DAIMLER

Daimler International Finance B.V.

Interim Report

2018

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Supervisory Board

- U. Tüchter Chairman
- F. Wetter
- T. Zech
- P. Zirwes

Board of Management

- M. van Pelt
- O. Ernst

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Report of the Board of Management

General

These Financial Statements cover the first half year 2018, which ended at the balance sheet date of 30 June 2018.

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, 2018 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 and the European Commercial Paper Program (CP) issues of Daimler International Finance B.V. are both irrevocably guaranteed by Daimler AG. The bonds have long-term ratings of A2 (stable) from Moody's Investors Service, A (stable) from Standard & Poor's Ratings Group and A- (stable) from Fitch Ratings as at 30 June 2018. 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.

The funding obtained by the Company has been made available to companies within the Daimler Group and to associated and joint ventures of Daimler AG by way of intercompany loans. In the course of 2018 the focus of funding activities have been extended from mainly European Daimler Group companies to other regions of the world as well.

As of January 1st, 2018 IFRS 9 was adopted under a simplified retrospective approach with no restatement of comparative numbers for 2017. As a result only a cumulative adjustment to equity was necessary as of January 1, 2018 (opening balance) with only a reconciliation from the IAS 39 figures as of December 31st , 2017 to the IFRS 9 figures taken into account. Therefore the basis adjustment was reclassified from financing liabilities to retained earnings (Other reserves) and a separate position namely Cost of hedging.

Development 1st half of 2018

In the first half of 2018, Daimler International Finance B.V. issued six bonds under the Daimler EMTN Program in the total amount of € 4,087 million.
Furthermore, in 2018 Daimler International Finance B.V. issued CPs for a total amount of € 5,750 million under the Daimler European Commercial Paper Program with tenors up to 4 months. At 30 June 2018, the CP outstanding amounts to € 2,223 million. The proceeds of the EMTN and CP were allocated as intercompany loans to Daimler Group companies.

In 2018 the total loans to affiliated companies of the Company increased by € 5,037 million to a level of € 9,448 million as per June 30, 2018. All new funding of the financial assets was realized through the issuance of EMTN and CPs under the European CP Programs and through group-internal loans.

The interest margin developed positively to € 5.596 million compared to € 3.140 million in the first half of 2017. Besides, the financial result of the year was negatively affected by the increase of commissions in relation to EMTN issues. The net profit after taxation amounts to an amount of € 1.8 million compared to € 3.3 million in the first half of 2017.

Since all the EMTN / CP issued 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.

The number of employees at June 30, 2018 was 4 (2017: 5).
The directors who held office at the end of the financial year and at signing of these financial statements had no disclosing interest in the shares of the Company.

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, market risk and other operational risks. The funds obtained with the issuance of EMTN notes and CP are lent onward at market conditions to affiliated companies.
In order to minimize the mentioned risks connected to the nature of the Company's business the Company uses derivative financial instruments to reduce or eliminate these risks. In particular interest rate swaps, foreign exchange swaps and forward rate agreements are used to reduce financial risk and to match the funding requirements 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 rapid increase of the balance-sheet total is due to the strong increase of the scope and complexity of the business operations by expanding the Company's business from Euro denominated loans to foreign exchange loans. The Company intensifies its risk management approach accordingly.

The Company solely provides loans within the Daimler Group and to companies in which Daimler holds a minority share (Joint Ventures). Therefore the Company's exposure to credit risk is influenced mainly by the characteristics of Daimler Group related default risk. 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

In 2018 the net interest income on operating activities is expected to develop in line with the balance sheet development during the course of the year. Ineffectiveness resulting from fair value hedge relationships may have impact on the profit before taxation.

The financing activities will develop in line with the strategy of Daimler AG. For the year 2018 management expects a substantial increase of outstanding EMTN notes. The Company is expected to extend its current core activities and will actively support all major changes in the treasury operations deemed necessary to ensure even further the efficiency and effectiveness of financing the capital needs of the Daimler Group.

Events after the balance sheet date

In a first step, the number of employees for 2018 has been increased to reflect the changed scope and complexity of the Company's business operations.

