

# DAIMLER

Daimler International Finance B.V.

Financial Report  
2010

## Contents

### Page:

2	Supervisory Board Board of Management Registered office
3	Report of the Board of Management
5	Responsibility Statement
6	Balance sheet as at 31 December 2010
8	Profit and loss account for the year ended 31 December 2010
9	Cash flow statement 2010
10	Statement of recognised income and expenses
11	Accounting principles for the financial statements
17	Notes to the annual accounts 31 December 2010
28	Other information

## **Supervisory Board**

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

## **Board of Management**

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

## **Registered office**

Van Deventerlaan 50  
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## Report of the Board of Management

### General

Daimler International Finance B.V. (or “the Company”) finances part of the activities of the Daimler Group. As at 31 December 2010 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 Euro Medium Term Note Program (EMTN) issues of Daimler International Finance B.V. are irrevocably guaranteed by Daimler AG. These bonds have long-term ratings of A3 (negative) from Moody’s Investors Service, BBB+ (stable) from Standard & Poor’s Ratings Group and BBB+ (positive) from Fitch Ratings as at 31 December 2010. These ratings rely on the performance of the Daimler Group. On March 21<sup>st</sup>, 2011 Moody’s changed the rating from A3 (negative) to (stable). The bonds issued by Daimler International Finance B.V. are listed on the Luxembourg Stock Exchange.

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

### Development 2010

On January 27, 2010 Daimler International Finance B.V. issued two bonds under the Daimler EMTN Program. The proceeds from the 2-year JPY 3 billion note bearing a floating interest rate of 3-month JPY Libor + 0.7% were swapped into GBP and allocated as intercompany loan to a Daimler Group company. The other new issuance of USD 150 million also bears a variable interest rate coupon with 3-month USD Libor + 0.95%. The funds were given as USD intercompany loan to a Daimler Group company.

In 2010 the financial assets of the Company decreased by € 949 million to a level of € 9,680 million as per the end of 2010. All corresponding funding of the financial assets was realized through the issuance of bonds under the EMTN Program and group-internal loans.

The 2010 financial result after taxation amounts to € 39.7 million compared to a realised financial result of € 1.9 million in 2009. The increase of the financial result can primarily be explained by the early termination fee, amounting to approximately € 51 million, on the restructuring of part of the financial assets. The restructured part of the financial assets (loans to affiliated companies) caused a major shift in interest cash flows of the involved loans. Based on the applied accounting principles the Company recognised the early termination fee directly in the interest result which will be 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. However, the impact of valuations of hedging transactions influenced the interest result negatively.

## **Risk Management**

The Board of Directors 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 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.

The Company solely provides loans within the Daimler Group. 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 Group-internally or with banks of good reputation.

## **Outlook**

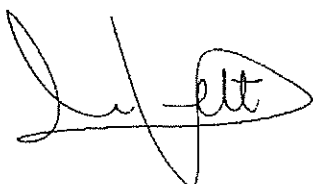
The overall result of Daimler International Finance B.V. in 2011 is expected to be negative due to the above-mentioned restructuring of the financial assets. The overall result can furthermore be affected by valuations arising from hedging transactions. Due to the integrated organisation of lending and funding activities within the Daimler Group, the Company expects no direct impacts arising from the market development.

## **Events after the closing date**

Since the end of the 2010 financial year, there have been no occurrences that are of major significance for the Company.

Utrecht, 4 April 2011

Daimler International Finance B.V.  
The Board of Management



Mr. M. van Pelt



P. Derks



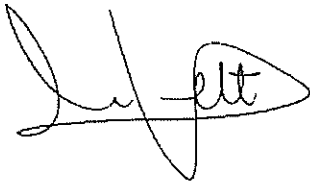
H. Wendroth

## Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for annual financial reporting, the **Financial Report 2010** gives a true and fair view of the assets, liabilities, financial position and profit or loss of Daimler International Finance B.V. The 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, 4 April 2011

Daimler International Finance B.V.  
The Board of Management



Mr. M. van Pelt



P. Derks



H. Wendroth

**Daimler International Finance B.V.**  
**Balance sheet as at 31 December 2010**  
**(before profit appropriation x € 1,000)**

