

**Daimler Canada Finance Inc.**

**Annual Report 2009**


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## Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of Daimler Canada Finance Inc. provide a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the company's management report provides a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Montvale, April 30, 2010



Ruben Simmons  
*CEO & President*



Sandro Ringeling  
*Chief Accounting Officer*

# Management Report

## General

Daimler Canada Finance Inc. (“DCFI” or the “Company”) is a wholly-owned subsidiary of Daimler North America Corporation (“DNA”), which in turn is a wholly-owned subsidiary of Daimler AG (“DAG” or “Daimler”).

DNA and DCFI are parties to a Keep-Well Agreement. The terms of the agreement provide that DNA will continue to hold all voting shares of the Company, maintain the Company’s net worth at no less than one dollar, and maintain sufficient liquidity in the Company to punctually meet its payment obligations as it deems fit. In addition, DAG issued full and unconditional guarantees for DCFI’s obligations incurred under its outstanding notes and bonds programs.

DCFI accesses Canadian and foreign capital markets to raise funds, which it lends to DAG subsidiaries in Canada through a consolidated funding and cash management system. As such, it has relationships with other subsidiaries of DAG.

The nature of the Daimler operations in Canada includes the distribution of passenger cars purchased from DAG under the brand names Mercedes-Benz, smart and Maybach, and the sale of trucks and other commercial vehicles under the brand names Freightliner, Thomas Built Buses, and Orion. Daimler also has financial services operations that principally provide automotive financing to its dealers and their customers, including retail and lease financing for cars and trucks, dealer inventory and other financing needs.

This annual report contains forward looking statements that reflect our current views about future events. Words such as “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “should” and similar expressions are being used to identify forward looking statements. These statements are subject to many risks and uncertainties, including:

- a lack of improvement in or a further deterioration of economic conditions globally in general and in Canada in particular;
- a continuation or worsening of the turmoil in the credit and financial markets, which could result in ongoing high borrowing costs or limit our funding flexibility;
- changes in currency exchange rates and interest rates;
- changes in laws, regulations and government policies that may affect the Company or any of its sister companies; and
- the business outlook of the Company’s sister companies in Canada, which may affect the funding requirements of such sister companies in the automotive and financial services businesses.

The following discussion should be read in conjunction with the Company’s financial statements as of and for the years ended December 31, 2009 and 2008, which were prepared using International Financial Reporting Standards as issued by the IASB. Note 3 to the financial statements provides an overview of the Company’s significant accounting policies. In this management report, the Company reports financial information in thousands of Canadian dollars, except where indicated otherwise.

## Earnings

### Interest income

Interest income was \$169,309 in 2009, a 23% decrease compared to 2008 (\$221,140), due to a lower average receivable portfolio and lower interest income from overnight deposits.

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**Interest expense**

Interest expense was \$191,398 in 2009 compared to \$255,837 in 2008, a 25% decrease. This decrease was the result of a reduction in the Company's outstanding notes and bonds during 2009 as a result of normal maturities and effects from hedge ineffectiveness. An increase in funding through other DAG subsidiaries increased the share of interest expenses to related parties in the overall interest expense compared to 2008.

**Administrative and other expense**

Administrative and other expense increased from \$2,434 in 2008 to \$2,650 in 2009.

**Other financial income (expense), net**

Other financial income, net was \$7,517 in 2009, compared to other financial expense, net of (\$16,422) in 2008. This position was predominantly comprised of gains on foreign exchange transactions in 2009 and of losses on foreign exchange transactions in 2008.

**Loss before Income Taxes**

Loss before income taxes amounted to \$17,222 in 2009, while in 2008 the loss before income taxes was \$53,553, as both net interest income and other financial income were higher than in the previous year.

**Income Tax Benefit**

The Company recorded income tax benefits of \$3,011 in 2009 and \$16,509 in 2008.

**Net Loss**

Net loss was \$14,211 in 2009, compared to a net loss of \$37,044 in 2008, as a result of an improved net interest income and gains recognized on foreign exchange transactions.

**Other Comprehensive Income (Loss)**

Other comprehensive income (loss) is comprised of unrealized gains and losses from cash flow hedges. The Company recorded net gains after taxes of \$29,375 in 2009 and net losses after taxes of \$(2,394) in 2008.

**Total Comprehensive Income (Loss)**

Total comprehensive income was \$15,164 in 2009, while in 2008 the Company recorded a total comprehensive loss of (\$39,438).

**Financial Position**

Total assets were \$4,407,883 at December 31, 2009 compared to \$4,694,334 at December 31, 2008, a decrease of \$286,451 or 6%. The decrease is primarily due to the repayment of notes and bonds in 2009, which reduced cash and cash equivalents, and the repayment of the receivables from other DAG subsidiaries as they became due.

Total liabilities also decreased, from \$4,670,611 at December 31, 2008 to \$4,362,619 at December 31, 2009, mainly reflecting the repayment of notes and bonds in 2009 as they matured.

**Liquidity and Capital Resources**

In the ordinary course of business, the Company issues notes and bonds in Canada and Europe. The Company also enters, as necessary, into intercompany loans with other DAG subsidiaries to optimize funding from a global Daimler perspective.

The funds raised in 2009 and prior years were used mainly to support the lease and sales financing business and the capital expenditure requirements of the industrial business of the Daimler subsidiaries in Canada. Lease and sales financing activities are typically financed with a high proportion of debt.

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Cash flows were as follows in 2009 and 2008:

	<b>2009</b>	<b>2008</b>
Cash provided by operating activities	123,623	802,118
Cash provided by investing activities	-	-
Cash used in financing activities	(161,650)	(1,379,562)

Operating net cash inflows were \$123,623 in 2009 compared to net cash inflows of \$802,118 in 2008, as a result of opposite developments in the fair value of financial instruments in both years and lower inflows from the repayment of receivables of other DAG subsidiaries as the overall portfolio of receivables declined.

