

**Daimler Canada Finance Inc.**

**Annual Report 2021**

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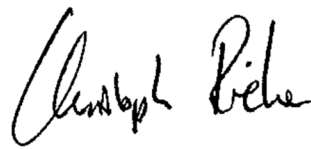
# Responsibility Statement

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

Farmington Hills, MI (USA), April 27, 2022



*Ramasami Muthaiyah*  
*President & Chief Executive Officer*



*Christoph Rieker*  
*Chief Financial Officer*

## Daimler Canada Finance Inc. – Annual Report 2021

(all amounts in thousands of Canadian dollars)

# Management Report

### General

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

On October 1, 2021, the Extraordinary General Meeting approved the renaming of Daimler AG as Mercedes-Benz Group AG effective January 29, 2022. The commercial register entry took place on February 1, 2022.

The nature of the Mercedes-Benz Group operations in Canada include the distribution of passenger cars purchased from MBGAG under the brand name Mercedes-Benz. Mercedes-Benz Group also has financial services operations that principally provide automotive financing to its dealers and their customers, including retail and lease financing for cars, dealer inventory and other financing needs.

Operations in Canada included the sale of trucks and other commercial vehicles under the brand names Freightliner, Western Star and Thomas Built Buses as well as financial services operations for retail and lease financing for trucks. On December 10, 2021, substantial parts of the Daimler Truck & Buses segment, including the related financial services business were spun-off when Daimler Truck Holding AG was listed on the Frankfurt Stock Exchange as the parent company of the independent Daimler Truck Group.

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 as of and for the years ended December 31, 2021 and 2020, which were prepared using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Note 3 to the financial statements provides a summary of the Company’s significant accounting policies.

### Earnings

#### *Interest income*

Interest income was \$125,981 in 2021 compared to \$179,638 in 2020. The 29.9% decrease is mainly caused by lower interest rates.

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### *Interest expense*

Interest expense was \$98,257 in 2021 compared to \$168,412 in 2020. The 41.7% decrease is mainly caused by lower interest rates and lower external financing liabilities in 2021.

### *Administrative and other expense*

Administrative and other expense decreased to \$4,015 in 2021 from \$4,297 in 2020 mainly due to decreases in professional fees and labor related costs.

### *Other financial income and (expense), net*

Other financial income, net was \$71 in 2021, compared to other financial expense, net of \$(247) in 2020, due to foreign exchange gains.

### *Profit before income taxes*

Profit before income taxes increased to \$23,780 in 2021 compared to \$6,682 in 2020. The change in profit before income taxes is primarily driven by interest result. While interest income declined in 2021, interest expense was reduced more due to fewer external liabilities with lower interest rates. In order to adjust the funding structure of Mercedes-Benz Financial Services Canada Corporation (MBFS Canada) due to the spin-off of the trucks financial services business, loan receivables were early terminated and generated interest income of \$4,644 in 2021. To match external funding cost the interest rebate to MBFS Canada reduced interest income by \$16,500 in 2021 and 2020.

### *Income tax expense*

The Company recorded an income tax expense of \$6,302 in 2021 compared with \$1,771 in 2020. The change in tax expense from 2021 to 2020 is comparable to the change in earnings.

### *Other comprehensive income*

Other comprehensive income was comprised of unrealized gains and losses from cash flow hedges. The Company recorded net income after taxes of \$9,200 in 2021, compared to net losses after taxes of \$(5,322) in 2020.

## **Financial position**

Total assets were \$4,571,793 at December 31, 2021 compared to \$6,917,260 at December 31, 2020, a decrease of \$(2,345,467) or 33.9%. This change is mainly due to decreases in receivables from related parties. A majority of the decrease in related party receivables is caused by the sale of the financial services truck portfolio and the respective adjustment of the funding structure for the remaining business. Total liabilities also decreased to \$4,165,531 at December 31, 2021 from \$6,537,676 at December 31, 2020, a decrease of 36.3%. This change is primarily due to lower notes and bonds outstanding as well as repayments of payables to related parties. Total equity increased to \$406,262 at December 31, 2021 from \$379,584 at December 31, 2020 because of net income of \$17,478 as well as \$9,200 other comprehensive income from cash flow hedges in 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 MBGAG subsidiaries to optimize funding from a global Mercedes-Benz Group 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 Mercedes-Benz Group subsidiaries in Canada. Lease and sales financing activities are typically financed with a high proportion of debt.

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Cash flows were the following in 2021 and in 2020:

	2021	2020
Net cash provided by/(used for) operating activities	2,208,093	1,641,067
Net cash provided by/(used for) investing activities	-	-
Net cash provided by/(used for) financing activities	(1,252,952)	(1,613,682)

Net cash inflows from operating activities were \$2,208,093 in 2021 compared to net cash inflows of \$1,641,067 in 2020 mainly due to proceeds from the sale of the truck financial services business.

Net cash outflows from financing activities were \$(1,252,952) for 2021 compared to net cash outflows of \$(1,613,682) for 2020, mainly due to 2021 maturities without any offsetting issuances.

### 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 below.

#### *Economic risks*

The Canadian economy will continue its transition from pandemic recovery-driven growth to more normal growth in 2022. Canada's economy is in a fundamentally strong position heading into 2022 with rising global trade, continued firmness in commodity prices and a competitive Canadian dollar.

Canadian households remain well positioned to support economic activity in 2022. Inflation remains a concern in Canada, as it is across the globe, due to supply chain and labor issues. Covid should have a less significant impact on overall growth prospects given the momentum in the economy and ongoing vaccination rates increasing globally.

Economic disruption caused by future covid variants or continued supply chain issues could create possible adverse effects on Mercedes-Benz Group businesses in Canada and as a result, on the future financial position of the company.

Uncertainties for the global economy and the business development of the Mercedes-Benz Group may arise in particular from geopolitical and trade policy developments worldwide. The main factor in this respect is a further escalation of the Russia-Ukraine War or, in the worst case its spread to other countries.

#### *Industry risks*

As a result of the covid-19 pandemic, risks still exist for the development of unit sales and the availability of components in the after-sales businesses. Rising energy and oil prices and volatile exchange rates can also lead to market uncertainty and thus to falling demand for vehicles at Mercedes-Benz Group companies in Canada, which are financed by DCFI, would be costly and indirectly affect the financial position of the Company.

In addition, the financial services that Mercedes-Benz Group offers in connection with the sale of vehicles involve several risks. These include the potential inability to recover the investments in leased vehicles or to collect the sales financing receivables if the resale prices of the vehicles securing these receivables fall short of the carrying value, which may lead to additional funding requirements through DCFI.

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(all amounts in thousands of Canadian dollars)

### *Financial risks*

The Mercedes-Benz Group business in Canada, and in particular the operations of the Company, are exposed to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates. The Company holds a variety of interest rate sensitive assets and liabilities to manage the liquidity and cash needs of the Mercedes-Benz Group operations. Changes in foreign currency exchange rates and interest rates may have substantial adverse effects on the Company's operating results and cash flows. Adverse effects may arise from downgrades of the long-term debt ratings of the Company's parent company, MBGAG, and the ability of the Company to issue debt in the Canadian and European markets. Lower demand for the Company's debt instruments could increase the borrowing costs or otherwise limit DCFI's ability to fund the Mercedes-Benz Group operations in Canada.

Note 15 to the Company's financial statements describes the risk management strategies employed by the Company to address such risks.

If any of these risks and uncertainties materialize, or if the assumptions underlying any of our forward-looking statements prove incorrect, then our actual results may be materially different from those we express or imply by such statements. We do not intend or assume any obligation to update these forward-looking statements. Any forward looking statement speaks only as of the date on which it is made.

### **Corporate Governance**

#### *Corporate bodies*

As of December 31, 2021, the Company had six officers and a board of directors which is comprised of three members. The officers are responsible for managing the day to day operations of the Company while the board of directors advises and monitors the officers.

#### *Compliance*

As part of the Mercedes-Benz Group organization, the Company has applied all compliance principles the Mercedes-Benz Group AG Board of Management has set including an Integrity Code. This Integrity Code is a set of guidelines for behavior defining a binding framework for the actions of all employees worldwide. Among other things, the guidelines define correct behavior in international business and in any cases of conflicts of interest, questions of equal treatment, proscription of corruption, the role of internal control systems and the duty to comply with applicable law as well as other internal and external regulations.

#### *Risk management and internal control*

The risk management system is one component of the overall planning, controlling and reporting process. Its goal is to enable the Company's management to recognize significant risks at an early stage and to initiate appropriate countermeasures in a timely manner (see note 15 to the accompanying financial statements).

The officers of the Company are responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS as issued by the IASB and includes those policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

#### *Accounting principles*

The financial statements of the Company are prepared in accordance with IFRS as issued by the IASB.

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### **Outlook**

We expect the world economy to grow somewhat more slowly in 2022 following its strong rebound in the prior year. Especially during the first few months of the year, developments will continue to be affected by the measures implemented to inhibit the spread of the covid-19 pandemic and the ongoing bottlenecks for upstream products and transport capacities. However, we assume that global growth will accelerate later in the years as vaccination rates continue to rise and global supply chains gradually return to normal. Moreover, many private households in the industrialized countries have accumulated unusually high levels of savings during the pandemic. The expenditure of at least part of these savings could give consumption a boost.

