

DAIMLER

Daimler International Finance B.V.

Interim Report

2019

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Supervisory Board

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

Board of Management

- M. van Pelt
- V. Lach

Registered office

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Report of the Board of Management

General

These Financial Statements cover the first half year 2019, which ended at the balance sheet date of 30 June 2019.

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, 2019 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, notes 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 (negative) from Moody’s Investors Service, A (negative) from Standard & Poor’s Ratings Group and A- (stable) from Fitch Ratings as at 15 August 2019. These ratings rely on the performance of the Daimler Group.

The outstanding bonds issued by Daimler International Finance B.V. are listed. Both Swiss Franc denominated Bonds issued in 2018 are listed on the SIX Swiss Exchange. All other bonds 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, with a focus on European financial services companies and Daimler treasury centres.

Development 1st half of 2019

In the first half of 2019, Daimler International Finance B.V. issued three bonds under the Daimler EMTN Program in the total amount of € 2,628 million.

Furthermore, in 2019 Daimler International Finance B.V. issued CPs for a total amount of € 1,488 million under the Daimler European Commercial Paper Program with tenors up to 12 months and one promissory loan note. At 30 June 2019, the CP outstanding amounts to € 2,204 million. The proceeds of the bonds, note and CP were used to fund intercompany loans to Daimler Group companies.

In 2019 the total loans to affiliated companies of the Company decreased by € 448 million to a level of € 14,089 million as per June 30, 2019. All new funding of the financial assets was realized through the issuance of EMTN, notes and CPs under the European CP Programs and through group-internal loans.

The interest margin developed positively to € 16.854 million compared to € 5.596 million in the first half of 2018. Besides, the financial result of the year was negatively affected by the increase of commissions in relation to EMTN issues and the operating costs. The net profit after taxation amounts to € 4.1 million compared to € 1.3 million in the first half of 2018. This includes a compensation payment from Daimler AG for losses arising from a mismatched position.

Since all the debt securities 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, 2019 was 6 (2018: 4). The directors who are 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.

It is the Company's general policy to hedge occurring market risks with foreign exchange swaps and interest rate swaps to eliminate FX risks and to match the funding requirements in terms of maturities and interest rates.

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). 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

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.

A further expansion of business will also increase the number of interest rate and foreign currency derivatives.

In 2019 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.

Events after the balance sheet date

Since the reporting date of June 30, 2019 there have been no occurrences that are of major significance to the Company.

Nieuwegein, August 26, 2019

Daimler International Finance B.V.
Ravenswade 4 - NL-3439 LD Nieuwegein

The Board of Management

M. van Pelt

V. Lach

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 2019** 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.

Nieuwegein, August 26, 2019

Daimler International Finance B.V.
The Board of Management

M. van Pelt

V. Lach

Daimler International Finance B.V.
Balance sheet as at June 30, 2019
(before profit appropriation x €1,000)
-unaudited-

	<u>Note</u>	<u>30-06-2019</u>	<u>31-12-2018</u>
<u>ASSETS</u>			
<u>FIXED ASSETS</u>			
◇ Tangible fixed assets		21	21
◇ Financial fixed assets			
Loans to affiliated companies	1	6,801,352	6,659,845
Other financial assets	2	254,137	71,704
Deferred tax assets	6	-	741
		<u>7,055,489</u>	<u>6,732,290</u>
<u>CURRENT ASSETS</u>			
◇ Receivables:			
Loans to affiliated companies	1	7,287,516	7,876,730
Other financial assets	2	45,956	16,118
Interest receivables affiliated companies	3	99,040	92,640
Other receivables affiliated companies		-	173
Taxation and social security premiums		2,091	-
		<u>7,434,603</u>	<u>7,985,661</u>
◇ Cash and cash equivalents	4	3,877,042	1,508,803
		<u>18,367,155</u>	<u>16,226,775</u>

Daimler International Finance B.V.
Balance sheet as at June 30, 2019
(before profit appropriation x €1,000)
-unaudited-

	Note	30-06-2019	31-12-2018
LIABILITIES			
◇ Shareholders' equity	5		
Issued capital		500	500
Other reserves		533,865	530,951
Cash flow hedge reserve		(9,632)	(8,409)
Unappropriated profit		4,129	2,914
		528,862	525,956
◇ Non-current liabilities			
EMTN issues	7	13,360,941	11,143,910
Promissory loan note	7	263,242	
Loans from affiliated companies	7	300,000	300,000
Other financial liabilities	2	54,157	41,396
Deferred tax liability		68	
		13,978,408	11,485,306
◇ Current liabilities			
EMTN issues	7	1,379,193	2,042,219
CP issues	7	2,204,014	1,763,147
Loans from affiliated companies	7	100,000	130,000
Other financial liabilities	2	42,849	158,673
Other liabilities to affiliated companies	8	66,687	71,255
Taxation and social security premiums	9	0	436
Other liabilities and accruals	10	67,142	49,783
		3,859,885	4,215,513
		18,367,155	16,226,775

