

# **Daimler Finance North America LLC**

**Interim Report as of and for the six months ended June 30, 2019**

# 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 Unaudited Interim Financial Statements .....	11
1. Presentation of the Interim Financial Statements .....	11
2. Transactions with related parties .....	12
3. Other financial income (expense), net .....	12
4. Notes and bonds payable .....	13
5. Commercial paper .....	13
6. Financial instruments.....	13

# Responsibility Statement

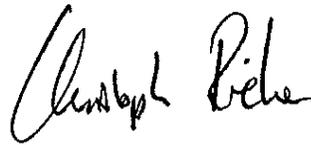
To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of Daimler Finance North America LLC provide a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the Company's management report provides 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 28, 2019



Rodrigo Garnica

*President & CEO*



Christoph Rieker

*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 a wholly-owned subsidiary of Daimler International Nederland B.V. (“DIN”), which is in turn a wholly-owned subsidiary of Daimler AG (“DAG”).

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.

The nature of the Daimler operations in the US includes the distribution of passenger cars purchased from DAG under the brand names Mercedes-Benz and smart, and the sale of trucks and other commercial vehicles under the brand names Freightliner and Thomas Built Buses. 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. The words “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, 2019 and June 30, 2018, which were prepared using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 \$518,636 for the six months ended June 30, 2019 compared to \$416,822 for the six months ended June 30, 2018.

### *Interest Expense*

Interest expense was \$518,636 the six months ended June 30, 2019, compared to \$416,822 the six months ended June 30, 2018.

### *Guarantee Fees*

Guarantee fees charged by DAG were \$20,213 for the six months ended June 30, 2019, compared to \$18,048 for the six months ended June 30, 2018.

### *Administrative Expenses*

Administrative expenses were \$1,991 for the six months ended June 30, 2019 as compared to \$2,468 for the six months ended June 30, 2018.

### *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 net expenses from DNA amounted to \$22,202 in the first six months of 2019 and \$20,514 for six months ended in June 2018.

### *Net income*

Net income was \$0 for both the six months ended June 30, 2019 and the six months ended June 30, 2018.

## **Financial Position**

Total assets were \$34,197,046 at June 30, 2019 compared to \$30,668,381 at December 31, 2018, an increase of \$3,528,665 or 11%, primarily due to issuances of loans to related parties exceeding the repayments of loans to related parties in the first six months of 2019.

Total liabilities were \$34,197,046 at June 30, 2019 compared to \$30,668,381 at December 31, 2018, an increase of \$3,528,665 or 11%, primarily reflecting the issuances of notes and bonds and commercial paper exceeding the repayments of notes and bonds and commercial paper in the first six months of 2019.

## **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 and bonds and commercial paper with a total face value of \$3,987,402 were issued during the first six months of 2019, while there were \$6,973,942 issued during the first six months of 2018. The Company had neither cash nor cash equivalents as of June 30, 2019 and December 31, 2018.

## **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 2018, which was submitted to the Luxembourg Stock Exchange on April 26, 2019.

**Outlook**

Management expects net income and equity to be zero in 2019. 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,	
		2019	2018
Interest income – related parties		518,636	416,822
Interest expense – third parties		(518,636)	(416,822)
Guarantee fees – DAG	2	(20,213)	(18,048)
<b>Net interest expense</b>		<b>(20,213)</b>	<b>(18,048)</b>
Other financial income, net	3	2	2
Administrative expenses	2	(1,991)	(2,468)
Reimbursement of expenses from DNA	2	22,202	20,514
<b>Net income</b>		<b>-</b>	<b>-</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>

The accompanying notes on pages 11 to 15 are an integral part of these unaudited interim financial statements.

## Statement of Financial Position (Unaudited)

		June 30,	December 31,
	Note	2019	2018
<b>Assets</b>			
Receivables from related parties	2	21,680,712	25,374,064
<b>Total non-current assets</b>		<b>21,680,712</b>	<b>25,374,064</b>
Receivables from related parties	2	12,210,176	5,018,618
Accrued interest income from DNA		306,158	275,699
<b>Total current assets</b>		<b>12,516,334</b>	<b>5,294,317</b>
<b>Total assets</b>		<b>34,197,046</b>	<b>30,668,381</b>
<b>Equity and liabilities</b>			
<b>Total equity</b>		-	-
Notes and bonds payable	4	21,680,712	25,374,064
<b>Total non-current liabilities</b>		<b>21,680,712</b>	<b>25,374,064</b>
Payables to related parties	2	20,821	23,498
Other provisions		-	-
Notes and bonds payable	4	11,194,373	4,496,601
Commercial paper	5	994,982	498,519
Accrued interest expense		306,158	275,699
<b>Total current liabilities</b>		<b>12,516,334</b>	<b>5,294,317</b>
<b>Total liabilities</b>		<b>34,197,046</b>	<b>30,668,381</b>
<b>Total equity and liabilities</b>		<b>34,197,046</b>	<b>30,668,381</b>

The accompanying notes on pages 11 to 15 are an integral part of these unaudited interim financial statements.

## Statement of Changes in Equity (Unaudited)

	<b>Member's Investment</b>	<b>Retained Earnings</b>	<b>Other Reserves</b>	<b>Total Equity</b>
<b>Balance at January 1, 2018</b>	-	-	-	-
Net income	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-
Transactions with members directly recognized in equity	-	-	-	-
<b>Balance at June 30, 2018</b>	-	-	-	-
<b>Balance at January 1, 2019</b>	-	-	-	-
Net income	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-
Transactions with members directly recognized in equity	-	-	-	-
<b>Balance at June 30, 2019</b>	-	-	-	-

The accompanying notes on pages 11 to 15 are an integral part of these unaudited interim financial statements.

