similar expenses	-50	-110	-128	-179
	-60	-126	-148	-209

8. Income taxes

Table D.12 shows profit before income taxes, income taxes and the derived effective tax rate.

D.12

Income taxes

	Q2 2023	Q2 2022	Q1-2 2023	Q1-2 2022
In millions of euros				
Profit before income taxes	5,085	4,549	10,654	9,736
Income taxes	-1,444	-1,351	-3,002	-2,952
Tax rate	28.4%	29.7%	28.2%	30.3%

9. Intangible assets

The composition of intangible assets is shown in table D.13.

D.13

Intangible assets

	30 June 2023	31 Dec. 2022
In millions of euros		
Goodwill	754	749
Development costs	14,042	13,537
Other intangible assets	1,631	1,583
	16,427	15,869

10. Property, plant and equipment

Property, plant and equipment as presented in the Consolidated Statement of Financial Position with a carrying amount of €26,303 million (2022: €27,250 million) also includes right-of-use assets of €2,435 million (2022: €2,726 million), that the Group received as lessee.

Table D.14 shows the composition of property, plant and equipment excluding right-of-use assets.

D.14

Property, plant and equipment (excluding right-of-use assets)

	30 June 2023	31 Dec. 2022
In millions of euros		
Land, land rights and buildings, including buildings on land owned by others	7,663	7,988
Technical equipment and machinery	7,836	8,170
Other equipment, factory and office equipment	6,630	6,866
Advance payments and construction in progress	1,739	1,500
	23,868	24,524

11. Equipment on operating leases

At 30 June 2023, the carrying amount of equipment on operating leases was €41,025 million (2022: €41,552 million). In the first six months of 2023, additions amounted to €9,986 million (Q1-2 2022: €8,545 million) and disposals to €6,846 million (Q1-2 2022: €7,040 million). Depreciation in the first six months of 2023 was €3,540 million (Q1-2 2022: €3,657 million).

12. Equity-method investments

Table D.15 shows the composition of the carrying amounts and the gains/losses on equity-method investments.

D.15

Summarized carrying amounts and gains/losses on equity-method investments

	Associated companies	Joint ventures	Total
In millions of euros			
30 June 2023			
Equity-method carrying amount ¹	12,024	821	12,845
Equity-method gains/losses (Q2 2023) ¹	545	-14	531
Equity-method gains/losses (Q1-2 2023) ¹	1,081	-38	1,043
31 Dec. 2022			
Equity-method carrying amount ¹	12,539	991	13,530
Equity-method gains/losses (Q2 2022) ¹	413	-18	395
Equity-method gains/losses (Q1-2 2022) ¹	819	-42	777

¹ Including investor-level adjustments.

Associated companies

Income from associated companies includes in particular the pro-rata earnings of **Beijing Benz Automotive Co., Ltd. (BBAC)**. In the second quarter of 2023 the shareholders of BBAC resolved the distribution of a dividend of €903 million. The distribution reduced the shareholding's carrying amount and caused a cash inflow of € 897 million. This equity interest is allocated to the Mercedes-Benz Cars segment.

The pro-rata earnings of **Daimler Truck Holding AG (Daimler Truck)** included in the Mercedes-Benz Group's Financial Statements are best possible estimates based on consensus data. The result in the first half of 2023 amounted to €307 million (Q1-2 2022: expense of €21 million). Of this €248 million are accounted for in the second quarter (Q2 2022: €37 million). In the first quarter of 2022, the pro-rata earnings included income of €59 million from the contribution of approximately 5% of the shares in Daimler Truck to the Mercedes-Benz Pension Trust. In June 2023, the Annual General Meeting of Daimler Truck resolved a dividend of €1.30 per share. The distribution led to a cash inflow of €321 million and reduced the carrying amount of the investment accordingly. The investment is reported in the reconciliation.

As part of a strategic realignment and refinancing of Here International B.V. (HERE) the Mercedes-Benz Group, along with other shareholders of the associated company **There Holding B.V. (THBV)**, injected additional equity of €118 million into THBV via Mercedes-Benz AG in the first half of 2023. The capital increases lead to a corresponding increase in the equity-method carrying amount. The funds from the capital injection were transferred by THBV to Here International B.V. (HERE) in order to increase HERE's liquidity. The strategic repositioning lead to a reassessment of the business development of HERE in the second quarter of 2023. Due to this THBV recognized an impairment on the carrying amount of HERE. The proportionate expenses attributable to the Group from the impairment of €92 million are included in the line item gains/losses on equity-method investments and reported in the Mercedes-Benz Cars segment.

