

# **Daimler Finance North America LLC**

**Interim Report as of and for the six months ended June 30, 2013**

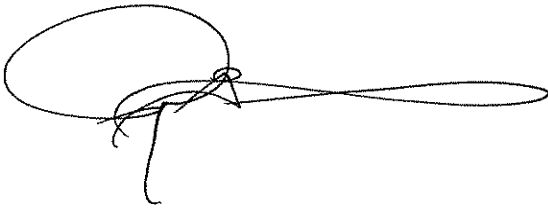
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# Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim financial statements 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), August 16, 2013

A handwritten signature in black ink, featuring a large, stylized loop at the beginning and a long, horizontal stroke extending to the right.

Ruben Simmons  
*President & CEO*

A handwritten signature in black ink, with the name 'Birger Ostermann' written in a cursive style, followed by a long, horizontal stroke.

Birger Ostermann  
*Chief Accounting Officer*

# Interim 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 has issued full and unconditional guarantees for DFNA’s obligations incurred under its outstanding notes and 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 document contains forward-looking statements that reflect our current views about future events. The words such as “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” “may,” “can,” “could,” “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 refinancing 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 Company’s financial statements as of and for the six months ended June 30, 2013 and June 30, 2012, which were prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”.

## Earnings

### *Interest Income*

Interest income was \$294,195 for the six months ended June 30, 2013 compared to \$289,823 for the six months ended June 30, 2012.

### *Interest Expense*

Interest expense was \$294,195 for the six months ended June 30, 2013, compared to \$289,823 for the six months ended June 30, 2012.

### *Guarantee Fees*

Guarantee fees charged by DAG were \$12,134 for the six months ended June 30, 2013, compared to \$5,685 for the six months ended June 30, 2012. This increase is caused by DAG raising the rate it charges for guaranteeing DFNA’s outstanding debt.

**Daimler Finance North America LLC – Interim report as of and for the six months ended June 30, 2013**  
(all amounts in thousands of U.S. dollars)

*Administrative Expenses*

Administrative expenses were \$1,534 for the six months ended June 30, 2013 as compared to \$766 for the six months ended June 30, 2012.

*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 bonds program and commercial paper program.

*Net income*

Net income was zero for both the six months ended June 30, 2013 and the six months ended June 30, 2012.

**Financial Position**

Total assets were \$18,895,091 at June 30, 2013 compared to \$17,949,186 at December 31, 2012, an increase of \$945,905 or 5% because the issuances of loans exceeded the repayments of loans in 2013.

Total liabilities also increased to \$18,895,091 at June 30, 2013 from \$17,949,186 at December 31, 2012, reflecting the issuances of notes and bonds exceeded the repayments of notes and bonds in 2013.

**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. Notes with a total face value of \$3,000,000 were issued during the first six months of 2013. Commercial papers of \$1,393,767 were outstanding as of June 30, 2013. The Company had neither cash nor cash equivalents as of June 30, 2013 and December 31, 2012.

**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 2012, which was submitted to the Luxembourg Stock Exchange on April 15, 2013.

**Outlook**

We expect net income and equity to be zero in 2013. This expectation is based on the assumption of a stable economic development and continuation of the Company's business model.

## Statement of Comprehensive Income (Unaudited)

|                                     | Note | Six months ended<br>June 30, |                |
|-------------------------------------|------|------------------------------|----------------|
|                                     |      | 2013                         | 2012           |
| Interest income - DNA               |      | 294,195                      | 289,823        |
| Interest expense – external parties |      | (294,195)                    | (289,823)      |
| Guarantee fees - DAG                | 2    | (12,134)                     | (5,685)        |
| <b>Net interest expense</b>         |      | <b>(12,134)</b>              | <b>(5,685)</b> |
| Other financial income, net         |      | -                            | -              |
| Administrative expenses             | 2    | (1,534)                      | (766)          |
| Reimbursement of expenses from DNA  | 2    | 13,668                       | 6,451          |
| <b>Net income</b>                   |      | <b>-</b>                     | <b>-</b>       |
| <b>Total comprehensive income</b>   |      | <b>-</b>                     | <b>-</b>       |

The accompanying notes on pages 10 to 13 are an integral part of these unaudited interim financial statements.