Cash used in financing activities declined in 2009 compared to 2008 because fewer notes and bonds matured during 2009 compared to 2008.

**Risk report**

Many factors could directly and indirectly, through the close affiliation with DCFI's sister companies, affect the Company's business, financial condition, cash flows and results of operations. The principal risks are described below.

**Economic risks**

A lack of improvement in economic conditions could have significant adverse effects on the Daimler business in Canada and, as a result, on future operating results and cash flows of the Company. Tightening of credit as a result of the turmoil in the financial industry and the resulting downturn of the Canadian and worldwide economies have resulted in a significant decline in consumer confidence and resulting declines in investment activity and consumer demand, including demand for the passenger cars and trucks sold by DCFI's sister companies, in Canada and worldwide.

**Industry risks**

Intense price competition in the automotive industry could continue to force the Daimler companies in Canada, which are financed by DCFI, to increase sales incentives, each of which would be costly and would indirectly affect the financial position and cash flows of the Company significantly.

In addition, the financial services that Daimler offers in connection with the sale of vehicles involve several risks. These include the potential inability to recover the investments in leased vehicles or to collect the sales financing receivables if the resale prices of the vehicles securing these receivables fall short of the carrying value, which may lead to additional funding requirements through DCFI.

**Financial risks**

The Daimler business in Canada, and in particular the operations of the Company, are exposed to a variety of market risks, including the effects of changes in exchange rates and interest rates. The Company holds a variety of interest rate sensitive assets and liabilities to manage the liquidity and cash needs of the Daimler operations. Changes in currency exchange rates and interest rates may have substantial adverse effects on the Company's operating results and cash flows. Adverse effects may arise from downgrades of the long-term debt ratings of the Company's ultimate parent company, DAG, and the ability of the Company to issue debt in the Canadian and European markets. Lower demand for the Company's debt instruments could increase the borrowing costs or otherwise limit DCFI's ability to fund the Daimler operations in Canada.

Note 13 to the Company's financial statements describes the risk management strategies employed by the Company to address such risks.

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**Outlook**

Management expects a further improvement of the Company's results of operations in 2010.



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## Independent Auditors' Report

The Board of Directors  
Daimler Canada Finance, Inc.:

We have audited the accompanying statements of financial position of Daimler Canada Finance, Inc. (the "Company") as of December 31, 2009 and 2008 and the related statements of comprehensive income (loss), changes in equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daimler Canada Finance, Inc. as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**KPMG LLP**

April 30, 2010

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## Statements of Comprehensive Income (Loss)

	Note	Year ended December 31,	
		2009	2008
<b>Interest income</b>			
Interest income – related parties		165,277	181,160
Interest income – third parties		4,032	39,980
<b>Total interest income</b>		<b>169,309</b>	<b>221,140</b>
<b>Interest expense</b>			
Interest expense – third parties		(123,579)	(239,424)
Interest expense – related parties		(67,819)	(16,413)
<b>Total interest expense</b>		<b>(191,398)</b>	<b>(255,837)</b>
<b>Net interest expense</b>		<b>(22,089)</b>	<b>(34,697)</b>
Administrative and other expense	10	(2,650)	(2,434)
Other financial income (expense), net	4	7,517	(16,422)
<b>Loss before income taxes</b>		<b>(17,222)</b>	<b>(53,553)</b>
Income tax benefit	5	3,011	16,509
<b>Net loss</b>		<b>(14,211)</b>	<b>(37,044)</b>
Unrealized gains (losses) from cash flow hedges, net of taxes of 12,632 in 2009 and 4,297 in 2008		29,375	(2,394)
<b>Total comprehensive income (loss)</b>		<b>15,164</b>	<b>(39,438)</b>

The accompanying notes are an integral part of the financial statements.

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## Statements of Financial Position

	Note	December 31,	
		2009	2008
<b>Assets</b>			
Loans and receivables from related parties	6	2,344,146	3,056,703
Other financial assets	7	25,017	120,616
Deferred tax assets	5	14,092	24,508
<b>Total non-current assets</b>		<b>2,383,255</b>	<b>3,201,827</b>
Loans and receivables from related parties	6	1,438,379	897,674
Cash and cash equivalents		499,105	537,132
Other financial assets	7	86,900	45,682
Current tax assets		244	11,691
Other assets		-	328
<b>Total current assets</b>		<b>2,024,628</b>	<b>1,492,507</b>
<b>Total assets</b>		<b>4,407,883</b>	<b>4,694,334</b>
<b>Equity and liabilities</b>			
Share capital		-	-
Capital reserves		76,377	70,000
Retained earnings (deficit)		(9,654)	4,557
Cash flow hedges		(21,459)	(50,834)
<b>Total equity</b>	8	<b>45,264</b>	<b>23,723</b>
Payables to related parties	10	1,079,571	467,649
Notes and bonds payable	9	520,062	2,278,337
Other financial liabilities	11	221,506	152,635
<b>Total non-current liabilities</b>		<b>1,821,139</b>	<b>2,898,621</b>
Provisions and other liabilities		29	949
Withholding taxes payable		7,006	-
Payables to related parties	10	948,726	278,922
Notes and bonds payable	9	1,538,037	1,428,723
Other financial liabilities	11	47,682	63,396
<b>Total current liabilities</b>		<b>2,541,480</b>	<b>1,771,990</b>
<b>Total liabilities</b>		<b>4,362,619</b>	<b>4,670,611</b>
<b>Total equity and liabilities</b>		<b>4,407,883</b>	<b>4,694,334</b>

The accompanying notes are an integral part of the financial statements.

