Daimler Canada Finance Inc.

Annual Report 2015

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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.

Park Ridge, NJ (USA), April 29, 2016

Ruben Simmons
President & CEO

Birger Ostermann
Chief Accounting Officer

Management Report

General

Daimler Canada Finance Inc. ("DCFI" or the "Company") is a wholly-owned subsidiary of Daimler AG ("DAG" or "Daimler").

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. DAG has issued full and unconditional guarantees for DCFI's obligations incurred under its outstanding notes and bonds and commercial paper programs.

The nature of the Daimler operations in Canada includes the distribution of passenger cars purchased from DAG under the brand names Mercedes-Benz and smart, and the sale of trucks and other commercial vehicles under the brand names Freightliner and Thomas Built Buses. 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:

- an adverse development of global economic conditions, in particular a decline of demand and investment activity in Canada;
- a deterioration of our funding possibilities on the credit and financial markets, which could result in an increase in 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, 2015 and 2014, which were prepared using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Note 3 to the financial statements provides a summary 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 $119,264 in 2015 compared to $120,739 in 2014, a 1% decrease, due to lower interest rates in 2015.

Interest expense

Interest expense was $105,161 in 2015 compared to $115,174 in 2014, a 9% decrease. Third party Interest expense decreased by $12,609 to $94,789 because of lower average bond interest rates during 2015. Related party interest expense increased by $2,596 to $10,372. This was caused by higher average intercompany payable balances.

Administrative and other expense

Administrative expense increased from $3,599 in 2014 to $3,786 in 2015 because of higher personnel expenses, professional fees and other administrative expenses.

Other financial expense, net

Other financial expense, net was $628 in 2015 compared to $776 in 2014. The change was comprised of a decrease in net 2015 foreign exchange losses as well as a decrease in bank charges during 2015.

Profit before income taxes

Profit before income taxes amounted to $9,689 in 2015 compared to $1,190 in 2014, mainly because of increased net interest income.

Income tax expense

The Company recorded an income tax expense of $358 in 2015 compared to $55 in 2014. The change is due to increased book income and a benefit related to an audit settlement with the Canada Revenue Agency.

Other comprehensive income

Other comprehensive income was comprised of unrealized gains and losses from cash flow hedges. The Company recorded net losses after taxes of $251 in 2015 compared to $107 in 2014.

Financial position

Total assets were $6,831,241 at December 31, 2015 compared to $5,203,370 at December 31, 2014, an increase of $1,627,871 or 31%. This change is mainly due to increases in cash, related party receivables and other financial assets.

Total liabilities also increased, from $4,918,536 at December 31, 2014 to $6,469,567 at December 31, 2015. This is due to new issuances of notes and bonds, an increase in related party payables offset by decreased other financial liabilities.

Liquidity and capital resources

In the ordinary course of business, the Company issues notes and bonds and commercial paper 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 2015 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.

(all amounts in thousands of Canadian dollars)

Cash flows were as follows in 2015 and 2014:

	2015	2014
Net cash used in operating activities	(1,160,196)	(736,753)
Net cash from investing activities	-	-
Net cash from financing activities	1,318,169	794,048

Operating net cash outflows were $1,160,196 in 2015 compared to $736,753 in 2014, mainly the result of net change in related party operating receivables/payables.

Net cash inflows from financing activities were $1,318,169 for 2015 compared to $794,048 for 2014. This change is mainly comprised of new issuances of notes and bonds, an increase in related party financing payables along with a capital contribution during 2015 offset by repayment of maturing notes and bonds and short term financial liabilities to banks.

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

Global financial market volatility and the banking sector, a growth slump in Canada, high price volatility in raw-material markets, increases in inflation rates and nascent protectionism could have significant adverse effects on the Daimler business in Canada and, as a result, on the future financial position of the Company.

