Daimler Finance North America LLC

Annual Report 2011

Table of Contents

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of Daimler Finance North America LLC 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, March 22, 2012

Ruben Simmons	Birger Ostermann
President & CEO	*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 U.S. 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 program and commercial paper program. 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.

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 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 the United States;
- 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 the United States, 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 DFNA's financial statements as of and for the years ended December 31, 2011 and 2010, which were prepared using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Note 3 to the financial statements provides an overview of the Company's significant accounting policies.

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 decreased by 28% from $976,728 in 2010 to $704,217 in 2011, due to decreased average intercompany loans with DNA and lower interest rates in 2011 compared to 2010.

Interest Expense

Interest expense decreased by 28% from $976,728 in 2010 to $704,217 in 2011, due to decreased average notes and bonds and lower interest rates in 2011 compared to 2010.

Guarantee Fees

Guarantee fees charged by DAG were $10,698 in 2011, compared to $13,139 in 2010, as the Company had fewer external borrowings on average in 2011 than in 2010.

Other financial income (expense), net

Other financial income (expense), net was zero for both 2011 and 2010, as foreign exchange gains and losses resulting from the valuation of the notes and bonds payable were offset by corresponding gains and losses on the receivables from DNA, which mirror the development of the notes and bonds payable.

Administrative Expenses

Administrative expenses were $627 and $432 for 2011 and 2010, respectively.

Reimbursement of Expenses from DNA

DFNA and DNA are parties to an agreement where DNA reimburses DFNA for any and all expenses incurred in connection with the administration of DFNA's notes and bonds program and commercial paper program. The reimbursement of expenses from DNA amounted to $11,325 in 2011 and $13,571 in 2010.

Net Income

Net income was zero in both 2011 and 2010.

Financial Position

Total assets were $14,047,024 at December 31, 2011 compared to $14,240,968 at December 31, 2010, a decrease of $193,944 or 1%. The decrease was due to repayments of loans from DNA partially offset by new additions of loans from DNA.

Total liabilities also decreased, from $14,240,968 at December 31, 2010 to $14,047,024 at December 31, 2011, reflecting the repayments of notes and bonds partially offset by new additions of notes and bonds and commercial paper.

Liquidity and Capital Resources

In the ordinary course of business, the Company issues notes and bonds and commercial paper in the US and foreign capital markets and lends the proceeds to DNA. In 2011, $6,134,055 new notes and bonds and commercial paper were issued, while there were no new issuances in 2010. The Company had neither cash nor cash equivalents as of December 31, 2011 and 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 below.

Economic Risks

A worsening sovereign-debt crisis in the euro zone, the resulting turmoil in the financial markets and the banking sector, a slow down in growth in the US, high price volatility in raw-material markets, further increases in inflation rates and nascent protectionism could have significant adverse effects on the Daimler business in the US and, as a result, on the future financial position of the Company. If the unusually high unemployment situation in the US does not improve or worsens, private consumption will significantly decrease . The lack of agreement within the US Congress concerning the required budget cuts could lead to an automatic brake being applied to debt as of 2012. The effects of these factors on economic growth are difficult to estimate.

Industry Risks

Overcapacity and intense price competition in the automotive industry could force the Daimler companies in the US, which are financed by DFNA, to decrease production, reduce capacity or increase sales incentives, each of which would be costly and would indirectly affect the financial position of the Company significantly.

In addition, the financial services that Daimler offers in connection with the sale of vehicles involve several risks. These include the potential inability to recover the investments in leased vehicles or to collect the sales financing receivables if the resale prices of the vehicles securing these receivables fall short of the carrying value, which may lead to additional funding requirements through DFNA.

Financial Risks

Changes in interest rates may have substantial adverse effects on the Company's cash flows. Adverse effects may also arise from downgrades of the long-term debt ratings of the Company's ultimate parent company, DAG, and the ability of the Company to issue debt in the US and European markets. Lower demand for the Company's debt instruments could increase the borrowing costs or otherwise limit DFNA's ability to fund the Daimler operations in the US.

Note 6 to the Company's financial statements describes the risk management strategies employed by the Company to address such risks.

