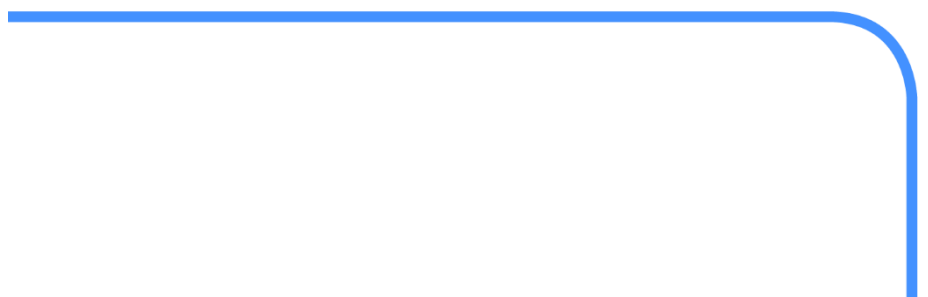


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# **CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2021**

UNAUDITED FIGURES



## SUMMARY

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# CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

## Consolidated income statement

(In EUR million)	Notes	Year ended December 31,	
		2021	2020 <sup>(1) (2)</sup>
Leasing contract revenues <sup>(1) (2)</sup>	8a,8d	4,477.6	4,396.3
Leasing contract costs - depreciation	8a	(3,592.3)	(3,612.8)
Leasing contract costs - financing <sup>(2)</sup>	8a	(132.7)	(169.5)
Unrealised gains/losses on financial instruments	8a	(19.8)	(9.6)
<b>Leasing contract margin</b>		<b>732.8</b>	<b>604.4</b>
Services revenues	8b,8d	2,138.3	2,127.9
Cost of services revenues <sup>(1)</sup>	8b	(1,488.3)	(1,475.9)
<b>Services margin</b>		<b>650.0</b>	<b>652.0</b>
Proceeds of cars sold	8c,8d	3,863.7	3,378.3
Cost of cars sold	8c	(3,426.0)	(3,317.1)
<b>Used car sales result</b>		<b>437.7</b>	<b>61.1</b>
<b>GROSS OPERATING INCOME</b>		<b>1,820.6</b>	<b>1,317.5</b>
Staff expenses	10	(433.7)	(408.4)
General and administrative expenses	11	(176.3)	(162.4)
Depreciation and amortisation	12	(65.1)	(62.9)
<b>Total operating expenses</b>		<b>(675.1)</b>	<b>(633.7)</b>
Impairment charges on receivables	9	(24.8)	(71.1)
<b>OPERATING RESULT</b>		<b>1,120.6</b>	<b>612.7</b>
Share of profit of associates and jointly controlled entities		(1.9)	1.9
<b>Profit before tax</b>		<b>1,118.7</b>	<b>614.6</b>
Income tax expense	13	(238.6)	(108.9)
<b>Profit for the period from continuing operations</b>		<b>880.1</b>	<b>505.7</b>
Profit after tax for the period from discontinued operations		-	10.0
<b>Net income</b>		<b>880.1</b>	<b>515.7</b>
<b>Net income attributable to:</b>			
<b>Owners of the Company</b>		<b>873.0</b>	<b>509.8</b>
Non-controlling interests		7.1	5.8

<sup>(1)</sup> Consolidated Income statement for the year ended December 31, 2020 has been restated due to reclassification of EUR 21.7 million between "Cost of services revenues" and "Leasing contract revenues" for correct leasing contract revenues presentation. Impact of this reclassification on "Leasing contract margin" is negative EUR 21.7 million with an offsetting positive impact in "Services margin". Details of this restatement are disclosed in Note 8 Revenues and Cost of Revenues.

<sup>(2)</sup> Consolidated Income Statement for the year ended December 31, 2020 has been restated due to reclassification of EUR 10 million between "Leasing contract revenues" and "Leasing contract costs - financing" for correct interest charges presentation. Impact of this reclassification on "Leasing contract margin" is nil. Details of this restatement are disclosed in Note 8 Revenues and Cost of Revenues.