	<u>Note</u>	<u>31-12-2010</u>	<u>31-12-2009*</u>
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
◇ Financial fixed assets			
Loans to affiliated companies	1	4,396,442	8,146,158
Other financial assets	2	<u>61,663</u>	<u>134,226</u>
		4,458,105	8,280,384
<b>CURRENT ASSETS</b>			
◇ Receivables:			
Loans to affiliated companies	1	5,222,678	2,349,433
Affiliated companies	3	429,717	509,692
Tax receivables	4	<u>191</u>	<u>388</u>
		5,652,586	2,859,513
◇ Cash at bank and in hand	5	<u>9,313</u>	<u>32,222</u>
		<u>10,120,004</u>	<u>11,172,119</u>

\* reclassified for comparison purposes

**Daimler International Finance B.V.**  
**Balance sheet as at 31 December 2010**  
**(before profit appropriation x € 1,000)**

	<u>Note</u>	<u>31-12-2010</u>	<u>31-12-2009</u>
<b>LIABILITIES</b>			
◇ Shareholders' equity	6		
Issued capital		500	500
Other reserves		21,647	19,771
Cash flow hedge reserve		(140)	906
Retained earnings		<u>39,692</u>	<u>1,876</u>
		61,699	23,052
◇ Provisions	7	51	44
◇ Deferred tax liabilities	8	13,502	1,368
◇ Long-term liabilities			
EMTN issues	9	4,646,673	8,446,619
Affiliated companies	9	101,417	434,393
Other financial liabilities	2	<u>109,509</u>	<u>37,618</u>
		4,857,599	8,918,630
◇ Short-term liabilities			
EMTN issues	9	3,930,181	597,989
Loans from affiliated companies	9	794,739	1,110,073
Other liabilities affiliated companies	10	43,263	65,717
Taxation and social security premiums	11	25	36
Other liabilities and accruals	12	<u>418,945</u>	<u>455,210</u>
		5,187,153	2,229,025
		<u>10,120,004</u>	<u>11,172,119</u>



**Daimler International Finance B.V.**  
**Profit and loss account for the year ended 31 December 2010**  
(x € 1,000)

	<u>Note</u>	<u>31-12-2010</u>	<u>31-12-2009</u>
◇ Interest income	14	914,029	909,068
◇ Interest expenses			
Interest expense excl. valuation impact of derivatives		(853,980)	(893,026)
Valuation impact of derivatives	15	<u>874</u>	<u>(6,110)</u>
Interest margin		60,923	9,932
◇ External costs and other			
Operating costs		(642)	(412)
Commissions in relation to EMTN issues	16	(7,076)	(6,723)
Wages and salaries		(209)	(198)
Social security charges		(32)	(26)
Pension charges and early retirement costs		<u>(48)</u>	<u>(47)</u>
		(8,007)	(7,406)
PROFIT BEFORE TAX		<u>52,916</u>	<u>2,526</u>
◇ Taxation	17	<u>(13,224)</u>	<u>(650)</u>
NET PROFIT		<u><u>39,692</u></u>	<u><u>1,876</u></u>

**Cash Flow statement (x € 1,000)**

	31-12-2010	31-12-2009
Profit after tax	39,692	1,876
<i>Adjustments for:</i>		
Change in value adj. to other financial assets/liabilities	(874)	6,110
Income tax expense	13,224	650
<i>Changes in:</i>		
Change in provisions	7	-
Change in deferred tax liabilities	-	(235)
Change in tax receivables	197	(388)
Amortization financial instruments	13,902	9,504
Tax paid	(917)	(2,222)
<b>Change in operating assets and liabilities:</b>		
Additions to loans to affiliated companies	(3,416,467)	(9,516,400)
Repayments made from loans to affiliated companies	4,387,079	6,984,821
Change in receivables affiliated companies	78,705	(377,390)
Change in derivative assets and liabilities	41,829	12,655
Change in other liabilities	(35,359)	351,108
<b>Net cash from operating activities</b>	<b>1,121,018</b>	<b>(2,529,911)</b>
<b>Cash flow from investing activities</b>	<b>-</b>	<b>-</b>
<b>Cash flow from financing activities:</b>		
Proceeds from additional EMTN issues	130,097	4,141,087
Repayments of EMTN	(600,000)	-
Additional short term loans received from aff. companies	1,937,000	2,116,805
Additional long term loans received from aff. companies	90,000	-
Repayments of loans from affiliated companies	(2,677,570)	(3,728,651)
Repayments of other financing activities	(23,454)	11,328
<b>Net cash from financing activities</b>	<b>(1,143,927)</b>	<b>2,540,569</b>
<b>Net de/increase in cash and cash equivalents</b>	<b>(22,909)</b>	<b>10,658</b>
Cash at beginning of period	32,222	21,564
Cash at end of period	9,313	32,222
<b>Net de/increase in cash and cash equivalents</b>	<b>(22,909)</b>	<b>10,658</b>