If any of these risks and uncertainties materialize, or if the assumptions underlying any of our forward-looking statements prove incorrect, then our actual results may be materially different from those we express or imply by such statements. We do not intend or assume any obligation to update these forward-looking statements. Any forward looking statement speaks only as of the date on which it is made.

Corporate Governance

Corporate bodies

As of December 31, 2011, the Company had ten officers and a board of directors which comprised three members. With this segregation, the officers are responsible for managing the day to day operations of the Company while the board of directors advises and monitors the officers.

Compliance

As part of the Daimler organization, the Company has applied all compliance principles the Daimler AG Board of Management has set including an Integrity Code. This Integrity Code is a set of guidelines for behavior defining a binding framework for the actions of all employees worldwide. Among other things, the guidelines define correct behavior in international business and in any cases of conflicts of interest, questions of equal treatment, proscription of corruption, the role of internal control systems and the duty to comply with applicable law as well as other internal and external regulations.

Risk management and internal control

The risk management system is one component of the overall planning, controlling and reporting process. Its goal is to enable the Company's management to recognize significant risks at an early stage and to initiate appropriate countermeasures in a timely manner (see note 6).

The officers of the Company are responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards (IFRS) and includes those policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Accounting principles

The financial statements of the Company are prepared in accordance with IFRS.

Outlook

We expect net income and equity to be zero in 2012. This expectation is based on the assumption of a stable economic development and continuation of the Company's business model.

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
Daimler Finance North America LLC:

We have audited the accompanying statements of financial position of Daimler Finance North America LLC (the "Company") as of December 31, 2011 and 2010 and the related statements of comprehensive income, changes in equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daimler Finance North America LLC as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG LLP

March 22, 2012

(all amounts in thousands of U.S. dollars)

Statements of Comprehensive Income

		Year ended December 31,	
	Note	**2011**	**2010**
Interest income – DNA	3	704,217	976,728
Interest expense – third parties	3	(704,217)	(976,728)
Guarantee fees – DAG	4	(10,698)	(13,139)
Net interest expense		**(10,698)**	**(13,139)**
Other financial income (expense), net	3	-	-
Administrative expenses	4	(627)	(432)
Reimbursement of expenses from DNA	4	11,325	13,571
Net income		**-**	**-**
Total comprehensive income		**-**	**-**

The accompanying notes on pages 13 to 20 are an integral part of the financial statements.

(all amounts in thousands of U.S. dollars)

Statements of Financial Position

		December 31,	
	Note	**2011**	**2010**
Assets			
Receivables from related parties	4	10,315,402	7,745,095
Total non-current assets		**10,315,402**	**7,745,095**
Receivables from related parties	4	3,491,926	6,158,167
Accrued interest income from DNA	5	239,696	337,706
Total current assets		**3,731,622**	**6,495,873**
Total assets		**14,047,024**	**14,240,968**
Equity and liabilities		-	-
Total equity		-	-
Notes and bonds payable	5	10,315,402	7,745,095
Total non-current liabilities		**10,315,402**	**7,745,095**
Payables to related parties	4	7,080	11,359
Notes and bonds payable	5	2,468,864	6,146,808
Commercial paper	5	1,015,982	-
Accrued interest expense	5	239,696	337,706
Total current liabilities		**3,731,622**	**6,495,873**
Total liabilities		**14,047,024**	**14,240,968**
Total equity and liabilities		**14,047,024**	**14,240,968**

The accompanying notes on pages 13 to 20 are an integral part of the financial statements.

Statements of Changes in Equity

	Member's Investment	Retained Earnings	Other Reserves	Total Equity
Balance at January 1, 2010	-	-	-	-
Net income	-	-	-	-
Total comprehensive income	-	-	-	-
Transactions with owners directly recognized in equity	-	-	-	-
Balance at December 31, 2010	-	-	-	-
Net income	-	-	-	-
Total comprehensive income	-	-	-	-
Transactions with owners directly recognized in equity	-	-	-	-
Balance at December 31, 2011	-	-	-	-

The accompanying notes on pages 13 to 20 are an integral part of the financial statements.

