

**Mercedes-Benz Danmark A/S**

CVR no. 14 81 51 98  
(30. annual year)

Annual report 2020

The annual report was presented and approved at the  
Company's annual general meeting on

on \_\_\_\_\_ 20 \_\_\_\_

\_\_\_\_\_  
Chairman

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

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## Statement by the Executive and Supervisory Boards

The Executive and Supervisory Boards have today discussed and approved the annual report of Mercedes-Benz Denmark A/S for the financial year 1 January – 31 December 2020.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2020 and of the result of the Company's operations for the financial year 1 January – 31 December 2020.

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

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

Copenhagen, 19 May 2021

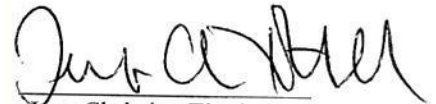
Executive Board:



Niels Kowollik  
CEO



Olaf van Remmen

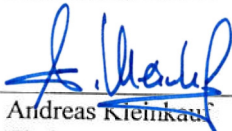


Jens-Christian Tittel

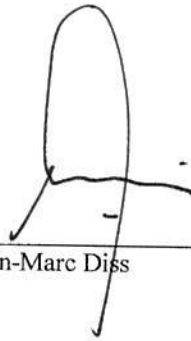


Martin Lindell

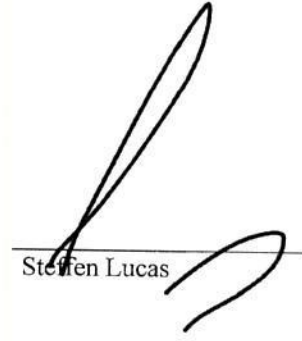
Supervisory Board:



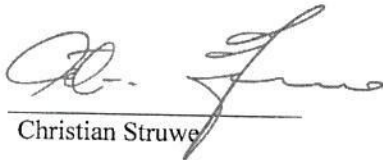
Andreas Kleinhaus  
Chairman



Jean-Marc Diss



Steffen Lucas



Christian Struwe

## **Independent auditor's report**

### **To the shareholders of Mercedes-Benz Danmark A/S**

#### **Opinion**

We have audited the financial statements of Mercedes-Benz Danmark A/S for the financial year 1 January – 31 December 2020 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

#### **Basis for opinion**

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

#### **Management's responsibility for the financial statements**

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

## **Independent auditor's report**

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Statement on the Management's review**

Management is responsible for the Management's review.

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

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

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

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

Copenhagen, 19 May 2021

**KPMG**

Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98



Kenn W. Hansen  
State Authorised Public Accountant  
(Mne30154)

## **Management's review**

### **Company details**

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

Telephone: +45 33 78 56 56  
Fax: +45 33 78 54 65  
Home page: [www.mercedes-benz.dk](http://www.mercedes-benz.dk)

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

### **Supervisory Board**

Andreas Kleinkauf, Chairman  
Jean-Marc Diss  
Steffen Lucas  
Christian Struwe

### **Executive Board**

Niels Kowollik, CEO  
Olaf van Remmen  
Jens-Christian Tittel  
Martin Lindell

### **Auditors**

KPMG  
Statsautoriseret Revisionspartnerselskab  
Dampfærgevej 28  
2100 Copenhagen  
Denmark

## Management's review

### Financial highlights for the Company

DKK'000	2020	2019	2018	2017	2016
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#### Key figures

Revenue	4,563,139	4,868,921	4,669,065	3,928,137	3,607,316
Gross profit	293,094	432,612	308,101	170,627	264,254
Ordinary operating profit	180,709	303,350	179,662	46,479	143,503
Result from interest and expense and similar items	-6,647	1,422,983	195,091	254,500	241,244
<b>Profit for the year</b>	<b>135,069</b>	<b>1,661,204</b>	<b>336,652</b>	<b>292,572</b>	<b>352,636</b>

