Mercedes-Benz South Africa Limited

(Registration number 1962/000271/06)
Consolidated Financial Statements
for the year ended 31 December 2025

Mercedes-Benz


The all-new VLE

Contents

The reports and statements set out below comprise the consolidated financial statements presented to the shareholder:

General Information

	Initial and surname	Designation	Appointments/resignations
Directors			
	Mr A Brand	Chief Executive Officer	
	Ms T Woodbridge	Chief Financial Officer Executive: Finance and Controlling	
	Mr AM Kgotle	Executive: Human Resources	Resigned 30 November 2025
	Mr C Steinhoff	Co-chief Executive Officer Executive: Passenger Cars	Resigned 30 November 2025
	Mr A van der Merwe	Non-executive	
	Mrs S Sardien	Non-executive	Resigned 30 April 2025
	Mr F Seidler	Non-executive	Appointed 1 May 2025
	Mr W Porth	Chairperson of the board Independent non-executive	
	Ms S Zilwa	Independent non-executive	
	Ms FT Dludlu	Lead independent non-executive	
	Ms N Mbhele	Independent non-executive	
	Dr P Mlambo-Ngcuka	Independent non-executive	

Registered office
Mercedes-Benz Place
210 Aramist Place
Waterkloof Glen
Pretoria, Gauteng
0010

Holding company Mercedes-Benz AG incorporated in Germany

Ultimate holding company Mercedes-Benz Group AG incorporated in Germany

Sponsor The Standard Bank of South Africa Limited

General Information

Abbreviations used in the financial statements

AIS	Automotive Investment Scheme
APDP	Automotive Production and Development Programme
CAS	Credit Adjustment Spread
CBU	Completely Built Units
CIPC	Companies and Intellectual Property Commission
Consolidated Financial Statements	Consolidated financial statements of MBSA and its subsidiaries
DMTN	Domestic Medium Term Note
EBIT	Earnings Before Interest and Tax
ECL	Expected Credit Loss
EU	European Union
FBU	Fully Built Up
GDP	Gross Domestic Product
Group	Collectively MBSA and its subsidiaries
IASB	International Accounting Standards Board
IBNR	Incurred But Not Reported
IBOR	Interbank Offered Rate
IFRS® Accounting Standards	International Financial Reporting Standards
Income Tax Act	Income Tax Act No. 58 of 1962
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
King IV	The King Code on Corporate Governance
Koppieview	Koppieview Property Proprietary Limited
MBAG	Mercedes-Benz AG
MBFS	Mercedes-Benz Financial Services South Africa Proprietary Limited
MBGAG	Mercedes-Benz Group AG
MBSA	Mercedes-Benz South Africa Limited
NCI	Non-Controlling Interest
NRV	Net realisable value
OCI	Other Comprehensive Income
OECD	Organisation for Economic Co-operation and Development
PRC	Production Rebate Certificate
PSI	Portfolio Specific Impairment
Rand	South African Rand
SARS	South African Revenue Service
The Companies Act	Companies Act, No. 71 of 2008
USA	United States of America
VAA	Volume Assembly Allowance
VALA	Volume Assembly Localisation Allowance
ZARONIA	South African Rand Overnight Index Average

Preparation of Consolidated Financial Statements

The consolidated financial statements contained in this document, are also available on the group's website: www.mercedes-benz.co.za, and have been prepared under the supervision of Ms T Woodbridge (Chief Financial Officer and Executive Director - Finance and Controlling).

The consolidated financial statements have been audited in compliance with Section 30 of the Companies Act.

These consolidated financial statements were published on 09 April 2026.

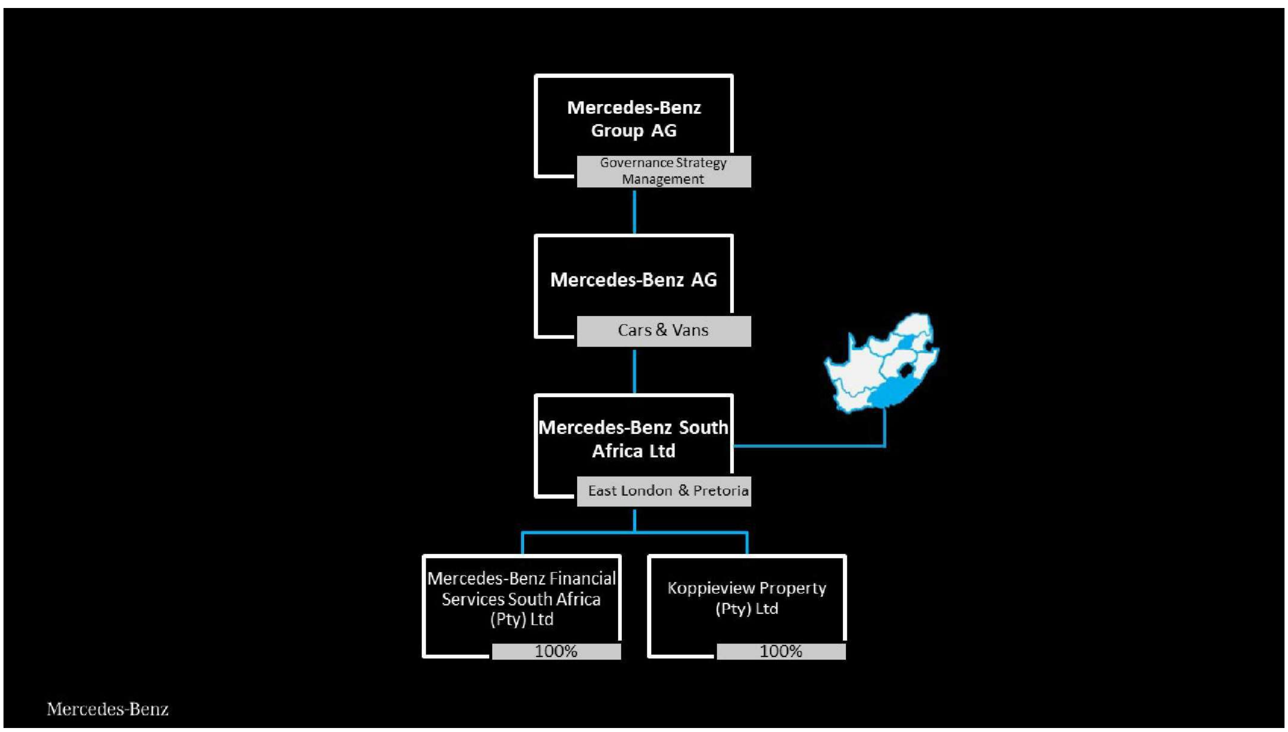
Company Secretary's Certification

In terms of Section 88(2)(e) of the Companies Act of South Africa, as amended, I certify that, to the best of my knowledge and belief, Mercedes-Benz South Africa Limited has, in respect of the financial year ended 31 December 2025, lodged with the CIPC all returns and notices as are required of a public company in terms of the Companies Act and that all returns are true, correct and up to date.

Dr Denis Peterson
Signed by: Denis Desmond Peterson
EMail: denis.peterson@mercedes-benz.com
Signing time: 07-04-2026 18:08:39 (+02:00)
IP address: 105.244.65.72

Dr D Peterson
Company Secretary
2026-04-07

Simplified Group Organogram



The principal place of business and country of incorporation for all MBSA group entities is South Africa.

Audit Committee Report

This report is provided by the audit committee appointed in respect of the 2025 financial year of Mercedes-Benz South Africa Limited.

The audit committee was nominated by the board of directors and appointed by the shareholder, in accordance with the King Code and Companies Act.

The audit committee met three times during the financial year ended 31 December 2025. The external auditor attended these meetings as an invitee and presented the formal reports, as required by the audit committee. All three members of the audit committee are independent, non-executive directors, with permanent guests from the internal finance and control functions. The audit committee complied with all of its responsibilities as set out in the Companies Act, King IV and the governing charter of the audit committee. The audit committee has complied with all of the aforementioned responsibilities for the financial year ended 31 December 2025. The audit committee, as per its mandate, provided, among others, independent oversight on the effectiveness of the group's assurance functions and services with particular focus on external assurance service providers, internal audit and controls and the finance function in general.

1. Mandate of the audit committee

At MBSA, the audit committee is a statutory body established under section 94 of the Companies Act.

Its mandate is to ensure adherence to sound governance, accounting and auditing standards. The committee oversees the implementation of controls, risk management and accounting policies, while monitoring market influences on business operations.

It ensures that MBSA's assets are safeguarded and that financial statements comply with the Companies Act and IFRS® Accounting Standards.

2. Internal controls

The audit committee is satisfied with the design and implementation of internal controls, as supported and confirmed by the management of the group. The design, implementation and execution of internal controls are monitored in order to ensure that any weaknesses are addressed to mitigate material loss, fraud or errors.

The audit committee considered the reports from the information technology department which could have an impact on the control environment at the group. It is satisfied that management action plans are in place in relation to information technology controls.

The audit committee considered the reports from the MBAG corporate internal audit function and is satisfied with management action plans in response thereto. The audit committee is satisfied with the effectiveness of the internal audit arrangements in place.

3. External auditor

The audit committee considered and assessed in 2025 the suitability of PricewaterhouseCoopers Inc. and Mr P Vermeulen, as well as per paragraph 7.3(e)(iii) of the JSE Debt and Specialist Securities Listing Requirements, with regard to their appointment in terms of the Audit Committee Charter and the Companies Act 71 of 2008 of South Africa. The audit committee is satisfied that the appointment of the external auditor, Mr P Vermeulen, complies with the legislative and regulatory requirements and the audit committee is satisfied with his independence. Adequate policies and controls are in place to address the provision of non-audit services by the external auditor to ensure compliance with legislation and other corporate governance guidelines or regulations. The audit committee considered the audit quality controls based on the Independent Regulatory Board for Auditors reports, as well as per paragraph 7.3(e)(iii) of the JSE Debt and Specialist Securities Listing Requirements.

Non-audit services were reviewed, as approved in the non-audit services catalogue of MBAG, and did not become significant to call into question the independence of the external auditor or the firm, PricewaterhouseCoopers Inc.

The audit committee, in consultation with PricewaterhouseCoopers Inc., agreed to the terms of the engagement. The audit committee approved and reviewed the fees proposed by the external auditor, taking into consideration such factors as the timing of the audit, the extent of the work required and the scope. It further, on an ongoing basis, reviewed the scope, independence and impartiality of the external auditor. PricewaterhouseCoopers Inc. has been the independent auditors of MBSA for the second year.

The auditor's appointment will be tabled at the annual general meeting in accordance with section 61(8) of the Companies Act 71 of 2008 of South Africa.

The audit committee has concurred with PricewaterhouseCoopers Inc. responses to the implemented safeguards relating to potential threats to independence.

There were no reportable irregularities identified or reported by the external auditor to the audit committee.

4. Compliance with legal and regulatory requirements

The audit committee is satisfied that, to the best of its knowledge, all regulatory and legislative requirements with regard to its function, duties and obligations has been complied with.

Audit Committee Report

5. Key audit matters

The audit committee performs the duties laid upon it by Section 94(7) of the Companies Act 71 of 2008 of South Africa by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditors.

The audit committee noted and considered the key audit matters set out in the report of the independent auditor included in these consolidated annual financial statements. The audit committee is satisfied with the appropriateness of the key audit matters reported on by the independent auditor.

6. Consolidated Financial Statements

The audit committee is satisfied that, to the best of its knowledge, the consolidated financial statements for the financial year ended 31 December 2025 fairly reflect the financial position and results of the group.

The pro-active monitoring, which was completed by the JSE was considered. The result of such monitoring was presented to the audit committee, which satisfied itself that the findings and focus areas were adequately addressed in the consolidated financial statements for the year ended 31 December 2025 and that all of the debt and specialist securities listing requirements were complied with.

7. Accounting practices

The audit committee is satisfied that the consolidated financial statements have been prepared in accordance with relevant accounting practices, the MBSA accounting policies, and are fully compliant with IFRS® Accounting Standards.

The audit committee is satisfied that the group has appropriate financial reporting procedures and that these procedures are operating and being monitored.

8. Effectiveness of finance function

The audit committee considered and satisfied itself with the appropriateness of the qualifications, expertise, experience, effectiveness and performance of the financial director and the finance function.

On behalf of the audit committee:

Fikile De Buck

Signed by: Fikile Felicity Tebogo De Buck
EMail: extern.de_buck@mercedes-benz.com
Signing time: 08-04-2026 08:45:24 (+02:00)
IP address: 163.116.164.114

Ms FT Dludlu
Chairperson: Audit Committee

2026-04-08

Directors' Report

The directors are pleased to present their report, which forms part of the consolidated annual financial statements of the group for the year ended 31 December 2025.

1. Nature of business

The group holds a manufacturing and distribution agreement from MBGAG and MBAG for the importation, assembly and distribution of Mercedes-Benz, Mercedes-AMG and Mercedes-Maybach product ranges. MBFS, a subsidiary of MBSA, provides financing and insurance solutions over MBGAG products.

A simplified group organogram has been provided, additional information on the group's operating entities is available on request.

The group's business can be best described, in general, as follows:

1.1 Financial services

These operations provide financing and insurance solutions over MBGAG products.

1.2 Wholesale and retail vehicle operations

These operations market and sell vehicles, value-added products and spare parts in the product portfolio, primarily through the authorised agent and dealer network.

1.3 Manufacturing and component exports operations

These operations, located in East London, manufacture Mercedes-Benz C-Class sedans for the local and selected international markets.

In addition, this facility also produces components for export to the international market.

1.4 Other operations

The group provides the following administrative services and other operations:

- Non-core operations and functions
- Expat cost recoveries
- Service level agreements
- IT recoveries

The Mercedes-Benz IT hub, which is located in East London, South Africa, provides IT related services to MBAG and its subsidiaries.

2. Financial results for year under review

Full details of the financial position, results of operations and cash flows of the group are set out in these consolidated financial statements.

	2025 R mil	2024 R mil	Difference year on year R mil	Change year on year %
Income measures				
Vehicles and related services	51 954	60 325	(8 371)	(14)
Financial services	933	825	108	13
Profitability measures				
Net income before other income and expenses	4 165	5 888	(1 723)	(29)
Operating profit	2 106	3 998	(1 892)	(47)
Profit for the year	2 257	2 783	(526)	(19)
Financial position measures				
Total assets	35 464	40 790	(5 326)	(13)
Total liabilities	16 389	21 277	(4 888)	(23)
Total equity	19 075	19 513	(438)	(2)

3. Availability of MBSA separate annual financial statements

The MBSA separate annual financial statements have been prepared and approved on 31 March 2026.

The MBSA separate annual financial statements have been prepared in accordance with IFRS® Accounting Standards, the requirements of the Companies Act 71 of 2008 of South African and the company's independent auditors, PricewaterhouseCoopers Inc., have expressed an unqualified opinion thereon.

Directors' Report

3. Availability of MBSA separate annual financial statements (continued)

The directors of the group are responsible for the controls over and the security of the website and, where applicable, for establishing and controlling the process for electronically distributing annual reports and other financial information to shareholders and to the CIPC.

4. Corporate governance

The directors have adopted the principles as provided for in King IV for the financial year 2025. The principle summary King IV report is published on the website of MBSA, //www.mercedes-benz.co.za/passengercars/brand/corporate.html.

The board is satisfied that there is an appropriate mix of knowledge, skills, experience, diversity and independence.

Dr D Peterson is the company secretary of Mercedes-Benz South Africa Limited. The board is satisfied with the competence, qualifications and experience of the company secretary. The board has access to the company secretary and such arrangements are effective.

Ms S Chetty replaces Mr D van der Bank as the debt officer, as a result of his resignation to take up a new role in MBAG. The board of directors considered and satisfied itself on the competence, qualifications and experience of the debt officer on appointment.

The board has a policy in place for the management of conflict of interests, which is the Integrity Code of the group. This Integrity Code is available on the website of the company, //www.mercedes-benz.co.za/passengercars/brand/corporate.html.. Board members submit annually, or alternatively as and when required, their respective declarations concerning personal interests and is required at each meeting to indicate whether a conflict of interest may arise with a matter to be discussed. The board can confirm that there are no material and enduring personal conflicts of interest noted from any member.

The board has executed its responsibility under the evaluation policy, in relation to the evaluation of the performance of the board of directors of the Issuer, its committees, its chair and its individual directors.

5. Directorate

The directors in office at the date of approval of these annual financial statements are as follows:

Directors	Designation	Changes
Mr A Brand**	Executive (Chief Executive Officer)	
Ms T Woodbridge	Executive (Chief Financial Officer)	
Mr AM Kgotle	Executive	Resigned 30 November 2025 for personal reasons
Mr C Steinhoff****	Executive (Co-chief Executive Officer)	Resigned 30 November 2025 after being promoted to the Head of Mercedes-Maybach and Sales TEV (TEV/PM) within MBAG
Mr A van der Merwe	Non-executive	
Mrs S Sardien****	Non-executive	Resigned 30 April 2025 due to her deployment to a new international assignment in MBAG
Mr F Seidler	Non-executive	Appointed 1 May 2025 as a direct replacement for Mrs S Sardien
Mr W Porth	Chairperson of the board Non-executive Independent	
Ms S Zilwa***	Non-executive Independent	
Ms FT Dludlu***	Lead Non-executive Independent	
Ms N Mbhele*	Non-executive Independent	
Dr P Mlambo-Ngcuka**	Non-executive Independent	

* Member of the audit committee.

** Member of the social and ethics committee.

*** Member of the audit committee and social and ethics committee.

**** All resignations are as a result of the affected directors taking up different positions within the greater MBAG.

The curriculum vitae's of active directors are published on the website of Mercedes-Benz South Africa Limited, //www.mercedes-benz.co.za/passengercars/brand/corporate.html.

Attendance register of directors' meetings is available in the King IV report.

Directors' Report

6. Going concern

The consolidated financial statements for the year ended 31 December 2025 have been prepared on a going concern basis, which assumes that the group will be able to meet its obligations for the foreseeable future and for at least 12 months from the date of this report. The group recognised a net profit after tax of R 2 257 million (2024: R 2 783 million) for the year ended 31 December 2025 and, at that date, had an equity-to-asset ratio of 53.79% (2024: 47.84%).

Management believes that the group will be able to meet all its obligations for at least the next 12 months from the date of this report. Management further believes that, proceeds received during 2026 will be sufficient to meet the repayment requirements. Management has performed forecasts and based on these forecasts the expectation is that the group will continue to be profitable for the 2026 financial year. The company and group will therefore be solvent and liquid for at least the 12 months from the date of this report.

Management has the full support of the holding company, MBAG, for its operations. This is reviewed annually and additional support is provided, if required. To this extent, MBGAG issued a guarantee with regards to the notes issued under the DMTN programme.

7. Events after the reporting period

At the date of finalisation of the financial statements there were no material events that occurred subsequent to the reporting date that required adjustments to the amounts recognised in the financial statements.

Bonds and bank loans issued and redeemed

Subsequent to year end, no bonds and bank loans have been issued.

Funding to subsidiaries

On 30 January 2026, MBSA provided a loan to MBFS of R 1 billion, which will mature on 30 January 2027.

American tariffs

Following the February 2026 USA Supreme Court ruling that removed the earlier 30% emergency tariffs, the USA introduced a temporary 15% global baseline tariff. This, however, does not apply to automotive exports, which continue to fall under unchanged sector-specific tariffs under Section 232. As a result, MBSA's vehicle exports remain subject to higher effective tariff rates than the 15% baseline. The group is continuously monitoring USA trade developments.