(all amounts in thousands of U.S. dollars)

Statements of Cash Flows

		Year ended December 31,	
	Note	**2011**	**2010**
Net income		-	-
Net decrease in receivables from related parties	4	9,460	7,607,547
Net decrease in payables to related parties	4	(4,279)	(932)
Cash provided by operating activities		**5,181**	**7,606,615**
Cash provided by investing activities		-	-
Repayments of notes and bonds payable	5	(6,139,236)	(7,606,615)
Issuances of notes and bonds payable	5	5,118,073	-
Issuances of commercial paper	5	1,015,982	-
Cash used in financing activities		**(5,181)**	**(7,606,615)**
Net increase (decrease) in cash and cash equivalents		**-**	**-**
Cash and cash equivalents at the beginning of the period		**-**	**-**
Cash and cash equivalents at the end of the period		**-**	**-**
Supplemental information[1]:			
Interest paid		(802,227)	(1,144,563)
Interest received		802,227	1,144,563

1 All cash flows from interest are included in cash provided by operating activities. The Company does not have any cash flows from income taxes.

The accompanying notes on pages 13 to 20 are an integral part of the financial statements.

Notes to the financial statements

1. Reporting entity

Daimler Finance North America LLC ("DFNA" or the "Company") 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.

DFNA accesses US and foreign capital markets to raise funds, which it lends to DNA through a consolidated funding and cash management system.

In the event of non-payment by DFNA, DAG irrevocably and unconditionally guarantees the debt holders the payment of the amounts corresponding to the principal of, and interest on the respective notes and bonds and commercial paper as they become due. DFNA and DNA entered into intercompany loan agreements which are intended to mirror DFNA's external borrowings such that interest expense with third parties is offset by corresponding interest income from DNA.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

On March 22, 2012, the Board of Directors of DFNA authorized the financial statements for issue.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in U.S. dollars ("$"), which is the Company's functional currency. The Company reports financial information in thousands of U.S. dollars, except where indicated otherwise.

(d) Presentation in the statement of financial position

Presentation in the statement of financial position differentiates between current and non-current assets and liabilities. Assets and liabilities are classified as current if they mature within one year.

(e) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Management's critical estimates relate to the fair values of the Company's notes and bonds payable and receivables from DNA. Refer to Note 5 for additional information.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and are applied prospectively.

(f) IFRSs issued but not yet adopted

In November 2009, the IASB published IFRS 9 "Financial Instruments" as part of its project of a revision of the accounting guidance for financial instruments. Requirements for financial liabilities were added to IFRS 9 in October 2010. The requirements for financial liabilities were carried forward unchanged from IAS 39, with the exception of certain changes to the fair value option for financial liabilities that address the consideration of own credit risk. The new standard provides guidance on the accounting of financial assets and financial liabilities as far as classification and measurement are concerned. The standard will be effective for annual periods beginning on or after January 1, 2015. Earlier application is permitted. DFNA will not early adopt IFRS 9 "Financial Instruments" for 2012. DFNA will determine the expected effects on the financial statements as the adoption date nears.

In May 2011, the IASB published IFRS 13 Fair Value Measurement. The new standard replaces the fair value measurement rules contained in individual IFRSs and combines them in one standard for a single source of fair value measurement guidance. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

Other IFRSs issued but not required to be adopted are not expected to have a significant influence on the Company's financial position, financial performance or statements of cash flows.

3. Summary of significant accounting policies

(a) Interest income and expense

Interest income and expense are recognized in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument except future credit losses.

(b) Foreign currency translation

Transactions in foreign currencies are translated into U.S. dollars at the spot exchange rate prevailing at the date of the transaction. Monetary liabilities denominated in foreign currencies at the reporting date are retranslated into U.S. dollars at the spot exchange rate at that date. Since the Company's receivables from DNA are intended to mirror its external borrowings, any resulting gains or losses on the notes and bonds payable are offset by the corresponding gains and losses on the receivables. The gains and losses from such remeasurement are recognized in the statement of comprehensive income in the line "other financial income (expense), net" and offset to zero.

