

Daimler Canada Finance Inc.

Interim Report as of and for the six months ended June 30, 2021

Table of Contents

Responsibility Statement.....	3
Interim Management Report.....	4
Statement of Comprehensive Income (Unaudited)	7
Statement of Financial Position (Unaudited)	8
Statement of Changes in Equity (Unaudited)	9
Statement of Cash Flows (Unaudited)	10
Notes to the Financial Statements	11
1. Reporting entity.....	11
2. Basis of accounting	11
3. Accounting management judgments and estimates	11
4. Basis of preparation	12
5. Receivables from related parties	13
6. Equity	13
7. Payables to related parties	14
8. Notes and bonds payable	14
9. Commercial paper	14
10. Financial instruments	14
11. Related party relationships.....	17

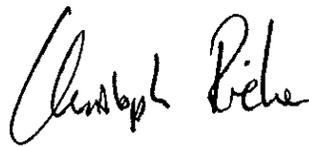
Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of Daimler Canada Finance Inc. 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 27, 2021



Ramasami Muthaiyah
President & Chief Executive Officer



Christoph Rieker
Chief Financial 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, 2021 and June 30, 2020, which were prepared using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Earnings

Interest income

Interest Income was \$74,786 for the six months ended June 30, 2021 compared to \$95,506 for the six months ended June 30, 2020. The 21.7% decrease is mainly caused by lower average related party receivables and lower average interest rates.

Interest expense

Interest expense was \$54,614 for the six months ended June 30, 2021 compared to \$87,160 for the six months ended June 30, 2020. The 37.3% decrease is mainly caused by lower average interest rates on notes and bonds.

Administrative and other expense

Administrative and other expense increased to \$2,282 for the six months ended June 30, 2021 from \$1,767 for the six months ended June 30, 2020 due to an increase in professional fees and labor related costs.

Daimler Canada Finance Inc. – Interim Report as of and for the six months ended June 30, 2021
(all amounts in thousands of Canadian dollars)

Other financial income and expense, net

Other financial income, net was \$50 for the six months ended June 30, 2021 compared to other financial expense, net of \$171 for the six months ended June 30, 2020 due to decreased foreign exchange losses.

Profit before income taxes

Profit before income taxes increased to \$17,940 for the six months ended June 30, 2021 from \$6,408 for the six months ended June 30, 2020, due to a higher decrease in interest expense than interest income.

Income tax expense

The Company recorded an income tax expense of \$4,754 for the six months ended June 30, 2021 compared with \$1,698 for the six months ended June 30, 2020. The change in tax expense from June 30, 2021 to June 30, 2020 is comparable to the change in earnings respectively.

Financial position

Total assets were \$6,497,100 at June 30, 2021 compared to \$6,917,260 at December 31, 2020, a decrease of 6.1%. This change is mainly due to a decrease in receivables from related parties, as well as a decrease in other financial assets. Total liabilities also decreased to \$6,099,896 at June 30, 2021 from \$6,537,676 at December 31, 2020, a decrease of 6.7%. This change is primarily due to lower notes and bonds payable and payables to related parties. Total equity increased to \$397,204 at June 30, 2021 from \$379,584 at December 31, 2020 mainly due to net income of \$13,186 and other comprehensive income of \$4,434 primarily attributable to cash flow hedges for the six months ended June 30, 2021.

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 2021 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, 2021 and June 30, 2020:

	Six months ended June 30,	
	2021	2020
Net cash provided by/(used for) operating activities	105,904	1,186,209
Net cash provided by/(used for) investing activities	-	-
Net cash provided by/(used for) financing activities	(85,572)	(1,240,691)

Net cash inflows from operating activities were \$105,904 for the six months ended June 30, 2021 compared to net cash inflows of \$1,186,209 for the six months ended June 30, 2020 mainly due to a decrease in repayment of operating receivables from related parties and increase in repayment of operating payables to related parties.

