

DAIMLER

DAIMLER INTERNATIONAL FINANCE B.V.

Interim Report

30 June 2021

Daimler International Finance B.V.

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Corporate profile

Daimler International Finance B.V. (the “Company”) was incorporated in the Netherlands on April 4, 1986 and is a wholly owned subsidiary of Daimler AG, Stuttgart, Germany. The purpose of the Company is to assist the financing of business activities conducted by companies of the Daimler Group and to provide financial services in connection therewith. The Company’s goal is to mitigate the related market risks, especially interest rate and currency risk, and liquidity risk associated with financial instruments by applying the matched funding principle and by using derivative financial instruments, such as interest rate swaps and foreign exchange swaps.

Given its objectives and strategy, the Company is economically interrelated with the parent company, Daimler AG, Germany. In assessing the general risk profile of the Company, the solvency of the Daimler Group as a whole needs to be considered. The liquidity is assured by managing and monitoring the liquidity position on the basis of a rolling cash flow forecast. The derived funding requirements are secured by a spectrum of various debt instruments issued on the international money and capital market. The debt securities are guaranteed by Daimler AG.

The Interim Financial Statements of the Company for the six months ended June 30, 2021 and June 30, 2020 have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code and comply with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

At the end of June 2021, the Company employed 6 people (2020: 6).

Business development

In the first half of 2021, the Company’s Interest result of euro 32.3 million (2020: euro 13.1 million) was significantly above the prior-year level due to the more efficient capital allocation and the related higher net interest margin. This development was positively affected by a compensation payment from Daimler AG of euro 8.9 million (2020: euro 15.0 million).

The Financial result from foreign currency translation and revaluation of financial instruments showed an income of euro nil (2020: euro 1.0 million) in line with market developments. The General administrative expense declined to euro 0.8 million (2020: euro 1.1 million).

The Income tax expense of euro 14.8 million (2020: euro 6.5 million) went up in line with the positive financial performance. Overall, this results in a Net income of euro 16.7 million, substantially higher compared to euro 6.4 million in the first half of 2020.

The Other comprehensive income was comprised of unrealized gains and losses as well as reclassifications from cash flow hedges. Thus, the Company recorded net gains after tax of euro 1.6 million in 2021 in comparison with net gains of euro 1.3 million in the previous year.

The balance sheet total increased compared with December 31, 2020 from euro 21,881 million to euro 23,376 million. This increase of 7% in total assets was primarily due to the extension of funding activities for Daimler Group companies mainly driven by their global leasing and sales-financing business. The Company’s growth of Receivables from Daimler Group companies from euro 20,143 million to euro 22,358 million (without the Inhouse Bank position) was refinanced mainly by cash and a rise of Debt securities from euro 20,668 million to euro 21,353 million.

Daimler International Finance B.V.

Interim Management Report (unaudited)

The Company participated as an issuer in Daimler's euro 70 billion Euro Medium Term Note program ("EMTN") and in a Private Placement program for debt financing instruments in the China Interbank Bond Market ("Bond Connect" NAFMII). In the six months ended June 30, 2021, the Company issued 4 bonds under the Private Placement program in the total amount of euro 1.0 billion (2020: 3 bonds under the EMTN program in the total amount of euro 2.8 billion and 2 bonds under the Private Placement program in the total amount of euro 0.8 billion). The outstanding volume under the euro 15 billion multi-currency Commercial Paper program ("CP") amounted to euro nil at June 30, 2021 (2020: euro 0.3 billion).

The Company's equity improved compared with December 31, 2020 from euro 560 million to euro 578 million. The positive effect in equity resulted from the Net income of euro 16.7 million and the Other comprehensive income of euro 1.6 million.

The cash flow used for operating activities amounting to euro 1,299 million (2020: euro 342 million) was mainly influenced by the growth of the Receivables from Daimler Group companies, while the cash flow provided by financing activities of euro 1,299 million (2020: euro 342 million) was mainly driven by the related development of the refinancing side.