### Earnings per share for net income attributable to the owners of the parent:

Basic earnings per share (in EUR)	33	2.17	1.26
Diluted earnings per share (in EUR)	33	2.16	1.26

### Earnings per share from continuing operations attributable to the owners of the parent:

Basic earnings per share (in EUR)	33	2.17	1.24
Diluted earnings per share (in EUR)	33	2.16	1.24

**Consolidated statement of comprehensive income**

Year ended December 31,

(in EUR million)	Notes	2021	2020
<b>Net income</b>		<b>880.1</b>	<b>515.7</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>		<b>4.2</b>	<b>(0.6)</b>
Changes in actuarial gain/(Loss) on retirement benefit, before tax		5.5	(0.8)
Deferred tax on actuarial gain/(Loss) on retirement benefit		(1.3)	0.2
<b>Items that may be reclassified subsequently to profit or loss</b>		<b>24.6</b>	<b>(82.7)</b>
Changes in cash flow hedges, before tax	19	21.6	2.8
Deferred tax on cash flow hedges		(6.3)	(0.5)
Currency translation differences		9.3	(85.0)
<b>Other comprehensive income for the year, net of tax</b>		<b>28.8</b>	<b>(83.3)</b>
<b>Total comprehensive income for the period</b>		<b>908.9</b>	<b>432.3</b>
<b>Attributable to</b>			
Owners of the Company		902.0	427.1
Non-controlling interests		6.9	5.2

## CONSOLIDATED BALANCE SHEET

(in EUR million)	Notes	Year ended December 31,	
		2021	2020 <sup>(1) (2)</sup>
<b>ASSETS</b>			
Rental fleet	14	21,711.3	20,077.0
Other property and equipment <sup>(1)</sup>	15	85.0	80.5
Right-of-use assets	16	117.3	128.0
Goodwill	17	576.0	576.0
Other intangible assets <sup>(1)</sup>	15	88.7	78.8
Investments in associates and jointly controlled entities	18	7.9	10.2
Derivative financial instruments	19	21.1	33.1
Deferred tax assets	13	195.1	195.2
Other non-current financial assets	20	402.5	391.6
<b>Non-current assets</b>		<b>23,205.0</b>	<b>21,570.4</b>
Inventories	21	296.4	324.6
Receivables from clients and financial institutions <sup>(2)</sup>	22	1,827.6	1,563.8
Current income tax receivable		76.9	119.4
Other receivables and prepayments	23	1,034.6	913.9
Derivative financial instruments	19	17.5	31.6
Other current financial assets	20	380.7	350.4
Cash and cash equivalents	24	152.7	194.7
<b>Current assets</b>		<b>3,786.4</b>	<b>3,498.3</b>
Assets of disposal group classified as held-for-sale		–	–
<b>Total assets</b>		<b>26,991.4</b>	<b>25,068.7</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		606.2	606.2
Share premium		367.0	367.0
Other Equity		(13.2)	(12.9)
Retained earnings and other reserves		2,978.8	2,694.2
Net income		873.0	509.8
<b>Equity attributable to owners of the parent</b>		<b>4,811.8</b>	<b>4,164.3</b>
Non-controlling interests		33.8	30.9
<b>Total equity</b>	<b>26</b>	<b>4,845.6</b>	<b>4,195.2</b>
Borrowings from financial institutions	28	9,407.1	7,763.5
Bonds and notes issued	28	3,228.8	3,467.8
Derivative financial instruments	19	10.3	12.4
Deferred tax liabilities	13	518.0	452.8
Lease liabilities	16	97.4	108.6
Retirement benefit obligations and long term benefits	29	18.7	23.3
Provisions	30	129.4	125.2
<b>Non-current liabilities</b>		<b>13,409.9</b>	<b>11,953.5</b>
Borrowings from financial institutions	28	4,441.5	4,970.6
Bonds and notes issued	28	1,439.9	1,443.9
Trade and other payables	31	2,573.3	2,276.3
Lease liabilities	16	23.9	24.1
Derivative financial instruments	19	0.8	11.3
Current income tax liabilities		104.3	75.9
Provisions <sup>(2)</sup>	30	152.3	117.9
<b>Current liabilities</b>		<b>8,736.0</b>	<b>8,920.0</b>
<b>Total liabilities</b>		<b>22,145.8</b>	<b>20,873.5</b>
<b>Total equity and liabilities</b>		<b>26,991.4</b>	<b>25,068.7</b>