Fixed assets	776,644	775,821	935,569	1,024,771	1,024,896
Current assets	1,818,491	3,273,365	1,669,331	1,362,762	1,346,953
<b>Total assets</b>	<b>2,595,135</b>	<b>4,049,186</b>	<b>2,604,900</b>	<b>2,387,533</b>	<b>2,371,848</b>
Share capital	70,000	70,000	70,000	70,000	70,000
<b>Equity</b>	<b>1,542,991</b>	<b>3,069,126</b>	<b>1,657,922</b>	<b>1,591,270</b>	<b>1,618,698</b>
Provisions	35,977	27,777	6,616	3,944	1,692
Liabilities other than provisions	1,016,167	952,283	940,362	792,319	751,458

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

Gross margin ratio (%)	6,4	8,9	6,6	4,3	7,3
Operating margin ratio (%)	4,0	6,2	3,8	1,2	4,0
Current ratio (%)	179,0	343,7	177,5	172,0	179,2
Solvency ratio (%)	59,5	75,8	63,6	66,6	68,2
Return on equity (%)	5,9	70,3	20,7	18,2	23,1

Average number of full-time employees	51	50	49	48	42
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The financial ratios have been calculated as follows:

Gross margin ratio	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Operating margin ratio	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Short-term debt}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit after tax} \times 100}{\text{Average equity}}$

## **Management's review**

### **Operating review**

#### **Principal activities**

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

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

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

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

#### **Development in activities and financial matters**

The income statement for 2020 shows a profit after taxes of DKK 135,069 thousand against a profit after taxes of DKK 1,661,204 thousand last year. The profit after tax for 2019 was positively affected by gain on sale of group companies in the amount of DKK 1,274,568 thousand.

The balance sheet at 31 December 2020 shows an equity of DKK 1,542,991 thousand (31 December 2019: DKK 3,069,126 thousand).

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

#### **Outlook**

The Company expects increasing sales volumes and revenues for 2021. The year 2020 was heavily impacted by the Covid-19 pandemic. Production plants in Germany were closed during part of the year, primarily during the second quarter, as well as sales outlets and workshops in Denmark. This led to a lower inflow of new vehicles from the factories to Denmark, and a decline in sales volume and revenues during this period. The expectation is that the vaccination in 2021 gradually will contribute to open up the society again. This will have a positive impact on order intake, sales volume and revenues. The order intake has already in Q1 2021 shown a strong increase, much driven by a very competitive product line up, and a rapidly increasing share of plug-in hybrids and full electric vehicles.

#### **Risks**

##### ***Credit risks***

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

##### ***Financial risks***

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



## **Management's review**

### **Operating review**

#### **Intellectual capital**

Daimler AG focuses on supporting and developing their employees to enhance the professional development of Daimler. The Company retains its employees by offering training and a good work environment that attracts people in a market with high competition.

#### **Corporate responsibility**

As a wholly-owned subsidiary of Daimler AG, the Company is included in Daimler's 2020 Sustainability Report, which covers areas such as climate and environment, social and employee conditions, human rights and business ethics. Therefore, the Company does not present it in the Annual Report, cf. the Danish Financial Statements Act §99a, section 6. The 2020 Sustainability Report of Daimler AG can be found using the link:

<https://sustainabilityreport.daimler.com/2020/>

#### **Diversity policy**

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

There were no female board member employed in the Company at 31 December 2020. The goal is that each gender will be represented. When making changes in the board, a careful consideration over competences of the candidates is conducted, however changes have ended up with a male majority, which primarily is the result of the industry conditions related to gender diversity. The Company has a target to hire one female before the end of 2023. The completion of the target could be hindered, if a female candidate is not found within the defined time frame.

As of 31 December 2020, 30% (31 December 2019: 30%) of executive and functional managers were women.

#### **Environment and working environment policies**

##### ***Environment***

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

Furthermore, Daimler AG is continuously working on improving the environmental impact when producing vehicles and when developing new vehicles.

