

# **Daimler Finance North America LLC**

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

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# Responsibility Statement

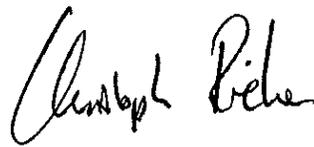
To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of Daimler Finance North America LLC provide a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the Company's management report provides 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 & CEO*



Christoph Rieker

*Chief Accounting Officer*

# Interim Management Report

## General

Daimler Finance North America LLC (“DFNA” or the “Company”) is a wholly-owned subsidiary of Daimler North America Corporation (“DNA”), which is a wholly-owned subsidiary of Daimler International Nederland B.V. (“DIN”), which is in turn a wholly-owned subsidiary of Daimler AG (“DAG”).

DFNA accesses U.S. and foreign capital markets to raise funds, which it lends to DNA through a consolidated funding and cash management system. As such, it has relationships with other subsidiaries of DAG. DAG issued full and unconditional guarantees for DFNA’s obligations incurred under its outstanding notes and bonds program and commercial paper program. DFNA and DNA entered into an intercompany loan agreement which is intended to mirror DFNA’s external borrowings such that interest expense with third parties is offset by corresponding interest income from DNA.

The nature of the Daimler operations in the US 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 document contains forward-looking statements that reflect our current views about future events. The words “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” “may,” “can,” “could,” “plan,” “project,” “should” and similar expressions are used to identify forward-looking statements. These statements are subject to many risks and uncertainties, including:

- an adverse development of global economic conditions, in particular a decline of demand and investment activity in the United States;
- 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; and
- the business outlook of the Company’s sister companies in the United States, which may affect the funding requirements of these companies in the automotive and financial services businesses.

The following discussion should be read in conjunction with the DFNA’s financial statements as of and 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).

The percentages in the following discussion were computed using exact dollar amounts and numbers. Some of those percentages may, therefore, not reflect the ratio between the rounded amounts presented below.

## **Earnings**

### *Interest Income*

Interest income was \$488,471 for the six months ended June 30, 2020 compared to \$518,636 for the six months ended June 30, 2019.

### *Interest Expense*

Interest expense was \$488,471 the six months ended June 30, 2020, compared to \$518,636 the six months ended June 30, 2019.

### *Guarantee Fees*

Guarantee fees charged by DAG were \$19,316 for the six months ended June 30, 2020, compared to \$20,213 for the six months ended June 30, 2019.

### *Administrative Expenses*

Administrative expenses were \$1,812 for the six months ended June 30, 2020 as compared to \$1,991 for the six months ended June 30, 2019.

### *Reimbursement of Expenses from DNA*

DFNA and DNA are parties to an agreement where DNA reimburses DFNA for any and all expenses incurred in connection with the administration of DFNA's notes and bonds program and commercial paper program. The reimbursement of net expenses from DNA amounted to \$21,133 in the first six months of 2020 and \$22,202 for six months ended in June 2019.

### *Net income*

Net income was \$0 for both the six months ended June 30, 2020 and the six months ended June 30, 2019.

## **Financial Position**

Total assets were \$28,776,674 at June 30, 2020 compared to \$33,695,295 at December 31, 2019, a decrease of \$4,918,621 or 15%, primarily due to repayments of loans to related parties in the first six months of 2020.

Total liabilities were \$28,776,674 at June 30, 2020 compared to \$33,695,295 at December 31, 2019, a decrease of \$4,918,621 or 15%, primarily reflecting the repayments of notes and bonds and commercial paper in the first six months of 2020.

## **Liquidity and Capital Resources**

In the ordinary course of business, the Company issues notes and bonds and commercial paper in the US and foreign capital markets and lends the proceeds to DNA. In the first six months of 2020, \$2,702,271 new notes and bonds and commercial paper were issued, while there were \$3,987,402 of new issuances during the first six months of 2019. The Company had neither cash nor cash equivalents as of June 30, 2020 and December 31, 2019.

