

**Daimler Finance North America LLC**

**Annual Report 2020**

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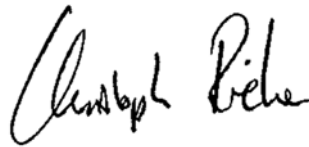
# Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of Daimler Finance North America LLC (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 26, 2021



Ramasami Muthaiyah  
*Chief Executive Officer*



Christoph Rieker  
*Chief Financial Officer*

## Daimler Finance North America LLC – Annual Report 2020

(all amounts in thousands of U.S. dollars)

# Management Report

### General

Daimler Finance North America LLC (“DFNA” or the “Company”) is a wholly-owned subsidiary of Daimler North America Corporation (“DNA”), which is a wholly-owned subsidiary of Daimler International Nederland B.V. (“DIN”), which is in turn a wholly-owned subsidiary of Daimler AG (“DAG”).

DFNA accesses U.S. and foreign capital markets to raise funds, which it lends to DNA through a consolidated funding and cash management system. As such, it has relationships with other subsidiaries of DAG. DAG issued full and unconditional guarantees for DFNA’s obligations incurred under its outstanding notes and bonds program and commercial paper program. DFNA and DNA entered into an intercompany loan agreement which is intended to mirror DFNA’s external borrowings such that interest expense with third parties is offset by corresponding interest income from DNA.

The nature of the Daimler operations in the US includes the distribution of passenger cars purchased from DAG under the brand name Mercedes-Benz and the sale of trucks and other commercial vehicles under the brand names Freightliner, Western Star and Thomas Built Buses. Daimler also has financial services operations that principally provide automotive financing to its dealers and their customers, including retail and lease financing for cars and trucks, dealer inventory and other financing needs.

This document contains forward-looking statements that reflect our current views about future events. The words “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” “may,” “can,” “could,” “plan,” “project,” “should” and similar expressions are 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 the United States;
- 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; and
- the business outlook of the Company’s sister companies in the United States, which may affect the funding requirements of these companies in the automotive and financial services businesses.

The following discussion should be read in conjunction with the DFNA’s financial statements as of and for the years ended December 31, 2020 and 2019, 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 an overview of the Company’s significant accounting policies.

The percentages in the following discussion were computed using exact dollar amounts and numbers. Some of those percentages may, therefore, not reflect the ratio between the rounded amounts presented below.

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### Earnings

#### *Interest Income*

Interest income decreased to \$896,911 in 2020 from \$1,059,933 in 2019, a decrease of \$163,022 or 15%. The decrease was caused by lower interest rates and a lower average balance of receivables from related parties.

#### *Interest Expense*

Interest expense decreased to \$896,911 in 2020 from \$1,059,933 in 2019, a decrease of \$163,022 or 15%. The decrease was caused by lower interest rates and lower average external borrowings.

#### *Guarantee Fees*

Guarantee fees charged by DAG (12.5 bp on outstanding external debt) were \$36,521 in 2020, compared to \$41,528 in 2019. This was caused by the Company's outstanding balances of external borrowings which were lower on average in 2020 compared to 2019.

#### *Administrative Expenses*

Administrative expenses were \$3,371 and \$3,898 for 2020 and 2019, respectively.

#### *Reimbursement of Expenses from DNA*

DFNA and DNA are parties to an agreement where DNA reimburses DFNA for any and all expenses incurred in connection with the administration of DFNA's notes and bonds program and commercial paper program. The reimbursement of net expenses from DNA amounted to \$39,900 in 2020 and \$45,419 in 2019.

#### *Net Income*

Net income was \$0 in both 2020 and 2019.

### Financial Position

Total assets were \$27,258,866 at December 31, 2020 compared to \$33,695,295 at December 31, 2019, a decrease of \$6,436,429 or 19%. The decrease is due to repayments from related parties exceeding issuances of loans to related parties.

Total liabilities were \$27,258,866 at December 31, 2020 compared to \$33,695,295 at December 31, 2019, a decrease of \$6,436,429 or 19%. The decrease reflects the repayments of notes and bonds and commercial paper exceeding the issuances of notes and bonds and commercial paper in 2020.