Tightening of credit as a result of turmoil in the financial industry and the resulting downturn of the Canadian and worldwide economies could result in a significant decline in consumer confidence and resulting declines in investment activity and consumer demand, including demand for the passenger cars, trucks and buses sold by DCFI's sister companies, in Canada and throughout the world.

Industry risks

Overcapacity and intense price competition in the automotive industry could force the Daimler companies in Canada, which are financed by DCFI, to reduce distribution capacity or increase sales incentives, each of which would be costly and would indirectly affect the financial position of the Company.

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

If any of these risks and uncertainties materialize, or if the assumptions underlying any of our forward-looking statements prove incorrect, then our actual results may be materially different from those we express or imply by such statements. We do not intend or assume any obligation to update these forward-looking statements. Any forward looking statement speaks only as of the date on which it is made.

Corporate Governance

Corporate bodies

As of December 31, 2015, the Company had eight officers and a board of directors which comprised three members. With this segregation, the officers are responsible for managing the day to day operations of the Company while the board of directors advises and monitors the officers.

Compliance

As part of the Daimler organization, the Company has applied all compliance principles the Daimler AG Board of Management has set including an Integrity Code. This Integrity Code is a set of guidelines for behavior defining a binding framework for the actions of all employees worldwide. Among other things, the guidelines define correct behavior in international business and in any cases of conflicts of interest, questions of equal treatment, proscription of corruption, the role of internal control systems and the duty to comply with applicable law as well as other internal and external regulations.

Risk management and internal control

The risk management system is one component of the overall planning, controlling and reporting process. Its goal is to enable the Company's management to recognize significant risks at an early stage and to initiate appropriate countermeasures in a timely manner (see note 15 to the accompanying financial statements).

The officers of the Company are responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards (IFRS) and includes those policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Accounting principles

The financial statements of the Company are prepared in accordance with IFRS as issued by the IASB.

Outlook

Management expects the Company's results of operations to be stable in 2016. This expectation is based on the assumption of a steady economic development.

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
Daimler Canada Finance Inc.:

We have audited the accompanying financial statements of Daimler Canada Finance Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 opinion.

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, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG LLP

New York, NY
April 29, 2016

(all amounts in thousands of Canadian dollars)

Statement of Comprehensive Income

		Year ended December 31,	
	Note	**2015**	**2014**
Interest income			
Interest income – related parties		116,780	117,181
Interest income – third parties		2,484	3,558
Total interest income		**119,264**	**120,739**
Interest expense			
Interest expense – third parties		(94,789)	(107,398)
Interest expense – related parties		(10,372)	(7,776)
Total interest expense		**(105,161)**	**(115,174)**
Net interest income		**14,103**	**5,565**
Administrative and other expense	12	(3,786)	(3,599)
Other financial expense, net	4	(628)	(776)
Profit before income taxes		**9,689**	**1,190**
Income tax expense	5	(358)	(55)
Net profit		**9,331**	**1,135**
Other Comprehensive Income **Items that may be reclassified to profit/loss**			
Unrealized gains (losses) from cash flow hedges, net of taxes of ($92) in 2015 and ($39) in 2014	14	(251)	(107)
Total comprehensive income	14	**9,080**	**1,028**

The accompanying notes on pages 13 to 30 are an integral part of the financial statements.

(all amounts in thousands of Canadian dollars)

