

# **Daimler Finance North America LLC**

**Interim Report as of and for the six months ended June 30, 2011**

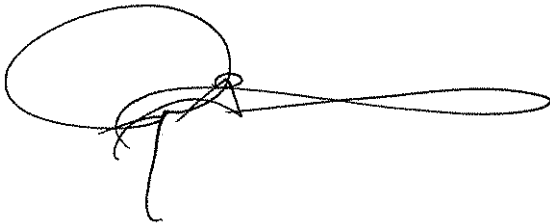
# Table of Contents

Responsibility Statement.....	3
Management Report.....	4
Unaudited Statements of Comprehensive Income.....	6
Unaudited Statements of Financial Position.....	7
Unaudited Statements of Changes in Equity.....	8
Unaudited Statements of Cash Flows.....	8
Notes to the Unaudited Interim Financial Statements.....	9
1. Presentation of the Interim Financial Statements.....	9
2. Transactions with related parties.....	9
3. Notes and bonds payable.....	10
4. Commercial paper.....	10

# 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 5, 2011

A handwritten signature in black ink, consisting of a large, loopy initial 'R' followed by a long horizontal stroke and a vertical line extending downwards.

Ruben Simmons

*President & CEO*

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

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 has issued full and unconditional guarantees for DFNA’s obligations incurred under its outstanding notes/bonds and commercial paper programs. DFNA and DNA have 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 interim report contains forward looking statements that reflect our current views about future events. The words “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “should” and similar expressions are 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 in the US;
- a deterioration of our funding possibilities on the credit and financial markets;
- events of force majeure including natural disasters, acts of terrorism, political unrest, industrial accidents and their effects on our financial services activities;
- changes in currency exchange rates;
- changes in laws, regulations and government policies that may affect the Company or any of DAG’s affiliated companies in the US; and
- the business outlook of the Company’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, 2011 and June 30, 2010, 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 was \$380,695 for the six months ended June 30, 2011 compared to \$533,239 for the six months ended June 30, 2010, a 29% decrease mainly due to maturities of intercompany loans with DNA.

## **Expenses**

### *Interest expense*

Interest expense was \$380,695 for the six months ended June 30, 2011, compared to \$533,239 for the six months ended June 30, 2010, a 29% decrease mainly due to repayments of notes and bonds in 2010 and 2011.

**Daimler Finance North America LLC – Interim report as of and for the six months ended June 30, 2011**  
(all amounts in thousands of U.S. dollars)

*Guarantee fees*

Guarantee fees charged by DAG were \$5,304 for the six months ended June 30, 2011, compared to \$7,320 for the six months ended June 30, 2010.

*Administrative expense*

Administrative expense was \$550 for the six months ended June 30, 2011 as compared to \$426 for the six months ended June 30, 2010.

*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 and commercial paper programs.

**Net income**

Net income was zero for both the six months ended June 30, 2011 and the six months ended June 30, 2010.

**Financial position**

Total assets were \$14,361,561 at June 30, 2011 compared to \$14,240,968 at December 31, 2010, an increase of \$120,593 or 1%. Total liabilities also increased to \$14,361,561 at June 30, 2011 from \$14,240,968 at December 31, 2010 mainly due to new commercial paper issuances in the reporting period.

**Liquidity and capital resources**

In the ordinary course of business, the Company issues notes/bonds and commercial paper in the US and foreign capital markets and lends the proceeds to DNA. Notes with a face value of \$1,900,000 were issued during the first six months of 2011. Commercial paper of \$916,330 were outstanding as of June 30, 2011. The Company had neither cash nor cash equivalents as of June 30, 2011 and December 31, 2010.

**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 2010, which was submitted to the Luxembourg stock exchange on April 1, 2011.

**Outlook**

We expect net income and equity to be zero in 2011. This expectation is based on the assumption of a stable economic development and continuation of the Company's business model.

## Unaudited Statements of Comprehensive Income

	Note	Six months ended June 30, 2011	Six months ended June 30, 2010
Interest income – DNA		380,695	533,239
Interest expense – third parties		(380,695)	(533,239)
<b>Net interest income</b>		-	-
Guarantee fees – DAG	2	(5,304)	(7,320)
Administrative expense	2	(550)	(426)
Reimbursement of expenses from DNA	2	5,854	7,746
<b>Net income</b>		-	-
Other comprehensive income, net of taxes		-	-
<b>Total comprehensive income</b>		-	-

The accompanying notes on pages 9 and 10 are an integral part of these unaudited interim financial statements.

