

DAIMLER

Daimler International Finance B.V.

Interim Report

2010

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Supervisory Board

- U. Tüchter Chairman
- Dr. B. Niess
- P. Zirwes
- K. Schäfer

Board of Management

- P. Derks
- H. Wendroth
- Mr. M. van Pelt

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Report of the Board of Management

General

Daimler International Finance B.V. (or "the Company") finances part of the activities of the Daimler Group. As at 31 December 2009 the authorized capital of the Company was EUR 2,500,000 divided into 5,000 ordinary shares of EUR 500 nominal value, of which 1,000 shares have been issued and fully paid. Each share carries one vote at general meetings of shareholders.

The Euro Medium Term Note Program (EMTN) issues of Daimler International Finance B.V. are irrevocably guaranteed by Daimler AG. These bonds have long-term ratings of A3 (negative outlook) from Moody's Investors Service, BBB+ (stable) from Standard & Poor's Ratings Group and BBB+ (positive) from Fitch Ratings respectively. These ratings rely on the performance of the Daimler Group.

The bonds issued by Daimler International Finance B.V. are listed on the Luxembourg Stock Exchange.

As in previous years, the company's liquid funds have been made available to companies within the Daimler Group by way of intercompany loans.

Development 1 st half of 2010

During the first months the creditworthiness of some European governments negatively affected the Euro and caused higher risk aversion on investor side. In the meantime, the European Monetary Union has agreed on a new stability pact that was well received by the financial markets.

End of January, two bonds were issued by Daimler International Finance B.V., i.e. JPY 3 billion and USD 150 million both maturing January 2012. Resulting proceeds are fully hedged and allocated to group companies. Mid of June, an EMTN of EUR 600 million matured and was repaid.

Since end of 2009 the financial fixed assets of the Company decreased by EUR 817 million to a level of EUR 9.812 billion as per June 30, 2010.

The financial result after taxation amounts to EUR -2.482 million. The included interest result developed in line with the balance sheet development during the course of the year. Accounting market valuations resulting from hedging items and hedged items caused a negative impact on the P&L account. However, these valuation impacts will be reversed until the respective maturity dates.

Outlook

The Board of Management expects stable contributions from its inter-company lending in line with planning. We expect that the valuation arising from hedging transactions can strongly influence the result at year end 2010.

Events after the closing date

Since the reporting date of June 30, 2010, there have been no further occurrences that are of major significance for the Company.

Utrecht, August 26, 2010

Daimler International Finance B.V.
The Board of Management

Mr. M. van Pelt

P. Derks

H. Wendroth

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the **Interim Report 2010** gives a true and fair view of the assets, liabilities, financial position and profit or loss of Daimler International Finance B.V.. The interim management report includes a fair review of the development and performance of the business and the position of Daimler International Finance B.V., together with a description of the principal opportunities and risks associated with the expected development of Daimler International Finance B.V. for the remaining months of the year.

Utrecht, August 26, 2010

Daimler International Finance B.V.
The Board of Management

Mr M. van Pelt

P. Derks

H. Wendroth

Daimler International Finance B.V.
Balance sheet as at June 30, 2010
(before profit appropriation x EUR1,000)
-unaudited-

	<u>Note</u>	<u>30-06-2010</u>	<u>31-12-2009</u>
<u>ASSETS</u>			
<u>FIXED ASSETS</u>			
◇ Financial fixed assets			
Affiliated companies	1	9,710,195	10,495,591
Other financial assets	2	102,077	134,226
		9,812,272	10,629,817
<u>CURRENT ASSETS</u>			
◇ Receivables:			
Affiliated companies	3	300,095	509,692
Defered tax assets	4	102	-
Tax receivables	5	243	388
		300,440	510,080
◇ Cash at bank and in hand	6	4,793	32,222
		10,117,505	11,172,119

Daimler International Finance B.V.
Balance sheet as at June 30, 2010
(before profit appropriation x EUR1,000)
-unaudited-

