

**DAIMLER FINANCE NORTH  
AMERICA LLC**

**Annual Report 2008**

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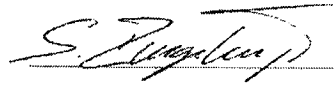
## Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of Daimler Finance North America LLC 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 associated with the expected development of the company.

Montvale, April 28, 2009

A handwritten signature in black ink, appearing to read 'P. Silvestri', written in a cursive style.

Paulo Silvestri, President

A handwritten signature in black ink, appearing to read 'S. Ringeling', written in a cursive style.

Sandro Ringeling, Chief Accountant

# 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 in turn a wholly-owned subsidiary of Daimler AG (“DAG” or “Daimler”).

DFNA accesses US 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. In July 2007, DFNA was substituted for DNA as an issuer of notes and bonds and assumed all of the rights and obligations for such notes, amounting to \$25,948 million. DAG issued full and unconditional guarantees for DFNA’s obligations incurred under its outstanding notes and bonds programs. At the same time, 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.

This annual report contains forward looking statements that reflect our current views about future events. Words such as “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “should” and similar expressions are being used to identify forward looking statements. These statements are subject to many risks and uncertainties, including:

- a lack of improvement in or a further deterioration of economic conditions globally and in the US in particular;
- a continuation or worsening of the turmoil in the credit and financial markets, which could result in ongoing high 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 US, which may affect the funding requirements of such sister companies in the automotive and financial services businesses.

The following discussion should be read in conjunction with the Company’s financial statements as of and for the years ended December 31, 2008 and 2007, which were prepared using International Financial Reporting Standards. Note 1 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.

## Earnings

### *Revenues*

Revenues were \$1,214 million in 2008, an 86% increase compared to 2007 (\$651 million), primarily due to the fact that 2007 represents only five months of operations.

### *Expenses*

#### *Interest Expenses*

Interest expenses were \$1,214 million in 2008 compared to \$651 million in 2007, an 86% increase. This increase was primarily attributable to the 2007 short business year and is in line with the development of the Company’s revenues.

#### *Guarantee Fees*

Guarantee fees charged by DAG were \$16 million in 2008, compared to \$8 million in 2007. In 2007, the Company’s business activity only consisted of a five-month period.

#### *Administrative Expenses*

Administrative expenses increased from \$0.2 million in 2007 to \$1.0 million in 2008 as a result of the 2007 short business year and higher consulting fees related to the introduction of new treasury accounting systems.

#### *Reimbursement of Expenses from DNA*

DFNA and DNA are parties to an agreement based on which DNA reimburses DFNA for any and all expenses incurred in connection with the administration of DFNA's notes program.

#### *Net Income*

Net income was zero in both 2008 and 2007.

#### **Financial Position**

Total assets were \$18,473 million at December 31, 2008 compared to \$24,477 million at December 31, 2007, a decrease of \$6,004 million or 25%. The decrease was due to the repayment of notes and bonds in 2008, which reduced receivables with DNA accordingly.

Total liabilities also decreased, from \$24,477 million at December 31, 2007 to \$18,473 million at December 31, 2008, mainly reflecting the repayment of notes and bonds in 2008.

#### **Liquidity and Capital Resources**

In the ordinary course of business, the Company issues notes and bonds in the US and foreign capital markets the proceeds of which are lent to DNA. In 2007, the funds received from the transfer of notes were lent to DNA. There were no new additional notes issued in both 2007 and 2008. The Company had neither cash nor cash equivalents as of December 31, 2008 and 2007.

#### **Risk Report**

Many factors could directly and indirectly, through the close affiliation with DFNA's sister 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.

##### **Economic Risks**

A lack of improvement in economic conditions could have significant adverse effects on the Daimler business in the US and, as a result, on the future financial position of the Company. Tightening of credit as a result of the turmoil in the financial industry, the resulting downturn of the US and worldwide economies, and declining debt and equity markets have combined with numerous other factors creating a fear of a severe global recession and have resulted in a significant decline in consumer confidence and resulting declines in investment activity and consumer demand in US and worldwide.

##### **Industry Risks**

The resulting overcapacity and intense price competition in the automotive industry could continue to force the Daimler companies in US, 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 the carrying value, 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, Daimler AG, and the ability of the Company to issue debt in the U.S. 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 US.

