

Daimler Canada Finance Inc.

Interim Report as of and for the six months ended June 30, 2014

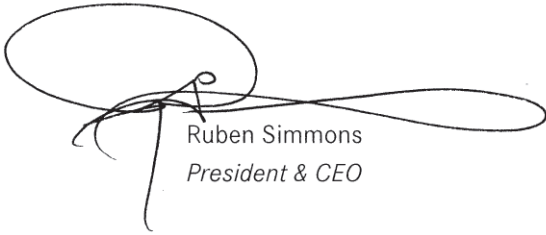
Table of Contents

Responsibility Statement	3
Interim Management Report	4
Statement of Comprehensive Income (Unaudited)	7
Statement of Financial Position (Unaudited)	8
Statement of Changes in Equity (Unaudited)	9
Statement of Cash Flows (Unaudited)	10
Notes to the Interim Financial Statements (Unaudited)	11
1. Presentation of the interim financial statements	11
2. Loans and receivables from related parties	12
3. Equity	12
4. Payables to related parties	13
5. Notes and bonds payable	14
6. Commercial paper	14
7. Financial instruments	15

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the interim management report of the Company includes 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 for the remaining months of the financial year.

Montvale, NJ (USA), July 30, 2014



Ruben Simmons
President & CEO



Birger Ostermann
Chief Accounting Officer

Interim Management Report

General

Daimler Canada Finance Inc. (“DCFI” or the “Company”) is a wholly-owned subsidiary of Daimler AG (“DAG”). Prior to December 16, 2013, DCFI was a wholly owned subsidiary of Daimler North America Corporation (DNA) which in turn is a wholly-owned subsidiary of DAG. As part of a reorganization of the Daimler Group, in December 2013, DNA sold all issued common shares of DCFI to DAG.

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 has issued full and unconditional guarantees for DCFI’s obligations incurred under its outstanding notes and bonds and commercial paper programs.

The nature of the Daimler operations in Canada includes the distribution of passenger cars purchased from DAG under the brand names Mercedes-Benz and smart and the manufacture, assembly and sale of trucks and other commercial vehicles under the brand names Freightliner, Thomas Built Buses and Mercedes-Benz. 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. 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:

- an adverse development of global economic conditions, in particular a decline of demand and investment activity in Canada;
- a deterioration of our funding possibilities on the credit and financial markets, which could result in an increase in borrowing costs or limit our funding flexibility;
- changes in currency exchange rates and interest rates;
- changes in laws, regulations and government policies that may affect the Company or any of its sister companies; 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, 2014 and June 30, 2013, which were prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”.

Earnings

Interest income

Interest Income was \$58,032 for the six months ended June 30, 2014 compared to \$50,145 for the six months ended June 30, 2013. The increase is due to higher average receivable balances with related parties as well as higher average overnight deposits in 2014.

Daimler Canada Finance Inc. – Interim report as of and for the six months ended June 30, 2014
(all amounts in thousands of Canadian dollars)

Interest expense

Interest expense from third parties increased to \$54,439 for the six months ended June 30, 2014 from \$40,069 for the six months ended June 30, 2013 due to a higher average notes and bonds portfolio while interest expense from related parties decreased from \$4,009 to \$3,635 for the same period. This was mainly caused by lower average payable balances with related parties in 2014.

Administrative and other expense

Administrative and other expense increased to \$2,018 for the six months ended June 30, 2014 from \$1,150 for the six months ended June 30, 2013 due to an increase in labor related cross charges from DNAC as well as an increase in professional fees. Additionally, other expense was higher for the six months ended June 30, 2014 due to costs related to withholding tax on guarantee fees, compared to other income received for the six months ended June 30, 2013 related to a capital tax refund.

Other financial expense, net

Other financial expense, net was \$685 for the six months ended June 30, 2014, compared to \$432 for the six months ended June 30, 2013 due to increased bank fees.

Income tax benefit

The Company recorded an income tax benefit of \$707 for the six months ended June 30, 2014 compared with an income tax expense of \$1,207 for the six months ended June 30, 2013. This change was driven by a negative net interest result in the 2014 reporting period.

Financial position

Total assets were \$5,680,742 at June 30, 2014 compared to \$4,594,220 at December 31, 2013, an increase of 24%. Total liabilities also increased from \$4,310,414 at December 31, 2013 to \$5,399,323 at June 30, 2014 primarily due to higher external debt. Total equity decreased from \$283,806 at December 31, 2013 to \$281,419 at June 30, 2014 because of a net loss of \$2,038 in 2014.