Statement of recognised income and expenses (x € 1,000)

	31-12-2010	31-12-2009
Net result after tax attributable to the company	39,692	1,876
Unrealized revaluation of cash flow hedges charged directly to shareholders equity	(1,045)	1,414
Total of items recognised directly in shareholders' equity of the company	<u>(1,045)</u>	<u>1,414</u>
Total result of the legal entity	<u><u>38,647</u></u>	<u><u>3,290</u></u>

## **Accounting principles for the financial statements**

### **General information**

The Company, having its legal seat in Utrecht, was established on 4 April 1986 as a private limited company (B.V.). The shares are 100% owned by Daimler AG in Stuttgart, Germany.

### **Basis of preparation**

#### **Statement of compliance**

These financial statements have been prepared in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in part 9, Book 2 of the Netherlands Civil code.

If not stated otherwise, assets and liabilities are shown at nominal value. All financial information presented in Euro has been rounded to the nearest thousand, unless otherwise stated.

#### **Basis of measurement**

The financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value;
- recognized financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships are adjusted for changes in fair value attributable to the risk being hedged;
- loans for which no hedge accounting is applied are accounted for against amortized costs.

### **The use of estimates and assumptions in the preparation of the financial statements**

The preparation of the financial statements requires the management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. The actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognized in the period in which the estimate is revised and in future periods for which the revision has consequences.

## **Foreign currency transactions**

Transactions denominated in foreign currency are translated into the relevant functional currency of the group companies at the exchange rate applying on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the balance sheet date at the exchange rate applying on that date. Non-monetary assets and liabilities in foreign currency that are stated at historical cost are translated into euros at the applicable exchange rates on the transaction date. Translation gains and losses are taken to the profit and loss account as expenditure.

## **Specific accounting principles**

### **General**

An asset is disclosed in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be reliably measured. A liability is disclosed in the balance sheet when it is expected to result in an outflow from the Company of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

If a transaction results in a transfer of future economic benefits and/or when all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet. Assets and liabilities are not included in the balance sheet if economic benefits are not probable or cannot be measured with sufficient reliability.

The income and expenses are accounted for in the period to which they relate. Revenue is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods.

### **Offsetting**

Financial assets and liabilities are offset and the net amount reported on the balance sheet if there is a legally enforceable right to set off the recognized amounts, and there is an intention to settle the items on a net basis, or to settle the asset and the liability simultaneously. If these conditions are not fulfilled, amounts will not be offset.

## **Financial instruments**

Financial instruments include cash items, loans, derivative financial instruments and other financing commitments.

Unless stated otherwise, financial instruments are initially recognized at fair value.

### **Derivatives**

The Company uses derivative financial instruments such as swaps, forward rate agreements for the purpose of hedging interest rate and currency risks that arise from its financing activities. Derivatives are measured at fair value upon entering into the contract.

The fair value of the Company's derivatives depend on the type of instrument and is based on a discounted cash flow model. The Company recognises derivatives with a positive market value as assets and derivatives with a negative market value as liabilities. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cashflow or option pricing models.

### **Loans and liabilities**

The loans and liabilities to affiliated companies as well as EMTN issues are measured at amortized cost using the effective interest method, less a provision for impairment if necessary. Recognized loans and liabilities designated as hedged items in qualifying fair value hedge relationships are adjusted for changes in fair value attributable to the risk being hedged.

## **Hedge Accounting**

The Company uses derivatives as part of asset and liability management and risk management. These instruments are used for hedging interest rate and foreign currency risks, including the risks of future transactions.

The Company can designate certain derivatives as either (1) a hedge of the fair value of a recognized asset or liability (fair value hedge); or (2) a hedge of a future cash flow that can be attributed to a recognised asset or liability, an expected transaction or a definite obligation (cash flow hedge).

Hedge accounting is applied for derivatives that are thus designated and that satisfy the conditions set by the Company. The Company sets the following conditions for the application of hedge accounting:

- formal documentation of the hedging instrument, the hedged position, the risk management objective, strategy and relationship of the hedge is completed before hedge accounting is applied;
- the documentation shows that the hedge is expected to be effective in offsetting the risk in the hedged position for the entire hedging period;
- the hedge continues to be effective during the term.