Management expects the Company's operational results to be stable in 2022. This expectation is based on a continuation of the Company's business model.



## Independent Auditors' Report

The Board of Directors  
Daimler Canada Finance Inc.:

### Report on the Audit of the Financial Statements

We have audited the financial statements of Daimler Canada Finance Inc. (the Company), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for presenting the financial statements in accordance with the requirements set forth in the Commission Delegated Regulation 2019/815 on European Single Electronic Format (the ESEF Regulation).

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting

from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Our responsibilities include assessing whether the financial statements have been prepared, in all material respects, in compliance with the requirements set forth in the ESEF Regulation.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### *Other Information*

Management is responsible for the other information included in the annual report. The other information comprises the Management Report (consisting of pages 4/44 to 8/44) but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

#### **Report on Other Legal and Regulatory Requirements**

We have evaluated the compliance of the financial statements of the Company as of and for the years ended December 31, 2021 and 2020 with the relevant statutory requirements set forth in the ESEF Regulation that are applicable to financial statements.

For the Company, the relevant statutory requirements relate to financial statements being prepared in a valid XHTML format.

In our opinion, the financial statements of the Company as of and for the years ended December 31, 2021 and 2020, identified as DCFI\_Annual\_Report\_2021.zip, have been prepared, in all material respects, in compliance with the requirements set forth in the ESEF Regulation.

/s/ KPMG LLP

Detroit, Michigan

April 27, 2022

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(all amounts in thousands of Canadian dollars)

## Statement of Comprehensive Income

	Note	Year ended December 31,	
		2021	2020
<b>Interest income</b>			
Interest income – related parties		123,560	177,322
Interest income – third parties		2,421	2,316
<b>Total interest income</b>		<b>125,981</b>	<b>179,638</b>
<b>Interest expense</b>			
Interest expense – third parties		(89,941)	(137,238)
Interest expense – related parties		(8,316)	(31,174)
<b>Total interest expense</b>		<b>(98,257)</b>	<b>(168,412)</b>
<b>Net interest income</b>		<b>27,724</b>	<b>11,226</b>
Administrative and other expense	16	(4,015)	(4,297)
Other financial income and (expense), net	4	71	(247)
<b>Profit before income taxes</b>		<b>23,780</b>	<b>6,682</b>
Income tax expense	5	(6,302)	(1,771)
<b>Net profit</b>		<b>17,478</b>	<b>4,911</b>
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified to profit/(loss)</b>			
Cash flow hedge reserve – effective portion of changes in fair value <sup>1</sup>		3,300	(9,033)
Cash flow hedge reserve – reclassification to profit or loss <sup>1</sup>		6,462	2,526
Cost of hedging reserve – changes in fair value <sup>1</sup>		(523)	417
Cost of hedging reserve – reclassification to profit or loss <sup>1</sup>		(39)	768
<b>Other comprehensive (loss), net of taxes</b>		<b>9,200</b>	<b>(5,322)</b>
<b>Total comprehensive income/(loss)</b>		<b>26,678</b>	<b>(411)</b>

<sup>1</sup> Net of taxes.

The accompanying notes on pages 16 to 44 are an integral part of the financial statements.

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(all amounts in thousands of Canadian dollars)

# Statement of Financial Position

	Note	Year ended December 31,	
		2021	2020
<b>Assets</b>			
Receivables from related parties	6	1,610,000	3,075,000
Other financial assets	7	12,490	81,370
Deferred tax assets	5	895	4,210
<b>Total non-current assets</b>		<b>1,623,385</b>	<b>3,160,580</b>
Receivables from related parties	6	1,713,256	3,479,388
Cash and cash equivalents	3	1,213,016	257,875
Other financial assets	7	22,135	17,863
Tax Receivables		1	1,554
<b>Total current assets</b>		<b>2,948,408</b>	<b>3,756,680</b>
<b>Total assets</b>		<b>4,571,793</b>	<b>6,917,260</b>
<b>Equity and liabilities</b>			
Share capital	8	-	-
Capital reserves		394,137	394,137
Accumulated earnings/(deficit)		14,606	(2,872)
Cash flow hedge reserve		(1,863)	(11,625)
Cost of hedging reserve		(618)	(56)
<b>Total equity</b>	8	<b>406,262</b>	<b>379,584</b>
Notes and bonds payable	9	1,636,788	3,811,905
Other financial liabilities	12	4,721	2,000
<b>Total non-current liabilities</b>		<b>1,641,509</b>	<b>3,813,905</b>
Provisions and other liabilities		-	8
Payables to related parties	11	383,903	1,416,075
Notes and bonds payable	9	2,059,453	1,259,777
Other financial liabilities	12	80,418	47,911
Tax liabilities		248	-
<b>Total current liabilities</b>		<b>2,524,022</b>	<b>2,723,771</b>
<b>Total liabilities</b>		<b>4,165,531</b>	<b>6,537,676</b>
<b>Total equity and liabilities</b>		<b>4,571,793</b>	<b>6,917,260</b>

The accompanying notes on pages 16 to 44 are an integral part of the financial statements.

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### Statement of Changes in Equity

	Share capital	Capital reserves	Accumulated earnings/ (deficit)	Cash flow hedge reserve	Cost of hedging reserve	Total equity
<b>Balance at January 1, 2020</b>	-	394,137	(7,783)	(5,118)	(1,241)	379,995
Net profit	-	-	4,911	-	-	4,911
Other comprehensive income/(loss) before taxes	-	-	-	(8,853)	1,613	(7,240)
Deferred taxes on other comprehensive income/(loss)	-	-	-	2,346	(428)	1,918
<b>Total comprehensive income/(loss)</b>	-	-	4,911	(6,507)	1,185	(411)
<b>Balance December 31, 2020</b>	-	394,137	(2,872)	(11,625)	(56)	379,584
<b>Balance at January 1, 2021</b>	-	394,137	(2,872)	(11,625)	(56)	379,584
Net profit	-	-	17,478	-	-	17,478
Other comprehensive income/(loss) before taxes	-	-	-	13,279	(764)	12,515
Deferred taxes on other comprehensive income/(loss)	-	-	-	(3,517)	202	(3,315)
<b>Total comprehensive income/(loss)</b>	-	-	17,478	9,762	(562)	26,678
<b>Balance at December 31, 2021</b>	-	394,137	14,606	(1,863)	(618)	406,262

The accompanying notes on pages 16 to 44 are an integral part of the financial statements.

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### Statement of Cash Flows

	Note	Year ended December 31,	
		2021	2020
Net profit		17,478	4,911
Adjustments for			
Foreign exchange (gains)/losses		(268)	(8,222)
Non-cash interest (income)/expense		317	8,552
Changes in			
Tax receivables		1,553	(1,554)
Other assets, tax liabilities, provisions and accrued interest		(9,947)	(8,608)
Receivables from and payables to related parties	6, 11	2,198,960	1,645,988
<b>Cash provided by/(used for) operating activities</b>		<b>2,208,093</b>	<b>1,641,067</b>
<b>Cash provided by/(used for) investing activities</b>		<b>-</b>	<b>-</b>
Issuances of notes and bonds payable <sup>1</sup>	9	-	1,486,382
Issuances of commercial paper <sup>2</sup>	10	-	19,896
Repayment of notes and bonds payable <sup>1</sup>	9	(1,252,952)	(2,514,483)
Repayment of commercial paper	10	-	(605,477)
<b>Cash provided by/(used for) financing activities</b>		<b>(1,252,952)</b>	<b>(1,613,682)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>955,141</b>	<b>27,385</b>
<b>Cash and cash equivalents at the beginning of the period</b>	3	<b>257,875</b>	<b>230,490</b>
<b>Cash and cash equivalents at the end of the period</b>	3	<b>1,213,016</b>	<b>257,875</b>
<b>Supplemental information:</b> <sup>3,4</sup>			
Interest paid		(125,708)	(163,856)
Interest received		148,693	204,217
Income taxes paid		(4,500)	(4,750)

<sup>1</sup> Cash provided by financing activities include cash flows from hedging the currency risks of financial liabilities.

<sup>2</sup> Cash flows from commercial paper with initial time to maturity less than 3 months are netted.

<sup>3</sup> All cash flows from interest and taxes are included in cash provided by/(used for) by operating activities.

<sup>4</sup> The Company does not have any cash flows from dividends.

The accompanying notes on pages 16 to 44 are an integral part of the financial statements.

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(all amounts in thousands of Canadian dollars)

# 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 Mercedes-Benz Group AG (“MBGAG”). 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 MBGAG subsidiaries in Canada through a consolidated funding and cash management system. In the event of non-payment by DCFI, MBGAG 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.

On July 30, 2021, the Board of Management Daimler AG, with the approval of the Supervisory Board, decided on the spin-off of substantial parts of the Daimler Trucks & Buses segment, including the related financial services business (Daimler commercial vehicles business). The majority of the shareholders of Daimler AG approved the spin-off agreement at the Extraordinary General Meeting on October 1, 2021.

