

DAIMLER

DAIMLER INTERNATIONAL FINANCE B.V.

Interim Report

30 June 2020

## Daimler International Finance B.V.

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## **Corporate profile**

Daimler International Finance B.V. (the “Company”) was incorporated in the Netherlands on April 4, 1986 and is a wholly owned subsidiary of Daimler AG, Stuttgart, Germany. The purpose of the Company is to assist the financing of business activities conducted by companies of the Daimler Group and to provide financial services in connection therewith. The Company’s goal is to mitigate the related market risks, especially interest rate and currency risk, and liquidity risk associated with financial instruments by applying the matched funding principle and by using derivative financial instruments, such as interest rate swaps and foreign exchange swaps.

Given its objectives and strategy, the Company is economically interrelated with the parent company, Daimler AG, Germany. In assessing the general risk profile of the Company, the solvency of the Daimler Group as a whole needs to be considered. The solvency is assured by managing and monitoring the liquidity position on the basis of a rolling cash flow forecast. The derived funding requirements are secured by a spectrum of various debt instruments issued on the international money and capital market. The debt securities are guaranteed by Daimler AG.

The Interim Financial Statements of the Company for the six months ended June 30, 2020 and June 30, 2019 have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code and comply with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

At the end of June 2020, the Company employed 6 people (2019: 6).

## **Business development**

In the first half of 2020, the Company’s Interest result of euro 13.1 million (2019: euro 6.9 million) was significantly above the prior-year level. This development was positively affected by a compensation payment from Daimler AG of euro 15.0 million (2019: euro 17.8 million).

The Financial result from foreign currency translation and revaluation of financial instruments showed an income of euro 1.0 million (2019: euro 1.3 million) in line with market developments. The General administrative expense amounted to euro 1.1 million (2019: euro 1.4 million).

The Income tax expense of euro 6.5 million (2019: euro 4.7 million) went up in line with the positive financial performance. Overall, this results in a Net income of euro 6.4 million, substantially higher compared to euro 2.1 million in the first half of 2019.

The Other comprehensive income was comprised of unrealized gains and losses as well as reclassifications from cash flow hedges. Thus, the Company recorded net gains after tax of euro 1.3 million in 2020 in comparison with net losses of euro 1.2 million in the previous year.

The balance sheet total was stable at euro 20,428 million compared with December 31, 2019 (euro 20,300 million). The Receivables from Daimler Group companies grew from euro 18,025 million to euro 19,030 million (without the Inhouse Bank cash position). The volume of outstanding Debt securities decreased slightly from euro 19,076 million to euro 18,385 million.

The Company participated as an issuer in Daimler's euro 70.0 billion Euro Medium Term Note program ("EMTN") and the euro 15.0 billion Multi-Currency Commercial Paper program ("CP"). Further, the Company registered a Private Placement program for debt financing instruments ("Bond Connect") with NAFMII, which allows for access to the China interbank bond market. In the six months ended June 30, 2020, the Company issued 2 bonds under this Private Placement program in the total amount of euro 0.8 billion (2019: 8 bonds under the EMTN program in the total amount of euro 6.4 billion). The outstanding volume under the CP program amounted to euro 0.3 billion at June 30, 2020 (2019: euro 1.0 billion).

The Company's equity improved compared with December 31, 2019 from euro 539 million to euro 546 million. The positive effect in equity resulted from the Net income of euro 6.4 million and the Other comprehensive income of euro 1.3 million.

The cash flow used for operating activities amounting to euro 342 million (2019: euro 2,004 million) was influenced by the slight growth of the Receivables from Daimler Group companies, while the cash flow provided by financing activities of euro 342 million (2019: euro 2,004 million) was mainly driven by the related development of the refinancing side.

### **Risk and opportunity report**

The Company is primarily exposed to financial risks that are directly and indirectly linked to the business development of the Daimler Group and the international financial markets. The Company has aligned its risk and opportunity management system with the Daimler Group to identify business risks and opportunities at an early stage and to assess, control and manage them consequently. This is integrated into the value-based management and planning system of the Daimler Group and is an integral part of the overall planning, management and reporting process in the Company. Standardized rules and procedures are consistently applied in line with the internationally recognized COSO framework for internal control systems. The Company has identified no risks which could threaten the going concern status or could have a materially adverse impact on its liquidity or capital resources as well as financial performance or position.