## **Risk Report**

Many factors could directly and indirectly, through the close affiliation with DAG's affiliated companies, affect the Company's business, financial condition, and cash flows. The results of operations would not be affected due to the existing reimbursement agreements with DNA. The principal risks are described in DFNA's annual report 2019, which was submitted to the Luxembourg Stock Exchange on April 28, 2020.

**Outlook**

Management expects net income and equity to be zero in 2020. This expectation is based on the continuation of the Company's business model.

## Statement of Comprehensive Income (Unaudited)

	Note	Six months ended June 30,	
		2020	2019
Interest income – related parties		488,471	518,636
Interest expense – third parties		(488,471)	(518,636)
Guarantee fees – DAG	2	(19,316)	(20,213)
<b>Net interest expense</b>		<b>(19,316)</b>	<b>(20,213)</b>
Other financial income, net	3	(5)	2
Administrative expenses	2	(1,812)	(1,991)
Reimbursement of expenses from DNA	2	21,133	22,202
<b>Net income</b>		<b>-</b>	<b>-</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>

The accompanying notes on pages 11 to 15 are an integral part of these unaudited interim financial statements.

## Statement of Financial Position (Unaudited)

		June 30,	December 31,
	Note	2020	2019
<b>Assets</b>			
Receivables from related parties	2	21,431,463	24,826,523
<b>Total non-current assets</b>		<b>21,431,463</b>	<b>24,826,523</b>
Receivables from related parties	2	7,083,015	8,569,666
Accrued interest income from DNA	2	262,196	299,106
<b>Total current assets</b>		<b>7,345,211</b>	<b>8,868,772</b>
<b>Total assets</b>		<b>28,776,674</b>	<b>33,695,295</b>
<b>Equity and liabilities</b>			
<b>Total equity</b>		-	-
Notes and bonds payable	4	21,431,463	24,826,523
<b>Total non-current liabilities</b>		<b>21,431,463</b>	<b>24,826,523</b>
Payables to related parties	2	20,086	24,307
Other provisions		-	6
Notes and bonds payable	4	6,396,233	7,547,407
Commercial paper	5	666,696	997,946
Accrued interest expense		262,196	299,106
<b>Total current liabilities</b>		<b>7,345,211</b>	<b>8,868,772</b>
<b>Total liabilities</b>		<b>28,776,674</b>	<b>33,695,295</b>
<b>Total equity and liabilities</b>		<b>28,776,674</b>	<b>33,695,295</b>

The accompanying notes on pages 11 to 15 are an integral part of these unaudited interim financial statements.

## Statement of Changes in Equity (Unaudited)

	<b>Member's Investment</b>	<b>Retained Earnings</b>	<b>Other Reserves</b>	<b>Total Equity</b>
<b>Balance at January 1, 2019</b>	-	-	-	-
Net income	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-
Transactions with members directly recognized in equity	-	-	-	-
<b>Balance at June 30, 2019</b>	-	-	-	-
<b>Balance at January 1, 2020</b>	-	-	-	-
Net income	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-
Transactions with members directly recognized in equity	-	-	-	-
<b>Balance at June 30, 2020</b>	-	-	-	-

The accompanying notes on pages 11 to 15 are an integral part of these unaudited interim financial statements.

## Statement of Cash Flows (Unaudited)

	Note	Six months ended June 30,	
		2020	2019
Net income		-	-
Adjustments for			
FX (gains)/losses	3	5	(2)
Non-cash interest expense		13,237	11,437
Changes in			
Receivables from related parties	2	4,881,706	(3,495,983)
Payables to related parties	2	(4,221)	(4,898)
Other provisions		(6)	-
<b>Net cash provided by/(used for) operating activities</b>		<b>4,890,721</b>	<b>(3,489,446)</b>
<b>Net cash provided by/(used for) by investing activities</b>		-	-
Issuances of notes and bonds payable	4	2,138,803	2,988,755
Issuances of commercial paper	5	563,468	998,647
Repayments of notes and bonds payable	4	(6,700,000)	-
Repayments of commercial paper	5	(892,992)	(497,956)
<b>Net cash provided by/(used for) financing activities</b>		<b>(4,890,721)</b>	<b>3,489,446</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		-	-
<b>Cash and cash equivalents at the beginning of the period</b>		-	-
<b>Cash and cash equivalents at the end of the period</b>		-	-

