

# **Mercedes-Benz Finance Canada Inc.**

**Interim Report as of and for the six months ended June 30, 2022**

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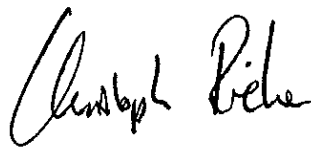
# Responsibility Statement

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

Farmington Hills, MI (USA), August 26, 2022



*Ramasami Muthaiyah*  
*President & Chief Executive Officer*



*Christoph Rieker*  
*Chief Financial Officer*

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## **Interim Management Report**

### **General**

Mercedes-Benz Finance Canada Inc. (“MBFCI” or the “Company”) is a wholly-owned subsidiary of Mercedes-Benz Group AG (“MBGAG” or “Mercedes-Benz Group”). MBFCI 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 MBFCI’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.

On May 13, 2022, the Articles of Corporation were amended to change the name of Daimler Canada Finance Inc. to Mercedes-Benz Finance Canada Inc. effective July 1, 2022. The Certificate of Amendment was filed in Quebec on July 7, 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.

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 six months ended June 30, 2021 and December 31, 2021, which were prepared using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### **Earnings**

Interest Income was \$41,259 for the six months ended June 30, 2022 compared to \$74,786 for the six months ended June 30, 2021. The 44.8% decrease is mainly caused by lower intercompany liabilities in 2022 due to spin-off of Daimler Trucks business in Canada (“Daimler Trucks CA”) in December of 2021.

#### *Interest expense*

Interest expense was \$37,950 for the six months ended June 30, 2022 compared to \$54,614 for the six months ended June 30, 2021. The 30.5% decrease is mainly caused by lower external financing liabilities in 2022.

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*Administrative and other expense*

Administrative and other expense increased to \$2,030 for the six months ended June 30, 2022 from \$2,282 for the six months ended June 30, 2021 primarily due to a decrease in legal fees.

*Other financial income and expense, net*

Other financial income, net was \$90 for the six months ended June 30, 2022 compared to other financial income, net of \$50 for the six months ended June 30, 2021 due to increased foreign exchange gains.

*Profit before income taxes*

Profit before income taxes decreased to \$1,006 for the six months ended June 30, 2022 from \$17,940 for the six months ended June 30, 2021. The change in profit before income taxes is primarily driven by the interest result. While interest expense declined in the first half of 2022, interest income was reduced more due to fewer intercompany receivables as compared to 2021 due to the spin-off of Daimler Trucks CA.

*Income tax expense*

The Company recorded an income tax expense of \$363 for the six months ended June 30, 2022 compared with \$4,754 for the six months ended June 30, 2021. The change in tax expense from June 30, 2022 to June 30, 2021 is comparable to the change in earnings respectively.

**Financial position**

Total assets were \$4,927,301 at June 30, 2022 compared to \$4,571,793 at December 31, 2021, an increase of 7.8%. This change is mainly due to an increase in receivables from related parties, as well as an increase in cash and cash equivalents. Total liabilities also increased to \$4,516,234 at June 30, 2022 from \$4,165,531 at December 31, 2021, an increase of 8.4%. This change is primarily due to higher payables to related parties offset by lower notes and bonds payable. Total equity increased to \$411,067 at June 30, 2022 from \$406,262 at December 31, 2021 mainly due to net income of \$1,006 and other comprehensive income of \$3,799 primarily attributable to cash flow hedges for the six months ended June 30, 2022.

**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 perspective.

The funds raised in 2022 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 subsidiaries in Canada. Lease and sales financing activities are typically financed with a high proportion of debt.

Cash flows were the following for the six months ended June 30, 2022 and June 30, 2021:

	<b>Six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
Net cash provided by/(used for) operating activities	612,932	105,904
Net cash provided by/(used for) investing activities	-	-
Net cash provided by/(used for) financing activities	(498,425)	(85,572)

Net cash inflows from operating activities were \$612,932 for the six months ended June 30, 2022 compared to net cash inflows of \$105,904 for the six months ended June 30, 2021 mainly due to an increase in payables to related parties.

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Net cash outflows from financing activities were \$498,425 for the six months ended June 30, 2022 compared to net cash outflows of \$85,572 for the six months ended June 30, 2021, mainly due to maturities without any offsetting issuances.

**Risk report**

Various factors could directly and indirectly, through the close affiliation with MBFCI's sister companies, affect the Company's business, financial condition, cash flows and results of operations. The principal risks are described in MBFCI's annual report 2021 which was submitted to the Luxembourg Stock Exchange on April 27, 2022.