A hedge is considered to be effective if the Company, at the inception of and during the term, can expect that adjustments in the fair value or cash flows of the hedged position will be almost fully offset by adjustments in the fair value or cash flows of the hedging instrument, insofar as they are attributable to the hedged risk, and the actual results remain within a bandwidth of 80% to 125%. The Company ceases hedge accounting as soon as it has been established that a derivative is no longer an effective hedge, or when the derivative expires, is sold, terminated or exercised; when the hedged position expires, is sold or redeemed; or when an expected transaction is no longer deemed highly likely to occur.

#### **Fair value hedge accounting**

Derivatives designated as a hedge of the fair value of recognized assets or of a definite obligation are stated as fair value hedges. Changes in the fair value of the derivatives which are designated as a hedge are recognized immediately in the income statement and reported together with corresponding fair value adjustments to the hedged item attributable to the hedged risk. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item for which the effective interest method is used, is amortized to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

#### **Cash flow hedge accounting**

Derivatives can be designated as a hedge of the risk of future variability of the cash flows of a recognized asset or liability or highly likely expected transaction. Adjustments in the fair value of the effective portion of derivatives that are designated as a cash flow hedge and that meet the conditions for cash flow hedge accounting are stated in the cash flow hedge reserve as a separate component of shareholders' equity. The underlying transaction, which is designated as part of a cash flow hedge, does not change as far as the administrative processing is concerned.

As soon as the expected future transactions lead to the recognition of gains or losses in the profit and loss account, the respective amounts are taken from the revaluation reserve to the profit and loss account. Any ineffective portion of changes in the fair value of the derivatives is recognized immediately in profit or loss.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast transaction the cumulative amount recognized in other comprehensive income from the period when the hedge was effective is reclassified from equity to profit or loss as a reclassification adjustment when the forecast transaction occurs and affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified immediately to profit or loss as a reclassification adjustment.

## **Interest**

Interest income and expense are recognized in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the income statement include:

- interest on financial assets and liabilities at amortized cost calculated on an effective interest basis;
- the fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows (including hedge ineffectiveness), in the same period that the hedged cash flows affect interest income/expense;
- fair value changes in qualifying derivatives (including hedge ineffectiveness) and related hedged items in fair value hedges of interest rate risk.

## **Corporate income tax**

Corporate income tax comprises the current and deferred corporate income tax payable and deductible for the reporting period. Corporate income tax is recognized in the profit and loss account except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the financial year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years.

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.



## **Cash flow statement**

The cash flow statement is prepared according to the indirect method, and distinguishes between cash flows from operational, investment and financing activities. Cash flows in foreign currency are converted at the exchange rate applicable on the transaction date. With regard to cash flow from operations, operating results before taxation are adjusted for gains and losses that did not result in income and payments in the same financial year and for movements in provisions and accrued and deferred items.

In the context of the cash flow statement, cash and cash equivalents are equal to the balance sheet item cash and cash equivalents.

## **Determination of fair value**

A number of accounting policies and disclosures in the company's financial statements require the determination of the fair value for both financial and non-financial assets and liabilities.

For measurement and disclosure purposes, fair value is determined on the basis of the following methods. Where applicable, detailed information concerning the principles for determining fair value are included in the section that specifically relates to the relevant asset or liability.

### **Financial assets**

The fair value of financial assets 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 value of these financial assets is only determined for the benefit of the disclosures.

### **Receivables**

The fair value of trade and other receivables is estimated at the present value of future cash flows. The market value of these financial instruments stated on the balance sheet, is approximately equal to their carrying amount.

### **Derivatives**

The fair value of forward exchange contracts is based on the quoted market price, if available. If no quoted market price is available, the fair value is estimated on the basis of the expected cash flows discounted at the current interest rates, including a margin for discounting the relevant risks.

### **Non-derivative financial commitments**

The fair value of non-derivative financial commitments is only determined for disclosure purposes and is calculated on the basis of the net present value of future repayments and interest payments, discounted at the market interest rate at the reporting date.

