

# DAIMLER

Daimler International Finance B.V.

Financial Report  
2009

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## **Supervisory Board**

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

## **Board of Management**

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

## **Registered office**

Van Deventerlaan 50  
NL – 3528 AE Utrecht  
Telephone: +31 30 6059302  
Telefax: +31 30 6054287

## **Report of the Board of Management**

### **General**

Daimler International Finance B.V. (or “the Company”) finances part of the activities of the Daimler Group. As at 31 December 2009 the authorized capital of the Company was €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 and BBB+ (negative) from Standard & Poor’s Ratings Group and Fitch Ratings respectively. These ratings rely on the performance of the Daimler Group.

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

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

### **Development 2009**

In 2009, the global economic and financial crisis persisted with a volatile impact on financial market parameters. Although there are signs of an end of the crisis a certain degree of uncertainty still remains.

In 2009 the financial fixed assets of the Company increased by €2,676 million to a level of €10,630 million as per the end of 2009. The corresponding funding was realized through the issuance of bonds under the EMTN Program and group-internal loans.

The financial result after taxation amounts to €1.876 million. The included 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 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**

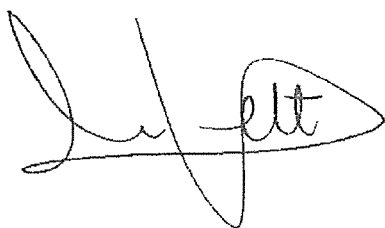
The Company expects to realize a profit over 2010 coming from the interest result in line with the planned balance sheet development. The overall result can be affected by valuations arising from hedging transactions. Due to the integrated organisation of lending and funding activities within the Daimler group, the Company expects no direct impacts arising from the market development.

## **Events after the closing date**

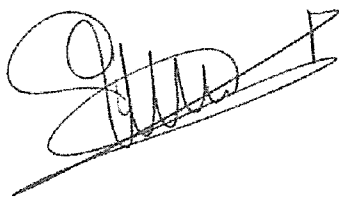
Since the end of the 2009 financial year, there have been no further occurrences that are of major significance for the Company.

Utrecht, 30 March 2010

Daimler International Finance B.V.  
The Board of Management



Mr. M. van Pelt



P. Derks



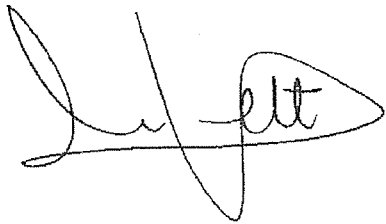
H. Wendroth

## Responsibility Statement

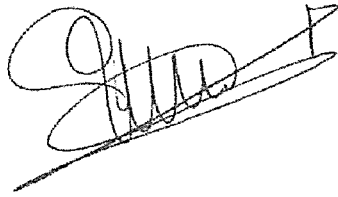
To the best of our knowledge, and in accordance with the applicable reporting principles for annual financial reporting, the **Financial Report 2009** gives a true and fair view of the assets, liabilities, financial position and profit or loss of Daimler International Finance B.V.. The management report 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, 30 March 2010

Daimler International Finance B.V.  
The Board of Management



Mr. M. van Pelt



P. Derks



H. Wendroth

**Daimler International Finance B.V.**  
**Balance sheet as at 31 December 2009**  
**(before profit appropriation x €1,000)**

	<u>Note</u>	<u>31-12-2009</u>	<u>31-12-2008</u>
<b><u>ASSETS</u></b>			
<b><u>FIXED ASSETS</u></b>			
◇ Financial fixed assets			
Affiliated companies	1	10,495,591	7,777,846
Other financial assets	2	<u>134,226</u>	<u>176,419</u>
		10,629,817	7,954,265
<b><u>CURRENT ASSETS</u></b>			
◇ Receivables:			
Affiliated companies	3	509,692	132,302
Tax receivables	4	<u>388</u>	<u>-</u>
		510,080	132,302
◇ Cash at bank and in hand	5	<u>32,222</u>	<u>21,564</u>
		<u>11,172,119</u>	<u>8,108,131</u>

**Daimler International Finance B.V.**  
**Balance sheet as at 31 December 2009**  
**(before profit appropriation x €1,000)**

	<u>Note</u>	<u>31-12-2009</u>	<u>31-12-2008</u>
<b><u>LIABILITIES</u></b>			
◇ Shareholders' equity	6		
Issued capital		500	500
Other reserves		20,676	10,455
Profit		<u>1,876</u>	<u>8,809</u>
		23,052	19,764
◇ Provisions	7	44	44
◇ Deferred tax liabilities	8	1,368	1,603
◇ Long-term liabilities			
EMTN issues	9	8,446,619	4,882,865
Affiliated companies	9	434,393	1,353,338
Other financial liabilities	2	<u>37,618</u>	<u>12,553</u>
		8,918,630	6,248,756
◇ Short-term liabilities			
EMTN issues	9	597,989	-
Loans from			
affiliated companies	9	1,110,073	1,688,099
Other liabilities			
affiliated companies		65,717	43,507
Taxation and			
social security premiums	10	36	1,068
Other liabilities and accruals	11	<u>455,210</u>	<u>105,290</u>
		<u>2,229,025</u>	<u>1,837,964</u>
		<u>11,172,119</u>	<u>8,108,131</u>

