

DAIMLER CANADA FINANCE INC.

Interim Report as of and for the six months ended June 30, 2009

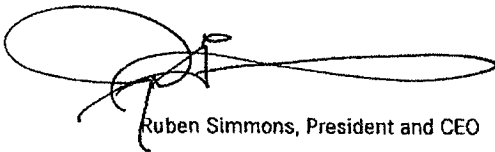
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Responsibility Statement

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

Montvale, August 4, 2009



Ruben Simmons, President and CEO



Sandro Ringeling, Chief Accountant

Management Report

General

Daimler Canada Finance Inc. (“DCFI” 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”).

DCFI accesses Canadian and foreign capital markets to raise funds, which it lends to DAG subsidiaries in Canada 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 DCFI’s obligations incurred under its outstanding notes and bonds programs.

DNA and DCFI are parties to a Keep-Well Agreement. The terms of the agreement provide that DNA will continue to hold all voting shares of the Company, maintain the Company’s net worth at no less than one dollar, and maintain sufficient liquidity in the Company to punctually meet its payment obligations as it deems fit.

The nature of the Daimler operations in Canada includes the distribution of passenger cars purchased from Daimler AG under the brand names Mercedes-Benz, smart and Maybach, and the manufacture, assembly and sale of trucks and other commercial vehicles under the brand names Freightliner, Sterling, Thomas Built Buses, and Orion. 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 interim 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 in general and in Canada 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 Canada, which may affect the funding requirements of such sister companies in the automotive and financial services businesses.

The following discussion should be read in conjunction with the Company’s financial statements for the six months ended June 30, 2009 and June 30, 2008, which were prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”.

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 \$85.6 million for the six months ended June 30, 2009, a 28% decrease compared to the six months ended June 30, 2008 (\$118.2 million) due to a decrease in the external investments and intercompany receivables portfolios.

Expenses

Interest Expenses

Interest expenses were \$102.1 million for the six months ended June 30, 2009 compared to \$130.8 million for the six months ended June 30, 2008, a 22% decrease. This decrease was due to the reduction in notes and bonds payable compared to the first six months of 2008, offset partially by higher intercompany loans.

Administrative and Other Expenses

Administrative and other expenses decreased from \$1.7 million for the six months ended June 30, 2008 to \$1.4 million for the six months ended June 30, 2009, as the Company incurred expenses from the introduction of a new treasury system in the first half of 2008.

Other Financial Income, Net

Other financial income, net was \$5.2 million for the six months ended June 30, 2009, compared to \$0.5 million for the six months ended June 30, 2008. In both periods under review, other financial expense, net was predominantly comprised of gains on foreign exchange transactions, which were impacted by more favorable foreign exchange rates in the reporting period.

Loss before Income Taxes

Loss before income taxes amounted to \$12.7 million for the six months ended June 30, 2009, while the six months ended June 30, 2008 loss before income taxes was \$13.7 million.

Income Tax Benefits

The Company recorded income tax benefits of \$4.1 million for the six months ended June 30, 2009 and income tax benefits of \$3.9 million for the six months ended June 30, 2008.

Net Loss

Net loss was \$8.6 million for the six months ended June 30, 2009, compared to a net loss of \$9.7 million for the six months ended June 30, 2008.

Financial Position

Total assets were \$4,728 million at June 30, 2009 compared to \$4,694 million at December 31, 2008, an increase of \$33 million or 1%. Total liabilities also increased, from \$4,671 million at December 31, 2008 to \$4,694 million at June 30, 2009.

Liquidity and Capital Resources

In the ordinary course of business, the Company issues notes and bonds in Canada and Europe. The Company also enters, as applicable, into intercompany loans with other subsidiaries in the worldwide Daimler Group to optimize funding from a global Daimler perspective. The funds raised in 2008 and prior years were used mainly to support the lease and sales financing business and the capital expenditure requirements of the industrial business of the Daimler subsidiaries in Canada. Lease and sales financing activities are typically financed with a high proportion of debt.

