# DAIMLER

## Daimler International Finance B.V.

Interim Report

2014

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

## Board of Management

- P. Derks
- A. Lerch
- Mr. M. van Pelt

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## Report of the Board of Management

## General

Daimler International Finance B.V. (or "the Company") was established on 4 April 1986 as a private limited company (B.V.). As at June 30, 2014 the authorized capital of the Company was € 2,500,000 divided into 5,000 ordinary shares of € 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 shares are 100% owned by Daimler AG in Stuttgart, Germany. The Company's purpose is to finance part of the activities of the Daimler Group. The needed funding is managed by borrowing from Group companies and the capital markets by issuing bonds, notes and commercial paper.

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 (stable) from Moody's Investors Service, A- (stable) from Standard & Poor's Ratings Group and A- (stable) from Fitch Ratings as at 30 June 2014. 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. One CHF bond issued in 2011 is listed on the SIX Swiss Exchange.

The Company's liquid funds have been made available to companies within the Daimler Group and to minority shareholdings of Daimler AG by way of intercompany loans, with a focus on European financial services companies and Daimler treasury centres

### Development 1 st half of 2014

In the first half of 2014, Daimler International Finance B.V. issued eleven Commercial Papers under the Daimler EUR 10 billion Multi- Currency Commercial Paper Program in the total amount of € 297 million with tenors varying between 3 and 6 months. The proceeds of the Commercial Papers were allocated as intercompany loans to Daimler Group companies.

As of 31 March 2011 the Company started financing activities towards minority shareholdings of Daimler AG. At 30 June 2014, the Exposure amounts to € 0 (June 30, 2013: EUR 6.5 million).

In 2014 the total loans to affiliated companies of the Company decreased by € 2,835 million to a level of € 3,490 million as per June 30, 2014. All corresponding funding of the financial assets was realized through the issuance of bonds under the EMTN Program, the issuing of CPs under the CP Program and group-internal loans.

The financial result after taxation amounts to an amount of € 0.9 million compared to a negative financial result of € 7.2 million in 2013. The financial result was negatively influenced by the long term effect of the restructuring of part of the financial assets in 2010. The restructured part of the financial assets (Loans to affiliated companies) caused a major shift in interest income and cash flows of the involved loans. Based on the applied accounting principles the Company recognised an early termination fee in the interest result in the year 2010, followed by corresponding negative results over the years 2011-2014.

The common interest result developed in line with the balance sheet development during the course of the year.

Since all issues are guaranteed by Daimler AG the general risk profile of the Company and its solvency heavily depend on the solvency of the Daimler Group as a whole.

## Risk Management

The Board of Management is responsible for the internal control and the management of risks within the Company and for the assessment of the effectiveness of the control systems. These controls were set up in cooperation with Daimler Group to identify and manage foreign exchange, interest, liquidity and credit risks.

In the Company's business, the creation and management of a loan involves the assumption of a number of risks: credit risk, market interest rate risk, foreign exchange risk, structural/market risk and other operational risks. The EMTN / CP notes are not in full extent lent onward at similar conditions. The Company assumes market interest rate risk with respect to these loans. However this risk is shared with Daimler AG.

With respect to the loans obtained from affiliated companies, it is the Company's general policy to hedge the foreign exchange risk with foreign exchange swaps and interest rate swaps to match funding in terms of maturities and interest rates.

Liquidity risk comprises the risk, that a company cannot meet its financial obligations in full. Daimler International Finance B.V. manages its liquidity by holding adequate volume of cash and by applying as far as possible the matched funding principle. In accordance with internal guidelines, this principle ensures that financial obligations generally have the same maturity profile as the financial assets and receivables and thus reduces the Company's liquidity risks.

The Company solely provides loans within the Daimler Group and to companies in which Daimler holds a minority share (Joint Ventures). In cooperation with Daimler AG headquarters, assessments of credit risks are made and credit limits are set, which are periodically reviewed. In respect of cash at banks and financial derivatives, these are only deposited and / or entered into in compliance with the Daimler Global Counterparty Limits as provided by Daimler AG.