The financial management aims to minimize the impact of fluctuations in interest rates and currency rates on the earnings of the Company by matching amounts and maturities (natural hedges) or using derivative financial instruments. The hedging decisions are based on exposure assessments regularly aligned with the internal committees at group level.

The Company manages its liquidity by holding adequate volumes of cash and by applying as far as possible the matched funding principle. In accordance with internal guidelines, this ensures that financial liabilities generally have at least the same maturity profile as the financial assets, and thus reduces the Company's liquidity risk.

The Company's exposure to credit risk is minor and mainly influenced by the Daimler Group related default risk, as the Company solely provides loans to Daimler Group companies which are managed based on internal limit systems and guaranteed by Daimler AG. The credit risk from deposits or financial derivatives are steered based on Daimler's global counterparty limits.

## **Integrity and compliance**

As part of the Daimler organization, the Company has implemented all compliance principles, as set out in binding form in the Group's Integrity Code. This framework contains central corporate principles of behavior that Daimler expects all of its employees and business partners to adhere to out of a sense of conviction. Daimler's goal is to maintain a common understanding of ethical behavior in order to reduce risks and help ensure the Group's sustained success. This also means acting in accordance with laws and regulations within the daily business activities. Among other things, the guideline includes the compliance with anti-corruption regulations, data protection laws, equal treatment rules, sanctions and the prevention of money laundering.

## **Outlook**

The Company is expected to extend its current core activities and will actively support all major changes in the treasury operation deemed necessary to ensure the sustainable efficiency and effectiveness of financing capital use within the Daimler Group. A further expansion of business will go hand in hand with an increased number of interest rate and foreign exchange derivatives.

For the year 2020, the Interest result from the Company's operating activities is expected to evolve in line with the balance sheet development. The changes in the fair value of derivative financial instruments may have another impact on the financial performance of the Company.

In the light of the ongoing spread of COVID-19, the Board of Management has performed an analysis with regard to its potential effects on the Company and especially on the Company's liquidity. The principal risk to the Company arising from the pandemic is that, due to the impact of COVID-19 on its operations, Daimler AG is unable to meet its commitments to the Company under the terms of the guarantee in situations where group companies are unable to repay loans provided by the Company. Based on the analysis performed and taking into account the very high uncertainty surrounding the possible financial impact of the disease and the outcome of the going concern assessment performed at the Group level by Group Management, the Board of Management believes that the going concern assumption remains appropriate. The Board of Management will constantly monitor the situation and will take measures if required.

This interim report may contain forward-looking statements based on current expectations of the management. Various known and unknown risks, uncertainties and other factors could lead to considerable differences between the future results, financial situation development and/or performance and the historical results presented. Undue reliance should not be placed on forward-looking statements which speak only as of the date of this report.

## **Diversity of Board members**

The Board of Management and the Supervisory Board are unbalanced since less than 30% of its members are female. The Board members have been appointed based on qualifications and availability, irrespective of gender. In order to create more balance, the Boards will take these regulations into account to the extent possible for future appointments of Board members.

**Daimler International Finance B.V.**  
**Statement of Income and Statement of Comprehensive Income/Loss (unaudited)**

in euro thousand	Note	30.06.2020	30.06.2019
Interest income Daimler Group companies		216,414	197,115
Interest income third parties		1,804	4,530
<b>Interest income</b>		<b>218,218</b>	201,645
Interest expense Daimler Group companies		-110,068	-112,902
Interest expense third parties		-95,081	-81,856
<b>Interest expense</b>		<b>-205,149</b>	-194,758
<b>Interest result</b>		<b>13,069</b>	6,887
Other financial income and expense		315	-392
Result from financial transactions		721	1,731
<b>Financial result</b>		<b>14,105</b>	8,226
General administrative expense		-1,126	-1,379
<b>Income before taxation</b>		<b>12,979</b>	6,847
Income taxes		-6,545	-4,721
<b>Net income/loss</b>		<b>6,434</b>	2,126
<b>Other comprehensive income/loss</b>			
<b>Derivative financial instruments</b>			
Derivative financial instruments (after tax)	7	1,347	-1,223
Unrealized revaluation of cash flow hedges charged directly to shareholder's equity		1,347	-1,223
<b>Total comprehensive income/loss</b>		<b>7,781</b>	903

The Total comprehensive income is attributable to the shareholder of the Company.