Global factors such as the impact of the Russian invasion of Ukraine, persistent supply chain disruptions (semiconductor shortage) and strong demand are the greatest contributors towards global inflationary pressure. The expectation in Canada is that inflation will begin to decrease from current elevated levels later this year and reach 3% by 2023 and the 2% target by 2024.

Globally, central banks will continue to fight inflation by tightening monetary policy to dampen financial conditions while navigating their respective economies away from recession. These dynamics could have significant adverse effects on the Mercedes-Benz business in Canada and as a result, on the future financial position of the Company.

**Outlook**

We expect the world economy to grow somewhat more slowly in 2022 following its strong rebound in the prior year. Especially at the beginning 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, there is an exceptional uncertainty about the further economic development. Not only the war in Ukraine and its effects on supply chains and prices of energy and raw materials, but also the continued very high inflationary pressure for consumers and companies, and the associated central-banked increases in interest rates as well as the ongoing bottlenecks in global supply chains make the outlook more difficult.

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

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## Statement of Comprehensive Income (Unaudited)

	Note	Six months ended June 30,	
		2022	2021
<b>Interest income</b>			
Interest income – related parties		36,168	73,942
Interest income – third parties		5,091	844
<b>Total interest income</b>		<b>41,259</b>	<b>74,786</b>
<b>Interest expense</b>			
Interest expense – third parties		(32,315)	(50,452)
Interest expense – related parties		(5,635)	(4,162)
<b>Total interest expense</b>		<b>(37,950)</b>	<b>(54,614)</b>
<b>Net interest income</b>		<b>3,309</b>	<b>20,172</b>
Administrative and other expense	11	(2,030)	(2,282)
Other financial income and (expense), net		90	50
<b>Profit before income taxes</b>		<b>1,369</b>	<b>17,940</b>
Income tax expense		(363)	(4,754)
<b>Net profit</b>		<b>1,006</b>	<b>13,186</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>		6,720	3,447
Cash flow hedge reserve – reclassification to profit or loss <sup>1</sup>		268	922
Cost of hedging reserve – changes in fair value <sup>1</sup>		(3,189)	104
Cost of hedging reserve – reclassification to profit or loss <sup>1</sup>		-	(39)
<b>Other comprehensive income/(loss), net of taxes</b>		<b>3,799</b>	<b>4,434</b>
<b>Total comprehensive income/(loss)</b>		<b>4,805</b>	<b>17,620</b>

<sup>1</sup> Net of taxes

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

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## Statement of Financial Position (Unaudited)

		June 30,	December 31,
	Note	2022	2021
<b>Assets</b>			
Receivables from related parties	5	1,835,000	1,610,000
Other financial assets		-	12,490
Deferred tax assets		-	895
<b>Total non-current assets</b>		<b>1,835,000</b>	<b>1,623,385</b>
Receivables from related parties	5	1,755,575	1,713,256
Cash and cash equivalents		1,327,523	1,213,016
Other financial assets		6,208	22,135
Tax receivables		2,995	1
<b>Total current assets</b>		<b>3,092,301</b>	<b>2,948,408</b>
<b>Total assets</b>		<b>4,927,301</b>	<b>4,571,793</b>
<b>Equity and liabilities</b>	6		
Share capital		-	-
Capital reserves		394,137	394,137
Accumulated surplus		15,612	14,606
Cash flow hedge reserve		5,125	(1,863)
Cost of hedging reserve		(3,807)	(618)
<b>Total equity</b>		<b>411,067</b>	<b>406,262</b>
Notes and bonds payable	8	1,592,194	1,636,788
Other financial liabilities		35,948	4,721
Deferred tax liabilities		475	-
<b>Total non-current liabilities</b>		<b>1,628,617</b>	<b>1,641,509</b>
Payables to related parties	7	1,266,775	383,903
Notes and bonds payable	8	1,480,856	2,059,453
Other financial liabilities		139,986	80,418
Tax liabilities		-	248
<b>Total current liabilities</b>		<b>2,887,617</b>	<b>2,524,022</b>
<b>Total liabilities</b>		<b>4,516,234</b>	<b>4,165,531</b>
<b>Total equity and liabilities</b>		<b>4,927,301</b>	<b>4,571,793</b>

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



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## Statement of Changes in Equity (Unaudited)