Risk and opportunity report

The Company is primarily exposed to financial risks that are directly and indirectly linked to the business development of the Daimler Group and the international financial markets. The Company has aligned its risk and opportunity management system with the Daimler Group to identify business risks and opportunities at an early stage and to assess, control and manage them consequently. This is integrated into the value-based management and planning system of the Daimler Group and is an integral part of the overall planning, management and reporting process in the Company. Standardized rules and procedures are consistently applied in line with the internationally recognized COSO framework for internal control systems. The Company has identified no risks which threaten the going concern status or have a materially adverse impact on its liquidity or capital resources as well as financial performance or position.

The financial management aims to minimize the impact of fluctuations in interest rates and currency rates on the earnings of the Company by matching amounts and maturities (natural hedges) or using derivative financial instruments. The hedging decisions are based on exposure assessments regularly aligned with the internal committees at group level.

The Company manages its liquidity by holding adequate volumes of cash and by applying as far as possible the matched funding principle. In accordance with internal guidelines, this ensures that financial liabilities generally have at least the same maturity profile as the financial assets, and thus reduces the Company's liquidity risk.

The Company's exposure to credit risk is mainly influenced by the Daimler Group related default risk, as the Company solely provides loans to Daimler Group companies which are managed based on internal limit systems and guaranteed by Daimler AG. The credit risk from deposits or financial derivatives are steered based on Daimler's global counterparty limits.

Integrity and compliance

As part of the Daimler organization, the Company has implemented all compliance principles, as set out in binding form in the Group's Integrity Code. This framework contains central corporate principles of behavior that Daimler expects all of its employees and business partners to adhere to out of a sense of conviction. Daimler's goal is to maintain a common understanding of ethical behavior in order to reduce risks and help ensure the Group's sustained success. This also means acting in accordance with laws and regulations within the daily business activities. Among other things, the guideline includes the compliance with anti-corruption regulations, data protection laws, equal treatment rules, sanctions and the prevention of money laundering.

Outlook

The Company is expected to maintain its current core activities and will actively support all major changes in the treasury operation deemed necessary to ensure the sustainable efficiency and effectiveness of financing capital use within the Daimler Group. The business development will go hand in hand with a change in number of interest rate and foreign exchange derivatives.

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. The impact of the spin-off on the Company's business will be regressive but cannot be reliably determined at present.

For the year 2021, the Interest result from the Company's operating activities is expected to evolve in line with the balance sheet development. The changes in the fair value of derivative financial instruments may have another impact on the financial performance of the Company.

In the light of the ongoing spread of COVID-19, the Board of Management has performed an analysis with regard to its potential effects on the Company and its liquidity. The principal risk to the Company is that Daimler AG is unable to meet its commitments to the Company under the terms of the guarantee in situations where group companies are unable to repay loans provided by the Company. Based on the analysis performed, the Board of Management believes that the going concern assumption remains appropriate.

This interim report may contain forward-looking statements based on current expectations of the management. Various known and unknown risks, uncertainties and other factors could lead to considerable differences between the future results, financial situation development and/or performance and the historical results presented. Undue reliance should not be placed on forward-looking statements which speak only as of the date of this report.

Diversity of Board members

The Board of Management and the Supervisory Board are unbalanced since less than 30% of its members are female. The Board members have been appointed based on qualifications and availability, irrespective of gender. In order to create more balance, the Boards will take these regulations into account to the extent possible for future appointments of Board members.

Daimler International Finance B.V.
Interim Financial Statements
Statement of Income and Statement of Comprehensive Income/Loss (unaudited)

in euro thousand	Note	30.06.2021	30.06.2020
Interest income Daimler Group companies		239,092	216,414
Interest income third parties		1,123	1,804
Interest income		240,215	218,218
Interest expense Daimler Group companies		-103,718	-110,068
Interest expense third parties		-104,177	-95,081
Interest expense		-207,895	-205,149
Interest result		32,320	13,069
Other financial income and expense		25	315
Result from financial transactions		-	721
Financial result		32,345	14,105
General administrative expense		-811	-1,126
Income before taxation		31,534	12,979
Income taxes		-14,832	-6,545
Net income/loss		16,702	6,434
Other comprehensive income/loss			
Derivative financial instruments			
Derivative financial instruments (after tax)	7	1,603	1,347
Unrealized revaluation of cash flow hedges charged directly to shareholder's equity		1,603	1,347
Total comprehensive income/loss		18,305	7,781

The Total comprehensive income is attributable to the shareholder of the Company.