War between the United States of America, Israel and Iran

The directors have noted the ongoing USA–Iran conflict and related global supply chain and energy market disruptions. To date these developments have not negatively affected the group's operations. The directors will continue to monitor developments and reassess any potential implications for the group's operations.

Litigation

Subsequent to the reporting date, in February 2026, MBSA, together with MBAG and certain local dealer groups, was served with legal documents relating to a potential class action. The action relates to certain diesel vehicles sold and marketed by the group during the period 2009 to 2020. The plaintiffs allege that certain diesel vehicles marketed under specific classifications did not achieve the advertised emissions performance under normal driving conditions.

At 31 December 2025, no legal proceedings were in progress, no claim had been served on MBSA, and no legal assessment had commenced. Consequently, no present legal or constructive obligation existed at the reporting date. The service of legal documents in February 2026 therefore represents a non-adjusting event after the reporting period in terms of IAS 10 *Events after the Reporting Period*.

The matter is at an early stage and MBSA has initiated a legal assessment to evaluate the merits of the claim. At the date of authorisation of these financial statements, the directors are unable to determine whether an outflow of economic benefits is probable, nor to reliably estimate the potential financial effect arising from the claim, if any. The outcome of the matter remains uncertain and will be reassessed as further information becomes available. Based on information currently available, the directors consider that no provision is required to be recognised as at 31 December 2025. Accordingly, the matter has been disclosed as a contingent liability in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Directors' Report

7. Events after the reporting period (continued)

Other

Subsequent to the reporting date, it was announced that Andreas Brand, Chief Executive Officer, will resign from his position with effect from 31 May 2026. This resignation is due to his acceptance of a new role within the broader Mercedes-Benz AG organisation. The board has initiated the process to appoint a successor, who will be announced in due course. This event does not have a material impact on the amounts recognised in the annual financial statements and has therefore been treated as a non-adjusting event.

Approval of consolidated financial statements

The consolidated financial statements set out on pages 21 to 76, which have been prepared on the going concern basis, were approved and authorised by the audit committee, as per the audit committee charter, on 31 March 2026, and were signed on its behalf by:

Wilfried Porth
Signed by: Wilfried Porth
EMail: wilfried.porth@web.de
Signing time: 08-04-2026 13:27:23 (+01:00)
IP address: 148.69.193.169

Mr W Porth
Chairperson
Authorised director
2026-04-08

Andreas Brand
Signed by: Andreas Friedrich Brand
EMail: andreas.brand@mercedes-benz.com
Signing time: 08-04-2026 12:35:30 (+02:00)
IP address: 80.187.66.128

Mr A Brand
Chief Executive Officer
Authorised director
2026-04-08

Independent auditor's report

To the shareholder of Mercedes-Benz South Africa Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mercedes-Benz South Africa Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Mercedes-Benz South Africa Limited's consolidated financial statements set out on pages 21 to 76 comprise:

- the consolidated statement of financial position as at 31 December 2025;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, including material accounting policy information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code), as applicable to audits of financial statements of public interest entities, and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

Our audit approach

Overview

Final materiality

R404,760,000, which represents 0.75% of Total Consolidated Revenue which consists of:
(i) revenue from sale of vehicles and related services;
(ii) interest received;
(iii) legal loss recoveries; and
(iv) non-interest revenue
with the last 3 revenue streams being from financial and other services). Refer to the Note 4 disclosure contained in the consolidated financial statements for the revenue streams outlined above.

Group audit scope

In establishing the Group audit scope, we have identified two components which were considered to be significant. These components were subject to full scope audits. Other components identified were deemed to be inconsequential from an audit perspective. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Key audit matters

Valuation of "maintenance and service contracts" (Contract liabilities), and

Recoverability of loans and advances to customers (Expected credit loss).

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

In terms of the IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities, published in Government Gazette Number 49309 dated 15 September 2023 (EAR Rule), we report final materiality and group audit scope below.

Final materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the final materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

	Consolidated financial statements
Final materiality	R404,760,000
How we determined it	0.75% of total consolidated Revenue, which consists of: (i) revenue from sale of vehicles and related services; (ii) interest received; (iii) legal loss recoveries; and (iv) non-interest revenue, with the last 3 being from financial and other services. Refer to the disclosure Note 4 of the financial statements for the revenue streams outlined above.
Rationale for the materiality benchmark applied	We have identified Total Consolidated Revenue as the most appropriate basis because, in our view, it is the measure against which the performance of the Group is most commonly measured by users of the consolidated financial statements and is a generally accepted materiality benchmark for similar entities. We chose 0.75% which is consistent with quantitative materiality thresholds used for similar companies.

Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We considered the Group's organisational, legal, consolidation structures and its financial reporting processes when identifying components for purposes of planning and performing audit procedures. For purposes of our Group audit scope, we considered a component to be a single reporting unit within the Group being consolidated. Within the context of the audit, this amounted to each separate legal entity.

In establishing the Group audit scope, based on our Group risk assessment we determined the type of work that needed to be undertaken on the financial information of the components to identify risks of material misstatement. We then identified how the nature and size of the account balances at the components contributed to those risks and determined which account balances required an audit response. We have identified two components which were considered to be significant.

We determined the type of work that was needed to be performed by us, as the auditors of the Group, or component auditors of the Group auditors operating under our instructions. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In terms of ISA 701 *Communicating key audit matters in the independent auditor's report* / the EAR Rule (as applicable), we are required to report key audit matters and the outcome of audit procedures or key observations with respect to the key audit matters, and these are included below.

Key audit matter	**How our audit addressed the key audit matter**
Valuation of "maintenance and service contracts" (Contract liabilities) Refer to following disclosures in the financial statements as it relates to this key audit matter: (i) Note 3.3.1: Material accounting estimates, judgements and assumptions, under subheading, Revenue from contracts with customers and (ii) Note 25: Contract liabilities; in the consolidated financial statements. As at 31 December 2025, the consolidated statement of financial position included contract liabilities, which consists of "maintenance and service contracts" balance of R2,328 million (2024: R2,605 million).	Our audit procedures performed consisted of the following: (i) We evaluated the design and implementation of the control environment in relation to the accounting of revenue sales transactions to understand how revenue is separated into its separately identifiable performance obligations. (ii) We obtained a detailed listing (administrative report) from management. The administrative report amongst other information includes cumulative data for all premiums, total claim expenses, non-financial data such as contract duration period, mileage covered at each maintenance and service intervals.

Key audit matter	How our audit addressed the key audit matter
The group sells motor vehicles (for e.g.: passenger cars and vans) with various types of contracts, with maintenance and service contracts being the most significant, to customers as separate performance obligations. Whilst the sale of the motor vehicle is recognised immediately as revenue, the maintenance and service revenue is recognised as contract liabilities and released into revenue over the lifetime of the contract. The group is exposed to risk that the contract liability for maintenance and service contracts are incorrectly calculated, as the statement of financial position account composition depends on complex and subjective judgements relating to future costs that needs to be covered based on the contractual promise made to customers. Due to the key assumptions that affect the group's estimate for maintenance and service obligations, we considered the valuation of the maintenance and service contracts as a matter of most significance due to: • The level of estimation uncertainty in determining the appropriate amount to be recognised as well as the quantum of the amounts involved. • The significant audit effort required in assessing the appropriateness of evidence obtained in support of fulfilling the underlying contractual arrangements render this as a key audit matter. • The accounts related to the maintenance and service obligation are among the most significant in the financial statements.	(iii) The aggregate amount of the “Fund build-up" (i.e. total premiums collected less expenses and claims paid) as per the above referred detailed report were reconciled to the accounting records (general ledger account) and noted no material difference. (iv) Input testing was performed by tracing sampled items from the above referred detailed listing to the respective supporting documents, i.e. (a) we inspected claims amount to the supporting document(s) issued by the service provider(s); (b) premiums collected to the contractual arrangement and to the price list prepared by the entity for respective derivatives and models; (c) traced mileage data to the information captured on the respective service interval job card; and (d) agreed coverage period to the signed contractual arrangement. There were no significant exceptions noted. (v) We evaluated samples of sales transactions to understand their separately identifiable performance obligations for service and maintenance contracts, and the apportionment from the sales transaction of the contract liability performance obligation. No significant exceptions were noted.

Key audit matter	**How our audit addressed the key audit matter**
	(vi) In addition, we utilised our in-house actuaries to assist in evaluating the reasonableness of key assumptions applied and methodology used, such as future cost methodology which includes ultimate loss ratios and utilisation curves, for estimating remaining costs and deferred revenue, with the objective to determine the portion of premiums that should be deferred or held back for future recognition of revenue as well as the provisions for any anticipated shortfalls where future costs may exceed revenue Thereafter, our in-house actuaries independently determined estimated amount was compared to those calculated by management. No significant exceptions were noted. We evaluated whether the methodology applied by management in determining the provision for service and maintenance contracts is aligned to IFRS 15 by assessing whether the recognition criteria was met. (vii) We have also reconciled the data used by our in-house actuaries to the data used for input testing, with no material variance noted. (viii) We have evaluated the appropriateness of the related disclosures in accordance with the IFRS Accounting Standards.
Recoverability of loans and advances to customers (Expected credit loss) Refer to following disclosures in the financial statements as it relates to this key audit matter: • Note 3.3.1 Material accounting estimates, judgements and assumptions; under subheading, Allowance for impairment of loans and advances to customers; • Note 14: Loans and Advances to Customers; and • Note 32.3.2: Credit Risk in the consolidated financial statements.	Our audit procedures performed consisted of the following: (i) We obtained an understanding of the controls relevant to our audit over the expected credit loss assessment and evaluated whether the controls were appropriately designed and implemented. . Using our actuarial expertise, we performed the following audit procedures:

Key audit matter	How our audit addressed the key audit matter
The group is exposed to significant credit risk from loans and advances to customers. This stems from the group's retail portfolio financing, i.e."instalment sale receivables" and "finance lease receivables", as well as wholesale vehicle financing receivables. As at 31 December 2025, the consolidated statement of financial position included loans and advances balance of R8,886 million (2024: R9,639 million). The group regularly estimates the risk of default on advances to customers, by taking into account historical loss experience, the size and composition of certain portfolios, current economic events and conditions and the estimated fair values and adequacy of collaterals. Changes to the estimation and assessment of these factors influences the allowance for credit losses with a resulting impact on the group's profit or loss. • The group's expected credit loss (ECL) model includes certain key estimates, judgements and assumptions such as: • the probability of default ("PD") which is a measure of the expectation of how likely the customer is to default; • the exposure at default ("EAD") which is the expected amount outstanding at the point of default; and • the loss given default ("LGD") which is the expected loss that will be realised at default after considering recoveries through collateral and guarantees. The adequacy of impairment of loans and advances to customers is assessed through the ongoing review of the quality of credit exposures. For amortised cost advances, impairments are recognised through the use of the allowance account method and an impairment charge in the consolidated statement of profit or loss and other comprehensive income.	(ii) We obtained an understanding of the ECL model methodology applied and compared the model performance against actual historical credit experience and industry practice and the results of model monitoring performed. This assessment included back-testing of actual losses against predicted losses and re-performance of selected tests within the model monitoring. We noted no material matters for further consideration. (iii) We performed targeted test and recalculated the ECL model components (PD, EAD and LGD) to assess the accuracy of the modelled outputs. We noted no material differences. (iv) We evaluated the reasonableness of the SICR ("significant increase in credit risk") classifications by independently applying the assumptions in management's model to the data and noted that these fell within an acceptable range. (v) We reviewed the SICR thresholds applied and the resultant transfer into Stage 2 for SICR. This assessment included benchmarking the volume of up-to-date accounts transferred to Stage 2 to historical trends of movements from performing into arrears and forward-looking expectation of default risk. No material differences were noted. We further performed the following procedures: (vi) We agreed a sample of data elements used as inputs to the ECL models to relevant source documentation and noted no material differences. (vii) We evaluated the appropriateness of the related disclosures in accordance with IFRS Accounting Standards.

Key audit matter	How our audit addressed the key audit matter
We considered the recoverability of loans and advances to customers to be a matter of most significance to the current year audit due to: • The high level of estimation uncertainty and significant judgment in determining the appropriate amount to be recognised, as well as the significant amounts involved, this was identified as a key audit matter requiring substantial audit effort; and • The magnitude of the recoverability of loans and advances to customers to the customers recognised in relation to the consolidated financial statements.	

Other information

The directors are responsible for the other information. The other information comprises the information included in the document(s) titled "Mercedes-Benz South Africa Limited Consolidated Financial Statements for the year ended 31 December 2025" and the document titled “Mercedes-Benz South Africa Limited Separate Financial Statements for the year ended 31 December 2025", which include(s) the Directors' Report, the Audit Committee Report and the Company Secretary's Certification as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor’s reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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.
- 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Audit tenureIn terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Mercedes-Benz South Africa Limited for 2 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: PdP Vermeulen
Registered Auditor
Johannesburg, South Africa
09 April 2026

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	2025 R mil	2024 R mil
Sale of vehicles and related services			
Revenue	4	51 954	60 325
Cost of goods sold	5	(48 722)	(55 262)
Gross profit from sale of vehicles and related services		**3 232**	**5 063**
Financial and other services			
Interest received	4	1 094	1 287
Legal loss recoveries	4	1	1
Non-interest revenue	4	919	694
Interest paid	6	(561)	(809)
Non-interest expenditure	6	(520)	(348)
Gross profit from financial and other services		**933**	**825**
Net income before other income and expenses		**4 165**	**5 888**
Other income	7	1 051	690
Movement in allowance for impairment of loans and advances to customers		12	15
Movement in allowance for impairment of trade and receivables		8	(5)
Operating expenses		(2 087)	(1 566)
Selling expenses		(1 043)	(1 024)
Operating profit	8	**2 106**	**3 998**
Finance income	9	583	496
Finance costs	10	(79)	(346)
Profit before taxation		**2 610**	**4 148**
Taxation	11	(353)	(1 365)
Profit for the year		**2 257**	**2 783**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements on net defined benefit liability/asset	20	(87)	(25)
Total comprehensive income for the year		**2 170**	**2 758**

The notes on pages 25 to 76 form an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position as at 31 December 2025

	Note	2025 R mil	2024 R mil
Assets			
Current Assets			
Cash and cash equivalents	12	2 655	2 145
Assets held for sale	13	66	66
Deferred initial direct costs		39	39
Loans and advances to customers	14	3 372	3 433
Trade and other receivables	15	4 175	5 223
Inventories	16	8 585	9 159
Amounts receivable from group companies	17	682	4 330
Other non-financial assets		68	38
Other financial assets	19	83	82
		19 725	**24 515**
Non-Current Assets			
Deferred initial direct costs		49	47
Intangible assets		75	87
Loans and advances to customers	14	5 514	6 206
Assets leased under operating leases	18	2 970	2 016
Property, plant and equipment	18	6 774	7 453
Right-of-use assets	18	184	235
Retirement benefit asset	20	173	204
Other non-financial assets		-	27
		15 739	**16 275**
Total Assets		**35 464**	**40 790**
Equity and Liabilities			
Equity			
Share capital	21	1 417	1 417
Reserves		31	118
Retained income		17 627	17 978
Total Equity		**19 075**	**19 513**
Liabilities			
Current Liabilities			
Bank overdraft	12	-	2
Trade and other payables	22	2 318	2 203
Current tax payable		277	839
Amounts payable to group companies	23	4 465	5 464
Provisions	24	496	573
Contract liabilities	25	1 065	1 210
Interest-bearing borrowings	26	3 032	2 542
Lease liabilities	27	89	64
		11 742	**12 897**
Non-Current Liabilities			
Provisions	24	297	300
Contract liabilities	25	1 608	1 735
Interest-bearing borrowings	26	2 000	5 000
Post-retirement medical aid benefit obligation	20	521	438
Deferred tax	28	61	675
Lease liabilities	27	160	232
		4 647	**8 380**
Total Liabilities		**16 389**	**21 277**
Total Equity and Liabilities		**35 464**	**40 790**

The notes on pages 25 to 76 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

	Share capital and premium R mil	Actuarial reserve R mil	Retained income R mil	Total equity R mil
Balance at 01 January 2024	**1 417**	**143**	**19 569**	**21 129**
Profit for the year	-	-	2 783	2 783
Other comprehensive income	-	(25)	-	(25)
Total comprehensive income for the year	**-**	**(25)**	**2 783**	**2 758**
Dividends	-	-	(4 374)	(4 374)
Balance at 31 December 2024	**1 417**	**118**	**17 978**	**19 513**
Balance at 01 January 2025	**1 417**	**118**	**17 978**	**19 513**
Profit for the year	-	-	2 257	2 257
Other comprehensive income	-	(87)	-	(87)
Total comprehensive income for the year	**-**	**(87)**	**2 257**	**2 170**
Contributions to the MBSA Development Trust	-	-	83	83
Dividends	-	-	(2 691)	(2 691)
Balance at 31 December 2025	**1 417**	**31**	**17 627**	**19 075**
Note	21	20		

The notes on pages 25 to 76 form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	2025 R mil	2024 R mil
Cash flows from operating activities			
Cash receipts			
Cash inflows from the sale of vehicles and related service		60 260	70 205
Interest received	4	1 094	1 287
Disposal of rental and operating lease assets	18	633	646
Finance income	9	196	460
Cash payments			
Suppliers		(49 977)	(54 792)
Employees	8	(2 533)	(3 143)
Interest	6	(561)	(809)
Income tax	11	(1 281)	(1 693)
Finance cost		(89)	(420)
Cash from operating activities		**7 742**	**11 741**
Purchase of motor vehicles for operating leases	18	(1 748)	(965)
Dividends paid		(2 691)	(4 374)
Net cash inflow from operating activities		**3 303**	**6 402**
Cash flows from investing activities			
Purchase of property, plant and equipment	18	(317)	(342)
Proceeds from disposal of property, plant and equipment	18	18	12
Receipt from Government grants	14	-	640
Net cash inflow from investing activities		**(299)**	**310**
Cash flows from financing activities			
Interest-bearing borrowings raised	26	-	2 000
Interest-bearing borrowings repaid	26	(2 500)	(6 000)
Capital repaid on lease liabilities	27	(79)	(82)
Overnight facility repaid	26	(624)	(611)
Overnight facility raised	26	624	-
Net cash outflow from financing activities		**(2 579)**	**(4 693)**
Increase in cash and cash equivalents for the year		**425**	**2 019**
Cash and cash equivalents at the beginning of the year		2 143	132
Effect of cash and cash equivalents of the trust on consolidation date		83	-
Effect of exchange rates on cash and cash equivalents		4	(8)
Net cash and cash equivalents at the end of the year	12	**2 655**	**2 143**

The notes on pages 25 to 76 form an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Corporate information

Reporting entity	Mercedes-Benz South Africa Limited is the holding company of the Mercedes-Benz South Africa group
Reporting period	Financial year ended 31 December 2025
Domicile	The Republic of South Africa
Authorised by board of directors	31 March 2026

2. Basis of preparation

These accounting policies, and those included in the notes, represent a summary of the material accounting policy elections of the group.

These consolidated financial statements have been prepared in accordance with:
- IFRS® Accounting Standards, SAICA Financial Reporting Guides and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, IASB and IFRIC standards and interpretations;
- the JSE Debt and Specialist Securities Listings Requirements and the Companies Act;
- the principle of going concern; and
- the historical cost and fair value basis of accounting, where applicable.