(c) Income taxes

The Company is a single member limited liability company. As such, the Company is not a taxable entity for federal and state income tax purposes. Rather, taxable income or loss is included in its member's federal and state income tax returns and any resulting income taxes are paid by the member.

(d) Transactions with related parties

DFNA is wholly owned by DNA and indirectly by DAG. Transactions with related parties in the normal course of business are recorded at the agreed upon exchange amount. Financial receivables and payables with related parties are entered into at prevailing market terms at the time of the transaction.

(e) Financial assets

Financial assets consist primarily of receivables from DNA, which arise from intercompany loans. These receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, they are subsequently carried at amortized cost using the effective interest method less any impairment losses, if necessary. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

(all amounts in thousands of U.S. dollars)

(f) Financial liabilities

Financial liabilities include notes and bonds payable, commercial paper and accrued interest expense.

New notes and bonds and commercial paper issuances are recognized at fair value based on quoted prices on the day of issuance. After initial recognition, they are subsequently measured at amortized cost using the effective interest method.

4. Transactions with related parties

The following table sets forth amounts receivable from related parties:

	December 31,	
	2011	**2010**
DNA	13,805,297	13,903,262
Daimler North America Finance Corporation	2,031	-
Total	**13,807,328**	**13,903,262**

The receivables bear interest at largely fixed rates ranging from 0.40% to 8.5%, with a weighted average interest rate of 4.4%. Interest income is recorded using the effective interest method. The Company recorded interest income from DNA of $704,217 in 2011 and $976,827 in 2010. As of December 31, 2011, aggregate annual maturities of receivables from related parties were as follows:

2012	3,491,926
2013	4,312,940
2014	1,993,969
> 2014	4,008,493
Total	**13,807,328**

The following table sets forth amounts payable to related parties:

	December 31,	
	2011	**2010**
DAG	7,080	11,190
Daimler North America Finance Corporation	-	169
Total	**7,080**	**11,359**

DFNA is charged fees for the full and unconditional guarantees on its outstanding notes and bonds and commercial paper programs by DAG. These fees are calculated as a set percentage of the outstanding notes and bonds and commercial paper for any given year. These guarantee fees were $10,698 and $13,139 for the years ended December 31, 2011 and 2010, respectively.

The Company is charged for administrative overhead expenses by DNA. These expenses were $627 and $432 for the years ended December 31, 2011 and 2010, respectively, and are included in administrative expenses in the statements of comprehensive income.

DFNA and DNA are also parties to agreements pursuant to which DNA reimburses DFNA for any and all expenses incurred in connection with the administration of DFNA's notes and bonds and commercial paper programs. These reimbursements are recognized in income.

There are no related party transactions with key management personnel as defined in IAS 24.

(all amounts in thousands of U.S. dollars)

5. 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 by IAS 39 "Financial Instruments: Recognition and Measurement" measurement category. 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.

	December 31, 2011		December 31, 2010	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Loans and receivables				
Receivables from related parties	13,807,328	14,834,183	13,903,262	15,160,878
Accrued interest income from DNA	239,696	239,696	337,706	337,706
Total loans and receivables	14,047,024	15,073,879	14,240,968	15,498,584
Total financial assets	**14,047,024**	**15,073,879**	**14,240,968**	**15,498,584**
Financial liabilities at amortized cost				
Notes and bonds payable	12,784,266	13,811,121	13,891,903	15,149,519
Commercial paper	1,015,982	1,015,982		
Payables to related parties	7,080	7,080	11,359	11,359
Accrued interest expense	239,696	239,696	337,706	337,706
Total financial liabilities at amortized cost	14,047,024	15,073,879	14,240,968	15,498,584
Total financial liabilities	**14,047,024**	**15,073,879**	**14,240,968**	**15,498,584**

The fair values of financial instruments were calculated on the basis of market information available at the balance sheet date using the methods and assumptions presented below. Due to the short nature of accrued interest income and interest expense and payables to related parties, management assumes that their fair values are equal to the carrying amounts.