With the completion of the spin-off entry into the Commercial Register on December 9, 2021, the shareholders of Daimler AG received 65% of the shares in the newly founded Daimler Truck Holding AG. Since December 10, 2021, Daimler Truck AG has been listed on the stock exchange as the parent company of the independent Daimler Truck Group.

Mercedes-Benz Group AG holds a minority interest of 35% in Daimler Truck Holding AG as of December 31, 2021. On the basis of the contracts concluded in connection with the transaction, Mercedes-Benz Group AG no longer has a controlling influence on that company since the entry of the spin-off and hive-down in the Commercial Register on December 9, 2021.

While the legal structure of DCFI was not directly impacted by the spin-off of the Canadian financial services truck related business, Canadian Daimler Truck Group subsidiaries no longer take part in DCFI's consolidated funding and cash management.

Also, the Extraordinary General Meeting approved the renaming of Daimler AG as Mercedes-Benz Group AG effective January 29, 2022. The commercial register entry took place on February 1, 2022.

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

On April 27, 2022, the Board of Directors of DCFI authorized the financial statements for issuance.

## 2. Basis of preparation

### (a) Applied IFRS

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



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### (b) IFRSs issued and not initially adopted in the reporting period.

In August 2020 the IASB published Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments address issues related to the application of the reform and its effects on financial reporting for lease contracts, hedges and other financial instruments caused by replacing existing interest-rate benchmarks with alternative benchmark rates. DCFI is applying the changes for the first time for the financial year beginning on January 1, 2021. There has been no material impact on the earnings, cash flows or financial position.

The following amended standards did not have a significant impact on DCFI's financial statements:

- IFRS 16 Covid-19-Related Rent Concessions.

The following amended standard is not expected to have a significant impact on DCFI's financial statements:

- IFRS 17 Insurance Contracts.

### (c) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value.
- recognized financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships are adjusted for changes in fair value attributable to the risk being hedged.

### (d) Functional and presentation currency

These financial statements are presented in Canadian dollars (“\$”), which is the Company's functional currency. The Company reports financial information in thousands of Canadian dollars, except where indicated otherwise.

### (e) Presentation in the statement of financial position

Presentation in the Consolidated Statement of Financial Position differentiates between current and non-current assets and liabilities. Assets and liabilities are generally classified as current if they are expected to be realised or settled within one year. Deferred tax assets and liabilities are generally presented as non-current items.

### (f) 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. Refer to note 15 for additional information.

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

### Management Judgements

#### *Recoverability of receivables from related parties*

At each reporting date, the carrying amounts of receivables from related parties are evaluated to determine whether there is objective significant increase in credit risk since initial recognition. Through December 31, 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

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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.

### 3. Summary of significant accounting policies

#### (a) Interest income and expense

Interest income and expense are recognized in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, except future credit losses.

The calculation of the effective interest rate includes all fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

#### (b) Foreign currency translation

Transactions in foreign currencies are translated into Canadian dollars at the spot exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Canadian dollars at the spot exchange rate at that date. The resulting gains and losses from such re-measurement are recognized in the statement of comprehensive income in the line "other financial income and (expense), net".

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### (c) Income taxes

Income taxes are comprised of current income taxes and deferred taxes.

Current income taxes are calculated based on the taxable income for the period and Canadian tax rules. In addition, current income taxes presented for the period include adjustments for uncertain tax payments or tax refunds for periods not yet finally assessed, however, excluding interest expenses and interest refunds and penalties on the underpayment of taxes. For the case it is probable that amounts declared as expenses in the tax returns might not be recognized (uncertain tax positions), a provision for income taxes is recognized. The amount is based on the best estimate of the expected tax payment (expected value or most likely amount). Tax refund claims from uncertain tax positions are recognized when it is probable that they can be realized. No provision for taxes or tax claim is recognized for uncertain tax positions when tax loss carryforwards or unused tax credits exist. Instead, the deferred tax assets for the unused tax loss carryforwards or tax credits are to be adjusted.

Changes in deferred tax assets and liabilities are generally recognized through profit and loss in deferred taxes in statement of comprehensive income, except for changes recognized in other comprehensive income/loss or directly in equity.

Deferred tax assets or liabilities are calculated on the basis of temporary differences between the tax basis and carrying value of assets and liabilities including differences from consolidation, on unused tax loss carryforwards and unused tax credits. Measurement is based on the tax rates expected to be effective in the period in which an asset is recognized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted at the reporting date or substantially enacted. Deferred tax assets are recognized to the extent that it is probable that the taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary difference.

### (d) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments in the form of financial assets and financial liabilities are presented separately. Financial instruments are recognized as soon as DCFI becomes a party to the contractual provisions of the financial instrument. In the case of purchases or sales of financial assets and liabilities through the regular market, DCFI uses the transaction date as the date of initial recognition or derecognition.

Upon initial recognition, financial instruments are measured at fair value. For the purpose of subsequent measurement, financial instruments are allocated to one of the categories in IFRS 9 Financial Instruments (financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss). Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss.

### (e) Financial assets

Financial assets are comprised of receivables from related parties, cash and cash equivalents, and derivative financial assets. The classification of financial instruments is based on the business model in which these instruments are held and on their contractual cash flows.

Financial assets that give rise to cash flows consisting solely of payments of principal and interest (“SPPI”) are classified in accordance with DCFI’s business model for holding these instruments. Financial assets that are held in a business model with the objective to hold them until maturity and collect the contractual cash flows are measured at amortized cost. These business models are managed principally based on interest-rate structure and credit risk. If the business model comprises the intention to hold the financial assets to collect the contractual cash flows but expects to sell these financial assets if this is necessary, e.g. to fulfill a specific need for liquidity, then these instruments are measured at fair value through other comprehensive income.

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

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

In making this assessment, DCFI considers:

- contingent events that would change the amount or timing of cash flows
- terms that may adjust the contractual coupon rate, including variable-rate features
- prepayment and extension features
- terms that limit DCFI’s claim to cash flows of specified assets (e.g. non-recourse features)

The determination of the business model is made at the portfolio level and is based on management’s intention and past transaction patterns. Assessments of the contractual cash flows are made on an instrument by instrument basis.

### *Financial assets at amortized cost*

Financial assets at amortized cost are non-derivative financial assets with contractual cash flows that consist solely of payments of principal and interest on the nominal amount outstanding and which are held with the aim of collecting the contractual cash flows, such as receivables from related parties or cash and cash equivalents (business model “hold to collect”).

After initial recognition, financial assets at amortized cost are subsequently carried at amortized cost using the effective interest method less any loss allowances. Gains and losses are recognized in profit or loss when the financial assets at amortized cost are impaired or derecognized. Interest effects on the application of the effective interest method are also recognized in profit or loss.

### **Receivables from related parties**

Under IFRS 9, receivable from related parties are non-derivative financial assets with contractual cash flows that consist solely of payments of principal and interest on the nominal amount outstanding and which are held with the aim of collecting the contractual cash flows.

### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and overnight deposits with a remaining term when acquired of up to three months and correspond with the classification in the statement of cash flows. Cash at December 31, 2021 was \$1,213,016 compared to \$257,875 at December 31, 2020. Increased cash in 2021 resulted from the sale of the truck financial services business. There were no cash equivalents in 2021 or 2020, respectively.

### **Impairment of financial assets**

DCFI recognizes loss allowances for expected credit losses for financial assets. The loss allowance for financial assets that are determined to have low credit risk at the reporting date or for which credit risk has not increased significantly since recognition (including receivable from related parties) are measured at 12-month expected credit losses.

When determining if the credit risk of a financial asset has increased significantly DCFI considers reasonable and supportable information that is relevant and available without undue cost or effort,

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including quantitative and qualitative information based on historical experience and forward-looking information.

DCFI assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The low credit risk exception is applied by DCFI for receivables from related parties.

### *Measurement of expected credit losses*

Expected credit losses are measured as the probability-weighted present value of all cash shortfalls over the expected life of each financial asset. 12-months expected credit losses are a portion of expected credit losses that result from default events that are possible within the next 12 months after the reporting date. Expected credit losses are discounted at the effective interest rate of the financial asset.

A financial instrument is written off when there is no reasonable expectation of recovering it in its entirety or a portion thereof, for example at the end of insolvency proceedings or after a court decision of uncollectibility.

### **(f) Financial liabilities**

Financial liabilities primarily include notes and bonds payable, commercial paper, derivative financial liabilities and other financial liabilities.

#### **Financial liabilities measured at amortized cost**

Financial liabilities are initially measured at fair value minus transaction cost. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method.

### **(g) Derivative financial instruments and hedge accounting**

DCFI uses derivative financial instruments (e.g. swaps) mainly for the purposes of hedging interest rate and currency risks that arise from its operating and financing activities.

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is derived based on market price. If a market price is not available, fair value is calculated using standard financial valuation models, such as discounted cash flow models including fair value changes induced by counterparty credit risk. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values reflect the credit risk of the instrument and include adjustments (credit value adjustments (CVA) and debit value adjustments (DVA)) to take account of the credit risk of the Company and the counterparty where appropriate. The calculation of the CVA/DVA is considering probabilities of default (PD) on counterparty level, a standardized loss given default (LGD) and transaction exposures, which include market values and add-ons. The PDs are based on historical default data as well as on current market data. The add-ons are determined by multiplying nominal amounts by instrument and tenor specific add-on factors.