## Outlook

The overall result of Daimler International Finance B.V. in 2014 is expected to be positive again after a number of years with negative results due to the aforementioned restructuring of the financial assets in 2010. The overall result will furthermore be affected by the developments in the valuation of derivatives, which are held for hedging purposes. Due to the integrated organisation of lending and funding activities within the Daimler Group, the Company expects no direct impacts arising from the market development.

The financing activities will develop in line with the strategy of Daimler AG. For the year 2014 management expects a relatively lower level of outstanding EMTN notes which will impact the financing activities to group companies. This development will be partly compensated by higher level of loans obtained from affiliated companies during the year 2014.

## Events after the closing date

Since the reporting date of June 30, 2014, there have been no occurrences that are of major significance for the Company.

According to new regulations of the Dutch Civil Law (Wet Toezicht Bestuur effective as of 1 January 2013) the companies´ Board of Management and Supervisory Board are unbalanced since less than 30% of the members is female. The Board members have been appointed based on qualifications and availability, irrespective of gender. In order to create more balance the Boards will take these regulations into account to the extent possible in future appointments of Board members.

Utrecht, August 22, 2014

Daimler International Finance B.V.
The Board of Management

Mr. M. van Pelt          P. Derks          A. Lerch

## Responsibility Statement by Management

To the best of our knowledge, and in accordance with the applicable reporting principles for annual financial reporting, the **Interim Report 2014** gives a true and fair view of the assets, liabilities, financial position and profit or loss of Daimler International Finance B.V. The 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.

Utrecht, August 22, 2014

Daimler International Finance B.V.
The Board of Management

Mr M. van Pelt P. Derks A. Lerch

# Daimler International Finance B.V.
# Balance sheet as at June 30, 2014
# (before profit appropriation x €1,000)
-unaudited-

| | Note | 30-06-2014 | | 31-12-2013 | |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **FIXED ASSETS** | | | | | |
| ◊ **Tangible fixed assets** | | | 21 | | 21 |
| ◊ **Financial fixed assets** | | | | | |
| Loans to affiliated companies | 1 | 2,050,018 | | 2,553,305 | |
| Other financial assets | 2 | 37,004 | | 12,348 | |
| | | | 2,087,022 | | 2,565,653 |
| **CURRENT ASSETS** | | | | | |
| ◊ **Receivables:** | | | | | |
| Loans to affiliated companies | 1 | 1,440,312 | | 3,771,900 | |
| Interest receivables affiliated companies | 3 | 61,436 | | 215,575 | |
| Tax receivables | 4 | - | | - | |
| | | | 1,501,748 | | 3,987,475 |
| ◊ **Cash and cash equivalents** | 5 | | 3,968 | | 14,737 |
| | | | 3,592,759 | | 6,567,886 |

## Daimler International Finance B.V.
## Balance sheet as at June 30, 2014
## (before profit appropriation x €1,000)
## -unaudited-

| | Note | 30-06-2014 | | 31-12-2013 | |
|---|---|---|---|---|---|
| **LIABILITIES** | | | | | |
| ◊ **Shareholders' equity** | 6 | | | | |
| Issued capital | | 500 | | 500 | |
| Other reserves | | 29,156 | | 39,230 | |
| Cash flow hedge reserve | | (2,902) | | (2,653) | |
| Retained earnings | | 859 | | (10,074) | |
| | | | 27,613 | | 27,003 |
| ◊ **Provisions** | 7 | | 43 | | 50 |
| ◊ **Deferred tax liabilities** | 8 | | 1,251 | | 1,173 |
| ◊ **Long-term liabilities** | | | | | |
| EMTN issues | 9 | 1,809,537 | | 2,246,061 | |
| Affiliated companies | 9 | 258,000 | | 276,000 | |
| Other financial liabilities | 2 | 36,976 | | 59,456 | |
| | | | 2,104,513 | | 2,581,517 |
| ◊ **Short-term liabilities** | | | | | |
| EMTN / CP issues | 9 | 897,979 | | 3,048,745 | |
| Loans from affiliated companies | 9 | 501,000 | | 681,000 | |
| Other liabilities affiliated companies | 10 | 9,693 | | 20,949 | |
| Taxation and social security premiums | 11 | 65 | | 129 | |
| Other liabilities and accruals | 12 | 50,602 | | 207,320 | |
| | | | 1,459,339 | | 3,958,143 |
| | | | 3,592,759 | | 6,567,886 |

