

Daimler Finance North America LLC

Interim Report as of and for the six months ended June 30, 2018

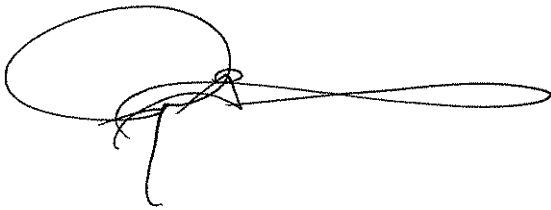
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Responsibility Statement

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.

Farmington Hills, MI (USA), August 22, 2018

A handwritten signature in black ink, appearing to be 'Ruben Simmons', with a large, stylized loop at the beginning.

Ruben Simmons

President & CEO

A handwritten signature in black ink, appearing to be 'Gianni P. Gatto', written in a cursive style.

Gianni P. Gatto

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 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,” “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 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 six months ended June 30, 2018 and June 30, 2017, 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 \$416,822 for the six months ended June 30, 2018 compared \$368,063 for the six months ended June 30, 2017.

Interest Expense

Interest expense was \$416,822 the six months ended June 30, 2018, compared to \$368,063 the six months ended June 30, 2017.

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

Guarantee Fees

Guarantee fees charged by DAG were \$18,048 for the six months ended June 30, 2018, compared to \$17,627 for the six months ended June 30, 2017.

Administrative Expenses

Administrative expenses were \$2,468 for the six months ended June 30, 2018 as compared to \$1,686 for the six months ended June 30, 2017.

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. The reimbursement of net expenses from DNA amounted to \$20,514 in the first six months of 2018 and \$19,312 for six months ended in June 2017.

Net income

Net income was zero for both the six months ended June 30, 2018 and the six months ended June 30, 2017.

Financial Position

Total assets were \$31,421,495 at June 30, 2018 compared to \$27,943,104 at December 31, 2017. The increase of \$3,478,391 or 12% reflects that issuances exceeded repayments of loans in the first six months of 2018.

Total liabilities also increased to \$31,421,495 at June 30, 2018 from \$27,943,104 at December 31, 2017, reflecting that issuances exceeded repayments of notes and bonds in the first six months of 2018.

Liquidity and Capital Resources

In the ordinary course of business, the Company issues notes and bonds and commercial paper in the US and lends the proceeds to DNA. Notes with a total face value of \$7,000,000 were issued during the first six months of 2018, while there was \$5,000,000 issued during the first six months of 2017. No commercial papers were outstanding as of June 30, 2018. The Company had neither cash nor cash equivalents as of June 30, 2018 and December 31, 2017.

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 2017, which was submitted to the Luxembourg Stock Exchange on April 28, 2018.

Outlook

We expect net income and equity to be zero in 2018. 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 June 30,	
		2018	2017
Interest income - DNA		416,822	368,063
Interest expense - external parties		(416,822)	(368,063)
Guarantee fees - DAG	2	(18,048)	(17,627)
Net interest expense		(18,048)	(17,627)
Other financial income, net	3	2	1
Administrative expenses	2	(2,468)	(1,686)
Reimbursement of expenses from DNA	2	20,514	19,312
Net income		-	-
Total comprehensive income		-	-

The accompanying notes on pages 10 to 14 are an integral part of these unaudited interim financial statements.

Statement of Financial Position (Unaudited)

		June 30,	December 31,
	Note	2018	2017
Assets			
Receivables from related parties	2	28,115,057	21,129,542
Total non-current assets		28,115,057	21,129,542
Receivables from related parties	2	3,019,968	6,567,518
Accrued interest income from DNA		286,470	246,044
Total current assets		3,306,438	6,813,562
Total assets		31,421,495	27,943,104
Equity and liabilities			
Total equity		-	-
Notes and bonds payable	4	28,115,057	21,129,542
Total non-current liabilities		28,115,057	21,129,542
Payables to related parties	2	20,381	20,247
Other Provisions		-	252
Notes and bonds payable	4	2,999,587	6,547,019
Accrued interest expense		286,470	246,044
Total current liabilities		3,306,438	6,813,562
Total liabilities		31,421,495	27,943,104
Total equity and liabilities		31,421,495	27,943,104

The accompanying notes on pages 10 to 14 are an integral part of these unaudited interim financial statements.

Statement of Changes in Equity (Unaudited)

	Member's Investment	Retained Earnings	Other Reserves	Total Equity
Balance at January 1, 2017	-	-	-	-
Net income	-	-	-	-
Total comprehensive income	-	-	-	-
Transactions with owners directly recognized in equity	-	-	-	-
Balance at June 30, 2017	-	-	-	-
Balance at January 1, 2018	-	-	-	-
Net income	-	-	-	-
Total comprehensive income	-	-	-	-
Transactions with owners directly recognized in equity	-	-	-	-
Balance at June 30, 2018	-	-	-	-

The accompanying notes on pages 10 to 14 are an integral part of these unaudited interim financial statements.

