

DAIMLER

Daimler International Finance B.V.

Interim Report

2011

Contents

Page:

2	Supervisory Board Board of Management Registered office
3	Report of the Board of Management
5	Responsibility Statement
6	Balance sheet as at June 30, 2011 -unaudited-
8	Profit and loss account for the half-year ended June 30, 2011 -unaudited-
9	Cash flow statement -unaudited-
9	Statement of recognised income and expenses -unaudited-
15	Notes to the unaudited accounts as at June 30, 2011

Supervisory Board

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

Board of Management

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

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Report of the Board of Management

General

Daimler International Finance B.V. (or "the Company") finances part of the activities of the Daimler Group. As at 30 June 2011 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 (stable) from Moody's Investors Service, BBB+ (positive) from Standard & Poor's Ratings Group and A- (stable) from Fitch Ratings as at 30 June 2011. 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 or the Swiss Stock Exchange (as of June 2011).

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 1 st half of 2011

In the first half of the year Daimler International Finance B.V. issued eleven bonds under the Daimler EMTN Program worth approx € 1,6 billion. Resulting proceeds are fully hedged (if applicable) and allocated as intercompany loans to Daimler Group companies. Also three EMTN's of € 2.15 billion matured and were repaid.

Since end of 2010 the financial assets of the Company decreased by € 1,244 million to a level of € 8,436 million as per June 30, 2011.

The financial result after taxation amounts to EUR -5.458 million. The included interest result developed in line with the balance sheet development during the course of the year.

In 2010 the Company received an early termination fee, amounting to approximately € 51 million, on the restructuring of part of the financial assets. The restructured part of the financial assets (loans to affiliated companies) caused a major shift in interest cash flows of the involved loans. Based on the applied accounting principles the Company recognised the early termination fee directly in the interest result 2010 which will be followed by corresponding negative results over the years 2011-2014. For the first half year 2011 the negative impact amounts € 7.6 million.

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 to certain companies in which Daimler directly or indirectly holds a stake. In cooperation with Daimler AG headquarters, assessments of credit risks are made and credit limits are set, which are periodically reviewed. In respect of cash at banks and financial derivatives, these are only deposited and / or entered into Group-internally or with banks of good reputation.

Outlook

The overall result of Daimler International Finance B.V. in 2011 is expected to be negative due to the above-mentioned restructuring of the financial assets in 2010. The overall result can furthermore be affected by valuations arising from hedging transactions. Due to the integrated organisation of lending and funding activities within the Daimler Group, the Company expects no direct impacts arising from the market development.

Events after the closing date

Since the reporting date of June 30, 2011, there have been no occurrences that are of major significance for the Company.

Utrecht, August 22, 2011

Daimler International Finance B.V.
The Board of Management

Mr. M. van Pelt

P. Derks

H. Wendroth

Responsibility Statement

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

Utrecht, August 22, 2011

Daimler International Finance B.V.
The Board of Management

Mr M. van Pelt

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H. Wendroth

Daimler International Finance B.V.
Balance sheet as at June 30, 2011
(before profit appropriation x €1,000)
-unaudited-

	<u>Note</u>	<u>30-06-2011</u>	<u>31-12-2010</u>
<u>ASSETS</u>			
<u>FIXED ASSETS</u>			
◇ Tangible fixed assets		20	-
◇ Financial fixed assets			
Loans to affiliated companies	1	4,150,442	4,396,442
Other financial assets	2	48,876	61,663
		4,199,318	4,458,105
<u>CURRENT ASSETS</u>			
◇ Receivables:			
Loans to affiliated companies	1	4,237,159	5,222,678
Affiliated companies	3	267,209	429,717
Tax receivables	4	864	191
		4,505,232	5,652,586
◇ Cash at bank and in hand	5	9,102	9,313
		8,713,672	10,120,004

Daimler International Finance B.V.
Balance sheet as at June 30, 2011
(before profit appropriation x €1,000)
-unaudited-

LIABILITIES	Note	30-06-2011	31-12-2010
◇ Shareholders' equity	6		
Issued capital		500	500
Other reserves		61,339	21,647
Cash flow hedge reserve		(661)	(140)
Retained earnings		(5,458)	39,692
		<hr/>	<hr/>
		55,720	61,699
◇ Provisions	7	53	51
◇ Deferred tax liabilities	8	11,286	13,502
◇ Long-term liabilities			
EMTN issues	9	4,276,205	4,646,673
Affiliated companies	9	164,415	101,417
Other financial liabilities	2	71,089	109,509
		<hr/>	<hr/>
		4,511,709	4,857,599
◇ Short-term liabilities			
EMTN issues	9	3,733,234	3,930,181
Loans from affiliated companies	9	121,900	794,739
Other liabilities affiliated companies	10	34,158	43,263
Taxation and social security premiums	11	53	25
Other liabilities and accruals	12	245,559	418,945
		<hr/>	<hr/>
		4,134,904	5,187,153
		<hr/>	<hr/>
		8,713,672	10,120,004
		<hr/> <hr/>	<hr/> <hr/>