### Liquidity and Capital Resources

In the ordinary course of business, the Company issues notes and bonds and commercial paper in the US and foreign capital markets and lends the proceeds to DNA. In 2020, \$2,138,803 new notes and bonds and commercial paper were issued, while there were \$8,542,279 new issuances in 2019. The Company had neither cash nor cash equivalents as of December 31, 2020 and 2019.

### Risk Report

Many factors could directly and indirectly, through the close affiliation with DAG's affiliated companies, affect the Company's business, financial condition, and cash flows. The results of operations would not be affected due to the existing reimbursement agreements with DNA. The principal risks are described below.

## **Daimler Finance North America LLC – Annual Report 2020**

(all amounts in thousands of U.S. dollars)

### *Economic Risk*

The United States economy, as well as most global economies continue to suffer delays to their economic recoveries due to a second wave of COVID-19. This public health crisis has slowed down economic growth, which will likely remain uneven until wide-ranging immunity is achieved. While slower economic growth is expected in early 2021, the introduction of COVID-19 vaccinations has improved the outlook for growth in the medium term.

The fiscal program decided upon in late 2020 and potential further stimulus measures by the new administration in the United States could result in opportunities for economic developments. If this leads to significantly more dynamic consumption and investment, demand could benefit in all automotive segments. As Mercedes-Benz Cars & Vans, Daimler Trucks & Buses and Daimler Mobility generate substantial proportions of their revenues in the United States, these developments would have considerable consequences for the Group's success.

Furthermore, stronger economic growth in the United States would also have spillover effects on the rest of the world. However, increasing domestic political tension in the United States could unsettle consumers and investors and thus dampen economic growth.

### *Industry Risks*

Overcapacity and intense price competition in the automotive industry could force the Daimler companies in the United States, which are financed by DFNA, to decrease production, reduce capacity or increase sales incentives, each of which would be costly and would indirectly affect the financial position of the Company significantly.

In addition, the financial services that Daimler 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 their book value (residual value risk), which may lead to additional funding requirements through DFNA.

### *Financial Risks*

Changes in interest rates may have substantial adverse effects on the Company's cash flows. Adverse effects may also arise from downgrades of the long-term debt ratings of the Company's ultimate parent company, DAG, and the ability of the Company to issue debt in the US and European markets. Lower demand for the Company's debt instruments could increase the borrowing costs or otherwise limit DFNA's ability to fund the Daimler operations in the US.

Note 8 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, 2020, the Company had eight officers and a board of directors which comprised three members. With this segregation, the officers are responsible for managing the day to day operations of the Company while the board of directors advises and monitors the officers.

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(all amounts in thousands of U.S. dollars)

### *Compliance*

As part of the Daimler organization, the Company has applied all compliance principles the Daimler 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 an integral part 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 8).

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.

### **Outlook**

Management expects net income and equity to be \$0 in 2021. This expectation is based on the assumption of a stable economic development and continuation of the Company's business model.



KPMG LLP  
Suite 1900  
150 West Jefferson  
Detroit, MI 48226

## Independent Auditors' Report

The Board of Directors  
Daimler Finance North America LLC:

We have audited the accompanying financial statements of Daimler Finance North America LLC, which comprise the statements of financial position as of December 31, 2020 and 2019, 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.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.





*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daimler Finance North America LLC, as of December 31, 2020 and 2019, 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.

KPMG LLP

Detroit, Michigan  
April 26, 2021

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## Statement of Comprehensive Income

		Year ended December 31,	
		2020	2019
	<b>Note</b>		
Interest income – related parties		896,911	1,059,933
Interest expense – third parties		(896,911)	(1,059,933)
Guarantee fees – DAG	4	(36,521)	(41,528)
<b>Net interest expense</b>		<b>(36,521)</b>	<b>(41,528)</b>
Other financial income / (expense)	5	(8)	7
Administrative expenses	4	(3,371)	(3,898)
Reimbursement of expenses from DNA	4	39,900	45,419
<b>Net income</b>		-	-
Other comprehensive income		-	-
<b>Total comprehensive income</b>		-	-

The accompanying notes on pages 14 to 26 are an integral part of the financial statements.