Receivables from related parties

DFNA intends to hold receivables from DNA to maturity. None of these receivables have been derecognized or are impaired, and the Company does not believe that these receivables are at risk of being impaired. The Company believes that the fair value of the receivables from DNA approximates the fair value of the external notes and bonds payable and commercial paper at December 31, 2011 and 2010, as the terms and interest rates of the receivables from DNA are intended to mirror DFNA's external borrowings such that interest expense and debt maturities with third parties are offset by corresponding interest income and loan maturities from DNA.

Notes and bonds payable

The fair values of notes and bonds are calculated as the present values of the estimated future cash flows, using a discounted cash flow analysis based on market interest rates for similar types of instruments issued by other Daimler entities, which approximate quoted market prices. If the counterparty can request payment at different dates, the discounted cash flows are measured on the basis of the earliest date on which DFNA can be required to pay.

(all amounts in thousands of U.S. dollars)

Commercial paper

Because of the short maturities of these financial instruments, the carrying amount approximates the fair value.

(b) Notes and bonds payable

DFNA's obligations under the notes and bonds program are fully and unconditionally guaranteed by its ultimate parent company, DAG. Contemporaneously, DFNA and DNA entered into an agreement according to which DNA reimburses DFNA for any and all fees incurred by DFNA in the course of the administration of the program.

Terms and conditions of notes and bonds payable outstanding at December 31, 2011, are as follows:

	Currency	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**
Australian dollar - Euro Medium Term Note	AUD	7.000%	2013	101,700	100,860
Euro Medium Term Notes					
Euro Medium Term Note	EUR	5.000%	2012	970,425	969,335
Euro Medium Term Note	EUR	4.375%	2013	1,617,375	1,615,377
Total Euro Medium Term Notes				**2,587,800**	**2,584,712**
US-Dollar Medium Term Notes					
Medium Term Note	USD	7.300%	2012	1,500,000	1,499,529
Medium Term Note	USD	Libor+1.2%	2013	600,000	599,233
Medium Term Note	USD	6.500%	2013	2,000000	1,997,470
Medium Term Note	USD	1.950%	2014	450,000	449,013
Medium Term Note	USD	Libor+0.61%	2014	750,000	748,741
Medium Term Note	USD	1.875%	2014	800,000	796,215
Medium Term Note	USD	3.000%	2016	700,000	697,127
Medium Term Note	USD	2.625%	2016	1,100,000	1,090,020
Medium Term Note	USD	3.875%	2021	750,000	739,893
Medium Term Note	USD	8.500%	2031	1,500,000	1,481,453
Total US Dollar Medium Term Notes				**10,150,000**	**10,098,694**
Total				**12,839,500**	**12,784,266**

(c) Commercial paper

In February 2011, DFNA entered into a $3,000,000 private placement of commercial paper. As of December 31, 2011, $1,015,982 commercial paper were outstanding with interest rates ranging from 0.40% to 1.13% and maturity dates ranging from January 3, 2012 to December 17, 2012. DFNA's obligations under the commercial paper program are fully and unconditionally guaranteed by its ultimate parent company, DAG.

6. Risk management

(a) Introduction

The global nature of the Daimler businesses in the US exposes DFNA indirectly to the risks listed below:

- credit risk
- liquidity risk
- market risks

However, the resulting effects of these risks on the Company's financial position, cash flows and profitability are all offset by the existing reimbursement agreements between DFNA and DNA as well as the unconditional guarantee issued by DAG for DFNA's outstanding notes and bonds and commercial paper. As a result, the Company is exposed to DNA's, and indirectly to its ultimate parent DAG's, intent and ability to effect the repayment of these receivables and honor the unconditional guarantee.

This note presents information about the Company's exposure to each of the above risks, and the objectives, policies and processes for measuring and managing risk. As part of its policies and processes for managing and measuring, if necessary, these risks, the Company monitors DAG's liquidity position. DAG's financial statements are publicly available.