Daimler International Finance B.V.
Statement of Financial Position (before appropriation of result, unaudited)

Assets	Note	30.06.2021	31.12.2020
in euro thousand			
Property, plant and equipment		511	786
Receivables from Daimler Group companies	3	11,819,092	11,520,779
Derivative assets	10	214,298	328,468
Total non-current assets		12,033,901	11,850,033
Receivables from Daimler Group companies	3	11,290,698	9,957,621
Derivative assets	10	49,767	73,699
Cash and cash equivalents	4	1,220	37
Total current assets		11,341,685	10,031,357
Total assets		23,375,586	21,881,390
Equity and liabilities			
in euro thousand			
Issued capital	5	500	500
Share premium reserve	6	500,000	500,000
Cash flow hedge reserve	7	7,299	5,696
Retained earnings		53,460	40,621
Undistributed income		16,702	12,839
Total equity		577,961	559,656
Debt securities	8	15,478,695	17,387,910
Liabilities due to Daimler Group companies	9	128,043	127,611
Derivative liabilities	10	115,396	112,689
Deferred tax liabilities		447	1,843
Total non-current liabilities		15,722,581	17,630,053
Debt securities	8	5,874,031	3,280,119
Liabilities due to Daimler Group companies	9	971,458	251,599
Derivative liabilities	10	124,135	49,536
Interest payables and other liabilities		105,420	110,427
Total current liabilities		7,075,044	3,691,681
Total equity and liabilities		23,375,586	21,881,390

Daimler International Finance B.V. Statement of Cash Flows (unaudited)

in euro thousand	Note	30.06.2021	30.06.2020
Net income/loss		16,702	6,434
Adjustments for non-cash items			
Interest income		-240,215	-218,218
Interest expense		207,895	205,149
Other financial income and expense		-25	-315
Result from financial transactions		-	-721
Income taxes		14,832	6,545
Changes in operating assets and liabilities			
Additions to Receivables from Daimler Group companies		-8,921,229	-10,856,154
Repayment of Receivables from Daimler Group companies		7,586,721	10,491,473
Other liabilities		1,309	-126
Derivative foreign currency received		134,709	272,384
Derivative foreign currency paid		-115,137	-279,179
Interest received		235,051	206,241
Interest paid		-205,633	-168,796
Tax paid		-13,663	-6,334
Cash used for/provided by operating activities		-1,298,683	-341,617
Cash used for investing activities		-	-
Change in financing assets and liabilities			
Additions to Debt securities		1,026,958	1,053,780
Repayment of Debt securities		-427,092	-1,612,126
Additions to Liabilities due to Daimler Group companies		1,600,000	900,000
Repayment of Liabilities due to Daimler Group companies		-900,000	-
Cash provided by financing activities		1,299,866	341,654
Net increase/decrease in Cash and cash equivalents		1,183	37
Cash and cash equivalents at January 1		37	-
Cash and cash equivalents at June 30	4	1,220	37

Daimler International Finance B.V.
Statement of Changes in Equity (unaudited)

in euro thousand	Issued capital	Share premium reserve	Cash flow hedge reserve	Retained earnings	Undis-tributed income	Total equity
Balance at January 1, 2020	500	500,000	-2,590	35,868	4,753	538,531
Net income/loss	-	-	-	-	6,434	6,434
Other comprehensive income/loss after tax	-	-	1,347	-	-	1,347
Total comprehensive income/loss	-	-	1,347	-	6,434	7,781
Appropriation of results 2019	-	-	-	4,753	-4,753	-
Balance at June 30, 2020	500	500,000	-1,243	40,621	6,434	546,312
Balance at January 1, 2021	500	500,000	5,696	40,621	12,839	559,656
Net income/loss	-	-	-	-	16,702	16,702
Other comprehensive income/loss after tax	-	-	1,603	-	-	1,603
Total comprehensive income/loss	-	-	1,603	-	16,702	18,305
Appropriation of results 2020	-	-	-	12,839	-12,839	-
Balance at June 30, 2021	500	500,000	7,299	53,460	16,702	577,961