## NOTES TO THE ANNUAL ACCOUNTS 31 DECEMBER, 2010

### 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)	31 Dec. 2010	31 Dec. 2009
Value as at the 1 January	10,495,591	7,777,846
Changes in fair value as a result of hedge accounting	(7,168)	(10,806)
Exchange rate differences	101,309	196,972
Additions in the year	3,416,467	9,516,400
Repayments in the year	(4,387,079)	(6,984,821)
Value as at the 31 December	9,619,120	10,495,591

€ 5.2 billion of the principle portions outstanding is due and repayable within 1 year and € 4.4 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 policy ensuring at arm's-length conditions.

Loans to affiliated companies for a total amount of € 1.4 billion (2009: € 2.2 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 back-to-back. The valuation of the loans is determined based on the year-end rate of exchange. The notional amounts of the loans which are designated for hedge accounting amount to € 0.3 billion.

The fair value of the loans to affiliated companies per 31 December 2010 is € 10.4 billion (2009: € 11.5 billion).

## 2 Other financial assets and liabilities:

The fair values of the derivatives are as follows:

(x € 1,000)	Assets	Liabilities	Assets	Liabilities
	31 December 2010		31 December 2009	
Instrument type:				
Interest rate swaps	38,736	16	80,423	6,159
Cross currency swaps	22,927	109,493	53,803	31,459
<b>Total</b>	<b>61,663</b>	<b>109,509</b>	<b>134,226</b>	<b>37,618</b>

The notional amount of the swaps amounts to € 4.3 billion (2009: € 4.9 billion) of which € 3.4 billion (2009: € 3.8 billion) is designated for hedge accounting purposes.

### 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
	31 December 2010		31 December 2009	
Instrument type:				
Interest rate swaps	38,736	-	80,285	5,990
Cross currency swaps	3,180	-	25,776	572
<b>Total</b>	<b>41,916</b>	<b>-</b>	<b>106,061</b>	<b>6,562</b>

### 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
	31 December 2010		31 December 2009	
Instrument type:				
Interest rate swaps	-	-	137	-
Cross currency swaps	208	36,460	362	12,645
<b>Total</b>	<b>208</b>	<b>36,460</b>	<b>499</b>	<b>12,645</b>

During 2010 net losses of € 1.0 million (2009: gains of € 1.4 million) relating to the effective portion of cash flow hedges were recognized in equity.

The positive fair value of the derivatives for which no hedge accounting is applied (natural hedges) amount up to € 19.5 million (2009: € 27.7 million). The natural hedges with a negative fair value amount up to € 73.0 million (2009: € 18.4 million).

### 3 Receivables from affiliated companies

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

Receivables from affiliated companies for a total amount of € 13.2 million (2009: € 29.0 million) are denominated in a currency other than Euro for which the Company has entered into foreign exchange contracts to hedge foreign currency risks as far as there is no matching with interest liabilities.

### 4 Tax receivables

The specification is as follows:

(x € 1,000)	31 Dec. 2010	31 Dec. 2009
Corporate income tax	191	388
<b>Total</b>	<b>191</b>	<b>388</b>

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

### 5 Cash at bank and in hand

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

### 6 Shareholders' equity

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

(x € 1,000)	1 January 2010	Profit distribution in 2010 for 2009	Dividend distribution in 2010	Unrealized revaluations from cash flow hedges	Result for reporting period	31 December 2010
<b>Share capital:</b>						
Authorised capital	2,500					2,500
Not issued capital	(2,000)					(2,000)
Issued capital	500	-	-		-	500
Other reserves*	19,771	1,876	-			21,647
Cash flow hedge reserve	906			(1,045)		(140)
Profit for the year	1,876	(1,876)			39,692	39,692
<b>Total shareholders' equity</b>	<b>23,052</b>	<b>-</b>	<b>-</b>	<b>(1,045)</b>	<b>39,692</b>	<b>61,699</b>

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

\* The other reserves are considered to be legal statutory reserves both in 2009 and 2010. These reserves are not freely distributable to shareholders for the amount of the positive fair values related to the derivatives that are not designated for hedge accounting purposes. The positive fair value of the derivatives for which no hedge accounting is applied (natural hedges) amount up to € 19.5 million (2009: € 27.7 million) (note 2).

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 31 December 2010 1,000 shares have been issued and fully paid.

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

## 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 31 December 2010, a deferred tax liability of € 13.5 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.

Deferrals with a residual term of one year or less amount to € 4.4 million (2009: € 0 million).