These consolidated financial statements have been prepared in accordance with the requirements of IFRS® Accounting Standards on a basis consistent with that of the previous year.

These consolidated financial statements can be obtained from the company secretary at the company's registered address and are published on the website of MBSA, //www.mercedes-benz.co.za/passengercars/brand/corporate.html. Separate financial statements for the company are also prepared and can be obtained at the company's registered address.

2.1 Functional and presentation currency

The functional currency and presentation currency of group is South African Rand ("Rand").

2.2 Rounding policy

All amounts in the consolidated financial statements are presented in Rand million ("R mil").

The group has a policy of rounding in increments of R 500 000. Amounts less than R 500 000 will therefore round to R nil and are presented as a dash.

2.3 Foreign currency translation

Procedures followed to translate to presentation currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

At the end of the reporting period:
- monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date;
- non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined; and
- non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign exchange gains or losses are recognised in profit or loss unless they relate to qualifying cash flow hedges, in which case they are recognised in other comprehensive income to the extent that the hedges are effective.

3. Presentation of financial statements

3.1 Group accounting

Group structure

Holding company	Mercedes-Benz South Africa Limited
Subsidiaries	Mercedes-Benz Financial Services South Africa Proprietary Limited
	Koppieview Property Proprietary Limited
Special purpose vehicle	Mercedes-Benz South Africa Development Trust

3. Presentation of financial statements (continued)

Consolidation

Subsidiaries are entities controlled by the group. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The group also considers the following facts and circumstances in assessing whether it has power over an entity:
- rights arising from contractual arrangements; and
- the group's voting rights and potential voting rights.

The group reassesses whether or not it controls an entity if facts and circumstances indicate changes to the elements of control.

Subsidiaries - recognition and measurement

Business combinations are accounted for using the acquisition method. When the group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the group's accounting policies as well as the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Subsidiaries are consolidated from the date of acquisition, which is the date on which the group obtains control of the subsidiary and continue to be consolidated until the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Intercompany transactions

All intergroup balances, transactions, income and expenses are eliminated in full in the consolidated financial statements.

3.2 Retained earnings

Retained earnings comprises of accumulated profits or losses less dividends to equity holders. Dividends are included in the statement of changes in equity in the year in which they are declared.

3.3 Accounting estimates, judgements and assumptions

In preparing these consolidated financial statements, management has made estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, income and expenses. These estimates, judgements and assumptions are guided by the application of IFRS® Accounting Standards, while also taking into account the knowledge and experience of management.

Management believes that the estimates, judgements and assumptions made are appropriate considering the facts and circumstances available. However, the actual results may differ with subsequent changes to the underlying facts and circumstances.

Estimates, judgements and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. All estimates, judgements and assumptions are consistent with prior year, except where otherwise indicated.

3.3.1 Material accounting estimates, judgements and assumptions

The following estimates, judgements and assumptions made in applying the accounting policies that have the most material effect on the amounts recognised in these financial statements are:

Revenue from contracts with customers (note 4)

The group sells motor vehicles with a maintenance and service plan, as well as road side assistance, to customers as three separate performance obligations. Whilst the sale of the motor vehicle is recognised immediately as revenue, the maintenance and service revenue are recognised as contract liabilities and released into revenue over the lifetime of the contract.

These maintenance, service, and roadside assistance obligations are completed within the lesser of 100 000 kilometres or five years. New maintenance, service and roadside assistance options are available which are completed between the lesser of 140 000 kilometers or seven years. Contract liabilities and prepaid expenses are not financial instruments because they are settled by the delivery or receipt of goods and services.

Notes to the Consolidated Financial Statements

3. Presentation of financial statements (continued)

Assumptions that affect the group's estimate for maintenance and service obligations include:
- distribution cost;
- discount rate;
- inflation rate;
- exchange rate;
- part sales;
- labour, parts and repair factors; and
- profit margin on parts.

MBSA provides additional after-sales services, including roadside assistance and warranty coverage, based on customers' preferred option and on receipt of consideration.

Assets leased under operating leases (note 18)

Lease classification

The group leases motor vehicles through MBFS to external customers. The factors that have been taken into consideration in determining the classification as operating leases are:
- ownership of the underlying motor vehicle is retained by the holding company during, and in most cases, at the end of the lease term;
- there is no bargain purchase option offered to the customer;
- the lease term is shorter than the majority of the economic life of the asset;
- at inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the underlying motor vehicle; and
- the leased assets are not specialised in nature.

MBSA enters into repurchase agreements with MBFS. Upon maturity of these agreements, customers have the option to either purchase the vehicle or return it to MBSA. Management has determined that the material risks and rewards of ownership of the underlying motor vehicles in these lease arrangements have not transferred to the customer. Additionally, MBSA guarantees the residual value of the motor vehicles."

MBSA has granted the guarantee to MBFS and will bear any losses below the residual value.

The requirement to recognise a sale with a residual value guarantee by MBSA as a lease, only applies if the respective residual value guarantee is material. A residual value guarantee is considered to be material if the present value of the residual value guarantee is greater than 10% of the original selling price of the motor vehicle.

Residual values

The group regularly reviews the factors applied in determining the values of its leased motor vehicles. In particular, it is necessary to estimate the residual values of the motor vehicles at the end of their leases, which constitutes a substantial part of the expected future cash flows from the motor vehicles.

Assumptions have been made regarding the future supply of, and demand for, motor vehicles; as well as trends in future motor vehicle prices. These assumptions are, in part, informed by publications provided by expert third parties, and supported by internal information.

Management updates residual value estimates quarterly based on calculations which use a combination of externally obtained market data which is enhanced with actual trade and retail values, as well as internal data obtained locally as well as from MBGAG. A Residual Value Steering Committee meets and approves the revised residual values on a quarterly basis. This committee has fixed terms of reference and its members comprise a group of persons with suitable qualifications and experience.

The residual values determined serve as a key input into the depreciation charge. Changes in residual values lead either to prospective adjustments of the depreciation charge or, in the case of a material decline in expected residual values, to impairment.

If depreciation is prospectively adjusted, changes in the estimates of residual values do not have a direct effect, but are equally distributed over the remaining periods of the lease contracts.

Depreciation

The depreciation rates applied to manufactured lease assets is consistent with the lease terms, and ranges from approximately 2 to 5 years.

Economic life

The lease term is understood to mean the period between the sale with residual value guarantee and the earliest date on which the residual value guarantee can be redeemed under the terms of the contract. If this period is less than 75% of the economic life of the asset, it is assumed that substantially all the risks and rewards incidental to ownership of the asset have remained with the company.

Notes to the Consolidated Financial Statements

3. Presentation of financial statements (continued)

Present value of future minimum lease payments

The total minimum lease payments are considered to be the difference between the group's sales proceeds and the guaranteed residual value; in other words, the present value of the residual value guarantee must be greater than 10% of the original selling price to cause the present value of minimum lease payments to be less than 90% of the fair value.

In this case, it is assumed that substantially all the risks and rewards incidental to ownership of the asset have remained with the company. The determination of present value is based on a market related interest rate for similar leases.

Production incentives receivables (note 15)

Production incentives are recognised as a receivable when all of the conditions relating to the underlying incentive scheme have been complied with, even though the physical certificates may not yet have been received from the issuing authority. Management believe this treatment to be appropriate as the process of receiving the certificates is, for the most part, clerical and there are seldom cases where certificates are withheld.

Production incentives receivables are measured based on the planned utilisation of the incentives. The utilisation plan considers the method of realisation of the incentive, planned production of the plant, planned future import of parts and fully built up motor vehicles and PRC sales contracts with independent vehicle importers.

Furthermore the measurement takes into account, among others, the industry from which the incentive was derived (e.g. vehicle production or component export) and the import location and the applicable duly rate to which incentive will be applied (e.g. EU versus non-EU country).

These factors each have an impact on the value of the certificate as they affect:
- whether the incentive can be used or will expire and become void;
- whether the incentive should be sold, thus realising a different value;
- at what value the incentive is raised as the originating industry drives its creation value; and
- at what value the incentive can be realised, as the use of the incentive for imports from different locations drives its value on realisation.

When determining the valuation of the incentives management apply a weighting to each of the factors and using this weighting determine an overall recognition percentage of the value of the incentive based on the prescribed legislation.

VALA

The portion expected to be used to rebate future custom's accounts is valued at the applicable percentage subject to discounting over the expected recovery period.

Any excess VALA that will be converted to a PRC should be impaired by the penalty on conversion and then valued as a PRC.

PRC's

These are financial instruments and are valued in accordance with the expected manner of recovery.

Incentives are calculated based on an estimated usage rate. PRC's can be utilised for FBU imports in EU markets (18%) and Non-EU markets (25%), or they can be sold to external FBU importers at a competitive market rate. MBSA assesses the incentives using this weighted average usage rate for all three of the above potential uses.

The main portion is expected to be sold at the agreed contractual rates or current market values, as applicable. The values are subject to discounting and impairment. PRC's are also used to rebate future CBU imports at the weighted average customs duty.

Allowance for impairment of loans and advances to customers (note 14)

The group regularly estimates the risk of default on advances to customers. Many factors are taken into consideration in this context, including historical loss experience, the size and composition of certain portfolios, current economic events and conditions and the estimated fair values and adequacy of collaterals. Changes in economic conditions can lead to changes in our customers' creditworthiness and to changes in used vehicle prices, which would have a direct effect on the market values of the vehicles assigned as collateral. Changes to the estimation and assessment of these factors influence the allowance for credit losses with a resulting impact on the group's profit or loss.

Scoring systems are applied for the assessment of the default risk of retail and small business customers. Corporate customers are evaluated using internal rating instruments. Both evaluation processes use external credit bureau data if available. The scoring and rating results as well as the availability of security and other risk mitigation instruments, such as advance payments, guarantees and, to a lower extent, residual debt insurances, are essential elements for credit decisions.

Loans and finance lease receivables related to retail or small business customers are grouped into homogeneous pools and collectively assessed for impairment. Impairments are required for example if there are adverse changes in the payment status of the borrowers included in the pool, adverse changes in expected loss frequency and severity, and adverse changes in economic conditions.

3. Presentation of financial statements (continued)

Material loans and leases to corporate customers are tested individually for impairment. An individual loan or lease is considered impaired when there is objective evidence that the group will be unable to collect all amounts due as specified by the contractual terms. Examples of objective evidence that loans or lease receivables may be impaired include the following factors: material financial difficulty of the borrower, a rising probability that the borrower will become bankrupt, delinquency in their installment payments, and restructured or renegotiated contracts to avoid immediate default.

In determining the amount of the impairment the group considers the following:

- the probability of default which is a measure of the expectation of how likely the customer is to default;
- the exposure at default which is the expected amount outstanding at the point of default; and
- the loss given default which is the expected loss that will be realised at default after taking into account recoveries through collateral and guarantees.

3.3.2 Key sources of estimation uncertainty

These judgements and estimates may not individually have a material effect on the amounts recognised in the consolidated financial statements. However, the input factors considered are in certain instances complimentary in such a way that the estimates and judgements may, at times, result in an additive effect. This effect would thus become material to amounts recognised across the consolidated statement of financial position or profit or loss as a whole. Furthermore the amounts recognised in the consolidated financial statements to which these judgements and estimates relate are considered material to management.

Taxation

The calculation of the group's tax charge and provision for income taxes may in some instances involve a degree of challenge by the tax authorities. The group follows a robust process which includes, where appropriate, the use of external advice to ensure full compliance with tax laws. Although a robust process is followed, there may be transactions where the ultimate tax treatment or result may be challenged by the tax authorities.

In the case of a challenge by the tax authorities, the final tax charge cannot be determined until a resolution has been reached with the relevant tax authority. The group recognises liabilities for anticipated tax issues and challenges in line with IFRIC 23. Where the final outcome is different from the amounts that were initially recorded, such difference will impact the current and deferred income tax in the reporting period in which such determination is made.

Property, plant and equipment (note 18)

Useful lives

Land is not depreciated as it is deemed to have an indefinite useful life.

The useful life of an asset is the period in which the group expects to utilise the benefits embodied in the assets, and not necessarily the assets' economic life. Useful lives of assets are reviewed annually. The group uses the following indicators to determine useful life:

- expected usage of assets;
- expected physical wear and tear; and
- technical and commercial obsolescence.

The estimated useful lives assigned to the categories of property, plant and equipment are as follows:

Item	Average useful life (years)
Buildings	25
Plant and equipment	4 – 12
Other factory equipment and furniture	3 – 10
Motor vehicles	5 – 10
Assets leased under operating leases	3 – 5
Right-of-use assets	over the term of the lease

Residual values

An estimate is made of the amount the group would expect to receive currently for the asset if the asset were already of the age and condition expected at the end of its useful life, which is considered to be its residual value. Residual values are reviewed annually.

Impairment

Management assesses changes in interest rates, currency exchange rates as well as the state of affairs in the motor manufacturing sector as indicators that impairment testing may need to be performed.

Notes to the Consolidated Financial Statements

3. Presentation of financial statements (continued)

Provisions (note 24)

Guaranteed residual value provision

The group is exposed to the risk that leased motor vehicles are returned at a value less than the residual value guaranteed to customers under the terms of each respective lease agreement. Accordingly, a provision is raised to the extent that the carrying values of leased motor vehicles are impaired through residual values not being fully recoverable.

Uncertainties that affect the provision amount include:
- return-rates of leased motor vehicles;
- penetration rates;
- lease duration; and
- market conditions.

Furthermore, the group periodically reviews its exposure to the underwritten portfolio to changes in market conditions since inception of the agreements and ensure satisfactory coverage of motor vehicles' projected valuations to underwritten values. Where risks are identified the group develops strategies to manage the risk position of the particular assets and further ensures provision is made for such potential loss.

Roadside assistance

Roadside assistance is accounted for as a provision, being an obligation of unknown timing or measurement. This is released as and when costs are incurred.

Warranty provision

Customers receive a 5-year warranty. The first two years are covered by MBAG, while the remaining years are outsourced to an insurance company.

The provision is measured based on historical warranty expenses. It represents the total warranty credits and costs necessary to investigate and settle warranty claims. The provision amount for warranty arrangements is determined based on the expected cost to settle these claims.

Possible recall or buyback campaigns are excluded from this provision, as they are fully reimbursed by MBAG. MBSA carries the provision for locally manufactured C-class vehicles on the balance sheet in accordance with IAS 37. Additionally, extended warranty claims paid to the insurer are accounted for in accordance with IAS 37. MBSA also provides separately for warranty recoveries for the period year 3-5 with the corresponding asset accounted for in trade receivables.

Plant production related provisions

This provision relates to provisions for supplier volume reduction and onerous contracts as a result of production related activities.

Employee benefits defined benefit schemes (note 20)

Defined benefit schemes

The following assumptions are applied in determining the present value of the defined benefit obligation:

Actuarial assumptions for defined benefit schemes

	2025	2024
Discount rates used		
Pre-retirement discount rate	9.23 %	10.77 %
Post-retirement discount rate	5.67 %	6.12 %
Inflation rates used		
General inflation rate	4.20 %	5.48 %
Salary inflation rate	4.20 %	5.48 %
Average age		
Average age (in years)	57	57
Average age of pensioners (in years)	72	72

Notes to the Consolidated Financial Statements

3. Presentation of financial statements (continued)

Post-retirement medical aid benefit

The following assumptions are applied in determining the present value of the post-retirement medical aid benefit:

Actuarial assumptions for post-retirement medical aid benefit

	2025	2024
Health care cost inflation	6.97 %	8.31 %
Mortality		
Pre-expected retirement age	SA 1985 - 90 light	
Post-retirement age	PA(90) - 2	

	2025 R mil	2024 R mil
4. Revenue		
4.1 Revenue allocation		
4.1.1 Revenue from sale of vehicles and related services		
Vehicles and spare parts	51 954	60 325
4.1.2 Revenue from financial and other services		
Interest received		
Finance leases	8	13
Instalment sales	935	1 106
Wholesale funding and other	117	133
Other revenue	34	35
	1 094	**1 287**
Legal loss recoveries		
Recovery of losses previously written off	1	1
Non-interest revenue		
Acceptance and initiation fee	9	10
Agent income	23	26
Insurance commission	29	34
Other revenue	3	2
	64	**72**
Revenue other than from contracts with customers		
Operating lease instalments	665	541
Remarketing revenue	190	81
	855	**622**
Total non-interest revenue	**919**	**694**

4.2 Disaggregation of revenue

The group disaggregates revenue as follows:

Sale of goods	2025 R mil	2024 R mil
Manufacturing and component parts export	41 669	50 069
Wholesale and retail vehicles and parts	9 426	9 122
	51 095	**59 191**

Notes to the Consolidated Financial Statements

4. Revenue (continued)

	Note	2025 R mil	2024 R mil
Rendering of services			
Financial services			
Interest received		1 094	1 287
Non-interest revenue		64	72
Legal loss recovery		1	1
		1 159	**1 360**
Other services			
Maintenance and service contracts		859	1 134
Revenue other than from contracts with customers		855	622
		2 873	**3 116**
		53 968	**62 307**

4.3 Timing of revenue recognition

	Note	2025 R mil	2024 R mil
At a point in time			
Sale of goods		51 095	59 191
Over time			
Maintenance and service contracts	25	859	1 134
Total revenue from contracts with customers		**51 954**	**60 325**

4.4 Revenue from contracts with customers

4.4.1 Revenue from sale and leasing of vehicles and other related services

This revenue includes revenue and leasehold income generated on the sale (new and used) or lease of vehicles and the sale of related spare parts, as well as vehicle services, after-sale services and other related income.

MBSA uses a variety of sales promotion programs dependent on various market conditions during the year as well as the respective product life cycles and product-related factors (such as amounts of discounts offered by competitors, excess industry production capacity, the intensity of market competition and consumer demand for the products). Depending on the nature of these programs, they are recognised either as a reduction in revenue or selling expenses.

Revenue is recognised as control is passed, either over time or at a point in time.

Recognition and measurement

Sale of vehicles, service parts and other related products:

Revenues from the sale of products are recognised when the performance obligations are met and ownership of the goods are transferred to the customer depending on the terms and conditions of the contract. Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and costs incurred or to be incurred in respect of the sale can be measured reliably. Revenue is recognised net of sales reductions such as cash discounts and sales incentives granted.

Revenue is measured at the transaction price of the consideration received/receivable which the company is entitled in exchange for transferring promised goods or services to the customer (net of discounts, cash incentives, customer bonuses and rebates granted - which are payable to third parties).

Notes to the Consolidated Financial Statements

4. Revenue (continued)

Rendering of services:

Rendering of services is recognised over time in accordance with IFRS 15, taking into consideration the expected profit margins most appropriate to the type of service:

- servicing fees included in the price of products sold are recognised by reference to the proportion of the cost to the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold;
- time and material contracts are recognised at the contractual rates as labour hours are delivered and direct expenses are incurred; and
- the group offers extended, separately priced service and maintenance contracts for certain products. Revenue from these contracts is deferred and recognised over the contract period in proportion to the costs expected to be incurred based on historical information.

Lease of vehicles:

Lease income is recognised on a straight-line basis over the lease term.

Lease income is measured at the fair value of the operating lease instalments received adjusted for the effect of straight-lining and excluding any contingent rentals received. Revenue is generated from lease payments on the basis of the underlying leasing contracts and is materially impacted by the residual value as determined in note 18, Assets leased under operating leases.