01. Significant accounting policies

General information

The unaudited Interim Financial Statements of Daimler International Finance B.V. (the “Company”) have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code and comply with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Daimler International Finance B.V. is a private limited company under the laws of the Netherlands. The Company is entered in the Commercial Register of the Chamber of Commerce under No. 30078162 and its registered office is located at Ravenswade 4, Nieuwegein, The Netherlands. The issued share capital is fully owned by the parent company Daimler AG in Stuttgart, Germany. The Supervisory Board comprised the three members: Frank Wetter (chairman), Peter Zirwes and Tim Zech. The purpose of the Company is to assist the financing of business activities conducted by Daimler Group companies and to provide financial services in connection therewith. During the first half of 2021, the Company employed 6 persons (2020: 6 persons).

The Interim Financial Statements of the Company are presented in euros. Unless otherwise stated, all amounts are reported in thousands of euros. All figures shown are rounded in accordance with standard business rounding principles.

The Board of Management authorized Interim Financial Statements for issue on July 29, 2021.

Basis of preparation

The unaudited Interim Financial Statements of June 30, 2021 have been prepared in accordance with the International Accounting Standard (IAS) 34 by using, in all material aspects, the same accounting policies as those used for preparation of the Annual Report 2020. The Interim Financial Statements should be read in conjunction with the December 31, 2020 audited IFRS Financial Statements and notes which were submitted to the Luxembourg Stock Exchange on April 30, 2021. The Interim Financial Statements of June 30, 2021 have neither been audited nor reviewed. The Statements of Income 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.

02. Accounting estimates and management judgments

In the Interim Financial Statements, to a certain degree, estimates and management judgments have to be made 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. The major items affected by such estimates and management judgments are described as follows. Actual amounts may differ from the estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognized in the period, in which the estimate is revised and in future periods, on which the revision has an impact.

Daimler International Finance B.V.
Notes to the Interim Financial Statements (unaudited)

In the context of fair value measurement for financial instruments, estimates have to be made to determine the fair values of financial assets and liabilities, especially when no quoted prices in active markets are available. In accordance with the established Daimler Group framework, the Company uses valuation techniques on the basis of the discounted estimated future cash flows by applying appropriate market interest rates and forward exchange rates (note 10).

The Company regularly estimates the creditworthiness of Daimler Group companies related to the default risk of Daimler AG, even though the Receivables from Daimler Group companies and Debt securities are both guaranteed by Daimler AG. In this context, further factors are taken into consideration, including historical loss experience, size and composition of certain portfolios as well as current and forward-looking economic conditions (note 11).

The calculation of income taxes is based on the legislation and regulations applicable in various countries. Different interpretations can occur especially in connection with the recognition and measurement of balance sheet items as well as in connection with the tax assessment of expenses and income. For the calculation of deferred tax assets, assumptions have to be made regarding future taxable income and the time of realization of the deferred tax assets. In this context, the Company takes into consideration, among other things, the projected earnings from business operations, the effects on earnings of the reversal of taxable temporary differences, and realizable tax strategies. As future business developments are uncertain and are sometimes beyond the Company's control, the assumptions to be made in connection with accounting for deferred tax assets are connected with a substantial degree of uncertainty. On each balance sheet date, the Company carries out impairment tests on deferred tax assets on the basis of the planned taxable income in future financial years; if the Company assesses that the probability of future tax advantages being partially or fully unrealized is more than 50%, the deferred tax assets are impaired.

The Company applies judgement in presenting related information together in a manner that it considers to be most relevant to an understanding of its financial performance and position.