Statement of Financial Position

		December 31,	
	Note	2015	2014
Assets			
Loans and receivables from related parties	6	3,219,000	3,112,800
Other financial assets	7	102,228	6,182
Deferred tax assets	5	1,548	1,653
Total non-current assets		**3,322,776**	**3,120,635**
Loans and receivables from related parties	6	3,163,746	1,924,514
Cash and cash equivalents	3	288,387	130,414
Other financial assets	7	48,080	20,208
Other assets		158	-
Tax receivables		8,094	7,599
Total current assets		**3,508,465**	**2,082,735**
Total assets		**6,831,241**	**5,203,370**
Equity and liabilities			
Share capital	8	-	-
Capital reserves		394,137	326,377
Retained deficit		(32,136)	(41,467)
Cash flow hedges reserve		(327)	(76)
Total equity	8	**361,674**	**284,834**
Notes and bonds payable	9	3,798,016	2,481,809
Other financial liabilities	13	5,468	45,992
Total non-current liabilities		**3,803,484**	**2,527,801**
Provisions and other liabilities		102	20
Payables to related parties	12	230,197	64,066
Notes and bonds payable	9	1,857,436	1,748,221
Commercial paper	10	555,176	527,569
Other financial liabilities	13	23,172	50,859
Total current liabilities		**2,666,083**	**2,390,735**
Total liabilities		**6,469,567**	**4,918,536**
Total equity and liabilities		**6,831,241**	**5,203,370**

The accompanying notes on pages 13 to 30 are an integral part of the financial statements.

(all amounts in thousands of Canadian dollars)

Statement of Changes in Equity

	Share capital	Capital reserves	Retained deficit	Cash flow hedges	Total equity
Balance at January 1, 2014	**-**	**326,377**	**(42,602)**	**31**	**283,806**
Net profit	-	-	1,135	-	1,135
Income (expenses) recognized directly in equity	-	-	-	(146)	(146)
Deferred taxes on expenses recognized directly in equity	-	-	-	39	39
Total comprehensive income (loss) for period	**-**	**-**	**1,135**	**(107)**	**1,028**
Balance at December 31, 2014	**-**	**326,377**	**(41,467)**	**(76)**	**284,834**
Net profit	-	-	9,331	-	9,331
Income (expenses) recognized directly in equity	-	-	-	(343)	(343)
Deferred taxes on expenses recognized directly in equity	-	-	-	92	92
Total comprehensive income (loss) for period	**-**	**-**	**9,331**	**(251)**	**9,080**
Capital contribution		67,760			67,760
Balance at December 31, 2015	**-**	**394,137**	**(32,136)**	**(327)**	**361,674**

The accompanying notes on pages 13 to 30 are an integral part of the financial statements.

(all amounts in thousands of Canadian dollars)

Statement of Cash Flows

		Year ended December 31,	
	Note	2015	2014
Net profit		9,331	1,135
Change in taxes receivable	5	(495)	(4,548)
Change in deferred taxes	5	197	1,585
Change in financial instruments	7, 13	8,627	(24,038)
Net change in operating receivables and payables from related parties	6, 12	(1,179,301)	(714,702)
Changes in other receivables, accruals and other liabilities		1,445	3,815
Net cash used in operating activities		**(1,160,196)**	**(736,753)**
Net cash from investing activities		**-**	**-**
Issuances of notes and bonds payable	9	2,981,524	2,245,010
Issuances of commercial paper[1]	10	226,941	178,150
Repayment of notes and bonds payable	9	(1,758,142)	(1,366,840)
Repayment of commercial paper	10	(199,914)	(159,081)
Repayment of financial liabilities to banks		-	(103,191)
Capital contribution	8	67,760	-
Net cash from financing activities		**1,318,169**	**794,048**
Net increase in cash and cash equivalents		**157,973**	**57,295**
Cash and cash equivalents at the beginning of the period	3	**130,414**	**73,119**
Cash and cash equivalents at the end of the period	3	**288,387**	**130,414**
Supplemental information[2]:			
Interest paid		(106,921)	(112,399)
Interest received		117,533	120,873
Income taxes paid		655	4,263

1 Cash flows from commercial paper with initial time to maturity less than 3 months are netted.
2 All cash flows from interest and taxes are included in cash used in operating activities.

The accompanying notes on pages 13 to 30 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 AG ("DAG"). Its registered office is located at 1 Place Ville Marie – 37th Floor, H3B 3P4, Montreal, Quebec, Canada.