13. Receivables from financial services

Receivables from financial services are shown in the following table:

D.16

Receivables from financial services

	30 June 2023			31 Dec. 2022		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Sales financing with customers	18,166	31,268	49,434	19,188	32,223	51,411
Sales financing with dealers	12,754	4,123	16,877	11,198	3,504	14,702
Finance lease contracts	6,722	12,217	18,939	7,009	12,296	19,305
Residual-value receivables	390	878	1,268	439	890	1,329
Gross carrying amount	38,032	48,486	86,518	37,834	48,913	86,747
Loss allowances	-423	-599	-1,022	-522	-676	-1,198
Net carrying amount	37,609	47,887	85,496	37,312	48,237	85,549

14. Inventories

Inventories are comprised as follows:

D.17

Inventories

	30 June 2023	31 Dec. 2022
In millions of euros		
Raw materials and manufacturing supplies	3,126	2,909
Work in progress	3,631	3,491
Finished goods, spare parts and products held for resale	21,715	19,058
Advance payments	185	163
	28,657	25,621

Inventories increased compared to 31 December 2022, partly due to the introduction of the direct sales model in additional markets, ramp-ups in production due to new model years as well as high levels of vehicles in the process of delivery.

15. Equity

Approved capital

The Annual General Meeting held on 5 April 2018 authorized the Board of Management, with the consent of the Supervisory Board, to increase the share capital of Mercedes-Benz Group AG in the period until 4 April 2023, by up to a total of €1.0 billion in exchange for cash and/or non-cash contributions (Approved Capital 2018).

No use was made of this authorization.

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

Share buyback programme

On the basis of the authorization to acquire the Company's own shares given by the Annual General Meeting on 8 July 2020, the Board of Management, with the approval of the Supervisory Board, resolved a share buyback programme on 16 February 2023. The acquisition of treasury shares worth up to €4 billion (not including incidental costs) on the stock exchange over a period of up to two years began on 3 March 2023. The repurchased shares are to be cancelled at a later date.

Mercedes-Benz Group AG has separately agreed with Beijing Automotive Group Co., Ltd. and Geely Group that they will each keep their shareholdings in Mercedes-Benz Group AG below ten per cent by divesting their shares on a pro-rata basis concurrently with the share buyback programme.

In the reporting period 9.3 million of the Company's own shares were repurchased at a purchase price of €643 million and transferred to the reserve for treasury shares.

Employee share purchase plan

In the first quarter of 2023 Mercedes-Benz Group AG purchased 0.9 million (2022: 0.7 million) Mercedes-Benz shares to be reissued to employees as employee shares directly based on Section 71 Subsection 1 No. 2 of the German Stock Corporation Act (AktG). The shares were reissued to employees on 28 March 2023.

Dividend

The Annual General Meeting on 3 May 2023 resolved to pay out a dividend to the shareholders of €5,556 million, equivalent to €5.20 per no-par-value share entitled to a dividend out of the distributable profit 2022 of Mercedes-Benz Group AG of €5,563 million (2022: €5,349 million, equivalent to €5.00 per no-par-value share entitled to a dividend). The dividend was paid out on 8 May 2023. For the 1.3 million treasury shares held by Mercedes-Benz Group AG at the date of the General Meeting that are not entitled to a dividend, the Annual General Meeting took the resolution to transfer the respective portion of €7 million of the distributable profit to the retained earnings.

16. Pensions and similar obligations

The provisions for pensions and similar obligations consist of provisions for pension benefits and provisions for post-employment healthcare benefits.

The funded status of the pension obligations is shown in table D.18. The present value of the defined benefit obligations is slightly increased, in particular due to the decrease of the discount rate in Germany to 3.7% (31 December 2022: 3.8%). The fair value of the plan assets reflects the positive return in the reporting period.

