

Mercedes-Benz Finance Canada Inc.

Interim Report as of and for the six months ended June 30, 2024

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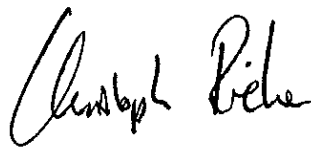
Responsibility Statement

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 27, 2024



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.

The nature of the Mercedes-Benz Group operations in Canada include the distribution of passenger cars purchased from Mercedes-Benz AG 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, 2023 and December 31, 2023, which were prepared using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Earnings

Interest Income

Interest Income was \$98,753 for the six months ended June 30, 2024 compared to \$82,402 for the six months ended June 30, 2023. The 19.8% increase is mainly caused by higher interest rates on higher related party accounts receivable balances.

Interest expense

Interest expense was \$87,445 for the six months ended June 30, 2024 compared to \$73,879 for the six months ended June 30, 2023. The 18.4% increase is caused by additional interest expense on new financing liabilities at higher rates offset by lower intercompany interest due to lower payable balances.

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Administrative and other expense

Administrative and other expense increased to \$1,695 for the six months ended June 30, 2024 from \$1,333 for the six months ended June 30, 2023 primarily due to an increase in legal and professional fees.

Other financial income and (expense), net

Other financial expense, net was \$(44) for the six months ended June 30, 2024 compared to other financial expense, net of \$(206) for the six months ended June 30, 2023 due to decreased foreign exchange losses.

Profit before income taxes

Profit before income taxes increased to \$9,569 for the six months ended June 30, 2024 from \$6,984 for the six months ended June 30, 2023. The change in income before taxes is primarily driven by interest result.

Income tax expense

The Company recorded an income tax expense of \$2,536 for the six months ended June 30, 2024 compared with \$1,851 for the six months ended June 30, 2023. The change in tax expense from June 30, 2024 to June 30, 2023 is corresponding to the change in earnings respectively.

Financial position

Total assets were \$5,199,702 at June 30, 2024 compared to \$4,476,255 at December 31, 2023, an increase of 16.2%. This change is mainly due to an increase cash and cash equivalents from commercial paper issuances. Total liabilities also increased to \$4,797,453 at June 30, 2024 from \$4,064,070 at December 31, 2023, an increase of 18.0%. This change is primarily due to higher commercial paper payable offset by lower payables to related parties. Total equity decreased to \$402,249 at June 30, 2024 from \$412,185 at December 31, 2023 mainly due to net income of \$7,033 and other comprehensive loss of \$(16,969) primarily attributable to cash flow hedges for the six months ended June 30, 2024.

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 2024 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, 2024 and June 30, 2023:

	Six months ended June 30,	
	2024	2023
Net cash provided by/(used for) operating activities	26,888	(655,003)
Net cash provided by/(used for) investing activities	-	-
Net cash provided by/(used for) financing activities	842,635	768,728

Net cash inflows from operating activities were \$26,888 for the six months ended June 30, 2024 compared to net cash outflows of \$655,003 for the six months ended June 30, 2023 mainly due to a net decrease in receivables and payables from/to related parties.

Net cash inflows from financing activities were \$842,635 for the six months ended June 30, 2024 compared to net cash inflows of \$768,728 for the six months ended June 30, 2023, mainly due to issuances of commercial paper offset by lower issuances of notes and bonds in 2024.

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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 2023 which was submitted to the Luxembourg Stock Exchange on April 26, 2024.

The Canadian economy saw a modest rebound in the first quarter of 2024 and the outlook is positive despite geopolitical tensions such as the conflicts in Palestine and Ukraine.

Although inflation has decreased to 2.7% in mid-2024, it still remains above the target rate of 2%. The Bank of Canada began easing on monetary policy bringing its key overnight lending rate to 4.75% in June.

Additional risk factors include weak investment and productivity performance, high costs, still high interest rates, and tax policies.

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

Management expects the Company's operational results to be stable in 2024. 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,	
		2024	2023
Interest income			
Interest income – related parties		91,059	73,284
Interest income – third parties		7,694	9,118
Total interest income		98,753	82,402
Interest expense			
Interest expense – third parties		(80,720)	(52,139)
Interest expense – related parties		(6,725)	(21,740)
Total interest expense		(87,445)	(73,879)
Net interest income		11,308	8,523
Administrative and other expense	12	(1,695)	(1,333)
Other financial income and (expense), net	5	(44)	(206)
Profit before income taxes		9,569	6,984
Income tax expense		(2,536)	(1,851)
Net profit		7,033	5,133
Other comprehensive income			
Items that are or may be reclassified to profit/(loss)			
Cash flow hedge reserve – effective portion of changes in fair value ¹		(19,670)	8,524
Cash flow hedge reserve – reclassification to profit or loss ¹		520	617
Cost of hedging reserve – changes in fair value ¹		2,020	(1,857)
Cost of hedging reserve – reclassification to profit or loss ¹		161	-
Other comprehensive income/(loss), net of taxes		(16,969)	7,284
Total comprehensive income/(loss)		(9,936)	12,417

¹ Net of taxes

The accompanying notes on pages 11 to 18 are an integral part of the financial statements.