Deferred tax liabilities are attributable to the following:

Movements in 2010:

(x € 1,000)	1 January 2010	Re- classi- fication	Provi- sions made	Provi- sions used	Provi- sions released	Other	31 December 2010
Valuation of derivatives	1,368	-	-	-	(7)	-	1,361
Early termination premium			12,835	-	(694)	-	12,141

Movements in 2009:

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

## 9 Short/Long-term liabilities

Movements in 2010:

(x € 1,000)

1) EMTN Issues	Falling due within 1 year	Due > 1 year and < 5 year	Due > 5 years	Total
Position as at 1 January 2010	597,989	7,702,928	743,691	8,446,619
Exchange rate difference	-	23,217		23,217
Due date reclassification	3,959,796	(3,216,105)	(743,691)	(3,959,796)
Additions in the year	-	130,097		130,097
Repayments in the year	(600,000)			
Amortization Discount	7,190	6,712	-	6,712
Change in fair value as a result of hedge accounting	(34,794)	(176)	-	(176)
<b>Position as at 31 December 2010</b>	<b>3,930,181</b>	<b>4,646,673</b>	<b>-</b>	<b>4,646,673</b>

2) Loans from Affiliated companies	Falling due within 1 year	Due > 1 year and < 5 year	Due > 5 years	Total
Position as at 1 January 2010	1,110,073	434,393	-	434,393
Exchange rate difference	2,260		-	-
Due date reclassification	422,976	(422,976)	-	(422,976)
Additions in the year	1,937,000	90,000	-	90,000
Repayments in the year	(2,677,570)	-	-	-
<b>Position as at 31 December 2010</b>	<b>794,739</b>	<b>101,417</b>	<b>-</b>	<b>101,417</b>

Movements in 2009:

(x € 1,000)

1) EMTN Issues	Falling due within 1 year	Due > 1 year and < 5 year	Due > 5 years	Total
Position as at 1 January 2009	-	4,139,852	743,013	4,882,865
Exchange rate difference	-	595		595
Due date reclassification	597,989	(597,989)	-	(597,989)
Additions in the year		4,141,087		4,141,087
Amortization Discount	-	8,826	678	9,504
Change in fair value as a result of hedge accounting	-	10,557	-	10,557
<b>Position as at 31 December 2009</b>	<b>597,989</b>	<b>7,702,928</b>	<b>743,691</b>	<b>8,446,619</b>

2) Loans from Affiliated companies	Falling due within 1 year	Due > 1 year and < 5 year	Due > 5 years	Total
Position as at 1 January 2009	1,688,099	1,353,338	-	1,353,338
Exchange rate difference	111,601	3,274	-	3,274
Due date reclassification	922,219	(922,219)	-	(922,219)
Additions in the year	2,116,805	-	-	-
Repayments in the year	(3,728,651)	-	-	-
<b>Position as at 31 December 2009</b>	<b>1,110,073</b>	<b>434,393</b>	<b>-</b>	<b>434,393</b>

Daimler International Finance B.V. obtains funds from the market by issuing corporate bonds/ notes under the Euro Medium Term Notes Program and obtains funds from affiliated companies by entering into loan agreements. The notes issued under the EMTN Program (totaling € 8.5 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 notional amounts of the EMTN notes which are designated for hedge accounting amount to € 3.0 billion.

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

(x € 1,000)

Currency	Nominal interest rate	Date of drawing	Date of maturity	Nominal value	Book value 31-12-2010
EUR	3.000%	07/17/2009	01/18/2011	150,000	150,029
EUR	7.000%	03/21/2001	03/21/2011	1,000,000	998,903
EUR	6.875%	03/10/2009	06/10/2011	1,000,000	1,001,122
EUR	3.250%	07/13/2009	07/13/2011	250,000	250,456
EUR	5.875%	09/05/2008	09/08/2011	1,500,000	1,529,672
JPY	3M JPY-Libor+0,70%	01/27/2010	01/27/2012	23,795	27,542
USD	3M USD-Libor+0,95%	01/27/2010	01/27/2012	106,488	112,048
EUR	9.000%	12/08/2008	01/30/2012	1,000,000	996,866
EUR	7.750%	03/26/2009	03/26/2012	700,000	698,245
AUD	7.250%	11/23/2009	11/23/2012	61,889	76,474
EUR	7.875%	01/16/2009	01/16/2014	2,000,000	1,990,903
EUR	6.125%	09/05/2008	09/08/2015	750,000	744,594
EUR				8,542,172	8,576,854

EMTN notes include both hedged and unhedged notes.