## **Management's review**

### **Operating review**

#### ***Working environment***

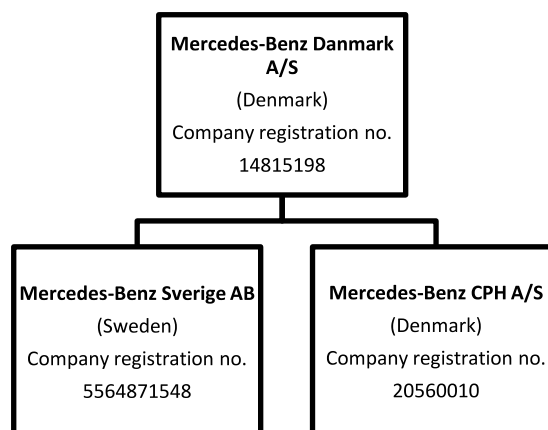
The Company works actively and systematically on the working environmental effects of the daily operations with due consideration to the Company's purpose, activities and available resources.

The individual employee is responsible for the environmental effects of doing his/her job and thus plays an important part in minimising the total environmental effects of the Company's operations.

Committed employees are the other cornerstone to success. The commitment of the employees are measured bi-annually to create the foundation for a good working environment with highly motivated employees.

Moreover, the Group is responsible for its own environmental effects, focusing on environmental friendly vehicles and a comprehensive program of sustainable development is a key success factor in the Daimler AG Group.

### **Group chart**



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

## Financial statements for the year ended 31 December

### Income statement

DKK'000	Note	2020	2019
<b>Revenue</b>	1	4,563,139	4,868,921
Cost of goods sold	2, 8	-4,270,045	-4,445,309
<b>Gross profit</b>		293,094	432,612
Distribution costs	2, 8	-70,102	-76,078
Administrative expenses	2, 8	-42,283	-44,156
<b>Ordinary operating profit</b>		180,709	303,378
Other operating income		110	0
Other operating expenses		0	-28
<b>Operating profit</b>		180,819	303,350
Income from investments in group entities	3	0	1,430,126
Interest income and similar items	4	331	0
Interest expense and similar items	5	-6,978	-7,143
<b>Profit before tax</b>		174,172	1,726,333
Tax on profit for the year	6	-39,103	-65,129
<b>Profit for the year</b>	7	135,069	1,661,204

## Financial statements for the year ended 31 December

### Balance sheet

DKK'000	Note	2020	2019
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Property, plant and equipment</b>			
Fixtures and fittings, tools and equipment	8	1,100	277
		<u>1,100</u>	<u>277</u>
<b>Investments</b>			
Investments in subsidiaries	9	775,544	775,544
		<u>775,544</u>	<u>775,544</u>
<b>Total fixed assets</b>		<u>776,644</u>	<u>775,821</u>
<b>Current assets</b>			
<b>Inventories</b>			
Finished goods and goods for resale		249,767	241,789
		<u>249,767</u>	<u>241,789</u>
<b>Receivables</b>			
Trade receivables		55,225	119,202
Amounts owed by group enterprises		1,382,323	2,827,049
Other receivables		47,003	63,877
Deferred tax asset	10	5,959	2,504
Prepayments	11	13,593	8,609
		<u>1,504,103</u>	<u>3,021,241</u>
<b>Cash at bank and in hand</b>		<u>64,621</u>	<u>10,335</u>
<b>Total current assets</b>		<u>1,818,491</u>	<u>3,273,365</u>
<b>TOTAL ASSETS</b>		<u><u>2,595,135</u></u>	<u><u>4,049,186</u></u>

## Financial statements for the year ended 31 December

### Balance sheet

DKK'000	Note	2020	2019
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	12	70,000	70,000
Retained earnings		1,337,922	1,337,922
Dividend proposed		135,069	1,661,204
<b>Total equity</b>		<u>1,542,991</u>	<u>3,069,126</u>
<b>Provisions</b>			
Other provisions	13	35,977	27,777
<b>Total provisions</b>		<u>35,977</u>	<u>27,777</u>
<b>Liabilities other than provisions</b>			
<b>Short-term liabilities other than provisions</b>			
Trade payables		20,585	25,231
Payables to group enterprises		183,509	142,458
Corporation tax		38,193	66,616
Deferred income		165,446	138,523
Other payables		608,434	579,455
		<u>1,016,167</u>	<u>952,283</u>
<b>Total liabilities other than provisions</b>		<u>1,016,167</u>	<u>952,283</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>2,595,135</u>	<u>4,049,186</u>
<b>Contingent liabilities and securities</b>	14		
<b>Related parties</b>	15		
<b>Events after the balance sheet date</b>	16		
<b>Accounting policies</b>	17		