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### Statement of Financial Position

	Note	December 31,	
		2020	2019
<b>Assets</b>			
Receivables from related parties	4	16,691,862	24,826,523
<b>Total non-current assets</b>		<b>16,691,862</b>	<b>24,826,523</b>
Receivables from related parties	4	10,313,187	8,569,666
Accrued interest income from DNA	4	253,817	299,106
<b>Total current assets</b>		<b>10,567,004</b>	<b>8,868,772</b>
<b>Total assets</b>		<b>27,258,866</b>	<b>33,695,295</b>
<b>Equity and liabilities</b>			
<b>Total equity</b>		-	-
Notes and bonds payable	7	16,691,862	24,826,523
<b>Total non-current liabilities</b>		<b>16,691,862</b>	<b>24,826,523</b>
Payables to related parties	4, 7	17,933	24,307
Other provisions		105	6
Notes and bonds payable	7	10,295,149	7,547,407
Commercial paper	7	-	997,946
Accrued interest expense	7	253,817	299,106
<b>Total current liabilities</b>		<b>10,567,004</b>	<b>8,868,772</b>
<b>Total liabilities</b>		<b>27,258,866</b>	<b>33,695,295</b>
<b>Total equity and liabilities</b>		<b>27,258,866</b>	<b>33,695,295</b>

The accompanying notes on pages 14 to 26 are an integral part of the financial statements.

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## Statement of Changes in Equity

	Member's Investment	Retained Earnings	Other Reserves	Total Equity
<b>Balance at January 1, 2019</b>	-	-	-	-
Net income	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-
Transactions with members directly recognized in equity	-	-	-	-
<b>Balance at December 31, 2019</b>	-	-	-	-
Net income	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-
Transactions with members directly recognized in equity	-	-	-	-
<b>Balance at December 31, 2020</b>	-	-	-	-

The accompanying notes on pages 14 to 26 are an integral part of the financial statements.

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### Statement of Cash Flows

	Note	Year ended December 31,	
		2020	2019
Net income		-	-
Adjustments for			
Foreign exchange gains	5	8	(7)
Non-cash interest expense		21,281	24,424
Changes in			
Receivables from related parties	4	6,391,132	(3,003,500)
Payables to related parties	4	(6,374)	809
Other provisions		99	6
<b>Net cash provided by/(used for) operating activities</b>		<b>6,406,146</b>	<b>(2,978,268)</b>
<b>Net cash provided by/(used for) investing activities</b>		<b>-</b>	<b>-</b>
Issuances of notes and bonds payable	7	2,138,803	6,976,200
Issuances of commercial paper	7	-	1,566,079
Repayments of notes and bonds payable	7	(7,550,000)	(4,500,000)
Repayments of commercial paper	7	(994,949)	(1,064,011)
<b>Net cash provided by/(used for) financing activities</b>		<b>(6,406,146)</b>	<b>2,978,268</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>-</b>	<b>-</b>
<b>Supplemental information:<sup>1</sup></b>			
Interest paid		(920,919)	(1,012,102)
Interest received		920,919	1,012,102

<sup>1</sup> All cash flows from interest are included in cash used in operating activities. The Company does not have any cash flows from income taxes and dividends.

The accompanying notes on pages 14 to 26 are an integral part of the financial statements.

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(all amounts in thousands of U.S. dollars)

# Notes to the Financial Statements

## 1. General information

Daimler Finance North America LLC (“DFNA” or the “Company”) is a limited liability company organized under the laws of Delaware. The Company is a wholly-owned subsidiary of Daimler North America Corporation (“DNA”), which is a wholly-owned subsidiary of Daimler International Nederland B.V. (“DIN”), which is in turn a wholly-owned subsidiary of Daimler AG (“DAG”). Its registered office is located at 1209 Orange Street, Wilmington, Delaware 19801, USA.

DFNA accesses US and foreign capital markets to raise funds, which it lends to DNA through a consolidated funding and cash management system.

In the event of non-payment by DFNA, DAG irrevocably and unconditionally guarantees the debt holders the payment of the amounts corresponding to the principal of, and interest on the respective notes and bonds and commercial paper as they become due. DFNA and DNA entered into intercompany loan agreements which are intended to mirror DFNA’s external borrowings such that interest expense with third parties is offset by corresponding interest income from DNA. DFNA has one reportable segment.

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

On April 26, 2021, the Board of Directors of DFNA authorized the financial statements for issue.

## 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).

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

A number of new standards are effective for annual periods beginning after January 1, 2020, and earlier application is permitted; however the Company has not early adopted the new or amended standards in preparing these financial statements. No such amended standards or interpretations are expected to have a significant impact on the Company’s financial statements.