**Daimler International Finance B.V.**  
**Statement of Financial Position (unaudited)**

<b>Assets</b>	Note	<b>30.06.2020</b>	31.12.2019
in euro thousand			
Property, plant and equipment		836	881
Receivables from Daimler Group companies	3	9,889,529	9,280,083
Derivative assets	10	359,840	217,063
Deferred tax assets		54	918
<b>Total non-current assets</b>		<b>10,250,259</b>	9,498,944
Receivables from Daimler Group companies	3	10,108,816	10,790,436
Derivative assets	10	67,386	9,291
Other assets		1,109	1,034
Cash and cash equivalents	4	-	-
<b>Total current assets</b>		<b>10,177,311</b>	10,800,761
<b>Total assets</b>		<b>20,427,570</b>	20,299,705
<b>Equity and liabilities</b>			
in euro thousand			
Issued capital	5	500	500
Share premium reserve	6	500,000	500,000
Cash flow hedge reserve	7	-1,243	-2,590
Retained earnings		40,621	35,868
Undistributed income		6,434	4,753
<b>Total equity</b>		<b>546,312</b>	538,531
Debt securities	8	17,383,437	16,842,098
Liabilities due to Daimler Group companies	9	207,986	210,355
Derivative liabilities	10	78,348	126,821
<b>Total non-current liabilities</b>		<b>17,669,771</b>	17,179,274
Debt securities	8	1,001,643	2,233,624
Liabilities due to Daimler Group companies	9	1,066,991	156,627
Derivative liabilities	10	59,590	120,369
Interest payables and other liabilities		83,263	71,280
<b>Total current liabilities</b>		<b>2,211,487</b>	2,581,900
<b>Total equity and liabilities</b>		<b>20,427,570</b>	20,299,705

## Daimler International Finance B.V. Statement of Cash Flows (unaudited)

in euro thousand	Note	30.06.2020	30.06.2019
Net income/loss		6,434	2,126
<b>Adjustments for non-cash items</b>			
Interest income		-218,218	-201,645
Interest expense		205,149	194,758
Other financial income and expense		-315	392
Result from financial transactions		-721	-1,731
Income taxes		6,545	4,721
<b>Changes in operating assets and liabilities</b>			
Additions to Receivables from Daimler Group companies		-10,856,154	-11,443,215
Repayment of Receivables from Daimler Group companies		10,491,436	9,398,554
Other liabilities		-126	-2,104
Derivative foreign currency received		272,384	305,057
Derivative foreign currency paid		-279,179	-262,623
Interest received		206,241	192,405
Interest paid		-168,796	-183,522
Tax paid		-6,334	-7,180
<b>Cash used for/provided by operating activities</b>		<b>-341,654</b>	<b>-2,004,007</b>
<b>Cash used for investing activities</b>		<b>-</b>	<b>-</b>
<b>Change in financing assets and liabilities</b>			
Additions to Debt securities		1,053,780	4,338,328
Repayment of Debt securities		-1,612,126	-2,304,321
Additions to Liabilities due to Daimler Group companies		900,000-	-
Repayment of Liabilities due to Daimler Group companies		-	-30,000
<b>Cash provided by financing activities</b>		<b>341,654</b>	<b>2,004,007</b>
<b>Net increase/decrease in Cash and cash equivalents</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at January 1</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at June 30</b>	<b>4</b>	<b>-</b>	<b>-</b>