<sup>(1)</sup> Consolidated balance sheet for the year ended December 31, 2020 has been restated due to reclassification of EUR 42.3 million from "Other property and equipment" to "Other intangible asset " for correct asset presentation. Impact of this reclassification on Non-current assets is nil. Details of this restatement are disclosed in Note 15 "Other Property and equipment and other intangible assets"

<sup>(2)</sup> Consolidated balance sheet for the year ended December 31, 2020 has been restated due to reclassification of EUR 18.9 million from "Current Provisions" to "Receivables from clients and financial institutions" for correct asset and liability presentation. Impact of this reclassification resulted in decrease of EUR 18.9 million in "Current Assets" and a decrease in "Current Liabilities". Details of this restatement are disclosed in Note 22 "Receivables from clients and financial institutions" and Note 30 "Provisions".

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company											Total equity
	Share capital	Share premium	Other equity	Translation reserves	Hedging reserve	Actuarial gain/(loss) reserve	Other reserves	Retained earnings	Net income	Equity attributable to the owners of the parent	Non-controlling interests	
(in EUR million)												
<b>Balance as at January 1, 2020</b>	<b>606.2</b>	<b>367.0</b>	<b>(9.0)</b>	<b>(109.0)</b>	<b>(26.5)</b>	<b>(4.8)</b>	<b>11.5</b>	<b>2,593.2</b>	<b>564.2</b>	<b>3,992.9</b>	<b>35.9</b>	<b>4,028.8</b>
Changes in cash flow hedges	-	-	-	-	2.3	-	-	-	-	2.3	-	2.3
Actuarial gain/(loss) on post employment benefit obligations	-	-	-	-	-	(0.6)	-	-	-	(0.6)	0.0	(0.6)
Currency translation differences	0.0	(0.0)	-	(84.4)	-	-	-	0.0	-	(84.4)	(0.6)	(85.0)
<b>Other comprehensive income</b>	<b>0.0</b>	<b>(0.0)</b>	<b>-</b>	<b>(84.4)</b>	<b>2.3</b>	<b>(0.6)</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>(82.7)</b>	<b>(0.6)</b>	<b>(83.3)</b>
Net income	-	-	-	-	-	-	-	-	509.8	509.8	5.8	515.7
<b>Total comprehensive income for the period</b>	<b>0.0</b>	<b>(0.0)</b>	<b>-</b>	<b>(84.4)</b>	<b>2.3</b>	<b>(0.6)</b>	<b>-</b>	<b>0.0</b>	<b>509.8</b>	<b>427.1</b>	<b>5.2</b>	<b>432.3</b>
Acquisition of treasury shares	0.0	-	(4.1)	-	-	-	-	-	-	(4.1)	-	(4.1)
Share-Based payments	-	-	-	-	-	-	2.4	-	-	2.4	-	2.4
Issue of treasury shares to employees	-	-	0.1	-	-	-	(0.1)	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	(253.9)	-	(253.9)	(4.9)	(258.8)
Scope changes	-	-	-	-	-	-	-	(0.1)	-	(0.1)	(5.3)	(5.4)
Appropriation of net income	-	-	-	-	-	-	-	564.2	(564.2)	-	0.0	0.0
<b>Balance as at December 31, 2020</b>	<b>606.2</b>	<b>367.0</b>	<b>(12.9)</b>	<b>(193.4)</b>	<b>(24.2)</b>	<b>(5.4)</b>	<b>13.8</b>	<b>2,903.4</b>	<b>509.8</b>	<b>4,164.3</b>	<b>30.9</b>	<b>4,195.2</b>
Changes in cash flow hedges	-	-	-	-	15.3	-	-	-	-	15.3	0.0	15.3
Actuarial gain/(loss) on post employment benefit obligations	-	-	-	-	-	4.2	-	-	-	4.2	(0.0)	4.2
Currency translation differences	(0.0)	0.0	-	9.4	-	-	-	(0.0)	0.0	9.4	(0.2)	9.3
<b>Other comprehensive income</b>	<b>(0.0)</b>	<b>0.0</b>	<b>-</b>	<b>9.4</b>	<b>15.3</b>	<b>4.2</b>	<b>-</b>	<b>(0.0)</b>	<b>0.0</b>	<b>29.0</b>	<b>(0.2)</b>	<b>28.8</b>
Net income	-	-	-	-	-	-	-	-	873.0	873.0	7.1	880.1
<b>Total comprehensive income for the period</b>	<b>(0.0)</b>	<b>0.0</b>	<b>-</b>	<b>9.4</b>	<b>15.3</b>	<b>4.2</b>	<b>-</b>	<b>(0.0)</b>	<b>873.0</b>	<b>902.0</b>	<b>6.9</b>	<b>908.9</b>
Acquisition of treasury shares	-	-	(3.2)	-	-	-	-	-	-	(3.2)	-	(3.2)
Share-Based payments	-	-	-	-	-	-	2.6	-	-	2.6	-	2.6
Issue of treasury shares to employees	-	-	2.9	-	-	-	(2.9)	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	(253.9)	-	(253.9)	(5.2)	(259.1)
Scope changes	-	-	-	-	-	-	-	0.0	-	0.0	1.1	1.1
Appropriation of net income	-	-	-	-	-	-	-	509.8	(509.8)	0.0	-	0.0
<b>Balance as at December 31, 2021</b>	<b>606.2</b>	<b>367.0</b>	<b>(13.2)</b>	<b>(183.9)</b>	<b>(8.9)</b>	<b>(1.2)</b>	<b>13.4</b>	<b>3,159.3</b>	<b>873.0</b>	<b>4,811.8</b>	<b>33.8</b>	<b>4,845.6</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the twelve months period ended