The following amended standards and interpretations are not expected to have a significant impact on DFNA’s financial statements:

- IFRS 16 Covid-19-Related Rent Concessions.
- IFRS 17 Insurance Contracts.
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16.

### (c) Basis of measurement

The financial statements have been prepared on the historical cost basis.

### (d) Functional and presentation currency

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

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

Presentation in the statement of financial position differentiates between current and non-current assets and liabilities. Assets and liabilities are classified as current if they mature within one year.

### (f) Accounting estimates and management judgements

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 DNA. Refer to note 7 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, 2020, the credit risk on receivables from related parties has not increased significantly since initial recognition. Therefore, the loss allowance for receivables from related parties would be 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 in applying accounting policies that have the most significant effect on the amounts 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 simpler 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.

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### 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) Income taxes

The Company is a single member limited liability company. As such, the Company is not a taxable entity for federal and state income tax purposes. Rather, taxable income or loss is included in its member's federal and state income tax returns and any resulting income taxes are paid by the member.

#### (c) Transactions with related parties

DFNA is wholly owned by DNA and indirectly by DAG. 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.

#### (d) Financial assets

Financial assets consist primarily of receivables from DNA, which arise from intercompany loans. 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 only of payments of principal and interest are classified in accordance with DFNA's business model for holding these instruments. These business models are managed principally based on interest-rate structure and credit risk.

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. In assessing whether the contractual cash flows are solely payments of principal and interest, DFNA 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, DFNA 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 DFNA'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.



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### *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 (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.

### **Impairment of financial assets**

DFNA recognizes loss allowances for expected credit losses for financial assets other than those to be measured at fair value through profit or loss. The loss allowances 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 DFNA considers reasonable and supportable information that is relevant and available without undue cost or effort, including quantitative and qualitative information based on historical experience and forward-looking information.

DFNA assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

### *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.

### **(e) Financial liabilities**

Financial liabilities include notes and bonds payable, commercial paper, payables to related parties, and accrued interest. New notes and bonds and commercial paper issuances are recognized at fair value based on quoted prices on the day of issuance minus transaction costs, if any. After initial recognition at fair value minus transaction costs, they are subsequently measured at amortized cost using the effective interest method.

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**4. Transactions with related parties**

The following table sets forth amounts receivable from related parties:

	December 31,	
	2020	2019
Daimler North America Corporation	27,004,385	33,393,956
Daimler North America Corporation - accrued interest	253,817	299,106
Daimler North America Finance Corporation (DNAF)	664	2,226
Daimler Canada Finance Inc. (DCFI)	-	7
<b>Total</b>	<b>27,258,866</b>	<b>33,695,295</b>

The receivables bear interest at fixed and variable rates ranging from 0.69% to 8.5%, with a weighted average interest rate of 2.78%. Variable rates are re-priced on a 3 month basis. Interest income is recorded using the effective interest method. The Company recorded interest income from DNA of \$896,873 in 2020 and \$1,059,827 in 2019. The Company holds cash receivables with DNAF, the US In-House Bank, and recorded interest income of \$38 in 2020 and \$106 in 2019.

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

Year	Amount
2021	10,567,004
2022	5,744,157
2023	2,918,011
≥2024	8,029,694
<b>Total</b>	<b>27,258,866</b>

As of December 31, 2019, aggregate annual maturities of receivables from related parties were as follows:

Year	Amount
2020	8,868,772
2021	10,285,985
2022	5,739,817
≥2023	8,800,721
<b>Total</b>	<b>33,695,295</b>

The following table sets forth amounts payable to related parties which result from guarantee fees:

	December 31,	
	2020	2019
Daimler AG	17,933	24,307
<b>Total</b>	<b>17,933</b>	<b>24,307</b>

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(all amounts in thousands of U.S. dollars)

DFNA is charged fees for the full and unconditional guarantees on its outstanding notes and bonds and commercial paper programs by DAG. These fees are calculated as a set percentage of the outstanding notes and bonds and commercial paper at the end of each month at any given year. These guarantee fees were \$36,521 and \$41,528 for the years ended December 31, 2020 and 2019, respectively.

