Daimler Canada Finance Inc.

Interim Report as of and for the six months ended June 30, 2020

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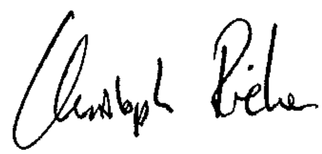
Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of Daimler Canada Finance Inc. (the Company) provide a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the Company's Management Report provides a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Farmington Hills, MI (USA), August 17, 2020

Rodrigo Garnica
President & Chief Executive Officer



Christoph Rieker
Chief Accounting Officer

Interim Management Report

General

Daimler Canada Finance Inc. ("DCFI" or the "Company") is a wholly-owned subsidiary of Daimler AG ("DAG" or "Daimler"). DCFI accesses Canadian and foreign capital markets to raise funds, which it lends to other DAG subsidiaries in Canada through a consolidated funding and cash management system. As such, it has relationships with other subsidiaries of DAG. DAG has issued full and unconditional guarantees for DCFI's obligations incurred under its outstanding notes and bonds and commercial paper programs.

The nature of the Daimler operations in Canada includes the distribution of passenger cars purchased from DAG under the brand name Mercedes-Benz, and the sale of trucks and other commercial vehicles under the brand names Freightliner, Western Star and Thomas Built Buses. Daimler also has financial services operations that principally provide automotive financing to its dealers and their customers, including retail and lease financing for cars and trucks, dealer inventory and other financing needs.

This annual report contains forward looking statements that reflect our current views about future events. Words such as "anticipate," "assume," "believe," "estimate," "expect," "intend," "may," "can", "could", "plan," "project," "should" and similar expressions are being used to identify forward looking statements. These statements are subject to many risks and uncertainties, including:

- an adverse development of global economic conditions, in particular a decline of demand and investment activity in Canada.
- a deterioration of our funding possibilities on the credit and financial markets, which could result in an increase in borrowing costs or limit our funding flexibility.
- changes in currency exchange rates and interest rates.
- changes in laws, regulations and government policies that may affect the Company or any of its sister companies.
- the business outlook of the Company's sister companies in Canada, which may affect the funding requirements of such sister companies in the automotive and financial services businesses.

The following discussion should be read in conjunction with the Company's financial statements for the six months ended June 30, 2020 and June 30, 2019, which were prepared using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Earnings

Interest income

Interest Income was $95,506 for the six months ended June 30, 2020 compared to $99,321 for the six months ended June 30, 2019. The 3.8% decrease is mainly caused by lower average related party receivables and lower interest rates.

Interest expense

Interest expense was $87,160 for the six months ended June 30, 2020 compared to $96,336 for the six months ended June 30, 2019. The 9.5% decrease is mainly caused by lower average interest rates on notes and bonds.

Administrative and other expense

Administrative and other expense decreased to $1,767 for the six months ended June 30, 2020 from $2,590 for the six months ended June 30, 2019 due to a decrease in professional fees and labor related costs.

(all amounts in thousands of Canadian dollars)

Other financial income and (expense), net

Other financial expense, net was $171 for the six months ended June 30, 2020 compared to other financial income net of $89 for the six months ended June 30, 2019 due to increased foreign exchange losses.

Profit before income taxes

Profit before income taxes increased to $6,408 for the six months ended June 30, 2020 from $484 for the six months ended June 30, 2019, due to lower interest expense.

Income tax expense

The Company recorded an income tax expense of $1,698 for the six months ended June 30, 2020 compared with $129 for the six months ended June 30, 2019. The change in tax expense from June 30, 2020 to June 30, 2019 is comparable to the change in earnings respectively.

Financial position

Total assets were $6,753,727 at June 30, 2020 compared to $7,785,816 at December 31, 2019, a decrease of 13.3%. This change is mainly due to a decrease in receivables from related parties, as well as a decrease in cash and cash equivalents. Total liabilities also decreased to $6,378,938 at June 30, 2020 from $7,405,821 at December 31, 2019, a decrease of 13.9%. This change is primarily due to lower notes and bonds payable and commercial paper outstanding. Total equity decreased to $374,789 at June 30, 2020 from $379,995 at December 31, 2019 mainly due to positive net income of $4,710 offset by other comprehensive loss of $9,916 from cash flow hedges for the six months ended June 30, 2020.