D.18

Development of funded status

	30 June 2023	31 Dec. 2022
In millions of euros		
Present value of the defined benefit obligations	20,670	20,444
Fair value of plan assets	21,186	20,526
Funded status	516	82
actuarial loss due to asset ceiling	-27	-27
Net defined benefit liability	489	55
thereof recognized in: Other assets	1,151	738
thereof recognized in: Provisions for pensions and similar obligations	-662	-683

17. Provisions for other risks

Provisions for other risks are comprised as shown in table D.19.

D.19

Provisions for other risks

	30 June 2023			31 Dec. 2022		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Product warranties	2,803	3,704	6,507	3,204	3,372	6,576
Personnel and social costs	1,913	2,061	3,974	2,422	2,191	4,613
Litigation risks and regulatory proceedings	1,632	365	1,997	2,217	538	2,755
Other	1,974	307	2,281	1,742	337	2,079
	8,322	6,437	14,759	9,585	6,438	16,023

18. Financing liabilities

Financing liabilities are comprised as follows:

D.20

Financing liabilities

	30 June 2023			31 Dec. 2022		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Notes/bonds	11,851	41,120	52,971	12,104	41,995	54,099
Commercial paper	4,050	-	4,050	2,174	10	2,184
Liabilities to financial institutions	16,413	7,647	24,060	17,488	7,250	24,738
Deposits in the direct banking business	7,793	464	8,257	9,529	1,009	10,538
Liabilities from ABS transactions	8,766	8,143	16,909	7,433	9,452	16,885
Lease liabilities	478	1,818	2,296	598	2,047	2,645
Loans, other financing liabilities	517	221	738	460	288	748
	49,868	59,413	109,281	49,786	62,051	111,837

19. Legal proceedings

As described in the Notes to the Consolidated Financial Statements as of 31 December 2022, Mercedes-Benz Group AG and its subsidiaries are confronted with various court proceedings, claims and governmental investigations and orders (legal proceedings) on a large number of topics.

Compared to the legal proceedings described therein, the following significant changes occurred in the reporting period:

As previously reported, a large number of customers of diesel vehicles have filed lawsuits in Germany for damages or rescission of sales contracts. Following a decision of the European Court of Justice in the first quarter of 2023, the German Federal Court of Justice ruled in the second quarter of 2023 that vehicle purchasers are entitled to claim damages against the manufacturer if it intentionally or negligently used an inadmissible defeat device.

Mercedes-Benz Group AG and the respective other affected companies of the Group regard these lawsuits as being without merit and continue to defend themselves against the claims.

20. Financial instruments

Table D.21 shows the carrying amounts and fair values of the respective classes of the Group's financial instruments.

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 in the market.

D.21

Carrying amounts and fair values of financial instruments

	30 June 2023		31 Dec. 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
In millions of euros				
Financial assets				
Receivables from financial services	85,496	86,423	85,549	86,343
Trade receivables	7,555	7,555	8,100	8,100
Cash and cash equivalents	15,428	15,428	17,679	17,679
Marketable debt securities and similar investments	6,702	6,702	7,060	7,060
Recognized at fair value through other comprehensive income	1,442	1,442	1,641	1,641
Recognized at fair value through profit or loss	5,136	5,136	4,460	4,460
Measured at cost	124	124	959	959
Other financial assets				
Equity instruments and debt instruments	1,639	1,639	1,439	1,439
Recognized at fair value through other comprehensive income	939	939	768	768
Recognized at fair value through profit or loss	700	700	671	671
Other financial assets recognized at fair value through profit or loss	443	443	584	584
Derivative financial instruments used in hedge accounting	3,376	3,376	2,463	2,463
Other receivables and financial assets	3,309	3,309	3,113	3,113
	123,948	124,875	125,987	126,781
Financial liabilities				
Financing liabilities	106,985	105,602	109,192	107,417
Trade payables	13,894	13,894	12,204	12,204
Other financial liabilities				
Financial liabilities recognized at fair value through profit or loss	263	263	171	171
Derivative financial instruments used in hedge accounting	1,699	1,699	2,283	2,283
Miscellaneous other financial liabilities	5,506	5,506	5,454	5,454
Contract and refund liabilities				
Obligations from sales transactions	3,951	3,951	4,481	4,481
	132,298	130,915	133,785	132,010

The fair values of financial instruments were calculated on the basis of market information available on the balance sheet date. The following methods and premises were used.