(CVA)/DVA was \$(66) at December 31, 2021 compared to \$(534) at December 31, 2020.

If the requirements for hedge accounting set out in IFRS 9 are met, DCFI designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge or a cash flow hedge. In a fair value hedge, the changes in the fair value of a recognized asset or liability or an unrecognized firm commitment are hedged. In a cash flow hedge, the variability of cash flows to be received or paid from expected transactions related to a recognized asset or liability or a highly probable forecast transaction is hedged. The documentation of the hedging relationship includes the objectives and strategy of risk management, the type of hedging relationship, the nature of the risk being hedged, the identification of the eligible hedging instrument and the eligible hedged item, as well as an assessment of the effectiveness requirements comprising the risk mitigating economic relationship, the absence of deteriorating effects from credit risk and the appropriate hedge ratio. Hedging transactions are regularly assessed to determine whether the effectiveness requirements are met while they are designated.

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Changes in the fair value of derivative financial instruments that are designated in a hedge relationship are recognized periodically in either profit or loss or other comprehensive income, depending on whether the derivative is designated as a hedge of changes in fair value or cash flows.

For fair value hedges, changes in the fair value of the hedged item for the hedged risks and the derivative are recognized in profit or loss. The ineffectiveness portions of fair value changes related to fair value hedges are recognized directly in profit or loss in interest expenses – third parties.

For cash flow hedges, fair value changes in the effective portion of the hedging instrument are recognized after tax in other comprehensive income. The accumulated hedging gains or losses from the cash flow hedging instruments are reclassified from the reserves for derivative financial instruments to the statement of comprehensive income when the hedged item affects profit or loss.

Under IFRS 9, currency basis spreads are now excluded from the hedge designation. The initial currency basis spread is amortized over the lifetime of the derivative on a straight line basis. The subsequent changes in the fair value of the currency basis spread are accounted as a cost of hedging, which are deferred in OCI and subsequently recognized in profit or loss in interest expense – third parties over the term of the hedging relationship.

Hedge relationships are to be discontinued prospectively if a particular hedge relationship ceases to meet the qualifying criteria for hedge accounting under IFRS 9. Instances that require discontinuation of hedge accounting are, among others, loss of the economic relationship between the hedged item and the hedging instrument, disposal or termination of the hedging instrument, or a revision of the documented risk management objective of a particular hedge relationship. Accumulated hedging gains and losses from cash flow hedges are retained in the hedge reserve and are reclassified when the hedged cash flows affect profit or loss. Otherwise, if the hedged cash flows are no longer expected to occur, the accumulated hedging gains and losses are immediately reclassified to profit or loss. Accumulated hedging gains and losses from fair value hedges are retained within the hedged item and amortized over the remaining lifetime of the hedged item on a straight line basis.

If derivative financial instruments do not or no longer qualify for hedge accounting because the qualifying criteria for hedge accounting are not or are no longer met, the derivative financial instruments are classified as held for trading and are measured at fair value through profit or loss.

### (h) Transactions with related parties

DCFI is wholly owned by MBGAG. Transactions with related parties in the normal course of business are recorded at the agreed upon exchange amount. Financial receivables and payables with related parties are entered into at prevailing market terms at the time of the transaction.

## 4. Other financial income and (expense), net

Other financial expense, net is comprised of the following:

	2021	2020
Result of foreign exchange transactions - gains (losses)	142	(193)
Bank fees	(71)	(54)
<b>Total</b>	<b>71</b>	<b>(247)</b>

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**5. Income taxes**

Income tax (expense)/benefit is comprised of the following components:

	2021	2020
Current taxes	(6,302)	(1,771)
Deferred taxes	-	-
<b>Total</b>	<b>(6,302)</b>	<b>(1,771)</b>

There were no adjustments for prior periods recognized in current taxes.

Expected and total income tax expense determined using the applicable Canada combined statutory rate of 26.5% (26.5% in 2020) is included in the following table; there are no reconciling items

	2021	2020
<b>Expected/total income tax expense at Canada statutory rate</b>	<b>(6,302)</b>	<b>(1,771)</b>

In respect of each type of temporary difference and in respect of each type of unutilized tax losses and unutilized tax credits, the deferred tax assets/ (liabilities) before offset are summarized as follows:

	2021	2020
Derivative financial instruments	895	4,210
<b>Deferred tax assets/(liabilities)</b>	<b>895</b>	<b>4,210</b>

In 2021 and 2020, the decrease in net deferred tax asset was composed of:

	2021	2020
Deferred tax (expense)/benefit in the statement of comprehensive income	-	-
Change in deferred tax (expense)/benefit on derivative financial instruments included in other comprehensive income/(loss)	(3,315)	1,918
<b>Total</b>	<b>(3,315)</b>	<b>1,918</b>

Including the items charged or credited directly to related components of shareholders' equity without an effect on earnings, the (expense)/benefit for income taxes consists of the following:

	2021	2020
Income tax (expense)/benefit in the statement of comprehensive income	(6,302)	(1,771)
Income tax (expense)/benefit recorded in other comprehensive income/(loss)	(3,315)	1,918
<b>Total</b>	<b>(9,617)</b>	<b>147</b>

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### 6. Receivables from related parties

DCFI provides financing to certain MBGAG 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 MBGAG affiliated companies in Canada. The following sets forth receivables from these related parties for such financing, including accrued interest:

	December 31,	
	2021	2020
Mercedes-Benz Financial Services Canada Corp	3,317,496	6,374,213
Mercedes-Benz Group AG	5,760	70,753
Mercedes-Benz Canada Inc.	-	100,271
Mascot Truck Parts Canada Ltd*	-	9,151
<b>Total</b>	<b>3,323,256</b>	<b>6,554,388</b>

\* Canadian Daimler Truck subsidiaries were not participants in the DCFI cash pool after December 9, 2021.

The receivables bear interest at fixed and variable rates ranging from 0.98% to 3.54%, with a weighted average interest rate of 2.18%. Variable rates are based on the Canadian Dollar Offered Rate (CDOR) and re-priced on a monthly basis. Interest income is recorded using the effective interest method. DCFI accrued an interest rebate of \$16,500 payable to MBFS Canada for 2021 and 2020. Based on the contractual agreement, DCFI charges MBFS Canada only for the actual external funding cost and its administrative cost. The amount of the interest rebate is derived as the difference between the interest paid by MBFS Canada and the actual interest expenses including administrative cost incurred for DCFI. This interest rebate is included in interest expense – related parties. A decrease in the related party receivable with MBFS Canada is a result of the spin-off of the truck related financial services business.

As of December 31, 2021, aggregate annual maturities of loans receivables from related parties including accrued interest were as follows:

	Maturities
2022	1,713,256
2023	710,000
2024	900,000
<b>Total</b>	<b>3,323,256</b>

As of December 31, 2020, aggregate annual maturities of loans receivables from related parties including accrued interest were as follows:

	Maturities
2021	3,479,388
2022	1,670,000
2023	1,405,000
<b>Total</b>	<b>6,554,388</b>



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### 7. Other financial assets

Other financial assets are comprised of the following:

	December 31, 2021			December 31, 2020		
	Current	Non-current	Total	Current	Non-current	Total
Derivative financial instruments used in hedge accounting	13,418	12,490	25,908	10,844	81,370	92,214
Accrued interest <sup>1</sup>	8,717	-	8,717	7,019	-	7,019
<b>Carrying amount</b>	<b>22,135</b>	<b>12,490</b>	<b>34,625</b>	<b>17,863</b>	<b>81,370</b>	<b>99,233</b>

<sup>1</sup> Comprised of accrued interest from derivative financial instruments.

### 8. Equity

#### (a) Share capital

At December 31, 2021 and 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 comprises 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 amortized into profit or loss, pro rata in the caption interest expense – third parties.