**Daimler International Finance B.V.**  
**Profit and loss account for the year ended 31 december 2009**  
(x €1,000)

	<u>Note</u>	<u>2009</u>	<u>2008</u>
◇ Interest income		909,068	308,479
◇ Interest expenses			
Interest expense excl. valuation impact of derivatives		(893,026)	(301,225)
Valuation impact of derivatives	12	<u>(6,110)</u>	<u>6,400</u>
Net interest result		9,932	13,654
◇ External costs and other			
Operating costs		(412)	(244)
Commissions in relation to EMTN issues	13	(6,723)	(1,390)
Wages and salaries		(198)	(290)
Social security charges		(26)	(14)
Pension charges and early retirement costs		<u>(47)</u>	<u>(10)</u>
		<u>(7,406)</u>	<u>(1,948)</u>
PROFIT BEFORE TAX		2,526	11,706
◇ Taxation	14	<u>(650)</u>	<u>(2,897)</u>
NET PROFIT		<u><u>1,876</u></u>	<u><u>8,809</u></u>

**Cash Flow statement (x €1,000)**

	31-12-2009	31-12-2008
Profit before tax	2,526	11,706
<b>Adjustments for:</b>		
Change in provisions	-	-
Change in deferred tax liabilities	(235)	1,603
Change in tax receivables	(388)	9
Change in value adj. to other financial assets / liabilities	68,672	(164,000)
Income tax expense	(650)	(2,897)
Tax paid	(2,222)	(330)
<b>Change in operating assets and liabilities:</b>		
Change in financial fixed assets	(2,717,745)	(6,048,504)
Change in receivables aff. companies	(377,390)	(64,933)
Change in other liabilities	351,108	51,823
<b>Cash flow from operating activities</b>	<b>(2,676,324)</b>	<b>(6,215,523)</b>
<b>Cash flow from investing activities</b>	<b>-</b>	<b>-</b>
<b>Cash flow from financing activities</b>		
Proceeds from EMTN issues	4,161,743	3,887,007
Change in loans from aff. companies	(1,474,761)	2,350,051
<b>Net cash from financing activities</b>	<b>2,686,982</b>	<b>6,237,058</b>
<b>Net increase in cash and cash equivalents</b>	<b>10,658</b>	<b>21,535</b>
Cash at beginning of period	21,564	29
Cash at end of period	32,222	21,564
<b>Net increase in cash and cash equivalents</b>	<b>10,658</b>	<b>21,535</b>

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

### **General information**

The Company 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 and other financing commitments. Financial instruments also include derivative financial instruments.

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

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.

After initial recognition, financial instruments are valued in the manner described below.

## **Loans and liabilities**

The loans and liabilities to affiliated companies as well as the 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.

## **Derivatives**

Derivative financial instruments, such as forward contracts and currency and interest rate swaps 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.

## **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 recognized 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 that 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.

The amount recognized in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of comprehensive income. 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.

## **Tax**

The corporate income tax in the profit and loss account is calculated using the statutory tax rate, taking permanent and prior year tax differences into account.

Deferred tax is included in income tax expense and reflects the changes in deferred tax assets and liabilities except for changes recognized directly in equity.

## **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 is 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.

## **Risk Management**

In the Companies business, the creation and management of a loan involves the assumption of a number of risks: credit risk, market risk, interest rate risk, market risk currency risk, structural/market risk and other operational risks. The EMTN notes are not in full extent lent onward at similar conditions. Daimler International Finance B.V. 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 cost price 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 with a duration of more than one year are being hedged, by entering into Interest Rate Swaps and Cross Currency Swaps. Interest rate swaps which include up front payments/receivables are amortized over the term of the related contract in accordance with the cost price 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.

## NOTES TO THE ANNUAL ACCOUNTS 31 DECEMBER 2009

### 1 Financial fixed assets

#### Loans to Affiliated companies:

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

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

#### Movements in financial fixed assets:

(x €1,000)	31-12-2009	31-12-2008
Value as at the 1 January	7,777,846	1,729,342
Changes in fair value as a result of hedge accounting	(10,806)	(19,600)
Exchange Differences	196,972	(95,810)
Additions in the year	9,516,400	14,809,844
Repayments in the year	(6,984,821)	(8,685,130)
Value as at the 31 December	10,495,591	7,777,846

EUR 7.8 billion of the principal portions outstanding is due and repayable between 1 and 5 years.  
EUR 10.2 billion of the principal portions outstanding is due and repayable within 5 years.