## Daimler International Finance B.V.
## Profit and loss account for the half-year ended June 30, 2014
## (x €1,000)

-unaudited-

| | Note | 30-06-2014 | | 30-06-2013 | |
|---|---|---|---|---|---|
| ◊ **Interest income** | 14 | 90,116 | | 182,492 | |
| ◊ **Interest expenses** | | (91,069) | | (187,926) | |
| Interest margin | | | (953) | | (5,434) |
| ◊ **Result financial transactions** | 15 | | 4,403 | | (180) |
| ◊ **External costs and other** | | | | | |
| Operating costs | | (224) | | (286) | |
| Commissions in relation to EMTN issues | 16 | (1,859) | | (3,649) | |
| Wages and salaries | | (190) | | (178) | |
| Social security charges | | (14) | | (15) | |
| Pension charges and early retirement costs | | (30) | | 69 | |
| | | | (2,317) | | (4,059) |
| PROFIT BEFORE TAX | | | 1,133 | | (9,673) |
| ◊ **Taxation** | 17 | | (274) | | 2,435 |
| **NET PROFIT (LOSS)** | | | **859** | | **(7,238)** |

## Cash Flow statement (x €1,000)

-unaudited-

| | 30-06-2014 | 30-06-2013 |
|---|---|---|
| **Profit after tax** | **859** | **(7,238)** |
| *Adjustments for:* | | |
| Interest income | (90,116) | (182,492) |
| Interest expenses | 91,069 | 187,926 |
| Income tax expense | 274 | (2,435) |
| Valuation impact derivatives | (4,403) | 180 |
| *Changes in:* | | |
| Change in provisions | (7) | (7) |
| Change in tax receivables | - | (205) |
| Other liabilities (excluding interest on debts) | (22) | (97) |
| **Cash flow from operating activities:** | | |
| Interest received | 245,321 | 267,951 |
| Interest paid | (257,502) | (275,699) |
| Additions to loans to affiliated companies | (4,013,500) | (514,879) |
| Repayments of loans to affiliated companies | 6,862,855 | 1,615,140 |
| Derivative assets and liabilities | 6,581 | (37,049) |
| Tax paid | (178) | (663) |
| **Net cash from operating activities** | **2,841,231** | **1,050,433** |
| **Cash flow from investing activities** | **-** | **-** |
| **Cash flow from financing activities:** | | |
| Proceeds from additional EMTN / CP issues | 297,000 | 229,085 |
| Repayments of EMTN / CP | (2,951,000) | (1,345,000) |
| Additional short term loans received from aff. companies | 3,579,000 | 31,000 |
| Additional long term loans received from aff. companies | 62,000 | 149,000 |
| Repayments of loans from affiliated companies | (3,839,000) | (113,443) |
| **Net cash from financing activities** | **(2,852,000)** | **(1,049,358)** |
| **Net de / increase in cash and cash equivalents** | **(10,769)** | **1,075** |
| Cash at beginning of period | 14,737 | 9,257 |
| Cash at end of period | 3,968 | 10,332 |
| **Net de / increase in cash and cash equivalents** | (10,769) | 1,075 |

## Statement of recognised income and expenses (x €1,000) –unaudited-

| | 30-06-2014 | | 30-06-2013 | |
|---|---|---|---|---|
| **Net result after tax attributable to the company** | | 859 | | (7,238) |
| Unrealized revaluation of cash flow hedges charged directly to shareholders equity | (249) | | 4,358 | |
| **Total of items recognised directly in shareholders' equity of the company** | | (249) | | 4,358 |
| **Total result of the legal entity** | | **610** | | **(2,880)** |

## NOTES TO THE ANNUAL ACCOUNTS as at June 30, 2014

## 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 € 1.0 billion (2013: € 1.3 billion) 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 year-end rate of exchange. As at June 30, 20104 there are no loans which are designated for hedge accounting. (2013: € 0.0 million).

The fair value of the loans to affiliated companies per June 30, 2014 is €3.6 billion (2013: €6.5 billion).

## 2 Other financial assets and liabilities

The Company did not provide and does not expect to provide any financial collateral for obligations in respect of derivative financial instruments.