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## Statements of Changes in Equity

	Share capital	Capital reserves	Retained earnings	Cash flow hedges	Total equity
<b>Balance at January 1, 2008</b>	-	<b>10,000</b>	<b>41,601</b>	<b>(48,440)</b>	<b>3,161</b>
Net loss	-	-	(37,044)	-	(37,044)
Income recognized	-	-	-	1,903	1,903
Deferred taxes on income recognized	-	-	-	(4,297)	(4,297)
<b>Total comprehensive income (loss) for period</b>	-	-	<b>(37,044)</b>	<b>(2,394)</b>	<b>(39,438)</b>
Capital contribution	-	60,000	-	-	60,000
<b>Balance at December 31, 2008</b>	-	<b>70,000</b>	<b>4,557</b>	<b>(50,834)</b>	<b>23,723</b>
Net loss	-	-	(14,211)	-	(14,211)
Income recognized	-	-	-	42,007	42,007
Deferred taxes on income recognized	-	-	-	(12,632)	(12,632)
<b>Total comprehensive income (loss) for period</b>	-	-	<b>(14,211)</b>	<b>29,375</b>	<b>15,164</b>
Capital contribution	-	6,377	-	-	6,377
<b>Balance at December 31, 2009</b>	-	<b>76,377</b>	<b>(9,654)</b>	<b>(21,459)</b>	<b>45,264</b>

The accompanying notes are an integral part of the financial statements.

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## Statements of Cash Flows

	Year ended December 31,	
	2009	2008
Net loss	(14,211)	(37,044)
Change in deferred taxes	(2,216)	(8,974)
Change in withholding taxes payable	7,006	-
Changes in derivative financial instruments	(75,734)	295,987
Amortization of debt issuance costs	-	1,446
Accretion of debt premium	(4,728)	(4,445)
Net change in operating receivables and payables from related parties	243,222	576,306
Changes in other receivables, accruals and other liabilities	(29,716)	(21,159)
<b>Cash provided by operating activities</b>	<b>123,623</b>	<b>802,118</b>
<b>Cash provided by investing activities</b>	<b>-</b>	<b>-</b>
Additions to notes and bonds payable	-	163,052
Repayment of notes and bonds payable	(1,384,710)	(2,067,469)
Increase in financing payables to related parties	1,223,060	464,855
Capital contribution <sup>1</sup>	-	60,000
<b>Cash used in financing activities</b>	<b>(161,650)</b>	<b>(1,379,562)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(38,027)</b>	<b>(577,444)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>537,132</b>	<b>1,114,576</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>499,105</b>	<b>537,132</b>
<b>Supplemental information<sup>2</sup>:</b>		
Interest paid	(188,628)	(403,509)
Interest received	168,696	293,558
Income taxes paid	-	(1,441)
Income tax refund received	12,241	-

1 In 2009, DNA made a capital contribution in kind to DCFI. Refer to footnote 8 for additional information.

2 All cash flows from interest and taxes are included in cash provided by operating activities.

The accompanying notes are an integral part of the financial statements.

## Notes to the financial statements

### **1. Reporting entity**

Daimler Canada Finance Inc. (“DCFI” or the “Company”) is a stock corporation organized under the laws of Quebec, Canada. The Company is a wholly-owned subsidiary of Daimler North America Corporation (“DNA”), which is in turn a wholly-owned subsidiary of Daimler AG (“DAG”). Its registered office is located at 1 Place Ville Marie – 37th Floor, H3B 3P4, Montreal, Quebec, Canada.

The Company commenced operations in 1995 as Daimler-Benz Canada Inc., changed its name to DaimlerChrysler Canada Finance Inc. on January 1, 1999, and then again to Daimler Canada Finance Inc. on December 20, 2007.

DCFI accesses Canadian and foreign capital markets to raise funds, which it lends to DAG subsidiaries in Canada through a consolidated funding and cash management system. In the event of non-payment by DCFI, DAG irrevocably and unconditionally guarantees the noteholders the payment of the amounts corresponding to the principal of, and interest on the respective notes and bonds as they become due.

DNA and DCFI are parties to a Keep-Well Agreement. The terms of the agreement provide that DNA will continue to hold all voting shares of the Company, maintain the Company’s net worth at no less than one dollar, and maintain sufficient liquidity in the Company to punctually meet its payment obligations as it deems fit. This agreement is not a guarantee.

### **2. Basis of preparation**

#### **(a) Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

On April 29, 2010, the Board of Directors of DCFI authorized the financial statements for issue.

#### **(b) 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.

#### **(c) Functional and presentation currency**

These financial statements are presented in Canadian dollars (“\$”), which is the Company’s functional currency. The Company reports financial information in thousands of Canadian dollars, except where indicated otherwise.

#### **(d) Presentation in the statement of financial position**

Presentation in the statement of financial position differentiates between current and non-current assets and liabilities. Assets and liabilities are classified as current if they mature within one year. Deferred tax assets are presented as a non-current item.

#### **(e) Use of estimates and judgments**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Management’s critical estimates

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relate to the fair values of the Company's notes and bonds payable and receivables from DNA. Refer to Note 12 for additional information.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and are applied prospectively.

Significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements relate to the recoverability of receivables from related parties and fair value measurements for the Company's financial instruments.

**Recoverability of loans and receivables from related parties**

At each balance sheet date, the carrying amounts of loans and receivables are evaluated to determine whether there is objective significant evidence of impairment. Through December 31, 2009, no impairment losses on receivables from related parties have been recognized as management does not believe that there has been objective significant evidence of impairment.

**Fair value of financial instruments**

The Company measures fair values of its financial instruments using the following hierarchy of methods:

- Quoted market prices in an active market for an identical instrument.
- Valuation techniques based on observable inputs. This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Company determines fair values using valuation techniques. In particular, the Company uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment. Observable prices and model inputs are usually available in the market for listed debt securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

**(f) New accounting pronouncements**

In November 2009, the IASB published IFRS 9 "Financial Instruments" ("IFRS 9") as part of its project of a revision of the accounting guidance for financial instruments. The new standard provides guidance on the classification and measurement of financial assets. The standard will be effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company will not early adopt IFRS 9 for 2010 and will determine the expected effects on the financial statements as soon as it has decided on a date of adoption.

