

# **Daimler Finance North America LLC**

**Interim Report as of and for the six months ended June 30, 2010**

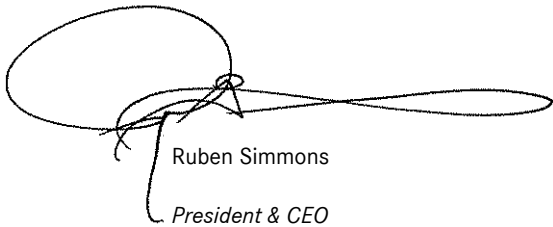
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## Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim financial statements of Daimler Finance North America LLC give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the company's interim management report 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, August 3, 2010



Ruben Simmons  
*President & CEO*



Sandro Ringeling  
*Chief Accounting Officer*

# 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. DAG issued full and unconditional guarantees for DFNA’s obligations incurred under its outstanding notes and bonds programs. 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.

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.

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 further improvement or a renewed deterioration of economic conditions globally in general and in the US in particular;
- a continuation or worsening of the tense situation in the credit and financial markets, which could result in a renewed 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 DFNA or any of DAG’s affiliated companies; and
- the business outlook of DAG’s affiliated companies in the US, which may affect the funding requirements of these companies in the automotive and financial services businesses.

The following discussion should be read in conjunction with the Company’s financial statements as of and for the six months ended June 30, 2010 and June 30, 2009, 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

### *Interest Income*

Interest income \$533,239 thousand for the six months ended June 30, 2010, a 20% decrease compared to the six months ended June 30, 2009 (\$668,826 thousand), as the receivables from DNA decreased due to debt maturities.

## **Expenses**

### *Interest Expense*

Interest expense was \$533,239 thousand for the six months ended June 30, 2010, compared to \$668,826 thousand for the six months ended June 30, 2009, a 20% decrease.

### *Guarantee Fees*

Guarantee fees charged by DAG were \$7,320 thousand for the six months ended June 30, 2010, compared to \$9,419 thousand for the six months ended June 30, 2009.

### *Administrative Expense*

Administrative expense was \$426 thousand for the six months ended June 30, 2010 as compared to \$610 thousand for the six months ended June 30, 2009.

### *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 for both the six months ended June 30, 2010 and the six months ended June 30, 2009.

## **Financial Position**

Total assets were \$14,042,552 thousand at June 30, 2010 compared to \$22,762,246 thousand at December 31, 2009, a decrease of \$8,719,694 thousand or 38%. Total liabilities also decreased to \$14,042,552 thousand at June 30, 2010 from \$22,762,246 thousand at December 31, 2009. The decrease is primarily due to debt repayments of \$7,369,789 thousand.

## **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. There were no new notes or bonds issued in the first six months of 2010. The Company had neither cash nor cash equivalents as of June 30, 2010 and December 31, 2009.

## **Risk Report**

Many factors could directly and indirectly, through the close affiliation with DAG's affiliated companies, affect the Company's business, financial condition, and cash flows. The results of operations would not be affected due to the existing reimbursement agreements with DNA. The principal risks are described in DFNA's annual report 2009, which was submitted to the Luxembourg stock exchange on April 28, 2010.

## **Outlook**

We expect net profit and equity to be zero in 2010.

## Unaudited Statements of Comprehensive Income

	Note	Six months ended June 30, 2010	Six months ended June 30, 2009
<b>(in thousands of \$)</b>			
Interest income – DNA <sup>1</sup>		533,239	668,826
Interest expense – third parties <sup>1</sup>		(533,239)	(668,826)
<b>Net interest income</b>		-	-
Guarantee fees – DAG	2	(7,320)	(9,419)
Administrative expense	2	(426)	(610)
Reimbursement of expenses from DNA	2	7,746	10,029
<b>Net profit</b>		-	-
Other comprehensive income, net of taxes		-	-
<b>Total comprehensive income</b>		-	-

<sup>1</sup> For the six months ended June 30, 2009, both interest income and interest expense were restated by \$246,576 thousand from \$915,402 thousand. The impact on net interest income was zero.