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Statement of Financial Position (Unaudited)

		June 30,	December 31,
	Note	2024	2023
Assets			
Receivables from related parties	6	2,540,000	2,235,000
Other financial assets		42,527	61,331
Deferred tax assets		7,012	894
Total non-current assets		2,589,539	2,297,225
Receivables from related parties	6	1,484,761	1,921,072
Cash and cash equivalents		1,118,765	249,242
Other financial assets		3,090	2,633
Tax receivables		3,547	6,083
Total current assets		2,610,163	2,179,030
Total assets		5,199,702	4,476,255
Equity and liabilities	7		
Share capital		-	-
Capital reserves		394,137	394,137
Accumulated surplus		28,189	21,156
Cash flow hedge reserve		(13,546)	5,604
Cost of hedging reserve		(6,531)	(8,712)
Total equity		402,249	412,185
Notes and bonds payable	9	3,460,627	3,171,826
Other financial liabilities		7,295	15,688
Total non-current liabilities		3,467,922	3,187,514
Provisions and other liabilities		53	21
Payables to related parties	8	124,920	229,442
Notes and bonds payable	9	145,903	500,717
Commercial Paper	10	1,021,270	84,809
Other financial liabilities		37,385	61,567
Total current liabilities		1,329,531	876,556
Total liabilities		4,797,453	4,064,070
Total equity and liabilities		5,199,702	4,476,255

The accompanying notes on pages 11 to 18 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
Balance at January 1, 2023	-	394,137	17,118	(7,544)	(4,494)	399,217
Net profit	-	-	5,133	-	-	5,133
Other comprehensive income/(loss) before taxes	-	-	-	12,438	(2,527)	9,911
Deferred taxes on other comprehensive income/(loss)	-	-	-	(3,297)	670	(2,627)
Total comprehensive income/(loss)	-	-	5,133	9,141	(1,857)	12,417
Balance at June 30, 2023	-	394,137	22,251	1,597	(6,351)	411,634
Balance at January 1, 2024	-	394,137	21,156	5,604	(8,712)	412,185
Net profit	-	-	7,033	-	-	7,033
Other comprehensive income/(loss) before taxes	-	-	-	(26,055)	2,968	(23,087)
Deferred taxes on other comprehensive income/(loss)	-	-	-	6,905	(787)	6,118
Total comprehensive income/(loss)	-	-	7,033	(19,150)	2,181	(9,936)
Balance at June 30, 2024	-	394,137	28,189	(13,546)	(6,531)	402,249

The accompanying notes on pages 11 to 18 are an integral part of the financial statements.

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Statement of Cash Flows (Unaudited)

		Six months ended June 30,	
		2024	2023
	Note		
Net profit		7,033	5,133
Adjustments for			
Foreign exchange (gains)/losses		411	121
Non-cash interest (income)/expense		6,392	1,310
Changes in			
Tax receivables		2,536	1,650
Other assets, tax liabilities, provisions and accrued interest		(16,273)	9,457
Receivables from and payables to related parties	6, 8	26,789	(672,674)
Cash provided by/(used for) operating activities		26,888	(655,003)
Acquisition of marketable debt securities		-	-
Proceeds from sales of marketable debt securities		-	-
Cash provided by/(used for) investing activities		-	-
Issuances of notes and bonds payable ¹	9	344,100	747,820
Repayment of notes and bonds payable ¹	9	(436,618)	-
Issuances/(repayment) of commercial paper ² , net	10	935,153	20,908
Cash provided by/(used for) financing activities		842,635	768,728
Net increase/(decrease) in cash and cash equivalents		869,523	113,725
Cash and cash equivalents at the beginning of the period		249,242	490,880
Cash and cash equivalents at the end of the period		1,118,765	604,605

¹ Cash provided by/ (used for) financing activities includes cash flows from hedging the currency risks of financial liabilities.

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

The accompanying notes on pages 11 to 18 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.

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, 2023 audited IFRS financial statements and notes which were submitted to the Luxembourg Stock Exchange on April 26, 2024. 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, 2023.

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.

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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, 2024, 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 reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

4. Basis of preparation

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

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

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5. Other financial income and (expense), net

Other financial expense, net is comprised of the following:

	June 30, 2024	June 30, 2023
Result of foreign exchange transactions losses	(16)	(180)
Bank fees	(28)	(26)
Total	(44)	(206)

6. 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:

	June 30, 2024	December 31, 2023
Mercedes-Benz Financial Services Canada Corp	3,981,936	4,155,797
Mercedes-Benz Canada Inc.	40,028	-
Mercedes-Benz Group AG	2,797	275
Total	4,024,761	4,156,072

7. Equity

(a) Share capital

At June 30, 2024 and December 31, 2023, 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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8. Payables to related parties

The following table sets forth amounts payable to related parties:

	June 30, 2024	December 31, 2023
MBarc Credit Canada Inc.	115,310	21,221
Mercedes-Benz Canada Inc.	7,122	197,094
Mercedes-Benz Group AG	1,922	10,476
Mercedes-Benz North America Corporation	566	651
Total	124,920	229,442

9. 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 2024, notes and bonds payable in the amount of \$425,641 matured, compared to no notes and bonds payable that matured in the first six months of 2023. There were \$346,579 of notes and bonds issued in the first six months of 2024 compared to \$750,000 of notes and bonds issued in the first six months of 2023.