The fair values of the derivatives are as follow:

| (x €1,000) | Assets | Liabilities | Assets | Liabilities |
|---|---|---|---|---|
| | 30 June 2014 | | 31 Dec. 2013 | |
| Instrument type: | | | | |
| Interest rate swaps | - | 2,927 | - | 4,881 |
| Cross currency swaps | 37,004 | 34,049 | 12,348 | 54,575 |
| Total | 37,004 | 36,976 | 12,348 | 59,456 |

**Fair value hedges**
The Company uses interest rate swaps to hedge its exposure to changes in the fair values of its fixed rate loans, bonds and advances attributable to changes in market interest rates. Interest rate swaps are matched to specific issuances of fixed rate loans.
The fair value of fair value hedges is determined on the basis of the discounted expected future cash flows; whereby the market interest rates valid for the remaining terms of the financial instruments are used.

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

| (x €1,000) | Assets | Liabilities | Assets | Liabilities |
|---|---|---|---|---|
| | 30 June 2014 | | 31 Dec. 2013 | |
| Instrument type: | | | | |
| Interest rate swaps | - | 2,897 | - | 4,528 |
| Cross currency swaps | 34,422 | 11,288 | 11,415 | 19,218 |
| Total | 34,422 | 14,185 | 11,415 | 23,746 |

**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 | Assets | Liabilities |
|---|---|---|---|---|
| | 30 June 2014 | | 31 Dec. 2013 | |
| Instrument type: | | | | |
| Interest rate swaps | - | - | - | 287 |
| Cross currency swaps | 2,579 | 22,761 | 761 | 35,357 |
| Total | 2,579 | 22,761 | 761 | 35,644 |

During 2014 net losses of € 0.2 million (2013: net gains of € 7.1 million) relating to the effective portion of cash flow hedges were recognized in equity.

The positive fair value of derivatives for which no hedge accounting is applied (natural hedges) amount up to € 0.0 million (2013: € 0.2 million). The natural hedges with a negative fair value amount up to € 0.0 million (2013: € 0.1 million).

## 3 Interest 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 € 1.9 million (2013: € 5.1 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 there is no matching with interest liabilities. The fair value of this financial instrument stated on the balance sheet is approximately equal to their carrying amount.

## 4 Tax receivables

Both in 2014 and 2013 there were no tax receivables

## 5 Cash and cash equivalents

Cash and cash equivalents is stated at nominal value and freely disposable. The fair value of this financial instrument stated on the balance sheet is approximately equal to their carrying amount.

## 6 Shareholders' equity

Summary of movements in shareholders' equity in 2014 and 2013:

| (x €1,000) | 1 January 2014 | Profit distribu-tion in 2014 for 2013 | Dividend distribu-tion in 2014 | Changes in fair value cash flow hedges | Result for reporting period | 30 June 2014 |
|---|---|---|---|---|---|---|
| Share capital: | | | | | | |
| Authorised capital | 2,500 | | | | | 2,500 |
| Not issued capital | (2,000) | | | | | (2,000) |
| Issued capital | 500 | - | - | | - | 500 |
| Other reserves | 39,230 | (10,074) | - | | | 29,156 |
| Cash flow hedge reserve | (2,653) | | | (249) | | (2,902) |
| Profit for the year | (10,074) | 10,074 | | | 859 | 859 |
| Total shareholders' equity | 27,003 | - | - | (249) | 859 | 27,613 |

| (x €1,000) | 1 January 2013 | Profit distribu-tion in 2013 for 2012 | Dividend distribu-tion in 2013 | Changes in fair value cash flow hedges | Result for reporting period | 31 December 2013 |
|---|---|---|---|---|---|---|
| Share capital: | | | | | | |
| Authorised capital | 2,500 | | | | | 2,500 |
| Not issued capital | (2,000) | | | | | (2,000) |
| Issued capital | 500 | - | - | | - | 500 |
| Other reserves | 49,506 | (10,276) | - | | | 39,230 |
| Cash flow hedge reserve | (9,725) | | | 7,072 | | (2,653) |
| Profit for the year | (10,276) | 10,276 | | | (10,074) | (10,074) |
| Total shareholders' equity | 30,005 | - | - | 7,072 | (10,074) | 27,003 |

The authorized capital of Daimler International Finance B.V. amounts to € 2,500,000 consisting of 5,000 shares with a par value of € 500. At June 30, 2014 1,000 shares have been issued and fully paid.