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

Loans to affiliated companies for a total amount of EUR 2,180 million (2008: EUR 2,685 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 notional amounts of the loans which are designated for hedge accounting amount to EUR 0.8 billion.

The fair value of the loans to affiliated companies per 31 December 2009 is EUR 11.475 billion (2008: EUR 8.269 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 2009		31 December 2008	
Instrument type:				
Interest rate swaps	80,423	6,159	111,764	6,460
Cross currency swaps	53,803	31,459	64,655	6,093
<b>Total</b>	<b>134,226</b>	<b>37,618</b>	<b>176,419</b>	<b>12,553</b>

The notional amount of the swaps amounts to EUR 4.9 billion of which EUR 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 and advances attributable to changes in market interest rates. Interest rate swaps are matched to specific issuances of fixed rate loans.

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

(x €1,000)	Assets	Liabilities	Assets	Liabilities
	31 December 2009		31 December 2008	
Instrument type:				
Interest rate swaps	80,285	5,990	64,340	6,431
Cross currency swaps	25,776	572	51,776	693
<b>Total</b>	<b>106,061</b>	<b>6,562</b>	<b>116,116</b>	<b>7,124</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 2009		31 December 2008	
Instrument type:				
Interest rate swaps	137	-	-	2
Cross currency swaps	362	12,645	6,631	5,390
<b>Total</b>	<b>499</b>	<b>12,645</b>	<b>6,631</b>	<b>5,392</b>

During 2009 net 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 € 27.7 million (2008: € 53.7 million). The natural hedges with a negative fair value amount up to € 18.4 million (2008: -).

### 3 Receivables from affiliated companies

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

Receivables from affiliated companies for a total amount of EUR 29.0 million (2008: EUR 24.0 million) are denominated in a currency other than Euro for which the Company has entered into foreign exchange contracts to hedge foreign currency risks.

### 4 Tax receivables

The specification is as follows:

(x €1,000)	31 Dec 2009	31 Dec 2008
Corporate income tax	388	-
Total	388	-

The tax receivable relates to the financial years 2008 and 2009 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 2008 and 2009:

(x €1,000)	1 January 2008	Profit distribution in 2008 for 2007	Dividend distribution in 2008	Unrealized revaluations from cash flow hedges	Result for financial year 2008	31 December 2008
Share capital:						
Authorised capital	2,500					2,500
Not issued capital	(2,000)					(2,000)
Issued capital	500	-	-		-	500
Other reserves*	10,038	925	-			10,963
Cash flow hedge reserve	-			(508)		(508)
Profit for the year	925	(925)			8,809	8,809
Total shareholders' equity	11,463	-	-	(508)	8,809	19,764

(x €1,000)	1 January 2009	Profit distribution in 2009 for 2008	Dividend distribution in 2009	Unrealized revaluations from cash flow hedges	Result for financial year 2009	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 2008 and 2009. These reserves are not freely distributable to shareholders for the amount of the positive fair values related to the derivatives that are not designated for hedge accounting purposes.

The authorized capital of Daimler International Finance B.V. amounts to €2,500,000 consisting of 5,000 shares with a par value of €500. At 31 December 2009 1,000 shares have been issued and fully paid.

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

## 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 2009, a deferred tax liability of EUR 1.4 million for temporary differences was recognized.

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

The deferrals with a residual term more than 1 year amount to EUR 1.4 million.

Deferred tax liabilities are attributable to the following:

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

## 9 Short/Long-term liabilities

Movements in 2008:  
(x €1,000)

	Falling due within 1 year	Due > 1 Year and < 5 year	Due > 5 years	Total
1) EMTN Issues				
Position as at 1 January 2008	-	995,858	-	995,858
Additions in the year	-	3,084,061	743,013	3,827,074
Change in fair value as a result of hedge accounting	-	-	-	-
	-	59,933	-	59,933
<b>Position as at 31 December 2008</b>	<b>-</b>	<b>4,139,852</b>	<b>743,013</b>	<b>4,882,865</b>

	Falling due within 1 year	Due > 1 Year and < 5 year	Due > 5 years	Total
2) Loans from Affiliated companies				
Position as at 1 January 2008	62,825	660,326	-	660,326
Exchange rate difference	-	(76,123)	-	(76,123)
Due date reclassification	375,958	(375,958)	-	(375,958)
Repayments in the year	(63,836)	-	-	-
Additions in the year	1,313,152	1,145,093	-	1,145,093
<b>Position as at 31 December 2008</b>	<b>1,688,099</b>	<b>1,353,338</b>	<b>-</b>	<b>1,353,338</b>

Movements in 2009:  
(x €1,000)