**3. Summary of significant accounting policies**

**(a) Interest income and expense**

Interest income and expense are recognized in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or 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, except future credit losses.

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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.

### **(b) Foreign currency translation**

Transactions in foreign currencies are translated into Canadian dollars at the spot exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Canadian dollars at the spot exchange rate at that date. The resulting gains and losses from such remeasurement are recognized in the statement of comprehensive income in the line “other financial income (expense), net.”

### **(c) Income taxes**

Current income taxes are determined based on the taxable income of the period and Canadian tax rules. In addition, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest expense and penalties on the underpayment of taxes. 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.

Deferred tax assets or liabilities are determined based on temporary differences between the financial reporting basis and the tax basis of assets and liabilities including differences from loss carry forwards. Measurement is based on the tax rates expected to be in effect in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences. DCFI recognizes a valuation allowance for deferred tax assets when it is not probable that a respective amount of future taxable profit will be available to realize such deferred tax assets. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

### **(d) Financial assets**

Financial assets are comprised of receivables from related parties, cash and cash equivalents, and derivative financial assets.

#### **Loans and receivables from related parties**

Loans and receivables from related parties are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses, if necessary. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in the statement of comprehensive income.

#### **Cash and cash equivalents**

Cash and cash equivalents consist primarily of cash on hand and bankers' discount notes with an original term of up to three months. Cash and cash equivalents correspond with the classification in the statements of cash flows.

### **(e) Financial liabilities**

Financial liabilities primarily include notes and bonds payable, derivative financial liabilities and miscellaneous other liabilities.

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**Notes and bonds payable**

New notes and bonds issuances are recognized at fair value based on quoted prices on the day of issuance. After initial recognition, they are subsequently measured at amortized cost using the effective interest method.

**Miscellaneous other liabilities**

After initial recognition, miscellaneous other liabilities are subsequently measured at amortized cost using the effective interest method.

**(f) Derivative financial instruments and hedge accounting**

DCFI uses derivative financial instruments (e.g. forwards and swaps) mainly for the purposes of hedging interest rate and currency risks that arise from its operating and financing activities.

Derivative financial instruments are measured at fair value upon initial recognition and on each subsequent reporting date. If a market value is not available, fair value is calculated using standard financial valuation models, such as discounted cash flow models. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

If the requirements for hedge accounting set out in International Accounting Standard 39 (“IAS 39”), “Financial Instruments: Recognition and Measurement,” are met, DCFI designates and documents the hedge relationship from the date a derivative contract is entered into either as a fair value hedge or a cash flow hedge. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is hedged. In a cash flow hedge, the variability of cash flows to be received or paid related to a recognized asset or liability or a highly probable forecasted transaction is hedged. The documentation of the hedging relationship includes the objectives and strategy of risk management, the type of hedging relationship, the nature of risk being hedged, the identification of the hedging instrument and the hedged item as well as a description of the method to assess hedge effectiveness. The hedging relationships are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are regularly assessed to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

For fair value hedges, changes in the fair value of the hedged item and the derivative are recognized currently in earnings. For cash flow hedges, fair value changes of the effective portion of the hedging instrument are recognized in cash flow hedges in the statements of changes in equity, net of applicable taxes. The ineffective portion of the fair value changes is recognized in profit or loss. Amounts taken to equity are reclassified to the statement of comprehensive income when the hedged transaction affects the statement of income.

If derivative financial instruments do not or no longer qualify for hedge accounting because the qualifying criteria for hedge accounting are not or no longer met, the derivative financial instruments are classified as held for trading.

**(g) Transactions with related parties**

DCFI is wholly owned by DNA and indirectly by DAG. Transactions with related parties in the normal course of business are recorded at the agreed upon exchange amount. Financial receivables and payables with related parties are entered at prevailing market terms at the time of the transaction.

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**4. Other financial income (expense), net**

Other financial income (expense), net is comprised of the following:

	<b>2009</b>	<b>2008</b>
Gains on foreign exchange transactions	1,396,400	592,815
Losses on foreign exchange transactions	(1,389,469)	(608,974)
Other	586	(263)
	<b>7,517</b>	<b>(16,422)</b>

**5. Income taxes**

Income tax expense (benefit) is comprised of the following components:

	<b>2009</b>	<b>2008</b>
Current taxes	(795)	(7,535)
Deferred taxes	(2,216)	(8,974)
	<b>(3,011)</b>	<b>(16,509)</b>

The current tax benefit contains benefits of \$953 (2008: \$6) recognized for prior periods.

The deferred tax expenses (benefits) are comprised of the following components:

	<b>2009</b>	<b>2008</b>
Deferred taxes	(2,216)	(8,974)
Due to temporary differences	(1,538)	(5,114)
Due to tax loss carryforwards and tax credits	(678)	(3,860)

A reconciliation of expected income tax benefit to actual income tax benefit determined using the applicable Canada combined statutory rate of 30.0% (2008: 30.5%) is included in the following table:

	<b>2009</b>	<b>2008</b>
Expected income tax expense (benefit) at Canada statutory rate	(5,167)	(16,334)
Nondeductible interest expense to related parties	3,102	-
Prior year tax return and deferred tax adjustments	(924)	-
Other	(22)	(175)
Actual income tax (benefit)	<b>(3,011)</b>	<b>(16,509)</b>

In respect of each type of temporary difference and in respect of each type of unutilized tax losses and unutilized tax credits, the deferred tax assets before offset are summarized as follows:

	<b>2009</b>	<b>2008</b>
Derivative financial instruments	9,554	20,648
Net operating loss carryforwards	4,538	3,860
Deferred tax assets	<b>14,092</b>	<b>24,508</b>

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In 2009 and 2008, the (increase) decrease in deferred tax assets was composed of:

	2009	2008
Deferred tax expense on derivative financial instruments charged or credited directly to related components of equity	12,632	4,297
Deferred tax expense (benefit)	(2,216)	(8,974)
(Increase) decrease	<b>10,416</b>	<b>(4,677)</b>

Including the items charged or credited directly to related components of shareholders' equity without an effect on earnings, the expense (benefit) for income taxes consists of the following:

	2009	2008
Income tax expense (benefit)	(3,011)	(16,509)
Other comprehensive income	12,632	4,297
	<b>9,621</b>	<b>(12,212)</b>

DCFI believes that it is more likely than not that due to future taxable income, deferred tax assets can be utilized.