Net cash outflows from financing activities were \$85,572 for the six months ended June 30, 2021 compared to net cash outflows of \$1,240,691 for the six months ended June 30, 2020, mainly due to fewer issuances compared to maturities of notes and bonds.

Daimler Canada Finance Inc. – Interim Report as of and for the six months ended June 30, 2021
(all amounts in thousands of Canadian dollars)

Important events

On February 3, 2021 the Board of Management of Daimler AG decided, with the consent of the Supervisory Board on July 30, to examine the spin-off of Daimler Trucks & Buses including significant parts of the related financial services business (Daimler Truck), and to begin preparations for a separate listing of Daimler Truck before the end of 2021. The Daimler shareholders will decide on this realignment of their company at an extraordinary general meeting on October 1, 2021. The effect on the financial statements cannot be reliably determined at present.

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 2020, which was submitted to the Luxembourg Stock Exchange on April 28, 2021.

Canada's 2021 economic outlook is similar to that of other developed countries: After the largest economic contraction in recent history, the economy should grow sufficiently to largely offset the losses of 2020. Following a significant improvement in the health situation and an increase in the vaccination rollout, the economy is expected to see a robust growth in the second half of 2021. Despite some pressing concerns around debt levels and weak business investment, the overall economic outlook in the near term is positive. With that being said, the last few months have demonstrated that the Canadian and global economies remain susceptible to the progression of the pandemic. Additionally lingering coronavirus pandemic risks, such as price volatility in raw-material markets and the global semiconductor shortage, remain. These factors combined could have significant adverse effects on the Daimler business in Canada and, as a result, on the future financial position of the Company.

Outlook

Based on the expected continuation of the global economic recovery, we anticipate a continued favorable development of worldwide demand for cars this year and significant growth in market volume for 2021 as a whole. Our expectations for the development of business in 2021 are based on the assumption of a gradual normalization of economic conditions in the markets that are important to us. In particular, we assume that the world economy will be able to recover from the pandemic-related weakness of the year 2020, aided by, among other things the increasing availability of effective vaccines.

Management expects the Company's operational results to be stable in 2021. This expectation is based on a continuation of the Company's business model.

Statement of Comprehensive Income (Unaudited)

	Note	Six months ended June 30,	
		2021	2020
Interest income			
Interest income – related parties		73,942	93,970
Interest income – third parties		844	1,536
Total interest income		74,786	95,506
Interest expense			
Interest expense – third parties		(50,452)	(77,799)
Interest expense – related parties		(4,162)	(9,361)
Total interest expense		(54,614)	(87,160)
Net interest income		20,172	8,346
Administrative and other expense	11	(2,282)	(1,767)
Other financial income and (expense), net		50	(171)
Profit before income taxes		17,940	6,408
Income tax expense		(4,754)	(1,698)
Net profit		13,186	4,710
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		3,447	(12,849)
Cash flow hedge reserve – reclassification to profit or loss ¹		922	186
Cost of hedging reserve – changes in fair value ¹		104	2,735
Cost of hedging reserve – reclassification to profit or loss ¹		(39)	12
Other comprehensive income/(loss), net of taxes		4,434	(9,916)
Total comprehensive income/(loss)		17,620	(5,206)

¹ Net of taxes

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

Statement of Financial Position (Unaudited)