The specification is as follows:

(x € 1,000)	31 Dec. 2010	31 Dec. 2009
EMTN notes part of a hedge relationship at fair value	3,007,753	3,024,766
EMTN notes at amortised cost	5,569,101	6,019,842
<b>Total</b>	<b>8,576,854</b>	<b>9,044,608</b>

- ◇ The due date of the loans from affiliated companies varies from January 2011 to January 2013. The interest rate of the loans to affiliated companies is in conformity with the Group-wide intercompany pricing policy ensuring at arm's-length conditions.
- ◇ Liabilities to affiliated companies for a total amount of € 62.4 million (2009: € 728 million) are denominated in a currency other than Euro for which the Company has entered into foreign exchange contracts to hedge foreign currency risks as far as they are not back-to-back. The valuation of the loans is determined based on the year-end rate of exchange.
- ◇ The fair value of EMTN notes and loans per 31 December 2010 is € 10.3 billion.

## 10 Other liabilities to affiliated companies

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

Liabilities to affiliated companies for a total amount of € 5.0 million (2009: € 18.5 million) are 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.



## 11 Taxation and social security premiums

The specification is as follows:

(x € 1,000)	31 Dec. 2010	31 Dec. 2009
Value-added tax	6	20
Payroll tax and social security charges	19	16
<b>Total</b>	<b>25</b>	<b>36</b>

## 12 Other liabilities and accruals

The specification is as follows:

(x € 1,000)	31 Dec. 2010	31 Dec. 2009
Interest debts to third parties	418,724	455,046
Other liabilities / accruals	221	164
<b>Total</b>	<b>418,945</b>	<b>455,210</b>

## 13 Financial Instruments

### General

During the normal course of business, the company uses various financial instruments that expose the company to credit risk, market risk, interest rate risk, currency risk, structural/market risk and other operational risks. These relate to financial instruments that are included on the balance sheet and currency forward contracts and currency options for hedging future transactions and cash flows.

The company does not trade in these financial derivatives and follows procedures and code of conduct to limit the size of the credit risk with each counterparty and market.

The EMTN 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.

### Foreign currency risk

It is the objective of the Company to eliminate foreign currency risk. The Company enters into currency contracts and cross currency swaps in order to hedge the Company's currency exchange exposure. The related assets and liabilities are translated into Euro at the balance sheet date. The related derivatives used to hedge the exchange exposure are included in the balance sheet against fair value in accordance with the hedging model.

### Credit risk

The Company solely provides loans within the Daimler Group. 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 with banks of good reputation.

### Interest risk

It is the Company's policy that interest exposures are being hedged, by entering into interest rate swaps and cross currency swaps. Interest rate swaps which include upfront payments/receivables are amortized over the term of the related contract in accordance with the hedging model.

### Hedging and hedge accounting

The Company uses derivatives to manage market risks on an economic basis. The Company uses various hedge strategies to cover its interest rate, market value and exchange rate risks. To achieve this, it uses instruments such as cross currency swaps, (foreign currency) interest rate swaps and (interest rate) options.

Derivatives 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 in hedge accounting 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 amounts to approximately € 51 million and has been recognized in the 2010 interest income. The new loans which have been concluded against the current market conditions with another affiliated party will 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.

## **15 Valuation impact of derivatives**

Hedge accounting is practiced in accordance with Group policy and hedge accounting requirements as stated in RJ 290. In 2010 this line item also includes a one-off negative effect amounting approximately € 3 million due to a further refinement of the fair value calculation. Since the derivatives are held until maturity the overall valuation impact tends to zero towards the respective maturity date.

## **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 Program.

## **17 Corporation tax**

The applicable nominal tax rate is 25.5% (2009: 25.5%). The tax expense recognised in the profit and loss account for 2010 amounts to EUR 13.2 million, or 25% of the result before tax (2009: 25.7%), and comprises the effect of the recalculation of the deferred tax position against the future corporate tax rate of 25.0%.

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

The Company did not have any contingent liabilities as at 31 December 2010.

As at 31 December 2010 the Company has an off balance sheet commitment amounting to € 198.5 million (2009: € 157.8 million). This off balance sheet commitment relates to the issued declarations of joint and several liabilities for debts arising from residual value agreements. The received fee amounts are recognized in interest income.

## **19 Managing Board and Supervisory Board**

The remuneration for directors, including pension obligations as intended in Section 2:383 of the Netherlands Civil Code, which were charged in the financial year to the Company, amounted to € 302,000 (2009: € 307,000). These costs were partly recharged for rendered services to affiliated companies.