## 6. Loans and receivables from related parties

DCFI provides financing to certain DAG affiliates mainly in Canada, which are related parties for DCFI. The following sets forth receivables from these related parties for such financing, including accrued interest and for certain financing provided to DAG:

	December 31,	
	2009	2008
DCFS Canada Corp.	2,742,228	2,723,109
Daimler International Finance B.V.	886,183	995,967
Mercedes-Benz Canada Inc.	150,809	165,929
DAG	3,266	69,372
DNA	39	-
	<b>3,782,525</b>	<b>3,954,377</b>

The uncollateralized financing receivables from related parties bear interest at primarily fixed rates ranging from 0.8% to 7.6%, with a weighted average interest rate of 4.1%. Interest income is recorded using the effective interest method. As of December 31, 2009, aggregate annual contractual maturities of loans receivables from related parties were as follows:

	Interest range	Maturities
2010	0.8% - 5.8%	1,438,379
2011	1.7% - 5.9%	1,784,146
2012	1.9% - 7.6%	560,000
<b>Total</b>		<b>3,782,525</b>

DCFI is also responsible for administering a cash management system to efficiently use the financial resources of certain DAG affiliated companies in Canada.

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**7. Other financial assets**

Other financial assets are comprised of the following:

	December 31, 2009			December 31, 2008		
	Current	Non-current	Total	Current	Non-current	Total
Derivative financial instruments used in hedge accounting	32,050	24,301	56,351	8,929	99,681	108,610
Derivative financial instruments at fair value through profit or loss	1,219	716	1,935	3,820	20,935	24,755
Other receivables and financial assets	53,631	-	53,631	32,933	-	32,933
<b>Carrying amount</b>	<b>86,900</b>	<b>25,017</b>	<b>111,917</b>	<b>45,682</b>	<b>120,616</b>	<b>166,298</b>

Other receivables and financial assets are primarily comprised of interest receivables from swaps.

**8. Equity**

At December 31, 2009 and 2008, the authorized share capital comprised 1,000 no par value shares, of which 100 shares were issued and outstanding. All issued shares were fully paid up.

On December 30, 2008, DNA contributed \$60,000 in cash to the Company's capital. In 2009, DNA, the sole shareholder of DCFI, decided to not require a settlement of administrative overhead expenses, but instead to consider past and future administrative expenses that DNA incurs on behalf of DCFI as a capital contribution in kind. As a result of this decision, a total of \$6,377 was contributed to DCFI's equity.

**9. Notes and bonds payable**

Terms and conditions of notes and bonds payable outstanding at December 31, 2009, are as follows:

	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
Global Bond	EUR	3.625%	2010	1,512,800	1,523,050
Global Bond	GBP	5.750%	2011	511,049	520,062
Retail Medium Notes	CAD	4.000%	2010	5,841	5,831
Retail Medium Notes	CAD	4.100%	2010	2,694	2,693
Retail Medium Notes	CAD	4.150%	2010	4,809	4,793
Retail Medium Notes	CAD	4.350%	2010	1,141	1,136
Retail Medium Notes	CAD	4.450%	2010	271	271
Retail Medium Notes	CAD	4.600%	2010	264	263
<b>Total</b>				<b>2,038,869</b>	<b>2,058,099</b>

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**10. Payables to related parties**

The following table sets forth amounts payable to related parties:

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
Daimler International Finance B.V.	1,116,125	464,855
DNA	608,788	5,515
Daimler Trucks Canada Ltd.	170,215	230,669
Mercedes-Benz Canada Inc.	81,968	-
Daimler Buses North America Ltd.	41,305	38,085
SelecTrucks of Toronto Inc	5,449	-
Thomas Built Buses of Canada Ltd	4,113	-
DAG	334	7,182
Mercedes-Benz USA LLC	-	265
<b>Total</b>	<b>2,028,297</b>	<b>746,571</b>

Payables to these companies, with the exception of the payables to DAG and Mercedes-Benz USA LLC, bear variable interest. As of December 31, 2009, the weighted average interest rate on these loans was 4.0%.

DCFI is charged fees for the full and unconditional guarantees on its outstanding notes and bonds payable, which are issued under DAG's programs. These fees are calculated as a set percentage of the outstanding notes and bonds for any given year. These expenses were \$2,297 and \$3,992 for the years ended December 31, 2009 and 2008, respectively.

The Company is charged for administrative overhead expenses by DNA. These expenses were \$1,056 and \$1,172 for the years ended December 31, 2009 and 2008, respectively, and are included in administrative and other expense.

**11. Other financial liabilities**

Other financial liabilities are comprised of the following:

	<b>December 31, 2009</b>			<b>December 31, 2008</b>		
	<b>Current</b>	<b>Non-current</b>	<b>Total</b>	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
Derivative financial instruments at fair value through profit or loss	4,159	221,506	225,665	-	152,635	152,635
Other financial liabilities	43,523	-	43,523	63,396	-	63,396
<b>Carrying amount</b>	<b>47,682</b>	<b>221,506</b>	<b>269,188</b>	<b>63,396</b>	<b>152,635</b>	<b>216,031</b>

**12. Financial instruments**

**(a) Carrying amounts and fair values of financial instruments**

The following table shows the carrying amounts and fair values of the Company's financial instruments by IAS 39 measurement category. The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Given the varying influencing factors, the reported fair values can only be viewed as indicators of the prices that may actually be achieved on the market.