		June 30,	December 31,
	Note	2021	2020
Assets			
Receivables from related parties	5	3,175,000	3,075,000
Other financial assets		35,442	81,370
Deferred tax assets		2,612	4,210
Total non-current assets		3,213,054	3,160,580
Receivables from related parties	5	2,988,741	3,479,388
Cash and cash equivalents		278,207	257,875
Other financial assets		17,097	17,863
Tax receivables		1	1,554
Total current assets		3,284,046	3,756,680
Total assets		6,497,100	6,917,260
Equity and liabilities	6		
Share capital		-	-
Capital reserves		394,137	394,137
Accumulated surplus/(deficit)		10,314	(2,872)
Cash flow hedge reserve		(7,256)	(11,625)
Cost of hedging reserve		9	(56)
Total equity		397,204	379,584
Notes and bonds payable	8	3,222,759	3,811,905
Other financial liabilities		44,545	2,000
Total non-current liabilities		3,267,304	3,813,905
Provisions and other liabilities		36	8
Payables to related parties	7	1,112,829	1,416,075
Notes and bonds payable	8	1,460,481	1,259,777
Commercial paper	9	220,972	-
Other financial liabilities		35,073	47,911
Tax liabilities		3,201	-
Total current liabilities		2,832,592	2,723,771
Total liabilities		6,099,896	6,537,676
Total equity and liabilities		6,497,100	6,917,260

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

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, 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
Balance at January 1, 2021	-	394,137	(2,872)	(11,625)	(56)	379,584
Net profit	-	-	13,186	-	-	13,186
Other comprehensive income/(loss) before taxes	-	-	-	5,944	88	6,032
Deferred taxes on other comprehensive income/(loss)	-	-	-	(1,575)	(23)	(1,598)
Total comprehensive income/(loss)	-	-	13,186	4,369	65	17,620
Balance at June 30, 2021	-	394,137	10,314	(7,256)	9	397,204

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

Statement of Cash Flows (Unaudited)

	Note	Six months ended June 30,	
		2021	2020
Net profit		13,186	4,710
Adjustments for			
Foreign exchange (gains)/losses		(196)	(5,376)
Non-cash interest (income)/expense		3,300	5,949
Changes in			
Tax receivables		1,553	-
Other assets, tax liabilities, provisions and accrued interest		660	(7,105)
Receivables from and payables to related parties	5, 7	87,401	1,188,031
Cash provided by/(used for) operating activities		105,904	1,186,209
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
Issuances of commercial paper ²	9	220,885	19,896
Repayment of notes and bonds payable ¹	8	(306,457)	(1,368,646)
Repayment of commercial paper	9	-	(104,646)
Issuances of loans and borrowings		-	834
Cash provided by/(used for) financing activities		(85,572)	(1,240,691)
Net increase/(decrease) in cash and cash equivalents		20,332	(54,482)
Cash and cash equivalents at the beginning of the period		257,875	230,490
Cash and cash equivalents at the end of the period		278,207	176,008

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, 2020 audited IFRS financial statements and notes which were submitted to the Luxembourg Stock Exchange on April 28, 2021. 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, 2020.

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.

Daimler Canada Finance Inc. – Interim Report as of and for the six months ended June 30, 2021
(all amounts in thousands of Canadian dollars)

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, 2021, 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.

Daimler Canada Finance Inc. – Interim Report as of and for the six months ended June 30, 2021
(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, 2021	December 31, 2020
Mercedes-Benz Financial Services Canada Corp	6,150,308	6,374,213
Mascot Truck Parts Canada Ltd	10,824	9,151
Daimler AG	1,328	70,753
Mitsubishi Fuso Canada	1,281	-
Mercedes-Benz Canada Inc.	-	100,271
Total	6,163,741	6,554,388

6. Equity

(a) Share capital

At June 30, 2021 and December 31, 2020, 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.

Daimler Canada Finance Inc. – Interim Report as of and for the six months ended June 30, 2021
(all amounts in thousands of Canadian dollars)

7. Payables to related parties

The following table sets forth amounts payable to related parties:

	June 30, 2021	December 31, 2020
MBarc Credit Canada Inc.	417,854	389,563
Mercedes-Benz Canada Inc.	306,190	276,981
Daimler Trucks Finance Canada Inc.	238,782	238,614
Daimler Trucks Canada Ltd.	136,719	103,742
Thomas Built Buses of Canada Ltd.	5,051	9,884
SelecTrucks of Toronto Inc.	3,693	3,625
Daimler AG	3,585	4,456
Daimler North America Corporation	955	385,987
Mercedes-Benz Financial Services Canada Corp	-	3,062
MFTA Canada, Inc.	-	161
Total	1,112,829	1,416,075

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 2021, notes or bonds payable in the amount of \$299,114 matured, compared to \$1,361,770 in the first six months of 2020.