Note 5 to the Company's financial statements describes the risk management strategies employed by the Company to address such risks.

**Subsequent Events**

On April 2, 2009, DFNA and DNA entered into an agreement through which DFNA replaces DNA as the issuer of notes established under a multi-currency euro medium term note program. As a result, DFNA assumed notes with a nominal amount of Euro 9.5 billion that were previously issued by DNA under that program. DFNA's obligations under the 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 program administration.

**Outlook**

In case of increased funding requirements of Daimler's US automotive and financial services business we expect the Company to issue new debt.



**KPMG LLP**  
345 Park Avenue  
New York, NY 10154

## **Independent Auditors' Report**

The Board of Directors  
Daimler Finance North America LLC:

We have audited the accompanying balance sheets of Daimler Finance North America LLC (the "Company") as of December 31, 2008 and 2007, and the related statements of income, changes in equity, and cash flows for the year ended December 31, 2008 and for the period from July 23, 2007 (inception date) through December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2008 and 2007, and the results of its operations and its cash flows for the year ended December 31, 2008 and for the period from July 23, 2007 (inception date) through December 31, 2007 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**KPMG LLP**

April 28, 2009

## Statements of Income

	Note	Year ended December 31, 2008	Period from July 23 through December 31, 2007
<b>(in thousands of \$)</b>			
Revenues			
Interest income – DNA	2	1,213,778	651,140
<b>Total revenues</b>		<b>1,213,778</b>	<b>651,140</b>
Interest expense – third parties			
Guarantee fees – DAG	2	16,366	8,398
Administrative expenses	2	1,005	159
Reimbursement of expenses from DNA	2	(17,371)	(8,557)
<b>Total expenses</b>		<b>1,213,778</b>	<b>651,140</b>
<b>Net income</b>		<b>-</b>	<b>-</b>

The accompanying notes are an integral part of these financial statements.

## Balance Sheets

	Note	At December 31,	
		2008	2007
<b>(in thousands of \$)</b>			
Assets			
Receivables from DNA	2	11,309,820	18,523,121
<b>Total non-current assets</b>		<b>11,309,820</b>	<b>18,523,121</b>
Receivables from DNA	2	6,864,353	5,579,258
Accrued interest income from DNA		298,494	374,377
<b>Total current assets</b>		<b>7,162,847</b>	<b>5,953,635</b>
<b>Total assets</b>		<b>18,472,667</b>	<b>24,476,756</b>
Equity and liabilities			
Retained earnings		-	-
<b>Total equity</b>		<b>-</b>	<b>-</b>
Notes and bonds payable	4	11,309,820	18,523,121
<b>Total non-current liabilities</b>		<b>11,309,820</b>	<b>18,523,121</b>
Payables to affiliated companies	2	25,928	8,557
Notes and bonds payable	4	6,838,425	5,570,701
Accrued interest expenses	4	298,494	374,377
<b>Total current liabilities</b>		<b>7,162,847</b>	<b>5,953,635</b>
<b>Total liabilities</b>		<b>18,472,667</b>	<b>24,476,756</b>
<b>Total equity and liabilities</b>		<b>18,472,667</b>	<b>24,476,756</b>

The accompanying notes are an integral part of these financial statements.

## Statements of Changes in Equity

	Members Investment	Retained earnings	Other reserves	Total equity
(in thousands of \$)				
<b>Balance at July 23, 2007</b>	-	-	-	-
Net income	-	-	-	-
<b>Total income for period</b>	-	-	-	-
Capital contribution	-	-	-	-
<b>Balance at December 31, 2007</b>	-	-	-	-
Net income	-	-	-	-
<b>Total income for period</b>	-	-	-	-
Capital contribution	-	-	-	-
<b>Balance at December 31, 2008</b>	-	-	-	-

The accompanying notes are an integral part of these financial statements.