## Statement of Financial Position (Unaudited)

|                                      |      | June 30,          | December 31,      |
|--------------------------------------|------|-------------------|-------------------|
|                                      | Note | 2013              | 2012              |
| <b>Assets</b>                        |      |                   |                   |
| Receivables from related parties     | 2    | 12,436,485        | 11,238,967        |
| <b>Total non-current assets</b>      |      | <b>12,436,485</b> | <b>11,238,967</b> |
| Receivables from related parties     | 2    | 6,295,935         | 6,510,818         |
| Accrued interest income from DNA     |      | 162,671           | 199,401           |
| <b>Total current assets</b>          |      | <b>6,458,606</b>  | <b>6,710,219</b>  |
| <b>Total assets</b>                  |      | <b>18,895,091</b> | <b>17,949,186</b> |
|                                      |      |                   |                   |
| <b>Equity and liabilities</b>        |      |                   |                   |
| <b>Total equity</b>                  |      | -                 | -                 |
| Notes and bonds payable              | 3    | 12,436,485        | 11,238,967        |
| <b>Total non-current liabilities</b> |      | <b>12,436,485</b> | <b>11,238,967</b> |
| Payables to related parties          | 3    | 11,894            | 11,961            |
| Notes and bonds payable              | 3    | 4,890,274         | 4,749,830         |
| Commercial paper                     | 3    | 1,393,767         | 1,749,027         |
| Accrued interest expense             |      | 162,671           | 199,401           |
| <b>Total current liabilities</b>     |      | <b>6,458,606</b>  | <b>6,710,219</b>  |
| <b>Total liabilities</b>             |      | <b>18,895,091</b> | <b>17,949,186</b> |
| <b>Total equity and liabilities</b>  |      | <b>18,895,091</b> | <b>17,949,186</b> |

The accompanying notes on pages 10 to 13 are an integral part of these unaudited interim financial statements.

## Statement of Changes in Equity (Unaudited)

|   | <b>Member's<br/>Investment</b> | <b>Retained<br/>Earnings</b> | <b>Other<br/>Reserves</b> | <b>Total<br/>Equity</b> |
|---|--------------------------------|------------------------------|---------------------------|-------------------------|
| <b>Balance at January 1, 2012</b>                         | -                              | -                            | -                         | -                       |
| Net income  | -                              | -                            | -                         | -                       |
| <b>Total comprehensive income</b>                         | -                              | -                            | -                         | -                       |
| Transactions with owners directly<br>recognized in equity | -                              | -                            | -                         | -                       |
| <b>Balance at June 30, 2012</b>                           | -                              | -                            | -                         | -                       |
| <b>Balance at January 1, 2013</b>                         | -                              | -                            | -                         | -                       |
| Net income  | -                              | -                            | -                         | -                       |
| <b>Total comprehensive income</b>                         | -                              | -                            | -                         | -                       |
| Transactions with owners directly<br>recognized in equity | -                              | -                            | -                         | -                       |
| <b>Balance at June 30, 2013</b>                           | -                              | -                            | -                         | -                       |

The accompanying notes on pages 10 to 13 are an integral part of these unaudited interim financial statements.



## Statement of Cash Flows (Unaudited)

|   | Note | Six months ended<br>June 30, |                    |
|---|------|------------------------------|--------------------|
|   |      | 2013                         | 2012               |
| Net income  |      | -                            | -                  |
| Net increase in receivables from related parties                | 2    | (1,011,399)                  | (1,807,344)        |
| Net decrease in payables to related parties                     | 2    | (66)                         | (1,834)            |
| <b>Net cash used in operating activities</b>                    |      | <b>(1,011,465)</b>           | <b>(1,809,178)</b> |
| <b>Net cash from investing activities</b>                       |      | -                            | -                  |
| Repayments of notes and bonds payable                           | 3    | (1,613,750)                  | (2,449,425)        |
| Issuances of notes and bonds payable                            | 3    | 2,987,668                    | 3,390,384          |
| Repayments of commercial paper                                  | 3    | (892,850)                    | (1,013,380)        |
| Issuances of commercial paper                                   | 3    | 530,397                      | 1,881,599          |
| <b>Net cash from financing activities</b>                       |      | <b>1,011,465</b>             | <b>1,809,178</b>   |
| <b>Net increase/decrease in cash and cash equivalents</b>       |      | -                            | -                  |
| <b>Cash and cash equivalents at the beginning of the period</b> |      | -                            | -                  |
| <b>Cash and cash equivalents at the end of the period</b>       |      | -                            | -                  |

The accompanying notes on pages 10 to 13 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”.

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.

These interim financial statements are presented in U.S. dollars (“\$”), which is the Company’s functional currency. Unless otherwise stated all amounts are presented in thousands of U.S. 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 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, 2012 audited IFRS financial statements and notes which were submitted to the Luxembourg Stock Exchange on April 15, 2013. 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, 2012.