	Share capital	Capital reserves	Accumulated Surplus	Cash flow Hedge reserve	Cost of hedging reserve	Total equity
<b>Balance at January 1, 2021</b>	-	394,137	(2,872)	(11,625)	(56)	379,584
Net profit	-	-	13,186	-	-	13,186
Other comprehensive income/(loss) before taxes	-	-	-	5,944	88	6,032
Deferred taxes on other comprehensive income/(loss)	-	-	-	(1,575)	(23)	(1,598)
<b>Total comprehensive income/(loss)</b>	-	-	13,186	4,369	65	17,620
<b>Balance at June 30, 2021</b>	-	394,137	10,314	(7,256)	9	397,204
<b>Balance at January 1, 2022</b>	-	394,137	14,606	(1,863)	(618)	406,262
Net profit	-	-	1,006	-	-	1,006
Other comprehensive income/(loss) before taxes	-	-	-	9,507	(4,339)	5,168
Deferred taxes on other comprehensive income/(loss)	-	-	-	(2,519)	1,150	(1,369)
<b>Total comprehensive income/(loss)</b>	-	-	1,006	6,988	(3,189)	4,805
<b>Balance at June 30, 2022</b>	-	394,137	15,612	5,125	(3,807)	411,067

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

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## Statement of Cash Flows (Unaudited)

	Note	Six months ended June 30,	
		2022	2021
Net profit		1,006	13,186
Adjustments for			
Foreign exchange (gains)/losses		(97)	(196)
Non-cash interest (income)/expense		(809)	3,300
Changes in			
Tax receivables		(2,994)	1,553
Other assets, tax liabilities, provisions and accrued interest		273	660
Receivables from and payables to related parties	5, 7	615,553	87,401
<b>Cash provided by/(used for) operating activities</b>		<b>612,932</b>	<b>105,904</b>
Acquisition of marketable debt securities		-	-
Proceeds from sales of marketable debt securities		-	-
<b>Cash provided by/(used for) investing activities</b>		<b>-</b>	<b>-</b>
Issuances of notes and bonds payable <sup>1</sup>	8	-	-
Issuances of commercial paper <sup>2</sup>	9	-	220,885
Repayment of notes and bonds payable <sup>1</sup>	8	(498,425)	(306,457)
Repayment of commercial paper	9	-	-
Issuances of loans and borrowings		-	-
<b>Cash provided by/(used for) financing activities</b>		<b>(498,425)</b>	<b>(85,572)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>114,507</b>	<b>20,332</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>1,213,016</b>	<b>257,875</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>1,327,523</b>	<b>278,207</b>

<sup>1</sup> Cash provided by/ (used for) financing activities includes 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.

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

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# Notes to the Financial Statements

## 1. Reporting entity

Mercedes-Benz Finance Canada Inc. (“MBFCI” 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.

MBFCI 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 MBFCI, 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. MBFCI 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 MBFCI 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.

On May 13, 2022, the Articles of Corporation were amended to change the name of Daimler Canada Finance Inc. to Mercedes-Benz Finance Canada Inc. effective July 1, 2022. The Certificate of Amendment was filed in Quebec on July 7, 2022.

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

## 2. Basis of accounting

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

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

In the opinion of the management, the interim financial statements reflect all adjustments (i.e. normal recurring adjustments) necessary for a fair presentation of the results of operations and the financial position of MBFCI. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period or the full fiscal year. The interim financial statements should be read in conjunction with the December 31, 2021 audited IFRS financial statements and notes

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which were submitted to the Luxembourg Stock Exchange on April 27, 2022. The accounting policies applied by MBFCI in these interim financial statements are the same as those applied in the audited IFRS financial statements as of and for the year ended December 31, 2021.

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

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

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

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

#### **Management Judgements**

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

At each reporting date, the carrying amounts of receivables from related parties are evaluated to determine whether there is objective significant increase in credit risk since initial recognition. Through June 30, 2022, the credit risk on receivables from related parties has not increased significantly since initial recognition. Therefore, the loss allowance for receivables from related parties are measured at an amount equal to 12-month expected credit losses. Receivables from related parties are considered to have a low risk of default. Management considers the 12-month expected credit losses for receivables from related parties as immaterial.

#### **Estimates**

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

##### *Fair value of financial instruments*

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

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

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

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the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

**4. Basis of preparation**

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

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

**5. Receivables from related parties**

MBFCI provides financing to certain MBGAG affiliates mainly in Canada, which are related parties for MBFCI. MBFCI 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:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
Mercedes-Benz Financial Services Canada Corp	3,588,497	3,317,496
Mercedes-Benz Group AG	2,078	5,760
<b>Total</b>	<b>3,590,575</b>	<b>3,323,256</b>

**6. Equity**

**(a) Share capital**

At June 30, 2022 and December 31, 2021, the authorized share capital comprised 1,000 no par value shares, of which 100 shares were issued and outstanding. All issued shares were fully paid.