Since the reporting date of June 30, 2018 the portfolio growth continued comparable to the first half year of 2018.
According to new regulations of the Dutch Civil Law (Wet Toezicht Bestuur) the Company's 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 28, 2018

Daimler International Finance B.V.
Van Deventerlaan 50 NL – 3528 AE Utrecht

The Board of Management

M. van Pelt O. Ernst

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 2018** gives a true and fair view of the assets, liabilities, financial position and profit or loss of Daimler International Finance B.V. The Report of the Board of Management 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 28, 2018

Daimler International Finance B.V.
The Board of Management

M. van Pelt O. Ernst

Daimler International Finance B.V.
Balance sheet as at June 30, 2018
(before profit appropriation x €1,000)
-unaudited-

	Note	30-06-2018		31-12-2017	
ASSETS					
FIXED ASSETS					
◊ **Tangible fixed assets**			21		21
◊ **Deferred tax assets**	6		80		687
◊ **Financial fixed assets**					
Loans to affiliated companies	1	4,744,651		3,627,798	
Other financial assets	2	63,325		353	
			4,807,976		3,628,151
CURRENT ASSETS					
◊ **Receivables:**					
Loans to affiliated companies	1	4,702,999		782,070	
Interest receivables affiliated companies	3	18,588		19,912	
Other receivables affiliated companies		148		93	
Taxation and social security premiums	9	9		-	
			4,721,744		802,075
◊ **Cash and cash equivalents**	4		315,044		16,379
			9,844,865		4,447,313

Daimler International Finance B.V.
Balance sheet as at June 30, 2018
(before profit appropriation x €1,000)
-unaudited-

	Note	30-06-2018		31-12-2017	
LIABILITIES					
◊ **Shareholders' equity**	5				
Issued capital		500		500	
Other reserves		532,955		524,955	
Cash flow hedge reserve		(1,697)		6	
Cost of Hedging		(394)		0	
Retained earnings		1,322		5,996	
			532,686		531,457
◊ **Deferred tax liabilities**	6		-		-
◊ **Long-term liabilities**					
EMTN issues	7	5,658,044		2,848,641	
Loans from affiliated companies	7	0		30,000	
Other financial liabilities	2	121,022		92,561	
			5,779,066		2,971,202
◊ **Short-term liabilities**					
EMTN issues	7	1,266,725		249,561	
CP issues	7	2,218,306		170,102	
Loans from affiliated companies	7	30,000		505,000	
Other liabilities to affiliated companies	8	10,735		3,529	
Taxation and social security premiums	9			299	
Other liabilities and accruals	10	7,347		16,163	
			3,533,113		944,654
			9,844,865		4,447,313

Daimler International Finance B.V.
Profit and loss account for the half-year ended June 30, 2018
(x €1,000)

-unaudited-

	Note	30-06-2018		30-06-2017	
◊ **Interest income**	12	55,422		31,180	
◊ **Interest expenses**		(49,826)		(28,040)	
Interest margin			5,596		3,140
◊ **Result financial transactions**	13		123		1,522
◊ **External costs and other**					
Operating costs		(99)		(148)	
Commissions in relation to EMTN issues	14	(3,632)		(1,016)	
Wages and salaries		(197)		(205)	
Social security charges		(17)		(17)	
Pension charges and early retirement costs		(24)		(24)	
			(3,969)		(1,410)
PROFIT BEFORE TAX			1,750		3,252
◊ **Taxation**	15		(428)		(804)
NET PROFIT (LOSS)			**1,322**		**2,448**

Cash Flow statement (x €1,000) –unaudited-

	30-06-2018	30-06-2017
Profit after tax	**1,322**	**2,448**
Adjustments for:		
Interest income	(55,422)	(31,180)
Interest expenses	49,826	28,040
Income tax expense	428	804
Result financial transactions	(123)	(1,522)
Changes in:		
Change in provisions	-	-
Change in tax receivables	20	53
Other liabilities (excluding interest on debts)	33	(34)
Cash flow from operating activities:		
Interest received	51,840	42,935
Interest paid	(52,470)	(40,118)
Additions to loans to affiliated companies	(9,604,746)	(1,020,000)
Repayments of loans to affiliated companies	4,530,492	267,000
Derivative assets and liabilities	(202)	1,035
Tax paid	(816)	(442)
Net cash from operating activities	**(5,079,818)**	**(750,981)**
Cash flow from financing activities:		
Proceeds from additional EMTN and CP issues	9,836,905	1,500,592
Repayments of EMTN and CP	(3,953,422)	(310,000)
Additional short term loans received from aff. companies	1,200,000	1,550,000
Additional long term loans received from aff. companies	-	-
Repayments of loans from affiliated companies	(1,705,000)	(1,932,000)
Capital contribution	-	-
Net cash from financing activities	**5,378,483**	**808,592**
Net de / increase in cash and cash equivalents	**298,665**	**57,611**
Cash at beginning of period	16,379	15,917
Cash at end of period	315,044	73,528
Net de / increase in cash and cash equivalents	**298,665**	**57,611**