Marketable debt securities and similar investments, other financial assets and liabilities

Marketable debt securities are recognized at fair value through other comprehensive income or at fair value through profit or loss. Similar investments are measured at cost and are not included in the measurement hierarchy, as their carrying amount is a reasonable approximation of fair value due to the short terms of these financial instruments and the fundamentally low credit risk.

Equity instruments are recognized at fair value through other comprehensive income or at fair value through profit or loss.

Marketable debt securities and equity instruments recognized at fair value were measured using quoted market prices at the end of the reporting period. If quoted market prices are not available for these debt and equity instruments, fair value measurement is based on inputs that are either directly or indirectly observable in active markets. Fair values are calculated using recognized financial valuation models such as discounted cash-flow models or multiples.

Other financial assets and liabilities recognized at fair value through profit or loss relate to derivative financial instruments not used in hedge accounting. These financial instruments as well as derivative financial instruments used in hedge accounting comprise:

– Derivative currency hedging contracts: the fair values of cross-currency interest-rate swaps are determined on the basis of the discounted estimated future cash flows (taking account of credit premiums and default risks) using the market interest rates appropriate to the remaining terms of the financial instruments. The measurement of currency forwards is based on market quotes of forward curves; currency options are measured with market quotes or option-pricing models using market data.

– Derivative interest-rate hedging contracts: the fair values of the interest-rate hedging instruments (e.g. interest-rate swaps) are determined on the basis of discounted estimated future cash flows (taking into account credit premiums and default risks) using the market interest rates appropriate to the remaining terms of the financial instruments.

– Derivative commodity hedging contracts: the fair values of commodity hedging contracts (e.g., commodity forwards) are determined on the basis of current reference prices with consideration of forward premiums and discounts and default risks.

Contract and refund liabilities

Contract and refund liabilities include obligations from sales transactions that qualify as financial instruments. Obligations from sales transactions should generally be regarded as current. Due to the short maturities of these financial instruments, it is assumed that their fair values are equal to their carrying amounts.

Table D.22 provides an overview of the classification into measurement hierarchies of financial assets and liabilities recognized at fair value (according to IFRS 13). At the end of the reporting period, the Group reviews the necessity for reclassification between the fair-value hierarchies.

For the determination of the credit risk from derivative financial instruments which are allocated to the Level 2 measurement hierarchy, portfolios managed on the basis of net exposure are applied.

D.22

Measurement hierarchy of financial assets and liabilities recognized at fair value

	30 June 2023				31 Dec. 2022			
	Total	Level 1 ¹	Level 2 ²	Level 3 ³	Total	Level 1 ¹	Level 2 ²	Level 3 ³
In millions of euros								
Financial assets recognized at fair value								
Marketable debt securities	6,578	6,325	253	-	6,101	5,849	252	-
Recognized at fair value through other comprehensive income	1,442	1,192	250	-	1,641	1,392	249	-
Recognized at fair value through profit or loss	5,136	5,133	3	-	4,460	4,457	3	-
Equity instruments and debt instruments	1,639	591	340	708	1,439	457	339	643
Recognized at fair value through other comprehensive income	939	453	215	271	768	341	215	212
Recognized at fair value through profit or loss	700	138	125	437	671	116	124	431
Other financial assets recognized at fair value through profit or loss	443	-	441	2	584	-	578	6
Derivative financial instruments used in hedge accounting	3,376	-	3,376	-	2,463	-	2,463	-
	12,036	6,916	4,410	710	10,587	6,306	3,632	649
Financial liabilities recognized at fair value								
Financial liabilities recognized at fair value through profit or loss	263	-	260	3	171	-	171	-
Derivative financial instruments used in hedge accounting	1,699	-	1,699	-	2,283	-	2,283	-
	1,962	-	1,959	3	2,454	-	2,454	-

1 Fair value measurement is based on quoted prices (unadjusted) in active markets for these or identical assets or liabilities.

2 Fair value measurement is based on inputs that are observable in active markets either directly (i.e., as prices) or indirectly (i.e., derived from prices).