**Daimler International Finance B.V.**  
**Statement of Changes in Equity (unaudited)**

in euro thousand	Issued capital	Share premium reserve	Cash flow hedge reserve	Retained earnings	Undis-tributed income	<b>Total equity</b>
<b>Balance at January 1, 2019</b>	500	500,000	-6,307	32,954	2,914	530,061
Net income/loss	-	-	-	-	2,126	2,126
Other comprehensive income/loss after tax	-	-	-1,223	-	-	-1,223
<b>Total comprehensive income/loss</b>	-	-	-1,223	-	2,126	903
Appropriation of results 2018	-	-	-	2,914	-2,914	-
<b>Balance at June 30, 2019</b>	500	500,000	-7,530	35,868	2,126	530,964
<b>Balance at January 1, 2020</b>	500	500,000	-2,590	35,868	4,753	538,531
Net income/loss	-	-	-	-	6,434	6,434
Other comprehensive income/loss after tax	-	-	1,347	-	-	1,347
<b>Total comprehensive income/loss</b>	-	-	1,347	-	6,434	7,781
Appropriation of results 2019	-	-	-	4,753	-4,753	-
<b>Balance at June 30, 2020</b>	500	500,000	-1,243	40,621	6,434	546,312

## **01. Significant accounting policies**

### **General information**

The unaudited Interim Financial Statements of Daimler International Finance B.V. (the “Company”) have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code and comply with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Daimler International Finance B.V. is a private limited company under the laws of the Netherlands. The Company is entered in the Commercial Register of the Utrecht District Court under No. 30078162 and its registered office is located at Ravenswade 4, Nieuwegein, The Netherlands. The issued share capital is fully owned by the parent company Daimler AG in Stuttgart, Germany. The Supervisory Board comprised the three members: Frank Wetter (chairman), Peter Zirwes and Tim Zech. The purpose of the Company is to assist the financing of business activities conducted by Daimler Group companies and to provide financial services in connection therewith. During the first half of 2020, the Company employed 6 persons (2019: 6 persons).

The Interim Financial Statements of the Company are presented in euros. Unless otherwise stated, all amounts are reported in thousands of euros. All figures shown are rounded in accordance with standard business rounding principles.

The Board of Management authorized Interim Financial Statements for issue on July 28, 2020.

### **Basis of preparation**

The unaudited Interim Financial Statements of June 30, 2020 have been prepared in accordance with the International Accounting Standard (IAS) 34 by using, in all material aspects, the same accounting policies as those used for preparation of the Annual Report 2019. 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 30, 2020. The Interim Financial Statements of June 30, 2020 have neither been audited nor reviewed. The Statements of Income 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.

## **02. Accounting estimates and management judgments**

In the Interim Financial Statements, to a certain degree, estimates and management judgments have to be made 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. The major items affected by such estimates and management judgments are described as follows. Actual amounts may differ from the estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognized in the period, in which the estimate is revised and in future periods, on which the revision has an impact.

In the context of fair value measurement for financial instruments, estimates have to be made to determine the fair values of financial assets and liabilities, especially when no quoted prices in active markets are available. In accordance with the established Daimler Group framework, the Company uses valuation techniques on the basis of the discounted estimated future cash flows by applying appropriate market interest rates and forward exchange rates (note 10).

The Company regularly estimates the creditworthiness of Daimler Group companies related to the default risk of Daimler AG, even though the Receivables from Daimler Group companies and Debt securities are both guaranteed by Daimler AG. In this context, further factors are taken into consideration, including historical loss experience, size and composition of certain portfolios as well as current and forward-looking economic conditions (note 11).

The calculation of income taxes is based on the legislation and regulations applicable in various countries. Different interpretations can occur especially in connection with the recognition and measurement of balance sheet items as well as in connection with the tax assessment of expenses and income. For the calculation of deferred tax assets, assumptions have to be made regarding future taxable income and the time of realization of the deferred tax assets. In this context, the Company takes into consideration, among other things, the projected earnings from business operations, the effects on earnings of the reversal of taxable temporary differences, and realizable tax strategies. As future business developments are uncertain and are sometimes beyond the Company's control, the assumptions to be made in connection with accounting for deferred tax assets are connected with a substantial degree of uncertainty. On each balance sheet date, the Company carries out impairment tests on deferred tax assets on the basis of the planned taxable income in future financial years; if the Company assesses that the probability of future tax advantages being partially or fully unrealized is more than 50%, the deferred tax assets are impaired.