Daimler International Finance B.V.
Profit and loss account for the half-year ended June 30, 2011
(x €1,000)
-unaudited-

	Note	30-06-2011	30-06-2010
◇ Interest income	14	367,083	447,260
◇ Interest expenses			
Interest expense excl. valuation impact of derivatives		(370,465)	(442,393)
Valuation impact of derivatives	15	29	(3,980)
Interest margin		(3,353)	887
◇ External costs and other			
Operating costs		(541)	(468)
Commissions in relation to EMTN issues	16	(3,193)	(3,618)
Wages and salaries		(151)	(92)
Social security charges		(14)	(16)
Pension charges and early retirement costs		(25)	(24)
		(3,924)	(4,218)
PROFIT BEFORE TAX		(7,277)	(3,331)
◇ Taxation	17	1,819	849
NET PROFIT		(5,458)	(2,482)

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

	30-06-2011	30-06-2010
Profit after tax	(5,458)	(2,482)
<i>Adjustments for:</i>		
Change in value adj. to other financial assets / liabilities	(29)	3,980
Income tax expense	(1,819)	(849)
<i>Changes in:</i>		
Change in provisions	2	-
Amortization financial instruments	7,604	9,030
Tax paid	(1,070)	(476)
Change in operating assets and liabilities:		
Additions to tangible fixed assets	(20)	-
Additions to loans to affiliated companies	(2,983,675)	(996,989)
Repayments made from loans to affiliated companies	4,161,157	1,974,215
Change in receivables affiliated companies	162,508	209,597
Change in derivative assets and liabilities	(20,182)	16,240
Change in other liabilities	(173,358)	(187,184)
Net cash from operating activities	1,145,660	1,025,082
Cash flow from investing activities	-	-
Cash flow from financing activities:		
Proceeds from additional EMTN issues	1,622,466	130,097
Repayments of EMTN	(2,150,000)	(600,000)
Additional short term loans received from aff. companies	962,991	385,000
Additional long term loans received from aff. companies	51,000	30,000
Repayments of loans from affiliated companies	(1,623,223)	(978,038)
Repayments of other financing activities	(9,105)	(19,570)
Net cash from financing activities	(1,145,871)	(1,052,511)
Net de / increase in cash and cash equivalents	(211)	(27,429)
Cash at beginning of period	9,313	32,222
Cash at end of period	9,102	4,793
Net de / increase in cash and cash equivalents	(211)	(27,429)

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

	30-06-2011	30-06-2010
Net result after tax attributable to the company	(5,458)	(2,482)
Unrealized revaluation of cash flow hedges charged directly to shareholders equity	(521)	(1,286)
Total of items recognised directly in shareholders' equity of the company	(521)	(1,286)
Total result of the legal entity	(5,979)	(3,768)

Notes to the unaudited accounts as at June 30, 2011

The interim Report 2011 should be read in conjunction with the audited Financial Report 2010. The accounting principles applied by Daimler International Finance B.V. in the unaudited Interim Report 2011 are the same as those applied in the audited Financial Report 2010.

1 Financial fixed assets

Loans to Affiliated companies:

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

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

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

Loans to affiliated companies for a total amount of € 1.4 billion (2010: € 1.4 billion) are denominated in a currency other than Euro for which the Company has entered into foreign exchange contracts to hedge foreign currency risks as far as they are not back-to-back. The valuation of the loans is determined based on the rate of exchange as of reporting date.

The fair value of the loans to affiliated companies per June 30, 2011 is € 8.8 billion (2010: € 10.4 billion).

2 Other financial assets and liabilities

The fair values of the derivatives are as follow:

(x €1,000)

	Assets	Liabilities	Assets	Liabilities
	30 June 2011		31 Dec. 2010	
Instrument type:				
Interest rate swaps	10,394	312	38,736	16
Cross currency swaps	38,482	70,777	22,927	109,493
Total	48,876	71,089	61,663	109,509

Fair value hedges

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

The fair value of fair value hedges is determined on the basis of the discounted expected future cash flows; whereby the market interest rates valid for the remaining terms of the financial instruments are used.

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

(x €1,000)	Assets	Liabilities	Assets	Liabilities
	30 June 2011		31 Dec. 2010	
Instrument type:				
Interest rate swaps	9,819	4	38,736	-
Cross currency swaps	7,269	4,245	3,180	-
Total	17,088	4,249	41,916	-

Cash flow hedges

The Company uses interest rate and cross-currency swaps to hedge the foreign currency and interest rate risks arising from granting floating rate loans denominated in foreign currencies.