Daimler International Finance B.V.
Profit and loss account for the half-year ended June 30, 2019
(x €1,000)
-unaudited-

	Note	30-06-2019	30-06-2018
◇ Interest income	12	201,645	55,422
◇ Interest expenses		<u>(184,791)</u>	<u>(49,826)</u>
Interest margin		16,854	5,596
◇ Result financial transactions	13	4,009	123
◇ External costs and other			
Operating costs		(1,379)	(99)
Commissions in relation to EMTN issues	14	(9,603)	(3,632)
Wages and salaries		(342)	(197)
Social security charges		(10)	(17)
Pension charges and early retirement costs		<u>(12)</u>	<u>(24)</u>
		(11,346)	(3,969)
PROFIT BEFORE TAX		<u>9,517</u>	<u>1,750</u>
◇ Taxation	15	<u>(5,388)</u>	<u>(428)</u>
NET PROFIT (LOSS)		<u>4,129</u>	<u>1,322</u>

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

	30-06-2019	30-06-2018
Profit after tax	4,129	1,322
<i>Adjustments for:</i>		
Interest income	(201,645)	(55,422)
Interest expenses	184,791	49,826
Income tax expense	5,388	428
Result financial transactions	(4,009)	(123)
<i>Changes in:</i>		
Change in provisions		-
Change in tax receivables	(2,527)	20
Other liabilities (excluding interest on debts)	433	33
Cash flow from operating activities:		
Interest received	192,405	51,840
Interest paid	(173,565)	(52,470)
Additions to loans to affiliated companies	(9,074,976)	(9,604,746)
Repayments of loans to affiliated companies	9,398,554	4,530,492
Derivative assets and liabilities		(202)
Tax paid	(7,180)	(816)
Net cash from operating activities	321,798	(5,079,818)
Cash flow from financing activities:		
Proceeds from additional EMTN, notes and CP issues	4,379,210	9,836,905
Repayments of EMTN and CP	(2,302,769)	(3,953,422)
Additional short term loans received from aff. companies	-	1,200,000
Additional long term loans received from aff. companies	-	-
Repayments of loans from affiliated companies	(30,000)	(1,705,000)
Capital contribution	-	-
Net cash from financing activities	2,046,441	5,378,483
Net de / increase in cash and cash equivalents	2,368,239	298,665
Cash at beginning of period	1,508,803	16,379
Cash at end of period	3,877,042	315,044
Net de / increase in cash and cash equivalents	2,368,239	298,665

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

	30-06-2019	30-06-2018
Net result after tax attributable to the company	4,129	1,322
Unrealized revaluation of cash flow hedges charged directly to shareholders equity	(1,223)	(1,323)
Total of items recognised directly in shareholders' equity of the company	(1,223)	(1,323)
Total result of the legal entity	2,906	(1)

NOTES TO THE ANNUAL ACCOUNTS as at June 30, 2019

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 2019	31 Dec. 2018
Value as at the 1 January	14,536,575	4,409,868
Changes in fair value as a result of hedge accounting / assessment	8,513	20,726
Amortization discount	725	266
Exchange rate differences	(133,367)	12,659
Additions in the year	9,074,976	20,870,530
Repayments in the year	(9,398,554)	(10,777,474)
Value as at the 31 December	14,088,868	14,536,575

As at the 30 June € 7.3 billion (2018: € 7.9 billion) of the principle portions outstanding is due and repayable within 1 year and € 6.8 billion (2018: € 6.7 billion) is due and repayable between 1 and 10 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 € 10.9 billion (2018: € 11.2 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.