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 can differ from those estimates. Changes in estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

In May 2011, IASB published IFRS 13 “Fair Value Measurement”, which combines the regulations for fair value measurement that were previously contained in the individual IFRS into a single standard and replaces them with a uniform IFRS framework for measuring fair value. IFRS 13 must be applied prospectively for financial years which begin on or after January 1, 2013. The initial application of the standard does not lead to significant changes in the measurement of assets and liabilities. Changes are required in the notes, according to which the disclosures on the fair values of financial instruments, which previously had to be made only in the year-end financial statements, now also have to be made in the interim reports. Further information is provided in note 3.

**2. Transactions with related parties**

The following table sets forth amounts receivable from related parties:

|              | <b>June 30, 2013</b> | <b>December 31, 2012</b> |
|--------------|----------------------|--------------------------|
| DNA          | 18,732,391           | 17,749,770               |
| DAG          | 29                   | 15                       |
| <b>Total</b> | <b>18,732,420</b>    | <b>17,749,785</b>        |

The following table sets forth amounts payable to related parties:

|   | <b>June 30, 2013</b> | <b>December 31, 2012</b> |
|---|----------------------|--------------------------|
| DAG                                       | 11,485               | 7,210                    |
| Daimler North America Finance Corporation | 409                  | 4,751                    |
| <b>Total</b>                              | <b>11,894</b>        | <b>11,961</b>            |

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 \$12,134 and \$5,685 for the six months ended June 30, 2013 and June 30, 2012, respectively.

The Company is charged for administrative overhead expense by DNA. These expenses were \$1,534 and \$766 for the six months ended June 30, 2013 and June 30, 2012, respectively.

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.

### 3. 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.

|   | June 30, 2013     |                   | December 31, 2012 |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | Carrying amount   | Fair value        | Carrying amount   | Fair value        |
| Loans and receivables                         |                   |                   |                   |                   |
| Receivables from related parties              | 18,732,420        | 19,567,588        | 17,749,785        | 18,904,886        |
| Accrued interest income from DNA              | 162,671           | 162,671           | 199,401           | 199,401           |
| Total loans and receivables                   | 18,895,091        | 19,730,259        | 17,949,186        | 19,104,287        |
| <b>Total financial assets</b>                 | <b>18,895,091</b> | <b>19,730,259</b> | <b>17,949,186</b> | <b>19,104,287</b> |
| Financial liabilities at amortized cost       |                   |                   |                   |                   |
| Notes and bonds payable                       | 17,326,759        | 18,161,927        | 15,988,797        | 17,143,898        |
| Commercial paper                              | 1,393,767         | 1,393,767         | 1,749,027         | 1,749,027         |
| Payables to related parties                   | 11,894            | 11,894            | 11,961            | 11,961            |
| Accrued interest expense                      | 162,671           | 162,671           | 199,401           | 199,401           |
| Total financial liabilities at amortized cost | 18,895,091        | 19,730,259        | 17,949,186        | 19,104,287        |
| <b>Total financial liabilities</b>            | <b>18,895,091</b> | <b>19,730,259</b> | <b>17,949,186</b> | <b>19,104,287</b> |

The fair values of financial instruments were calculated on the basis of market information available at the reporting date. Due to the short nature of accrued interest income and interest expense, commercial paper and payables to related parties, management assumes that their fair values are equal to the carrying amounts.

**(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. Simultaneously, 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.

During the first six months of 2013, \$1,613,750 of notes and bonds payable matured.

Terms and conditions of new notes payable issued during the first six months of 2013 are as follows:

|                                    | <b>Currency</b> | <b>Nominal interest rate</b> | <b>Year of maturity</b> | <b>Face value</b> | <b>Carrying amount</b> |
|------------------------------------|-----------------|------------------------------|-------------------------|-------------------|------------------------|
| <b>US-Dollar Medium Term Notes</b> |                 |                              |                         |                   |                        |
| Medium Term Note                   | USD             | Libor+0.60%                  | 2015                    | 750,000           | 748,875                |
| Medium Term Note                   | USD             | 1.250%                       | 2016                    | 1,250,000         | 1,245,963              |
| Medium Term Note                   | USD             | 1.875%                       | 2018                    | 1,000,000         | 992,830                |
| <b>Total</b>                       |                 |                              |                         | <b>3,000,000</b>  | <b>2,987,668</b>       |

**(c) Commercial paper**

In February 2011, DFNA entered into a \$3,000,000 private placement of commercial paper. As of June 30, 2013, \$1,393,767 commercial papers were outstanding with interest rates ranging from 0.29% to 1.16% and maturity dates ranging from July 22, 2013 to March 17, 2014. DFNA's obligations under the commercial paper program are fully and unconditionally guaranteed by its ultimate parent company, DAG.