Initial direct costs:

Any Initial direct costs incurred by MBSA in obtaining an operating lease are added to the carrying amount of the underlying asset and cannot be recognised immediately as an expense. These initial direct costs are recognised as an expense on the same basis as the lease income. This will not necessarily be consistent with the basis on which the underlying asset is depreciated.

Payment terms

Revenue for manufacturing of exported vehicles and component exports are settled through normal settlement terms with MBAG.

Revenue for the sale of vehicles in the local markets are settled via cash payments or financing arrangements prior to the transfer of goods sold.

All service and maintenance contracts are sold upfront and does not contain a significant financing component.

4.4.2 Revenue from financial services

Interest received

Interest received consists of interest earned on finance leases, installment sale agreements and wholesale funding provided to customers and dealers of MBSA products.

Interest received is recognised on the time proportion basis, using the effective interest method.

Interest received is measured at the interest rate that exactly discounts the estimated future cash receipts through the expected life of the underlying financial instrument.

Where the financial instrument has been impaired interest income continues to be recognised on the impaired value based on the original effective interest rate.

Non-interest revenue

Revenue generated by the financial services business which is non-interest in nature and includes:

- income from the leasing business;
- sales revenue from the sale of vehicles at the end of lease contract (remarketing revenue); and
- fees and commissions earned from related financial services activities.

Non-interest revenue is recognised on:

- the straight-line basis over the period of the lease;
- vehicles sales as noted above; and
- fees and commissions on a time proportion basis over the contract term.

Non-interest revenue is measured:

- at the effective yield on the net investment outstanding;
- for vehicles sales as noted above; and
- at the fair value of the consideration received/receivable.

4. Revenue (continued)

4.4.3 Dealer incentive commission

The group pays motor dealerships trading in relevant group products commissions for engaging in financial services activities through the group's financing business.

These commissions are initially capitalised within loans and advances to customers and subsequently expensed to profit or loss on a straight-line basis over the term of the related financial contract. Where contracts are terminated early any remaining balance is immediately expensed to profit or loss.

	2025 R mil	2024 R mil
5. Cost of goods sold		
Cost of goods sold	**48 722**	**55 262**

Cost of goods sold includes the following:
- costs incurred in relation to the rendering of services included in revenue;
- depreciation on plant, equipment and manufacturing facilities and operating leased assets;
- wages and salaries of employees directly involved in producing or delivering a product or service;
- overheads incurred as part of the production activities;
- inventories utilised in the manufacture and sale of vehicles, parts and components;
- write down of inventories to NRV and losses of inventory or reversals of previous write-downs or losses are recognised in cost of sales in the period the write-down, loss or reversal occurs; and
- reduced by the value of PRC and VALA grants received, set off against the cost of inventories or materials to which they relate. Refer to government grant policy for further details.

Income and expense based grants

PRC

PRC's for vehicles and components are recognised on the sale of manufactured vehicles and components.

These PRC's are then utilised to offset the import duties payable on the sale of locally sold vehicles. Excess PRC's are sold into the market at a discounted rate.

The measurement of PRC's is dependent on the utilisation factors applied. PRC's are recognised as a reduction in the cost of the inventories or material to which they relate, and measured at the value of the costs avoided.

VALA

VALA is recognised on sale as a reduction in the cost of inventories or materials to which it relates.

VALA is measured at the value of the costs avoided.

6. Interest paid and non-interest expenditure

	2025 R mil	2024 R mil
Interest paid		
Interest-bearing borrowings at amortised cost	561	809
Non-interest expenditure		
Direct costs from financial services	330	267
Remarketing cost of sales	190	81
	520	**348**

Notes to the Consolidated Financial Statements

6. Interest paid and non-interest expenditure (continued)

Interest paid

Interest paid consists of external interest cost associated with the financial services activities of the group. Interest paid is recognised on the time proportion basis, using the effective interest method.

Interest paid is measured at the interest rate that exactly discounts the estimated future cash payments through the expected life of the underlying financial instrument.

Non-interest expenditure

These expenses are related and incremental to the non-interest revenue generated and include, among others:
- fees paid to dealers;
- depreciation and impairment charges on the operating lease assets; and
- the residual value of the vehicle at the date of sale.

	2025 R mil	2024 R mil
7. Other income		
Recharging of expenses	1 006	634
Other	45	56
	1 051	**690**

Other income is recognised when the right to receive reimbursement has been established.

Other income is measured at the fair value of the consideration received/receivable.

8. Operating profit

Operating profit for the year includes:

Staff costs

	2025 R mil	2024 R mil
Cost of goods sold	2 045	2 563
Operating expenses	296	376
Selling expenses	192	204
Total staff costs	**2 533**	**3 143**

Employee benefits

Short-term employee benefits

Short-term employee benefits includes salaries, wages and costs of temporary employees, paid vacation leave, sick leave, bonuses and non-monetary benefits such as medical care. It is recognised as an expense and included in staff costs as services are rendered.

Long–term service benefits

The group's net obligation in respect of long–term service benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their services in the current and prior periods.

The obligation is calculated using the projected unit credit method, is discounted to its present value and the fair value of any related assets is deducted. The discount rate used is based upon the rate for high quality corporate bonds at the valuation date.

Remeasurements are recognised in profit or loss in the period when they arise.

Notes to the Consolidated Financial Statements

		2025 R mil	2024 R mil

8. Operating profit (continued)

		2025 R mil	2024 R mil
Depreciation			
Cost of goods sold		1 144	1 212
Operating expenses		34	33
Selling expenses		25	25
Non-interest expenditure		111	121
Total depreciation		**1 314**	**1 391**

Depreciation is presented to highlight the nature of the expenses, rather than their function, as detailed in the consolidated statement of profit or loss and other comprehensive income, to enhance the disclosures of the financial statements.

Other (expenses)/income included in operating profit

	Note	2025 R mil	2024 R mil
Expenses			
Audit fees paid to external auditor		(7)	(8)
Non-audit fees paid to external auditor		(4)	(4)
Defined contributions plans		(206)	(188)
Foreign exchange losses - realised		-	(8)
Foreign exchange losses - unrealised		(24)	(11)
Legal fees		(11)	(6)
Loss on sale of property, plant and equipment and assets leased under operating leases		(14)	(16)
Impairment of operating assets		(43)	-
Income			
Foreign exchange gains - realised	18	4	-
Impairment reversal of operating assets		37	3

9. Finance income

	2025 R mil	2024 R mil
Interest income		
Bank accounts	184	460
Retirement benefit assets	29	36
Tax authorities*	359	-
Other interest	11	-
Total interest income	**583**	**496**

* Included in interest received from tax authorities an amount of R 357 million relates to the uncertain tax treatment of the transfer pricing, which was concluded between the company and SARS during the year. The provision was reversed and interest accrued to SARS in the prior year was reversed.

Finance income consists of interest earned on bank deposits, short term cash investments and on defined benefit plan assets.

Interest received is accrued on a time basis, by reference to the principal amount outstanding using the effective interest method.

The effective interest rate is applied, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount

10. Finance costs

	2025 R mil	2024 R mil
Interest expense on/to		
Interest-bearing borrowings	2	64
Related parties	8	16
Retirement benefit obligations	48	52
Tax authorities*	-	179
Other interest	21	35
Total finance costs	**79**	**346**

Notes to the Consolidated Financial Statements

10. Finance costs (continued)

* During the current year the company and SARS concluded the uncertain tax treatment of the transfer pricing matter and the provision was reversed.

Interest expense represents the external interest cost of the group excluding the interest cost of funding the financial services activities and includes the interest cost on defined benefit liabilities.

Interest expense is accrued on a time basis, by reference to the principal amount using the effective interest method, as the interest rate that exactly discounts the estimated future cash payments through the expected life of the underlying financial instrument.

	2025 R mil	2024 R mil
11. Taxation		
Major components of the tax expense		
Current		
Charge for the current year	1 247	1 544
(Over)/under provision from the previous periods	(315)	248
	932	**1 792**
Deferred		
Charge for the current year	(631)	(314)
Over provision from the previous periods	52	(113)
	(579)	**(427)**
	353	**1 365**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	2025	2024
Applicable tax rate	27 %	27 %
Interest and fines paid on taxes	(3)%	2 %
Prior year adjustment - current taxation	(12)%	6 %
Prior year adjustment - deferred taxation	2 %	(2)%
	14 %	**33 %**

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The income tax expense consists of current and deferred tax. It is recognised in profit or loss, except for the tax on transactions recognised directly in equity or other comprehensive income. Tax on these transactions is also recognised in equity or other comprehensive income.

In accordance with IAS 12, the group has offset deferred tax assets and liabilities as they relate to income taxes levied by the same taxation authority on the same taxable entity. The group has a legally enforceable right to offset current tax assets and liabilities, and intends to settle the deferred tax assets and liabilities on a net basis.

The net deferred tax liability represents the group's best estimate of future tax effects, and the tax positions taken have been assessed based on the applicable tax laws.

The calculation of the group's tax charge and provision for income taxes may in some instances involve a degree of challenge by the tax authorities. The group follows a robust process which includes, where appropriate, the use of external advice to ensure full compliance with tax laws.

11. Taxation (continued)

Although a robust process is followed, there may be transactions where the ultimate tax treatment or result may be challenged by the tax authorities. In the case of a challenge by the tax authorities, the final tax charge cannot be determined until a resolution has been reached with the relevant tax authority.

The group recognises liabilities for anticipated tax issues and challenges in line with IFRIC 23. Where the final outcome is different from the amounts that were initially recorded, such difference will impact the current and deferred income tax in the reporting period in which such determination is made.

Management assesses the extent to which it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

The calculation of the group's tax charge and provision for income taxes necessarily involves a degree of estimation and judgement.

There are transactions and tax computations for which the ultimate tax treatment or result is uncertain, or in respect of which the relevant tax authorities may or could indicate disagreement with the group's treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority.

The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due, based on appropriate external advice. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the reporting period in which such determination is made.

The group considered the following criteria in assessing the probability that taxable profit will be available against which the unused tax losses can be utilised whether:

- the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses can be utilised;
- it is probable that the entity will have taxable profits before the unused tax losses expire; and
- the unused tax losses result from identifiable causes which are unlikely to recur.

To the extent that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credits can be utilised, the deferred tax asset is not recognised. To determine the probability that taxable profit will be available against which the unused tax losses can be utilised, the group reviewed its forecasts for the foreseeable future and compared that to its total tax losses.

Pillar-Two consideration

In December 2021, the OECD released the Global Anti-Base Erosion Model Rules ("Pillar Two") to reform international corporate taxation that aims to ensure that applicable multinational groups (with consolidated revenue exceeding € 750 million) pay a minimum effective corporate tax rate of 15%.

On 24 December 2024 South Africa published the Global Minimum Tax Act, 2024 (hereinafter referred to as "Pillar Two") in its Official Gazette. The Act applies for fiscal years beginning on or after 1 January 2024.

The Pillar-Two rules apply to multinational enterprises that have consolidated revenues (as reported in the Consolidated Financial Statements of the Group, which have been prepared in accordance with an Acceptable Financial Accounting Standard) of € 750m in at least two of the last four years.

The MBSA group is operating within South African jurisdiction, i.e. where the entities are incorporated. All entities within MBSA group have an effective tax rate that is lower than 14%, due to the reversal of the transfer pricing provision. In addition, MBSA's ultimate holding entity, the MBAG group has also performed transitional Safe-Harbour tests and did not identify South Africa jurisdiction to be impacted due to the Pillar-Two rules.

Thus, based on the above Pillar-Two assessment, there is no tax impact for the current financial year.

Uncertain tax position

The tax review related to the interpretation of how the tax legislation applies to the group's transfer pricing arrangements have been fully resolved and no further provisions have been raised in relation to this. The differing of the opinion resulted in tax obligations to SARS on which the group had to pay interest in the prior year. The interest expense raised was reversed upon conclusion of the SARS review (refer note 10).

Notes to the Consolidated Financial Statements

	2025 R mil	2024 R mil
12. Cash and cash equivalents		
Statement of financial position disclosure		
Cash and cash equivalents*	2 655	2 145
Bank overdraft	-	(2)
Cash and cash equivalents in the statement of cash flows	**2 655**	**2 143**

* Cash and cash equivalents include R 83 million pertaining to the MBSA Development Trust, which is restricted to the use of the trust's activities.

Cash and cash equivalents comprise coins and bank notes, money at call and short notice and balances with commercial banks. Cash and cash equivalents also includes bank overdrafts.

All balances included in cash and cash equivalents have a maturity date of less than three months from the date of acquisition. Money at short notice constitutes amounts withdrawable in 24 hours or less. Bank overdrafts are repayable on demand and form an integral part of the group's cash management.

These instruments are considered financial assets or financial liabilities carried at amortised cost.

13. Assets held for sale

The group classifies non-current assets or disposal groups as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. In this case, the assets or disposal groups are no longer depreciated but measured at the lower of carrying amount and fair value less costs to sell.

Immediately before classification as held for sale, the carrying amount of the asset is determined in accordance with the applicable individual requirements. If fair value less costs to sell subsequently increases, any impairment loss previously recognised is reversed. This reversal is restricted to the impairment loss previously recognised for the assets or disposal group concerned.

The group generally discloses these assets or disposal groups separately in the consolidated statement of financial position.

Koppieview

As of the end of 2021 the MBSA group embarked on the process of selling all of the properties that were owned by Koppieview. Two of the properties were sold subsequently with one property (Zwartkops, previously MBSA head office) in the process of being sold.

As all these properties were actively marketed or in the process of sale, management decided to classify these properties according to IFRS 5 *Assets held for sale*.

At 31 December 2025, a bond registered on the property, which was fully repaid, was never cancelled at the deeds office and therefore the property could not transfer to the new owner. During 2024 the group obtained an High Court order, which enables it to register the township and finalise the sale.

Fair value determination

The fair values of the properties being sold were determined based on the offers received from potential buyers. Based on the offers received the fair values of the properties were considered Level 3 fair values in terms of IFRS 13.

Koppieview assets held for sale

	2025 R mil	2024 R mil
Land and buildings	66	66

Notes to the Consolidated Financial Statements

	2025 R mil	2024 R mil
14. Loans and advances to customers		
Instalment sale receivables	7 834	8 583
Finance lease receivables	53	73
Wholesale vehicle financing receivables	1 366	1 362
Gross loans and advances to customers	**9 253**	**10 018**
Allowance for impairment/ECL allowance	(367)	(379)
	8 886	**9 639**

Wholesale receivables are held to term, approximating 90 days. The portfolio has been assessed for ECL and the ECL is considered immaterial.

The above loan portfolio has not been pledged as security for any liabilities or contingent liabilities.

Maturity profile for instalment sale and finance lease receivables

	2025			2024		
Instalment sale receivables	**Gross investment R mil**	**Unearned finance income R mil**	**Net advances R mil**	**Gross investment R mil**	**Unearned finance income R mil**	**Net advances R mil**
Less than 1 year	2 818	(734)	2 084	3 038	(889)	2 149
1 - 2 years	2 197	(522)	1 675	2 543	(639)	1 904
3+ years	4 752	(677)	4 075	5 357	(827)	4 530
	9 767	**(1 933)**	**7 834**	**10 938**	**(2 355)**	**8 583**
Finance lease receivables						
Less than 1 year	26	(6)	20	37	(5)	32
1 - 2 years	20	(3)	17	26	(3)	23
3+ years	17	(1)	16	28	(10)	18
	63	**(10)**	**53**	**91**	**(18)**	**73**

Summary of loss allowance

At 31 December 2025, loans and advances to customers of R 367 million (2024: R 379 million) were impaired and provided for.

Classification	**Stage 1**	**Stage 2**	**Stage 3**	
2025	**12-month ECL R mil**	**Lifetime ECL not credit impaired R mil**	**Lifetime ECL credit impaired R mil**	**Total R mil**
Loan retail	94	56	208	358
Finance leases	1	1	7	9
	95	**57**	**215**	**367**
2024				
Loan retail	79	39	255	373
Finance leases	-	2	3	5
Loan retail - corporate dealers	1	-	-	1
	80	**41**	**258**	**379**

14. Loans and advances to customers (continued)

Loss allowance per category	Finance lease R mil	Loan and retail R mil	Wholesale R mil	Total R mil
2025				
Corporate dealers	1	1	-	2
Corporate financing	-	7	-	7
Retail portfolio financing	1	97	-	98
Retail small business	7	253	-	260
	9	**358**	**-**	**367**
2024				
Corporate dealers	-	1	1	2
Corporate financing	-	7	-	7
Retail portfolio financing	-	101	-	101
Retail small business	5	264	-	269
	5	**373**	**1**	**379**

Loss allowance movement	Stage 1	Stage 2	Stage 3	
2025	12-month ECL R 'mil	Lifetime ECL not credit impaired R 'mil	Lifetime ECL credit impaired R 'mil	Total R 'mil
Balance at beginning of the year	81	40	258	379
- Transfer to stage 1	21	(6)	(15)	-
- Transfer to stage 2	(4)	15	(11)	-
- Transfer to stage 3	(3)	(11)	14	-
Change in remeasurement	1	35	121	157
Additions	33	5	7	45
Derecognition	(31)	(15)	(51)	(97)
Utilisation	(1)	(7)	(109)	(117)
	97	**56**	**214**	**367**
2024				
Balance at beginning of the year	78	52	264	394
- Transfer to stage 1	30	(11)	(19)	-
- Transfer to stage 2	(2)	8	(6)	-
- Transfer to stage 3	(3)	(17)	20	-
Change in remeasurement	(12)	21	134	143
Additions	28	6	6	40
Derecognition	(37)	(12)	(56)	(105)
Utilisation	(1)	(7)	(85)	(93)
	81	**40**	**258**	**379**

Impairment of loans and advances to customers

The adequacy of impairments of advances is assessed through the ongoing review of the quality of credit exposures. For amortised cost advances, impairments are recognised through the use of the allowance account method and an impairment charge in the consolidated statement of profit or loss and other comprehensive income.

The loss allowance for loans and advances is categorised as follows:

- Stage 1: low credit risk;
- Stage 2: increase in credit risk occurred, not credit impaired; and
- Stage 3: credit impaired and default contracts.

Specific impairments

Created for non-performing loans where there is objective evidence that an incurred loss event will have an adverse impact on the estimated future cash flows from the advance.

14. Loans and advances to customers (continued)

Potential recoveries from guarantees and collateral are incorporated into the calculation of impairment figures.

Portfolio impairments

Created with reference to performing advances. The impairment provision on the performing portfolio is split into two parts:

- an IBNR provision i.e. the portion of the performing portfolio where an incurred impairment event is inherent in a portfolio of performing advances but has not specifically been identified; and
- the PSI which reflects the decrease in estimated future cash flows for the sub-segment of the performing portfolio where there is objective evidence of impairment.

Write-offs

When an advance is uncollectable, it is written off against the related allowance account. Such advances are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the “impairment losses” in profit or loss.

Amounts written off as uncollectable are subject to a continuing legal debt collection process.