The fair value of the loans to affiliated companies per June 30 2019 is € 14.2 billion (2018: € 14.6 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 2019		31 Dec. 2018	
risk type:				
Interest related FV	244,097	4,633	59,386	4,535
Cross currency related FV	55,996	92,373	28,436	195,534
Total	300,093	97,006	87,822	200,069

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 2019		31 Dec. 2018	
Instrument type:				
Interest rate swaps	243,505	-	58,436	1,487
Cross currency swaps	13,186	31,226	22,412	145,394
Total	256,691	31,226	80,848	146,881

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 2019		31 Dec. 2018	
Instrument type:				
Interest rate swaps	-	4,573	-	2,653
Cross currency swaps	9,281	49,302	2,238	33,380
FX swaps	33,898	11,905	4,736	16,761
Total	43,179	65,780	6,974	52,794

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 € 74.4 million (2018: € 76.3 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

Summary of movements in shareholders' equity in 2019 and 2018:

	1 January 2019	capital increase	Profit distribu- tion in 2018 for 2017	Dividend distribution in 2019	Changes in fair value of cash flow hedges	Result for the year	30 June 2019
(x €1,000)							
<u>Share capital:</u>							
Authorised capital	2,500						2,500
Not issued capital	(2,000)						(2,000)
Issued capital	500		-	-		-	500
Other reserves	530,951		2,914	-			533,865
Cash flow hedge reserve	(8,409)				(1,223)		(9,632)
Profit for the year	2,914		(2,914)			4,129	4,129
Total shareholders' equity	525,956		-	-	(1,223)	4,129	528,862

	1 January 2018	capital increase	Profit distribu- tion in 2018 for 2017	Dividend distribution in 2018	Changes in fair value of cash flow hedges	Result for the year	31 December 2018
(x €1,000)							
<u>Share capital:</u>							
Authorised capital	2,500						2,500
Not issued capital	(2,000)						(2,000)
Issued capital	500		-	-		-	500
Other reserves	524,955		5,996	-			530,951
Cash flow hedge reserve	6				(8,415)		(8,409)
Profit for the year	5,996		(5,996)			2,914	2,914
Total shareholders' equity	531,457		-	-	(8,415)	2,914	525,956

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, 2019 1,000 shares have been issued and fully paid.

The other reserves are considered to be legal statutory reserves both in 2018 and 2019. 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. In 2019 € 1.2 million has been extracted from Equity to P&L.

6 Deferred tax assets and liabilities

At June 30, 2019 a net deferred tax liability 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 2019:

(x €1,000)	1 January 2019	Re- classi- fication	Provi- sions made	Provi- sions used	Provi- sions released	Other	30 June 2019
Valuation of derivatives	741	-	(68)	-	(741)	-	(68)

Movements in 2018:

(x €1,000)	1 January 2018	Re- classi- fication	Provi- sions made	Provi- sions used	Provi- sions released	Other	31 December 2018
Valuation of derivatives	687	-	54	-	-	-	741

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 debt securities (totalling € 17.2 billion) are unconditionally and irrevocably guaranteed by Daimler AG for which the Company pays a guarantee fee. The outstanding bonds issued by Daimler International Finance B.V. are listed. Both Swiss Franc denominated Bonds issued in 2018 are listed on the SIX Swiss Exchange. All other bonds 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 in EUR 30-06-2019	Book value in EUR 30-06-2019	Market value in EUR 30-06-2019
EMTN	EUR	EUR-EURIBOR 3M+0.6000	11/13/2017	11/13/2019	500,000	500,885	501,305
EMTN	GBP	1.00	8/21/2018	12/20/2019	278,847	278,674	278,462
EMTN	EUR	EUR-EURIBOR 3M+0.5000	4/10/2018	4/9/2020	500,000	501,381	501,065
EMTN	GBP	GBP-LIBOR 3M+0.5100	8/21/2018	6/18/2020	100,385	100,346	100,239
EMTN	GBP	2.75	8/21/2018	12/4/2020	139,423	139,872	142,399
EMTN	GBP	2.75	8/21/2018	12/4/2020	278,847	279,142	284,797
EMTN	GBP	2.75	8/21/2018	12/4/2020	167,308	171,072	170,878
EMTN	CNY	4.80	4/9/2018	4/9/2021	127,902	127,727	131,612
EMTN	EUR	0.25	8/9/2018	8/9/2021	1,500,000	1,509,869	1,508,340
EMTN	GBP	1.50	5/18/2018	8/18/2021	446,155	444,377	445,133
EMTN	EUR	0.20	9/13/2017	9/13/2021	500,000	505,457	502,455
EMTN	CNY	4.50	9/21/2018	9/21/2021	127,902	127,700	131,471
EMTN	GBP	2.38	8/21/2018	12/16/2021	278,847	283,177	284,307
EMTN	GBP	1.50	8/21/2018	1/13/2022	501,924	502,869	500,203
EMTN	CNY	3.78	3/22/2019	3/22/2022	127,902	127,762	128,852
EMTN	EUR	EUR-EURIBOR 3M+0.3000	5/11/2017	5/11/2022	500,000	500,140	496,210
EMTN	EUR	0.25	5/11/2018	5/11/2022	1,000,000	1,013,515	1,002,730
EMTN	NOK	1.75	5/24/2017	5/24/2022	77,369	76,758	77,200
EMTN	GBP	2.13	8/21/2018	6/7/2022	334,616	336,764	339,839
EMTN	CHF	0.25	11/14/2018	11/14/2022	193,606	195,385	195,841
EMTN	NOK	2.25	9/27/2018	12/15/2022	77,369	77,539	78,076
EMTN	EUR	EUR-EURIBOR 3M+0.2500	1/11/2018	1/11/2023	750,000	752,126	743,100
EMTN	EUR	0.63	2/27/2019	2/27/2023	1,500,000	1,512,012	1,517,070
EMTN	GBP	2.00	9/4/2018	9/4/2023	557,693	565,908	559,344
EMTN	NOK	2.68	12/18/2018	12/18/2023	51,579	51,688	53,191
EMTN	EUR	0.88	8/9/2018	4/9/2024	1,000,000	1,026,633	1,016,220
EMTN	EUR	1.00	5/11/2018	11/11/2025	1,250,000	1,303,158	1,261,075
EMTN	CHF	0.85	11/14/2018	11/14/2025	166,592	174,144	172,259
EMTN	EUR	1.38	2/27/2019	6/26/2026	1,000,000	1,025,055	1,025,190
EMTN	EUR	1.50	8/9/2018	2/9/2027	500,000	529,003	516,440
Total	EUR				14,534,265	14,740,134	14,665,303