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	December 31, 2009		December 31, 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	499,105	499,105	537,132	537,132
Loans and receivables				
Loans and receivables from related parties	3,782,525	3,923,061	3,887,466	4,030,304
Other receivables and financial assets	53,631	53,631	32,933	32,933
<b>Total loans and receivables</b>	<b>3,836,156</b>	<b>3,976,692</b>	<b>3,920,399</b>	<b>4,063,237</b>
Financial assets recognized at fair value through profit or loss				
Derivative financial instruments entered into with related parties	-	-	66,911	66,911
Derivative financial instruments used in hedge accounting	56,351	56,351	108,610	108,610
Derivative financial instruments at fair value through profit or loss	1,935	1,935	24,755	24,755
<b>Total financial assets recognized at fair value through profit or loss</b>	<b>58,286</b>	<b>58,286</b>	<b>200,276</b>	<b>200,276</b>
<b>Total financial assets</b>	<b>4,393,547</b>	<b>4,534,083</b>	<b>4,657,807</b>	<b>4,800,645</b>
Financial liabilities at amortized cost				
Notes and bonds payable	2,058,099	2,091,900	3,707,060	3,515,890
Payables to related parties	2,028,297	2,123,641	740,243	757,738
Other financial liabilities	43,523	43,523	63,396	63,396
<b>Total financial liabilities at amortized cost</b>	<b>4,129,919</b>	<b>4,259,064</b>	<b>4,510,699</b>	<b>4,337,024</b>
Financial liabilities at fair value through profit or loss				
Derivative financial instruments entered into with related parties	-	-	6,328	6,328
Derivative financial instruments at fair value through profit or loss	225,665	225,665	152,635	152,635
<b>Total financial liabilities at fair value through profit or loss</b>	<b>225,665</b>	<b>225,665</b>	<b>158,963</b>	<b>158,963</b>
<b>Total financial liabilities</b>	<b>4,355,584</b>	<b>4,484,729</b>	<b>4,669,662</b>	<b>4,495,987</b>

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Financial assets and liabilities measured at fair value are classified into the following fair value hierarchy:

	December 31, 2009			
	Total	Level 1 <sup>1</sup>	Level 2 <sup>2</sup>	Level 3 <sup>3</sup>
Assets measured at fair value				
Derivative financial instruments recognized at fair value through profit or loss	1,935	-	1,935	-
Derivative financial instruments used in hedge accounting	56,351	-	56,351	-
Liabilities measured at fair value				
Derivative financial instruments recognized at fair value through profit or loss	225,665	-	225,665	-

<sup>1</sup> Fair value measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

<sup>2</sup> Fair value measurement based on inputs for the asset or liability that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

<sup>3</sup> Fair value measurement based on inputs for the asset or liability that are not observable market data.

The fair values of financial instruments were calculated on the basis of market information available on the balance sheet date using the methods and assumptions presented below.

**Cash and cash equivalents**

Due to the short terms of these financial instruments, it is assumed that the fair value is equal to the carrying amount.

**Loans and receivables from related parties**

DCFI intends to hold loans and receivables from related parties to maturity. None of these receivables have been derecognized and the Company does not believe that these receivables are impaired. The fair values of loans and receivables from related parties are calculated as the present values of the estimated future cash flows, using the interest rates set forth in the underlying intercompany loan agreements, which approximate market rates.

**Other receivables and financial assets**

Because of the short maturities of these financial instruments, it is assumed that fair value approximates the carrying amount.

**Financial assets and liabilities recognized at fair value through profit or loss**

Financial assets and liabilities recognized at fair value through profit or loss are comprised of derivative financial instruments not used in hedge accounting. For further details on the currency and interest rate hedging contracts see the comments under derivative financial instruments used in hedge accounting.

**Derivative financial instruments used in hedge accounting**

These derivative financial instruments include:

- Derivative currency hedging contracts. The fair values of currency forwards are determined on the basis of discounted estimated future cash flows using market interest rates appropriate to the remaining terms of the financial instruments.
- Derivative interest rate hedging contracts. The fair values of interest rate hedging instruments (e.g. interest rate swaps, cross currency interest rate swaps) are calculated on the basis of the discounted estimated future cash flows using the market interest rates appropriate to the remaining terms of the financial instruments.

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Other receivables and financial assets are comprised of short-term other receivables and short-term loans. These financial instruments are carried at cost. Because of the short maturities of these financial instruments, it is assumed that the fair values approximate the carrying amount.

**Notes and bonds payable**

The fair values of bonds are calculated as the present values of the estimated future cash flows, using a discounted cash flow analysis based on market interest rates for similar types of instruments issued by other Daimler entities, which approximate quoted market prices. If the counterparty can request payment at different dates, the discounted cash flows are measured on the basis of the earliest date on which DCFI can be required to pay.

**Payables to related parties**

The fair values of payables to related parties are calculated as the present values of the estimated future cash flows, using the interest rates set forth in the underlying intercompany loan agreements, which approximate market rates.

**Other financial liabilities**

Because of the short maturities of these financial instruments, it is assumed that fair value approximates the carrying amount.

**(b) Net losses**

In 2009 and 2008, the net losses of financial assets and liabilities recognized at fair value through profit or loss included in the statements of comprehensive income (not including derivative financial instruments used in hedge accounting) were \$(451) and \$(25,928), respectively.

In addition to amounts attributable to changes in fair value, net gains and losses of financial assets and liabilities recognized at fair value through profit or loss also include the interest income and expenses of these financial instruments.