Debt ratings are an assessment by the rating agencies of the credit risk associated with DAG and are based on information provided by DAG or other sources. Lower ratings generally result in higher borrowing costs and reduced access to capital markets. Standard & Poor's Rating Services ("S&P"), Moody's Investors Service, Inc. ("Moody's"), Fitch Ratings Ltd. ("Fitch") and DBRS rate DAG's commercial paper (short-term) and senior unsecured long-term debt (long-term). DAG's ratings as of December 31, 2011 were as follows:

	S&P	**Moody's**	**Fitch**	**DBRS**
Short-term debt	A-2	P-2	F2	R-1(low)
Long-term debt	BBB+	A3	A-	A (low)

(b) Risk management framework

DFNA applies the guidelines established by its ultimate parent company, DAG, and when necessary, establishes its own guidelines unique to the transactions of the Company. The guidelines are established for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to operating financial activities, settlement, accounting and controlling of financial instruments. The guidelines upon which the Company's risk management processes are based are designed to identify and analyze these risks, to set appropriate risk limits and controls and to monitor the risks by means of reliable and up-to-date administrative and information systems. The guidelines and systems are regularly reviewed and adjusted to changes in markets and businesses.

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty of a financial instrument fails to meet its contractual obligations. It encompasses both the direct risk of default and the risk of a deterioration of creditworthiness as well as concentration risks.

The Company's assets consist primarily of receivables from DNA. As a result, the Company is exposed to DNA's, and indirectly to its ultimate parent DAG's, intent and ability to effect the repayment of these receivables. The maximum exposure to credit risk at the reporting date from receivables is equal to the carrying amount, which is equal to the total assets of the Company. As part of its policies and processes for managing and measuring, if necessary, the Company's exposure to credit risk, the Company monitors DAG's liquidity position.

(all amounts in thousands of U.S. dollars)

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities.

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full when due. DFNA's source of liquidity is its external borrowings. The funds are primarily used to finance working capital and capital expenditure requirements as well as the cash needs of the lease and financing business of the DNA subsidiaries.

Depending on its cash needs and market conditions, DFNA issues bonds and notes and commercial paper in various currencies. Adverse changes in the capital markets could increase DFNA's funding costs and limit the Company's financial flexibility.

In October 2010, the Company, together with DAG and other DAG subsidiaries, entered into a Euro 7 billion 5 year credit facility with a syndicate of international banks. This facility provides funds for general corporate purposes. Prior approval from DAG is required before the Company can access this credit line. At the end of 2011 and through the issuance date of these financial statements, this facility was not utilized by the Company.

The liquidity runoff shown in the following table provides an insight into how the liquidity situation of the Company is affected by the cash flows of financial liabilities as of December 31, 2011. It comprises a runoff of the undiscounted principal and interest cash outflows of the financing liabilities and undiscounted payments from the other financial liabilities.

	Total	**2012**	**2013**	**2014**	**2015**	**2016**	**>2016**
Notes and bonds – principal	12,839,500	2,470,425	4,319,075	2,000,000	-	1,800,000	2,250,000
Notes and bonds – interest	3,646,554	569,129	452,361	228,627	206,437	195,937	1,994,063
Commercial paper	1,016,380	1,016,380					
Payables to related parties	7,080	7,080					
Total	**17,509,514**	**4,063,014**	**4,771,436**	**2,228,627**	**206,437**	**1,995,937**	**4,244,063**

If the counterparty can request payment at different dates, the liability is included on the basis of the earliest date on which DFNA can be required to pay.

(e) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The global nature of the Daimler businesses in the US exposes DFNA indirectly to market risks resulting from foreign currency exchange rates and changes in interest rates. However, the resulting effects of these market risks on the Company's financial position, cash flows and profitability are all offset by the existing reimbursement agreements between DFNA and DNA. DFNA maintains risk management control systems independent of Corporate Treasury.

7. Capital management

DFNA is subject to the capital management at the DAG parent level. DAG uses "net assets" as its basis for capital management. Net assets are managed on a divisional level at DAG rather than at a regional or company level. Accordingly, the net assets of the Company are not subject to review for capital management, but rather are reviewed as part of the net assets of the DAG divisions to which Company net assets are allocated.

The Company is part of the worldwide financial management that is performed for all Daimler Group entities by DAG's Corporate Treasury. Financial management operates within a framework of guidelines, limits and benchmarks; for DFNA, these are described in more detail in note 6.