DFNA is charged for administrative overhead expenses by DNA. These expenses were \$2,333 and \$2,537 for the years ended December 31, 2020 and 2019, respectively, and are included in administrative expenses of \$3,371 and \$3,898 for the years ended December 31, 2020 and 2019 in the Statement of Comprehensive Income.

DFNA and DNA are also parties to agreements pursuant to which DNA reimburses DFNA for any and all expenses incurred in connection with the administration of DFNA's notes and bonds and commercial paper programs. These reimbursements are recognized in income - Reimbursement of expenses from DNA.

The receivable for reimbursement of expenses from DNA amounted to \$17,374 as of December 31, 2020 and \$22,087 as of December 31, 2019.

There are no related party transactions with key management personnel as defined in IAS 24.

### 5. Other financial income / (expense)

Other financial income includes foreign exchange from intercompany cash balances and invoices in EUR:

	2020	2019
Result of foreign exchange transactions – gains / (losses)	(8)	7
<b>Total</b>	<b>(8)</b>	<b>7</b>

### 6. Statement of cash flows

In 2020 the changes in liabilities arising from financing activities were as follows.

Financing liabilities	Notes and bonds payable	Commercial Paper	Total
<b>Balance at January 1, 2020<sup>1</sup></b>	<b>32,673,036</b>	<b>997,946</b>	<b>33,670,982</b>
Proceeds from Issuance	2,138,803	-	2,138,803
Repayments	(7,550,000)	(994,949)	(8,544,949)
<b>Total changes from financing cash flows</b>	<b>(5,411,197)</b>	<b>(99,949)</b>	<b>(6,406,146)</b>
Interest expense	885,153	11,758	896,911
Interest paid	(906,164)	(14,755)	(920,919)
<b>Total liability-related other changes</b>	<b>(21,011)</b>	<b>(2,996)</b>	<b>(24,008)</b>
<b>Balance at December 31, 2020<sup>2</sup></b>	<b>27,240,828</b>	<b>-</b>	<b>27,240,828</b>

<sup>1</sup> Notes and bonds payable balance at January 1, 2020 includes accrued interest in the amount of \$299,106.

<sup>2</sup> Notes and bonds payable balance at December 31, 2020 includes accrued interest in the amount of \$253,817.

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In 2019 the changes in liabilities arising from financing activities were as follows.

Financing liabilities	Notes and bonds payable	Commercial Paper	Total
<b>Balance at January 1, 2019<sup>1</sup></b>	<b>30,146,364</b>	<b>498,519</b>	<b>30,644,883</b>
Proceeds from Issuance	6,976,200	1,566,079	8,542,279
Repayments	(4,500,000)	(1,064,011)	(5,564,011)
<b>Total changes from financing cash flows</b>	<b>2,476,200</b>	<b>502,068</b>	<b>2,978,268</b>
Interest expense	1,043,976	15,957	1,059,933
Interest paid	(993,504)	(18,598)	(1,012,102)
<b>Total liability-related other changes</b>	<b>50,472</b>	<b>(2,641)</b>	<b>47,831</b>
<b>Balance at December 31, 2019<sup>2</sup></b>	<b>32,673,036</b>	<b>997,946</b>	<b>33,670,982</b>

<sup>1</sup> Notes and bonds payable balance at January 1, 2019 includes accrued interest in the amount of \$275,699.

<sup>2</sup> Notes and bonds payable balance at December 31, 2019 includes accrued interest in the amount of \$299,106.

## 7. Financial instruments

### (a) 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. The fair values of financial instruments were calculated on the basis of market information available on the balance sheet date.

	December 31, 2020		December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortized cost				
Receivables from related parties	27,005,049	29,008,212	33,396,189	34,688,153
Accrued interest income from DNA	253,817	253,817	299,106	299,106
Total financial assets at amortized cost	27,258,866	29,262,029	33,695,295	34,987,259
<b>Total financial assets</b>	<b>27,258,866</b>	<b>29,262,029</b>	33,695,295	34,987,259
Financial liabilities carried at amortized cost				
Notes and bonds payable	26,987,011	28,990,279	32,373,930	33,665,900
Commercial paper	-	-	997,946	997,946
Payables to related parties	17,933	17,933	24,307	24,307
Accrued interest expense	253,817	253,817	299,106	299,106
Total financial liabilities carried at amortized cost	27,258,761	29,262,029	33,695,289	34,987,259
<b>Total financial liabilities</b>	<b>27,258,761</b>	<b>29,262,029</b>	33,695,289	34,987,259