Statement of comprehensive income (x €1,000) –unaudited-

	30-06-2018		30-06-2017	
Net result after tax attributable to the company		1,322		2,448
Unrealized revaluation of cash flow hedges and cost of hedging charged directly to shareholders equity	(1,323)		434	
Total of items recognised directly in shareholders' equity of the company		(1,323)		434
Total result of the legal entity		**(1)**		**2,882**

NOTES TO THE ANNUAL ACCOUNTS as at June 30, 2018

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.

Movements in financial fixed assets:

(x €1,000)	30 June 2018	31 Dec. 2017
Value as at the 1 January	4,409,868	2,467,667
Changes in fair value as a result of hedge accounting	- -	-
Exchange rate differences	(36,472)	(124,299)
Additions in the year	9,604,746	2,600,958
Repayments in the year	(4,530,492)	(534,458)
Value as at end of period	9,447,650	4,409,868

As at the 30 June € 4.7 billion (2017: € 0.8 billion) of the principle portions outstanding is due and repayable within 1 year and € 4.7 billion (2017: € 3.6 billion) is due and repayable between 1 and 5 years.

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

Loans to affiliated companies for a total amount of € 5.9 billion (2017: € 0.9 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 lent on in the same currency. The valuation of the loans is determined based on the (half-) year-end foreign exchange rate. As at June 30, 2018 there are no loans which are designated in a fair value hedge accounting relationship (2017: € 0.0 million).

The fair value of the loans to affiliated companies per June 30 2018 is € 9.5 billion (2017: € 4.5 billion).

2 Other financial assets and liabilities

The effectiveness test consists of comparing the cumulative fair value change of a hypothetical derivative defined at the transaction date, with a fair value of zero at the transaction date, as a proxy for the hedge position with the cumulative value change of the actual derivative. If the latter has a higher negative value than the hypothetical derivative, then the difference is recognized in the profit and loss account as ineffectiveness

The fair values of the derivatives are as follows:

(x €1,000)	Assets	Liabilities	Assets	Liabilities
	30 June 2018		31 Dec. 2017	
Instrument type:				
Interest rate swaps	15,921	2,324	353	2,889
FX swaps	25,440	5,417	-	-
Cross currency swaps	21,964	113,281	-	89,672
Total	63,325	121,022	353	92,561

Fair value hedges

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

The fair value of these derivatives 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 in which the counterparty and own credit risk are taken into account.

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

(x €1,000)	Assets	Liabilities	Assets	Liabilities
	30 June 2018		31 Dec. 2017	
Instrument type:				
Interest rate swaps	15,921	-	-	2,542
FX swaps	25,440	5,417	-	-
Cross currency swaps	16,621	108,167	-	89,672
Total	57,982	108,167	-	92,214

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 2018		31 Dec. 2017	
Instrument type:				
Interest rate swaps	-	2,324	353	-
FX swaps	-	-		
Cross currency swaps	5,343	5,114	-	-
Total	5,343	7,438	353	-

3 Interest receivables from affiliated companies

The intercompany receivables consist of interest on financial fixed assets and are due within one year. The fair value of this financial instrument stated on the balance sheet is approximately equal to their carrying amount.

Receivables from affiliated companies for a total amount of € 11.7 million (2017: € 3.0 million) are denominated in a currency other than Euro for which the Company has entered into foreign exchange contracts to hedge foreign currency risks as far as there is no matching with interest liabilities.

4 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.

5 Shareholders’ equity

As of January 1st, 2018 IFRS 9 was adopted under a simplified retrospective approach with no restatement of comparative numbers for 2017. As a result only a cumulative adjustment to equity was necessary as of January 1, 2018 (opening balance) with only a reconciliation from the IAS 39 figures as of December 31st , 2017 to the IFRS 9 figures taken into account. Therefore the basis adjustment was reclassified from financing liabilities to retained earnings (Other reserves) and a separate position namely Cost of hedging.