03. Receivables from Daimler Group companies

in euro thousand	30.06.2021	31.12.2020
Non-current receivables from Daimler Group companies	11,819,092	11,520,779
Current receivables from Daimler Group companies	11,290,698	9,957,621
Receivables from Daimler Group companies	23,109,790	21,478,400

The Receivables from Daimler Group companies increased by euro 1,632 million to a level of euro 23,110 million as per June 30, 2021. In the most recent reporting period, the Company continued to develop further its funding activities in Europe and globally for the Daimler Group.

The Receivables from Daimler Group companies consisted of 95% (2020: 94%) fixed interest rate loans. The Inhouse Bank position with Daimler AG is described in note 4.

in euro thousand	30.06.2021	31.12.2020
Receivables from Daimler Group companies	22,357,846	20,143,138
Inhouse Bank Daimler AG	751,944	1,335,262
Receivables from Daimler Group companies	23,109,790	21,478,400

04. Cash and cash equivalents

The Company participates in the Global Payment Platform from Daimler AG. Therefore, the daily available intergroup cash positions are reflected in the Inhouse Bank position with Daimler AG. The total balance is accounted for as Receivable from Daimler Group companies (note 3).

05. Issued capital

The authorized share capital consists of 5,000 ordinary shares with a par value of euro 500 of which 1,000 shares have been called up and fully paid-in. The holder of ordinary shares, Daimler AG, is entitled to execute its rights under the Dutch Civil Code without any restrictions. Since January 1, 2017, there has been no changes in the number of shares outstanding.

06. Share premium reserve

The share premium reserve comprises additional paid-in capital on the issue of the shares. Since January 1, 2017, there has been no changes in this line item.

07. Cash flow hedge reserve

The Cash flow hedge reserve comprises the effective portion of the accumulated net change in the fair value of cash flow hedge instruments for hedged transactions. This Cash flow hedge reserve is released during the period that the cash flows from the hedged items are realized. The Cash flow hedge reserve is not freely distributable in accordance with the Dutch Civil Code.

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Notes to the Interim Financial Statements (unaudited)

At June 30, 2021, the Cash flow hedge reserve charged directly to shareholder's equity add up to euro 7.3 million (2020: euro 5.7 million). The Cash flow hedge reserve is presented in the Statement of Other comprehensive income.

08. Debt securities

in euro thousand	30.06.2021	31.12.2020
Total bonds	21,100,496	20,124,255
Non-current bonds	15,226,465	17,143,671
Current bonds	5,874,031	2,980,584
Commercial papers (solely current)	-	299,535
Promissory-note loan (solely non-current)	252,230	244,239
Debt securities	21,352,726	20,668,029

The Company participated as an issuer in Daimler's euro 70.0 billion Euro Medium Term Note program ("EMTN") and in a Private Placement program for debt financing instruments in the China Interbank Bond Market ("Bond Connect" NAFMII). In the six months ended June 30, 2021, the Company issued 4 bonds under the Private Placement program in the total amount of euro 1.0 billion (2020: 3 bonds under the EMTN program in the total amount of euro 2.8 billion and 2 bonds under the Private Placement program in the total amount of euro 0.8 billion). The Company participated in the euro 15.0 billion Multi-Currency Commercial Paper program ("CP") which supported the flexible and broad access to the international money markets.

These Daimler debt issuance programs are based on unconditional and irrevocable guarantees from Daimler AG. The outstanding bonds issued by the Company are either listed on the Luxembourg Stock Exchange or the SIX Swiss Exchange or are non-listed.

09. Liabilities due to Daimler Group Companies

in euro thousand	30.06.2021	31.12.2020
Non-current liabilities due to Daimler Group companies	128,043	127,611
Current liabilities due to Daimler Group companies	971,458	251,599
Liabilities due to Daimler Group companies	1,099,501	379,210

All Liabilities due to Daimler Group companies were based on fixed interest rates.

in euro thousand	30.06.2021	31.12.2020
Liabilities due to Daimler AG	69,715	50,368
Liabilities due to Daimler International Nederland B.V.	700,000	-
Liabilities due to Daimler Nederland B.V.	300,910	300,242
Liabilities due to Mercedes-Benz Argentina S.A.U.	28,386	27,835
Liabilities due to Mercedes-Benz Cars Nederland B.V.	490	765
Liabilities due to Daimler Group companies	1,099,501	379,210