(in EUR million)	Notes	2021	2020 <sup>(1)</sup>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax excluding discontinued operations		1,118.7	614.6
Profit before tax from discontinued operations	7	–	10.1
<b>Profit before tax</b>		<b>1,118.7</b>	<b>624.7</b>
<b>Adjustments for:</b>			
Rental Fleet	14	3,708.5	3,824.3
Other property, equipment and right-of-use assets		42.8	51.4
Intangible assets		27.3	16.0
Regulated prov., contingency and expenses provisions		37.8	1.7
<b>Depreciation and provision</b>		<b>3,816.4</b>	<b>3,893.4</b>
(Profit)/loss on disposal of property and equipment		12.5	18.9
(Profit)/loss on disposal of intangible assets		18.1	2.5
(Profit)/loss on disposal of discontinued operation	7	–	(10.1)
<b>Profit and losses on disposal of assets</b>		<b>30.6</b>	<b>11.4</b>
Fair value of derivative financial instruments		8.4	(3.5)
Interest Charges <sup>(1)</sup>	8a	132.7	169.5
Interest Income <sup>(1)</sup>		(850.5)	(825.5)
Net interest income		(717.8)	(656.0)
Other		5.2	1.1
Amounts received for disposal of rental fleet	14	3,530.5	3,231.9
Amounts paid for acquisition of rental fleet	14	(8,767.8)	(7,195.6)
Change in working capital		168.8	292.9
Interest Paid <sup>(1)</sup>		(137.5)	(255.3)
Interest Received <sup>(1)</sup>		882.6	858.9
Net interest paid		745.1	603.6
Income taxes paid		(96.5)	(62.5)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>(158.4)</b>	<b>741.4</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of other property and equipment		(34.6)	(51.7)
Acquisition of intangible assets		(55.0)	(14.0)
Acquisition of financial assets (non consolidated securities)		(117.9)	(4.7)
Effect of change in group structure		1.0	0.1
Proceeds from sale of discontinued operations net of cash disposed	7	–	14.1
Long term investment		108.8	79.7
Loans and receivables from related parties		(206.0)	(1.1)
Other financial investment		(31.0)	(25.2)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(334.7)</b>	<b>(2.7)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds of borrowings from financial institutions		9,925.7	4,519.6
Repayment of borrowings from financial institutions		(8,823.6)	(4,918.0)
Proceeds from issued bonds		1,304.6	350.7
Repayment of issued bonds		(1,579.6)	(400.1)
Payment of lease liabilities	16	(26.9)	(27.2)
Dividends paid to company's shareholders	32	(253.9)	(253.9)
Dividends paid to minority interest		(5.2)	(4.9)
Increase/decrease in treasury shares	26	(3.2)	(4.1)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>537.9</b>	<b>(737.9)</b>
<b>Exchange gains/(losses) on cash and cash equivalents</b>		<b>0.4</b>	<b>(6.8)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>45.3</b>	<b>(6.1)</b>
Cash & cash equivalents at the beginning of the period	24	(121.0)	(114.9)
Cash & cash equivalents at the end of the period	24	(75.7)	(121.0)