Liquidity and capital resources

In the ordinary course of business, the Company issues notes and bonds and commercial paper in Canada and Europe. The Company also enters, as necessary, into intercompany loans with other DAG subsidiaries to optimize funding from a global Daimler perspective.

The funds raised in 2020 and prior years were used to support the lease and sales financing business and the capital expenditure requirements of the industrial business of the Daimler subsidiaries in Canada. Lease and sales financing activities are typically financed with a high proportion of debt.

Cash flows were the following for the six months ended June 30, 2020 and June 30, 2019:

	Six months ended June 30,	
	2020	**2019**
Net cash provided by/(used for) operating activities	1,186,209	(197,345)
Net cash provided by/(used for) investing activities	-	-
Net cash provided by/(used for) financing activities	(1,240,691)	268,402

Net cash inflows from operating activities were $1,186,209 for the six months ended June 30, 2020 compared to net cash outflows of $197,345 for the six months ended June 30, 2019 mainly due to repayment of operating receivables from related parties.

Net cash outflows from financing activities were $1,240,691 for the six months ended June 30, 2020 compared to cash inflows of $268,402 for the six months ended June 30, 2019, mainly due to fewer issuances compared to maturities of notes and bonds and commercial paper.

Risk report

Many factors could directly and indirectly, through the close affiliation with DCFI's sister companies, affect the Company's business, financial condition, cash flows and results of operations. The principal risks are described in DCFI's annual report 2019, which was submitted to the Luxembourg Stock Exchange on April 28, 2020.

As an open economy, Canada's performance has been and will continue to be synchronized with the rest of the global economy which is faced with uncertainty. While Canada is expected to have a moderate bounce back in growth, the largest concerns confronting the global economy is the effect of the COVID-19 virus. Economic data for the second quarter 2020 still looks less severe than initially expected. Until there is a vaccine or more effective treatment widely available, the level of economic activity may stay well-below pre-shock levels at the end of this year. This could have significant adverse effects on the Daimler businesses in Canada and, as a result, on the future financial position of the Company.

If the COVID-19 is not contained a potential slowdown of the Canadian and worldwide economies could result in a decline in consumer confidence and resulting declines in investment activity and consumer demand, including demand for the passenger cars, trucks and buses sold by the Daimler businesses in Canada and throughout the world.

Outlook

After the world economy slipped into a deep recession in the first half of the year, its development in the second half will continue to be dominated by the corona crisis. The decisive factors will be when the pandemic will be under control world-wide, how quickly and comprehensively the restrictions on economic activity are lifted, and what the pattern of economic recovery will look like in the rest of the year.

Management expects the Company's operational results to be stable in 2020. This expectation is based on a continuation of the Company's business model.

(all amounts in thousands of Canadian dollars)

Statement of Comprehensive Income (Unaudited)

		Six months ended June 30,	
	Note	**2020**	**2019**
Interest income			
Interest income – related parties		93.970	92,633
Interest income – third parties		1,536	6,688
Total interest income		**95.506**	**99,321**
Interest expense			
Interest expense – third parties		(77,799)	(86,126)
Interest expense – related parties		(9,361)	(10,210)
Total interest expense		**(87,160)**	**(96,336)**
Net interest income		**8,346**	**2,985**
Administrative and other expense	12	(1,767)	(2,590)
Other financial income and (expense), net		(171)	89
Profit before income taxes		**6,408**	**484**
Income tax expense		(1,698)	(129)
Net profit		**4,710**	**355**
Other comprehensive income			
Items that are or may be reclassified to profit/(loss)			
Cash flow hedge reserve – effective portion of changes in fair value[1]		(12,849)	(9,822)
Cash flow hedge reserve – reclassification to profit or loss[1]		186	458
Cost of hedging reserve – changes in fair value[1]		2,735	2,271
Cost of hedging reserve – reclassification to profit or loss[1]		12	(33)
Other comprehensive income/(loss), net of taxes		**(9,916)**	**(7,126)**
Total comprehensive income/(loss)		**(5,206)**	**(6,771)**

[1] Net of taxes

The accompanying notes on pages 11 to 17 are an integral part of the financial statements.