The fair values of derivatives designated as cash flow hedges are as follows:

(x €1,000)	Assets	Liabilities	Assets	Liabilities
	30 June 2011		31 Dec. 2010	
Instrument type:				
Interest rate swaps	575	308	-	-
Cross currency swaps	5,651	33,164	208	36,460
Total	6,226	33,472	208	36,460

During 2011 net losses of € 0.5 million (2010: losses of € 1.0 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 € 25.6 million (2010: € 19.5 million). The natural hedges with a negative fair value amount up to € 33.4 million (2010: € 73.0 million).

3 Receivables from affiliated companies

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

Receivables from affiliated companies for a total amount of € 17.4 million (2010: € 13.2 million) are denominated in a currency other than Euro for which the Company has entered into foreign exchange contracts to hedge foreign currency risks as far as there is no matching with interest liabilities.

4 Tax receivables

The specification is as follows:

(x €1,000)	30 June 2011	31 Dec. 2010
Corporate income tax	864	191
Total	864	191

The tax receivable relates to the financial year 2011 and 2010 and will be settled within 1 year.

5 Cash at bank and in hand

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

6 Shareholders' equity

Summary of movements in shareholders' equity in 2011 and 2010:

(x €1,000)	1 January 2011	Profit distribu- tion in 2011 for 2010	Dividend distribu- tion in 2011	Unrealized revaluations from cash flow hedges	Result for reporting period	30 June 2011
Share capital:						
Authorised capital	2,500					2,500
Not issued capital	(2,000)					(2,000)
Issued capital	500	-	-		-	500
Other reserves *	21,647	39,692	-			61,339
Cash flow hedge reserve	(140)			(521)		(661)
Profit for the year	39,692	(39,692)			(5,458)	(5,458)
Total shareholders' equity	61,699	-	-	(521)	(5,458)	55,720

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

* The other reserves are considered to be legal statutory reserves both in 2010 and 2011. These reserves are not freely distributable to shareholders for the amount of the positive fair values related to the derivatives that are not designated for hedge accounting purposes. The positive fair value of the derivatives for which no hedge accounting is applied (natural hedges) amount up to € 25.6 million (2010: € 19.5 million) (note 2).

The authorized capital of Daimler International Finance B.V. amounts to € 2,500,000 consisting of 5,000 shares with a par value of € 500. At December 31, 2010 1,000 shares have been issued and fully paid.

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

7 Provisions

The provisions are related to a stock option plan for employees of Daimler International Finance B.V., which plan is governed by Daimler AG, Stuttgart.

This provision was made in accordance with the accounting principles and is calculated by multiplying the fair value of the option per compliance date by the number of shares. The provision will be supplied over the length of validity.

8 Deferred tax liabilities

At June 30, 2011, a deferred tax liability of € 11.3 million for temporary differences was recognized.

The deferred tax liabilities comprises the tax effect of the temporary differences between the profit determination for financial reporting purposes and for tax purposes.

Deferred tax liabilities are attributable to the following:

Movements in 2011:

(x €1,000)	1 January 2011	Re- classi- fication	Provi- sions made	Provi- sions used	Provi- sions released	Other	30 June 2011
Valuation differences	1,361	-	-	-	(305)	-	1,056
Early termination premium	12,141	-	-	-	(1,911)	-	10,230

Movements in 2010:

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

9 Short/Long-term liabilities

Daimler International Finance B.V. obtains funds from the market by issuing corporate bonds/notes under the Euro Medium Term Notes Program and obtains funds from affiliated companies by entering into loan agreements. The notes issued under the EMTN Program (in total € 8.0 billion) are unconditionally and irrevocably guaranteed by Daimler AG for which the Company pays a guarantee fee. The bonds issued by Daimler International Finance B.V. are listed on the Luxembourg Stock Exchange or the Swiss Stock Exchange.