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### 9. Notes and bonds payable

Terms and conditions of notes and bonds payable outstanding at December 31, 2021, are as follows:

	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
<b>NOK Medium Term Note</b>					
Medium Term Note	NOK	2.000%	2023	144,100	143,759
Medium Term Note	NOK	2.250%	2022	108,075	107,978
Medium Term Note	NOK	3.250%	2024	144,100	143,787
Medium Term Note	NOK	3.100%	2025	79,255	79,235
<b>Total NOK Medium Term Notes</b>				<b>475,530</b>	<b>474,759</b>
<b>SEK Medium Term Notes</b>					
Medium Term Note	SEK	3M SEKSTIBOR + .57%	2022	70,200	70,184
<b>Total SEK Medium Term Notes</b>				<b>70,200</b>	<b>70,184</b>
<b>HKD Medium Term Notes</b>					
Medium Term Note	HKD	2.270%	2024	69,721	69,738
<b>Total HKD Medium Term Notes</b>				<b>69,721</b>	<b>69,738</b>
<b>EURO Medium Term Notes</b>					
Medium Term Note	EUR	3M EURIBOR + 0.70%	2022	719,650	720,567
<b>Total EURO Medium Term Notes</b>				<b>719,650</b>	<b>720,567</b>
<b>Canadian Dollar Bonds</b>					
Bond	CAD	2.570%	2022	250,000	252,270
Bond	CAD	3.050%	2022	500,000	503,804
Bond	CAD	3.300%	2022	400,000	404,650
Bond	CAD	2.540%	2023	400,000	399,444
Bond	CAD	2.970%	2024	300,000	302,748
Bond	CAD	1.650%	2025	500,000	498,077
<b>Total Canadian Dollar Bonds</b>				<b>2,350,000</b>	<b>2,360,993</b>
<b>Total</b>				<b>3,685,101</b>	<b>3,696,241</b>

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Terms and conditions of notes and bonds payable outstanding at December 31, 2020, are as follows:

	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
<b>NOK Medium Term Note</b>					
Medium Term Note	NOK	1.875%	2021	74,650	74,668
Medium Term Note	NOK	2.000%	2023	149,300	148,772
Medium Term Note	NOK	2.250%	2022	111,975	111,785
Medium Term Note	NOK	3.250%	2024	149,300	148,875
Medium Term Note	NOK	3.100%	2025	82,115	82,104
<b>Total NOK Medium Term Notes</b>				<b>567,340</b>	<b>566,204</b>
<b>SEK Medium Term Notes</b>					
Medium Term Note	SEK	3M SEKSTIBOR + .57%	2022	77,900	77,832
<b>Total SEK Medium Term Notes</b>				<b>77,900</b>	<b>77,832</b>
<b>HKD Medium Term Notes</b>					
Medium Term Note	HKD	2.270%	2024	70,320	70,326
<b>Total HKD Medium Term Notes</b>				<b>70,320</b>	<b>70,326</b>
<b>EURO Medium Term Notes</b>					
Medium Term Note	EUR	3M EURIBOR + 0.40%	2021	234,495	234,545
Medium Term Note	EUR	3M EURIBOR + 0.70%	2022	781,650	784,070
<b>Total EURO Medium Term Notes</b>				<b>1,016,145</b>	<b>1,018,615</b>
<b>Canadian Dollar Bonds</b>					
Bond	CAD	1.910%	2021	500,000	497,970
Bond	CAD	2.230%	2021	450,000	452,594
Bond	CAD	2.570%	2022	250,000	256,498
Bond	CAD	3.050%	2022	500,000	513,784
Bond	CAD	3.300%	2022	400,000	407,958
Bond	CAD	2.970%	2024	300,000	313,175
Bond	CAD	2.540%	2023	400,000	399,137
Bond	CAD	1.650%	2025	500,000	497,589
<b>Total Canadian Dollar Bonds</b>				<b>3,300,000</b>	<b>3,338,705</b>
<b>Total</b>				<b>5,031,705</b>	<b>5,071,682</b>

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### 10. Commercial paper

In July 2011, DCFI entered into a \$2,500,000 private placement of a commercial paper program. As of December 31, 2021 and December 31, 2020 there was no commercial paper outstanding.

### 11. Payables to related parties

The following table sets forth amounts payable to related parties:

	December 31,	
	2021	2020
MBarc Credit Canada Inc.	169,143	389,563
Mercedes-Benz Financial Services Canada Corp	107,305	3,062
Mercedes-Benz Canada Inc.	103,549	276,981
Mercedes-Benz Group AG	3,378	4,456
Daimler North America Corporation	528	385,987
Daimler Trucks Finance Canada Inc.*	-	238,614
Daimler Trucks Canada Ltd.*	-	103,742
Thomas Built Buses of Canada Ltd.*	-	9,884
SelecTrucks of Toronto Inc.*	-	3,625
MFTA Canada, Inc.*	-	161
<b>Total</b>	<b>383,903</b>	<b>1,416,075</b>

\* Canadian Daimler Truck subsidiaries were not participants in the DCFI cash pool after December 9, 2021.

Payables to related parties consist of intercompany cash balances. The variable interest rates are based on an average overnight bank rate and re-priced on a monthly basis. As of December 31, 2021, the average interest rate on these deposits was 0.15%, compared to 0.30% as of December 31, 2020.

### 12. Other financial liabilities

Other financial liabilities are comprised of the following:

	December 31, 2021			December 31, 2020		
	Current	Non-current	Total	Current	Non-current	Total
Derivative financial instruments used in hedge accounting	54,214	4,721	58,935	13,217	2,000	15,217
Accrued interest <sup>1</sup>	26,204	-	26,204	34,694	-	34,694
<b>Carrying amount</b>	<b>80,418</b>	<b>4,721</b>	<b>85,139</b>	<b>47,911</b>	<b>2,000</b>	<b>49,911</b>

<sup>1</sup> Comprises of accrued interest from notes and bonds and derivative financial instruments.

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**13. Statement of cash flows**

Changes in financial liabilities arising from financing activities.

Financial Liabilities	Notes and bonds payable	Derivative financial assets <sup>4</sup>	Derivative financial liabilities <sup>4</sup>	Total
<b>Balance at January 1, 2021<sup>1,2,3</sup></b>	<b>5,100,967</b>	<b>(99,232)</b>	<b>20,624</b>	<b>5,022,359</b>
Proceeds from issuance	-	-	-	-
Repayments	(1,252,952)	-	-	(1,252,952)
<b>Total changes from financing cash flows</b>	<b>(1,252,952)</b>	<b>-</b>	<b>-</b>	<b>(1,252,952)</b>
Non-cash interest expense <sup>5</sup>	(31,991)	28,100	(8,307)	(12,198)
Foreign Exchange (gain)/loss	(90,498)	38,205	52,025	(268)
Interest expense <sup>6</sup>	94,207	(69,098)	60,251	85,360
Interest paid <sup>6</sup>	(100,793)	67,400	(62,154)	(95,547)
<b>Total liability-related other changes</b>	<b>(129,075)</b>	<b>64,607</b>	<b>41,815</b>	<b>(22,653)</b>
<b>Balance at December 31, 2021<sup>7,8,9</sup></b>	<b>3,718,940</b>	<b>(34,625)</b>	<b>62,439</b>	<b>3,746,754</b>

<sup>1</sup> Notes and bonds payable balance includes accrued interest in the amount of \$29,285 presented in other financial liabilities.

<sup>2</sup> Derivative financial assets balance includes accrued interest in the amount of \$7,019 presented in other financial assets.

<sup>3</sup> Derivative financial liabilities balance includes accrued interest in the amount of \$5,407 presented in other financial liabilities.

<sup>4</sup> Derivative financial assets and liabilities are used for hedging of notes and bonds payable.

<sup>5</sup> Notes and bonds payable balance includes fair value changes in the amount of \$(32,418) and amortization of discount/premium and hedge adjustments from inactive hedges in the amount of \$427.

<sup>6</sup> Interest expense and interest paid exclude amounts related to operating assets and liabilities.

<sup>7</sup> Notes and bonds payable balance includes accrued interest in the amount of \$22,699 presented in other financial liabilities.

<sup>8</sup> Derivative financial assets balance includes accrued interest in the amount of \$8,717 presented in other financial assets.

<sup>9</sup> Derivative financial liabilities balance includes accrued interest in the amount of \$3,504 presented in other financial liabilities.

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Financial Liabilities	Notes and bonds payable	Commercial paper	Derivative financial assets <sup>4</sup>	Derivative financial liabilities <sup>4</sup>	Total
<b>Balance at January 1, 2020<sup>1,2,3</sup></b>	<b>5,998,030</b>	<b>586,374</b>	<b>(22,115)</b>	<b>73,362</b>	<b>6,635,651</b>
Proceeds from issuance	1,486,382	19,896	-	-	1,506,278
Repayments	(2,514,483)	(605,477)	-	-	(3,119,960)
<b>Total changes from financing cash flows</b>	<b>(1,028,101)</b>	<b>(585,581)</b>	<b>-</b>	<b>-</b>	<b>(1,613,682)</b>
Non-cash interest expense <sup>5</sup>	56,030	-	(27,747)	(11,698)	16,585
Foreign Exchange (gain)/loss	71,779	-	(46,061)	(33,940)	(8,222)
Interest expense <sup>6</sup>	102,713	8,052	(64,079)	86,427	133,113
Interest paid <sup>6</sup>	(99,484)	(8,845)	60,770	(93,527)	(141,086)
<b>Total liability-related other changes</b>	<b>131,038</b>	<b>(793)</b>	<b>(77,117)</b>	<b>(52,738)</b>	<b>390</b>
<b>Balance at December 31, 2020<sup>7,8,9</sup></b>	<b>5,100,967</b>	<b>-</b>	<b>(99,232)</b>	<b>20,624</b>	<b>5,022,359</b>

<sup>1</sup> Notes and bonds payable balance includes accrued interest in the amount of \$26,056 presented in other financial liabilities.

<sup>2</sup> Derivative financial assets balance includes accrued interest in the amount of \$3,710 presented in other financial assets.

<sup>3</sup> Derivative financial liabilities balance includes accrued interest in the amount of \$12,507 presented in other financial liabilities.