The members of the Supervisory Board did not receive remuneration during 2010 (2009: € 0).

## **20 Pension**

The pension plan for the Company qualifies as a defined contribution plan. The employer has no obligation to pay supplementary contributions in the event of a shortfall in the pension fund, other than payment of future contributions. Equally the employer has no claim to any surpluses in the pension fund. Consequently, this pension plan has been accounted for as a defined contribution plan.

## **21 Employees**

The number of employees at 31 December 2010 was 5 (2009:5).

## **22 Transactions with related parties**

Transactions with related parties include relationships between the Company, the Company's participating interests and the Company's directors and executive officers (key management personnel).

Daimler International Finance B.V. obtains funds from the market by issuing corporate bonds/notes under the Euro Medium Term Notes Program and obtains funds from affiliated companies by entering into loan agreements. The net proceeds of these notes are lent on in the form of intercompany loans. The notes issued under the EMTN Program (total € 8.5 billion) are unconditionally and irrevocably guaranteed by Daimler AG for which the Company pays a guarantee fee to Daimler AG (note 16). These funds represent currently 90% of the borrowed funds.

Daimler International Finance B.V. also obtains funds amounting to some € 896.2 million as per 31 December 2010 (2009: € 1,544.5 million) from other group companies. Together with the equity those funds are made available to affiliated companies. The loans are provided at arm's-length interest rates.

It is the Company's general policy to match funding in terms of maturities and interest rate and to hedge foreign exchange and market rate risks. As a consequence the funds obtained are in general lent onward at congruent conditions. The Company only assumes and subsequently bears foreign exchange risk and/or market rate risk in respect of loans provided from equity funds. As far as EMTN notes are not lent onward at similar conditions the Company assumes market interest rate risk. Since this risk is shared with Daimler AG the Company receives a corresponding interest compensation.

The remuneration of the members of the managing board and supervisory board is included in note 19.

### 23 Fees of the auditor

With reference to Section 2:382a (1) and (2) of the Netherlands Civil Code, the following fees for the financial year have been charged by KPMG Accountants N.V. to the Company:

(x € 1,000)	2010	KPMG Accountants N.V.	Other KPMG member, firms and affiliates	Total KPMG
Statutory audit of annual accounts		25		25
Audit related services		5		5
<b>Total</b>		<b>30</b>	<b>-</b>	<b>30</b>

(x € 1,000)	2009	KPMG Accountants N.V.	Other KPMG member, firms and affiliates	Total KPMG
Statutory audit of annual accounts		23		23
<b>Total</b>		<b>23</b>	<b>-</b>	<b>23</b>

## **Other information**

### Provisions in the Articles of Association concerning the appropriation of profit

Article 14 of the Articles of Association states:

1. The Company's profit is wholly at the disposal of the general meeting of shareholders.
2. The Company may only make distributions to the shareholders and other parties entitled to the profit available for distribution in so far as its capital and reserves exceed the paid-up and called part of the reserves required to be held under law.
3. Distribution of profit takes place after adoption of the annual accounts indicating such distribution to be justified.
4. The Company may only make interim distributions if the requirement in clause two has been satisfied.
5. Entitlements to profit distributions lapse after a period of five years after the date on which they became payable.

### Proposal for the appropriation of profit 2010

The Board of Management proposes to add the profit of 2010 amounting to € 39,692,282 to the other reserves.

### Appropriation of profit 2009

Following the decision of the shareholders' meeting the profit of the year 2009 amounting to € 1,875,986 has been added to the other reserves.

### Auditors' report

The auditors' report is shown on page 29.

## **INDEPENDENT AUDITOR'S REPORT**

To: the Management Board and Supervisory Board of Daimler International Finance B.V.

### **Report on the financial statements**

We have audited the accompanying financial statements 2010 of Daimler International Finance B.V., Utrecht, which comprise the balance sheet as at 31 December 2010, the profit and loss account for the year then ended, the 2010 cash flow statement, the statement of recognised income and expense for the year and the notes, comprising a summary of the accounting policies and other explanatory information.

### **Management's responsibility**

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Daimler International Finance B.V. as at 31 December 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

**Report on other legal and regulatory requirements**

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 4 April 2011

KPMG ACCOUNTANTS N.V.  
E.D.H. Vinke-Smits RA