Cash flows were the following for the six months ended June 30, 2009 and June 30, 2008 (in millions of \$):

	Six months ended June 30, 2009	Six months ended June 30, 2008
Cash provided by operating activities	724	720
Cash used in financing activities	(566)	(891)

Operating net cash inflows were \$724 million for the six months ended June 30, 2009 compared to net cash inflows of \$720 million for the six months ended June 30, 2008. Cash used in financing activities significantly declined in the six months ended June 30, 2009 compared to the same period of 2008 since fewer notes and bonds matured in the reporting period.

Risk Report

Many factors could directly and indirectly, through the close affiliation with DCFI's sister companies, affect the Company's business, financial condition, cash flows and results of operations. The principal risks are described in DCFI's annual report 2008, which was submitted to the Luxembourg stock exchange on June 18, 2009.

Outlook

Management expects the Company to post a net loss which should be smaller than in 2008.

Unaudited Statements of Income (Loss)

	Note	Six months ended June 30, 2009	Six months ended June 30, 2008
(in thousands of \$)			
Revenues			
Interest income - affiliated companies		82,315	91,806
Interest income - third parties		3,258	26,432
Total revenues		85,573	118,238
Interest expense - third parties		(71,986)	(125,550)
Interest expense - affiliated companies	3	(30,100)	(5,231)
Administrative and other expenses	3	(1,446)	(1,655)
Other financial income		5,244	545
Loss before income taxes		(12,715)	(13,653)
Income tax benefit		4,136	3,919
Net loss		(8,579)	(9,734)

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

Unaudited Statements of Comprehensive Income (Loss)

	Six months ended June 30, 2009	Six months ended June 30, 2008
(in thousands of \$)		
Net loss	(8,579)	(9,734)
Unrealized gains (losses) from cash flow hedges, net	18,222	(20,725)
Other comprehensive income (loss), net of taxes	18,222	(20,725)
Total comprehensive income (loss)	9,643	(30,459)

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

Unaudited Statements of Financial Position

	Note	At June 30, 2009	At December 31, 2008
(in thousands of \$)			
Assets			
Receivables from affiliated companies	2	2,625,687	3,056,703
Other financial assets		108,996	120,616
Deferred tax assets		21,061	24,508
Total non-current assets		2,755,744	3,201,827
Receivables from affiliated companies	2	1,166,164	897,674
Cash and cash equivalents		695,010	537,132
Other financial assets		99,083	45,682
Other assets		11,754	12,019
Total current assets		1,972,011	1,492,507
Total assets		4,727,755	4,694,334
Equity and liabilities			
Share capital		-	-
Capital reserves		70,000	70,000
Retained earnings (deficit)		(4,022)	4,557
Cash flow hedges		(32,612)	(50,834)
Total equity		33,366	23,723
Payables to affiliated companies	3	1,121,134	467,649
Notes and bonds payable	4	2,256,235	2,278,337
Other financial liabilities		125,281	152,635
Total non-current liabilities		3,502,650	2,898,621
Provisions and other liabilities		23	949
Payables to affiliated companies	3	223,597	278,922
Notes and bonds payable	4	824,994	1,428,723
Other financial liabilities		143,125	63,396
Total current liabilities		1,191,739	1,771,990
Total liabilities		4,694,389	4,670,611
Total equity and liabilities		4,727,755	4,694,334

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

Unaudited Statements of Changes in Equity

	Share capital	Capital reserves	Retained earnings	Cash Flow Hedges	Total equity
(in thousands of \$)					
Balance at January 1, 2008	-	10,000	41,600	(48,440)	3,160
Net loss	-	-	(9,734)	-	(9,734)
Expense recognized directly in equity	-	-	-	(24,805)	(24,805)
Deferred taxes on expenses recognized directly in equity	-	-	-	4,080	4,080
Total comprehensive loss	-	-	(9,734)	(20,725)	(30,459)
Capital contribution	-	27,300	-	-	27,300
Balance at June 30, 2008	-	37,300	31,866	(69,165)	1
Balance at January 1, 2009					
Net loss	-	-	(8,579)	-	(8,579)
Income recognized directly in equity	-	-	-	25,742	25,371
Deferred taxes on income recognized directly in equity	-	-	-	(7,520)	(7,149)
Total comprehensive income	-	-	(8,579)	18,222	9,643
Capital contribution	-	-	-	-	-
Balance at June 30, 2009	-	70,000	(4,022)	(32,612)	33,366