<sup>4</sup> Derivative financial assets and liabilities are used for hedging of notes and bonds payable.

<sup>5</sup> Notes and bonds payable balance includes fair value changes in the amount of \$46,745 and amortization of discount/premium and hedge adjustments from inactive hedges in the amount of \$9,285.

<sup>6</sup> Interest expense and interest paid exclude amounts related to operating assets and liabilities.

<sup>7</sup> Notes and bonds payable balance includes accrued interest in the amount of \$29,285 presented in other financial liabilities.

<sup>8</sup> Derivative financial assets balance includes accrued interest in the amount of \$7,019 presented in other financial assets.

<sup>9</sup> Derivative financial liabilities balance includes accrued interest in the amount of \$5,407 presented in other financial liabilities.

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### 14. 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.

	December 31, 2021		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Cash and cash equivalents</b>	<b>1,213,016</b>	<b>1,213,016</b>	<b>257,875</b>	<b>257,875</b>
Financial assets at amortized cost				
Receivables from related parties	3,323,256	3,342,166	6,554,388	6,698,782
Accrued interest	8,717	8,717	7,019	7,019
<b>Total financial assets at amortized cost</b>	<b>3,331,973</b>	<b>3,350,883</b>	<b>6,561,407</b>	<b>6,705,801</b>
Financial assets recognized at fair value through profit or loss				
Derivative financial instruments used in hedge accounting	25,908	25,908	92,214	92,214
<b>Total financial assets recognized at fair value through profit or loss</b>	<b>25,908</b>	<b>25,908</b>	<b>92,214</b>	<b>92,214</b>
<b>Total financial assets</b>	<b>4,570,897</b>	<b>4,589,807</b>	<b>6,911,496</b>	<b>7,055,890</b>
Financial liabilities at amortized cost				
Notes and bonds payable	3,696,241	3,723,924	5,071,682	5,160,685
Payables to related parties	383,903	383,903	1,416,075	1,416,075
Accrued interest	26,204	26,204	34,694	34,694
<b>Total financial liabilities at amortized cost</b>	<b>4,106,348</b>	<b>4,134,031</b>	<b>6,522,451</b>	<b>6,611,454</b>
Financial liabilities at fair value				
Derivative financial instruments used in hedge accounting	58,935	58,935	15,217	15,217
<b>Total financial liabilities at fair value</b>	<b>58,935</b>	<b>58,935</b>	<b>15,217</b>	<b>15,217</b>
<b>Total financial liabilities</b>	<b>4,165,283</b>	<b>4,192,966</b>	<b>6,537,668</b>	<b>6,626,671</b>

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Financial assets and liabilities measured at fair value according to IFRS 13 are classified into the following fair value hierarchy:

	December 31, 2021				December 31, 2020			
	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>
<b>Assets</b>								
Derivative financial instruments used in hedge accounting	25,908	-	25,908	-	92,214	-	92,214	-
<b>Liabilities</b>								
Derivative financial instruments used in hedge accounting	58,935	-	58,935	-	15,217	-	15,217	-

<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.

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

	December 31, 2021				December 31, 2020			
	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 measured at amortized cost	3,342,166	-	3,342,166	-	6,698,782	-	6,698,782	-
Financial liabilities measured at amortized cost	3,723,924	3,351,875	372,049	-	5,160,685	4,118,486	1,042,199	-
thereof notes and bonds	3,723,924	3,351,875	372,049	-	5,160,685	4,118,486	1,042,199	-
thereof other financial liabilities	-	-	-	-	-	-	-	-

<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 on the balance sheet date using the methods and assumptions presented 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.



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### Derivative financial instruments used in hedge accounting

These derivative financial instruments include:

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

### Notes and bonds payable

When available, the Company uses quoted market prices for its issued identical notes and bonds and classifies such instruments as Level 1 in the fair value hierarchy. If quoted market prices are not available or for instruments with quoted prices in markets that are considered less than active, 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.

## 15. Management of financial risk and information on derivative financial instruments

DCFI is exposed to the following risks from financial instruments:

- credit risk
- liquidity risk
- finance market risks

This note presents information about the Company's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

### (a) General information on financial risks

DCFI applies the guidelines established by its parent company, MBGAG, and when necessary, establishes its own guidelines unique to the transactions of the Company. The guidelines are established for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to financial activities, settlement, accounting and the related controls. The guidelines, upon which the Company's risk management processes are based, are designed to identify and analyze these risks, to set appropriate risk limits and controls and to monitor the risks by means of reliable and up-to-date

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administrative and information systems. The guidelines and systems are regularly reviewed and adjusted to changes in markets and products.

The Company manages and monitors these risks primarily through its operating and financing activities and, if required, through the use of derivative financial instruments. DCFI does not use derivative financial instruments for purposes other than risk management. Without these derivative financial instruments, the Company would be exposed to higher financial risks (additional information on financial instruments and derivative financial instruments used is included in Note 14. DCFI regularly evaluates its financial risks with due consideration of changes in key economic indicators and up-to-date market information.

### (b) Credit risk

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

For DCFI, credit risk arises from the Company's receivables from related parties and derivative financial instruments concluded with related parties and third parties. As a result, the Company is exposed to these related parties, and indirectly to its parent MBGAG's, intent and ability to effect the repayment of these receivables.

As it pertains to the remaining assets, DCFI manages the credit risk exposure through the diversification of counterparties with the use of a Mercedes-Benz Group-wide limit system based on the review of each counterparty's financial strength. During times of significant financial market volatility, DCFI's parent company, MBGAG reduced available limits for certain counterparties that were affected by the financial market crisis.

The maximum risk positions of financial assets, which generally can be subject to credit risk, are equal to their carrying amounts and are shown in the following table:

	See note	Maximum risk position	
		2021	2020
Receivables from related parties	6	3,323,256	6,554,388
Derivatives (only assets)	7	25,908	92,214
Other financial assets	7	8,717	7,019

### Derivative financial instruments

Derivative financial instruments are comprised of derivatives that are either included in hedge accounting or individually valued. DCFI manages its credit risk exposure in connection with derivative financial instruments through a limit system, which is based on the review of each counterparty's financial strength. This system limits and diversifies the credit risk. As a result, the Company is exposed to credit risk only to a small extent with respect to its derivative financial instruments. According to the Company's risk policy, most derivatives are contracted with counterparties which have an external rating of "A" or better.

### Receivables from related parties

The Company monitors MBGAG's liquidity position. MBGAG's financial statements are publicly available.

Debt ratings are an assessment by the rating agencies of the credit risk associated with MBGAG and are based on information provided by MBGAG or other sources. Lower ratings generally result in higher borrowing costs and reduced access to capital markets. Standard & Poor's Rating Services ("S&P"), Moody's Investors Service, Inc. ("Moody's"), Fitch Ratings Ltd. ("Fitch"), the European rating agency Scope Ratings AG ("Scope"), and the Canadian agency DBRS ("DBRS") rate MBGAG's commercial paper (short-term) and senior unsecured long-term debt (long-term).

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In 2021, three agencies upgraded Mercedes-Benz Group AG's credit ratings. On July 27, 2021, S&P Global Ratings (S&P) increased its long-term rating for Mercedes-Benz Group AG from BBB+ to A- with a stable outlook. S&P justified these measures primarily with better-than-expected free cash flow and the good earnings development. On November 5, 2021, Fitch Ratings (Fitch) upgraded Mercedes-Benz Group AG's long-term issuer default rating from BBB+ to A- with a stable outlook. Fitch stated that the upgrade reflects the Group's rapidly improving profitability and the expectation that it will strengthen sustainably. DBRS upgraded its long-term rating for Mercedes-Benz Group AG and its rated subsidiaries from BBB (high) to A (low) with a stable outlook on November 18, 2021. At the same time, DBRS lifted its short-term rating from R-2 (high) to R-1 (low). DBRS justified this change with the improved assessment of business risk resulting from the spin-off of a majority stake in Daimler Truck.

MBGAG's ratings as of December 31, 2021 were as follows:

	<b>S&amp;P</b>	<b>Moody's</b>	<b>Fitch</b>	<b>Scope</b>	<b>DBRS</b>
Short-term debt	A-2	P-2	F1	S-1	R-1 (low)
Long-term debt	A-	A-3	A-	A	A (low)

MBGAG's ratings as of December 31, 2020 were as follows:

	<b>S&amp;P</b>	<b>Moody's</b>	<b>Fitch</b>	<b>Scope</b>	<b>DBRS</b>
Short-term debt	A-2	P-2	F1	S-1	R-2 (high)
Long-term debt	BBB+	A-3	BBB+	A	BBB (high)

### (c) Liquidity risk

Liquidity risk comprises the risk that a company cannot meet its financial obligations in full.

DCFI's main sources of liquidity are external and internal borrowings. The funds are primarily used to finance working capital and capital expenditure requirements as well as the cash needs of the lease and financing business of the Mercedes-Benz Group subsidiaries in Canada.

