

# Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

## Unaudited Consolidated Financial Statements September 30, 2021 and 2020

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(In millions of U.S. dollars)

September 30,

<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 67	\$ 104
Assets held for distribution	8,983	-
Amounts due from affiliated companies	54	65
Trade receivables	13	51
Returned and repossessed vehicle inventory	72	402
Finance receivables, net	17,296	27,310
Vehicles and equipment leased, net	22,115	23,733
Other assets	1,060	813
<b>Total assets</b>	<b>\$ 49,660</b>	<b>\$ 52,478</b>
<b>Liabilities and Member's Interest</b>		
Accounts payable, provisions and other liabilities	\$ 319	\$ 447
Liabilities held for distribution	1,086	-
Amounts due to affiliated companies	162	153
Financial liabilities	45,254	46,427
Deferred income	1,077	1,034
Deferred income taxes, net	1,391	1,380
<b>Total liabilities</b>	<b>46,289</b>	<b>49,441</b>
Member's interest	3,371	3,037
<b>Total liabilities and member's interest</b>	<b>\$ 49,660</b>	<b>\$ 52,478</b>

See accompanying notes to consolidated financial statements.

## Unaudited Consolidated Statements of Comprehensive Income (In millions of U.S. dollars)

	<b>Nine Months Ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
Retail finance receivables and finance leases	\$ 707	\$ 684
Wholesale finance receivables and other	176	286
Vehicles and equipment leased – rents and fees	3,825	3,913
Remarketing revenue	5,505	4,917
Gain on sale of nonautomotive finance leases	–	–
Other income	20	20
<b>Total finance revenue and other income</b>	<b>10,233</b>	<b>9,820</b>
Interest expense	519	910
Depreciation on vehicles and equipment leased	2,943	2,998
Provision for credit losses	(31)	226
Remarketing expense	5,541	4,957
Other financial expense	15	–
Selling expenses	145	162
General administrative expenses	99	69
<b>Total Expenses</b>	<b>9,231</b>	<b>9,322</b>
<b>Profit before income taxes</b>	<b>1,002</b>	<b>498</b>
<b>Income tax expense/(benefit)</b>	<b>277</b>	<b>129</b>
<b>Profit for the period</b>	<b>\$ 725</b>	<b>\$ 369</b>
Thereof continuing operations	624	359
Thereof discontinued operations	111	10

See accompanying notes to consolidated financial statements.

## **Notes to Unaudited Consolidated Financial Statements September 30, 2021 and 2020**

### **1. SIGNIFICANT ACCOUNTING POLICIES**

#### **General information**

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 35555 W. 12 Mile Road, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars (\$). All financial information is presented in U.S. dollars and has been rounded to the nearest million, unless indicated otherwise.

### **2. SPIN-OFF OF DAIMLER'S COMMERCIAL VEHICLES BUSINESS**

On July 30, 2021, the Board of Management of Daimler AG, with the approval of the Supervisory Board, decided on the spin-off of substantial parts of the Daimler Trucks & Buses segment, including the related financial services business (Daimler commercial vehicles business). The majority of the shareholders of Daimler AG approved the spin-off agreement at the Extraordinary General Meeting on October 1, 2021.

With the planned completion by the end of the year of the spinoff of Daimler's commercial vehicle business, the shareholders of Daimler AG will receive 65% of the shares in the newly founded Daimler Truck Holding AG, which will then be listed on the stock exchange as an independent company.

It is planned that Daimler will hold a minority interest of 35% in Daimler Truck Holding AG as of December 31, 2021. On the basis of the contracts concluded in connection with the transaction, Daimler AG will no longer have a controlling influence on that company from the date of entry of the spin-off in the Commercial Register.

#### **Effects of the spin-off on MBFS USA's reporting**

The criteria for the classification as assets and liabilities held for distribution and as discontinued operations have been met since July 30, 2021.

In the consolidated statement of financial position, assets and liabilities of MBFS USA's commercial vehicles business as of September 30, 2021 are presented as assets and liabilities held for distribution. The amounts in the statement of final position of the previous years are shown in line with the previous method of presentation, in accordance with IFRS.

Continuing operations are presented in the consolidated statement of income; the profit or loss after tax of is continued operations is shown in a separate line. The previous year's figures have been adjusted accordingly. Unless otherwise indicated, the information on the statement of income in the notes to the consolidated financial statements relates to continuing operations.

<b>Assets and liabilities held for distribution of MBFS USA's commercial vehicles business</b>	<b>At September 30 2021</b>
In millions of U.S. Dollars	
Amounts due from affiliated companies	6
Finance receivables, net	8,897
Other assets	80
<b>Total Assets held for distribution</b>	<b>8,983</b>
Accounts payable, accrued expenses and other liabilities	9
Financial liabilities	1,077
<b>Total Liabilities held for distribution</b>	<b>1,086</b>

### 3. BASIS OF PREPARATION

#### Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the periods ended September 30, 2021 and 2020. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

#### IFRS issued but neither EU endorsed nor yet adopted

In May 2017, the IASB issued **IFRS 17 Insurance Contracts**. IFRS 17 replaces the currently applicable IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after January 1, 2021. Early adoption is permitted. Early adoption is not currently planned.