## Financial statements for the year ended 31 December

### Statement of changes in equity

DKK'000	Share capital	Retained earnings	Dividend proposed	Total
<b>Equity at 1 January 2019</b>	70,000	1,337,922	250,000	1,657,922
Paid dividend	0	0	-250,000	-250,000
Profit for the year	0	0	1,661,204	1,661,204
<b>Equity at 1 January 2020</b>	70,000	1,337,922	1,661,204	3,069,126
Paid dividend	0	0	-1,661,204	-1,661,204
Profit for the year	0	0	135,069	135,069
<b>Equity at 31 December 2020</b>	70,000	1,337,922	135,069	1,542,991

## Financial statements for the year ended 31 December

### Notes

#### 1 Revenue

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

#### 2 Staff costs

DKK'000	2020	2019
Wages and salaries	34,589	34,459
Pensions	3,362	3,353
Other social security costs	0	0
	37,951	37,812
Staff cost are recognised as follows in the financial statements:		
Cost of goods sold	16,129	16,070
Distribution cost	12,486	12,440
Administrative expenses	9,336	9,302
	37,951	37,812
<b>Average number of employees</b>	51	50

Remuneration to the Executive Board is invoiced to Mercedes-Benz Danmark A/S, based on estimated time spent on the Company, as management fee and amounts to DKK 3,821 thousand (2019: DKK 4,395 thousand) which is included in administrative costs.

#### Incentive and bonus schemes

The Company has set up an incentive scheme applying to the Executive Board and management employees with the option to subscribe for new shares. Per 31 December 2020, divisional Managing Directors, CFO and CEO, are included in incentive scheme with the term of stock program over three years.

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

## Financial statements for the year ended 31 December

### Notes

<b>3</b>	<b>Income from investments in group entities</b>		
	DKK'000	2020	2019
	Dividend	0	155,558
	Gain from sale of group entities	0	1,274,568
		0	1,430,126
<b>4</b>	<b>Interest income and similar items</b>		
	Interest income from group entities	331	0
		331	0
<b>5</b>	<b>Interest expense and similar items</b>		
	Interest expense to group enterprises	1,017	34
	Foreign exchange losses	3,854	3,970
	Other interest expense and similar items	2,107	3,139
		6,978	7,143
<b>6</b>	<b>Tax on profit for the year</b>		
	Current tax for the year	38,193	66,616
	Adjustment of deferred tax	-3,456	-1,386
	Adjustment of tax regarding previous years	4,366	-101
		39,103	65,129
<b>7</b>	<b>Proposed profit appropriation</b>		
	Dividend proposal	135,069	1,661,204
		135,069	1,661,204



## Financial statements for the year ended 31 December

### Notes

#### 8 Property, plant and equipment

DKK'000	Fixtures and fit- tings, tools and equipment and IT
Cost at 1 January 2020	1,104
Additions for the year	1,091
Cost at 31 December 2020	2,195
Depreciation at 1 January 2020	-827
Depreciation for the year	-269
Depreciation at 31 December 2020	-1,095
<b>Carrying amount at 31 December 2020</b>	<b>1,100</b>
Depreciated over (years)	3-5

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

DKK'000	2020	2019
Cost of goods sold	9	7
Distribution costs	12	9
Administration expenses	248	192
	<u>269</u>	<u>208</u>

## Financial statements for the year ended 31 December

### Notes

#### 9 Investments in subsidiaries

DKK'000	2020	2019
Cost at 1 January	775,544	935,084
Disposals for the year	0	-159,540
Cost at 31 December	775,544	775,544
<b>Carrying amount at 31 December</b>	<b>775,544</b>	<b>775,544</b>

Name	Registered office	Ownership share	Equity	Profit/loss for the year
Mercedes-Benz CPH A/S	Hørsholm	100%	18,677	-15,998
Mercedes Benz Sverige AB	Malmö	100%	830,436	26,529

#### 10 Deferred tax asset

DKK'000	2020	2019
Deferred tax at 1 January	2,504	1,118
Deferred tax adjustment for the year in the income statement	3,455	1,386
	5,959	2,504

Deferred tax asset relates to:

Fixtures and fittings, tools and equipment	75	106
Trade receivables	3	54
Other payables	5,881	2,344
	5,959	2,504

#### 11 Prepayments

Prepayments consist of prepaid rent, insurance, etc.