Liquidity and capital resources

In the ordinary course of business, the Company issues notes and bonds and commercial paper in Canada and Europe. The Company also enters, as necessary, into intercompany loans with other DAG subsidiaries to optimize funding from a global Daimler perspective.

The funds raised in 2014 and in prior years were mainly used 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, 2014 and June 30, 2013:

	Six months ended June 30,	
	2014	2013
Net cash used in operating activities	(819,749)	(105,738)
Net cash from financing activities	994,426	207,014

Operating net cash outflows were \$819,749 for the six months ended June 30, 2014 compared to net cash outflows of \$105,738 for the six months ended June 30, 2013 mainly due to an increase in operating receivables and payables from related parties.

Cash inflows from financing activities were \$994,426 for the six months ended June 30, 2014 compared to cash inflows of \$207,014 for the same period of 2013. This change is mainly comprised of new issuances

Daimler Canada Finance Inc. – Interim report as of and for the six months ended June 30, 2014
(all amounts in thousands of Canadian dollars)

of notes and bonds and commercial paper offset by repayment of maturing notes and bonds, commercial paper and financial liabilities to banks.

Risk report

Many factors could directly and indirectly, through the close affiliation with DAG's affiliated companies in Canada, affect the Company's business, financial condition, cash flows and results of operations. The principal risks are described in DCFI's annual report 2013, which was submitted to the Luxembourg Stock Exchange on April 28, 2014.

Outlook

Management expects a positive result of operations for the remaining months of 2014. This expectation is based on the assumption of a stable economic development.

Statement of Comprehensive Income (Unaudited)

	Note	Six months ended June 30,	
		2014	2013
Interest income			
Interest income – related parties		55,740	48,186
Interest income – third parties		2,292	1,959
Total interest income		58,032	50,145
Interest expense			
Interest expense – third parties		(54,439)	(40,069)
Interest expense – related parties		(3,635)	(4,009)
Total interest expense		(58,074)	(44,078)
Net interest income		(42)	6,067
Administrative and other expense	4	(2,018)	(1,150)
Other financial expense, net		(685)	(432)
Profit (Loss) before income taxes		(2,745)	4,485
Income tax income (expense)		707	(1,207)
Net profit		(2,038)	3,278
Unrealized gains (losses) from cash flow hedges, net of taxes of \$(128) in 2014 and \$135 in 2013		(349)	367
Items that will likely be reclassified into profit/loss		(349)	367
Total comprehensive income		(2,387)	3,645

The accompanying notes on pages 11 to 16 are an integral part of these interim financial statements.

Statement of Financial Position (Unaudited)

		June 30,	December 31,
	Note	2014	2013
Assets			
Loans and receivables from related parties	2	3,181,800	2,194,800
Other financial assets		3,243	28,380
Deferred tax assets		4,066	3,199
Total non-current assets		3,189,109	2,226,379
Loans and receivables from related parties	2	2,203,812	2,270,793
Cash and cash equivalents		247,796	73,119
Other financial assets		37,010	20,878
Tax receivables		3,015	3,051
Total current assets		2,491,633	2,367,841
Total assets		5,680,742	4,594,220
Equity and liabilities			
Share capital		-	-
Capital reserves		326,377	326,377
Retained deficit		(44,640)	(42,602)
Cash flow hedges		(318)	31
Total equity	3	281,419	283,806
Notes and bonds payable	5	3,202,937	2,615,670
Other financial liabilities		20,639	10,968
Total non-current liabilities		3,223,576	2,626,638
Provisions and other liabilities		516	59
Payables to related parties	4	306,793	207,047
Notes and bonds payable	5	1,390,683	826,283
Commercial paper	6	419,813	507,390
Financial liabilities to banks		-	103,191
Other financial liabilities		57,942	39,806
Total current liabilities		2,175,747	1,683,776
Total liabilities		5,399,323	4,310,414
Total equity and liabilities		5,680,742	4,594,220

The accompanying notes on pages 11 to 16 are an integral part of these interim financial statements.

Statement of Changes in Equity (Unaudited)

	Share capital	Capital reserves	Retained deficit	Cash flow hedges	Total equity
Balance at January 1, 2013	-	326,377	(45,252)	208	281,333
Net profit (loss)	-	-	3,278	-	3,278
Other comprehensive income before taxes	-	-	-	502	502
Deferred taxes on other comprehensive income	-	-	-	(135)	(135)
Total comprehensive income (loss)	-	-	3,278	367	3,645
Balance at June 30, 2013	-	326,377	(41,974)	575	284,978
Balance at January 1, 2014	-	326,377	(42,602)	31	283,806
Net loss (loss)	-	-	(2,038)	-	(2,038)
Other comprehensive income before taxes	-	-	-	(477)	(477)
Deferred taxes on other comprehensive income	-	-	-	128	128
Total comprehensive income	-	-	(2,038)	(349)	(2,387)
Balance at June 30, 2014	-	326,377	(44,640)	(318)	281,419

The accompanying notes on pages 11 to 16 are an integral part of these interim financial statements.