The following table sets out the group policy on the ageing of advances (i.e. when an advance is considered past due or non-performing):

Description	Type of advance	Group policy on past due/impaired
Past due advances	The past due analysis is only performed for advances with specific expiry or installment repayment dates or demand loans for which payment has been demanded. The analysis is not applicable to overdraft products or products where no specific due date is determined. The level of risk on these types of products is assessed with reference to the counterparty ratings of the exposures and reported as such. The full outstanding amount is reported as past due even if part of the balance is not yet due.	
	Loans with a specific expiry date (term loans) and consumer loans repayable by regular instalments (personal loans)	Treated as overdue where one full installment is in arrears for one day or more and remains unpaid as at the reporting date. Advances on which partial payments have been made are included in neither past due nor impaired until such time as the sum of the unpaid amounts equal a full installment, at which point it is reflected as past due.
	Loans payable on demand (bank overdrafts and overnight facilities)	Treated as overdue where a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction.
Non-performing loans	Retail loans	Individually impaired if three or more instalments are due or unpaid or if there is evidence before this event that the customer is unlikely to repay the obligations fully.
	Wholesale advances to motor vehicle dealerships	Analysed on a case-by-case basis taking into account breaches of key loan conditions, excesses and similar risk indicators.
Renegotiated advances	Past due advances which have been re-negotiated i.e. due to deterioration in the counterparty’s financial condition, the group granted a concession where the original terms and conditions of the facility were amended and the counterparty is within the new terms of the advance.	Separately classified as neither past due nor impaired assets and remain classified as such until the terms of the re-negotiated contract expire.
	Excludes advances extended or renewed as part of the ordinary course of business for similar terms and conditions as the original.	Non-performing advances cannot be reclassified as re-negotiated but current unless the arrears balance has been repaid. Re-negotiated advances are considered as part of the collective evaluation of impairment where advances are grouped on the basis of similar credit risk characteristics. The adherence to the new terms and conditions is closely monitored.

14. Loans and advances to customers (continued)

Credit risk exposure

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

The group retains title to the underlying vehicles financed, collateral is assessed at the inception of the loan and on an ongoing basis for significant concentrations of credit risk, by reference to the underlying value of the vehicles financed. Management's assessment of the impairment of receivables considers the underlying collateral available for a class of customers/vehicles and it is determined on a portfolio basis.

The vehicles that are financed by the group are the assets which are held as collateral until the contracts are settled or returned to the MBSA group as per the risk share agreement.

MBFS manages the credit approval process for retail private and retail business applications through integrated scoring platforms. Each respective scoring engine provides a risk score outcome of an application based on the assessed potential loss risk. The score spectrum of the applications is classified into a range from R1 (very low loss potential) to R10 (very high loss potential). Customer, asset and deal structure are assessed in determining the risk score and include a range of factors.

The following table provides information about the exposure per credit risk rating and ECL's for contract assets. The gross exposure represents the value of portfolio and related delinquent amounts, as well as vehicles repossessed from customers, which remain classified as receivables until disposed at public auction and subsequent contract closure.

Dealer risk assessments for wholesale financing are performed at inception and reviewed annually considering current financial information and business performance.

Credit risk rating - 2025	**Gross exposure R 'mil**	**Loss allowance R 'mil**
R1 - R3: Good	3 804	134
R4 - R6: Fair	3 711	200
R7 - R10: Risky	372	33
	7 887	**367**
2024		
R1 - R3: Good	3 879	119
R4 - R6: Fair	4 296	210
R7 - R10: Risky	527	50
	8 702	**379**

	2025 R mil	**2024 R mil**
Movement in allowance for impairment losses on loans and advances to customers		
Opening balance	379	394
Additional allowance raised	203	183
Amounts written off	(215)	(198)
Closing balance	**367**	**379**
Split between non-current and current portions		
Non-current assets	5 514	6 206
Current assets	3 372	3 433
	8 886	**9 639**

Notes to the Consolidated Financial Statements

15. Trade and other receivables

	2025 R mil	2024 R mil
Financial instruments		
Trade receivables, net of allowance for impairment	1 176	859
Production incentives	2 178	3 466
Other receivable	189	91
Trade receivables at amortised cost	**3 543**	**4 416**
Non-financial instruments		
VAT	267	475
Extended warranty recovery	298	223
Prepayments	67	109
Total trade and other receivables	**4 175**	**5 223**

Loss allowance

Trade receivables inherently expose the group to credit risk, being the risk that the group will incur financial loss if customers fail to make payments as they fall due. There have been no material changes in the credit risk management policies and processes since the prior reporting period.

In order to mitigate the risk of financial loss from defaults, the group only deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Statistical credit scoring models are used to analyse customers. These models make use of information submitted by the customers as well as external bureau data (where available). Customer credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

A loss allowance is recognised for all trade receivables and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The group measures the loss allowance for trade receivables by applying the simplified approach. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix. The provision matrix has been developed by making use of past default experience of debtors, but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

Reconciliation of loss allowances

	2025 R mil	2024 R mil
Opening balance	11	6
Amounts written off	4	-
Provisions raised on new trade receivables, based on ECL of previous receivables	-	11
Provisions reversed on settled trade receivables	(11)	(6)
Closing balance	**4**	**11**

Financial assets at amortised cost

These instruments include trade and other receivables, which comprise short term receivables from customers and group companies arising from the day to day trading activities.

All financial assets are initially measured at fair value including transaction costs, except for those classified fair value through profit or loss in which case the transaction costs are expensed upfront in profit or loss, usually as part of other operating expenses. Any upfront income earned on financial instruments is recognised as deferred income, depending on the underlying nature of the income.

Financial assets are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Financial assets - Business model management

The group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

15. Trade and other receivables (continued)

This information includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate portfolio, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the group's management;
- the risk that affects the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reason for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for the derecognition are not considered for this purpose, consistent with the group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at fair value through profit and loss.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, the "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative cost), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal, interest, the group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that is would not meet the condition. In making this assessment, the group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayments and extension features; and
- terms that limit the group's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is immaterial at initial recognition.

Transfers and derecognition

Financial instruments are derecognised when the contractual rights or obligations expire or are extinguished, are discharged or cancelled for example an outright sale or settlement. For financial assets this includes assets transferred that meet the derecognition criteria.

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts. This is due to the short-term nature of the instruments.

	2025 R mil	2024 R mil
16. Inventories		
Raw materials	4 540	4 809
Work in progress	1 024	507
Finished goods	3 292	4 059
	8 856	**9 375**
Allowance for impairment of inventories	(271)	(216)
	8 585	**9 159**
Inventories expensed during the year	43 902	49 164
Changes to NRV reversal and write down	(5)	(58)

Notes to the Consolidated Financial Statements

16. Inventories (continued)

Inventories are measured at the lower of cost or NRV on a first in first out basis. For manufactured inventories capitalised manufacturing costs include an allocated portion of production overheads which are directly attributable to the cost of manufacturing such inventory. The allocation is determined based on the normal production capacity.

	2025 R mil	2024 R mil
17. Amounts receivable from group companies		
Ultimate holding company		
Mercedes-Benz Group AG	35	62
Holding company		
Mercedes-Benz AG	587	4 223
Fellow subsidiaries		
Accumotive GmbH & Co. KG	1	-
Cooperation Manufacturing Plant Aguascalientes S.A.P.I de C.V	3	8
Mercedes-Benz Otomotiv Ticaret ve Hizmetler A.S.	-	6
Mercedes-AMG GmbH	10	7
Mercedes-Benz Argentina S.A.U.	-	1
Mercedes-Benz Australia/Pacific Pty Ltd	-	3
Mercedes-Benz Espana, S.A.U.	10	3
Mercedes-Benz ExTra LLC	2	-
Mercedes-Benz Financial Services India Private Limited	7	-
Mercedes-Benz Group China Ltd	3	4
Mercedes-Benz India Private Limited	8	6
Mercedes-Benz Manufacturing Hungary Kft.	4	2
Mercedes-Benz Manufacturing Poland sp. z o. o.	1	2
Mercedes-Benz Mexico International, S de R.L de C.V	1	1
Mercedes-Benz U.S. International, Inc.	2	1
Mercedes-Benz Vans, LLC	6	-
Mercedes-Benz Vietnam	-	1
Star Assembly SRL	2	-
	60	**45**
	682	**4 330**

No allowance for non-collectable amounts was raised as the amounts carry minimal credit risk. Credit risk is minimal, and as such was deemed to be insignificant, as current group policies manage intergroup debts. In 2025 the interest rates on these "on-demand" trade receivables are between 6.85% and 7.85% (2024: 7.85% and 9.10%).

Financial assets at amortised cost are initially measured at fair value including transaction costs, except for those classified at fair value through profit or loss, in which case transaction costs are expensed upfront in profit or loss, usually as part of other operating expenses.

Financial assets are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Fair value of group loans receivable

The fair value of group loans receivable approximates their carrying amounts, due to the short-term nature of these instruments.

Notes to the Consolidated Financial Statements

18. Property, plant and equipment

	2025			2024		
	Cost R mil	Accumulated depreciation/ impairment losses R mil	Carrying value R mil	Cost R mil	Accumulated depreciation/ impairment losses R mil	Carrying value R mil
Land and buildings	2 810	(836)	1 974	2 806	(763)	2 043
Plant and equipment	10 660	(6 031)	4 629	10 615	(5 316)	5 299
Other factory equipment and furniture	29	(25)	4	28	(24)	4
Motor vehicles	30	(19)	11	34	(19)	15
Assets under construction	156	-	156	92	-	92
Property, plant and equipment	**13 685**	**(6 911)**	**6 774**	**13 575**	**(6 122)**	**7 453**
Assets leased under operating leases	**3 351**	**(381)**	**2 970**	**2 555**	**(539)**	**2 016**
Right-of-use assets (refer note 18.1)	**498**	**(314)**	**184**	**336**	**(101)**	**235**

Reconciliation of the movement in property, plant and equipment and assets leased under operating leases - 2025

	Opening balance R mil	Additions R mil	Disposals or scrappings R mil	Transfers R mil	Deprecia-tion R mil	Impairment reversal R mil	Closing balance R mil
Land and buildings	2 043	6	(1)	1	(75)	-	1 974
Plant and equipment	5 299	217	(13)	24	(898)	-	4 629
Other factory equipment and furniture	4	1	-	-	(1)	-	4
Motor vehicles	15	3	(5)	-	(2)	-	11
Assets under construction	92	89	-	(25)	-	-	156
Property, plant and equipment	**7 453**	**316**	**(19)**	**-**	**(976)**	**-**	**6 774**
Assets leased under operating leases	**2 016**	**1 748**	**(631)**	**-**	**(206)**	**43**	**2 970**
Right-of-use assets (refer note 18.1)	**235**	**39**	**(7)**	**-**	**(83)**	**-**	**184**

Reconciliation of the movement in property, plant and equipment and assets leased under operating leases - 2024

	Opening balance R mil	Additions R mil	Disposals or scrappings R mil	Transfers R mil	Deprecia-tion R mil	Impairment loss R mil	Closing balance R mil
Land and buildings	2 111	4	(8)	12	(76)	-	2 043
Plant and machinery	5 972	286	(5)	46	(1 000)	-	5 299
Other factory equipment and furniture	3	2	-	-	(1)	-	4
Motor vehicles	16	2	-	-	(3)	-	15
Assets under construction	102	48	-	(58)	-	-	92
Property, plant and equipment	**8 204**	**342**	**(13)**	**-**	**(1 080)**	**-**	**7 453**
Assets leased under operating leases	**1 919**	**965**	**(645)**	**-**	**(226)**	**3**	**2 016**
Right-of-use assets (refer note 18.1)	**293**	**31**	**(2)**	**-**	**(87)**	**-**	**235**

Operating leases (company as lessor)

Assets held under operating leases are recognised, at inception, as a separate category of property and equipment (assets leased under operating leases) and depreciated.

18. Property, plant and equipment (continued)

Rental income is recognised as revenue from sale and leasing of vehicles and related services on a straight-line basis over the lease term.

AIS

Reasonable assurance exists when conditions for the receipt of government grants are actually met and the grant will be received.

AIS is measured at the value of the grant amount received from the issuing authority, presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset.

The receivables relating to the various production incentives are recognised in note 15.

Capital expenditure

At 31 December 2025 the group authorised the acquisition of property, plant and equipment amounting to R 386 million (2024: R 310 million) as capital expenditure. This related to the production of the W206 model. This capital expenditure will be financed from internally generated funds.

Categories and measurement

Categories	Initial measurement	Subsequent measurement	Depreciation method	Impairment
Land	Property, plant and equipment is initially recognised at cost.	Cost less accumulated impairment losses.	Not depreciated.	Assets are tested for impairment, when there is an indication that they may be impaired, by determining the recoverable amount of the assets either individually or at the cash generating unit level.
Buildings Plant and equipment Other factory equipment Motor vehicles Assets leased under operating leases		Cost less accumulated depreciation and accumulated impairment losses.	Depreciation on straight-line method over the estimated useful life to the residual values. Refer to note 3.3.2.	Impairments are included within other operating expenses in profit or loss.
Assets under construction		Cost less accumulated impairment losses.	Not depreciated.	

The assets' depreciation method, residual value and useful life are reviewed annually at each reporting date and adjusted if appropriate.

18.1 Right-of-use assets

2025	Land and buildings R mil	Factory and office equipment R mil	Total R mil
Opening balance	230	5	235
Additions	39	-	39
Disposals	(7)	-	(7)
Depreciation	(80)	(3)	(83)
	182	**2**	**184**

18. Property, plant and equipment (continued)

2024	Land and buildings R mil	Factory and office equipment R mil	Total R mil
Opening balance	282	11	293
Additions	31	-	31
Disposals	(2)	-	(2)
Depreciation	(81)	(6)	(87)
	230	**5**	**235**

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset, on a straight-line basis. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

	2025 R mil	2024 R mil
18.2 Future minimum lease income		
Future minimum lease receipts under non-cancellable operating leases:		
Within 1 year	557	844
Within 2 years	460	542
Within 3 years	177	331
Within 4 years	82	153
Within 5 years	4	78
	1 280	**1 948**

19. Other financial assets

Other financial assets	83	82

Other financial assets consist of insurance cell assets measured at fair value.

MBSA consolidates its attributable share of an insurance cell captive managed on behalf of MBSA by Centriq Insurance. The net assets reserved within the cell captive are to be utilised against insurance claims arising within MBSA not covered by third-party insurances.

The value of the insurance cell asset is equal to the balance held by Centriq Insurance. This is a level 3 fair value.

Financial instruments (assets and liabilities) at fair value through profit or loss

Financial instruments (assets and liabilities) are initially measured at fair value including transaction costs, except for those classified at fair value through profit or loss in which case the transaction costs are expensed upfront in profit or loss, usually as part of other operating expenses. Any upfront income earned on financial instruments is recognised as deferred income, depending on the underlying nature of the income.

The carrying value of these assets approximates the fair value of the assets. Fair value items are measured at fair value at reporting date. The fair value gains or loss are recognised in profit or loss. The effective hedging portion is recognised in other comprehensive income.

		2025 R mil	2024 R mil

20. Retirement benefit plan assets and post-retirement medical aid benefit obligations

	Note	2025 R mil	2024 R mil
Net retirement benefit plan asset	20.1	173	204
Post-retirement medical aid benefit obligation	20.2	(521)	(438)

20.1 Retirement benefit plan asset

Defined benefit schemes

	2025 R mil	2024 R mil
Present value of obligations	(2 135)	(2 012)
Fair value of plan assets*	2 396	2 308
Net defined benefit asset	**261**	**296**
Less: impact of application of asset ceiling*	(88)	(92)
Net defined benefit asset after application of asset ceiling	**173**	**204**

The policy of the group is to provide retirement benefits for its employees. All employees are either members of the Mercedes-Benz Pension Fund, which is a defined benefit scheme, or of the Mercedes-Benz DC Provident Fund which is a defined contribution scheme. The schemes are governed by the Pension Funds Act. The Mercedes-Benz Pension Fund was last actuarially valued in October 2025.

The overall expected rate of return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled. This is a closed fund.

MBSA and MBFS are under common control and participate in a benefit plan that shares risks. There is no policy or contractual agreement for charging the net defined benefit cost.

The policy for determining the contribution paid by the entities is based on an actuarial calculation as per the legal requirements.

Actuarial reserve comprises actuarial gains and losses, return on plan assets (excluding interest) and the effect of the asset ceiling.

The defined benefit plans expose the group to actuarial risk, such as longevity risk and currency risk, interest rate risk and market risk (investment risk).

Reconciliation of defined benefit scheme

The following table reconciles the movement for the plan assets and the present value of the obligation and its components:

	Movement in plan assets		Movement in obligation	
	2025 R mil	**2024 R mil**	**2025 R mil**	**2024 R mil**
Opening balance	2 216	2 146	2 012	1 932
Included in profit or loss				
Current service cost	-	-	20	15
Interest	237	258	206	220
	237	**258**	**226**	**235**
Included in OCI				
Actuarial (gains)/losses				
Financial assumptions	-	-	99	24
Other	(2)	-	1	1
Remeasurements	43	(24)	-	-
	41	**(24)**	**100**	**25**
Other				
Benefits paid	(206)	(187)	(206)	(187)
Contributions received	12	14	-	-
Employee contributions	3	7	3	7
Adjustment to asset ceiling	5	2	-	-
	(186)	**(164)**	**(203)**	**(180)**
Closing balance	**2 308**	**2 216**	**2 135**	**2 012**

	2025 R mil	2024 R mil

20. Retirement benefit plan assets and post-retirement medical aid benefit obligations (continued)

The projected employer and employee contributions and the benefit for the next year are as follows:

	2025 R mil	2024 R mil
Employer contributions	12	13
Employee contributions	4	7

	2025 R mil	2024 R mil
Fair value of plan assets comprises		
Bonds	1 904	1 874
Equities	419	360
Property	8	6
Alternative investments	53	37
Derivatives net of cash	12	31
	2 396	**2 308**

The value placed on the total assets are equal to the full market value of the investments as at the date of measurement, adjusted for assets attributable to defined contribution members, benefits due not yet paid and unclaimed benefits. The bank account balances in the funds were included in the total assets value.

Sensitivity analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the obligation by the percentages shown below:

Assumption	**Change applied to assumption**	**Resulting % change in defined benefit obligation**		**Change applied to assumption**	**Resulting % change in defined benefit obligation**	
	2025	**%**	**R mil**	**2024**	**%**	**R mil**
Discount rate	0.50 %	(4.80)%	(88.79)	0.25 %	(2.40)%	(41.83)
	(0.50)%	5.20 %	95.53	(0.25)%	2.45 %	43.45
General inflation rate	0.25 %	2.30 %	40.84	0.10 %	0.90 %	15.35
	(0.25)%	(2.25)%	(39.92)	(0.10)%	(0.85)%	(15.14)
Average age	+1 year	(2.20)%	(50.20)	+1 year	(2.10)%	(45.64)
	-1 year	2.15 %	49.45	-1 year	2.02 %	44.90

	2025 R mil	2024 R mil
20.2 Post-retirement medical aid benefit obligation		
Present value of portfolio obligation	521	438

Portfolio

The group has funded its obligations to provide certain post-retirement medical aid benefits to its pensioners via the group's medical aid fund. The entitlement of these benefits is dependent upon the employee remaining in service until retirement age, completing a minimum service period and is subject to periodic review. The group funds the estimated liability over the working life of the eligible employees.

The post-retirement medical aid obligation and the annual cost of those benefits were determined by the independent actuaries of the fund in December 2025. The actuarially determined liability is allocated to provisions. The assumptions used are consistent with those adopted by the actuaries in determining pension costs and in addition, include long-term estimates of the increase in medical costs and appropriate discount rates. The level of claims is based on the individual company's experiences.

This is a closed fund.