The Company applies judgement in presenting related information together in a manner that it considers to be most relevant to an understanding of its financial performance and position.

### 03. Receivables from Daimler Group companies

in euro thousand	30.06.2020	31.12.2019
Non-current receivables from Daimler Group companies	9,889,529	9,280,083
Current receivables from Daimler Group companies	10,108,816	10,790,436
<b>Receivables from Daimler Group companies</b>	<b>19,998,345</b>	<b>20,070,519</b>

The Receivables from Daimler Group companies were stable at a level of euro 20 billion as per June 30, 2020. The Receivables from Daimler Group companies consisted of 93% (2019: 91%) fixed interest rate loans. The Inhouse Bank position with Daimler AG is described in note 4.

in euro thousand	30.06.2020	31.12.2019
Receivables from Daimler Group companies	19,029,875	18,025,032
Inhouse Bank Daimler AG	968,470	2,045,487
<b>Receivables from Daimler Group companies</b>	<b>19,998,345</b>	<b>20,070,519</b>

#### 04. Cash and cash equivalents

The Company participates in the Global Payment Platform from Daimler AG. Therefore, the daily available intergroup cash positions are reflected in the Inhouse Bank position with Daimler AG. The total balance is accounted for as Receivable from Daimler Group companies (note 3).

#### 05. Issued capital

The authorized share capital consists of 5,000 ordinary shares with a par value of euro 500 of which 1,000 shares have been called up and fully paid-in. The holder of ordinary shares, Daimler AG, is entitled to execute its rights under the Dutch Civil Code without any restrictions. Since January 1, 2017, there has been no changes in the number of shares outstanding.

#### 06. Share premium reserve

The share premium reserve comprises additional paid-in capital on the issue of the shares. Since January 1, 2017, there has been no changes in this line item.

#### 07. Cash flow hedge reserve

The Cash flow hedge reserve comprises the effective portion of the accumulated net change in the fair value of cash flow hedge instruments for hedged transactions. This Cash flow hedge reserve is released during the period that the cash flows from the hedged items are realized. The Cash flow hedge reserve is not freely distributable in accordance with the Dutch Civil Code. At June 30, 2020, the Cash flow hedge reserve charged directly to shareholder's equity add up to euro 1.2 million (2019: euro 2.6 million). The Cash flow hedge reserve is presented in the Statement of Other comprehensive income.

#### 08. Debt securities

in euro thousand	30.06.2020	31.12.2019
Total bonds	17,818,640	17,801,499
Non-current bonds	17,115,836	16,575,394
Current bonds	702,804	1,226,105
Commercial papers (solely current)	298,839	1,007,519
Promissory-note loan (solely non-current)	267,601	266,704
<b>Debt securities</b>	<b>18,385,080</b>	<b>19,075,722</b>

The Company participated as an issuer in Daimler's euro 70.0 billion Euro Medium Term Note program ("EMTN") and in a Private Placement program for debt financing instruments ("Bond Connect" NAFMII) for the China interbank bond market. In the six months ended June 30, 2020, the Company issued 2 bonds under this Private Placement program in the total amount of euro 0.8 billion (2019: 8 bonds under the EMTN program in the total amount of euro 6.4 billion). The Company participated in the euro 15.0 billion Multi-Currency Commercial Paper program ("CP") which supported the flexible and broad access to the international money markets.

These Daimler debt issuance programs are based on unconditional and irrevocable guarantees from Daimler AG. The outstanding bonds issued by the Company are either listed on the Luxembourg Stock Exchange or the SIX Swiss Exchange or are non-listed.