Statement of Cash Flows (Unaudited)

	Note	Six months ended June 30,	
		2014	2013
Net profit (loss)		(2,038)	3,278
Change in deferred taxes		(738)	1,207
Change in derivative financial instruments		358	8,410
Net change in operating receivables and payables from related parties	2, 4	(820,273)	(123,728)
Changes in other receivables, accruals and other liabilities		2,942	5,095
Net cash used in operating activities		(819,749)	(105,738)
Net cash from investing activities		-	-
Issuances of notes and bonds payable	5	1,812,897	498,800
Issuances of commercial paper	6	1,085,220	328,729
Repayment of notes and bonds payable	5	(625,000)	(47,520)
Repayment of commercial paper	6	(1,175,500)	(347,995)
Repayment of financial liabilities to banks		(103,191)	-
Increase/(decrease) in financing payables to related parties		-	(225,000)
Net cash from financing activities		994,426	207,014
Net increase in cash and cash equivalents		174,677	101,276
Cash and cash equivalents at the beginning of the period		73,119	127,344
Cash and cash equivalents at the end of the period		247,796	228,620

The accompanying notes on pages 11 to 16 are an integral part of these interim financial statements.

Notes to the Interim Financial Statements (Unaudited)

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 AG (“DAG”). Its registered office is located at 1 Place Ville Marie – 37th Floor, H3B 3P4, Montreal, Quebec, Canada. Prior to December 16, 2013, DCFI was a wholly owned subsidiary of Daimler North America Corporation (DNA) which in turn is a wholly-owned subsidiary of DAG. As part of a reorganization of the Daimler Group, in December 2013, DNA sold all issued common shares of DCFI to DAG.

These interim financial statements are presented in Canadian dollars (“\$”), which is the Company’s functional currency. Unless otherwise stated all amounts are presented in thousands of Canadian dollars.

In the opinion of the management, the interim financial statements reflect all adjustments (i.e. normal recurring adjustments) necessary for a fair presentation of the results of operations and the financial position of 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, 2013 audited IFRS financial statements and notes which were submitted to the Luxembourg Stock Exchange on April 28, 2014. The accounting policies applied by DCFI in these interim financial statements are the same as those applied in the audited IFRS financial statements as of and for the year ended December 31, 2013.

Preparation of interim financial statements in conformity with IFRS requires management to make estimates, assessments and assumptions which can affect the amounts and reporting of assets and liabilities, the reporting of contingent assets and liabilities on the balance sheet date and the amounts of income and expense reported for the period. Actual amounts could differ from those estimates. Changes in estimates, assessments and assumptions can have a material impact on the financial statements.

Daimler Canada Finance Inc. – Interim report as of and for the six months ended June 30, 2014
(all amounts in thousands of Canadian dollars)

2. Loans and receivables from related parties

DCFI provides financing to certain DAG affiliates mainly in Canada which are related parties for DCFI. The following table sets forth receivables from DAG affiliates for such financing, including accrued interest.

	June 30, 2014	December 31, 2013
Mercedes-Benz Financial Services Canada Corporation	5,214,871	4,282,804
Daimler Trucks Canada LTD	100,024	132,795
car2go Canada Ltd.	34,224	20,488
Daimler Buses NA Ltd.	31,300	27,756
MBarc Credit Canada Inc.	5,193	931
Thomas Built Buses of Canada Ltd.	-	819
Total	5,385,612	4,465,593

3. Equity

At June 30, 2014 and December 31, 2013, the authorized share capital comprised 1,000 no par value shares, of which 100 shares were issued and outstanding. All issued shares were fully paid up.

As part of a reorganization of the Daimler Group, on December 16, 2013, DNA sold and transferred all issued common shares of DCFI to DAG.

Daimler Canada Finance Inc. – Interim report as of and for the six months ended June 30, 2014
(all amounts in thousands of Canadian dollars)

4. Payables to related parties

The following table sets forth amounts payable to related parties:

	June 30, 2014	December 31, 2013
Mercedes-Benz Canada Inc.	172,356	127,336
Thomas Built Buses of Canada Ltd.	42,806	-
Freightliner Ltd.	42,020	41,453
Daimler Trucks Canada Ltd.	27,169	-
DAG	15,043	24,091
SelecTrucks of Toronto Inc.	5,843	7,113
DNA	1,556	1,164
Nova Scotia	-	5,890
Total	306,793	207,047

DCFI is charged fees for the full and unconditional guarantees on its outstanding notes and bonds payable and commercial paper which are issued under DAG's programs. These fees are calculated as a set percentage of the outstanding debt for any given year. These expenses were \$2,808 and \$2,022 for the six months ended June 30, 2014 and June 30, 2013, respectively, and are included in "Interest expense – related parties."