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 debt holders the payment of the amounts corresponding to the principal of, and interest on the respective notes and bonds and commercial paper as they become due. DCFI has no reportable segments.

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 26, 2016, the Board of Directors of DCFI authorized the financial statements for issuance.

(b) Basis of measurement

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

- loans and receivables and financial liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.
- 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

In the financial statements, to a certain degree, estimates, assessments and assumptions have to be made which can affect the amounts and reporting of assets and liabilities in the statements of financial position and the amounts of income and expense reported for the period. Actual results may differ from these estimates.

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 reporting date, the carrying amounts of loans and receivables are evaluated to determine whether there is objective significant evidence of impairment. Through December 31, 2015, 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 simpler 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) IFRSs issued and but not yet adopted

In July 2014, the IASB published IFRS 9 Financial Instruments, which shall supersede IAS 39. IFRS 9 deals with the classification, recognition and measurement (including impairment) of financial instruments as well as with regulations for general hedge accounting. With IFRS 9, additional notes will be required, as specified by the revised IFRS 7 Financial Instruments - Disclosures. Mandatory application of IFRS 9 is for reporting periods beginning on or after January 1, 2018. Early adoption is permitted. Investigation of the effects on the financial statements of adopting IFRS 9 has not yet been completed.

Other IFRSs issued but not required to be adopted are not expected to have a significant influence on the Company's financial position, financial performance or statement of cash flows.

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.

The calculation of the effective interest rate includes all fees 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 re-measurement are recognized in the statement of comprehensive income in the line “other financial income, 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. Changes in deferred tax assets and liabilities are included in income taxes except for changes recognized in other comprehensive income/loss or directly in equity.

For the case that amounts included in the tax return might not be realized (uncertain tax positions), a provision for income taxes is recognized. The amount is based on the best possible assessment of the expected tax payment. Tax refund claims from uncertain tax positions are recognized when it is predominantly likely and thus reasonably expected that they can be realized. Only in the case of tax loss carryforwards or unused tax credits, no provision for taxes or tax claim is recognized for these uncertain tax positions.

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 reporting date. Deferred tax assets are recognized to the extent that it is probable that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences.

For uncertain income tax positions for which the risk exists that they will not be utilizable, a provision for income taxes is recognized or, in the case of tax loss carryforwards, the corresponding deferred tax asset is reduced. The assessment is based on the best estimate of the expected tax payment.

(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 at fair value, 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 of cash on hand and overnight deposits with original terms of up to three months and correspond with the classification in the statement of cash flows.

	December 31,	
	2015	**2014**
Cash on hand	288,387	8,943
Overnight deposits	-	121,471
Total	**288,387**	**130,414**

(e) Financial liabilities

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

Notes and bonds payable

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

Other financial liabilities

After initial recognition, 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 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 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 recorded in equity are reclassified to the statement of comprehensive income when the hedged transaction affects the statement of comprehensive income.

(all amounts in thousands of Canadian dollars)

If derivative financial instruments do not or no longer qualify for hedge accounting because the qualifying criteria for hedge accounting are not, or are no longer met, the derivative financial instruments are marked to market at each reporting date with changes in fair value recorded in the statement of comprehensive income.

(g) Transactions with related parties

DCFI is wholly owned 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 into at prevailing market terms at the time of the transaction.

4. Other financial expense, net

Other financial expense, net is comprised of the following:

	2015	2014
Result of foreign exchange transactions - gains (losses)	(126)	(212)
Bank fees	(502)	(564)
	(628)	**(776)**

5. Income taxes

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

	2015	2014
Current taxes	161	(1,530)
Deferred taxes	197	1,585
	358	**55**

The current tax expense contains an expense/(benefit) of $161 (2014: ($1,530)) recognized for prior periods.