## Unaudited Statements of Financial Position

		June 30, 2011	December 31, 2010
	Note		
<b>Assets</b>			
Receivables from DNA	2	7,284,358	7,745,095
<b>Total non-current assets</b>		<b>7,284,358</b>	<b>7,745,095</b>
Receivables from DNA	2	6,830,204	6,158,167
Accrued interest income from DNA		246,999	337,706
<b>Total current assets</b>		<b>7,077,203</b>	<b>6,495,873</b>
<b>Total assets</b>		<b>14,361,561</b>	<b>14,240,968</b>
<b>Equity and liabilities</b>			
Retained earnings		-	-
<b>Total equity</b>		<b>-</b>	<b>-</b>
Notes and bonds payable	3	7,284,358	7,745,095
<b>Total non-current liabilities</b>		<b>7,284,358</b>	<b>7,745,095</b>
Payables to related parties	2	5,492	11,359
Notes and bonds payable	3	5,908,382	6,146,808
Commercial paper	4	916,330	-
Accrued interest expenses		246,999	337,706
<b>Total current liabilities</b>		<b>7,077,203</b>	<b>6,495,873</b>
<b>Total liabilities</b>		<b>14,361,561</b>	<b>14,240,968</b>
<b>Total equity and liabilities</b>		<b>14,361,561</b>	<b>14,240,968</b>

The accompanying notes on pages 9 and 10 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
<b>Balance at January 1, 2010</b>	-	-	-	-
Net income	-	-	-	-
<b>Total income for period</b>	-	-	-	-
Transactions with owners directly recognized in equity	-	-	-	-
<b>Balance at June 30, 2010</b>	-	-	-	-
<b>Balance at January 1, 2011</b>	-	-	-	-
Net income	-	-	-	-
<b>Total income for period</b>	-	-	-	-
Transactions with owners directly recognized in equity	-	-	-	-
<b>Balance at June 30, 2011</b>	-	-	-	-

The accompanying notes on pages 9 and 10 are an integral part of these unaudited interim financial statements.

## Unaudited Statements of Cash Flows

	Six months ended June 30, 2011	Six months ended June 30, 2010
Net income	-	-
Decrease in receivables from DNA	150,157	7,371,097
Net decrease in payables to related parties	(5,867)	(1,258)
<b>Cash provided by operating activities</b>	<b>144,290</b>	<b>7,369,839</b>
Repayments of notes and bonds payable	(2,954,409)	(7,369,839)
Issuances of notes and bonds payable	1,893,789	-
Issuances of commercial paper	916,330	-
<b>Cash used in financing activities</b>	<b>(144,290)</b>	<b>(7,369,839)</b>
<b>Net increase (decrease) in cash</b>	-	-
<b>Cash at the beginning of the period</b>	-	-
<b>Cash at the end of the period</b>	-	-

The accompanying notes on pages 9 and 10 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, 2010 audited IFRS financial statements and notes which were submitted to the Luxembourg Stock Exchange on April 1, 2011. 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, 2010.

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, 2011 and December 31, 2010, DFNA had receivables from DNA of \$14,114,562 and \$13,903,262, respectively.

The following table sets forth amounts payable to related parties:

	<b>June 30, 2011</b>	<b>December 31, 2010</b>
DAG	5,047	11,190
Daimler North America Finance Corporation	445	169
	<b>5,492</b>	<b>11,359</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 \$5,304 and \$7,320 for the six months ended June 30, 2011 and June 30, 2010, respectively.

The Company is charged for administrative overhead expense by DNA. These expenses were \$550 and \$426 for the six months ended June 30, 2011 and June 30, 2010, 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.

The authority and responsibility for planning, directing and controlling the activities of DFNA resides within DAG’s Corporate Treasury department rather than with the directors of the entity. Accordingly, the company does not have key management personnel as defined in IAS 24, “Related Party Transactions.” Certain directors of the Company participate in the Daimler AG employee share-based compensation plans.

**Daimler Finance North America LLC – Interim report as of and for the six months ended June 30, 2011**  
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**3. Notes and bonds payable**

During the first six months of 2011, \$2,954,409 of notes and bonds payable matured.

Terms and conditions of new notes payable issued during the first six months are as follows:

	<b>Currency</b>	<b>Nominal interest rate</b>	<b>Year of maturity</b>	<b>Face value</b>	<b>Carrying amount</b>
US-Dollar Medium Term Notes					
Medium Term Note	USD	Libor + .61%	2014	750,000	748,312
Medium Term Note	USD	3.000%	2016	700,000	696,879
Medium Term Note	USD	1.950%	2014	450,000	448,831
<b>Total</b>				<b>1,900,000</b>	<b>1,894,022</b>

**4. Commercial paper**

On February 11, 2011, DFNA together with DAG entered into a \$3,000,000 private placement of commercial paper with Deutsche Bank Securities Inc. As of June 30, 2011, \$916,330 commercial paper were outstanding with interest rates ranging from 0.34% to 0.58% and maturity dates ranging from July 1, 2011 to September 28, 2011.