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

## Unaudited Statements of Financial Position

		June 30, 2010	December 31, 2009
	Note		
<b>(in thousands of \$)</b>			
<b>Assets</b>			
Receivables from DNA	2	10,558,717	14,218,498
<b>Total non-current assets</b>		<b>10,558,717</b>	<b>14,218,498</b>
Receivables from DNA	2	3,181,260	8,038,207
Accrued interest income from DNA		302,575	505,541
<b>Total current assets</b>		<b>3,483,835</b>	<b>8,543,748</b>
<b>Total assets</b>		<b>14,042,552</b>	<b>22,762,246</b>
<b>Equity and liabilities</b>			
Retained earnings		-	-
<b>Total equity</b>		<b>-</b>	<b>-</b>
Notes and bonds payable	3	10,558,717	14,218,498
<b>Total non-current liabilities</b>		<b>10,558,717</b>	<b>14,218,498</b>
Payables to affiliated companies	2	11,033	12,291
Notes and bonds payable	3	3,170,227	8,025,916
Accrued interest expenses		302,575	505,541
<b>Total current liabilities</b>		<b>3,483,835</b>	<b>8,543,748</b>
<b>Total liabilities</b>		<b>14,042,552</b>	<b>22,762,246</b>
<b>Total equity and liabilities</b>		<b>14,042,552</b>	<b>22,762,246</b>

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

## Unaudited Statements of Changes in Equity

	Member's Investment	Retained earnings	Other reserves	Total equity
(in thousands of \$)				
<b>Balance at January 1, 2009</b>	-	-	-	-
Net income	-	-	-	-
<b>Total income for period</b>	-	-	-	-
Capital contribution	-	-	-	-
<b>Balance at June 30, 2009</b>	-	-	-	-
<b>Balance at January 1, 2010</b>				
Net income	-	-	-	-
<b>Total income for period</b>	-	-	-	-
Capital contribution	-	-	-	-
<b>Balance at June 30, 2010</b>	-	-	-	-

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

## Unaudited Statements of Cash Flows

	Six months ended June 30, 2010	Six months ended June 30, 2009
(in thousands of \$)		
Net income	-	-
Decrease in receivables from DNA <sup>1</sup>	7,371,097	4,796,459
Net increase (decrease) in payables to affiliated companies	(1,258)	10,182
<b>Cash provided by operating activities</b>	<b>7,369,839</b>	<b>4,806,641</b>
Repayments of notes and bonds payable	(7,369,839)	(4,806,641)
<b>Cash used in financing activities<sup>1</sup></b>	<b>(7,369,839)</b>	<b>(4,806,641)</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 On April 2, 2009, DFNA assumed notes with a nominal amount of Euro 9.5 billion that were previously issued by DNA. DFNA has reimbursement agreements with DNA for intercompany loan agreements that are intended to mirror these external borrowings. Since these were non-cash transactions the cash flow presentation was changed compared to the interim report as of June 30, 2009. The transfer of notes from DNA of \$13,905,295 thousand was reclassified from financing activities to operating activities.

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 Finance North America LLC (“DFNA” or the “Company”) have been prepared in accordance with International Accounting Standard (IAS) 34, “Interim Financial Reporting”.

DFNA 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.

The interim financial statements are presented in US 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 DFNA. 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, 2009 audited IFRS financial statements and notes which were submitted to the Luxembourg Stock Exchange on April 28, 2010. The accounting policies applied by DFNA 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, 2009.

With the amendment of IAS 1 “Presentation of Financial Statements” the interim financial statements contain a statement of comprehensive 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. Transactions with related parties

At June 30, 2010 and December 31, 2009, DFNA had receivables from DNA of \$13,739,977 thousand and \$22,256,705 thousand, respectively.

The following table sets forth amounts payable to related parties:

	June 30, 2010	December 31, 2009
<b>(in thousands of \$)</b>		
Daimler North America Finance Corporation	5,642	5,031
DAG	5,391	7,260
	<b>11,033</b>	<b>12,291</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 \$7,320 thousand and \$9,419 thousand for the six months ended June 30, 2010 and June 30, 2009, respectively.

The Company is charged for administrative overhead expense by DNA. These expenses were \$426 thousand and \$610 thousand for the six months ended June 30, 2010 and June 30, 2009, respectively, and are included in administrative expense.

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. Notes and bonds payable**

During the first six months of 2010, \$7,369,789 thousand of debt matured.

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.