3 Fair value measurement is based on inputs for which no observable market data is available.

21. Segment reporting

Segment reporting is presented in accordance with the internal management and reporting system.

Segment information for the second quarters of 2023 and 2022 is as follows:

D.23

Segment reporting for the three-month period ended 30 June

	Mercedes-Benz Cars	Mercedes-Benz Vans	Mercedes-Benz Mobility	Total segments	Reconciliation	Mercedes-Benz Group
In millions of euros						
Q2 2023						
External revenue	27,005	4,979	6,257	38,241	-	38,241
Intersegment revenue	1,239	144	249	1,632	-1,632	-
Total revenue	28,244	5,123	6,506	39,873	-1,632	38,241
Segment profit/loss (EBIT)	3,852	806	172	4,830	158	4,988
Q2 2022						
External revenue	25,942	3,932	6,566	36,440	-	36,440
Intersegment revenue	1,057	175	149	1,381	-1,381	-
Total revenue	26,999	4,107	6,715	37,821	-1,381	36,440
Segment profit/loss (EBIT)	3,792	382	624	4,798	-176	4,622

Segment information for the first six months of 2023 and 2022 is as follows:

D.24

Segment reporting for the six-month period ended 30 June

	Mercedes-Benz Cars	Mercedes-Benz Vans	Mercedes-Benz Mobility	Total segments	Reconciliation	Mercedes-Benz Group
In millions of euros						
Q1-2 2023						
External revenue	53,752	9,329	12,676	75,757	-	75,757
Intersegment revenue	2,304	409	469	3,182	-3,182	-
Total revenue	56,056	9,738	13,145	78,939	-3,182	75,757
Segment profit/loss (EBIT)	8,000	1,568	711	10,279	213	10,492
Q1-2 2022						
External revenue	50,763	7,409	13,126	71,298	-	71,298
Intersegment revenue	2,072	385	371	2,828	-2,828	-
Total revenue	52,835	7,794	13,497	74,126	-2,828	71,298
Segment profit/loss (EBIT)	8,063	730	1,357	10,150	-299	9,851

Table D.25 contains the reconciliation of the total of the segment's profit/loss (EBIT) to the EBIT of the Consolidated Statement of Income/Loss.

The reconciliation shows items at the corporate level. Transactions between the segments are eliminated in the reconciliation.

D.25

Reconciliation of EBIT to Group figures

	Q2 2023	Q2 2022	Q1-2 2023	Q1-2 2022
In millions of euros				
Total of segments' profit/loss (EBIT)	4,830	4,798	10,279	10,150
Gains/losses on equity-method investments, net ¹	270	58	339	21
Other reconciling items ²	-103	-247	-139	-329
Eliminations	-9	13	13	9
EBIT as shown in the Consolidated Statement of Income/Loss	4,988	4,622	10,492	9,851

¹ Mainly includes the equity method gains/losses of the shares in Daimler Truck Holding AG.

² Further information on this is provided in Note 5 of the Notes to the Interim Consolidated Financial Statements.

22. Related party disclosures

Business transactions with related companies are generally carried out at market terms. Most of the goods and services supplied between the Group and related companies comprise transactions with associated companies and joint ventures and are shown in table D.26.

A large proportion of the Group's sales of goods and services to **associated companies** relates to business relations with the **Daimler Truck Group** and with LSH Auto International Limited (LSHAI) and Beijing Benz Automotive Co., Ltd. (BBAC).

The leased equipment of the Mercedes-Benz Mobility segment includes commercial vehicles produced by the Daimler Truck Group which have been acquired from external dealers or other third parties not related to the Mercedes-Benz Group. Mercedes-Benz Mobility usually receives a residual-value guarantee from Daimler Truck for this leased equipment in connection with the obligation to return the respective commercial vehicles to Daimler Truck. At 30 June 2023 this guarantee was €321 million (31 December 2022: €383 million).