## Financial statements for the year ended 31 December

### Notes

<b>12 Share capital</b>		
DKK'000	2020	2019
	<hr/>	<hr/>
The share capital consists of:		
1 share of DKK 300 thousand	300	300
1 share of DKK 69,700 thousand	69,700	69,700
	<hr/>	<hr/>
	<u>70,000</u>	<u>70,000</u>

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

### 13 Other provisions

Other provisions consist of provisions for buy-back commitments etc.

### 14 Contingent liabilities and security

The Company is jointly liable with the other jointly taxed Danish companies for the tax on the joint taxation income until and including the income year 2020.

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

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

#### Operational leasing

The Company has signed an operational leasing contract with an average yearly leasing cost at DKK 2,211 thousand (2019: DKK 2,211 thousand). The leasing contract has a duration of 48 months with a total value of DKK 8,843 thousand (2019: 60 months with a total value of DKK 11,054 thousand).

### 15 Related parties

Mercedes-Benz Danmark AS' related parties comprise the following:

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

#### Parties exercising control

Daimler AG, Stuttgart, owns the entire share capital of the Company.

The consolidated financial statements of Daimler AG can be obtained by contacting the company or at the website [www.daimler.com](http://www.daimler.com).

## Financial statements for the year ended 31 December

### Notes

#### 15 Related parties (continued)

##### Other related parties

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

##### Related party transactions

DKK'000	2020	2019
Sale of goods to group enterprises	928,333	1,132,010
Purchase of goods from group enterprises	-3,911,337	-2,720,723
Management fee	0	-4,395
	<u>-2,983,004</u>	<u>-1,593,108</u>

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

#### 16 Events after the balance sheet date

No significant events have occurred subsequent to the balance sheet date. The pandemic still affects the society during the first quarter of 2021. However, sales outlets and workshops in Denmark are open again in 2021, which should enable a continued good order intake and revenues.

During the first four months of 2021, Daimler has had digital world premieres of the new full electric vehicles EQA, EQB and EQS. The product offensive with full electric vehicles and plug-in hybrids will continue during the year.

#### 17 Accounting policies

The annual report of Mercedes-Benz Danmark A/S for 2020 has been prepared in accordance with the provisions applying to large class C entities under the Danish Financial Statements Act.

The accounting policies applied are unchanged from last year.

##### Omission of cash flow statements

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

##### Omission of consolidated financial statements

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

## **Financial statements for the year ended 31 December**

### **Notes**

#### **17 Accounting policies (continued)**

##### **Omission to disclose fees for auditor elected**

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

##### **Foreign currency translation**

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

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

### **Income statement**

#### **Revenue**

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

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

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

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

#### **Cost of goods sold**

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

#### **Distribution costs**

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

## **Financial statements for the year ended 31 December**

### **Notes**

#### **17 Accounting policies (continued)**

##### **Administrative expenses**

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

##### **Other operating expenses/income**

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

##### **Income from equity investments in group entities**

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

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

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

##### **Interest income and expense and similar items**

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

##### **Tax on profit/loss for the year**

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

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

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

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

## **Financial statements for the year ended 31 December**

### **Notes**

#### **17 Accounting policies (continued)**

##### **Balance sheet**

###### **Property, plant and equipment**

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

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

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

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

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

###### **Investments**

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

###### **Impairment of fixed assets**

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

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

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

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

## **Financial statements for the year ended 31 December**

### **Notes**

#### **17 Accounting policies (continued)**

##### **Inventories**

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

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

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

##### **Receivables**

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

##### **Cash pooling agreement**

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

##### **Prepayments**

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

##### **Equity - dividends**

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

##### **Corporation tax and deferred tax**

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

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

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



## **Financial statements for the year ended 31 December**

### **Notes**

#### **17 Accounting policies (continued)**

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

#### **Provisions**

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

#### **Payables to group entities**

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

#### **Liabilities other than provisions**

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