10. Financial instruments

Carrying amounts and fair values of financial instruments

The following table shows the carrying amounts and fair values of the respective classes of the Company's financial instruments in accordance with IFRS 9:

Assets	Carrying amount		Fair value	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
in euro thousand				
Derivative assets				
Fair value hedges	237,158	375,067	237,158	375,067
Cash flow hedges	20,224	27,100	20,224	27,100
Other derivative assets	6,683	-	6,683	-
Receivables from Daimler Group Companies	23,109,790	21,478,400	23,507,573	21,784,243
Cash and cash equivalents	1,220	37	1,220	37
Total financial assets	23,375,075	21,880,604	23,772,858	22,186,447

Liabilities	Carrying amount		Fair value	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
in euro thousand				
Derivative liabilities				
Fair value hedges	162,858	90,804	162,858	90,804
Cash flow hedges	62,809	71,421	62,809	71,421
Other derivative liabilities	13,864	-	13,864	-
Debt securities	21,352,726	20,668,029	21,553,999	20,794,209
Liabilities due to Daimler Group Companies	1,099,501	379,210	1,102,741	383,807
Interest payables and other liabilities	105,420	110,427	105,420	110,427
Total financial liabilities	22,797,178	21,319,891	23,001,691	21,450,668

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.

The fair values in the financial asset and liability categories approximate their carrying values, except for Daimler Group receivables with fixed interest rates and non-current debt securities. The fair values of Daimler Group receivables with fixed interest rates are determined on the basis of discounted expected future cash flows. The discounting is based on the current interest rates at which similar loans with identical terms could be obtained at period-end. Non-current debt securities measured at fair value were measured using quoted market prices at period-end. If quoted market prices were not available, the fair value measurement is based on inputs that are either directly or indirectly observable in active markets.

Financial instruments measured at fair value through profit or loss include derivative financial instruments not used in designated hedge relationship. These financial instruments as well as derivative financial instruments used in designated hedge relationship comprise:

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

Daimler International Finance B.V.
Notes to the Interim Financial Statements (unaudited)

Measurement hierarchy

The following table provides an overview of the classification into measurement hierarchies for the fair values of the financial assets and liabilities in accordance with IFRS 13:

Assets	30.06.2021			31.12.2020		
in euro thousand	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative assets						
Fair value hedges	-	237,158	-	-	375,067	-
Cash flow hedges	-	20,224	-	-	27,100	-
Other derivative assets	-	6,683	-	-	-	-
Receivables Daimler Group companies	-	23,507,573	-	-	21,784,243	-
Cash and cash equivalents	-	1,220	-	-	37	-

Liabilities	30.06.2021			31.12.2020		
in euro thousand	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative liabilities						
Fair value hedges	-	162,858	-	-	90,804	-
Cash flow hedges	-	62,809	-	-	71,421	-
Other derivative liabilities	-	13,864	-	-	-	-
Debt securities	19,425,313	2,128,686	-	19,818,919	975,290	-
Liabilities Daimler Group companies	-	1,102,741	-	-	383,807	-
Interest payables and other liabilities	-	105,420	-	-	110,427	-

Level 1 inputs are based on quoted prices (unadjusted) in active markets for these or identical assets or liabilities.
Level 2 inputs are based on inputs that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 inputs are based on inputs for which no observable market data is available.

At the end of each reporting period, the Company reviews the necessity of reclassification between the measurement hierarchies.

Measurement categories

The carrying amounts of financial instruments according to measurement categories are shown in the table below. The illustration does not include the carrying amounts of derivative financial instruments used in hedge accounting as these financial instruments are not assigned to a measurement category.