Additionally, Mercedes-Benz Mobility will continue the leasing and sales-financing business for Daimler Truck's commercial vehicles in some markets. To this end, Mercedes-Benz Mobility acquires these vehicles from Daimler Truck and leases them to the end customers. Because Daimler Truck provides residual value guarantees for these vehicles, a leasing contract (head lease) between Mercedes-Benz Mobility and Daimler Truck is shown. The contract between Mercedes-Benz Mobility and the end customer constitutes a sublease in this respect. The receivables and right-of-use assets shown in Table D.26 include demands for the repurchase of vehicles by Daimler Truck of €1,254 million (31 December 2022: €1,312 million) shown in receivables from financial services as well as right-of-use assets of €400 million (31 December 2022: €548 million) vis-à-vis Daimler Truck shown in leased assets.

D.26

Transactions with related companies

In millions of euros	Income from sales of goods and services and other income				Expense from purchases of goods and services and other expense			
	Q2 2023	Q2 2022	Q1-2 2023	Q1-2 2022	Q2 2023	Q2 2022	Q1-2 2023	Q1-2 2022
Associated companies	4,345	4,622	8,367	8,870	699	708	1,137	1,355
thereof Daimler Truck Group ¹	224	250	442	506	558	691	851	1,109
thereof LSHAI	2,235	2,339	4,558	4,641	64	-46	145	122
thereof BBAC	1,881	2,029	3,358	3,715	77	62	141	123
Joint ventures	126	146	201	330	8	8	17	16

In millions of euros	Receivables and right-of-use-assets		Liabilities ²	
	30 June 2023	31 Dec. 2022	30 June 2023	31 Dec. 2022
Associated companies	4,479	4,842	600	557
thereof Daimler Truck Group ¹	2,044	2,262	407	332
thereof LSHAI	950	887	13	23
thereof BBAC	1,422	1,646	174	195
Joint ventures	130	93	-	1

1 Temporarily services by corporate functions such as IT, Logistics and Human Resources are included in addition to relationships in the scope of ordinary business, for example, the purchase and sale of goods and services and leasing agreements.

2 Including liabilities from default risks from guarantees for related parties.

Responsibility Statement of the Legal Representatives

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the Interim Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Mercedes-Benz Group AG, and the Interim Management Report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Stuttgart, 26 July 2023

Ola Källenius

Dr. Jörg Burzer

Renata Jungo Brüngger

Sabine Kohleisen

Markus Schäfer

Britta Seeger

Hubertus Troska

Harald Wilhelm

Auditor's Review Report

To Mercedes-Benz Group AG, Stuttgart

We have reviewed the condensed Interim Consolidated Financial Statements of Mercedes-Benz Group AG — comprising Consolidated Statement of Income/Loss, Consolidated Statement of Comprehensive Income/Loss, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and selected, explanatory Notes to the Interim Consolidated Financial Statements — together with the Interim Group Management Report of the Mercedes-Benz Group AG, Stuttgart, for the period from 1 January to 30 June 2023, that are part of the quarterly financial report according to § 115 WpHG (“Wertpapierhandelsgesetz”: “German Securities Trading Act”). The preparation of the condensed Interim Consolidated Financial Statements in accordance with International Accounting Standard IAS 34 “Interim Financial Reporting” as adopted by the EU, and of the Interim Group Management Report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed Interim Consolidated Financial Statements and on the Interim Group Management Report based on our review.

We performed our review of the condensed Interim Consolidated Financial Statements and the Interim Group Management Report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and additional application of the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed Interim Consolidated Financial Statements have not been prepared, in material respects, in accordance with IAS 34, “Interim Financial Reporting” as adopted by the EU, and that the Interim Group Management Report

has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed Interim Consolidated Financial Statements have not been prepared, in material respects, in accordance with IAS 34, “Interim Financial Reporting” as adopted by the EU, or that the Interim Group Management Report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Stuttgart, 26 July 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft

Sailer	Bock
Wirtschaftsprüfer	Wirtschaftsprüfer

Information on the Internet

Further information about the **Mercedes-Benz share** can be found in the Investors section at

 group.mercedes-benz.com/investors

Annual and interim reports as well as company financial statements are available there. In addition, you can find the latest news, the financial calendar, presentations, various overviews of key figures, information on the share price and additional services.

For sustainability reasons, the Annual and Interim Reports are not printed in hard copy. We make all Annual and Interim Reports available online and as PDF files to download.

 group.mercedes-benz.com/investors/reports-news

Further information is available at

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