Terms and conditions of new notes payable issued during the first six months of 2024 are as follows:

	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
USD Medium Term Notes					
Medium Term Note	USD	4.500%	2027	137,040	134,303
Medium Term Note	USD	5.125%	2027	212,412	213,460
Total USD Medium Term Notes				349,452	347,763

Terms and conditions of new notes payable issued during the first six months of 2023 are as follows:

	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
Canadian Dollar Bonds					
Bond	CAD	5.140%	2026	500,000	498,698
Bond	CAD	5.120%	2028	250,000	249,125
Total Canadian Dollar Bonds				750,000	747,823

10. Commercial paper

In July 2011, MBFCI entered into a \$2,500,000 private placement of a commercial paper program. As of June 30, 2024, the amount outstanding under the commercial paper program was \$1,021,270 compared to \$84,809 as of December 31, 2023. Fixed interest rates ranged from 4.88% to 5.10% and maturity dates range from July 2, 2024 to July 25, 2024. MBFCI's obligations under the commercial paper program are fully and unconditionally guaranteed by its ultimate parent company, MBGAG.

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11. 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.

	June 30, 2024		December 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	1,118,765	1,118,765	249,242	249,242
Financial assets at amortized cost				
Receivables from related parties	4,024,761	4,107,407	4,156,072	4,230,396
Accrued interest	-	-	1,839	1,839
Total financial assets at amortized cost	4,024,761	4,107,407	4,157,911	4,232,235
Financial assets recognized at fair value through profit or loss				
Derivative financial instruments used in hedge accounting	45,617	45,617	62,125	62,125
Total financial assets recognized at fair value through profit or loss	45,617	45,617	62,125	62,125
Total financial assets	5,189,143	5,271,789	4,469,278	4,543,602
Financial liabilities at amortized cost				
Notes and bonds payable	3,606,530	3,593,289	3,672,543	3,679,822
Commercial paper	1,021,270	1,021,270	84,809	84,809
Payables to related parties	124,920	124,920	229,442	229,442
Accrued interest	33,810	33,810	51,955	51,955
Total financial liabilities at amortized cost	4,786,530	4,773,289	4,038,749	4,046,028
Financial liabilities at fair value				
Derivative financial instruments used in hedge accounting	10,870	10,870	25,300	25,300
Total financial liabilities at fair value	10,870	10,870	25,300	25,300
Total financial liabilities	4,797,400	4,784,159	4,064,049	4,071,328

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

	June 30, 2024				December 31, 2023			
	Total	Level 1 ¹	Level 2 ²	Level 3 ³	Total	Level 1 ¹	Level 2 ²	Level 3 ³
Assets								
Derivative financial instruments used in hedge accounting	45,617	-	45,617		62,125	-	62,125	-
Liabilities								
Derivative financial instruments used in hedge accounting	10,870	-	10,870	-	25,300	-	25,300	-

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

² Fair value measurement based on inputs for the asset or liability that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

³ Fair value measurement based on inputs for the asset or liability that are not observable market data.

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

	June 30, 2024				December 31, 2023			
	Total	Level 1 ¹	Level 2 ²	Level 3 ³	Total	Level 1 ¹	Level 2 ²	Level 3 ³
Financial assets measured at amortized cost	4,107,407	-	4,107,407	-	4,230,396	-	4,230,396	-
Financial liabilities measured at amortized cost	4,614,559	1,718,210	2,896,349	-	3,764,631	2,311,040	1,453,591	-
thereof notes and bonds	3,593,289	1,718,210	1,875,079	-	3,679,822	2,311,040	1,368,782	-
thereof other financial liabilities	1,021,270	-	1,021,270	-	84,809	-	84,809	-

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

² Fair value measurement based on inputs for the asset or liability that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

³ Fair value measurement based on inputs for the asset or liability that are not observable market data.

The fair values of financial instruments were calculated on the basis of market information available on the balance sheet date using the methods and assumptions presented below.

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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.

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.

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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.

12. Related party relationships

For transactions and balances with MBGAG and other MBGAG subsidiaries, refer to notes 6 and 8.

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 \$2,043 and \$1,626 for the six months ended June 30, 2024 and June 30, 2023 respectively and are included in interest expense - related parties. As of June 30, 2024 fees payable were \$1,922 compared to \$626 as of December 31, 2023.

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The Company is charged for administrative overhead expenses by Mercedes-Benz North America Corporation ("MBNAC"). These expenses were \$1,332 and \$1,124 for the six months ended June 30, 2024 and June 30, 2023 respectively, and are included in administrative and other expense. The outstanding payable for administrative overhead expenses to MBNAC amounted to \$566 as of June 30, 2024 and \$651 as of December 31, 2023.

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.