(all amounts in thousands of Canadian dollars)

Statement of Financial Position (Unaudited)

		June 30,	**December 31,**
	Note	**2020**	**2019**
Assets			
Receivables from related parties	5	3,295,000	3,960,000
Other financial assets		67.666	18,516
Deferred tax assets		5,866	2,292
Total non-current assets		**3,368,532**	**3,980,808**
Receivables from related parties	5	3,185,087	3,570,919
Cash and cash equivalents		176,008	230,490
Other financial assets		24,100	3,599
Total current assets		**3,385,195**	**3,805,008**
Total assets		**6,753,727**	**7,785,816**
Equity and liabilities	6		
Share capital		-	-
Capital reserves		394,137	394,137
Accumulated deficit		(3,073)	(7,783)
Cash flow hedge reserve		(17,781)	(5,118)
Cost of hedging reserve		1,506	(1,241)
Total equity		**374,789**	**379,995**
Notes and bonds payable	8	3,459,631	3,480,549
Other financial liabilities		18,594	28,920
Total non-current liabilities		**3,478,225**	**3,509,469**
Provisions and other liabilities		-	10
Payables to related parties	7	883,817	746,618
Notes and bonds payable	8	1,468,396	2,491,425
Commercial paper	9	502.651	586,374
Liabilities to banks	10	834	-
Other financial liabilities		45,015	70,499
Tax liabilities		-	1,426
Total current liabilities		**2,900,713**	**3,896,352**
Total liabilities		**6,378,938**	**7,405,821**
Total equity and liabilities		**6,753,727**	**7,785,816**

The accompanying notes on pages 11 to 17 are an integral part of the financial statements.

(all amounts in thousands of Canadian dollars)

Statement of Changes in Equity (Unaudited)

	Share capital	Capital reserves	Accumulated Deficit	Cash flow Hedge reserve	Cost of hedging reserve	Total equity
Balance at January 1, 2019	-	**394,137**	**(15,709)**	**(1,859)**	**(3,357)**	**373,212**
Net profit	-	-	355	-	-	355
Other comprehensive income/(loss) before taxes	-	-	-	(12,730)	3,045	(9,685)
Deferred taxes on other comprehensive income/(loss)	-	-	-	3,366	(807)	2,559
Total comprehensive income/(loss)	-	-	**355**	**(9,364)**	**2,238**	**(6,771)**
Balance June 30, 2019	-	**394,137**	**(15,354)**	**(11,223)**	**(1,119)**	**366,441**
Balance at January 1, 2020	-	**394,137**	**(7,783)**	**(5,118)**	**(1,241)**	**379,995**
Net profit	-	-	4,710	-	-	4,710
Other comprehensive income/(loss) before taxes	-	-	-	(17,228)	3,738	(13,490)
Deferred taxes on other comprehensive income/(loss)	-	-	-	4,565	(991)	3,574
Total comprehensive income/(loss)	-	-	**4,710**	**(12,663)**	**2,747**	**(5,206)**
Balance at June 30, 2020	-	**394,137**	**(3,073)**	**(17,781)**	**1,506**	**374,789**

The accompanying notes on pages 11 to 17 are an integral part of the financial statements.

(all amounts in thousands of Canadian dollars)

Statement of Cash Flows (Unaudited)

		Six months ended June 30,	
	Note	**2020**	**2019**
Net profit		4,710	355
Adjustments for			
Foreign exchange (gains)/losses		(5,376)	(250)
Non-cash interest (income)/expense		5,949	(161)
Changes in			
Tax receivables		-	(345)
Other assets, provisions and accrued interest		(7,105)	(1,216)
Receivables from and payables to related parties	5, 7	1,188,031	(195,728)
Cash provided by/(used for) operating activities		**1,186,209**	**(197,345)**
Acquisition of marketable debt securities		-	-
Proceeds from sales of marketable debt securities		-	-
Cash provided by/(used for) investing activities		**-**	**-**
Issuances of notes and bonds payable[1]	8	211,871	525,594
Issuances of commercial paper[2]	9	19,896	44,721
Repayment of notes and bonds payable[1]	8	(1,368,646)	(99,202)
Repayment of commercial paper	9	(104,646)	(202,711)
Issuances of loans and borrowings	10	834	-
Cash provided by/(used for) financing activities		**(1,240,691)**	**268,402**
Net increase/(decrease) in cash and cash equivalents		**(54,482)**	**71,057**
Cash and cash equivalents at the beginning of the period		**230,490**	**679,670**
Cash and cash equivalents at the end of the period		**176,008**	**750,727**

[1] Cash provided by/(used for) financing activities includes cash flows from hedging the currency risks of financial liabilities.
[2] Cash flows from commercial paper with initial time to maturity less than 3 months are netted.