Summary of movements in shareholders’ equity in 2018 and 2017:

(x €1,000)	1 January 2018	capital increase	Profit distribu-tion in 2018 for 2017	Dividend distribution in 2018	Changes in fair value of cash flow hedges and CoH	Result for the year	30 June 2018
Share capital:							
Authorised capital	2,500						2,500
Not issued capital	(2,000)						(2,000)
Issued capital	500		-	-		-	500
Other reserves	526,959		5,996	-			532,955
Cash flow hedge reserve	6				(1,703)		(1,697)
Cost of Hedging	(774)				380		(394)
Profit for the year	5,996		(5,996)			1,322	1,322
Total shareholders' equity	532,687		-	-	(1,323)	1,322	532,686

(x €1,000)	1 January 2017	capital increase	Profit distribu-tion in 2017 for 2016	Dividend distribution in 2017	Changes in fair value of cash flow hedges	Result for the year	31 December 2017
Share capital:							
Authorised capital	2,500						2,500
Not issued capital	(2,000)						(2,000)
Issued capital	500		-	-		-	500
Other reserves	527,002		(2,047)	-			524,955
Cash flow hedge reserve	-				6		6
Profit for the year	(2,047)		2,047			5,996	5,996
Total shareholders' equity	525,455		-	-	6	5,996	531,457

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, 2018 1,000 shares have been issued and fully paid.

The other reserves are considered to be legal statutory reserves both in 2017 and 2018.
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 € 1.7 million (2017: € 0.0 million);

6 Deferred tax assets and liabilities

As of January 1st, 2018 IFRS 9 was adopted under a simplified retrospective approach with no restatement of comparative numbers for 2017. As a result only a cumulative adjustment to equity was necessary as of January 1, 2018 (opening balance) with only a reconciliation from the IAS 39 figures as of December 31st , 2017 to the IFRS 9 figures taken into account. The impact to deferred taxes was recognized trough equity by using the tax rate applied for the calculation of the deferred tax assets in the original period.
At June 30, 2018 a net deferred tax asset of € 0.1 million for temporary differences was recognized. Deferred tax assets and liabilities are measured at nominal value.
The deferred tax assets and liabilities comprises the tax effect of the temporary differences between the profit determination for financial reporting purposes and for tax purposes.
Deferred tax assets and liabilities are attributable to the following:

Movements in 2018:

(x €1,000)	31 December 2017	First adoption IFRS 9	1 January 2018	Provi- sions made	Provi- sions used	Provi- sions released	Other	30 June 2018
Valuation of derivatives	687	(668)	19	61	-	-	-	80

Movements in 2017:

(x €1,000)	1 January 2017		Re- classi- fication	Provi- sions made	Provi- sions used	Provi- sions released	Other	31 December 2017
Valuation of derivatives	1,622		-	-	-	(935)	-	687

7 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 and Commercial Paper under the European Commercial Paper Program and obtains funds from affiliated companies by entering into loan agreements. The issues under the EMTN and CP Programs (totalling € 9.1 billion) 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 terms and conditions of outstanding EMTN notes were as follows:
(x € 1,000)

(x €1,000)	Currency	Nominal interest rate	Date of drawing	Date of maturity	Nominal value	Book value 30-06-2018	Market value 30-06-2018
EMTN	EUR	3M Euribor + 0,65%	1/12/2017	1/12/2019	200,000	200,440	200,388
EMTN	EUR	0.000%	3/15/2017	3/15/2019	500,000	500,103	500,540
EMTN	GBP	3.500%	2/6/2012	6/6/2019	603,726	566,182	576,169
EMTN	EUR	3M Euribor + 0,60%	11/13/2017	11/13/2019	500,000	503,260	503,220
EMTN	EUR	3M Euribor + 0,50%	4/10/2018	4/9/2020	500,000	503,156	502,365
EMTN	CNY	4.800%	4/9/2018	4/9/2021	128,723	129,319	131,412
EMTN	GBP	1.500%	5/18/2018	8/18/2021	458,059	449,869	450,277
EMTN	EUR	0.200%	9/13/2017	9/13/2021	500,000	499,764	500,325
EMTN	EUR	3M Euribor + 0,30%	5/11/2017	5/11/2022	500,000	500,189	498,055
EMTN	EUR	0.250%	5/11/2018	5/11/2022	1,000,000	995,885	993,670
EMTN	NOK	1.750%	5/24/2017	5/24/2022	79,921	77,718	79,081
EMTN	EUR	3M Euribor + 0,25%	1/11/2018	1/11/2023	750,000	752,728	740,483
EMTN	EUR	1.000%	5/11/2018	11/11/2025	1,250,000	1,246,155	1,225,388
Total	EUR				6,970,429	6,924,769	6,901,373