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

	2015	2014
Deferred taxes	197	1,585
Due to temporary differences	-0-	216
Due to tax loss carryforwards and tax credits	197	1,369

The deferred tax expense contains expenses/(benefit) of ($2,410) (2014: $1,210) recognized for prior periods.

A reconciliation of expected income tax benefit to actual income tax benefit determined using the applicable Canada combined statutory rate of 26.9% (2014: 26.9%) is included in the following table:

	2015	2014
Expected income tax expense at Canada statutory rate	2,606	320
Prior year tax return and deferred tax adjustments	(2,250)	(319)
Other	2	54
Actual income tax expense	**358**	**55**

(all amounts in thousands of Canadian dollars)

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:

	2015	2014
Derivative financial instruments	120	28
Net operating loss carryforwards	1,428	1,625
Deferred tax assets	**1,548**	**1,653**

In 2015 and 2014, the decrease (increase) in deferred tax assets was composed of:

	2015	2014
Deferred tax expense (benefit) on derivative financial instruments charged or credited directly to related components of equity	(92)	(39)
Deferred tax expense (benefit)	197	1,585
Decrease	**105**	**1,546**

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:

	2015	2014
Income tax expense (benefit)	358	55
Other comprehensive income	(92)	(39)
	266	**16**

DCFI believes that it is probable that due to future taxable income, deferred tax assets can be utilized.

On December 21, 2015, the Canada Revenue Agency and DCFI approved a settlement offer of nondeductible interest expense of $60.5M (gross) pertaining to thin capitalization rules related to the 2008, 2009 & 2010 tax years as opposed to the previous audit assessed amount of $111.5M. The initial declared amount on the tax returns was $26.4M. DCFI recorded a net $11.1M contingency expense on the audit assessed amount in prior years and recorded a benefit of $2.2M in 2015 representing the final settlement at an amount less than the original assessment.

(all amounts in thousands of Canadian dollars)

6. Loans and receivables from related parties

DCFI provides financing to certain DAG affiliates mainly in Canada, which are related parties for DCFI. DCFI is also responsible for administering a cash management system to manage the financial resources of DAG affiliated companies in Canada. The following sets forth receivables from these related parties for such financing, including accrued interest:

	December 31,	
	2015	**2014**
Mercedes-Benz Financial Services Canada Corporation	5,669,034	4,832,535
Daimler North America Corporation	550,274	-
Daimler Trucks Canada LTD	100,016	100,016
Daimler Buses NA Ltd.	29,981	22,667
car2go Canada Ltd.	28,079	35,877
MBarc Credit Canada Inc.	5,319	5,242
Daimler AG	43	-
Mercedes-Benz Canada Inc.	-	40,977
Total	**6,382,746**	**5,037,314**

The uncollateralized financing receivables from related parties bear interest at primarily fixed rates ranging from 0.88% to 2.98%, with a weighted average interest rate of 2.05%. Interest income is recorded using the effective interest method. As of December 31, 2015, aggregate annual maturities of loans receivables from related parties including accrued interest were as follows:

	Maturities
2016	3,163,746
2017	1,907,000
2018	1,307,000
2019	5,000
Total	**6,382,746**

7. Other financial assets

Other financial assets are comprised of the following:

	December 31, 2015			**December 31, 2014**		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Derivative financial instruments used in hedge accounting	47,109	102,228	149,337	3,199	6,182	9,381
Accrued interest income	971	-	971	17,009	-	17,009
Carrying amount	**48,080**	**102,228**	**150,308**	**20,208**	**6,182**	**26,390**

8. Equity

At December 31, 2015 and 2014, 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 May 13, 2015, DCFI received a cash capital contribution of $67,760 from its parent company, DAG.