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

Unaudited Statements of Cash Flows

	Six months ended June 30, 2009	Six months ended June 30, 2008
(in thousands of \$)		
Net profit (loss)	(8,579)	(9,734)
Change in deferred taxes	(4,074)	1,908
Changes in derivative financial instruments	61,176	57,773
Accretion of debt premium and issuance costs	(2,314)	(2,526)
Net change in operating receivables and payables from affiliated companies	662,828	652,710
Change in other receivables, accruals and other liabilities	15,554	19,370
Cash provided by operating activities	724,591	719,501
Cash provided by investing activities	-	-
Repayment of notes and bonds	(566,713)	(891,328)
Cash used in financing activities	(566,713)	(891,328)
Net increase (decrease) in cash and cash equivalents	157,878	(171,827)
Cash and cash equivalents at the beginning of the period	537,132	1,114,576
Cash and cash equivalents at the end of the period	695,010	942,749

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

Notes to the Unaudited Interim Financial Statements

1. Presentation of the Interim Financial Statements

These unaudited interim financial statements of Daimler Canada Finance Inc. (“DCFI” or the “Company”) have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”.

Daimler Canada Finance Inc. is a stock corporation organized under the laws of Quebec, Canada. 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 1 Place Ville Marie – 37th Floor, H3B 3P4, Montreal, Quebec, Canada.

The accompanying financial statements are presented in Canadian dollars (“\$”).

In the opinion of management, the interim financial statements reflect all adjustments (i.e. normal recurring adjustments) necessary for a fair presentation of the results of operations and the financial position of DCFI. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period or the full fiscal year. The interim financial statements should be read in conjunction with the December 31, 2008 audited IFRS financial statements and notes which were submitted to the Luxembourg Stock Exchange on June 18, 2009. The accounting policies applied by DCFI in these interim financial statements are the same as those applied in the audited IFRS financial statements as at and for the year ended December 31, 2008.

With the amendment of IAS 1 “Presentation of Financial Statements” the interim financial statements contain a statement of comprehensive income in addition to the statement of income. The statement of comprehensive income comprises the profit or loss of the reporting period as well as the equity changes other than those changes resulting from the transactions with owners in their capacity as owners that are not recognized in profit or loss (other comprehensive income or loss).

Preparation of interim financial statements in conformity with IFRS 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 reporting date and the reported amounts of revenue and expenses for the reporting period. Actual amounts could differ from those estimates.

2. Receivables from affiliated companies

DCFI is responsible for administering a cash management system to efficiently use the financial resources of certain DAG affiliated companies in Canada and provides financing to certain DAG affiliates mainly in Canada. The following sets forth receivables from DAG affiliates for such financing, including accrued interest and for certain financing provided to DAG:

	June 30, 2009	December 31, 2008
(in thousands of \$)		
DCFS Canada Corp.	2,703,073	2,723,109
Daimler International Finance BV	937,781	995,967
Mercedes-Benz Canada Inc.	150,903	165,929
DNA	88	-
Daimler Trucks NA LLC	6	-
DAG	-	69,372
Total	3,791,851	3,954,377

3. Payables to affiliated companies

The following table sets forth amounts payable to affiliated companies:

	June 30, 2009	December 31, 2008
(in thousands of \$)		
Daimler International Finance BV	1,132,871	464,855
Daimler Trucks Canada Ltd.	112,917	230,669
DAG	39,041	7,182
Mercedes-Benz Canada Inc.	29,547	-
Daimler Buses North America Ltd.	17,837	38,085
Thomas Built Buses of Canada Ltd	6,970	-
DNA	5,504	5,515
Detroit Diesel Corporation	44	-
Mercedes-Benz USA LLC	-	265
Total	1,344,731	746,571

DCFI 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 expenses were \$1,310 thousand and \$2,317 thousand for the six months ended June 30, 2009 and June 30, 2008, respectively, and are included in "interest expense – affiliated companies."

The Company is charged for administrative overhead expenses by DNA. These expenses were \$1,446 thousand and \$1,655 thousand for the six months ended June 30, 2009 and June 30, 2008, respectively, and are included in administrative and other expenses.

4. Notes and bonds payable

During the first six months of 2009, there were no new debt issuances. Notes and bonds payable in an amount of \$566,713 thousand matured.