The accompanying notes on pages 11 to 17 are an integral part of the financial statements.

Notes to the Financial Statements

1. Reporting entity

Daimler Canada Finance Inc. ("DCFI" or the "Company") is a stock corporation organized under the laws of Quebec, Canada. The Company is a wholly-owned subsidiary of Daimler AG ("DAG"). Its registered office is located at 1 Place Ville Marie – 37th Floor, H3B 3P4, Montreal, Quebec, Canada.

DCFI accesses Canadian and foreign capital markets to raise funds, which it lends to DAG subsidiaries in Canada through a consolidated funding and cash management system. In the event of non-payment by DCFI, DAG irrevocably and unconditionally guarantees the debt holders the payment of the amounts corresponding to the principal of and interest on the respective notes and bonds and commercial paper as they become due. DCFI has one reportable segment.

The Company's ultimate parent DAG produces financial statements that are available for public use.

2. Basis of accounting

These unaudited interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting".

These interim financial statements are presented in Canadian dollars ("$"), which is the Company's functional currency. Unless otherwise stated all amounts are presented in thousands of Canadian dollars.

In the opinion of the management, the interim financial statements reflect all adjustments (i.e. normal recurring adjustments) necessary for a fair presentation of the results of operations and the financial position of DCFI. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period or the full fiscal year. The interim financial statements should be read in conjunction with the December 31, 2019 audited IFRS financial statements and notes which were submitted to the Luxembourg Stock Exchange on April 28, 2020. The accounting policies applied by DCFI in these interim financial statements are the same as those applied in the audited IFRS financial statements as of and for the year ended December 31, 2019.

Preparation of interim financial statements in conformity with IFRS requires management to make estimates, assessments and assumptions which can affect the amounts and reporting of assets and liabilities, the reporting of contingent assets and liabilities on the balance sheet date and the amounts of income and expense reported for the period. Actual amounts could differ from those estimates. Changes in estimates, assessments and assumptions can have a material impact on the financial statements.

3. Accounting management judgments and estimates

The preparation of financial statements requires management to make estimates and judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Management's most important estimates relate to the fair values of the Company's notes and bonds payable and receivables from related parties.

Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and are applied prospectively.

Management Judgements

Recoverability of receivables from related parties

At each reporting date, the carrying amounts of receivables from related parties are evaluated to determine whether there is objective significant increase in credit risk since initial recognition. Through June 30, 2020, the credit risk on receivables from related parties has not increased significantly since initial recognition. Therefore, the loss allowance for receivables from related parties are measured at an amount equal to 12-month expected credit losses. Receivables from related parties are considered to have a low risk of default. Management considers the 12-month expected credit losses for receivables from related parties as immaterial.

Estimates

Significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized and disclosed in the financial statements relate to the fair value measurements for the Company's financial instruments.

Fair value of financial instruments

The Company measures fair values of its financial instruments using the following hierarchy of methods:

- Quoted market prices in an active market for an identical instrument.
- Valuation techniques based on observable inputs. This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices. For all other financial instruments the Company determines fair values using valuation techniques. In particular, the Company uses widely recognized valuation models for determining the fair value of common and non-complex financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment. Observable prices and model inputs are usually available in the market for listed debt securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

4. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements.

(all amounts in thousands of Canadian dollars)

5. Receivables from related parties

DCFI provides financing to certain DAG affiliates mainly in Canada, which are related parties for DCFI. DCFI is also responsible for administering a cash management system to manage the financial resources of DAG affiliated companies in Canada. The following sets forth receivables from these related parties for such financing, including accrued interest:

	June 30, 2020	December 31, 2019
Mercedes-Benz Financial Services Canada Corp	6,367,200	7,330,492
Mercedes-Benz Canada Inc.	100,288	175,600
Mascot Truck Parts Canada Ltd	8,437	7,531
Daimler AG	4,162	17,296
Total	**6,480,087**	**7,530,919**

6. Equity

(a) Share capital

At June 30, 2020 and December 31, 2019, the authorized share capital comprised 1,000 no par value shares, of which 100 shares were issued and outstanding. All issued shares were fully paid.

(b) Reserves

Capital reserves

Capital reserves primarily comprise premiums arising on the issue of shares.

Cash flow hedge reserve

The Cash flow hedge reserve comprise accumulated unrealized gains/losses on the measurement of derivative financial instruments designated in a cash flow hedge.