**(b) Reserves**

**Capital reserves**

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

**Cash flow hedge reserve**

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

**Cost of hedging reserve**

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

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**7. Payables to related parties**

The following table sets forth amounts payable to related parties:

	June 30, 2022	December 31, 2021
Mercedes-Benz Canada Inc.	1,075,418	103,549
MBarc Credit Canada Inc.	179,640	169,143
Mercedes-Benz Group AG	11,030	3,378
Mercedes-Benz North America Corporation	687	528
Mercedes-Benz Financial Services Canada Corp	-	107,305
<b>Total</b>	<b>1,266,775</b>	<b>383,903</b>

**8. Notes and bonds payable**

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

During the first six months of 2022, notes or bonds payable in the amount of \$500,000 matured, compared to \$299,114 in the first six months of 2021.

There were no new notes and bonds issued during the first six months of 2022.

**9. Commercial paper**

In July 2011, MBFCI entered into a \$2,500,000 private placement of a commercial paper program. As of June 30, 2022 and December 31, 2021 there was no commercial paper outstanding.

**10. Financial instruments**

**Carrying amounts and fair values of financial instruments**

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

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	June 30, 2022		December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Cash and cash equivalents</b>	<b>1,327,523</b>	<b>1,327,523</b>	1,213,016	1,213,016
Financial assets at amortized cost				
Receivables from related parties	3,590,575	3,547,761	3,323,256	3,342,166
Accrued interest	5,858	5,858	8,717	8,717
<b>Total financial assets at amortized cost</b>	<b>3,596,433</b>	<b>3,553,619</b>	<b>3,331,973</b>	<b>3,350,883</b>
Financial assets recognized at fair value through profit or loss				
Derivative financial instruments used in hedge accounting	350	350	25,908	25,908
<b>Total financial assets recognized at fair value through profit or loss</b>	<b>350</b>	<b>350</b>	<b>25,908</b>	<b>25,908</b>
<b>Total financial assets</b>	<b>4,924,306</b>	<b>4,881,492</b>	<b>4,570,897</b>	<b>4,589,807</b>
Financial liabilities at amortized cost				
Notes and bonds payable	3,073,050	3,023,070	3,696,241	3,723,924
Payables to related parties	1,266,775	1,266,775	383,903	383,903
Accrued interest	23,867	23,867	26,204	26,204
<b>Total financial liabilities at amortized cost</b>	<b>4,363,692</b>	<b>4,313,712</b>	<b>4,106,348</b>	<b>4,134,031</b>
Financial liabilities at fair value				
Derivative financial instruments used in hedge accounting	152,067	152,067	58,935	58,935
<b>Total financial liabilities at fair value</b>	<b>152,067</b>	<b>152,067</b>	<b>58,935</b>	<b>58,935</b>
<b>Total financial liabilities</b>	<b>4,515,759</b>	<b>4,465,779</b>	<b>4,165,283</b>	<b>4,192,966</b>

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

	June 30, 2022				December 31, 2021			
	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	350	-	350		25,908	-	25,908	-
<b>Liabilities</b>								
Derivative financial instruments used in hedge accounting	152,067	-	152,067	-	58,935	-	58,935	-

<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.

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

	June 30, 2022				December 31, 2021			
	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	3,547,761	-	3,547,761	-	3,342,166	-	3,342,166	-
Financial liabilities measured at amortized cost	3,023,070	2,506,191	516,879	-	3,723,924	3,351,875	372,049	-
thereof notes and bonds	3,023,070	2,506,191	516,879	-	3,723,924	3,351,875	372,049	-
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**

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

**Derivative financial instruments used in hedge accounting**

These derivative financial instruments include:

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



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**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.

**11. Related party relationships**

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

MBFCI 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 \$2,078 and \$3,201 for the six months ended June 30, 2022 and June 30, 2021 respectively and are included in interest expense - related parties. As of June 30, 2022 fees outstanding were \$1,212 compared to \$1,078 as of December 31, 2021.

The Company is charged for administrative overhead expenses by MBNAC. These expenses were \$1,751 and \$1,824 for the six months ended June 30, 2022 and June 30, 2021 respectively, and are included in administrative and other expense. The payable for administrative overhead expenses to MBNAC amounted to \$687 as of June 30, 2022 and \$528 as of December 31, 2021.

The authority and responsibility for planning, directing and controlling the activities of MBFCI 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.