	2025 R mil	2024 R mil

20. Retirement benefit plan assets and post-retirement medical aid benefit obligations (continued)

Reconciliation of present value of post-retirement medical aid benefit obligation

The following table shows a reconciliation from the opening balance to the closing balance for the obligation and its components:

	2025 R mil	2024 R mil
Opening balance	438	406
Included in profit or loss		
Current service cost	7	9
Interest cost	49	53
	56	**62**
Included in OCI		
Change in actuarial assumptions	8	12
Actual health care cost inflation compared with expectation	(6)	19
Change in demographic profile of membership	49	(41)
Actuarial gain	**51**	**(10)**
Other		
Contributions	(24)	(20)
Closing balance	**521**	**438**

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the obligation by the percentages shown below:

Assumption	**Change applied to assumption**	**Resulting % change in past service contractual liability**		**Resulting % change in service cost and interest cost**	
2025		**%**	**R mil**	**%**	**R mil**
Health care cost inflation	1.00 %	(9.70)%	(49.44)	(3.20)%	(1.45)
	(1.00)%	11.60 %	59.45	3.70 %	1.62
Mortality	+1 year	(2.70)%	(13.82)	(2.60)%	(1.55)
	-1 year	2.70 %	13.78	2.65 %	1.55
2024					
Health care cost inflation	1.00 %	(0.10)%	(41.13)	(3.90)%	(1.97)
	(1.00)%	11.15 %	49.38	4.55 %	2.27
Mortality	+1 year	(2.65)%	(11.50)	(2.55)%	(1.50)
.	-1 year	2.65 %	11.53	2.55 %	1.51

20.3 Post-employment benefits

Defined contribution plans

The defined contribution plan refers to the Mercedes-Benz Provident Fund. Obligations for contributions to defined contribution pension plans are recognised as an expense in staff costs in profit or loss as incurred in the periods during which services are rendered by employees.

Defined benefit plans

The defined benefit plans refer to the Mercedes-Benz Pension Fund, the Mercedes-Benz Retirement Fund and the Post Employment Medical Aid Benefit Fund Portfolio.

Notes to the Consolidated Financial Statements

20. Retirement benefit plan assets and post-retirement medical aid benefit obligations (continued)

Defined benefit obligation

The liabilities and assets of these funds are reflected as a net asset or liability in the statement of financial position i.e. the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. Where the value is a net asset, the amount recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected credit unit method. The discount rate used is the rate of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Plan assets

The plan assets are carried at fair value. Where the plan assets include qualifying insurance policies that exactly match the amount and timing of some or all of the benefits under the plan, the fair value is deemed to be the present value of the related obligation. If the qualifying insurance policy has a limit of indemnity the fair value of the insurance policy is limited to that amount.

Profit or loss

Included as part of staff costs:
- current and past service costs calculated using the projected unit credit method;
- gains or losses on curtailments and settlements that took place in the current period; and
- realised actuarial gains or losses on long term employee benefits.

Finance income and expenses are calculated by applying the discount rate at the beginning of the period to the net asset or liability.

Other comprehensive income

Actuarial gains or losses excluding interest on long term employee benefits are recognised in other comprehensive income. All other re-measurements in respect of the obligation and plan assets are included in other comprehensive income and never reclassified to profit or loss.

Actuarial reserve

The actuarial reserve in respect of the obligation and plan assets represents the effect of the changes in the actuarial assumptions and incorporates the differences between the actual experience and the assumed experience. The re-measurements in respect of the obligation and plan assets are included in other comprehensive income and never reclassified to profit or loss.

21. Share capital

	2025 Number	2024 Number
Authorised		
Ordinary shares	46 840 000	46 840 000
Issued		
Ordinary shares	46 810 000	46 810 000

	2025 R mil	2024 R mil
Composition of issued share capital and premium		
Ordinary shares at par value	47	47
Share premium	1 370	1 370
Total issued capital and premium	**1 417**	**1 417**

Stated capital issued by the group is recorded at the proceeds received, net of issue costs. Stated capital comprises share capital and share premium. The shares are fully paid up.

All ordinary shares rank equally with regards to the group's residual assets. Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at annual general meetings.

Notes to the Consolidated Financial Statements

	2025 R mil	2024 R mil
22. Trade and other payables		
Financial instruments		
Trade payables	1 431	1 605
Other payables	348	159
	1 779	**1 764**
Non-financial instruments		
VAT	-	4
Employee related liabilities	539	435
	2 318	**2 203**

Liabilities at amortised cost

Includes interest-bearing borrowings, trade and other payables, and bank overdrafts:

- the group classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement. Instruments which have been written down and conversion features are classified based on the nature of the instrument and the definitions of debt and equity;
- compound instruments are those financial instruments that have components of both financial liabilities and equity such as preference shares. At initial recognition the instrument and the related transaction costs are split into their separate components in terms of the definitions and criteria of IAS 32 and are subsequently accounted for as a financial liability or equity; and
- funding liabilities, bank overdrafts as well as trade and other payables are generally measured at amortised cost but may be measured at fair value through profit or loss if they are managed on a fair value basis or the fair value designation reduces or eliminates an accounting mismatch.

All financial liabilities are initially measured at fair value including transaction costs, except for those classified as fair value through profit or loss, in which case the transaction costs are expensed upfront in profit or loss, usually as part of operating expenses. Any upfront income earned on financial instruments is recognised as deferred income, depending on the underlying nature of the income.

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Transfers and derecognition

Financial instruments are derecognised when the contractual rights or obligations expire or are extinguished, are discharged or cancelled for example an outright sale or settlement.

For financial liabilities this includes substantial modification to the terms and conditions of an existing financial liability. A substantial modification to the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

	2025 R mil	2024 R mil
23. Amounts payable to group companies		
Ultimate holding company		
Mercedes-Benz Group AG	72	62
Holding company		
Mercedes-Benz AG	4 366	5 379

Notes to the Consolidated Financial Statements

	2025 R mil	2024 R mil

23. Amounts payable to group companies (continued)

Fellow subsidiaries

	2025 R mil	2024 R mil
Mercedes-Benz Customer Assistance Center Maastricht N.V.	3	5
Mercedes-Benz Group Services Madrid, S.A.U.	1	1
Mercedes-Benz Group Services Phils., Inc.	1	1
Mercedes-Benz Japan G.K.	1	-
Mercedes-Benz Korea Limited	1	-
Mercedes-Benz Malaysia Sdn. Bhd.	2	-
Mercedes-Benz Mexico, S. de R.L. de C.V.	1	-
Mercedes-Benz Otomotiv Ticaret ve Hizmetler A.S.	3	3
Mercedes-Benz Research and Development India Private Limited	3	1
Mercedes-Benz Singapore Pte. Ltd.	6	11
Mercedes-Benz Tech Innovation GmbH	5	-
Mercedes-Benz U.S. International, Inc.	-	1
	27	**23**
	4 465	**5 464**

All financial liabilities are initially measured at fair value including transaction costs, except for those classified as fair value through profit or loss, in which case the transaction costs are expensed upfront in profit or loss, usually as part of operating expenses. Any upfront income earned on financial instruments is recognised as deferred income, depending on the underlying nature of the income.

Subsequently group payables are recognised at amortised cost using the effective interest method. These are repayable on demand and settled in the ordinary course of business.

Fair value of group loans payable

The fair value of trade payables to group companies approximates their carrying amounts, due to the short-term nature of the instruments.

24. Provisions

Reconciliation of provisions - 2025

	Opening balance R mil	Additional provision R mil	Amounts utilised R mil	Amounts reversed R mil	Closing balance R mil
Plant production related provisions	262	5	(32)	-	235
Premium drive	54	16	(52)	-	18
Residual value	36	7	(3)	(13)	27
Roadside assistance	65	48	(30)	-	83
Transfer pricing	141	-	-	(141)	-
Warranty claims	313	141	(30)	(1)	423
Other provisions	2	7	-	(2)	7
	873	**224**	**(147)**	**(157)**	**793**

Reconciliation of provisions - 2024

	Opening balance R mil	Additional provision R mil	Amounts utilised R mil	Amounts reversed R mil	Closing balance R mil
Plant production related provisions	274	43	(55)	-	262
Premium drive	69	51	(66)	-	54
Residual value	31	15	-	(10)	36
Roadside assistance	-	65	-	-	65
Transfer pricing	367	208	(400)	(34)	141
Warranty claims	184	277	(47)	(101)	313
Other provisions	-	2	-	-	2
	925	**661**	**(568)**	**(145)**	**873**

Notes to the Consolidated Financial Statements

24. Provisions (continued)

Warranty claims

The provision for warranty claims represents the amount not recovered from MBGAG that is paid locally. The provision is calculated monthly for the warranty period based on estimates made from historical warranty claim experience associated with the products. The utilisation date of product warranties depends on the incidence of the warranty claims and can span the entire term of the product warranties.

Plant production related provisions

This provision relates to provisions for supplier volume reduction and onerous contracts as a result of production related activities.

Transfer pricing

The provision for transfer pricing relates to the uncertain tax treatment of transfer pricing arrangements, refer note 11.

During the current year the company and SARS concluded the uncertain tax treatment of the transfer pricing matter and the provision was reversed.

Premium drive

Provision for the present obligation of expected costs of maintenance and service agreements, the value of which is uncertain. MBSA took a strategic decision to review the insurance contracts on maintenance and service reimbursement and, as a result, raised a provision on premium drive. This provision is utilised as and when maintenance and service claims are settled.

Residual value risk

MBSA entered into a "residual value risk agreement" on behalf of MBFS whereby the group is liable for all residual value losses incurred in realising residual values on Mercedes-Benz branded products.

The exposure is periodically reviewed to the underwritten portfolio to adjust for changes in market conditions. Where risks are identified, the company develops strategies to manage the risk position of the particular assets and a provision is raised to this effect.

Roadside assistance

The provision for roadside assistance covers towing, mobility, and other on-the-road services for any Mercedes-Benz vehicle with an active service and maintenance plan.

Other provisions

Other provisions relate to the disposal of batteries under the roadside assistance definition.

	2025 R mil	2024 R mil
Split between non-current and current portions		
Non-current liabilities	297	300
Current liabilities	496	573
	793	**873**

25. Contract liabilities

Summary of contract liabilities

Maintenance and service contracts	2 328	2 605
Finance services contracts	129	108
Rebates and discounts	216	232
	2 673	**2 945**

	2025 R mil	2024 R mil

25. Contract liabilities (continued)

Reconciliation of contract liabilities

	2025 R mil	2024 R mil
Opening balance	2 945	3 454
Additions to contracts	583	641
Maintenance contracts released to revenue	(859)	(1 133)
Additions to rebates and discounts	216	232
Utilisation of rebates and discounts	(232)	(264)
Additions to financial services contracts	76	62
Utilisation of financial services contracts	(56)	(47)
	2 673	**2 945**

Expected release of deferred revenue to revenue

	2025 R mil	2024 R mil
Within 1 year	1 065	1 210
Within 2 years	548	754
Within 3 years	442	517
Within 4 years	372	298
Within 5 years	246	166
	2 673	**2 945**

Contract liabilities consist of liabilities from maintenance and service contracts with customers.

The group sells motor vehicles with a maintenance and service obligation to customers. Whilst the sale of the motor vehicle is recognised immediately as revenue, the maintenance and service revenue is recognised as deferred revenue and released into revenue upon the performance of a service or obligation. Service and maintenance obligations comprise performance obligations that are satisfied over the term of each plan. The base obligations provide coverage up to the earlier of 100 000 kilometres or five years, or alternatively up to the earlier of 140 000 kilometres or seven years. Customers with a five year or 100 000 kilometres obligation may also elect to purchase an extended service and maintenance product once the initial contract reaches maturity.

Deferred revenue and prepaid expenses are not financial instruments because they are settled by the delivery or receipt of goods and services.

26. Interest-bearing borrowings

	2025 R mil	2024 R mil
Bonds issued under MBSA DMTN Programme	5 000	7 500
Interest accrued	32	42
	5 032	**7 542**

Details of movement

	2025 R mil	2024 R mil
Opening balance	7 542	12 227
Bonds issued	-	2 000
Bonds repaid	(2 500)	(6 000)
Overnight facilities raised	624	-
Overnight facilities repaid	(624)	(611)
Interest capitalised	553	786
Interest repaid	(563)	(860)
	5 032	**7 542**

Bonds issued under MBSA DMTN Programme

The group has issued bonds under its DMTN Programme, which are listed on the JSE. Bonds are issued periodically as funding requirements arise. The bonds are held to maturity, which range between 1 to 3 years with the final settlement being made on 17 September 2027 and are issued at market related rates of interest.

The group's JSE-listed notes, with a carrying amount of R 5.032 billion, currently referencing the 3-month JIBAR with spreads between 0.88% to 1.05% (2024: 0.88% to 1.09%). In line with the South African benchmark reform programme, the SARB has confirmed that JIBAR will be discontinued after its final publication on 31 December 2026.

Notes to the Consolidated Financial Statements

26. Interest-bearing borrowings (continued)

The industry has also announced a ‘No New JIBAR’ milestone from the end of April 2026, after which no new JIBAR-linked issuance may occur.

ZARONIA, a transaction-based near risk-free rate derived from actual overnight unsecured funding transactions, has been designated as the successor benchmark. The group is actively preparing for the transition by reviewing and updating fallback provisions, assessing contractual and system impacts, and monitoring industry developments. Notably, the CAS for JIBAR-to-ZARONIA conversions was fixed on 3 December 2025, providing clarity on the economic neutrality of the transition for legacy instruments. Based on current assessments, the group does not expect the transition from JIBAR to ZARONIA to have a material impact on borrowing costs.

The bonds issued under this programme have been unconditionally and irrevocably guaranteed by MBGAG.

The following tables list the bonds issued under the DMTN Programme:

31 December 2025

Code	Listed	Issue amount R mil	Issue date	Maturity date	Rate	Spread %
MBF075	Yes	1 000	31/05/2023	31/05/2026	Floating	1.05 %
MBF077	Yes	1 000	10/08/2023	10/08/2026	Floating	1.00 %
MBF078	Yes	1 000	17/09/2024	17/09/2027	Floating	0.88 %
MBP054	Yes	1 000	08/11/2023	08/11/2026	Floating	0.90 %
MBP055	Yes	1 000	27/02/2024	27/02/2027	Floating	0.88 %
Total listed bonds		**5 000**				

31 December 2024

Code	Listed	Issue amount R mil	Issue date	Maturity date	Rate	Spread %
MBP072	Yes	1 000	31/05/2022	31/05/2025	Floating	1.09 %
MBP073	Yes	1 500	30/09/2022	30/09/2025	Floating	1.08 %
MBP075	Yes	1 000	31/05/2023	31/05/2026	Floating	1.05 %
MBF077	Yes	1 000	10/08/2023	10/08/2026	Floating	1.00 %
MBF054	Yes	1 000	08/11/2023	08/11/2026	Floating	0.90 %
MBP055	Yes	1 000	27/02/2024	27/02/2027	Floating	0.88 %
MBP078	Yes	1 000	17/09/2024	17/09/2027	Floating	0.88 %
Total listed bonds		**7 500**				

Interest-bearing borrowings are classified as financial liabilities carried at amortised cost

The group classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement. Instruments which have been written down and conversion features are classified based on the nature of the instrument and the definitions of debt and equity; compound instruments are those financial instruments that have components of both financial liabilities and equity such as preference shares.

At initial recognition the instrument and the related transaction costs are split into their separate components in terms of the definitions and criteria of IAS 32 and are subsequently accounted for as a financial liability or equity.

Funding liabilities are generally measured at amortised cost but may be measured at fair value through profit or loss if they are managed on a fair value basis or the fair value designation reduces or eliminates an accounting mismatch. For the presentation of the fair value of the interest-bearing borrowings, refer to note 32.

	2025 R mil	2024 R mil
Split between non-current and current portions		
Non-current liabilities	2 000	5 000
Current liabilities	3 032	2 542
	5 032	**7 542**

Notes to the Consolidated Financial Statements

	2025 R mil	2024 R mil
27. Lease liabilities		
Reconciliation of lease liabilities		
Opening balance	296	344
Additions	40	31
Interest accrued	20	22
Contract remeasurements	(8)	2
Payments	(99)	(103)
Closing balance	**249**	**296**
Items recognised in statement of financial position		
Lease liability	249	296
Items recognised in profit or loss		
Interest on lease liability	20	22
Expense relating to short-term leases	3	1
Expense relating to low value assets, excluding short-term leases of low value assets	7	6
Other		
Cash outflows from leases	109	107

A reconciliation of lease liabilities has been provided for additional information and to enhance the clarity of the financial statement disclosure.

Maturity profile of lease liability for the year ended

31 December 2025	Within 1 year R mil	Within 2 years R mil	Within 3 years R mil	Within 4 years R mil	5 years or more R mil	Total R mil
Lease liability	89	62	35	38	63	287
31 December 2024						
Lease liability	82	74	60	35	101	352

Leases

MBSA engages in various lease agreements to meet all operational requirements. Typical lease contracts include, but are not limited to, warehouse space for the storage and distribution of spare parts, head office space for administrative functions, IT equipment and additional space in East London for vehicle rework.

The company assesses whether a contract is, or contains a lease, at the inception of the contract. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets.

The lease liability is measured at the present value of the outstanding lease payments, discounted by the incremental borrowing rate at the time of the lease liability recognition. The weighted average incremental borrowing rate was 6.97% (2024: 7.06%). The respective right-of-use asset is generally recognised at an amount equal to the lease liability.

The interest due on the lease liability is a component of interest expense. The lease expenses of short-term and low-value asset leases, classified as operating leases, have been fully recognised within finance expense.

Notes to the Consolidated Financial Statements

	2025 R mil	2024 R mil

28. Deferred tax

Reconciliation of movement in net deferred tax liability

	2025 R mil	2024 R mil
At beginning of year	(675)	(1 112)
Current year charge through profit or loss	631	314
Current year charge through OCI		
Retirement benefit assets and liabilities	35	10
Prior year over provision	(52)	113
	(61)	**(675)**

Deferred tax asset

	2025 R mil	2024 R mil
Deferred revenue	1 319	827
Provisions	516	447
Retirement benefit assets	302	270
Lease liability	-	170
Allowance for uncollectable lease payments	83	82
Income received in advance	86	37
Customer overpayments	12	9
Accrual for acceptance fees	4	4
Deferred employment expenses	2	2
Allowance for impairment of receivables	-	2
	2 324	**1 850**

Deferred tax liability

	2025 R mil	2024 R mil
Government grants	(588)	(936)
Capital allowances	(1 144)	(1 300)
Retirement benefit obligation - prepaid pension	(187)	(153)
Right-of-use asset	(50)	(63)
Retirement benefit obligation - OCI	(18)	(54)
Prepayments	(1)	(17)
Leased assets	(397)	(2)
	(2 385)	**(2 525)**
Total net deferred tax liability	**(61)**	**(675)**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base used for taxation purposes.

A deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which they can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Consolidated Financial Statements

29. Segmental information

Basis for segmentation

The group is organised into four segments for operational and management purposes, being wholesale and retail vehicles, manufacturing and component exports, financial services and other. The group reports its primary business segment information on this basis.

The principal offering for each division is as follows:

- Wholesale and retail vehicles – passenger vehicles and commercial vehicle wholesale business including the retail business; and
- Manufacturing and component exports – manufacturing plant based in East London and component exports.
- Financial service – variety of leasing and specialised leasing products; and
- Other – residual of the operations, which does not constitute its own separate segment. This includes the property company.

Geographical information

All segments are managed in South Africa.

All revenues and assets from the financial services segment are domiciled in South Africa.