	Note	30-06-2010	31-12-2009
<u>LIABILITIES</u>			
◇ Shareholders' equity	7		
Issued capital		500	500
Other reserves		21,266	20,676
Profit		(2,482)	1,876
		19,284	23,052
◇ Provisions	8	44	44
◇ Deferred tax liabilities	4	0	1,368
◇ Long-term liabilities			
EMTN issues	9	6,448,472	8,446,619
Affiliated companies	9	69,589	434,393
Other financial liabilities	2	159,158	37,618
		6,677,219	8,918,630
◇ Short-term liabilities			
EMTN issues	9	2,147,015	597,989
Loans from affiliated companies	9	960,210	1,110,073
Other liabilities affiliated companies		46,147	65,717
Taxation and social security premiums	10	15	36
Other liabilities and accruals	11	267,571	455,210
		3,420,958	2,229,025
		10,117,505	11,172,119

Daimler International Finance B.V.
Profit and loss account for the half-year ended June 30, 2010
(x EUR1,000)
-unaudited-

	<u>Note</u>	<u>30-06-2010</u>	<u>30-06-2009</u>
◇ Interest income		447,260	442,415
◇ Interest expenses			
Interest expense excl. valuation impact of derivatives		(442,393)	(434,043)
Valuation impact of derivatives	12	<u>(3,980)</u>	<u>(5,734)</u>
Net interest result		887	2,638
◇ External costs and other			
Operating costs		(468)	(222)
Commissions in relation to EMTN issues	13	(3,618)	(3,060)
Wages and salaries		(92)	(110)
Social security charges		(16)	(15)
Pension charges and early retirement costs		<u>(24)</u>	<u>(14)</u>
		(4,218)	(3,421)
PROFIT BEFORE TAX		<u>(3,331)</u>	<u>(783)</u>
◇ Taxation	14	849	196
NET PROFIT		<u>(2,482)</u>	<u>(587)</u>

Cash Flow statement (x EUR1,000)
-unaudited-

	30-06-2010	30-06-2009
Profit before tax	(3,331)	(783)
Adjustments for:		
Change in deferred tax assets / liabilities	(1,470)	(928)
Change in tax receivables	145	-
Change in value adj. to other financial assets / liabilities	152,403	67,090
Income tax expense	849	196
Tax paid	(476)	(1,371)
Change in operating assets and liabilities:		
Change in financial fixed assets	785,396	(2,641,292)
Change in receivables aff. companies	209,597	(185,818)
Change in other liabilities	(187,184)	165,531
Cash flow from operating activities	955,929	(2,597,375)
Cash flow from investing activities	-	-
Cash flow from financing activities		
Proceeds from EMTN issues	(449,121)	3,706,741
Change in loans from aff. companies	(534,237)	(1,093,601)
Net cash from financing activities	(983,358)	2,613,140
Net increase in cash and cash equivalents	(27,429)	15,765
Cash at beginning of period	32,222	21,564
Cash at end of period	4,793	37,329
Net increase in cash and cash equivalents	(27,429)	15,765

Notes to the unaudited accounts as at June 30, 2010

The Interim Report 2010 should be read in conjunction with the audited Financial Report 2009. The accounting principles applied by Daimler International Finance B.V. in the unaudited Interim Report 2010 are the same as those applied in the audited Financial Report 2009.

1 Financial fixed assets

Loans to affiliated companies:

The financial fixed assets stated in the balance sheet are intercompany receivables and are carried at amortized cost.

Recognized financial assets designated as hedged items in qualifying fair value hedge relationships are adjusted for changes in fair value attributable to the risk being hedged.

The interest rate of the loans to affiliated companies is in conformity with the group-wide intercompany pricing policy ensuring at arm's-length conditions.

Loans to affiliated companies for a total amount of EUR 1,960 million (2009: EUR 2,180 million) are denominated in a currency other than Euro for which the Company has entered into foreign exchange contracts to hedge foreign currency risks as far as they are not back-to-back. The valuation of the loans is determined based on the rate of exchange as of reporting date.

The fair value of the loans to affiliated companies per June 30, 2010 is EUR 10.630 billion (2009: EUR 11.475 billion).

2 Other financial assets and liabilities

The fair values of the derivatives are as follows:

(x €1,000)	Assets	Liabilities	Assets	Liabilities
	30 June 2010		31 Dec. 2009	
Instrument type:				
Interest rate swaps	62,436	2,816	80,423	6,159
Cross currency swaps	39,641	156,342	53,803	31,459
Total	102,077	159,158	134,226	37,618

Fair value hedges

The Company uses interest rate swaps to hedge its exposure to changes in the fair values of its fixed rate loans and advances attributable to changes in market interest rates. Interest rate swaps are matched to specific issuances of fixed rate loans.