## Statement of Cash Flows (Unaudited)

	Note	Six months ended June 30,	
		2019	2018
Net income		-	-
Adjustments for			
FX (gains)/losses	3	(2)	(2)
Non-cash interest expense		11,437	14,141
Changes in			
Receivables from related parties	2	(3,495,983)	(3,437,963)
Payables to related parties	2	(4,898)	134
Other provisions		-	(252)
<b>Net cash provided by/(used for) operating activities</b>		<b>(3,489,446)</b>	<b>(3,423,942)</b>
<b>Net cash provided by/(used for) by investing activities</b>		<b>-</b>	<b>-</b>
Issuances of notes and bonds payable	4	2,988,755	6,973,942
Issuances of commercial paper	5	998,647	-
Repayments of notes and bonds payable	4	-	(3,550,000)
Repayments of commercial paper	5	(497,956)	-
<b>Net cash provided by/(used for) financing activities</b>		<b>3,489,446</b>	<b>3,423,942</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>-</b>	<b>-</b>

The accompanying notes on pages 11 to 15 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 a wholly-owned subsidiary of Daimler International Nederland B.V. (“DIN”), 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, 2018 audited IFRS financial statements and notes which were submitted to the Luxembourg Stock Exchange on April 26, 2019. 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, 2018.

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:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Daimler North America Corporation	33,890,888	30,388,468
Daimler North America Corporation - accrued interest	306,158	275,699
Daimler North America Finance Corporation (DNAF)	-	4,214
<b>Total</b>	<b>34,197,046</b>	<b>30,668,381</b>

The following table sets forth amounts payable to related parties:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Daimler AG	18,600	23,498
Daimler North America Finance Corporation (DNAF)	2,221	-
<b>Total</b>	<b>20,821</b>	<b>23,498</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 at the end of each month for any given year. These guarantee fees were \$20,213 and \$18,048 for the six months ended June 30, 2019 and June 30, 2018, respectively.

DFNA is charged for administrative overhead expenses by DNA. These expenses were \$1,597 and \$1,860 for the six months ended June 30, 2019 and June 30, 2018, respectively, and are included in administrative expenses in the statement 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.

**3. Other financial income (expense), net**

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

	<b>Six months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
Result of foreign exchange transactions - gains (losses)	2	2
<b>Total</b>	<b>2</b>	<b>2</b>

#### 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. 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.

During the first six months of 2019, \$0 of notes and bonds payable matured.

Terms and conditions of new notes and bonds payable issued during the first six months of 2019 are as follows:

<b>US-Dollar Notes and Bonds</b>	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
Medium Term Note	USD	3.400%	2022	1,200,000	1,196,238
Medium Term Note	USD	Libor+0.88%	2022	700,000	698,764
Medium Term Note	USD	3.650%	2024	600,000	597,231
Medium Term Note	USD	4.300%	2029	500,000	497,349
<b>Total</b>				<b>3,000,000</b>	<b>2,989,582</b>

#### 5. Commercial paper

In February 2011, DFNA entered into a \$3,000,000 private placement of commercial paper. The commercial paper balance was \$994,982 at June 30, 2019 compared to \$0 at June 30, 2018. Fixed interest rates ranged from 2.35% to 2.48% and maturity dates ranged from July 8, 2019 to March 9, 2020. 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.

**Daimler Finance North America LLC – Interim report as of and for the six months ended June 30, 2019**  
(all amounts in thousands of U.S. dollars)

	June 30, 2019		December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortized cost				
Receivables from related parties	33,890,888	34,535,161	30,392,682	30,494,522
Accrued interest income from DNA	306,158	306,158	275,699	275,699
Total financial assets at amortized cost	34,197,046	34,841,319	30,668,381	30,770,221
<b>Total financial assets</b>	<b>34,197,046</b>	<b>34,841,319</b>	<b>30,668,381</b>	<b>30,770,221</b>
Financial liabilities at amortized cost				
Notes and bonds payable	32,875,085	33,519,358	29,870,665	29,972,505
Commercial paper	994,982	994,982	498,519	498,519
Payables to related parties	20,821	20,821	23,498	23,498
Accrued interest expense	306,158	306,158	275,699	275,699
Total financial liabilities carried at amortized cost	34,197,046	34,841,319	30,668,381	30,770,221
<b>Total financial liabilities</b>	<b>34,194,046</b>	<b>34,841,319</b>	<b>30,668,381</b>	<b>30,770,221</b>

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

	June 30, 2019				December 31, 2018			
	Total	Level 1 <sup>1</sup>	Level 2 <sup>2</sup>	Level 3 <sup>3</sup>	Total	Level 1 <sup>1</sup>	Level 2 <sup>2</sup>	Level 3 <sup>3</sup>
Financial assets at amortized cost	<b>34,841,319</b>	-	34,841,319	-	<b>30,770,221</b>	-	30,770,221	-
Financial liabilities carried at amortized cost	<b>34,841,319</b>	29,685,459	5,155,860	-	<b>30,770,221</b>	28,059,728	2,710,493	-
thereof notes and bonds	<b>33,519,358</b>	29,685,459	3,833,899	-	<b>29,972,505</b>	28,059,728	1,912,777	-
thereof other financial liabilities	<b>1,321,961</b>	-	1,321,961	-	<b>797,716</b>	-	797,716	-

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

<sup>2</sup> 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).

<sup>3</sup> 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 using the methods and assumptions presented below. Due to the short nature of accrued interest income, accrued interest expense, and payables to related parties, management assumes that their fair values are equal to the carrying amounts.