Assets	30.06.2021	31.12.2020
in euro thousand		
Receivables from Daimler Group companies	23,109,790	21,478,400
Cash and cash equivalents	1,220	37
Total financial assets measured at amortized cost	23,111,010	21,478,437

Liabilities	30.06.2021	31.12.2020
in euro thousand		
Debt securities	21,352,726	20,668,029
Liabilities due to Daimler Group companies	1,099,501	379,210
Interest payables and other liabilities	105,420	110,427
Total financial liabilities measured at amortized cost	22,557,647	21,157,666

11. Management of risks

The exposure of the Company can be broken down into financial and non-financial risks.

Risk management framework

During the normal course of its business, the Company is exposed to, especially market risks, interest rate and currency, as well as credit, liquidity and other operational risks. To mitigate the main market risks, derivative financial instruments are used. The Company does not trade speculatively in these derivative financial instruments. The standardized rules and procedures adopted by the Company to cover banking, foreign exchange and other treasury matters are consistent with objectives and policies for financial risk management within the Daimler Group.

Solvency

Given its objectives and strategy, the Company is economically interrelated with the parent company, Daimler AG, Germany. In assessing the general risk profile of the Company, the solvency of the Daimler Group as a whole, headed by Daimler AG, needs to be considered.

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. The credit risk is regularly monitored and consequently managed based on the defined standards, guidelines and procedures. The Daimler Group has established appropriate credit risk and counterparty limit systems which are continuously reassessed together with their respective utilizations.

The Company solely provides financing within the Daimler Group and concludes derivative financial instruments for hedging risks almost exclusively with Daimler AG.

The Receivables from Daimler Group companies are guaranteed by Daimler AG. The Company receives from Daimler AG the then outstanding amount of such financing minus 1% retention which in any case not exceeds the overall maximum threshold of euro 50 million. As a result, the credit risk of intergroup financial receivables is effectively mitigated towards the default risk related to Daimler AG. The Receivables from Daimler Group companies are attributed to stage 1 in accordance with IFRS 9 (note 3).

Liquidity risk

Liquidity risk comprises the risk that a company cannot meet its financial obligations as they fall due. The Company manages its liquidity by holding adequate volumes of intergroup cash (note 3) and by applying as far as possible the matched funding principle. In accordance with internal guidelines, this principle ensures that financial obligations generally have the same maturity profile as the financial assets, and thus mitigates the Company's liquidity risk.

Daimler AG unconditionally and irrevocably guarantees all debt securities of the Company.

Market risk

The Company is mainly exposed to market risks which comprises interest rate and currency risks. The Company manages market risks to minimize the impact of fluctuations in interest rates and foreign exchange rates on the results. The exposure to these market risks are regularly calculated to provide the basis for hedging decisions which include the selection of hedging instruments and the determination of hedging volumes and the corresponding periods.

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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.

Despite market uncertainty, the existing benchmark interest rates are still applied as reference rates in financial markets and have an impact on the valuation of financial transactions. This also applies for financial instruments in hedging relationships with a maturity beyond the end of 2021. With EURIBOR reform already implemented, the material share of interest rate risk hedging relationships affected by the benchmark reform is based on the currency GBP.

The Company expects the conversion of reference rates of hedging instruments and their underlying transactions to be identical and without material delay in time. The Company continues to consider the economic relationship and thus the continuation of hedge accounting to be still existing as of June 30, 2021.

The effect of the application of the new interest rates on the Financial Statements is currently being reviewed. In order to conduct financial transactions based on the new indices, Daimler is preparing its IT-systems accordingly. Uncertainty still exists about future market standards with interest conventions for individual financial products (cash products and also interest derivatives) that reference the new risk-free rates.

As part of its risk management system, the Daimler Group employs value at risk analyses. In performing these analyses, the Company quantifies its market risk due to changes in interest rates and foreign currency exchange rates on a regular basis by predicting the potential loss over a target time horizon (holding period) and confidence level.

The value at risk calculations employed:

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

The Daimler Group calculates the value at risk according to the variance-covariance approach.

Hedge accounting. When designating derivative financial instruments, a hedge ratio of 1 is generally applied. The respective volumes, interest curves and currencies of the hedged item and the hedging instrument as well as maturity dates are matched. In the case of combined derivative financial instruments for interest currency hedges, the cross currency basis spread is not designated into the hedge relationship, but deferred as a hedging cost in Other Comprehensive Income and recognized in profit and loss pro rata over the hedge term. The Company ensures an economic relationship between the underlying transaction and the hedging instrument by ensuring consistency of interest rate, currency, volume and maturity. The effectiveness of the hedge is assessed at the beginning and during the economic relationship using the hypothetical derivative method.

