

# **Daimler Canada Finance Inc.**

**Interim Report as of and for the six months ended June 30, 2012**

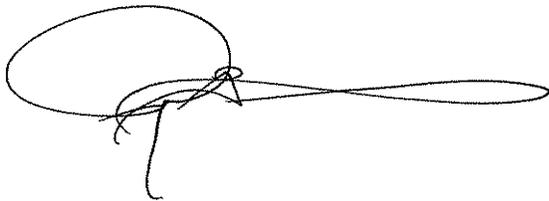
# Table of Contents

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 .....	11
3. Equity .....	12
4. Payables to related parties .....	12
5. Notes and bonds payable .....	12
6. Commercial Paper .....	13

# 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 Canada Finance Inc. 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 16, 2012

A handwritten signature in black ink, consisting of a large, stylized loop at the top left, followed by a horizontal line that tapers to the right, and a vertical line extending downwards from the center of the horizontal line.

Ruben Simmons  
*President & CEO*

A handwritten signature in black ink, starting with the name 'Birger' in a cursive script, followed by a stylized 'O' and a long horizontal line extending to the right.

Birger Ostermann  
*Chief Accounting Officer*

# Interim Management Report

## General

Daimler Canada Finance Inc. (“DCFI” or the “Company”) is a wholly-owned subsidiary of Daimler North America Corporation (“DNA”), which in turn is 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 has issued full and unconditional guarantees for DCFI’s obligations incurred under its outstanding notes and bonds and commercial paper 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 DAG 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, 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 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, 2012 and June 30, 2011, which were prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”.

## Earnings

### *Interest income*

Interest Income was \$51,398 for the six months ended June 30, 2012 a 20% decrease compared to \$64,486 for the six months ended June 30, 2011 due to a decline in interest rates on loans and receivables from related parties.

**Daimler Canada Finance Inc. – Interim report as of and for the six months ended June 30, 2012**  
(all amounts in thousands of Canadian dollars)

*Interest expense*

Interest expense from third parties increased to \$37,245 for the six months ended June 30, 2012 from \$9,148 for the six months ended June 30, 2011 due to a higher average notes and bonds portfolio, while interest expense from related parties decreased from \$90,374 to \$2,678. This decrease was mainly caused by a premium paid for an early termination of related party debt in June 2011.

*Administrative and other expense*

Administrative and other expense decreased from \$1,378 for the six months ended June 30, 2011 to \$1,084 for the six months ended June 30, 2012.

*Other financial income, net*

Other financial expense, net was \$95 for the six months ended June 30, 2012, compared to other financial income, net of \$1,077 for the six months ended June 30, 2011 due to increased losses on foreign exchange transactions.

*Income tax benefit (expense)*

The Company recorded income tax expense of \$2,769 for the six months ended June 30, 2012 and an income tax benefit of \$9,427 for the six months ended June 30, 2011. This change was primarily driven by an increase of net interest income in the 2012 reporting period.

*Net income (loss)*

Net Income was \$7,526 for the six months ended June 30, 2012, compared to a net loss of \$25,910 for the six months ended June 30, 2011 predominantly as a result of increased net interest income.

**Financial position**

Total assets were \$3,589,092 at June 30, 2012 compared to \$3,335,028 at December 31, 2011, an increase of 8%. Total liabilities also increased, from \$2,809,050 at December 31, 2011 to \$3,305,931 at June 30, 2012 primarily a result of higher external debt. Total equity decreased from \$525,978 at December 31, 2011 to \$283,161 at June 30, 2012 mainly reflecting a capital reduction of \$250,000.

**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 2012 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, 2012 and June 30, 2011:

	<b>Six months ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
Net cash used in/from operating activities	(143,448)	547,841
Net cash from/used in financing activities	210,446	(539,254)

Operating net cash outflows were \$143,448 for the six months ended June 30, 2012 compared to net cash inflows of \$547,841 for the six months ended June 30, 2011 mainly due to an increase in operating

**Daimler Canada Finance Inc. – Interim report as of and for the six months ended June 30, 2012**  
(all amounts in thousands of Canadian dollars)

receivables and payables from related parties. Cash inflows from financing activities were \$210,446 for the six months ended June 30, 2012 compared to cash outflows of \$539,254 for the same period of 2011.

**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 2011, which was submitted to the Luxembourg Stock Exchange on April 2, 2012.

**Outlook**

Management expects a positive result of operations for the remaining months of 2012. This expectation is based on the assumption of a stable economic development.