## Statements of Cash Flows

	Year ended December 31, 2008	Period from July 23 through December 31, 2007
(in thousands of \$) <sup>1)</sup>		
Net income	-	-
Decrease in receivables from DNA	6,004,090	1,845,790
Net increase in payables to affiliated companies	17,371	8,557
<b>Cash provided by operating activities</b>	<b>6,021,461</b>	<b>1,854,347</b>
Decrease of notes and bonds payable	(6,021,461)	(1,854,347)
<b>Cash provided by financing activities</b>	<b>(6,021,461)</b>	<b>(1,854,347)</b>
<b>Net increase (decrease) in cash</b>	<b>-</b>	<b>-</b>
<b>Cash at the beginning of the period</b>	<b>-</b>	<b>-</b>
<b>Cash at the end of the period</b>	<b>-</b>	<b>-</b>

1 For other information regarding the statement of cash flows, see Note 1 and 3.

The accompanying notes are an integral part of these financial statements.

# Notes to Financial Statements

## 1. Summary of Significant Accounting Policies

### *Description of Business*

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 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. As such, it has relationships with other subsidiaries of DAG. The Company commenced operations in July 2007, when DFNA was substituted for DNA as an issuer of notes and bonds and assumed all of the rights and obligations for such notes, amounting to \$25,948 million, in exchange for receivables from DNA. Such notes and bonds were transferred on a carryover basis, net of any premium or discount and any related issuance costs. This was a non-cash transfer.

In the event of non-payment by DFNA, DAG irrevocably and unconditionally guarantees the noteholders the due payment of the amounts corresponding to the principal of, and interest on the respective notes and bonds. At the same time, 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.

### *Financial Statement Presentation and Measurement*

The accompanying financial statements are presented in US dollars (“\$”) and have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and related interpretations as issued by the International Accounting Standards Board.

Presentation in the balance sheets differentiates between current and non-current assets and liabilities. Assets and liabilities are classified as current if they mature within one year.

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

On April 28, 2009, the sole member of DFNA authorized the financial statements for issue.

### *Use of estimates and judgments*

Preparation of the financial statements requires management to make estimates and judgments related to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense for the period. Actual amounts could differ from those estimates.

### *Revenues*

Revenues are comprised of interest income from receivables from DNA.

### *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.

***Financial assets***

Financial assets consist of receivables from DNA. These receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses, if necessary. Gains and losses are recognized in the statement of income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

***Financial liabilities***

Financial liabilities include notes and bonds payable and accrued interest expense.

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method.

***Transactions with affiliated companies***

DFNA is wholly owned by DNA and indirectly by DAG. Transactions with these affiliated companies in the normal course of business are recorded at the agreed upon exchange amount.

**2. Transactions with affiliated companies**

At December 31, 2008 and 2007, DFNA had receivables from DNA of \$18,174,173,000 and \$24,102,379,000 respectively.

The receivables from DNA bear interest at largely fixed rates ranging from 2.3% to 8.5%. Interest income is recorded using the effective interest method. As of December 31, 2008, aggregate annual maturities of receivables from affiliates were as follows: \$6,867,328,000 in 2009, \$2,076,000,000 in 2010, \$4,280,536,000 in 2011, \$1,500,000,000 in 2012, \$2,000,000,000 in 2013 and \$1,500,000,000 thereafter.

The following table sets forth amounts payable to affiliated companies:

	<b>December 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>(in thousands of \$)</b>		
DAG	24,764	8,398
DNA	1,164	159
	<b>25,928</b>	<b>8,557</b>

DFNA is charged fees for the full and unconditional guarantees on its outstanding notes and bonds programs by DAG. These fees are calculated as a set percentage of the outstanding notes and bonds for any given year. These guarantee fees were \$16,366 thousand and \$8,398 thousand for the years ended December 31, 2008 and 2007, respectively.

The Company is charged for administrative overhead expenses by DNA. These expenses were \$1,005 thousand and \$159 thousand for the years ended December 31, 2008 and 2007, respectively, and are included in administrative and other expenses.

DFNA and DNA are also parties to an agreement pursuant to which DNA reimburses DFNA for any and all expenses incurred in connection with the administration of DFNA's notes program. These reimbursements are recognized in income.

### 3. Statements of Cash Flows

Cash provided by operating activities includes the following cash flows:

	Year ended December 31, 2008	Period from July 23 through December 31, 2007
<b>(in thousands of \$)</b>		
Interest paid	1,289,661	276,764
Interest received	1,289,661	276,764

### 4. 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 at which a party would accept the rights and/or obligations of this financial instrument from another independent party. Given the varying influencing factors, the reported fair values can only be viewed as indicators of the prices that may actually be achieved on the market.