	2025		2024	
	Revenue from contracts with customers R mil	Non-current assets R mil	Revenue from contracts with customers R mil	Non-current assets R mil
Europe	41 586	-	50 054	-
Africa	10 368	15 739	10 271	16 275
Total	**51 954**	**15 739**	**60 325**	**16 275**

R 41 586 million (2024: R 50 054 million) of the Europe sales relate to MBAG and MBGAG, the parent and ultimate holding company.

Information about reportable segments

Information related to each reportable segment is set out below:

2025	Wholesale and retail vehicles R mil	Manufacturing and component exports R mil	Financial services R mil	Other R mil	Total R mil
Revenue from sale of vehicles	10 285	41 669	-	-	51 954
Cost of goods sold	(9 784)	(38 939)	-	-	(48 723)
Revenue from financial services	-	-	1 159	-	1 159
Interest paid	-	-	(561)	-	(561)
Finance cost	(79)	-	-	-	(79)
Impairment reversal	-	-	43	-	43
Depreciation	(180)	(1 012)	(122)	-	(1 314)
Staff cost	(194)	(2 259)	(80)	-	(2 533)
Segment operating profit (EBIT)	**3 071**	**1 951**	**392**	**(9)**	**5 405**
Segment assets	**7 848**	**17 661**	**9 872**	**83**	**35 464**
Segment liabilities	**(8 709)**	**(2 357)**	**(5 323)**	**-**	**(16 389)**

Notes to the Consolidated Financial Statements

29. Segmental information (continued)

2024	Wholesale and retail vehicles R mil	Manufacturing and component exports R mil	Financial services R mil	Other R mil	Total R mil
Revenue from sale of vehicles	10 256	50 069	-	-	60 325
Cost of goods sold	(9 406)	(45 856)	-	-	(55 262)
Revenue from financial services	-	-	1 982	-	1 982
Interest paid	-	-	(809)	-	(809)
Finance cost	(345)	-	-	-	(345)
Impairment	-	-	3	-	3
Depreciation	(138)	(1 120)	(133)	-	(1 391)
Staff cost	(237)	(2 823)	(83)	-	(3 143)
Segment operating profit (EBIT)	**(146)**	**3 534**	**615**	**(5)**	**3 998**
Segment assets	**5 472**	**24 632**	**10 618**	**68**	**40 790**
Segment liabilities	**(10 376)**	**(3 164)**	**(7 731)**	**(6)**	**(21 277)**

30. Related parties

Relationships

Ultimate holding company	Mercedes-Benz Group AG
Holding company	Mercedes-Benz AG
Fellow subsidiary MBAG group	Accumotive GmbH & Co. KG
	Cooperation Manufacturing Plant Aguascalientes, S.A.P.I de C.V.
	MDC Power GmbH
	Mercedes-AMG GmbH
	Mercedes-Benz Argentina S.A.U.
	Mercedes-Benz Australia/Pacific Pty Ltd
	Mercedes-Benz Cars & Vans Brasil - Industria E Comercio De Veiculos Ltda.
	Mercedes-Benz Customer Assistance Center Maastricht N.V.
	Mercedes-Benz Espana, S.A.U.
	Mercedes-Benz ExTra LLC
	Mercedes-Benz Group China Ltd.
	Mercedes-Benz Group Services Madrid, S.A.U.
	Mercedes-Benz Group Services Phils., Inc.
	Mercedes-Benz India Private Limited
	Mercedes-Benz Mexico International, S de R.L de C.V
	Mercedes-Benz Italia S.p.A
	Mercedes-Benz Japan Co Ltd
	Mercedes-Benz Korea Limited
	Mercedes-Benz Ludwigsfelde GmbH
	Mercedes-Benz Malaysia Sdn. Bhd.
	Mercedes-Benz Manufacturing Hungary Kft.
	Mercedes-Benz Manufacturing Poland sp. z o. o.
	Mercedes-Benz Manufacturing Thailand Limited
	Mercedes-Benz México International, S. de R.L. de C.V.
	Mercedes Benz Otomotiv Ticaret ve Hizmetler A.S.
	Mercedes-Benz Parts Logistics UK Limited
	Mercedes-Benz Research and Development India Private Limited
	Mercedes-Benz Romania SRL
	Mercedes-Benz Singapore Pte. Ltd.
	Mercedes-Benz Thailand Limited
	Mercedes-Benz U.S. International, Inc.
	Mercedes-Benz Vans, LLC
	Mercedes-Benz Vietnam Ltd.
	Star Assembly SRL

The ultimate holding company of MBSA is MBGAG. Various transactions are entered into between MBSA and companies within the global MBGAG group. The transactions listed below are conducted between MBSA Limited and its ultimate holding company, holding company as well as fellow subsidiaries.

For related party balances refer note 17, amounts receivable from group companies and note 23, amounts payable to group companies.

Notes to the Consolidated Financial Statements

30. Related parties (continued)

	Sales to group companies		Purchases from group companies	
	2025 R mil	2024 R mil	2025 R mil	2024 R mil
Mercedes-Benz AG	41 584	50 054	38 837	45 335
Mercedes-Benz Customer Assistance Center Maastricht N.V.	-	-	9	32
Mercedes-Benz Group AG	-	-	76	137
Mercedes-Benz Manufacturing Hungary Kft.	2	-	-	1
Mercedes-Benz Otomotiv Ticaret ve Hizmetler A.S.	-	-	1	1
Mercedes-Benz Research and Development India Private Limited	-	-	7	6
Mercedes-Benz U.S. International, Inc.	-	-	1	1

	Other income received from group companies		Other expenses paid to group companies	
	2025 R mil	2024 R mil	2025 R mil	2024 R mil
Interest				
Mercedes-Benz Group AG	11	22	16	16
Selling costs				
Mercedes-Benz AG	-	-	-	30
Mercedes-Benz Romania S.R.L.	-	-	-	2
Mercedes-Benz Singapore Pte. Ltd.	-	-	-	43
Recharged cost				
Accumotive GmbH & Co. KG	1	2	-	-
Cooperation Manufacturing Plant Aguascalientes S.A.P.I de C.V	-	4	-	-
MDC Power GmbH	2	1	-	-
Mercedes-AMG GmbH	11	32	-	-
Mercedes-Benz AG	682	432	2	-
Mercedes-Benz Argentina S.A.U.	-	1	-	-
Mercedes-Benz Australia/Pacific Pty Limited	2	6	-	-
Mercedes-Benz Espana, S.A.U.	3	3	-	-
Mercedes-Benz Financial Services India Private Limited	1	-	-	-
Mercedes-Benz ExTra LLC	4	4	-	-
Mercedes-Benz Group China Limited	18	17	-	-
Mercedes-Benz India Private Limited	9	10	-	-
Mercedes-Benz Japan G.K.	5	5	-	-
Mercedes-Benz Korea Limited	5	5	-	-
Mercedes-Benz Ludwigsfelde GmbH	3	3	-	-
Mercedes-Benz Malaysia Sdn. Bhd.	13	11	-	-
Mercedes-Benz Manufacturing Hungary Kft.	11	6	-	-
Mercedes-Benz Manufacturing Poland sp.zo.o.	3	3	-	-
Mercedes-Benz Manufacturing Thailand Limited	9	9	-	-
Mercedes-Benz Mexico, S. de R.L. de C.V.	3	2	-	-
Mercedes-Benz Mexico International, S de R.L de C.V	2	2	-	-
Mercedes Benz Otomotiv Ticaret ve Hizmetler A.S.	2	6	-	-
Mercedes-Benz Singapore Pte. Ltd.	1	4	-	-
Mercedes-Benz Thailand Limited	3	2	-	-
Mercedes-Benz U.S. International, Inc	12	13	-	-
Mercedes-Benz Vans, LLC	23	2	-	-
Mercedes-Benz Vietnam Ltd.	3	3	-	-
Star Assembly SRL	4	-	-	-

Notes to the Consolidated Financial Statements

30. Related parties (continued)

	Other income received from group companies		Other expenses paid to group companies	
	2025 R mil	2024 R mil	2025 R mil	2024 R mil
Dividends				
Mercedes-Benz AG	-	-	2 691	4 374
Administration and management fees				
Mercedes-Benz AG	-	-	-	11
Mercedes-Benz Group Services Phils., Inc.	-	-	-	8
Mercedes-Benz Singapore Pte. Ltd.	-	-	-	7
Mercedes-Benz Research and Development India Private Limited	-	-	1	2
Mercedes-Benz Financial Services Malaysia	-	-	3	-
Mercedes-Benz Cars & Vans Brasil - Industria E Comercio De Veiculos Ltda.	-	-	-	1
Mercedes-Benz India Private Limited	-	-	-	1

	2025 R mil	2024 R mil
Compensation to directors and prescribed officers		
Short-term employee benefits	57	88
Post-employment benefits	1	1
	58	**89**

31. Directors' and prescribed officers' emoluments

Executive directors

2025

	Short-term employee benefits			Other long-term benefits	
	Salaries R mil	Bonus related R mil	Other benefits R mil	Pension fund contributions R mil	Total R mil
Mr A Brand	3.3	1.2	12.2	0.2	16.9
Mr AM Kgotle	3.2	2.3	12.2	0.2	17.9
Mr C Steinhoff	3.0	0.2	8.4	0.2	11.8
Ms T Woodbridge	2.4	0.8	2.8	0.3	6.3
	11.9	**4.5**	**35.6**	**0.9**	**52.9**

2024

	Salaries R mil	Bonus related R mil	Other benefits R mil	Pension fund contributions R mil	Total R mil
Mr A Brand	3.5	1.9	13.3	0.2	18.9
Mr M Raine	2.2	0.8	6.8	0.1	9.9
Mr AM Kgotle	3.8	3.5	6.9	0.3	14.5
Ms T Woodbridge	2.4	1.2	4.7	0.3	8.6
Mr C Steinhoff	1.1	-	3.0	-	4.1
	13.0	**7.4**	**34.7**	**0.9**	**56.0**

Notes to the Consolidated Financial Statements

31. Directors' and prescribed officers' emoluments (continued)

Prescribed officers

2025

	Short-term employee benefits			Other long-term benefits	
	Salaries R mil	Bonus related R mil	Other benefits* R mil	Pension fund contributions R mil	Total R mil
Ms N Trimmel	-	0.5	0.7	-	1.2
Ms N Jardim	1.6	0.6	1.4	0.2	3.8
DW Jordan	0.3	-	0.6	-	0.9
ST Lakaje	0.2	-	0.2	-	0.4
	2.1	**1.1**	**2.9**	**0.2**	**6.3**

2024

	Salaries R mil	Bonus related R mil	Other benefits* R mil	Pension fund contributions R mil	Total R mil
Ms N Trimmel	1.0	1.0	2.6	0.1	4.7
Ms N Jardim	0.7	-	0.6	0.1	1.4
Mr R Hoffmann	3.8	8.2	14.3	0.2	26.5
	5.5	**9.2**	**17.5**	**0.4**	**32.6**

* Other benefits comprise incentives, car and travel allowance and medical benefits.

Included in the directors' remuneration is R 692 809 (2024: R 1 million) relating to the MBGAG Performance Phantom Share Plan.

Non-executive directors

	Directors' fees for services as directors of subsidiaries	
	2025 R mil	2024 R mil
Ms N Mbhele	0.9	0.9
Ms S Zilwa	0.9	0.9
Mr W Porth	0.3	0.3
Ms FT Dludlu	1.1	0.9
Dr P Mlambo-Ngcuka	0.9	0.9
	4.1	**3.9**

None of the directors or prescribed officers hold any shares in MBSA.

Notes to the Consolidated Financial Statements

32. Financial instruments and risk management

32.1 Categories and analysis of assets and liabilities

Assets - 2025

	Financial instruments			
	Designated at fair value R mil	At amortised cost R mil	Other assets R mil	Total R mil
Cash and cash equivalents	-	2 655	-	2 655
Assets held for sale	-	-	66	66
Trade and other receivables	-	3 543	632	4 175
Inventories	-	-	8 585	8 585
Other financial assets	83	-	-	83
Amounts receivable from group companies	-	682	-	682
Loans and advances to customers	-	8 886	-	8 886
Deferred initial direct costs	-	-	88	88
Other non-financial assets	-	-	68	68
Right-of-use assets	-	-	184	184
Assets leased under operating leases	-	-	2 970	2 970
Property, plant and equipment	-	-	6 774	6 774
Intangible assets	-	-	75	75
Retirement benefit asset	-	-	173	173
	83	**15 766**	**19 615**	**35 464**

Assets - 2024

	Designated at fair value R mil	At amortised cost R mil	Other assets R mil	Total R mil
Cash and cash equivalents	-	2 145	-	2 145
Assets held for sale	-	-	66	66
Trade and other receivables	-	4 416	807	5 223
Inventories	-	-	9 159	9 159
Other financial assets	82	-	-	82
Amounts receivable from group companies	-	4 330	-	4 330
Loans and advances to customers	-	9 639	-	9 639
Deferred initial direct cost	-	-	86	86
Other non-financial assets	-	-	65	65
Right-of-use assets	-	-	235	235
Assets leased under operating leases	-	-	2 016	2 016
Property, plant and equipment	-	-	7 453	7 453
Intangible assets	-	-	87	87
Retirement benefit asset	-	-	204	204
	82	**20 530**	**20 178**	**40 790**

Liabilities - 2025

	Financial instruments			
	At amortised cost R mil	Leases R mil	Other liabilities R mil	Total R mil
Trade and other payables	1 779	-	539	2 318
Current tax payable	-	-	277	277
Amounts payable to group companies	4 465	-	-	4 465
Lease liabilities	-	249	-	249
Provisions	-	-	793	793
Contract liabilities	-	-	2 673	2 673
Interest-bearing borrowings	5 032	-	-	5 032
Post-retirement medical aid benefit obligation	-	-	521	521
Deferred tax	-	-	61	61
	11 276	**249**	**4 864**	**16 389**

Notes to the Consolidated Financial Statements

32. Financial instruments and risk management (continued)

Liabilities - 2024

	Financial instruments			
	At amortised cost R mil	Leases R mil	Other liabilities R mil	Total R mil
Bank overdraft	2	-	-	2
Trade and other payables	1 764	-	439	2 203
Current tax payable	-	-	839	839
Amounts payable to group companies	5 464	-	-	5 464
Lease liabilities	-	296	-	296
Provisions	-	-	873	873
Contract liabilities	-	-	2 945	2 945
Interest-bearing borrowings	7 542	-	-	7 542
Post-retirement medical aid benefit obligation	-	-	438	438
Deferred tax	-	-	675	675
	14 772	**296**	**6 209**	**21 277**

32.2 Capital risk management

The primary objective of the group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The capital management approach is driven by its strategic and organisational requirements taking into account the regulatory and commercial environment in which it operates.

The group manages its structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year.

32.3 Financial risk management

32.3.1 Objectives and policies

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework,including the implementation and monitoring of these policies.

The group has established internal guidelines for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to financial activities, settlement, accounting and the related controls. The guidelines upon which the group's risk management processes for financial risks are designed to identify and analyse these risks throughout the group, to set appropriate risk limits and controls and to monitor the risks by means of reliable and up-to-date administrative and information systems. The guidelines and systems are regularly reviewed and adjusted to changes in markets and products.

32.3.2 Credit risk

Credit risk is the risk of economic loss arising from a counterparty' failure to repay or service debt in accordance with the contractual terms. Credit risk encompasses both the direct risk of default and the risk of a deterioration of creditworthiness as well as concentration risk.

	2025 R mil	2024 R mil
The maximum exposure to credit risk is presented in the table below:		
Cash and cash equivalents	2 655	2 145
Trade and other receivables	3 532	4 416
Financial assets and derivatives	83	82
Loans and advances to customers	8 897	9 639
Amounts receivable from group companies	682	4 330
	15 849	**20 612**

Notes to the Consolidated Financial Statements

32. Financial instruments and risk management (continued)

The group is exposed to credit risk through the following instruments:

Cash and cash equivalents

The group limits its exposure to credit risk by investing in liquid investments in financial institutions with a high credit rating, therefore management does not expect any counter party to fail to meet its obligations. Cash balances are held with reputable financial institutions, with a short-term credit rating of p-3 for all banks.

Trade and other receivables

Trade receivables are mostly receivables from sales activities of vehicles and spare parts. The credit risk from trade receivables encompasses the default risk of customers, as well as other corporate and private customers. The group manages its credit risk from trade receivables using appropriate IT applications and databases on the basis of internal guidelines. In order to minimise credit risk, the group assesses the creditworthiness of the counterparties. All receivables are regularly reviewed and impairments are recognised if there is any objective indication of non-performance or other contractual violations. The group establishes an allowance for impairment that represents its estimate of expected losses in respect of trade receivables.

Other financial assets

The group's exposure to credit risk on other financial assets is not material in relation to the overall credit risk of the group. Given the nature of these financial assets, management does not expect any counterparty to default on meeting its obligations.

Amounts receivable from group companies

The group's exposure to credit risk on trade receivables from group companies is managed within the Mercedes-Benz group and according to MBAG policy and credit terms. Given the nature of these receivables, management does not expect any counterparty to default on meeting its obligations.

The maximum risk positions of financial assets, generally subject to credit risk, are equal to their carrying amounts, except for lease instalments from operating leases, which is considered to be future minimum contractual amounts receivable under the lease contract.

Loans and advances to customers

The group's financing and leasing activities are primarily focused on supporting the sales of the group's automotive products. The group is therefore exposed to credit risk, which is monitored and managed based on defined standards, guidelines and procedures. MBFS manages its credit risk irrespective of whether it is related to an operating lease or a finance lease contract. For this reason, statements concerning the credit risk of MBFS refer to the entire financing and leasing business, unless specified otherwise.

Exposure to credit risk from financing and lease activities is monitored based on the portfolio subject to credit risk. The portfolio subject to credit risk is an internal control quantity that consists of wholesale and retail receivables from financial services and the portion of the operating lease portfolio that is subject to credit risk. Receivables from financial services comprise claims arising from finance lease contracts and repayment claims from financing loans.

In addition, the financial services segment is exposed to credit risk from commitments to retailers and end customers. This segment has guidelines setting the framework for effective risk management. In particular, these rules deal with minimum requirements for all risk-relevant credit processes, the definition of financing products offered, the evaluation of customer quality, requests for collateral as well as the treatment of unsecured loans and non-performing claims.

In general, these segments manage risk on retail receivables by placing limits on acceptable risk exposure to individual borrowers or groups of borrowers, and to industry segments. Lending limits are also put in place for officers of the segments to grant credit and a series of committees oversee the approval of large credit facilities both at inception and on an annual review basis. By nature, the retail receivables mostly consist of individual contracts.

Wholesale receivables consist of large groups of dealer companies with high value exposure. The group follows the MBAG group policies under which each new dealer is analysed for creditworthiness before standard payment, delivery terms and conditions are offered. Depending on the amount of the exposure to risk, the application will be assessed by either the local credit committee, the regional credit committee or the MBAG credit committee (based in Berlin, Germany), or a combination of these. Ownership of the vehicles lies with the group until the loan balance is settled.

Geographically, the credit risk concentration is predominantly concentrated to the South African market.