Statement of Cash Flows (Unaudited)

	Note	Six months ended June 30,	
		2018	2017
Net income		-	-
Adjustments for			
FX (gains)/losses	3	(2)	(1)
Non-cash interest expense		14,141	8,825
Changes in			
Receivables from related parties	2	(3,437,963)	(2,002,124)
Payables to related parties	2	134	2,071
Other provisions		(252)	(120)
Net cash used in operating activities		(3,423,942)	(1,991,349)
Net cash from investing activities		-	-
Repayments of notes and bonds payable	4	(3,550,000)	(3,000,000)
Issuances of notes and bonds payable	4	6,973,942	4,991,349
Repayments of commercial paper	5	-	-
Issuances of commercial paper	5	-	-
Net cash from financing activities		3,423,942	1,991,349
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		-	-

The accompanying notes on pages 10 to 14 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, 2017 audited IFRS financial statements and notes which were submitted to the Luxembourg Stock Exchange on April 28, 2018. 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, 2017.

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.

2. Transactions with related parties

The following table sets forth amounts receivable from related parties:

	June 30, 2018	December 31, 2017
Daimler North America Corporation	31,133,285	27,694,269
Daimler North America Corporation (Accrued Interest)	286,470	246,044
Daimler North America Finance Corporation (DNAF)	1,740	2,791
Total	31,421,495	27,943,104

The following table sets forth amounts payable to related parties:

	June 30, 2018	December 31, 2017
Daimler AG	20,381	20,247
Total	20,381	20,247

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 \$18,048 and \$17,627 for the six months ended June 30, 2018 and June 30, 2017, respectively.

The Company is charged for administrative overhead expense by DNA. These expenses were \$2,468 and \$1,686 for the six months ended June 30, 2018 and June 30, 2017, 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. Other financial income (expense), net

Other financial income (expense), net is comprised of the following:

	Six months ended June 30,	
	2018	2017
Result of foreign exchange transactions - gains (losses)	2	1
Total	2	1

4. 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 2018, \$3,550,000 of notes and bonds payable matured.

Terms and conditions of new notes payable issued during the first six months of 2018 are as follows:

	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
US-Dollar Medium Term Notes					
Medium Term Note	USD	3.000%	2021	550,000	548,291
Medium Term Note	USD	Libor+0.45%	2021	400,000	399,293
Medium Term Note	USD	3.350%	2023	675,000	672,192
Medium Term Note	USD	3.750%	2028	625,000	623,158
Medium Term Note	USD	Libor+0.45%	2021	750,000	748,675
Medium Term Note	USD	Libor+0.39%	2020	500,000	499,308
Medium Term Note	USD	3.100%	2020	500,000	498,956
Medium Term Note	USD	Libor+0.55%	2021	700,000	698,673
Medium Term Note	USD	3.350%	2021	1,000,000	996,965
Medium Term Note	USD	Libor+0.84%	2023	400,000	399,031
Medium Term Note	USD	3.700%	2023	600,000	597,413
Medium Term Note	USD	3.750%	2028	300,000	293,171
Total				7,000,000	6,975,126

5. Commercial paper

In February 2011, DFNA entered into a \$3,000,000 private placement of commercial paper. As of June 30, 2018, no commercial papers were outstanding. DFNA's obligations under the commercial paper program are fully and unconditionally guaranteed by its ultimate parent company, DAG.

6. Financial instruments

Carrying amounts and fair values of financial instruments

The following table shows the carrying amounts and fair values of the Company's financial instruments. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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. The fair values of financial instruments were calculated on the basis of market information available on the balance sheet date.

	June 30, 2018		December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables				
Receivables from related parties	31,135,025	31,418,209	27,697,060	28,540,770
Accrued interest income from DNA	286,470	286,470	246,044	246,044
Total loans and receivables	31,421,495	31,704,679	27,943,104	28,786,814
Total financial assets	31,421,495	31,704,679	27,943,104	28,786,814
Financial liabilities at amortized cost				
Notes and bonds payable	31,114,644	31,397,708	27,676,561	28,520,403
Payables to related parties	20,381	20,381	20,247	20,247
Accrued interest expense	286,470	286,470	246,044	246,044
Total financial liabilities at amortized cost	31,421,495	31,704,559	27,942,852	28,786,694
Total financial liabilities	31,421,495	31,704,559	27,942,852	28,786,694

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Financial assets and liabilities not measured at fair value are classified into the following fair value hierarchy:

	June 30, 2018				December 31, 2017			
	Total	Level 1 ¹	Level 2 ²	Level 3 ³	Total	Level 1 ¹	Level 2 ²	Level 3 ³
Loans and receivables	31,704,679	-	31,704,679	-	28,786,814	-	28,786,814	-
Financial liabilities measured at amortized cost	31,704,559	29,780,820	1,923,739	-	28,786,694	27,033,844	1,752,850	-
thereof notes and bonds	31,397,708	29,780,820	1,616,888	-	28,520,403	27,033,844	1,486,559	-
thereof other financing liabilities	306,851	-	306,851	-	266,291	-	266,291	-

¹ Fair value measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

² Fair value measurement based on inputs for the asset or liability that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

³ Fair value measurement based on inputs for the asset or liability that are not observable market data.

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, and payables to related parties, management assumes that their fair values are equal to the carrying amounts.