	December 31, 2008		December 31, 2007	
	Carrying amount	Fair Value	Carrying amount	Fair Value
<b>(in thousands of \$)</b>				
Receivables from DNA	18,148,245	16,227,457	24,093,822	25,303,978
<b>Total financial assets</b>	<b>18,446,739</b>	<b>16,525,951</b>	<b>24,468,199</b>	<b>25,678,355</b>
Notes and bonds payable	18,148,245	16,227,457	24,093,822	25,303,978
<b>Total financial liabilities</b>	<b>18,446,739</b>	<b>16,525,951</b>	<b>24,468,199</b>	<b>25,678,355</b>

The carrying amounts of financial instruments presented according to IAS 39 measurement categories are as follows:

	December 31, 2008	December 31, 2007
<b>(in thousands of \$)</b>		
<b>Assets</b>		
Loans and receivables	18,472,667	24,476,756
Financial assets recognized at fair value through profit or loss	-	-
<b>Liabilities</b>		
Notes and bonds	18,148,245	24,093,822
Payables to affiliated companies	25,928	8,557
Accrued interest expense	298,494	374,377
<b>Financial liabilities measured at cost</b>	<b>18,472,667</b>	<b>24,476,756</b>

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

**Receivables from DNA.** DFNA intends to hold receivables from DNA to maturity. None of these receivables have been derecognized or are impaired, 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, 2008 and 2007, as 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.** The fair values of bonds are calculated as the present values of the estimated future cash flows, using discounted market interest rates, which approximate quoted market prices.

The liquidity runoff shown in the following table provides an insight into how the liquidity situation of the Company is affected by the cash flows from financial liabilities as of December 31, 2008. It comprises a runoff of the undiscounted principal cash outflows of the financing liabilities and undiscounted payments from the other financial liabilities.

	<b>Total</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>&gt; 2013</b>
<b>(in thousands of \$)</b>							
Notes and Bonds	<b>18,197,936</b>	6,841,400	2,076,000	4,280,536	1,500,000	2,000,000	1,500,000
Payables to affiliates	<b>25,928</b>	25,928	-	-	-	-	-
Accrued interest expense	<b>298,494</b>	298,494	-	-	-	-	-
<b>Total</b>	<b>18,522,358</b>	<b>7,165,822</b>	<b>2,076,000</b>	<b>4,280,536</b>	<b>1,500,000</b>	<b>2,000,000</b>	<b>1,500,000</b>

If the counterparty can request payment at different dates, the liability is included on the basis of the earliest date on which DFNA can be required to pay.

## **5. Risk Management**

### *General*

DFNA is primarily exposed to liquidity risks relating to its market risks or financial market disturbances.

DFNA applies the guidelines established by its ultimate parent company, Daimler AG, 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.

Due to recent developments in the financial markets, all risks have increased. DFNA has taken steps to reduce and minimize the impact of the increased risk, which are discussed below.

Liquidity risk encompasses the risk that a company cannot meet its financial obligations 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, notes and commercial papers in various currencies. Adverse changes in the capital markets could increase DFNA's funding costs and limit the Company's financial flexibility.

### *Credit risk*

Credit risk is the risk of economic loss arising from a counterparty's failure to honor the contractual terms of our transactions. Credit risk encompasses both the direct risk of default and concentration risks. The Company's assets consist entirely 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. 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) and DBRS rate DAG's commercial paper (short-term) and senior unsecured long-term debt (long-term). DAG's ratings as of December 31, 2008 were as follows:

	<b>S&amp;P</b>	<b>Moody's</b>	<b>Fitch</b>	<b>DBRS</b>
Short-term debt	A-2	P-2	F2	R-1(low)
Long-term debt	A-	A3	A-	A (low)

Fitch lowered Daimler AG's long-term rating to BBB+ with a stable outlook on January 29, 2009.

### ***Market risks***

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 and with a separate reporting line.

### **6. Subsequent Events**

On April 2, 2009, DFNA and DNA entered into an agreement through which DFNA replaces DNA as the issuer of notes established under a multi-currency euro medium term note program. As a result, DFNA assumed notes with a nominal amount of Euro 9.5 billion that were previously issued by DNA under that program. DFNA's obligations under the 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 above program.