The Company manages its liquidity by holding adequate volumes of liquid assets and by maintaining syndicated credit facilities in addition to the cash inflow generated by its operating business. Liquid assets consist of cash and cash equivalents. In general, the Company makes use of a broad spectrum of financial instruments to cover its funding requirements. Depending on funding requirements and market conditions, the Company issues bonds and notes and commercial papers in various currencies. Adverse changes in the capital markets could increase DCFI's funding costs and limit the Company's financial flexibility.

Since July 2018, the Mercedes-Benz Group has had a syndicated credit facility with a volume of €11 billion from a consortium of international banks at its disposal. Exercising an optional extension of one year grants additional financial flexibility for Mercedes-Benz Group until 2025. As of December 31, 2021, this credit line had not been utilized.

From an operating point of view, the management of the Company's liquidity exposures is centralized by a daily cash pooling process. This process enables DCFI to manage its liquidity surplus and liquidity requirements according to the actual needs of the Company and other MBGAG subsidiaries. The Company's short-term and mid-term liquidity management takes into account the maturities of financial assets and financial liabilities and estimates of cash flows from the operating business.

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The liquidity runoff shown in the following table provides an insight into how the liquidity situation of the Company is affected by the cash flows from financial liabilities as of December 31, 2021. It comprises a runoff of the:

- undiscounted principal and interest of the notes and bonds payable,
- undiscounted payments of commercial paper
- undiscounted sum of the net cash outflows of the derivative financial instruments for the respective time band, and
- undiscounted payments from other financial liabilities without derivatives.

	<b>Total</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Notes and bonds – principal	<b>3,685,101</b>	2,047,925	544,100	513,821	579,255	-
Notes and bonds – interest	<b>140,835</b>	69,775	38,925	21,428	10,707	-
Payables to related parties	<b>383,903</b>	383,903	-	-	-	-
Derivative financial instruments	<b>29,480</b>	37,295	3,258	(5,604)	(5,469)	-
Other financial liabilities	<b>3,504</b>	3,504				-
<b>Total</b>	<b>4,242,823</b>	<b>2,542,402</b>	<b>586,283</b>	<b>529,645</b>	<b>584,493</b>	-

The liquidity runoff shown in the following table provides an insight into how the liquidity situation of the Company is affected by the cash flows from financial liabilities as of December 31, 2020.

	<b>Total</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Notes and bonds – principal	<b>5,031,705</b>	1,259,145	2,121,525	549,300	519,620	582,115
Notes and bonds – interest	<b>241,433</b>	99,328	70,310	39,300	21,699	10,796
Payables to related parties	<b>1,416,075</b>	1,416,075	-	-	-	-
Derivative financial instruments	<b>(67,412)</b>	(5,486)	(34,599)	(6,271)	(12,638)	(8,418)
Other financial liabilities	<b>5,407</b>	5,407				
<b>Total</b>	<b>6,627,208</b>	<b>2,774,469</b>	<b>2,157,236</b>	<b>582,329</b>	<b>528,681</b>	<b>584,493</b>

Interest payments on the notes and bonds are at fixed and floating rates.

The undiscounted cash outflows of this runoff are subject to the following conditions:

- Cash outflows from payables to related parties include interest payments on intercompany loans, which are based on forward rates. The outflows do not include future interest payments on outstanding cash sweep balances as these balances change daily and the interest on these balances, as a result, cannot be determined reliably. The Company believes that the interest payments resulting from cash sweep payables are insignificant.
- Besides derivative financial instruments bearing a negative fair value, this analysis also comprises derivative financial instruments with a positive fair value due to the fact that all derivative financial instruments and not necessarily derivative financial instruments of negative fair value only may contain net cash outflows.
- The cash flows of floating interest financial instruments are estimated on the basis of forward rates.

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### (d) Finance market risk

The global nature of its business exposes DCFI to significant market risks resulting from fluctuations in interest rates. If these market risks materialize, they will adversely affect the Company's profitability, liquidity and capital resources and financial position. Management of market price risks aims to minimize the impact of fluctuations in interest rates. DCFI calculates its overall exposure to these market price risks to provide a basis for hedging decisions, which include the selection of hedging instruments and the determination of hedging volumes and the corresponding periods. Decisions regarding the management of market risks resulting from fluctuations in foreign exchange rates, interest rates (asset/liability management) are regularly made by the relevant MBGAG risk management committees. The Company maintains risk management control systems independent of Corporate Treasury and with a separate reporting line. DCFI is also exposed to the risk of changes in exchange rates. The risk resulting from these transactions in 2021 and 2020 was not, and is not currently, significant to DCFI.

#### *Interest rate risk*

DCFI holds a variety of interest rate sensitive assets and liabilities to manage the liquidity and cash needs of its day-to-day operations. The general policy is to match funding in terms of maturities and interest rates, where economically feasible. In order to achieve the targeted interest rate risk positions in terms of maturities and interest rate fixing periods, DCFI uses derivative financial instruments (e.g. interest rate swaps) to manage this risk. The interest rate risk position is assessed by comparing assets and liabilities for corresponding maturities, including the impact of the relevant derivative financial instruments.

Certain existing benchmark interest rates including those of the London Interbank Offer Rate (for USD, GBP, CHF and JPY) were comprehensively and internationally reformed by the end of 2021. As a result, those interest rates were 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.

Despite market uncertainty, the existing benchmark interest rates are still applied as reference rates in financial markets and have an impact on the valuation of financial transactions. The financial instruments referencing IBOR provide for fallback arrangements in the event that a benchmark becomes unavailable. This also applies for financial instruments in hedging relationships with a maturity beyond the end of 2021. The STIBOR reform with a revised transaction based STIBOR calculation methodology is currently in its final stage of the transition. However, with a lodged application for authorization end of December 2021, the STIBOR continues to be eligible beyond 2021 unless or until the authorization is refused. With EURIBOR reform already implemented, there are no interest rate risk hedging relationships affected by the benchmark reform. DCFI regularly discusses current developments of alternative risk-free interest rates with its international banking partners.

DCFI expects the conversion of reference rates of hedging instruments and their underlying transactions to be identical and without material delay in time. DCFI continues to consider the economic relationship and thus the continuation of hedge accounting to be still existing as of December 31, 2021.

#### *Exposure to Market Risk*

As part of its risk management system, DCFI employs value at risk analyses. VAR has been used by Mercedes-Benz Group as part of its risk management system in past years. In performing these analyses, DCFI quantifies its market risk due to changes in interest rates on a regular basis by predicting the potential loss over a target time horizon (holding period) and confidence level.

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The value at risk calculations employed:

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

DCFI calculates the value at risk for interest rate risk according to the variance-covariance approach.

When calculating the value at risk by using the variance-covariance approach, DCFI first computes the current market value of the company's financial instruments portfolio. Then the sensitivity of the portfolio value to changes in the relevant market risk factors, such as particular interest rates of specific maturities, is quantified. Based on volatilities and correlations of these market risk factors, which are obtained from the RiskMetrics™ dataset, a statistical distribution of potential changes in the portfolio value at the end of the holding period is computed. The loss which is reached or exceeded with a probability of only 1% can be derived from this calculation and represents the value at risk.

The table below shows the period-end, high, low and average value at risk figures for the 2021 and 2020 portfolios of interest-sensitive financial instruments, which include the related party receivables, notes and bonds payable, and derivatives. The amounts reflects the interest rate risk of unhedged positions of the aforementioned financial instruments. The average values have been computed on an end-of-quarter basis.

	2021				2020			
	Period-end	High	Low	Average	Period-end	High	Low	Average
Interest rate risk	6,824	8,580	4,741	6,241	3,656	16,193	3,656	7,035

Changes in the value at risk of interest rate sensitive financial instruments were primarily interest rate volatilities.

### *Use of derivatives*

The table below shows the average rates for derivative financial instruments for the interest rate risks:

	At December 31, 2021	At December 31, 2020
	Interest rate risk	Interest rate risk
<b>Fair value hedges</b>		
Average variable rate – CAD	1.67%	1.45%
<b>Cash flow hedges</b>		
Average fixed rate – CAD	2.30%	2.08%

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The maturities of the interest rate hedges and cross currency interest rate hedges correspond with those of the underlying transactions. The realization of the underlying transactions of the cash flow hedges is expected to correspond with the maturities of the hedging transactions, as shown in the tables below for December 31, 2021 and December 31, 2020:

	At December 31, 2021		
	Notional Values	Maturity	
		≤1 year	>1 year
<b>Cross currency interest rate swaps</b>	<b>1,335,098</b>	<b>897,926</b>	<b>437,172</b>
thereof cash flow hedges	1,335,098	897,926	437,172
thereof fair value hedges	-	-	-
<b>Interest rate swaps</b>	<b>1,450,000</b>	<b>1,150,000</b>	<b>300,000</b>
thereof cash flow hedges	-	-	-
thereof fair value hedges	1,450,000	1,150,000	300,000
<b>Total nominal values of derivative financial instruments</b>	<b>2,785,097</b>	<b>2,047,926</b>	<b>737,171</b>
thereof cash flow hedges	1,335,097	897,926	437,171
thereof fair value hedges	1,450,000	1,150,000	300,000