In addition, further standards and interpretations have been approved which are not expected to have a material impact on the Consolidated Financial Statements.

#### Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

#### Measurement

The consolidated financial statements have been prepared on the historical cost basis.

#### Principles of consolidation

The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly controlled by MBFS USA. Control exists if the parent company has the power of decision

over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated. As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net of vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

##### **Revenue recognition**

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

##### **Income taxes**

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG.

The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state

tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective 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 substantively enacted at the reporting 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, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

### **Leasing**

Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

### **Daimler as lessee**

In January 2016, the IASB published IFRS 16 Leases, replacing IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease and other interpretations. IFRS 16 abolishes for lessees the previous classification of leasing agreements as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model, requiring lessees to recognize assets for the right to use as well as leasing liabilities for the outstanding lease payments.

According to IFRS 16, a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. Daimler applies both recognition exemptions. The lease payments associated with those leases are generally recognized as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets, which are included under property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, Daimler also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments. Lease payments are discounted at the rate implicit in the lease if that rate can readily be determined. Otherwise, discounting is at the incremental borrowing rate. The lease liabilities include the following lease payments:

- fixed payments including de facto fixed payments, less lease incentives receivables from the lessor;
- variable lease payments linked to an index or interest rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of purchase options, when exercise is estimated to be reasonably certain and
- contractual penalties for the termination of a lease if the lease term reflects the exercise of a termination option.

Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount to reflect the lease payments made.

According to IFRS 16, the depreciation of right-of-use assets is recognized within functional costs. The interest due on the lease liability is a component of interest expense.

### **Residual values**

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least

quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective-interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be

adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

### **Returned and repossessed vehicle inventories**

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

### **Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments in the form of financial assets and financial liabilities are generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

Upon initial recognition, financial instruments are measured at fair value. For the purpose of subsequent measurement, financial instruments are allocated to one of the categories set forth in IAS 39, Financial Instruments:

Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

### **Financial assets**

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on these financial assets are recognized in profit or loss.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated 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 profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks as well as debt instruments and certificates of deposits with a remaining term of up to three months, which are not subject to any material value fluctuations.

### **Impairment of financial assets**

At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables - If there are objective indications that the value of a loan or receivable has to be impaired, amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

### **Accounting estimates and management judgements due to the covid-19 pandemic**

Due to the still not fully foreseeable global consequences of the covid-19 pandemic, especially the accounting estimates and management judgements regarding the reporting of assets and liabilities are subject to increased uncertainty.

With the update of the accounting estimates and management judgements, available information on the expected economic developments has been included.

This information was included in the analysis of the recoverability and collectability of financial assets, especially of the receivables from the financial services.

### **Liabilities**

Liabilities primarily include trade accounts payables, amounts due to affiliated companies, and financial liabilities. Financial liabilities include \$11.1M and \$11.9M asset backed secured debt at 09/30/21 and 09/30/20 respectively.

### **Derivative financial instruments and hedge accounting**

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. 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 from expected transactions related to a recognized asset or liability or a highly probable forecast transaction are hedged. The documentation of the hedging relationship includes the objectives and strategy of risk management, the type of hedging relationship, the nature of the risk being hedged, the identification of the hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. Hedging transactions are expected to be highly effective in achieving offsetting risks from changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, depending on whether the derivative is designated as a hedge of changes in fair value or cash flows. For fair value hedges, changes in the fair value of the hedged item and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument after taxes are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are reclassified to the statement of income when the hedged underlying transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

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 classified as held for trading and are measured at fair value through profit or loss.

### **Provisions for other risks and contingent liabilities**

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

### **Accounting estimates and assessments**

In the consolidated 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, the reporting of contingent assets and liabilities on the balance sheet date and the amounts of income and expense reported for the period. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- Accounting estimates and management judgements due to the covid-19 pandemic
- Recoverable amount of equipment on operating leases;
- Collectability of finance receivables; and
- Recoverability of deferred tax assets

Further details on the estimates and assessments used in the preparation of these financial statements are provided under “Accounting policies”.

### **Risks and uncertainties**

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

Nine Months Ended September 30,

	2021	2020
Earnings from continuing and discontinued operations	1,018	494
Add:		
Interest included in expense	517	906
One-third of rental expense	1	1
Adjusted earnings from continuing and discontinued operations	1,536	1,401
Fixed Charges:		
Interest included in expense	517	906
Interest capitalized	25	27
One-third of rental expense	1	1
Total fixed charges	543	934
Ratio of earning to fixed charges	2.83	1.50