## 09. Liabilities due to Daimler Group Companies

in euro thousand	30.06.2020	31.12.2019
Non-current liabilities due to Daimler Group companies	207,986	210,355
Current liabilities due to Daimler Group companies	1,066,991	156,627
<b>Liabilities due to Daimler Group companies</b>	<b>1,274,977</b>	<b>366,982</b>

All Liabilities due to Daimler Group companies were based on fixed interest rates.

in euro thousand	30.06.2020	31.12.2019
Liabilities due to Daimler AG	73,133	65,847
Liabilities due to Daimler International Nederland B.V.	900,000	-
Liabilities due to Daimler Nederland B.V.	301,029	300,275
Liabilities due to Mercedes-Benz Cars Nederland B.V.	815	860
<b>Liabilities due to Daimler Group companies</b>	<b>1,274,977</b>	<b>366,982</b>

## 10. Financial instruments

### Carrying amounts and fair values of financial instruments

The following table shows the carrying amounts and fair values of the respective classes of the Company's financial instruments in accordance with IFRS 9:

Assets	Carrying amount		Fair value	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
in euro thousand				
Derivative assets				
Fair value hedges	377,996	215,650	377,996	215,650
Cash flow hedges	49,230	9,545	49,230	9,545
Other derivative assets	-	1,158	-	1,158
Receivables from Daimler Group Companies	19,998,345	20,070,519	20,514,645	20,314,225
Cash and cash equivalents	-	-	-	-
<b>Total financial assets</b>	<b>20,425,571</b>	<b>20,296,872</b>	<b>20,941,871</b>	<b>20,540,578</b>
Liabilities	Carrying amount		Fair value	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
in euro thousand				
Derivative liabilities				
Fair value hedges	85,847	148,824	85,847	148,824
Cash flow hedges	52,090	78,938	52,090	78,938
Other derivative liabilities	-	19,428	-	19,428
Debt securities	18,385,080	19,075,722	17,215,404	19,243,530
Liabilities due to Daimler Group Companies	1,274,977	366,982	1,280,064	370,780
Interest payables and other liabilities	83,263	71,280	83,263	71,280
<b>Total financial liabilities</b>	<b>19,881,257</b>	<b>19,761,174</b>	<b>18,716,668</b>	<b>19,932,780</b>

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 balance sheet date.

The fair values in the financial asset and liability categories approximate their carrying values, except for Daimler Group receivables with fixed interest rates and non-current debt securities. The fair values of Daimler Group receivables with fixed interest rates are determined on the basis of discounted expected future cash flows. The discounting is based on the current interest rates at which similar loans with identical terms could be obtained at period-end. Non-current debt securities measured at fair value were measured using quoted market prices at period-end. If quoted market prices were not available, the fair value measurement is based on inputs that are either directly or indirectly observable in active markets.

Financial instruments measured at fair value through profit or loss include derivative financial instruments not used in designated hedge relationship. These financial instruments as well as derivative financial instruments used in designated hedge relationship comprise:

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

## Measurement hierarchy

The following table provides an overview of the classification into measurement hierarchies for the fair values of the financial assets and liabilities in accordance with IFRS 13:

Assets	30.06.2020			31.12.2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
in euro thousand						
Derivative assets						
Fair value hedges	-	377,996	-	-	215,650	-
Cash flow hedges	-	49,230	-	-	9,545	-
Other derivative assets	-	-	-	-	1,158	-
Receivables Daimler Group companies	-	20,514,645	-	-	20,314,225	-
Cash and cash equivalents	-	-	-	-	-	-
<b>Liabilities</b>						
			30.06.2020			31.12.2019
in euro thousand						
Derivative liabilities						
Fair value hedges	-	85,847	-	-	148,824	-
Cash flow hedges	-	52,090	-	-	78,938	-
Other derivative liabilities	-	-	-	-	19,428	-
Debt securities	15,669,235	1,546,169	-	14,029,571	5,213,959	-
Liabilities Daimler Group companies	-	1,280,064	-	-	370,780	-
Interest payables and other liabilities	-	83,263	-	-	71,280	-

Level 1 inputs are based on quoted prices (unadjusted) in active markets for these or identical assets or liabilities.

Level 2 inputs are based on inputs that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 inputs are based on inputs for which no observable market data is available.

At the end of each reporting period, the Company reviews the necessity of reclassification between the measurement hierarchies.