	At December 31, 2020		
	Notional Values	Maturity	
		≤1 year	>1 year
<b>Cross currency interest rate swaps</b>	<b>1,731,739</b>	<b>309,149</b>	<b>1,422,590</b>
thereof cash flow hedges	1,657,085	234,495	1,422,590
thereof fair value hedges	74,654	74,654	-
<b>Interest rate swaps</b>	<b>2,600,000</b>	<b>1,150,000</b>	<b>1,450,000</b>
thereof cash flow hedges	450,000	450,000	-
thereof fair value hedges	2,150,000	700,000	1,450,000
<b>Total nominal values of derivative financial instruments</b>	<b>4,331,739</b>	<b>1,459,149</b>	<b>2,872,590</b>
thereof cash flow hedges	2,107,085	684,495	1,422,590
thereof fair value hedges	2,224,654	774,654	1,450,000

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(all amounts in thousands of Canadian dollars)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

Interest rate risk	Notional Values	2021	
		<u>Fair Value</u>	
		Other Financial Assets	Other Financial Liabilities
<b>Cross currency interest rate swaps</b>	<b>1,335,098</b>	<b>11,243</b>	<b>58,935</b>
thereof cash flow hedges	1,335,098	11,243	58,935
thereof fair value hedges	-	-	-
<b>Interest rate swaps</b>	<b>1,450,000</b>	<b>14,665</b>	<b>-</b>
thereof cash flow hedges	-	-	-
thereof fair value hedges	1,450,000	14,665	-

Interest rate risk	Notional Values	2020	
		<u>Fair Value</u>	
		Other Financial Assets	Other Financial Liabilities
<b>Cross currency interest rate swaps</b>	<b>1,731,739</b>	<b>45,254</b>	<b>7,585</b>
thereof cash flow hedges	1,657,085	45,254	2,000
thereof fair value hedges	74,654	-	5,585
<b>Interest rate swaps</b>	<b>2,600,000</b>	<b>46,960</b>	<b>7,632</b>
thereof cash flow hedges	450,000	-	7,632
thereof fair value hedges	2,150,000	46,960	-



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	During the period – 2021				
Interest rate risk	Changes in the fair value of the hedging instrument recognized in OCI	Hedge ineffectiveness recognized in profit or loss (interest expense - third parties)	Cost of hedging recognized in OCI	Amount reclassified from hedging reserve to P&L (interest expense – third parties)	Amount reclassified from cost of hedging reserve to P&L (interest expense – third parties)
<b>Cross currency interest rate swaps</b>	<b>4,843</b>	-	<b>(711)</b>	<b>799</b>	<b>(53)</b>
thereof cash flow hedges	4,843	-	(714)	799	(53)
thereof fair value hedges	-	-	3	-	-
<b>Interest rate swaps</b>	<b>(353)</b>	<b>111</b>	-	<b>7,990</b>	-
thereof cash flow hedges	(353)	-	-	7,990	-
thereof fair value hedges	-	111	-	-	-

	During the period – 2020				
Interest rate risk	Changes in the fair value of the hedging instrument recognized in OCI	Hedge ineffectiveness recognized in profit or loss (interest expense - third parties)	Cost of hedging recognized in OCI	Amount reclassified from hedging reserve to P&L (interest expense – third parties)	Amount reclassified from cost of hedging reserve to P&L (interest expense – third parties)
<b>Cross currency interest rate swaps</b>	<b>(8,983)</b>	-	<b>568</b>	<b>3,762</b>	<b>1,045</b>
thereof cash flow hedges	(8,983)	-	398	3,762	1,045
thereof fair value hedges	-	-	170	-	-
<b>Interest rate swaps</b>	<b>(3,306)</b>	<b>(60)</b>	-	<b>(325)</b>	-
thereof cash flow hedges	(3,306)	-	-	(325)	-
thereof fair value hedges	-	(60)	-	-	-

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### Fair value hedges

The Company uses fair value hedges primarily for hedging interest rate risks.

Net gain (losses) from these hedging instruments for 2021 and 2020 amounted to \$(32,308) and \$46,684 respectively. The offsetting changes in the value of the underlying transactions amounted to \$32,419 for 2021 and \$(46,745) for 2020.

The table shows the amounts of the items hedged with fair value hedges:

	2021	2020
	Interest rate risk	Interest rate risk
<b>Carrying amounts of the hedged items</b>		
Notes and bonds payable – current	1,160,725	1,025,232
Notes and bonds payable – non-current	302,748	1,491,415
<b>thereof hedge adjustments</b>		
Notes and bonds payable – current	11,392	1,173
Notes and bonds payable – non-current	3,287	43,773
<b>Fair value changes of the hedged items<sup>1</sup></b>	<b>(32,419)</b>	<b>46,745</b>
<b>Accumulated amount of hedge adjustments from inactive hedges remaining in the Statement of Financial Position – Notes and bonds payable</b>	-	<b>2,153</b>

<sup>1</sup> Fair value changes of the hedged items used for recognizing hedge ineffectiveness.

DCFI ensures an economic relationship between the hedged asset and the hedging instrument by ensuring consistency of interest rates, maturity terms and notional amounts. The effectiveness of the hedge is assessed at the beginning and during the economic relationship using the hypothetical derivative method.

Source of ineffectiveness of the hedge relationship include

- Effects of the credit risk on the fair value of the derivative instrument in use which are not reflected in the change in the hedged interest rate risk.

The table below represents amounts relating to hedge ineffectiveness for items designated as fair value hedges:

	2021	2020
	Interest rate risk	Interest rate risk
Interest income/(expense) – third parties	111	(60)

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### Cash flow hedges

The Company uses cash flow hedges primarily for hedging currency and interest rate risks associated with the Company's financing liabilities. The hedged cash flows are expected to occur and affect profit and loss between 2022 and 2025.

The table below shows the gains and losses on items designated as cash flow hedges as well as the amounts relating to hedge ineffectiveness:

	<b>2021</b>	<b>2020</b>
	<b>Interest rate risk</b>	<b>Interest rate risk</b>
Gains and (losses) recognized in other comprehensive income	3,779	(11,721)
Hedge ineffectiveness recognized in the statement of comprehensive income	-	-
Reclassification of the effective portion of the gain or (loss) on the derivatives (Interest expense – third parties)	8,736	4,482

The maturities of the interest rate hedges correspond with those of the underlying transactions. As of December 31, 2021, the Company expects to reclassify losses (before income taxes) of \$(415) to profit and loss in 2022.

The table below shows the reconciliation of the reserves for derivative instruments in 2021:

	<b>2021</b>	
<b>Interest Rate Risk</b>	<b>Cash flow hedges</b>	<b>Cost of hedging</b>
<b>Balance at January 1, 2021</b>	<b>(11,625)</b>	<b>(56)</b>
Changes in fair values (before taxes)	4,490	(711)
Taxes on changes in fair values	(1,190)	188
Reclassification to profit and loss (before taxes)	8,789	(53)
Taxes on reclassifications to profit and loss	(2,327)	14
<b>Balance at December 31, 2021</b>	<b>(1,863)</b>	<b>(618)</b>

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The table below shows the reconciliation of the reserves for derivative instruments in 2020:

	2020	
	Cash flow hedges	Cost of hedging
<b>Interest Rate Risk</b>		
<b>Balance at January 1, 2020</b>	<b>(5,118)</b>	<b>(1,241)</b>
Changes in fair values (before taxes)	(12,289)	568
Taxes on changes in fair values	3,257	(151)
Reclassification to profit and loss (before taxes)	3,437	1,045
Taxes on reclassifications to profit and loss	(912)	(277)
<b>Balance at December 31, 2020</b>	<b>(11,625)</b>	<b>(56)</b>

## 16. Related party relationships

For transactions and balances with MBGAG and other MBGAG subsidiaries, refer to notes 6 and 12.

DCFI is charged fees for the full and unconditional guarantees on its outstanding notes and bonds payable and commercial paper, which are issued under MBGAG'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 \$6,040 and \$7,971 for the years ended December 31, 2021 and 2020, respectively and are included in interest expense - related parties. As of December 31, 2021 and 2020, fees outstanding were \$(1,078) and \$121.

The Company is charged for administrative overhead expenses by DNAC. These expenses were \$3,059 and \$3,603 for the years ended December 31, 2021 and 2020, respectively, and are included in administrative and other expense. The payable for administrative overhead expenses to DNAC amounted to \$528 as of December 31, 2021 and \$987 as of December 31, 2020.

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

## 17. Capital management

DCFI is subject to the capital management at the MBGAG parent level. MBGAG uses net assets and value added as its basis for capital management. Net assets are managed on a divisional level at MBGAG rather than at a regional or company level. Accordingly, the net assets of the Company are not subject to review for capital management, but rather are reviewed as part of the net assets of the MBGAG divisions to which Company net assets are allocated. Value added shows the extent to which MBGAG achieves or exceeds the minimum return requirements of the shareholders and creditors, thus creating additional value. DCFI monitors the required rate of return on net assets, and thus the cost of capital in accordance with MBGAG guidelines.

The Company is part of the worldwide financial management that is performed for all Mercedes-Benz Group entities by MBGAG's Corporate Treasury. Financial management operates within a framework of guidelines, limits and benchmarks; for DCFI, these are described in more detail in note 15.