Cost of hedging reserve

The cost of hedging reserve reflects gains or losses on the portion excluded from the designated hedging instrument that relates to the currency basis spread of cross-currency interest rate swaps. It is initially recognized in other comprehensive income and accounted for in profit or loss, pro rata in the caption interest expense – third parties.

(all amounts in thousands of Canadian dollars)

7. Payables to related parties

The following table sets forth amounts payable to related parties:

	June 30, 2020	December 31, 2019
MBarc Credit Canada Inc.	347,182	321,998
Daimler North America Corporation	325,634	905
Daimler Trucks Canada Ltd.	132,392	98,654
Mercedes-Benz Canada Inc.	57,813	317,134
Thomas Built Buses of Canada Ltd.	12,247	717
Daimler AG	4,490	4,335
SelecTrucks of Toronto Inc.	2,736	1,513
MFTA Canada, Inc.	1,323	1,352
Daimler Finance North America	-	10
Total	**883,817**	**746,618**

8. Notes and bonds payable

DCFI's obligations under the notes and bonds program are fully and unconditionally guaranteed by its ultimate parent company, DAG.

During the first six months of 2020, notes and bonds payable in the amount of $1,361,770 matured, compared to $100,000 in the first six months of 2019.

Terms and conditions of new notes and bonds payable issued during the first six months of 2020 are as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carrying amount
NOK Medium Term Note					
Medium Term Note	NOK	3.250%	2024	140,400	139,987
Medium Term Note	NOK	3.100%	2025	77,220	77,232
Total NOK Medium Term Notes				**217,620**	**217,219**

9. Commercial paper

In July 2011, DCFI entered into a $2,500,000 private placement of a commercial paper program. As of June 30, 2020, the amount outstanding under the commercial paper program was $502,651 compared to $586,374 as of December 31, 2019. Fixed interest rates ranged from 1.76% to 1.80% and maturity dates range from July 9, 2020 to July 27, 2020. DCFI's obligations under the commercial paper program are fully and unconditionally guaranteed by its ultimate parent company, DAG.

10. Liabilities to banks

As of June 30, 2020, outstanding liabilities to banks were $834, compared to no outstanding liabilities to banks at December 31, 2019.

(all amounts in thousands of Canadian dollars)

11. Financial instruments

Carrying amounts and fair values of financial instruments

The following table shows the carrying amounts and fair values of the Company's financial instruments. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Given the varying influencing factors, the reported fair values can only be viewed as indicators of the prices that may actually be achieved on the market.

	June 30, 2020		**December 31, 2019**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash equivalents	**176,008**	**176,008**	**230,490**	**230,490**
Financial assets at amortized cost				
Receivables from related parties	6,480,087	6,506,451	7,530,919	7,612,724
Accrued interest	5,906	5,906	3,710	3,710
Total financial assets at amortized cost	**6,485,993**	**6,512,357**	**7,534,629**	**7,616,434**
Financial assets recognized at fair value through profit or loss				
Derivative financial instruments used in hedge accounting	85,860	85,860	18,405	18,405
Total financial assets recognized at fair value through profit or loss	**85,860**	**85,860**	**18,405**	**18,405**
Total financial assets	**6,747,861**	**6,774,225**	**7,783,524**	**7,865,329**
Financial liabilities at amortized cost				
Notes and bonds payable	4,928,027	4,553,706	5,971,974	5,999,011
Commercial paper	502,651	502,651	586,374	586,374
Liabilities to banks	834	834	-	-
Payables to related parties	883,817	883,817	746,618	746,618
Accrued interest	35,091	35,091	38,564	38,564
Total financial liabilities at amortized cost	**6,350,420**	**5,976,099**	**7,343,530**	**7,370,567**
Financial liabilities at fair value				
Derivative financial instruments used in hedge accounting	28,518	28,518	60,855	60,855
Total financial liabilities at fair value	**28,518**	**28,518**	**60,855**	**60,855**
Total financial liabilities	**6,378,938**	**6,004,617**	**7,404,385**	**7,431,422**

(all amounts in thousands of Canadian dollars)

Financial assets and liabilities measured at fair value are classified into the following fair value hierarchy:

	June 30, 2020				December 31, 2019			
	Total	**Level 1**[1]	**Level 2**[2]	**Level 3**[3]	**Total**	**Level 1**[1]	**Level 2**[2]	**Level 3**[3]
Assets								
Derivative financial instruments used in hedge accounting	**85,860**	-	85,860	-	**18,405**	-	18,405	-
Liabilities								
Derivative financial instruments used in hedge accounting	**28,518**	-	28,518	-	**60,855**	-	60,855	-

[1] Fair value measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
[2] Fair value measurement based on inputs for the asset or liability that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).
[3] Fair value measurement based on inputs for the asset or liability that are not observable market data.