**(c) Information on derivative financial instruments**

**Use of derivatives**

DCFI issued notes and bonds payable in several currencies. The Company uses interest rate swaps for hedging interest risks arising from these notes and bonds. Currency risks arising from the issuance of notes and bonds in currencies other than the Canadian dollar are hedged mainly through currency forward transactions and swaps.

**Fair values of hedging instruments**

The table below shows the fair values of hedging instruments:

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
Fair value hedges	24,301	34,921
Cash flow hedges	32,050	73,689

Positive fair values in the table represent assets, while negative fair values represent liabilities.

**Fair value hedges**

DCFI uses fair value hedges primarily for hedging interest rate risks.

The changes in fair value of hedging instruments for 2009 and 2008 amounted to \$(513) and \$41,538, respectively. The offsetting changes in the value of underlying transactions amounted to \$4,490 in 2009

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and \$(51,335) in 2008. These changes are included in “interest expense – third parties” in the statements of comprehensive income.

These amounts also include the portions of changes in fair value of derivative financial instruments that are excluded from the hedge effectiveness test and the ineffective portions.

**Cash flow hedges**

The Company uses cash flow hedges primarily for hedging currency and interest rate risks.

In 2009 and 2008, net unrealized losses on the measurement of derivatives (before income taxes) of \$(35,696) and \$(93,294), respectively, were recognized in equity without affecting earnings. In addition, in 2009 and 2008, net (losses) gains of \$(77,703) and \$90,899, respectively, were reclassified from equity to “interest expense – third parties.”

The maturities of the interest rate hedges and currency hedges correspond with those of the underlying transactions. As of December 31, 2009, the Company expects to reclassify losses, net of applicable income taxes, of \$19,225 and \$2,234 to the statements of comprehensive income on November 10, 2010 and on August 10, 2011, respectively.

DCFI has outstanding derivative instruments with a maturity of 11 months as hedges for currency risks arising from future transactions.

There were no terminations during 2009. In 2008, the Company terminated cross-currency interest rate swaps used in cash flow hedges. The fair value of the interest component of these swaps at the date of termination was \$53,689. The cumulative gain, net of applicable income taxes, on these hedging instruments that had been recognized in other comprehensive income as a result of applying cash flow hedge accounting was \$38,677. The hedged forecasted transactions – foreign-currency denominated interest payments - remain highly probable and, accordingly, these amounts remained in other comprehensive income and are reclassified to the statement of comprehensive income when those transactions affect the statements of comprehensive income. The Company reclassified net amounts of \$14,989 and \$10,166 to the statement of comprehensive income in 2009 and 2008, respectively.

**13. Risk management**

**(a) Introduction**

DCFI is exposed to the following risks from financial instruments:

- credit risk
- liquidity risk
- finance market risks.

This note presents information about the Company’s exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the Company’s management of capital.

**(b) Risk management framework**

DCFI applies the guidelines established by its ultimate parent company, DAG, and when necessary, establishes its own guidelines unique to the transactions of the Company. The guidelines are established for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to operating financial activities, settlement, accounting and controlling of financial instruments. The guidelines upon which the Company’s risk management processes are based, are designed to identify and analyze these risks, to set appropriate risk limits and controls and to monitor the risks by means of reliable and up-to-date administrative and information systems. The guidelines and systems are regularly reviewed and adjusted to changes in markets and businesses.

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The Company manages and monitors these risks primarily through its operating and financing activities and, if necessary, through the use of derivative financial instruments. DCFI does not use derivative financial instruments for purposes other than risk management. Without these derivative financial instruments, the Company would be exposed to higher financial risks. Additional information on financial instruments and especially derivative financial instruments is included in Note 11. DCFI regularly evaluates its financial risks with due consideration of changes in key economic indicators and up-to-date market information.

**(c) Credit risk**

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. It encompasses both the direct risk of default and the risk of a deterioration of creditworthiness as well as concentration risks.

For DCFI, credit risk arises from the Company's receivables from related parties, cash and cash equivalents and derivative financial instruments concluded with related parties and third parties. As a result, the Company is exposed to these related parties', and indirectly to its ultimate parent DAG's, intent and ability to effect the repayment of these receivables.

As it pertains to the remaining assets, DCFI manages the credit risk exposure through the diversification of counterparties with the use of a Daimler Group-wide limit system based on the review of each counterparty's financial strength. During times of significant financial market volatility, DCFI's parent company, DAG reduced available limits for certain counterparties that were affected by the financial market crisis.

The maximum exposure to credit risk at the reporting date for these assets is equal to their carrying amount.

**Liquid assets**

Liquid assets consist of cash and cash equivalents. In connection with the investment of liquid assets, the Company is exposed to credit-related losses to the extent that banks or issuers of securities fail to fulfill their obligations.

With the investment of liquid assets, DCFI selects the banks and issuers of securities very carefully. In line with the Daimler Group risk policy, the predominant part of the liquid assets is in investments with an external rating of A or better.

**Derivative financial instruments**

Derivative financial instruments are comprised of derivatives that are either included in hedge accounting or individually valued. DCFI manages the credit risk exposure of the derivative financial instruments through diversification of counterparties, using a limit system that is based on the review of each counterparty's financial strength. The counterparties to the derivative financial instruments are mainly international banks. As these counterparties mainly carry high external credit ratings from Standard & Poor's, Moody's or Fitch, the loss potential regarding credit risk is consequently limited.

**Receivables from related parties**

The Company monitors DAG's liquidity position. DAG's financial statements are publicly available.