The accompanying notes on pages 11 to 15 are an integral part of these unaudited interim financial statements.

# Notes to the Unaudited Interim Financial Statements

## **1. Presentation of the Interim Financial Statements**

These unaudited interim financial statements of Daimler Finance North America LLC (“DFNA” or the “Company”) have been prepared in accordance with International Accounting Standard (IAS) 34, “Interim Financial Reporting”.

DFNA is a limited liability company organized under the laws of Delaware. The Company is a wholly-owned subsidiary of Daimler North America Corporation (“DNA”), which is a wholly-owned subsidiary of Daimler International Nederland B.V. (“DIN”), which is in turn a wholly-owned subsidiary of Daimler AG (“DAG”). Its registered office is located at 1209 Orange Street, Wilmington, Delaware 19801, USA.

These interim financial statements are presented in U.S. dollars (“\$”), which is the Company’s functional currency. Unless otherwise stated all amounts are presented in thousands of U.S. 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 DFNA. 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 DFNA 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 can differ from those estimates. Changes in estimates, assessments and assumptions can have a material impact on the financial statements.

**2. Transactions with related parties**

The following table sets forth amounts receivable from related parties:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Daimler North America Corporation	28,514,478	33,393,956
Daimler North America Corporation - accrued interest	262,196	299,106
Daimler North America Finance Corporation (DNAF)	-	2,226
Daimler Canada Finance Inc. (DCFI)	-	7
<b>Total</b>	<b>28,776,674</b>	<b>33,695,295</b>

The following table sets forth amounts payable to related parties:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Daimler AG	16,280	24,307
Daimler North America Finance Corporation (DNAF)	3,806	-
<b>Total</b>	<b>20,086</b>	<b>24,307</b>

DFNA is charged fees for the full and unconditional guarantees on its outstanding notes and bonds and commercial paper programs by DAG. These fees are calculated as a set percentage of the outstanding notes and bonds and commercial paper at the end of each month for any given year. These guarantee fees were \$19,316 and \$20,213 for the six months ended June 30, 2020 and June 30, 2019, respectively.

DFNA is charged for administrative overhead expenses by DNA. These expenses were \$1,187 and \$1,597 for the six months ended June 30, 2020 and June 30, 2019, respectively, and are included in administrative expenses in the statement of comprehensive income.

DFNA and DNA are also parties to agreements pursuant to which DNA reimburses DFNA for any and all expenses incurred in connection with the administration of DFNA's notes and bonds and commercial paper programs. These reimbursements are recognized in income – Reimbursement of expenses from DNA.

The receivable for reimbursement of expense from DNA amounted to \$20,085 as of June 30, 2020 and \$22,087 as of December 31, 2019.

There are no related party transactions with key management personnel as defined in IAS 24.

**3. Other financial income (expense), net**

Other financial income (expense), net is comprised of the following:

	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
Result of foreign exchange transactions - gains (losses)	(5)	2
<b>Total</b>	<b>(5)</b>	<b>2</b>

#### **4. Notes and bonds payable**

DFNA's obligations under the notes and bonds program are fully and unconditionally guaranteed by its ultimate parent company, DAG. Contemporaneously, DFNA and DNA entered into an agreement according to which DNA reimburses DFNA for any and all fees incurred by DFNA in the course of the administration of the program.

During the first six months of 2020, \$6,700,000 of notes and bonds payable matured. During the first six months of 2019, no notes and bonds payable matured.