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 30-06-2011
EUR	3.250%	7/13/2009	7/13/2011	250,000	250,811
EUR	5.875%	9/5/2008	9/8/2011	1,500,000	1,506,193
JPY	3M JPY-Libor+0,70%	1/27/2010	1/27/2012	23,818	25,799
USD	3M USD-Libor+0,95%	1/27/2010	1/27/2012	106,594	103,755
EUR	9.000%	12/8/2008	1/30/2012	1,000,000	997,801
EUR	7.750%	3/26/2009	3/26/2012	700,000	698,902
EUR	3M EUR-Euribor+0,24%	5/16/2011	5/16/2012	150,000	149,974
EUR	3M EUR-Euribor+0,28%	5/12/2011	11/12/2012	100,000	99,973
AUD	7.250%	11/23/2009	11/23/2012	61,685	74,376
EUR	3M EUR-Euribor+0,35%	6/16/2011	12/17/2012	200,000	199,911
EUR	3M EUR-Euribor+0,35%	6/21/2011	12/21/2012	50,000	49,993
EUR	3M EUR-Euribor+0,40%	4/5/2011	4/5/2013	120,000	119,894
EUR	3M EUR-Euribor+0,33%	5/17/2011	5/17/2013	200,000	199,831
EUR	3M EUR-Euribor+0,40%	5/18/2011	11/18/2013	200,000	199,859
GBP	2.125%	6/15/2011	12/10/2013	227,346	220,211
EUR	7.875%	1/16/2009	1/16/2014	2,000,000	1,991,600
CHF	1.250%	6/30/2011	3/31/2014	165,744	165,282
NOK	4.250%	4/19/2011	4/22/2014	77,282	76,584
NOK	4.250%	6/27/2011	4/22/2014	51,392	52,020
SEK	3.750%	6/10/2011	6/10/2014	82,532	81,332
EUR	6.125%	9/5/2008	9/8/2015	750,000	745,338
EUR				8,016,393	8,009,439

◇ The due date of the loans from affiliated companies varies from July 2011 to May 2014. 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 € 0.4 million (2010: € 62.4 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 June 30, 2011 is € 8.5 billion.

10 Other liabilities to affiliated companies

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

There are no liabilities to affiliated companies which are denominated in a currency other than Euro (2010: € 5.0 million). In cases there is no matching with interest receivables the Company has entered into foreign exchange contracts to hedge foreign currency risks.

11 Taxation and social security premiums

The specification is as follows:

(x €1,000)	30 June 2011	31 Dec. 2010
Value-added tax	24	6
Payroll tax and social security charges	29	19
Total	53	25

12 Other liabilities and accruals

The specification is as follows:

(x €1,000)	30 June 2011	31 Dec. 2010
Interest debts to third parties	245,418	418,724
Other liabilities / accruals	141	221
Total	245,559	418,945

13 Financial Instruments

General

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

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

The EMTN notes are not in full extent lent onward at similar conditions. The Company assumes market interest rate risk with respect to these loans. However this risk is shared with Daimler AG.

Foreign currency risk

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

Credit risk

The Company solely provides loans within the Daimler Group. In cooperation with Daimler AG headquarters, assessments of credit risks are made and credit limits are set, which are periodically reviewed. In respect of cash at banks and financial derivatives, these are only deposited and / or entered into with banks of good reputation.

Interest risk

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

Hedging and hedge accounting

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

Derivatives are valued at fair value in the balance sheet and any changes in the fair value must be accounted for in the income statement. In the event that changes in fair value of hedged risks are not accounted for through the income statement, a mismatch occurs in the accounting of results, making these results more volatile. In these cases, hedge accounting is applied as much as possible to mitigate accounting mismatching and volatility. The Company makes a distinction in hedge accounting between fair value hedge accounting and cash flow hedge accounting.

In fair value hedge accounting, the developments in fair value of the hedged risk are processed through profit or loss. This compensates for the fair value movements of the accompanying derivatives. In cash flow hedge accounting, the movements in fair value of the derivatives are accounted for in a separate (revaluation) reserve in total equity. This cash flow hedge reserve is released over the period in which the cash flows from the hedged risk are realized.

14 Interest income

In 2010 the Company restructured part of its financial assets (Loans to affiliated companies). The disposal has been concluded against fair value and as a result the Company realized an early termination premium. The early termination premium amounts to approximately € 51 million and has been recognized in the 2010 interest income. The new loans which have been concluded against the current market conditions with another affiliated party will result in corresponding negative interest margins in the years 2011-2014, given the higher interest expenses on the back to back funding on the designated EMTN notes.

15 Valuation impact of derivatives

Hedge accounting is practiced in accordance with Group policy and hedge accounting requirements as stated in RJ 290. Since the derivatives are held until maturity the overall valuation impact tends to zero towards the respective maturity date.

16 Commissions in relation to EMTN notes

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

17 Corporation tax

The applicable nominal tax rate is 25.0% (2010: 25.5%). The tax benefit recognised in the profit and loss account for the first half year 2011 amounts to EUR 1.8 million, or 25% of the result before tax.

18 Contingent liabilities and (off-balance sheet) commitments

The Company did not have any contingent liabilities as at 30 June 2011. As at June 30, 2011 the Company has an off balance sheet commitment amounting to € 283.2 million (2010: € 198.5 million). This off balance sheet commitment relates to the issued declarations of joint and several liabilities for debts arising from residual value agreements. The received fee amounts are recognized in interest income.