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

	December 31, 2020				December 31, 2019			
	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 at amortized cost	29,262,029	-	29,262,029	-	34,987,259	-	34,987,259	-
Financial liabilities carried at amortized cost	29,262,029	26,982,687	2,279,342	-	34,987,259	25,593,434	9,393,825	-
thereof notes and bonds	28,990,279	26,982,687	2,007,592	-	33,665,900	25,593,434	8,072,466	-
thereof other financial liabilities	271,750	-	271,750	-	1,321,359	-	1,321,359	-

<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 at the reporting date using the methods and assumptions presented below. Due to the short nature of accrued interest income, accrued interest expense, and payables to related parties, management assumes that their fair values are equal to the carrying amounts.

### Receivables from related parties

DFNA holds receivables from DNA within a business model whose objective is to collect contractual cash flows. No material impairments have been recognized, and the Company does not believe that these receivables are at risk of being impaired. The Company believes that the fair value of the receivables from DNA approximates the fair value of the external notes and bonds payable at December 31, 2020 and 2019, as the terms and interest rates of the receivables from DNA are intended to mirror DFNA's external borrowings such that interest expense and debt maturities with third parties are offset by corresponding interest income and loan maturities from DNA.

### Notes and bonds payable

When available, the Company uses quoted market prices for its issued 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.

### Other financial liabilities

Because of the short maturities of these financial instruments, the carrying amount approximates fair value.

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### (b) Notes and bonds payable

DFNA's obligations under the notes and bonds program are fully and unconditionally guaranteed by its ultimate parent company, DAG. Contemporaneously, DFNA and DNA entered into an agreement according to which DNA reimburses DFNA for any and all fees incurred by DFNA in the course of the administration of the program. Terms and conditions of notes and bonds payable outstanding at December 31, 2020 are as followed:

US-Dollar Notes and Bonds	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
Medium Term Note	USD	2.300%	2021	1,100,000	1,099,747
Medium Term Note	USD	Libor+0.43%	2021	400,000	399,971
Medium Term Note	USD	3.000%	2021	550,000	549,845
Medium Term Note	USD	Libor+0.45%	2021	400,000	399,961
Medium Term Note	USD	Libor+0.45%	2021	750,000	749,927
Medium Term Note	USD	2.875%	2021	650,000	649,839
Medium Term Note	USD	Libor+0.55%	2021	700,000	699,842
Medium Term Note	USD	3.350%	2021	1,000,000	999,497
Medium Term Note	USD	2.000%	2021	1,250,000	1,249,539
Medium Term Note	USD	3.875%	2021	750,000	749,017
Medium Term Note	USD	2.200%	2021	1,000,000	999,501
Medium Term Note	USD	Libor+0.67%	2021	500,000	499,718
Medium Term Note	USD	3.750%	2021	1,250,000	1,248,745
Medium Term Note	USD	2.850%	2022	850,000	849,269
Medium Term Note	USD	2.850%	2022	250,000	250,316
Medium Term Note	USD	Libor+0.90%	2022	1,500,000	1,498,653
Medium Term Note	USD	3.400%	2022	1,200,000	1,198,196
Medium Term Note	USD	Libor+0.88%	2022	700,000	699,466
Medium Term Note	USD	2.550%	2022	1,250,000	1,248,258
Medium Term Note	USD	3.350%	2023	675,000	673,575
Medium Term Note	USD	1.750%	2023	1,250,000	1,246,371
Medium Term Note	USD	Libor+0.84%	2023	400,000	399,449
Medium Term Note	USD	3.700%	2023	600,000	598,616
Medium Term Note	USD	3.650%	2024	600,000	598,006
Medium Term Note	USD	2.700%	2024	750,000	747,614
Medium Term Note	USD	3.250%	2024	500,000	497,556
Medium Term Note	USD	2.125%	2025	450,000	447,312
Medium Term Note	USD	3.300%	2025	650,000	648,357
Medium Term Note	USD	3.500%	2025	500,000	498,029
Medium Term Note	USD	3.450%	2027	750,000	746,539
Medium Term Note	USD	3.750%	2028	625,000	623,503
Medium Term Note	USD	3.750%	2028	300,000	294,663
Medium Term Note	USD	4.300%	2029	500,000	497,629
Medium Term Note	USD	3.100%	2029	500,000	496,934
Medium Term Note	USD	2.625%	2030	450,000	446,952
Bond	USD	8.500%	2031	1,500,000	1,486,599
<b>Total</b>				<b>27,050,000</b>	<b>26,987,011</b>

### (c) Commercial paper

In February 2011, DFNA entered into a \$3,000,000 private placement of a commercial paper program. The commercial paper balance was \$0 December 31, 2020 compared to \$997,946 at December 31, 2019.