## Statement of Comprehensive Income (Unaudited)

	Note	Six months ended June 30,	
		2012	2011
<b>Interest income</b>			
Interest income – related parties		49,907	63,557
Interest income – third parties		1,491	929
<b>Total interest income</b>		<b>51,398</b>	<b>64,486</b>
<b>Interest expense</b>			
Interest expense – third parties		(37,245)	(9,148)
Interest expense – related parties		(2,679)	(90,374)
<b>Total interest expense</b>		<b>(39,924)</b>	<b>(99,522)</b>
<b>Net interest income (expense)</b>		<b>11,474</b>	<b>(35,036)</b>
Administrative and other expense	4	(1,084)	(1,378)
Other financial income (expense), net		(95)	1,077
<b>Income (loss) before income taxes</b>		<b>10,295</b>	<b>(35,337)</b>
Income tax benefit (expense)		(2,769)	9,427
<b>Net income (loss)</b>		<b>7,526</b>	<b>(25,910)</b>
Unrealized gains (losses) from cash flow hedges, net of taxes of (\$126) in 2012 and \$626 in 2011		(343)	1,527
<b>Total comprehensive income (loss)</b>		<b>7,183</b>	<b>(24,383)</b>

The accompanying notes on pages 11 to 13 are an integral part of these interim financial statements.

## Statement of Financial Position (Unaudited)

		June 30,	December 31,
	Note	2012	2011
<b>Assets</b>			
Loans and receivables from related parties	2	1,340,000	1,295,000
Other financial assets		11,262	16,222
Deferred tax assets		10,212	12,855
<b>Total non-current assets</b>		<b>1,361,474</b>	<b>1,324,077</b>
Loans and receivables from related parties	2	2,040,882	1,899,884
Cash and cash equivalents		169,338	102,340
Other financial assets		17,398	8,727
<b>Total current assets</b>		<b>2,227,618</b>	<b>2,010,951</b>
<b>Total assets</b>		<b>3,589,092</b>	<b>3,335,028</b>
<b>Equity and liabilities</b>			
Share capital		-	-
Capital reserves		326,377	576,377
Retained deficit		(43,162)	(50,688)
Cash flow hedges		(54)	289
<b>Total equity</b>	3	<b>283,161</b>	<b>525,978</b>
Notes and bonds payable	5	1,899,363	1,575,319
Other financial liabilities		4,114	3,153
<b>Total non-current liabilities</b>		<b>1,903,477</b>	<b>1,578,472</b>
Provisions and other liabilities		437	2,343
Payables to related parties	4	342,646	406,533
Notes and bonds payable	5	358,286	315,868
Commercial paper	6	665,680	483,160
Other financial liabilities		35,405	22,674
<b>Total current liabilities</b>		<b>1,402,454</b>	<b>1,230,578</b>
<b>Total liabilities</b>		<b>3,305,931</b>	<b>2,809,050</b>
<b>Total equity and liabilities</b>		<b>3,589,092</b>	<b>3,335,028</b>

The accompanying notes on pages 11 to 13 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
<b>Balance at January 1, 2011</b>	-	<b>76,377</b>	<b>(20,063)</b>	<b>(2,234)</b>	<b>54,080</b>
Net loss	-	-	(25,910)	-	(25,910)
Income recognized directly in equity	-	-	-	2,153	2,153
Deferred taxes on income recognized directly in equity	-	-	-	(626)	(626)
<b>Total comprehensive income (loss)</b>	-	-	<b>(25,910)</b>	<b>1,527</b>	<b>(24,383)</b>
Contributions by owners of the Company	-	500,000	-	-	500,000
<b>Balance at June 30, 2011</b>	-	<b>576,377</b>	<b>(45,973)</b>	<b>(707)</b>	<b>529,697</b>
<b>Balance at January 1, 2012</b>	-	<b>576,377</b>	<b>(50,688)</b>	<b>289</b>	<b>525,978</b>
Net Income	-	-	7,526	-	7,526
Loss recognized directly in equity	-	-	-	(469)	(469)
Deferred taxes on loss recognized directly in equity	-	-	-	126	126
<b>Total comprehensive income (loss)</b>	-	-	<b>7,526</b>	<b>(343)</b>	<b>7,183</b>
Reductions by owners of the Company	-	(250,000)	-	-	(250,000)
<b>Balance at June 30, 2012</b>	-	<b>326,377</b>	<b>(43,162)</b>	<b>(54)</b>	<b>283,161</b>

The accompanying notes on pages 11 to 13 are an integral part of these interim financial statements.