	Falling due within 1 year	Due > 1 Year and < 5 year	Due > 5 years	Total
1) EMTN Issues				
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>

	Falling due within 1 year	Due > 1 Year and < 5 year	Due > 5 years	Total
2) Loans from Affiliated companies				
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)
Repayments in the year	(3,728,651)	-	-	-
Additions in the year	2,116,805	-	-	-
<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 EUR 9.0 billion) are unconditionally and irrevocably guaranteed by Daimler AG for which the Company pays a guarantee fee. The notional amounts of the EMTN notes which are designated for hedge accounting amount to EUR 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 31-12-2009
EMTN	EUR	8.000%	12-16-08	06-17-10	600,000	597,989
EMTN	EUR	3.000%	07-17-09	01-18-11	150,000	149,992
EMTN	EUR	7.000%	03-21-01	03-21-11	1,000,000	997,764
EMTN	EUR	6.875%	03-10-09	06-10-11	1,000,000	1,000,340
EMTN	EUR	3.250%	07-13-09	07-13-11	250,000	248,808
EMTN	EUR	5.875%	09-05-08	09-08-11	1,500,000	1,562,892
EMTN	EUR	9.000%	12-08-08	01-30-12	1,000,000	994,479
EMTN	EUR	7.750%	03-26-09	03-26-12	700,000	697,465
EMTN	AUD*	7.250%	11-23-09	11-23-12	61,889	62,735
EMTN	EUR	7.875%	01-16-09	01-16-14	2,000,000	1,988,453
EMTN	EUR	6.125%	09-05-08	09-08-15	750,000	743,691
<b>Total</b>					<b>9,011,889</b>	<b>9,044,608</b>

\*AUD 100mln

- ◇ The due date of the loans from affiliated companies varies from January 2010 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 EUR 728 million (2008: EUR 1,867 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 2009 is EUR 10.051 billion.

## 10 Taxation and social security premiums

The specification is as follows:

(x €1,000)

	31 Dec 2009	31 Dec 2008
Corporate income tax	-	1,062
Value-added tax	20	-
Payroll tax and social security charges	16	6
<b>Total</b>	<b>36</b>	<b>1,068</b>

## 11 Other liabilities and accruals

The specification is as follows:

(x €1,000)

	31 Dec 2009	31 Dec 2008
Interest debts to third parties	455,046	105,257
Other liabilities / accruals	164	33
<b>Total</b>	<b>455,210</b>	<b>105,290</b>

## 12 Valuation impact of derivatives

Hedge accounting is practiced in accordance with group policy and hedge accounting requirements as stated in RJ 290. However, high volatility in the interest and foreign currency markets had a negative impact on the valuation of the derivatives and affected the result accordingly. Since the derivatives are held until maturity the valuation impact tends to zero towards the respective maturity date.

## 13 Commissions in relation to EMTN notes

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

## 14 Corporation tax

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

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

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

## **15 Contingent liabilities and commitments**

The company did not have any contingencies or commitments as at 31 December 2009.

## **16 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 €307,000 (2008: €220,000). These costs were partly recharged for rendered services to affiliated companies.

The members of the Supervisory Board did not receive remuneration during 2009 (2008: €0).

## **17 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.

## **18 Employees**

The number of employees at 31 December 2009 was 5 (2008:5).

## **19 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 EUR 9.0 billion) are unconditionally and irrevocably guaranteed by Daimler AG for which the Company pays a guarantee fee to Daimler AG. These funds represent currently 85% of the borrowed funds.

Daimler International Finance B.V. also obtains funds amounting to some EUR 1,544.5 million as per 31 December 2009 (2008: 3,041.2 million) from other group companies. Together with the equity those funds are made available to affiliated companies.

It is the Company's general policy to match funding in terms of maturities and interest rate risks and to hedge possible 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.

The loans are provided at arm's-length interest rates.

The remuneration of the members of the managing board and supervisory board is included in note 16.

## 20 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)	2008	KPMG Accountants N.V.	Other KPMG member, firms and affiliates	Total KPMG
Statutory audit of annual accounts		43	3	46
Tax advisory services		34		34
<b>Total</b>		<b>77</b>	<b>3</b>	<b>80</b>

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

### Appropriation of profit 2008

Following the decision of the shareholders' meeting the profit of the year 2008 amounting to €8,808,670 has been added to the other reserves.

### Proposal for the appropriation of profit 2009

The Board of Management proposes to add the profit of 2009 amounting to €1,875,986 to the other reserves.

### Auditors' report

The auditors' report is shown on page 27.

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

## **AUDITOR'S REPORT**

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

We have audited the accompanying financial statements 2009 of Daimler International Finance B.V., Utrecht, which comprise the balance sheet as at 31 December 2009, the profit and loss account for the year then ended and the notes.

### ***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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 2009, 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 requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 30 March 2010

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