(all amounts in thousands of Canadian dollars)

9. Notes and bonds payable

Terms and conditions of notes and bonds payable outstanding at December 31, 2015, are as follows:

	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
GBP Medium Term Note					
Medium Term Note	GBP	1.750%	2017	205,950	206,451
Medium Term Note	GBP	1.750%	2017	144,165	144,637
Total GBP Medium Term Notes				**350,115**	**351,088**
USD Medium Term Notes					
Medium Term Note	USD	USD-LIBOR+0.90%	2017	48,594	48,548
Medium Term Note	USD	USD-LIBOR+0.45%	2018	41,652	41,654
Total SEK Medium Term Notes				**90,246**	**90,202**
EURO Medium Term Notes					
Medium Term Note	EUR	EUR-EURIBOR+0.24%	2016	453,480	453,480
Medium Term Note	EUR	EUR-EURIBOR+0.14%	2016	377,900	377,900
Medium Term Note	EUR	0.140%	2016	75,580	75,562
Medium Term Note	EUR	0.140%	2016	75,580	75,573
Medium Term Note	EUR	EUR-EURIBOR+0.14%	2017	211,624	211,581
Medium Term Note	EUR	EUR-EURIBOR+0.18%	2017	302,320	302,275
Medium Term Note	EUR	EUR-EURIBOR+0.18%	2017	151,160	151,137
Medium Term Note	EUR	EUR-EURIBOR+0.35%	2017	302,320	302,187
Medium Term Note	EUR	EUR-EURIBOR+0.35%	2017	302,320	302,009
Medium Term Note	EUR	EUR-EURIBOR+0.27%	2018	302,320	301,924
Total Euro Medium Term Notes				**2,554,604**	**2,553,628**
Canadian Dollar Bonds					
Medium Term Note	CAD	2.230%	2016	400,000	400,047
Medium Term Note	CAD	3.280%	2016	475,000	474,874
Medium Term Note	CAD	2.230%	2017	400,000	399,601
Medium Term Note	CAD	2.270%	2018	400,000	406,789
Medium Term Note	CAD	1.420%	2018	325,000	324,290
Medium Term Note	CAD	2.375%	2019	100,000	103,736
Medium Term Note	CAD	1.780%	2019	450,000	449,836
Medium Term Note	CAD	1.875%	2020	100,000	101,361
Total Canadian Dollar Bonds				**2,650,000**	**2,660,534**
Total				**5,644,965**	**5,655,452**

(all amounts in thousands of Canadian dollars)

10. Commercial paper

In July 2011, DCFI entered into a $2,500,000 private placement of a commercial paper program. As of December 31, 2015, the amount outstanding under the commercial paper program was $555,176 compared to $527,569 as of December 31, 2014. Interest rates range from 0.85% to 1.27% and maturity dates range from January 4, 2016 to November 1, 2016. DCFI's obligations under the commercial paper program are fully and unconditionally guaranteed by its parent company, DAG.

11. Financial liabilities to banks

During January 2014, DCFI fully repaid outstanding short term liabilities to banks in the amount of $103,191. No amounts were outstanding at December 31, 2015.

12. Payables to related parties

The following table sets forth amounts payable to related parties:

	December 31,	
	2015	**2014**
Mercedes-Benz Canada Inc.	117,363	-
Daimler Trucks Canada Ltd.	78,706	30,532
DAG	10,065	424
car2go Canada Ltd.	9,168	-
Thomas Built Buses of Canada Ltd.	7,907	8,958
SelecTrucks of Toronto Inc.	3,235	5,216
MFTA Canada, Inc.	2,043	-
Daimler North America Corporation	1,710	1,459
Freightliner Ltd.	-	17,477
Total	**230,197**	**64,066**

Payables to these companies bear variable interest. As of December 31, 2015, the weighted average interest rate on these loans was .92%.

DCFI is charged fees for the full and unconditional guarantees on its outstanding notes and bonds payable and commercial paper, which are issued under DAG's programs. These fees are calculated as a set percentage of the outstanding notes and bonds and commercial paper for any given year. These expenses were $6,696 and $5,862 for the years ended December 31, 2015 and 2014, respectively and are included in interest expense - related parties. The Company is charged for administrative overhead expenses by Daimler North America Corporation (DNA.) These expenses were $3,505 and $3,015 for the years ended December 31, 2015 and 2014, respectively, and are included in administrative and other expense.