The other reserves are considered to be legal statutory reserves both in 2013 and 2014. 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 positive fair value of the derivatives for which no hedge accounting is applied (natural hedges) amount up to € 0.0 million (2013: € 0.2 million) (note 2).

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. This cash flow hedge reserve is released during the period that the cash flows from the hedged risk are realised. The cash flow hedge reserve is not freely distributable .

The movement in the cash flow hedge reserve can be specified as follows:

- the effective portion of changes in fair value of cash flow hedges amounting to € (0.8) million (2013: € 2.9 million),
- the net change in fair value of matured cash flow hedges reclassified to P&L amounting to € 0.6 million (2013: € 4.2 million).

## 7 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.

## 8 Deferred tax liabilities

At June 30, 2014, a deferred tax liability of € 1.3 million for temporary differences was recognized.
The deferred tax liabilities comprises the tax effect of the temporary differences between the profit determination for financial reporting purposes and for tax purposes. Deferred tax liabilities are attributable to the following:

Movements in 2014:

| (x €1,000) | 1 January 2014 | Re-classi-fication | Provi-sions made | Provi-sions used | Provi-sions released | Other | 30 June 2014 |
|---|---|---|---|---|---|---|---|
| **Valuation of derivatives** | 813 | - | 438 | - | - | - | 1,251 |
| **Early termination premium** | 360 | | - | - | (360) | - | - |

Movements in 2013:

| (x €1,000) | 1 January 2013 | Re-classi-fication | Provi-sions made | Provi-sions used | Provi-sions released | Other | 31 December 2013 |
|---|---|---|---|---|---|---|---|
| **Valuation of derivatives** | 105 | - | 708 | - | - | - | 813 |
| **Early termination premium** | 4,909 | | - | - | (4,549) | - | 360 |

## 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 Program and Commercial Papers under the Daimler EUR 10 billion Multi- Currency Commercial Paper Program. Furthermore funds are obtained from affiliated companies by entering into loan agreements. The notes issued under the EMTN Program as well as the CP are unconditionally and irrevocably guaranteed by Daimler AG for which the Company pays a guarantee fee. The bonds issued by Daimler International Finance B.V. are listed on the Luxembourg Stock Exchange. The, in 2011, issued CHF Bond (€ 0.1 billion) is listed on the SIX Swiss Exchange.

The notional amounts of the EMTN notes which are designated for hedge accounting amount to € 1.2 billion (2013: € 1.7 billion).

The terms and conditions of outstanding EMTN notes and CP were as follows:
(x € 1,000)

| (x €1,000) | Currency | Nominal interest rate | Date of drawing | Date of maturity | Nominal value | Book value 30-06-2014 |
|---|---|---|---|---|---|---|
| CP | EUR | 0.300% | 5/28/2014 | 8/28/2014 | 20,000 | 19,990 |
| CP | EUR | 0.300% | 5/29/2014 | 8/29/2014 | 47,000 | 46,976 |
| CP | EUR | 0.310% | 6/2/2014 | 9/2/2014 | 20,000 | 19,989 |
| CP | EUR | 0.300% | 6/3/2014 | 9/3/2014 | 30,000 | 29,983 |
| CP | EUR | 0.290% | 6/5/2014 | 9/5/2014 | 40,000 | 39,980 |
| EMTN | AUD | 5.250% | 9/12/2011 | 9/12/2014 | 75,605 | 68,986 |
| CP | EUR | 0.330% | 5/28/2014 | 9/29/2014 | 40,000 | 39,967 |
| CP | EUR | 0.330% | 6/3/2014 | 10/6/2014 | 10,000 | 9,991 |
| CP | EUR | 0.340% | 5/28/2014 | 10/13/2014 | 20,000 | 19,980 |
| CP | EUR | 0.340% | 5/28/2014 | 10/13/2014 | 20,000 | 19,980 |
| CP | EUR | 0.360% | 5/30/2014 | 10/31/2014 | 20,000 | 19,975 |
| CP | EUR | 0.360% | 5/30/2014 | 10/31/2014 | 30,000 | 29,963 |
| EMTN | SEK | 3.000% | 9/5/2011 | 12/15/2014 | 54,958 | 54,837 |
| EMTN | NOK | 3.625% | 9/5/2011 | 1/15/2015 | 65,157 | 59,419 |
| EMTN | NOK | 3.625% | 9/21/2011 | 1/15/2015 | 32,228 | 29,845 |
| EMTN | NOK | 3.625% | 9/21/2011 | 1/15/2015 | 12,893 | 11,940 |
| EMTN | EUR | 3M Euribor + 0,80% | 9/20/2011 | 1/20/2015 | 100,000 | 99,983 |
| EMTN | NZD | 4.375% | 2/8/2012 | 2/5/2015 | 63,235 | 63,755 |
| EMTN | NOK | 3.000% | 5/18/2012 | 5/18/2015 | 164,533 | 148,519 |
| EMTN | NZD | 3.875% | 5/22/2012 | 5/22/2015 | 59,656 | 63,886 |
| EMTN | EUR | 6.125% | 9/5/2008 | 9/8/2015 | 750,000 | 748,497 |
| EMTN | NOK | 3.625% | 1/20/2012 | 1/20/2016 | 130,548 | 119,719 |
| EMTN | CHF | 1.625% | 10/12/2011 | 10/12/2016 | 121,290 | 123,125 |
| EMTN | USD | 1.750% | 4/10/2013 | 4/10/2018 | 229,253 | 216,043 |
| EMTN | GBP | 3.500% | 2/6/2012 | 6/6/2019 | 603,726 | 602,188 |
| **Total** | EUR | | | | 2,760,084 | 2,707,516 |