Debt ratings are an assessment by the rating agencies of the credit risk associated with DAG and are based on information provided by DAG or other sources. Lower ratings generally result in higher borrowing costs and reduced access to capital markets. Standard & Poor's Rating Services (S&P), Moody's Investors Service, Inc. (Moody's), Fitch Ratings Ltd. (Fitch) and DBRS rate DAG's commercial paper (short-term) and senior unsecured long-term debt (long-term). DAG's ratings as of December 31, 2009 were as follows:

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	<b>S&amp;P</b>	<b>Moody's</b>	<b>Fitch</b>	<b>DBRS</b>
Short-term debt	A-2	P-2	F2	R-1(low)
Long-term debt	BBB+	A3	BBB+	A (low)

**(d) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities.

DCFI's main sources of liquidity are external and internal borrowings. The funds are primarily used to finance working capital and capital expenditure requirements as well as the cash needs of the lease and financing business of the DNA subsidiaries.

The Company manages its liquidity by holding adequate volumes of liquid assets and maintaining syndicated credit facilities in addition to the cash inflow generated by its operating business. The liquid assets consist of cash and cash equivalents. The Company maintains a broad variety of other funding sources. Depending on its cash needs and market conditions, it issues bonds, notes and commercial papers in various currencies. Adverse changes in the capital markets could increase DCFI's funding costs and limit the Company's financial flexibility.

In October 2009, the Company, together with DAG and another DAG subsidiary, entered into a Euro 3 billion 2 year credit facility with a syndicate of international banks. The facility serves as a backup for commercial paper drawings in Canadian dollars and provides funds for general corporate purposes. Prior approval from DAG is required before the Company can access this credit line. At the end of 2009 and through the issuance date of these financial statements, this facility was not utilized.

From an operating point of view, the management of the Company's liquidity exposures is centralized by a daily cash concentration process. This process enables DCFI to manage its liquidity surplus and liquidity requirements according to the actual needs of the Company and other DAG subsidiaries. The Company's short-term and mid-term liquidity management takes into account the maturities of financial assets and financial liabilities and estimates of cash flows from the operating business.

The liquidity runoff shown in the following table provides an insight into how the liquidity situation of the Company is affected by the cash flows from financial liabilities as of December 31, 2009. It comprises a runoff of the

- undiscounted principal and interest of the notes and bonds payable,
- undiscounted sum of the net cash outflows of the derivative financial instruments for the respective time band, and
- undiscounted payments from other financial liabilities without derivatives.

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	<b>Total</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Notes and bonds – principal	2,038,869	1,527,820	511,049	-	-	-
Notes and bonds – interest	114,049	84,664	29,385	-	-	-
Payables to related parties – principal	1,990,964	911,394	625,730	-	-	453,840
Payables to related parties – interest	285,022	102,307	60,654	40,687	40,687	40,687
Derivative financial instruments	172,304	(35,048)	169,951	-	-	37,401
Withholding taxes payable	7,006	7,006	-	-	-	-
Other financial liabilities	24,161	24,161	-	-	-	-
<b>Total</b>	<b>4,632,375</b>	<b>2,622,304</b>	<b>1,396,769</b>	<b>40,687</b>	<b>40,687</b>	<b>531,928</b>

Interest payments on the notes and bonds are primarily at fixed rates.

The undiscounted cash outflows of this runoff are subject to the following conditions:

- If the counterparty can request payment at different dates, the liability is included on the basis of the earliest date on which DCFI can be required to pay.
- Cash outflows from payables to related parties include interest payments on intercompany loans, which are based on forward rates. The outflows do not include future interest payments on outstanding cash sweep balances as these balances change daily and the interest on these balances, as a result, cannot be determined reliably. The company believes that the interest payments resulting from cash sweep payables are insignificant.
- Besides derivative financial instruments bearing a negative fair value, this analysis also comprises derivative financial instruments with a positive fair value due to the fact that all derivative financial instruments and not necessarily derivative financial instruments of negative fair value only may contain net cash outflows.
- The cash flows of floating interest financial instruments are estimated on the basis of forward rates.

**(e) Market risk**

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, may adversely affect the Company's financial position, cash flows and profitability. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

DCFI maintains risk management control systems independent of Corporate Treasury and with a separate reporting line. The Company manages and controls market risks primarily through its regular operating and financing activities, but also uses derivative financial instruments when deemed appropriate. Market risks are evaluated by monitoring changes in key economic indicators and market information on an ongoing basis. Decisions regarding the management of market risks are regularly made by the relevant DAG risk management committees.

DCFI holds a variety of interest rate sensitive assets and liabilities to manage the liquidity and cash needs of its day-to-day operations. DCFI's general policy is to match funding in terms of maturities and interest rates, where economically feasible. In order to achieve the targeted interest rate risk positions in terms of maturities and interest rate fixing periods, DCFI uses derivative financial instruments (e.g. interest rate swaps). The interest rate risk position is assessed by comparing assets and liabilities for corresponding maturities, including the impact of the relevant derivative financial instruments.

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**14. Related party relationships**

For transactions and balances with other DAG subsidiaries, refer to notes 6 and 10.

The authority and responsibility for planning, directing and controlling the activities of DCFI resides within DAG's Corporate Treasury and Tax departments rather than with the directors of the entity. Accordingly, the company does not have key management personnel as defined in IAS 24, "Related Party Transactions." Certain directors of the Company participate in the DAG employee share-based compensation plans. An allocation is done by DAG for the related expense to the Company on a quarterly basis.

**15. Capital management**

DCFI is subject to the capital management at the DAG parent level. DAG uses "net assets" as its basis for capital management. Net assets are managed on a divisional level at DAG rather than at a regional or company level. Accordingly, the net assets of the Company are not subject to review for capital management, but rather the net assets of the individual DAG subsidiaries in the divisions to which they are allocated.

The Company is part of the worldwide financial management that is performed for all Daimler Group entities by DAG's Corporate Treasury. Financial management operates within a framework of guidelines, limits and benchmarks; for DCFI, these are described in more detail in note 12.

**16. Subsequent events**

On March 30, 2010, the Company repaid all of its existing loans from DNA, including loans that were originally scheduled to be repaid in the years 2011 and 2013. Accordingly, these loans are presented as current liabilities in the statement of financial position.