13. Other financial liabilities

Other financial liabilities are comprised of the following:

	December 31, 2015			December 31, 2014		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Derivative financial instruments used in hedge accounting	-	5,468	5,468	12,591	45,992	58,583
Accrued interest expense	23,172	-	23,172	38,268	-	38,268
Carrying amount	**23,172**	**5,468**	**28,640**	**50,859**	**45,992**	**96,851**

(all amounts in thousands of Canadian dollars)

14. 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. 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.

	December 31, 2015		December 31, 2014	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash equivalents	288,387	288,387	130,414	130,414
Loans and receivables				
Loans and receivables from related parties	6,382,746	6,480,880	5,037,314	5,102,680
Accrued interest income	971	971	17,009	17,009
Total loans and receivables	**6,383,717**	**6,481,851**	**5,054,323**	**5,119,689**
Financial assets recognized at fair value through profit or loss				
Derivative financial instruments entered into with related parties (Daimler AG)	16,709	16,709	-	-
Derivative financial instruments used in hedge accounting	132,628	132,628	9,381	9,381
Total financial assets recognized at fair value through profit or loss	**149,337**	**149,337**	**9,381**	**9,381**
Total financial assets	**6,821,441**	**6,919,575**	**5,194,118**	**5,259,484**
Financial liabilities at amortized cost				
Notes and bonds payable	5,655,452	5,644,600	4,230,030	4,253,031
Commercial paper	555,176	555,176	527,569	527,569
Payables to related parties	230,197	230,197	64,066	64,066
Accrued interest expense	23,172	23,172	38,268	38,268
Total financial liabilities at amortized cost	**6,463,997**	**6,453,145**	**4,859,933**	**4,882,934**
Financial liabilities at fair value				
Derivative financial instruments used in hedge accounting	5,468	5,468	58,583	58,583
Total financial liabilities at fair value	**5,468**	**5,468**	**58,583**	**58,583**
Total financial liabilities	**6,469,465**	**6,458,613**	**4,918,516**	**4,941,517**

(all amounts in thousands of Canadian dollars)

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

	December 31, 2015				December 31, 2014			
	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]
Derivative financial instruments used in hedge accounting	**149,337**	-	149,337	-	**9,381**	-	9,381	-
Liabilities measured at fair value								
Derivative financial instruments used in hedge accounting	**5,468**	-	5,468	-	**58,583**	-	58,583	-

[1] Fair value measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
[2] 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).
[3] Fair value measurement based on inputs for the asset or liability that are not observable market data

Financial assets and liabilities not measured at fair value are classified into the following fair value hierarchy:

	December 31, 2015				December 31, 2014			
	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]
Financial assets measured at cost	**6,480,880**	-	6,480,880	-	**5,102,680**	-	5,102,680	-
Financial liabilities measured at cost	**6,199,776**	-	6,199,776	-	**4,780,600**		4,780,600	
thereof bonds	**5,644,600**	-	5,644,600	-	**4,253,031**	-	4,253,031	-
thereof other financing liabilities	**555,176**	-	555,176	-	**527,569**	-	527,569	-

[1] Fair value measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
[2] 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).
[3] 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 consider any of these receivables as impaired. The fair values of loans and receivables from related parties are calculated as the present values of the estimated future cash flows, using 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.

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.

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 note and 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.

Commercial paper

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

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 the fair value approximates the carrying amount.

(b) Net gains

In 2015 and 2014, the net gains (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 $(126) and $(212), respectively. The results are mainly from foreign currency transactions.