CP notes (x € 1,000)

(x €1,000)	Currency		Nominal value	Book value 30-06-2018
CP	EUR		2,222,879	2,218,306
Total	EUR		2,222,879	2,218,306

The due date of the CPs varies to September 2018, the interest rates between - 0.370% (EUR) and 0.795% (GBP).

EMTN notes include both hedged and unhedged notes.

◊ The due date of the loans obtained from affiliated companies is June 2019 with interest rates of 0.367% and are in conformity with the Group-wide intercompany pricing standards ensuring at arm's-length conditions.

◊ As at June 30 2018 there are no liabilities to affiliated companies denominated in a currency other than Euro (2017: € 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 the loans from affiliated companies per June 30, 2018 is € 30 million (2017: € 0.5 billion).

◊ The fair value of EMTN notes per June 30 2018 is € 6.9 billion (2017: € 3.1 billion). The fair value of EMTN notes is derived from the market quotation.

8 Other liabilities to affiliated companies

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

As at June 30, 2018 there are no liabilities to affiliated companies denominated in a currency other than Euro (2017: € 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.

9 Taxation and social security premiums

The specification is as follows:

(x €1,000)	30 June 2018	31 Dec. 2017
Corporate income tax	(33)	295
Value-added tax	16	(8)
Payroll tax and social security charges	8	12
Total	(9)	299

10 Other liabilities and accruals

The specification is as follows:

(x €1,000)	30 June 2018	31 Dec. 2017
Interest debts to third parties	6,996	15,845
Other liabilities / accruals	351	318
Total	7,347	16,163

11 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 Swaps, Currency Contracts and Cross Currency Swaps are used. The Company does not trade in these Derivative Financial Instruments.

The EMTN notes issued by the Company are lent onward at arm's length conditions to affiliated companies with the goal to meet the matched funded principles wherever possible.

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 Company's general policy to mitigate interest rate risk by applying a matched funding in terms of maturities and interest rate and 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.

Foreign currency risk
It is the objective of the Company to eliminate foreign currency risk. Therefore, the Company enters into foreign exchange contracts to hedge foreign currency risks as far as they are not lent on in the same currency. As a result the company incurred only limited foreign currency risk from its ordinary issuance and lending activities. The related Derivative Financial Instruments are recognized on 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 A2 (stable) from Moody's Investors Service, A (stable) from Standard & Poor's Ratings Group and A- (stable) from Fitch Ratings as at June 30, 2018.

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 cash flow hedge 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.

12 Interest income

The interest income is based on loans provided to group companies in the EU (2018: 56.2% and 2017: 52.9%), the US (2018: 31.4% and 2017: 46.6%), Asia (2018: 12.4% and 2017: 0.0%) and Australia (2018: 0.0% and 2017: 0.5%).

13 Result financial transactions

Result financial transactions comprises the valuation impact of derivatives and the translation gains and losses.
Hedge accounting is applied in accordance with the hedge accounting requirements as stated in IFRS 9.
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 0.1 million (loss).

14 Commissions in relation to EMTN notes and Commercial Paper

Commissions in relation to EMTN notes and Commercial Paper consist of guarantee fees paid by the Company to Daimler AG, guarantor under the EMTN and CP Programs and fees for rating agencies.

15 Corporation tax

The applicable nominal tax rate is 25% (2017: 25%). The tax expense recognized in the profit and loss account for 2018 amounts to EUR 0.4 million, or 25% of the result before tax (2017: 25%).

(x €1,000)	30 June 2018	30 June 2017
Tax liability for current financial year	(487)	(493)
Deferred tax asset / liability	59	(311)
Total	(428)	(804)

16 Contingent liabilities and (off-balance sheet) commitments

As at June 30, 2018 the Company has no off balance sheet commitment (2017: 0.0 million).