## Measurement categories

The carrying amounts of financial instruments according to measurement categories are shown in the table below. The illustration does not include the carrying amounts of derivative financial instruments used in hedge accounting as these financial instruments are not assigned to a measurement category.

Assets	30.06.2020	31.12.2019
in euro thousand		
Receivables from Daimler Group companies	19,998,345	20,070,519
Cash and cash equivalents	-	-
<b>Total financial assets measured at amortized cost</b>	<b>19,998,345</b>	<b>20,070,519</b>
<b>Liabilities</b>		
in euro thousand		
Debt securities	18,385,080	19,075,722
Liabilities due to Daimler Group companies	1,274,977	366,982
Interest payables and other liabilities	83,263	71,280
<b>Total financial liabilities measured at amortized cost</b>	<b>19,743,320</b>	<b>19,513,984</b>

## 11. Management of risks

The exposure of the Company can be broken down into financial and non-financial risks.

### Risk management framework

During the normal course of its business, the Company is exposed to, especially market risks, interest rate and currency, as well as credit, liquidity and other operational risks. To mitigate the main market risks, derivative financial instruments are used. The Company does not trade speculatively in these derivative financial instruments. The standardized rules and procedures adopted by the Company to cover banking, foreign exchange and other treasury matters are consistent with objectives and policies for financial risk management within the Daimler Group.

### Solvency

Given its objectives and strategy, the Company is economically interrelated with the parent company, Daimler AG, Germany. In assessing the general risk profile of the Company, the solvency of the Daimler Group as a whole, headed by Daimler AG, needs to be considered.

### Credit risk

Credit risk is the risk of economic loss arising from counterparty's 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. The credit risk is regularly monitored and consequently managed based on the defined standards, guidelines and procedures. The Daimler Group has established appropriate credit risk and counterparty limit systems which are continuously reassessed together with their respective utilizations.

The Company solely provides financing within the Daimler Group and concludes derivative financial instruments for hedging risks almost exclusively with Daimler AG. Therefore, the Company's minor exposure to credit risk is mainly influenced by the Group related default risk.

The Receivables from Daimler Group companies are guaranteed by Daimler AG. The Company receives from Daimler AG the then outstanding amount of such financing minus 1% retention which in any case not exceeds the overall maximum threshold of euro 10 million. As a result, the credit risk of intergroup financial receivables is substantially mitigated.

### Liquidity risk

Liquidity risk comprises the risk that a company cannot meet its financial obligations in full. The Company manages its liquidity by holding adequate volumes of intergroup cash (note 3) and by applying as far as possible the matched funding principle. In accordance with internal guidelines, this principle ensures that financial obligations generally have the same maturity profile as the financial assets, and thus mitigates the Company's liquidity risk.

Daimler AG unconditionally and irrevocably guarantees all debt securities of the Company.

### Market risk

The Company is mainly exposed to market risks which comprises interest rate and currency risks. The Company manages market risks to minimize the impact of fluctuations in interest rates and foreign exchange rates on the results. The exposure to these market risks are regularly calculated to provide the basis for hedging decisions which include the selection of hedging instruments and the determination of hedging volumes and the corresponding periods.



Certain existing benchmark interest rates including those of the London Interbank Offer Rate (for USD, GBP, CHF and JPY) will be comprehensively and internationally reformed by the end of 2021. As a result, those interest rates will be gradually abolished and replaced with alternative risk-free reference rates. Alternative interest rates are being developed on a national level in the context of the respective legal systems and currencies; they can therefore vary with regard to their structure, methodology and period of publication.

The effect of the application of the new interest rates on the consolidated financial statements is currently being reviewed. In order to conduct financial transactions based on the new indices, Daimler is preparing its IT-systems accordingly. Market uncertainty still exists about when the new interest rates will be available, how they will be calculated and how their application will affect financial transactions. Daimler regularly discusses current developments of alternative risk-free interest rates with its international banking partners.

As part of its risk management system, the Daimler Group employs value at risk analyses. In performing these analyses, the Company quantifies its market risk due to changes in interest rates and foreign currency exchange rates on a regular basis by predicting the potential loss over a target time horizon (holding period) and confidence level.