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Interest rate risk

The Company's general policy is to mitigate interest rate risk by matching funding in terms of maturities and interest rates wherever economically feasible. Potential interest rate gaps are managed in manner that the portfolio is immunized to a considerable degree against interest rate changes. The Company assesses its interest rate risk position by comparing assets and liabilities for corresponding maturities, including the impact of the relevant derivative financial instruments. An asset and liability committee within the Daimler Group sets targets for the interest rate risk position which are monitored on a monthly basis. In order to achieve the targeted interest rate risk positions in terms of maturities and interest rate fixing periods, the Company also uses derivative financial instruments such as interest rate swaps.

Currency risk

The objective of the Company is to eliminate currency risk. Therefore, the Company enters into foreign exchange contracts to hedge currency risks as far as cash flows and earnings are not lent on in the same currency (natural hedge). As a result, the Company incurred only limited foreign currency risk from its ordinary debt issuances and intergroup financing activities.

Operating and Compliance risks

The non-financial risks consist of operating risks mainly resulting from the usage of information technology, and compliance risks. The Company uses IT systems to monitor financial positions and daily cash flows, and to process payments to internal and external counterparties. System failures can, therefore, lead to delays in payment processes. Further operating risks can arise in connection with the settlement of financial transactions. The management of daily cash flows at the Company depends on the timely receipt of funds from external institutions who act as counterparties to financial transactions. To avoid negative impacts of system failures, all key systems are set up in parallel and/or backup facilities or available within the Daimler Group.

12. Capital management

The Company's objectives when managing capital at an individual company level are to safeguard its ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Company may issue new shares or adjust the amount of dividends paid to shareholder to steer the capital structure. The Company has no prescribed dividend policy.

The Company's equity, as shown in the Statement of Financial Position, constitutes its capital. The Company maintains its level of capital by reference to its financial obligations and commitments arising from operations requirements. In view of the Company's borrowings or debt, the capital level as at the end of the reporting periods is deemed adequate by the Board of Management. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the relevant period.

13. Related party disclosures

An exchange of internal cooperation between affiliates of a multinational corporation as the Daimler Group is common practice.

Identity of related parties

In its responsibility to assist the financing of business activities conducted by companies of the Daimler Group, Daimler International Finance B.V. applies transfer prices for financial instruments in conformity with external market levels and in accordance with national and international tax requirements (such as arm's length principle, principle of economic allegiance, separate entity approach, Art 9 OECD-MA Rz 126).

Key management personnel

Daimler International Finance B.V. has two directors in the Board of Management who receive compensation from Daimler International Finance B.V. The Company does not have other key management personnel than the Board of Management.

Transactions with Daimler Group companies

Daimler International Finance B.V. obtains funds mainly from the capital markets, and affiliated companies by entering into loan agreements. The issuances under the debt security programs are unconditionally and irrevocably guaranteed by Daimler AG for which the Company pays a guarantee fee to its parent company. The funds represent currently 95% of the borrowed funds (2020: 98%). The Company also obtained funds from affiliated companies in the amount of euro 1,029 million (2020: euro 328 million). Together with the Company's equity, all of these funds are made available to Daimler Group companies.

Daimler International Finance B.V.
Responsibility Statement

To the best of our knowledge, and in accordance with Part 9 of Book 2 of the Dutch Civil Code and the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), the Interim Financial Statements give a true and fair view of the financial position, cash flows and profit or loss of Daimler International Finance B.V., and the Company's Interim Management Report includes a fair review of the development and performance of the business and the position of Daimler International Finance B.V., together with a description of the principal risks and opportunities associated with the expected development of the Company.

Nieuwegein, July 29, 2021

Daimler International Finance B.V.
The Board of Management

Maarten van Pelt

Volker Lach

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