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DFNA's obligations under the commercial paper program are fully and unconditionally guaranteed by its ultimate parent company, DAG.

### 8. Management of financial risks

#### (a) Introduction

The global nature of the Daimler businesses in the US exposes DFNA indirectly to the risks listed below:

- credit risk
- liquidity risk
- finance market risks

However, the resulting effects of these risks on the Company's financial position, cash flows and profitability are all offset by the existing reimbursement agreements between DFNA and DNA as well as the unconditional guarantee issued by DAG for DFNA's outstanding notes and bonds and commercial paper. As a result, the Company is exposed to DNA's, and indirectly to its ultimate parent DAG's, intent and ability to effect the repayment of these receivables and honor the unconditional guarantee.

This note presents information about the Company's exposure to each of the above risks, and the objectives, policies and processes for measuring and managing risk. As part of its policies and processes for managing and measuring, if necessary, these risks, the Company monitors DAG's liquidity position. DAG's financial statements are publicly available.

Debt ratings are an assessment by the rating agencies of the credit risk associated with DAG and are based on information provided by DAG 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 DAG's commercial paper (short-term) and senior unsecured long-term debt (long-term).

In 2020, three agencies downgraded Daimler AG's credit ratings. On March 26, 2020, S&P Global Ratings (S&P) lowered its long-term rating for Daimler AG from A- to BBB+. The outlook was unchanged at "negative". On April 14, 2020, Fitch Ratings (Fitch) downgraded Daimler AG's long-term issuer default rating from A- to BBB+ with a stable outlook. DBRS downgraded its long-term rating for Daimler AG and its rated subsidiaries from A to BBB (high) on August 11, 2020. At the same time, DBRS lowered its short-term rating from R-1 (low) to R-2 (high). However, the trend was lifted from "negative" to "stable". All agencies justified these downgrades with various discussions of COVID-19 impacts to vehicle sales along with discussion of underlying fundamental challenges and structural headwinds facing Daimler AG.

DAG'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)

DAG's ratings as of December 31, 2019 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

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### **(b) General information on financial risks**

DFNA applies the guidelines established by its ultimate parent company, DAG, 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 operating financial activities, settlement, accounting and controlling of financial instruments. 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 administrative and information systems. The guidelines and systems are regularly reviewed and adjusted to changes in markets and products.

### **(c) Credit risk**

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

The Company's assets consist primarily of receivables from DNA. As a result, the Company is exposed to DNA's, and indirectly to its ultimate parent DAG's, intent and ability to effect the repayment of these receivables. The maximum exposure to credit risk at the reporting date from receivables is equal to the carrying amount, which is equal to the total assets of the Company. As part of its policies and processes for managing and measuring, if necessary, the Company's exposure to credit risk, the Company monitors DAG's liquidity position.

### **(d) Liquidity risk**

Liquidity risk encompasses the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities in full when due. DFNA's source of liquidity is its external 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 DNA subsidiaries.

Depending on its cash needs and market conditions, DFNA issues bonds and notes and commercial paper in various currencies. Adverse changes in the capital markets could increase DFNA's funding costs and limit the Company's financial flexibility.

Since July 2018, Daimler has had a syndicated credit facility with a volume of €11 billion from a consortium of international banks at its disposal. Following the exercise of an extension option of one further year, it grants Daimler additional financial flexibility until 2025. As of December 31, 2020, this credit line had not been utilized and Daimler does not intend to utilize the credit line.

Furthermore, an additional agreed credit facility has been available to Daimler since the beginning of April 2020 (a bridge facility). After capital-market transactions were carried out in 2020, the originally agreed amount decreased from €12.0 billion to €8.8 billion. At December 31, 2020, the credit line was still available but had not been utilized.