Financial assets and liabilities not measured at fair value are classified into the following fair value hierarchy:

	June 30, 2020				December 31, 2019			
	Total	**Level 1**[1]	**Level 2**[2]	**Level 3**[3]	**Total**	**Level 1**[1]	**Level 2**[2]	**Level 3**[3]
Financial assets measured at amortized cost	**6,506,451**	-	6,506,451	-	**7,612,724**	-	7,612,724	-
Financial liabilities measured at amortized cost	**5,057,191**	1,708,803	3,348,388	-	**6,585,385**	5,638,668	946,717	-
thereof notes and bonds	**4,553,706**	1,708,803	2,844,903	-	**5,999,011**	5,638,668	360,343	-
thereof other financial liabilities	**503,485**	-	503,485	-	**586,374**	-	586,374	-

[1] Fair value measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
[2] Fair value measurement based on inputs for the asset or liability that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).
[3] Fair value measurement based on inputs for the asset or liability that are not observable market data.

The fair values of financial instruments were calculated on the basis of market information available on the balance sheet date using the methods and assumptions below.

Cash and cash equivalents

The carrying amount of cash approximates fair value.

Receivables from related parties

DCFI holds receivables from related parties within a business model whose objective is to collect contractual cash flows. The fair values of receivables from related parties are calculated as the present values of the estimated future cash flows, using market rates.

Derivative financial instruments used in hedge accounting

These derivative financial instruments include:

- Derivative currency hedging contracts. The fair values of cross currency interest rate swaps are determined on the basis of discounted estimated future cash flows using market interest rates appropriate to the remaining terms of the financial instruments.

- Derivative interest rate hedging contracts. The fair values of interest rate hedging instruments (e.g. interest rate swaps) are calculated on the basis of the discounted estimated future cash flows using the market interest rates appropriate to the remaining terms of the financial instruments.

Notes and bonds payable

When available, the Company uses quoted market prices for its issued identical notes and bonds and classifies such instruments as Level 1 in the fair value hierarchy. If quoted market prices are not available, the fair value of notes and bonds is determined based on internal models calculating present values of the estimated cash flows and using observable inputs such as interest rates for similar types of instruments. Notes and bonds measured using simple proprietary models based on observable inputs are classified as Level 2 in the fair value hierarchy.

Commercial paper

Because of the short maturities of these financial instruments, the carrying amount approximates fair value.

Liabilities to banks

Because of the short maturities of these financial instruments, the carrying amount approximates fair value.

Payables to related parties

The fair values of payables to related parties are calculated as the present values of the estimated future cash flows, using the interest rates set forth in the underlying intercompany loan agreements, which approximate market rates. Because of the short maturities of these financial instruments, the carrying amount approximates fair value.

Other financial liabilities

Because of the short maturities of these financial instruments, the carrying amount approximates fair value.

12. Related party relationships

For transactions and balances with DAG and other DAG subsidiaries, refer to notes 5 and 7.

DCFI is charged fees for the full and unconditional guarantees on its outstanding notes and bonds payable and commercial paper, which are issued under DAG's programs. These fees are calculated as a set percentage of the outstanding notes and bonds and commercial paper for any given year. These expenses were $3,867 and $3,877 for the six months ended June 30, 2020 and June 30 2019 respectively and are included in interest expense - related parties. As of June 30, 2020 and December 31, 2019 fees outstanding were $155 and $1,234.

The Company is charged for administrative overhead expenses by DNAC. These expenses were $1,666 and $2,112 for the six months ended June 30, 2020 and June 30, 2019 respectively, and are included in administrative and other expense. The payable for administrative overhead expenses to DNAC amounted to $444 as of June 30, 2020 and $905 as of December 31, 2019.

The authority and responsibility for planning, directing and controlling the activities of DCFI resides within DAG's Corporate Treasury and Tax departments rather than with the directors of the entity. Accordingly, the Company does not have key management personnel.