(all amounts in thousands of Canadian dollars)

(c) Information on derivative financial instruments

Use of derivatives

DCFI has 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:

	December 31,	
	2015	**2014**
Positive fair market values		
Fair value hedges	5,587	9,111
Cash flow hedges	143,750	270
Negative fair market values		
Fair value hedges	-	11,431
Cash flow hedges	5,468	47,152

Fair value hedges

The Company uses fair value hedges primarily for hedging interest rate risks.

Net gains and losses from these hedging instruments for 2015 and 2014 amounted to $9,290 and $6,444 respectively. The offsetting changes in the value of the underlying transactions amounted to $11,074 for 2015 and $(4,835) for 2014.

Cash flow hedges

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

In 2015 and 2014, net unrealized gains (losses) on the measurement of derivatives (before income taxes) of $(578) and $(178), respectively, were recognized in equity without affecting earnings. In addition, in 2015 and 2014, net gains (losses) of $235 and $32, 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, 2015, the Company expects to reclassify gains (before income taxes) of $216 to the statement of comprehensive income in 2016.

15. 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 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.

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 14. 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 counterpart 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 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. According to the Company's risk policy, the large part of derivatives is contracted with counterparties who have an external rating of "A" or better.

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, 2015 and December 31, 2014 were as follows:

	S&P	Moody's	Fitch	DBRS
Short-term debt	A-2	P-2	F2	R-1(low)
Long-term debt	A-	A3	A-	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 and 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 September 2013, the Company, together with DAG and other DAG subsidiaries, entered into a Euro 9 billion credit facility for a 5 year term and two extension options of two years in total with a syndicate of international banks. In 2014, Daimler exercised the option to extend the credit line by a further year until 2019. In 2015, Daimler exercised the second extension option to extend the credit line by a further year until 2020. Prior approval from DAG is required before the Company can access this credit line. This syndicated facility serves as a back-up for commercial paper drawings and provides funds for general corporate purposes. At December 31, 2015, this facility had not been utilized.

(all amounts in thousands of Canadian dollars)

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, 2014. It comprises a runoff of the

- undiscounted principal and interest of the notes and bonds payable,
- undiscounted payments of commercial paper
- 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.

	Total	2016	2017	2018	2019	2020
Notes and bonds – principal	5,644,965	1,857,540	2,068,453	1,068,972	550,000	100,000
Notes and bonds – interest	143,281	66,469	40,254	22,423	12,260	1,875
Commercial paper	555,600	555,600	-	-	-	-
Payables to related parties	230,197	230,197	-	-	-	-
Derivative financial instruments	6,189	-	6,189	-	-	-
Other financial liabilities	2,055	2,055	-	-	-	-
Total	**6,582,287**	**2,711,861**	**2,114,896**	**1,091,395**	**562,260**	**101,875**

Interest payments on the notes and bonds are at fixed and floating 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

The nature of its business exposes DCFI to market risks resulting from fluctuations in foreign currency exchange rates and interest rates. These market risks may adversely affect the Company's financial position, cash flows and profitability. Management of market price risks aims to minimize the impact of fluctuations in foreign exchange rates and interest rates. DCFI's overall exposure to these market price risks is determined to provide a basis for hedging decisions, which include the definition of hedging volumes and corresponding periods as well as the selection of hedging instruments. Decisions regarding the management of market risks are regularly made by the relevant DAG risk management committees. The Company maintains risk management control systems independent of Corporate Treasury and with a separate reporting line.

DCFI holds a variety of interest rate sensitive assets and liabilities to manage the liquidity and cash needs of its day-to-day operations. The 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.

The Company is also exposed to the risk of changes in exchange rates. Derivative exchange rate instruments are used to reduce this risk. The risk resulting from these transactions in 2015 and 2014 was not, and is not currently, significant to DCFI.

16. Related party relationships

For transactions and balances with other DAG subsidiaries, refer to notes 6 and 12.

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.

17. 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 are reviewed as part of the net assets of the DAG divisions to which Company net assets 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 15.