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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 of financial liabilities as of December 31, 2020. It comprises a runoff of the undiscounted contractual principal and interest cash outflows of the financing liabilities and undiscounted payments from other financing liabilities.

	<b>Total</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>&gt; 2026</b>
Notes and bonds – principal	<b>27,050,000</b>	10,300,000	5,750,000	2,925,000	1,850,000	1,600,000	4,625,000
Notes and bonds – interest	<b>3,200,883</b>	723,360	488,376	379,365	322,713	269,881	1,017,188
Commercial paper	-	-	-	-	-	-	-
Payables to related parties	<b>17,933</b>	17,933	-	-	-	-	-
<b>Total</b>	<b>30,268,816</b>	<b>11,041,293</b>	<b>6,238,376</b>	<b>3,304,365</b>	<b>2,172,713</b>	<b>1,869,881</b>	<b>5,642,188</b>

The liquidity runoff as of December 31, 2019 is shown in the following table.

	<b>Total</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>≥ 2025</b>
Notes and bonds – principal	<b>32,450,000</b>	7,550,000	10,300,000	5,750,000	1,675,000	1,850,000	5,325,000
Notes and bonds – interest	<b>3,985,969</b>	925,867	732,854	458,776	349,815	301,338	1,217,319
Commercial paper	<b>1,000,000</b>	1,000,000	-	-	-	-	-
Payables to related parties	<b>24,307</b>	24,307	-	-	-	-	-
<b>Total</b>	<b>37,460,276</b>	<b>9,500,174</b>	<b>11,032,854</b>	<b>6,208,776</b>	<b>2,024,815</b>	<b>2,151,338</b>	<b>6,542,319</b>

Future cash flows for variable rate instruments are estimated using forward rates.

### (e) Finance market risks

Finance market risks are the risks that changes in market prices, such as interest rates and foreign exchange rates, will affect the Company's income or the value of its financial instruments. The objective of finance market risks management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The global nature of the Daimler businesses in the US exposes DFNA indirectly to market risks resulting from foreign currency exchange rates and changes in interest rates. However, the resulting effects of these market risks on the Company's financial position, cash flows and profitability are all offset by the existing reimbursement agreements between DFNA and DNA. DFNA maintains risk management control systems independent of Corporate Treasury.

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

DFNA has LIBOR based interest rates on the floating-rate receivables from related parties and notes and bonds payable throughout its operations. Although LIBOR was planned to be discontinued by the end of 2021, consultations and possible regulatory changes are in progress. This may mean that some LIBORs continue to be published beyond that date. DFNA monitors the progress of transition from IBORs to new

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benchmarks rates by reviewing the total amounts of contract that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. Per the EMTN Prospectus the financial instruments referencing LIBOR provide for fallback arrangements in the event that a benchmark becomes unavailable. The effect of the application of the new interest rates on the financial statements is currently being reviewed. Market uncertainty still exists about when the new interest rates will be available, how they will be calculated and how their application will affect financial transactions. Daimler regularly discusses current developments of alternative risk-free interest rates with its international banking partners.

### **9. Related party relationships**

For transactions and balances with other DAG subsidiaries, refer to note 4.

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

### **10. Capital management**

DFNA is subject to the capital management at the DAG parent level. DAG uses net assets as its basis for capital management. Net assets are managed on a divisional level at DAG 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 DAG divisions to which Company net assets are allocated.

The Company is part of the worldwide financial management that is performed for all Daimler Group entities by DAG's Corporate Treasury. Financial management operates within a framework of guidelines, limits and benchmarks; for DFNA, these are described in more detail in note 8.

### **11. Events after the reporting period**

On February 3, 2021, the Board of Management of Daimler AG decided, with the consent of the Supervisory Board, to examine the spin-off of Daimler Trucks & Buses including significant parts of the related financial services business (Daimler Truck), and to begin preparations for a separate listing of Daimler Truck before the end of 2021. Within the framework of the proposed transaction, Daimler intends to transfer a majority interest in Daimler Truck to its shareholders. Shareholder approval could be granted at an Extraordinary Shareholders' Meeting of Daimler AG at the end of the third quarter of 2021. Daimler intends to maintain a minority interest in Daimler Truck. The effect on the financial statements cannot be reliably determined at present.