EMTN notes include both hedged and unhedged notes.

◊ The due date of the loans from affiliated companies varies from July 2014 to February 2017. The interest rates of the loans from affiliated companies vary between 0.29% and 3.07% and are in conformity with the Group-wide intercompany pricing policy ensuring at arm's-length conditions.

◊ As at June 30, 2014 there are no liabilities to affiliated companies denominated in a currency other than Euro (2013: € 0.0 million). When they occur the Company will enter 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 year-end rate of exchange.

◊ The fair value of EMTN notes, CP and loans per June 30, 2014 is € 3.6 billion (2013: € 5.5 billion).

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## 10 Other liabilities to affiliated companies

The intercompany liabilities consist of interest on intercompany loans and are due within 1 year.

As at June 30, 2014 there are no liabilities to affiliated companies denominated in a currency other than Euro (2013: € 0.0 million). In cases there is no matching with interest receivables the Company has entered into foreign exchange contracts to hedge foreign currency risks. The fair value of this financial instrument stated on the balance sheet is approximately equal to their carrying amount.

## 11 Taxation and social security premiums

The specification is as follows:

| (x €1,000) | 30 June 2014 | 31 Dec. 2013 |
|---|---|---|
| Corporate income tax | 51 | 33 |
| Value-added tax | 1 | 69 |
| Payroll tax and social security charges | 13 | 27 |
| Total | 65 | 129 |

## 12 Other liabilities and accruals

The specification is as follows:

| (x €1,000) | 30 June 2014 | 31 Dec. 2013 |
|---|---|---|
| Interest debts to third parties | 50,307 | 207,003 |
| Other liabilities / accruals | 295 | 317 |
| Total | 50,602 | 207,320 |

## 13 Risk Management

General

During the normal course of business the Company is exposed to interest rate risk, currency risk, liquidity risk, credit risk and other operational risks. In order to avoid or reduce these risks, Derivative Financial Instruments such as (but not limited to) Interest Rate Swaps, Currency Contracts and Cross Currency Interest Rate Swaps are used. The Company does not trade in these Derivative Financial Instruments.

The EMTN notes issued by the Company are not in full extent lent onward at similar conditions. The Company assumes market interest rate risk with respect to these loans. However this risk is shared with Daimler AG.

Interest rate risk

As a result from its issuing and lending business, the Company is exposed to interest rate risks. The interest rate risk exposure is frequently monitored and assessed. It is the Companies'policy to hedge interest rate exposures by entering into Derivative Financial Instruments, such as interest rate swaps. Changes in fair values of derivatives are compensated by changes in the fair value of the respective underlying. Over the course of the reporting period, the average EURO amount which remained exposed to interest rate risk did not exceed 1.0% of the balance sheet total.