Notes to the Consolidated Financial Statements

32. Financial instruments and risk management (continued)

The ageing of loans and advances to customers and the mitigation of exposure to the balances at reporting date were as follows:

2025	**Gross maximum exposure R mil**	**Not past due R mil**	**Past due and impaired R mil**
Retail and wholesale receivables	9 253	8 886	367
Allowance for impairment	(367)	-	(367)
	8 886	**8 886**	**-**
2024			
Retail and wholesale receivables	10 018	9 639	379
Allowance for impairment	(379)	-	(379)
	9 639	**9 639**	**-**

As the group retains title to the underlying vehicles financed, collateral is assessed at the inception of the loan and on an ongoing basis for material concentrations of credit risk by reference to the underlying value of the vehicles financed. Management's assessment of the impairment of receivables considers the underlying collateral available for a class of customers/vehicles and is determined on a portfolio basis. Any concentration risk is managed through the group's credit policy.

The gross maximum exposure and concentration of credit risk exposure per geographical region at year end was as follows:

2025	**Gross maximum exposure R mil**	**Loans and advances to customers R mil**	**Financial assets and derivatives R mil**	**Trade and other receivables R mil**	**Trade receivable from group companies R mil**	**Cash and cash equivalents R mil**
South Africa	15 424	9 253	83	3 532	7	2 549
Europe	712	-	-	-	651	61
Americas	58	-	-	-	13	45
Asia	11	-	-	-	11	-
	16 205	**9 253**	**83**	**3 532**	**682**	**2 655**
2024						
South Africa	16 609	10 018	82	4 416	-	2 093
Europe	4 340	-	-	-	4 307	33
Americas	29	-	-	-	10	19
Asia	9	-	-	-	9	-
Oceania	4	-	-	-	4	-
	20 991	**10 018**	**82**	**4 416**	**4 330**	**2 145**

The ageing profile of the trade receivables at reporting date is as follows:

2025	**Gross amount R mil**	**Expected credit loss R mil**	**Carrying amount R mil**
Not past due	912	-	912
30 - 90 days	198	-	198
91 - 180+ days	59	(4)	55
	1 169	**(4)**	**1 165**

32. Financial instruments and risk management (continued)

2024

	Gross amount R mil	Expected credit loss R mil	Carrying amount R mil
Not past due	501	-	501
30 - 90 days	299	-	299
91 - 180+ days	70	(11)	59
	870	**(11)**	**859**

The credit quality of trade receivables that are neither past due nor impaired is monitored and managed by the group, and comprises primarily receivables of companies who have a trading history with the group, as well as low-risk rated companies.

Inputs, assumptions and techniques used for estimating impairment

Incorporation of forward-looking information

The group's credit risk and credit losses for financial assets are influenced by historical data and various macro-economic variables.

Key drivers for the wholesale portfolio:

At 31 December 2025	GDP change %	Interest rate %	Unemployment rate %
5 year average	0.28 %	6.95 %	32.86 %
At 31 December 2024			
5 year average	0.40 %	6.10 %	32.94 %

Modified financial assets

Calculating impairment through the loss estimation for portfolio contracts is a basic requirement of the IFRS 9 principle based on quality segmentation for all financial assets upon origination. The standard requires that the measurement process should consider the determination of unbiased and probability weighted ECL amounts, the time value of money and the inclusion of data that displays information about past, current and future events.

The approach adopted by the group in order to estimate the ECL is a calculation for each financial asset with probability weighted sum of discounted period contributions.

Measurement of ECL

The key inputs into the measurement of ECL are the terms structure of the following variables:
- Probability of default ("PD")
- Loss given default ("LGD")
- Exposure at default ("EAD")

The generalised ECL model is based on a multi-period approach, where the assumption is that the contract will default during a certain period. If the contract defaults during a specific period, a loss occurs where LGD is multiplied by EAD.

Defaults

Defaulting is assessed for each individual debtor based on the risks and circumstances surrounding the individual transaction.

32.3.3 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

32. Financial instruments and risk management (continued)

The group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets and projected cash flows from operations.

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing borrowings, trade payables and trade payables to group companies.

The Mercedes-Benz Group manages its liquidity by holding adequate volumes of liquid assets and by maintaining credit facilities in addition to the cash inflows generated by its business operations. Liquid assets comprise mainly cash and cash equivalents and marketable debt securities.

Funds raised are used to finance working capital and capital expenditure as well as the cash needs of the lease and financing business and unexpected liquidity needs. In accordance with internal guidelines, the refunding of the lease and financing business is generally carried out with matching maturities so that financing liabilities have the same maturity profile as the leased assets and the receivables from financial services.

From an operating point of view, the management of the group's liquidity exposures is managed by a daily cash-pooling process. This process enables the Mercedes-Benz Group to manage its liquidity surplus and liquidity requirements according to the actual needs of the group and each subsidiary. The group's short-term and mid-term liquidity management takes into account the maturities of financial assets and financial liabilities and estimates of cash flows from business operations.

The following are the contractual maturities of financial liabilities based on contractual undiscounted payments:

2025

	0 - 12 Months R mil	1 to 2 years R mil	2 to 5 years R mil	Total R mil	Carrying amount R mil
Non-derivative financial liabilities					
Trade and other payables	1 779	-	-	1 779	1 779
Amounts payable to group companies	4 465	-	-	4 465	4 465
Interest-bearing borrowings	2 852	3 548	298	6 698	5 032
	9 096	**3 548**	**298**	**12 942**	**11 276**

2024

	0 - 12 Months R mil	1 to 2 years R mil	2 to 5 years R mil	Total R mil	Carrying amount R mil
Non-derivative financial liabilities					
Bank overdraft	2	-	-	2	2
Trade and other payables	1 764	-	-	1 764	1 764
Amounts payable to group companies	5 464	-	-	5 464	5 464
Interest-bearing borrowings	3 394	3 648	2 423	9 465	7 542
	10 624	**3 648**	**2 423**	**16 695**	**14 772**

32.3.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, residual values of motor vehicles and commodity prices will affect the group's income, cash flows or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The group manages market risks to minimise the impact of fluctuations in foreign exchange rates, interest rates as well as commodity and motor vehicle prices on its results. The group calculates its overall exposure to these market risks to provide the basis for hedging decisions, which include the selection of hedging instruments and the determination of hedging volumes and the corresponding periods.

32.3.4.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in market interest rates.

The group's exposure to changes in interest rates relates primarily to the group's interest-bearing borrowings. The group's policy is aligned to MBAG's general policy to match funding in terms of maturities and interest rates whenever economically feasible.

32. Financial instruments and risk management (continued)

Interest rate profile

The interest rate profile of interest-bearing financial instruments as reported to the management of the group is as follows:

	Variable rate instruments		Fixed rate instruments	
	2025 R mil	2024 R mil	2025 R mil	2024 R mil
Financial assets				
Cash and cash equivalents	2 655	2 145	-	-
Loans and advances to customers	8 886	9 639	-	-
Amounts receivable from group companies	-	-	682	4 330
	11 541	**11 784**	**682**	**4 330**
Financial liabilities				
Bank overdraft	-	(2)	-	-
Interest-bearing borrowings	(5 032)	(7 542)	-	-
	(5 032)	**(7 544)**	**-**	**-**

Interest rate sensitivity analysis

The following table demonstrates the sensitivity of the variable rate instruments to a reasonable possible change in interest rate, with all other variables held constant, on profit before taxation:

	2025		2024	
Sensitivity analysis - 100 basis points adjustment in rate	**Increase R mil**	**Decrease R mil**	**Increase R mil**	**Decrease R mil**
Net effect on profit before taxation and equity				
Financial assets	115	(115)	118	(118)
Financial liabilities	(50)	50	(75)	75
	65	**(65)**	**43**	**(43)**

32.3.4.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The nature of the group's businesses exposes cash flows and earnings to risks due to fluctuations in exchange rates. These risks primarily relate to fluctuations between the Euro, the US Dollar ("USD") and the Singaporean Dollar ("SGD").

The group is exposed to foreign exchange rate risk between the date of order and the ultimate payment of the foreign invoices.

Foreign currency exposure at the end of the reporting period

	2025			2024			
	Euro R mil	USD R mil	SGD R mil	Euro R mil	USD R mil	SGD R mil	GBP R mil
Cash and cash equivalents	61	45	-	33	18	-	-
Trade and other receivables	380	10	-	293	8	-	4
Trade and other payables	(179)	-	(5)	(407)	(3)	(11)	-
Net exposure	**262**	**55**	**(5)**	**(81)**	**23**	**(11)**	**4**
Relevant spot exchange rates	**19.44**	**16.55**	**12.87**	**19.62**	**18.88**	**13.85**	**23.66**

32. Financial instruments and risk management (continued)

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity to a reasonable possible change in foreign exchange rates, with all other variables held constants, on the profit before taxation:

	2025		2024	
Increase or decrease in exchange rate of 10%	**Increase R mil**	**Decrease R mil**	**Increase R mil**	**Decrease R mil**
Impact on profit before taxation and equity				
Euro	26	(26)	(8)	8
USD	6	(6)	2	(2)
SGD	(1)	1	(1)	1
GBP	-	-	-	-

32.3.4.3 Residual value risk

The group is exposed to the risk of financed or leased assets being returned at values less than the residual value guaranteed under the terms of the respective agreements. These risks are managed by periodic reviews of the residual value risk. The decisions are taken by an inclusive committee and by reference to market conditions and comparative information.

Residual values on leased vehicles are estimated when the lease is entered into. Estimates involve a high level of subjectivity and judgement as the directors, through the Residual Value Steering Committee, are required to conclude on likely outcomes and probabilities based on quarterly forecasts and assumptions.

Further reviews are conducted of the exposure of the underwritten portfolio to changes in market conditions, since inception of the agreements. These ensure satisfactory coverage of assets' projected valuations to their underwritten values. Where risks are identified, strategies are developed to manage the risk position of the particular assets and provision is made for such potential loss. Where potential losses are identified, these are recognised as an adjustment to profitability at a contract level. Provision is made to the extent that the carrying values of leased assets are impaired through residual values not being fully recoverable.

Uncertainties that affect the group's estimate of the residual value of the leased assets include:
- return-rates of lease vehicles;
- penetration rates;
- lease duration; and
- market conditions.

The residual value risk provision is raised for the potential loss on the leased assets returned under a buy-back scheme.

	2025 R mil	2024 R mil
Financial liabilities subject to residual value risk		
Residual value provision	27	36

Price risk sensitivity analysis

The following table demonstrates the sensitivity to a reasonable possible change in the above mentioned residual values, with all other variables held constant, on the profit before taxation:

	2025		2024	
Increase or decrease in residual values with 10%	**Increase R mil**	**Decrease R mil**	**Increase R mil**	**Decrease R mil**
Impact on profit before taxation and equity	3	(3)	4	(4)

32.3.4.4 Commodity price risk

The group is exposed to the risk of changes in commodity prices in connection with procuring raw materials and manufacturing supplies used in production. A small portion of the raw material price risk, primarily relating to forecasted procurement of certain precious metals, is mitigated with the use of derivative financial instruments, if applicable.

Notes to the Consolidated Financial Statements

33. Fair value information

Financial assets and liabilities carried at fair value	2025 Carrying value R mil	2025 Fair value R mil	2025 Fair value level	2024 Carrying value R mil	2024 Fair value R mil	2024 Fair value level
Interest-bearing borrowings	(5 032)	(5 072)	Level 2	(7 542)	(7 563)	Level 2

Category of financial asset or liability	Includes	Valuation techniques and material inputs used
Financial assets and derivatives	Commodity swap 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.
Interest-bearing borrowings	Bonds issued under MBSA DMTN Programme	The bond programme is listed on the JSE. The bonds are held to term and are issued at market related rates of interest. Discounting based methodology is used for the valuation of the bond portfolio. Future cash flows are calculated using the projected forward JIBAR 3 month rates obtained from the JIBAR accrual zero rate curve. The projected cash flows are discounted using credit risk adjusted JSE rate curves.

Fair value hierarchy

The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: Other techniques for which all Inputs which have a material effect on the recorded fair value are observable, either directly or indirectly.
Level 3: Techniques which use inputs which have a material effect on the recorded fair value that are not based on observable market data.

34. Going concern

The consolidated financial statements for the year ended 31 December 2025 have been prepared on a going concern basis, which assumes that the group will be able to meet its obligations for the foreseeable future and for at least 12 months from the date of this report. The group recognised a net profit after tax of R 2 257 million (2024: R 2 783 million) for the year ended 31 December 2025 and, at that date, had an equity-to-asset ratio of 53.79% (2024: 47.84%).

Management believes that the group will be able to meet all its obligations for at least the next 12 months from the date of this report. Management further believes that, proceeds received during 2026 will be sufficient to meet the repayment requirements. Management has performed forecasts and based on these forecasts the expectation is that the group will continue to be profitable for the 2026 financial year. The company and group will therefore be solvent and liquid for at least the 12 months from the date of this report.

Management has the full support of the holding company, MBAG, for its operations. This is reviewed annually and additional support is provided, if required. To this extent, MBGAG issued a guarantee with regards to the notes issued under the DMTN programme.

35. Events after the reporting period

At the date of finalisation of the financial statements there were no material events that occurred subsequent to the reporting date that required adjustments to the amounts recognised in the financial statements.

Bonds and bank loans issued and redeemed

Subsequent to year end, no bonds and bank loans have been issued.

American tariffs

Following the February 2026 USA Supreme Court ruling that removed the earlier 30% emergency tariffs, the USA introduced a temporary 15% global baseline tariff. This, however, does not apply to automotive exports, which continue to fall under unchanged sector-specific tariffs under Section 232. As a result, MBSA's vehicle exports remain subject to higher effective tariff rates than the 15% baseline. The group is continuously monitoring USA trade developments.

Notes to the Consolidated Financial Statements

35. Events after the reporting period (continued)

Funding to subsidiaries

On 30 January 2026, MBSA provided a loan to MBFS of R 1 billion, which will mature on 30 January 2027.

War between the United States of America, Israel and Iran

The directors have noted the ongoing USA–Iran conflict and related global supply chain and energy market disruptions. To date these developments have not negatively affected the group's operations.

The directors will continue to monitor developments and reassess any potential implications for the group's operations.

Litigation

Subsequent to the reporting date, in February 2026, MBSA, together with MBAG and certain local dealer groups, was served with legal documents relating to a potential class action. The action relates to certain diesel vehicles sold and marketed by the group during the period 2009 to 2020. The plaintiffs allege that certain diesel vehicles marketed under specific classifications did not achieve the advertised emissions performance under normal driving conditions.

At 31 December 2025, no legal proceedings were in progress, no claim had been served on MBSA, and no legal assessment had commenced. Consequently, no present legal or constructive obligation existed at the reporting date. The service of legal documents in February 2026 therefore represents a non-adjusting event after the reporting period in terms of IAS 10 *Events after the Reporting Period*.

The matter is at an early stage and MBSA has initiated a legal assessment to evaluate the merits of the claim. At the date of authorisation of these financial statements, the directors are unable to determine whether an outflow of economic benefits is probable, nor to reliably estimate the potential financial effect arising from the claim, if any. The outcome of the matter remains uncertain and will be reassessed as further information becomes available.

Based on information currently available, the directors consider that no provision is required to be recognised as at 31 December 2025. Accordingly, the matter has been disclosed as a contingent liability in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Other

Subsequent to the reporting date, it was announced that Andreas Brand, Chief Executive Officer, will resign from his position with effect from 31 May 2026. This resignation is due to his acceptance of a new role within the broader Mercedes-Benz AG organisation. The board has initiated the process to appoint a successor, who will be announced in due course.

This event does not have a material impact on the amounts recognised in the annual financial statements and has therefore been treated as a non-adjusting event.

Notes to the Consolidated Financial Statements

36. New Standards and Interpretations

36.1 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 January 2026 or later periods:

Accounting standard	Effective date - on or after	Description of change	Description of impact
IFRS 18 *Presentation and Disclosure in Financial statements*	1 January 2027	**Presentation and Disclosure in Financial statements** The amendment introduces improvements to reporting of financial performance to provide investors a better basis for analysing and comparing companies: Improved comparability in the statement of profit or loss (income statement) through three categories for income and expenses: — operating, investing and financing — improving the structure of the income statement, and — a requirement for new defined subtotals.	Enhanced transparency of management defined performance measures with a requirement to disclose explanations of those measures related to the income statement. Useful grouping of information in the financial statements through guidance on organising information and providing it in the primary financial statements or the notes, as well as a requirement to provide more transparency about operating expenses. IFRS 18 replaces IAS 1 Presentation of Financial Statements. The impact of this new standard is being assessed.
IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments	1 January 2026	**Classification and measurement of financial instruments** Amendments to IFRS 7 introduce additional disclosure to enhance transparency for investors regarding investments in equity instruments designated at fair value through OCI and financial instruments with contingent features - tied to environmental, social and corporate governance ("ESG")-linked targets. Amendments to IFRS 9 address diversity in accounting practice by making the classification and measurement requirements more understandable and consistent by clarifying the: — classification of financial assets with ESG and similar features; and — date on which a financial asset or financial liability is derecognised when a liability is settled through electronic payment systems. These amendments also introduce an accounting policy option to allow a company to derecognise a financial liability before it delivers cash on the settlement date if specified criteria are met.	The amendment does not have any material impact on the company's profitability, liquidity and capital resources and financial position.

Appendix 1 - Employment Equity Progress Report

Every designated employer is required in terms of Section 22 of the Employment Equity Act 55 of 1998 to publish a summary of their employment equity report in its annual report. The total number of employees within the company is 2 752. The table below provides the employment equity progress of the company for the total number of employees (including employees with disabilities) in each occupational level:

Occupational levels	**Male**				**Female**				**Foreign nationals**		**Total**
	A	**C**	**I**	**W**	**A**	**C**	**I**	**W**	**Male**	**Female**	
Top management	1	-	-	-	-	-	-	2	2	-	**5**
Senior management	2	1	-	2	-	-	-	4	4	-	**13**
Professionally qualified and experienced specialists and mid-management	9	13	8	21	16	3	6	8	5	-	**89**
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	177	67	59	102	157	46	34	38	23	4	**707**
Semi-skilled and discretionary decision making	228	57	13	48	231	40	14	21	2	-	**654**
Unskilled and defined decision making	614	162	6	27	400	73	1	1	-	-	**1 284**
Total permanent	1 031	300	86	200	804	162	55	74	36	4	**2 752**
Temporary employees	-	-	-	-	-	-	-	-	-	-	**-**
Grand total	**1 031**	**300**	**86**	**200**	**804**	**162**	**55**	**74**	**36**	**4**	**2 752**

A - Africans C - Coloureds

I - Indians W - Whites

The table below provides the employment equity progress of the company for the total number of employees with disabilities in each occupational level:

Occupational levels	**Male**				**Female**				**Foreign nationals**		**Total**
	A	**C**	**I**	**W**	**A**	**C**	**I**	**W**	**Male**	**Female**	
Top management	-	-	-	-	-	-	-	-	-	-	**-**
Senior management	-	-	-	-	-	-	-	-	-	-	**-**
Professionally qualified and experienced specialists and mid-management	-	-	-	-	-	-	-	-	-	-	**-**
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	3	2	1	2	1	-	-	-	1	-	**10**
Semi-skilled and discretionary decision making	4	3	-	-	5	-	-	-	-	-	**12**
Unskilled and defined decision making	10	10	-	-	11	-	-	-	-	-	**31**
Total permanent	17	15	1	2	17	-	-	-	1	-	**53**
Temporary employees	-	-	-	-	-	-	-	-	-	-	**-**
Grand total	**17**	**15**	**1**	**2**	**17**	**-**	**-**	**-**	**1**	**-**	**53**

A - Africans C - Coloureds

I - Indians W - Whites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