Loan notes (x € 1,000)

(x €1,000)	Currency	Nominal value in EUR 30-06-2019	Book value in EUR 30-06-2019
SSD	USD	265,582	263,242
Total	EUR	265,582	263,242

CP notes (x € 1,000)

(x €1,000)	Currenc y		Nominal value in EUR 30-06-2019	Book value in EUR 30-06-2019
CP	EUR		1,994,000	1,995,347
CP	GBP		210,240	208,667
Total	EUR		2,204,240	2,204,014

The due date of the CPs varies to June 2020, the interest rates between - 0.125% (EUR) and 0.955% (GBP).

EMTN notes include both hedged and unhedged notes.

- ◇ The due date of the loans obtained from affiliated companies varies from October 2020 to October 2021. The interest rates of the loans obtained from affiliated companies vary between 0.04% and 0.59% and are in conformity with the Group-wide intercompany pricing standards ensuring at arm's-length conditions.
- ◇ As at June 30 2019 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, 2019 is € 0.4 billion (2018: € 0.44 billion).
- ◇ The fair value of EMTN notes per June 30 2019 is € 14.7 billion (2018: € 13.1 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, 2019 there are no liabilities to affiliated companies denominated in a currency other than Euro. 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 2019	31 Dec. 2018
Corporate income tax	2,134	467
Value-added tax	(10)	(31)
Payroll tax and social security charges	(33)	-
Total	2,091	436

10 Other liabilities and accruals

The specification is as follows:

(x €1,000)	30 June 2019	31 Dec. 2018
Interest debts to third parties	66,327	49,414
Other liabilities / accruals	815	369
Total	67,142	49,783

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 (negative) from Moody's Investors Service, A (negative) from Standard & Poor's Ratings Group and A- (stable) from Fitch Ratings as at 15 August 2019.

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 (2019: 69.6% and 2018: 56.2%), the US (2019: 7.5% and 2018: 31.4%), Asia (2019: 22.9% and 2018: 12.4%)

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 RJ 290 taking into account that the hypothetical derivative method for fair value hedges is used.

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 0.4 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.

15 Corporation tax

The applicable nominal tax rate is 25% (2018: 25%). The tax expense recognized in the profit and loss account for 2019 amounts to EUR 5.4 million, including withholding tax.

(x €1,000)	30 June 2019	31 Dec. 2018
Tax liability for current financial year	(4,580)	(1,037)
Deferred tax asset / liability	(808)	54
Total	(5,388)	(983)

16 Contingent liabilities and (off-balance sheet) commitments

As at June 30, 2019 the Company has an off balance sheet commitment amounting to € 40 million (2018: € 40 million). This off balance sheet commitment relates to forward loans to an affiliated company. The interest risk was covered.