## Statement of Cash Flows (Unaudited)

	Note	Six months ended June 30,	
		2012	2011
Net income (loss)		7,526	(25,910)
Change in deferred taxes		2,769	(9,426)
Change in derivative financial instruments		(2,394)	8,672
Net change in operating receivables and payables from related parties	2, 4	(149,885)	554,414
Changes in other receivables, accruals and other liabilities		(1,464)	20,091
<b>Net cash used in/from operating activities</b>		<b>(143,448)</b>	<b>547,841</b>
<b>Net cash from investing activities</b>		<b>-</b>	<b>-</b>
Issuances of notes and bonds payable	5	377,926	748,320
Change in commercial paper	6	182,520	-
Decrease in financing payables to related parties	4	(100,000)	(1,787,574)
Capital contribution (reduction)	3	(250,000)	500,000
<b>Net cash from/used in financing activities</b>		<b>210,446</b>	<b>(539,254)</b>
<b>Net increase in cash and cash equivalents</b>		<b>66,998</b>	<b>8,587</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>102,340</b>	<b>90,780</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>169,338</b>	<b>99,367</b>

The accompanying notes on pages 11 and 13 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 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.

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, 2011 audited IFRS financial statements and notes which were submitted to the Luxembourg Stock Exchange on April 2, 2012. 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, 2011.

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.

### 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, 2012	December 31, 2011
Mercedes-Benz Financial Services Canada Corporation	3,257,947	3,015,424
Mercedes-Benz Canada Inc.	100,397	167,798
car2go Canada Ltd.	8,757	3,503
Detroit Diesel Corporation	6,469	5,313
Thomas Built Buses, Inc.	3,524	2,783
Daimler Trucks North America LLC	3,358	-
Detroit Diesel Canada Ltd.	229	-
car2go N.A. LLC	113	-
Daimler North America Finance Inc.	58	-
MBarc Credit Canada Inc.	29	59
Daimler International Assignment Services USA, LLC	1	4
<b>Total</b>	<b>3,380,882</b>	<b>3,194,884</b>

**Daimler Canada Finance Inc. – Interim report as of and for the six months ended June 30, 2012**  
(all amounts in thousands of Canadian dollars)

**3. Equity**

On May 3, 2012 the parent company DNA decided to reduce the capital of DCFI by \$250,000.

**4. Payables to related parties**

The following table sets forth amounts payable to related parties:

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
DNA	101,163	203,436
Daimler Trucks Canada Ltd.	92,225	14,793
Mercedes-Benz Canada Inc.	52,740	-
Thomas Built Buses of Canada Ltd.	39,928	25,072
Freightliner Ltd.	33,932	125,685
Daimler Buses North America Ltd.	13,856	11,428
SelecTrucks of Toronto Inc.	7,470	7,399
DAG	1,087	1,263
Mercedes-Benz Financial Services Canada Corporation	228	228
SelecTrucks of America LLC	17	18
Daimler Trucks North America LLC	-	17,126
Detroit Diesel of Canada, Ltd.	-	85
<b>Total</b>	<b>342,646</b>	<b>406,533</b>

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 \$968 and \$310 for the six months ended June 30, 2012 and June 30, 2011, respectively, and are included in "Interest expense – related parties."

The Company is charged for administrative overhead expense by DNA. These expenses were \$968 and \$900 for the six months ended June 30, 2012 and June 30, 2011, respectively, and are included in "Administrative and other expense."

**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 2012, no notes or bonds matured.

**Daimler Canada Finance Inc. – Interim report as of and for the six months ended June 30, 2012**  
(all amounts in thousands of Canadian dollars)

Terms and conditions of new notes payable issued during the first six months of 2012 are as follows:

	<b>Currency</b>	<b>Nominal interest rate</b>	<b>Year of maturity</b>	<b>Face value</b>	<b>Carrying amount</b>
Canadian Dollar Medium Term Note	CAD	2.500%	2014	125,000	124,517
Medium Term Note	AUD	5.500%	2015	104,310	104,939
Medium Term Note	SEK	3.125%	2015	146,700	145,503
<b>Total</b>				<b>376,010</b>	<b>374,959</b>

**6. Commercial Paper**

In July 2011, DCFI entered into a \$2,500,000 private placement of commercial paper. As of June 30, 2012, outstanding commercial papers were \$665,680 with interest rates ranging from 1.23% to 1.68% and maturity dates ranging from July 3, 2012 to December 13, 2012. DCFI's obligations under the commercial paper program are fully and unconditionally guaranteed by its ultimate parent company, DAG.