The fair values of derivatives designated as fair value hedges are as follows:

(x €1,000)	Assets		Liabilities	
	30 June 2010		31 Dec. 2009	
Instrument type:				
Interest rate swaps	62,359	2,740	80,285	5,990
Cross currency swaps	-	7,102	25,776	572
Total	62,359	9,842	106,061	6,562

Cash flow hedges

The Company uses interest rate and cross-currency swaps to hedge the foreign currency and interest rate risks arising from granting floating rate loans denominated in foreign currencies.

The fair values of derivatives designated as cash flow hedges are as follows:

(x €1,000)	Assets		Liabilities	
	30 June 2010		31 Dec. 2009	
Instrument type:				
Interest rate swaps	77		137	-
Cross currency swaps	341	37,398	362	12,645
Total	418	37,398	499	12,645

During 2010 net losses of EUR 1.3 million relating to the effective portion of cash flow hedges were recognized in equity.

The positive fair value of the derivatives for which no hedge accounting is applied (natural hedges) amount up to EUR 39.3 million (2009: EUR 27.7 million). The natural hedges with a negative fair value amount up to EUR 111.9 million (2009: EUR 18.4).

3 Receivables from affiliated companies

The intercompany receivables consist of interest on financial fixed assets and are due within 1 year.

Receivables from affiliated companies for a total amount of EUR 22.9 million (2009: EUR 29.0 million) are denominated in a currency other than Euro for which the Company has entered into foreign exchange contracts to hedge foreign currency risks.

4 Deferred tax

At June 30, 2010, a deferred tax asset of EUR 0.1 million for temporary differences was recognized.

The deferred tax assets / liabilities relate to the tax impact of the temporary differences between commercial and tax profit determination.

The deferrals with a residual term more than 1 year amount to EUR 0.1 million.

Deferred tax assets / liabilities are attributable to the following:

(x €1,000)	1 January 2009	Re- classi- fication	Provi- sions made	Provi- sions used	Provi- sions released	Other	31 December 2009
Valuation of derivatives	(1,603)	-		-	235	-	(1,368)

(x €1,000)	1 January 2010	Re- classi- fication	Addition	Usage	Provi- sions released	Other	30 June 2010
Valuation of derivatives	(1,368)		1,470				102

5 Tax receivables

The specification is as follows:

(x €1,000)	30 June 2010	31 Dec 2009
Corporate income tax	243	388
Total	243	388

The tax receivable relates to the financial years 2009 and 2010 and will be settled within 1 year.

6 Cash at bank and in hand

Cash at bank is stated at nominal value and freely disposable.

7 Shareholders' equity

Summary of movements in shareholders' equity in 2009 and 2010:

	1 January 2009	Profit distribu- tion in 2009 for 2008	Dividend distribu- tion in 2009	Unrealized revaluations from cash flow hedges	Result for reporting period	31 December 2009
<small>(x €1,000)</small>						
Share capital:						
Authorised capital	2,500					2,500.00
Not issued capital	(2,000)					(2,000.00)
Issued capital	500	-	-		-	500.000
Other reserves *	10,962	8,809	-			19,771
Cash flow hedge reserve	(508)			1,414		906
Profit for the year	8,809	(8,809)			1,876	1,876
Total shareholders' equity	19,764	-	-	1,414	1,876	23,052

	1 January 2010	Profit distribu- tion in 2010 for 2009	Dividend distribu- tion in 2010	Unrealized revaluations from cash flow hedges	Result for reporting period	30 June 2010
<small>(x €1,000)</small>						
Share capital:						
Authorised capital	2,500					2,500.00
Not issued capital	(2,000)					(2,000.00)
Issued capital	500	-	-		-	500.000
Other reserves *	19,771	1,876	-			21,647
Cash flow hedge reserve	906			(1,286)		(381)
Profit for the year	1,876	(1,876)			(2,482)	(2,482)
Total shareholders' equity	23,052	-	-	(1,286)	(2,482)	19,284

* The Other reserves are considered to be legal statutory reserves both in 2009 and 2010. These reserves are not freely distributable to shareholders for the amount of the positive fair values related to the derivatives that are not designated for hedge accounting purposes.

The authorized capital of Daimler International Finance B.V. amounts to EUR 2,500,000 consisting of 5,000 shares with a par value of EUR 500. At June 30, 2010 1,000 shares have been issued and fully paid.