The Company is charged for administrative overhead expense by DNA. These expenses were \$1,556 and \$1,301 for the six months ended June 30, 2014 and June 30, 2013, respectively, and are included in "Administrative and other expense."

Daimler Canada Finance Inc. – Interim report as of and for the six months ended June 30, 2014
(all amounts in thousands of Canadian dollars)

5. Notes and bonds payable

DCFI's obligations under the notes and bonds program are fully and unconditionally guaranteed by its ultimate parent company, DAG.

During the first six months of 2014, notes or bonds payable in the amount of \$625,000 matured. Terms and conditions of new notes payable issued during the first six months of 2014 are as follows:

				June 30, 2014	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
USD Medium Term Note					
Medium Term Note	USD	.300%	2014	69,433	69,375
Total USD Medium Term Note				69,433	69,375
EUR Medium Term Notes					
Medium Term Note	EUR	EUR-EURIBOR + 0.05%	2014	72,945	72,917
Medium Term Note	EUR	EUR-EURIBOR + 0.05%	2014	116,712	116,699
Medium Term Note	EUR	0.400%	2014	145,890	145,996
Medium Term Note	EUR	0.300%	2014	145,890	145,938
Medium Term Note	EUR	EUR-EURIBOR + 0.24%	2016	437,670	437,670
Medium Term Note	EUR	EUR-EURIBOR + 0.35%	2017	291,780	291,541
Total EUR Medium Term Notes				1,210,887	1,210,761
Canadian Dollar Bonds					
Medium Term Note	CAD	2.270%	2018	400,000	400,087
Medium Term Note	CAD	2.375%	2019	100,000	99,897
Total Canadian Dollar Bonds				500,000	499,984
Total				1,780,320	1,780,120

6. Commercial paper

In July 2011, DCFI entered into a \$2,500,000 private placement of commercial paper. As of June 30, 2014, outstanding commercial papers were \$419,813 with interest rates ranging from 1.2% to 1.55% and maturity dates ranging from July 2, 2014 to April 20, 2015. DCFI's obligations under the commercial paper program are fully and unconditionally guaranteed by its ultimate parent company, DAG.

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 amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Given the varying influencing factors, the reported fair values can only be viewed as indicators of the prices that may actually be achieved on the market.

	June 30, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	247,796	247,796	73,119	73,119
Loans and receivables				
Loans and receivables from related parties	5,385,612	5,448,115	4,465,593	4,522,079
Accrued interest income	19,355	19,355	20,878	20,878
Total loans and receivables	5,404,967	5,467,470	4,486,471	4,542,957
Financial assets recognized at fair value through profit or loss				
Derivative financial instruments used in hedge accounting	20,898	20,898	28,380	28,380
Derivative financial instruments at fair value through profit or loss	-	-	-	-
Total financial assets recognized at fair value through profit or loss	20,898	20,898	28,380	28,380
Total financial assets	5,673,661	5,736,164	4,587,970	4,644,456
Financial liabilities at amortized cost				
Notes and bonds payable	4,593,620	4,632,661	3,441,953	3,477,072
Commercial paper	419,813	419,813	507,390	507,390
Payables to related parties	306,793	306,793	207,047	207,047
Financial liabilities to banks	-	-	103,191	103,191
Accrued interest expense	57,942	57,942	39,394	39,394
Total financial liabilities at amortized cost	5,378,168	5,417,209	4,298,975	4,334,094
Financial liabilities at fair value				
Derivative financial instruments used in hedge accounting	20,639	20,639	11,062	11,062
Derivative financial instruments at fair value through profit or loss	-	-	318	318
Total financial liabilities at fair value	20,639	20,639	11,380	11,380
Total financial liabilities	5,398,807	5,437,848	4,310,355	4,345,474

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

Daimler Canada Finance Inc. – Interim report as of and for the six months ended June 30, 2014
(all amounts in thousands of Canadian dollars)

(b) Fair value hierarchy of financial assets and liabilities measured at fair value

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

	June 30, 2014			
	Total	Level 1¹	Level 2²	Level 3³
Assets measured at fair value				
Derivative financial instruments used in hedge accounting	20,898	-	20,898	-
Liabilities measured at fair value				
Derivative financial instruments used in hedge accounting	20,639	-	20,639	-

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

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

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