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

<b>US-Dollar Notes and Bonds</b>	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
Medium Term Note	USD	2.625	2023	1,250,000	1,245,642
Medium Term Note	USD	2.125%	2025	450,000	447,039
Medium Term Note	USD	1.750%	2030	450,000	446,842
<b>Total</b>				<b>2,150,000</b>	<b>2,139,523</b>

#### **5. Commercial paper**

In February 2011, DFNA entered into a \$3,000,000 private placement of commercial paper. The commercial paper balance was \$666,696 at June 30, 2020 compared to \$994,982 at June 30, 2019. Fixed interest rates ranged from 1.05% to 2.00% and maturity dates ranged from July 6, 2020 to November 3, 2020. DFNA's obligations under the commercial paper program are fully and unconditionally guaranteed by its ultimate parent company, DAG.

#### **6. 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. The fair values of financial instruments were calculated on the basis of market information available on the reporting date.

**Daimler Finance North America LLC – Interim report as of and for the six months ended June 30, 2020**  
(all amounts in thousands of U.S. dollars)

	June 30, 2020		December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortized cost				
Receivables from related parties	28,514,478	28,718,614	33,396,189	34,688,153
Accrued interest income from DNA	262,196	262,196	299,106	299,106
Total financial assets at amortized cost	28,776,674	28,980,810	33,695,295	34,987,259
<b>Total financial assets</b>	<b>28,776,674</b>	<b>28,980,810</b>	<b>33,695,295</b>	<b>34,987,259</b>
Financial liabilities at amortized cost				
Notes and bonds payable	27,827,696	28,031,832	32,373,930	33,665,900
Commercial paper	666,696	666,696	997,946	997,946
Payables to related parties	20,086	20,086	24,307	24,307
Accrued interest expense	262,196	262,196	299,106	299,106
Total financial liabilities carried at amortized cost	28,776,674	28,980,810	33,695,289	34,987,259
<b>Total financial liabilities</b>	<b>28,776,674</b>	<b>28,980,810</b>	<b>33,695,289</b>	<b>34,987,259</b>

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 <sup>1</sup>	Level 2 <sup>2</sup>	Level 3 <sup>3</sup>	Total	Level 1 <sup>1</sup>	Level 2 <sup>2</sup>	Level 3 <sup>3</sup>
Financial assets at amortized cost	<b>28,980,810</b>	-	28,980,810	-	<b>34,987,259</b>	-	34,987,259	-
Financial liabilities carried at amortized cost	<b>28,980,810</b>	14,926,222	14,054,588	-	<b>34,987,259</b>	25,593,434	9,393,825	-
thereof notes and bonds	<b>28,031,832</b>	14,926,222	13,105,610	-	<b>33,665,900</b>	25,593,434	8,072,466	-
thereof other financial liabilities	<b>948,978</b>	-	948,978	-	<b>1,321,359</b>	-	1,321,359	-

<sup>1</sup> Fair value measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

<sup>2</sup> 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).

<sup>3</sup> 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 at the reporting date using the methods and assumptions presented below. Due to the short nature of accrued interest income, accrued interest expense, and payables to related parties, management assumes that their fair values are equal to the carrying amounts.

**Receivables from related parties**

DFNA holds receivables from DNA within a business model whose objective is to collect contractual cash flows. None of these receivables have been derecognized or are impaired, and the Company does not believe that these receivables are at risk of being impaired. The Company believes that the fair value of the receivables from DNA approximates the fair value of the external notes and bonds payable at June 30, 2020 and December 31, 2019, as the terms and interest rates of the receivables from DNA are intended to mirror DFNA's external borrowings such that interest expense and debt maturities with third parties are offset by corresponding interest income and loan maturities from DNA.

**Notes and bonds payable**

When available, the Company uses quoted market prices for its issued 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.

**Other financial liabilities**

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