The cash flow hedge reserve comprises the effective portion of the accumulated net change in the fair value of cash flow hedge instruments for hedged transactions that have not yet occurred. In cash flow hedge accounting, the changes in the fair value of derivatives are accounted for in the cash flow hedge reserve. This cash flow hedge reserve is released during the period that the cash flows from the hedged risk are realized.

8 Provisions

The provisions are related to a stock option plan for employees of Daimler International Finance B.V., which plan is governed by Daimler AG, Stuttgart. This provision was made in accordance with the accounting principles and is calculated by multiplying the fair value of the option per compliance date by the number of shares. The provision will be supplied over the length of validity.

9 Short/Long-term liabilities

Daimler International Finance B.V. obtains funds from the market by issuing corporate bonds/notes under the Euro Medium Term Notes (EMTN) program and obtains funds from affiliated companies by entering into loan agreements. The notes issued under the EMTN program (totaling EUR 8.5 billion) are unconditionally and irrevocably guaranteed by Daimler AG for which the Company pays a guarantee fee.

The terms and conditions of outstanding EMTN notes were as follows:

(x €1,000)	Currency	Nominal interest rate	Date of drawing	Date of maturity	Nominal value	Book value 30-06-2010
EMTN	EUR	3.000%	7/17/2009	1/18/2011	150,000	150,094
EMTN	EUR	7.000%	3/21/2001	3/21/2011	1,000,000	998,556
EMTN	EUR	6.875%	3/10/2009	6/10/2011	1,000,000	1,004,099
EMTN	EUR	3.250%	7/13/2009	7/13/2011	250,000	249,779
EMTN	EUR	5.875%	9/5/2008	9/8/2011	1,500,000	1,546,036
EMTN	JPY	3M JPY-Libor+0,70%	1/27/2010	1/27/2012	23,795	27,554
EMTN	USD	3M USD-Libor+0,95%	1/27/2010	1/27/2012	106,488	122,143
EMTN	EUR	9.000%	12/8/2008	1/30/2012	1,000,000	995,406
EMTN	EUR	7.750%	3/26/2009	3/26/2012	700,000	698,053
EMTN	AUD	7.250%	11/23/2009	11/23/2012	61,889	70,305
EMTN	EUR	7.875%	1/16/2009	1/16/2014	2,000,000	1,989,054
EMTN	EUR	6.125%	9/5/2008	9/8/2015	750,000	744,408
Total					8,542,172	8,595,487

- ◇ The due date of the loans from affiliated companies varies from July 2010 to July 2013. The interest rate of the loans to affiliated companies is in conformity with the group-wide intercompany pricing policy ensuring at arm's-length conditions.
- ◇ Liabilities to affiliated companies for a total amount of EUR 408 million (2009: EUR 728 million) are denominated in a currency other than Euro for which the Company has entered into foreign exchange contracts to hedge foreign currency risks as far as they are not back-to-back. The valuation of the loans is determined based on the rate of exchange as of reporting date.
- ◇ The fair value of EMTN notes and loans per June 30, 2010 is EUR 10.608 billion.

10 Taxation and social security premiums

The specification is as follows:

(x €1,000)	30 June 2010	31 Dec 2009
Corporate income tax	-	-
Value-added tax	15	20
Payroll tax and social security charges	-	16
Total	15	36

11 Other liabilities and accruals

The specification is as follows:

(x €1,000)	31 June 2010	31 Dec 2009
Interest debts to third parties	267,377	455,046
Other liabilities / accruals	194	164
Total	267,571	455,210

12 Valuation impact of derivatives

Hedge accounting is practiced in accordance with group policy and hedge accounting requirements as stated in RJ 290. A negative impact on the interest result arose from different developments of valuations between respective hedging items and hedged items.

Since the derivatives are held until maturity the valuation impact tends to zero towards the respective maturity date.

13 Commissions in relation to EMTN notes

Commissions in relation to EMTN notes consist of guarantee fees paid by the Company to Daimler AG, guarantor under the EMTN program.

14 Corporation tax

Corporate income tax expense comprises current and deferred tax. Corporate income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. The nominal corporation tax rate amounts to 25.5%.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The effective tax rate amounts to 25.5%.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

15 Contingent liabilities and (off-balance sheet) commitments

The company did not have any contingencies or commitments as at June 30, 2010.