Foreign currency risk

It is the objective of the Company to eliminate foreign currency risk. Therefore, the Company enters into Derivative Financial Instruments in order to hedge its foreign currency exposures. As a result the company incurred only minor foreign currency risk from its ordinary issuance and lending activities. The related Derivative Financial Instruments are recognized in the balance sheet against fair value.

The Company incurs a foreign currency risk on the cash (equivalents) position, which is recognized against the exchange rate applying to the balance sheet date. Gains and losses are taken to the profit and loss account under result financial transactions.

Credit risk

The Company solely provides loans within the Daimler Group and to companies in which Daimler holds a minority share (Joint Ventures). In cooperation with Daimler AG headquarters, assessments of credit risks are made and credit limits are set, which are periodically reviewed. Therefore the company's exposure to credit risk is influenced mainly by the characteristics of Daimler Group related default risk. Daimler Group is rated by credit rating agencies and has a rating of A3 ( stable) from Moody's Investors Service, A- (stable) from Standard & Poor's Ratings Group and A- (stable) from Fitch Ratings as at June 30, 2014.

In respect of cash at banks and Derivative Financial Instruments, these are only deposited and / or entered into in compliance with the Daimler Global Counterparty Limits as provided by Daimler AG.

Liquidity risk

Liquidity risk comprises the risk, that a company cannot meet its financial obligations in full. Daimler International Finance B.V. manages its liquidity by holding adequate volume of cash and by applying as far as possible the matched funding principle. In accordance with internal guidelines, this principle ensures that financial obligations generally have the same maturity profile as the financial assets and receivables and thus reduces the Company's liquidity risks.

Hedging and Hedge Accounting

Derivative Financial Instruments are valued at fair value in the balance sheet and any changes in the fair value must be accounted for in the income statement. In the event that changes in fair value of hedged risks are not accounted for through the income statement, a mismatch occurs in the accounting of results, making these results more volatile. In these cases, hedge accounting is applied as much as possible to mitigate accounting mismatching and volatility. The Company makes a distinction between fair value hedge accounting and cash flow hedge accounting.

In fair value hedge accounting, the developments in fair value of the hedged risk are processed through profit or loss. This compensates for the fair value movements of the accompanying derivatives. In cash flow hedge accounting, the movements in fair value of the derivatives are accounted for in a separate (revaluation) reserve in total equity. This cash flow hedge reserve is released over the period in which the cash flows from the hedged risk are realized.

## 14 Interest income

In 2010 the Company restructured part of its financial assets (Loans to affiliated companies). The disposal has been concluded against fair value and as a result the Company realized an early termination premium. The early termination premium amounted to approximately € 51 million and has been recognized in the 2010 interest income. The new loans which have been concluded against the market conditions with another affiliated party result in corresponding negative interest margins in the years 2011-2014, given the higher interest expenses on the back to back funding on the designated EMTN notes.
The interest income is based on loans provided to group companies in the EU (2014 and 2013: 90.0%) and the US (2014 and 2013: 10.0%).

## 15 Result financial transactions

Result financial transactions comprises the valuation impact of derivatives and the translation gains and losses.
Hedge accounting is practiced in accordance with Group policy and hedge accounting requirements as stated in RJ 290. Since the derivatives are held until maturity the overall valuation impact tends to zero towards the respective maturity date.
The Company incurs a foreign currency risk on the cash (equivalents) position, which is recognized against the exchange rate applying to the balance sheet date. The total result from translation gains and losses amount to EUR 0.2 million.

## 16 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 / CP Program.

## 17 Corporation tax

The applicable nominal tax rate is 25% (2013: 25%). The tax expense recognized in the profit and loss account for 2014 amounts to EUR 0.3 million, or 25% of the result before tax (2013: 25%).

| (x €1,000) | 30 june 2014 | 30 june 2013 |
|---|---|---|
| Tax liability for current financial year | (196) | (219) |
| Deferred tax asset / liability | (78) | 2,654 |
| Total | (274) | 2,435 |

## 18 Contingent liabilities and (off-balance sheet) commitments

The Company did not have any contingent liabilities as at June 30, 2014.
As at June 30, 2014 the Company has no off balance sheet commitments.