The value at risk calculations employed:

- express potential losses in fair values, and
- assume a 99% confidence level and a holding period of five days.

The Daimler Group calculates the value at risk according to the variance-covariance approach.

#### Interest rate risk

The Company's general policy is to mitigate interest rate risk by matching funding in terms of maturities and interest rates wherever economically feasible. Potential interest rate gaps are managed in manner that the portfolio is immunized to a considerable degree against interest rate changes. The Company assesses its interest rate risk position by comparing assets and liabilities for corresponding maturities, including the impact of the relevant derivative financial instruments. An asset and liability committee within the Daimler Group sets targets for the interest rate risk position which are monitored on a monthly basis. In order to achieve the targeted interest rate risk positions in terms of maturities and interest rate fixing periods, the Company also uses derivative financial instruments such as interest rate swaps.

#### Currency risk

The objective of the Company is to eliminate currency risk. Therefore, the Company enters into foreign exchange contracts to hedge currency risks as far as cash flows and earnings are not lent on in the same currency (natural hedge). As a result, the Company incurred only limited foreign currency risk from its ordinary debt issuances and intergroup financing activities.

#### Operating and Compliance risks

The non-financial risks consist of operating risks mainly resulting from the usage of information technology, and compliance risks. The Company uses IT systems to monitor financial positions and daily cash flows, and to process payments to internal and external counterparties. System failures can, therefore, lead to delays in payment processes. Further operating risks can arise in connection with the settlement of financial transactions. The management of daily cash flows at the Company depends on the timely receipt of funds from external institutions who act as counterparties to financial transactions. To avoid negative impacts of system failures, all key systems are set up in parallel and/or backup facilities or available within the Daimler Group.

## **12. Capital management**

The Company's objectives when managing capital at an individual company level are to safeguard its ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Company may issue new shares or adjust the amount of dividends paid to shareholder to steer the capital structure. The Company has no prescribed dividend policy.

The Company's equity, as shown in the Statement of Financial Position, constitutes its capital. The Company maintains its level of capital by reference to its financial obligations and commitments arising from operations requirements. In view of the Company's borrowings or debt, the capital level as at the end of the reporting periods is deemed adequate by the Board of Management. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the relevant period.

## **13. Related party disclosures**

An exchange of internal cooperation between affiliates of a multinational corporation as the Daimler Group is common practice.

### **Identity of related parties**

In its responsibility to assist the financing of business activities conducted by companies of the Daimler Group, Daimler International Finance B.V. applies transfer prices for financial instruments in conformity with external market levels and in accordance with national and international tax requirements (such as arm's length principle, principle of economic allegiance, separate entity approach, Art 9 OECD-MA Rz 126).

### **Key management personnel**

Daimler International Finance B.V. has two directors in the Board of Management who receive compensation from Daimler International Finance B.V. The Company does not have other key management personnel than the Board of Management.

### **Transactions with Daimler Group companies**

Daimler International Finance B.V. obtains funds mainly from the capital markets, and affiliated companies by entering into loan agreements. The issues under the debt security programs are unconditionally and irrevocably guaranteed by Daimler AG for which the Company pays a guarantee fee to its parent company. The funds represent currently 94% of the borrowed funds (2019: 98%). The Company also obtained funds from affiliated companies in the amount of euro 1,200 million (2019: euro 300 million). Together with the Company's equity, all of these funds are made available to Daimler Group companies.

**Daimler International Finance B.V.**  
**Responsibility Statement**

To the best of our knowledge, and in accordance with Part 9 of Book 2 of the Dutch Civil Code and the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), the Interim Financial Statements give a true and fair view of the financial position, cash flows and profit or loss of Daimler International Finance B.V., and the Company's Interim Management Report includes a fair review of the development and performance of the business and the position of Daimler International Finance B.V., together with a description of the principal risks and opportunities associated with the expected development of the Company.

Nieuwegein, July 28, 2020

Daimler International Finance B.V.  
The Board of Management

Maarten van Pelt

Volker Lach

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