There were no new notes and bonds issued during the first six months of 2021.

9. Commercial paper

In July 2011, DCFI entered into a \$2,500,000 private placement of a commercial paper program. As of June 30, 2021, the amount outstanding under the commercial paper program was \$220,972 compared to no amount outstanding as of December 31, 2020. Fixed interest rates ranged from 0.58% to 0.59% and maturity dates range from July 6, 2021 to July 12, 2021. DCFI's obligations under the commercial paper program are fully and unconditionally guaranteed by its ultimate parent company, DAG.

10. 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.

Daimler Canada Finance Inc. – Interim Report as of and for the six months ended June 30, 2021
(all amounts in thousands of Canadian dollars)

	June 30, 2021		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	278,207	278,207	257,875	257,875
Financial assets at amortized cost				
Receivables from related parties	6,163,741	6,257,764	6,554,388	6,698,782
Accrued interest	5,984	5,984	7,019	7,019
Total financial assets at amortized cost	6,169,725	6,263,748	6,561,407	6,705,801
Financial assets recognized at fair value through profit or loss				
Derivative financial instruments used in hedge accounting	46,555	46,555	92,214	92,214
Total financial assets recognized at fair value through profit or loss	46,555	46,555	92,214	92,214
Total financial assets	6,494,487	6,588,510	6,911,496	7,055,890
Financial liabilities at amortized cost				
Notes and bonds payable	4,683,240	4,737,165	5,071,682	5,160,685
Commercial paper	220,972	220,972	-	-
Payables to related parties	1,112,829	1,112,829	1,416,075	1,416,075
Accrued interest	31,090	31,090	34,694	34,694
Total financial liabilities at amortized cost	6,048,131	6,102,056	6,522,451	6,611,454
Financial liabilities at fair value				
Derivative financial instruments used in hedge accounting	48,528	48,528	15,217	15,217
Total financial liabilities at fair value	48,528	48,528	15,217	15,217
Total financial liabilities	6,096,659	6,150,584	6,537,668	6,626,671

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

	June 30, 2021				December 31, 2020			
	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	46,555	-	46,555		92,214	-	92,214	-
Liabilities								
Derivative financial instruments used in hedge accounting	48,528	-	48,528	-	15,217	-	15,217	-

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.

Daimler Canada Finance Inc. – Interim Report as of and for the six months ended June 30, 2021
(all amounts in thousands of Canadian dollars)

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

	June 30, 2021				December 31, 2020			
	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	6,257,764	-	6,257,764	-	6,698,782	-	6,698,782	-
Financial liabilities measured at amortized cost	4,958,137	4,431,006	527,131	-	5,160,685	4,118,486	1,042,199	-
thereof notes and bonds	4,737,165	4,431,006	306,159	-	5,160,685	4,118,486	1,042,199	-
thereof other financial liabilities	220,972	-	220,972	-	-	-	-	-

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.

Daimler Canada Finance Inc. – Interim Report as of and for the six months ended June 30, 2021
(all amounts in thousands of Canadian dollars)

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.

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.

11. 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 \$3,201 and \$3,867 for the six months ended June 30, 2021 and June 30 2020 respectively and are included in interest expense - related parties. As of June 30, 2021 unrealized income was \$1,095, as compared to fees outstanding of \$121 as of December 31, 2020.

The Company is charged for administrative overhead expenses by DNAC. These expenses were \$1,824 and \$1,666 for the six months ended June 30, 2021 and June 30, 2020 respectively, and are included in administrative and other expense. The payable for administrative overhead expenses to DNAC amounted to \$955 as of June 30, 2021 and \$987 as of December 31, 2020.

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.