<sup>(1)</sup> Consolidated Statement of Cash Flows for the year ended December 31, 2020 has been restated due to reclassification of EUR 10 million between "Interest Charges" and "Interest Income" for correct interest charges presentation. Impact of this reclassification on "Net Interest Income" is nil. Details of this restatement are disclosed in Note 8 Revenues and Cost of Revenues.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1. GENERAL INFORMATION

ALD (“the Company”) and its subsidiaries (together “the Group”) is a service leasing and vehicle fleet management group with a fleet of around 1,725,800 vehicles. The Group provides financing and management services in 43 countries in the world including the following businesses:

- Full service leasing: Under a full service lease, the client pays the leasing company a regular monthly lease payment to cover financing, depreciation of the vehicle and the cost of various services provided in relation to the use of the vehicle (such as maintenance, replacement car, tyre management, fuel cards and insurance).
- Fleet management: Fleet management services include the provision of outsourcing contracts to clients under which the vehicle is not owned by the Group but is managed by the Group and for which the client pays fees for the various fleet management services provided. These services are generally identical to those listed under the full-service leasing above, with the exception of the financing service, as the vehicle is owned by the client.

The company is a French « Société Anonyme » incorporated in Société Générale group. Its registered office is located at 1-3 Rue Eugène et Armand Peugeot, Le Corosa, 92500 Rueil-Malmaison, France.

The company is a subsidiary of the Société Générale group (79.82% ownership).

The consolidated financial statements are presented in millions of Euros, which is the Group’s presentation currency and values are rounded to the nearest million, unless otherwise indicated. In certain cases, rounding may cause non-material discrepancies in the lines and columns showing totals.

The Group’s unaudited consolidated financial statements as at December 31, 2021 were examined by the Board of Directors on February 9, 2022. The audit procedures carried out by the Statutory Auditors on the consolidated financial statements are in progress.

## NOTE 2. MAJOR EVENTS OF THE PERIOD

### 2.1. COVID-19 PANDEMIC

The Covid-19 pandemic continues to affect economic and financial markets, and all industries are facing challenges associated with the economic conditions resulting from efforts to address it. The Covid-19 pandemic has triggered a global recession as countries imposed, with varying degrees of stringency, policies of social distancing, including economy-wide lockdowns and travel restrictions to flatten the epidemiological curve.

Gauging the economic costs of Covid-19 remains an uncertain exercise, although some signs of recovery are beginning to show in certain economies with vaccination programmes being rolled out, giving reason to believe that a turning point has been reached. However, there are still major concerns that

recovery is uneven throughout the globe, due to an increase in new Covid-19 cases, and new variants of Covid-19 appearing, thus creating further economic uncertainty.

Given that the Covid-19 crisis has not yet been resolved or durably mitigated globally, the Group has reassessed the pandemic's impact on its principal risks based on current market trends.

### **Credit risk**

In these unprecedented times, determining the recoverability of receivables remains a key source of estimating uncertainty for the Group due to the increase of customers likely to be facing financial difficulty or insolvency. Management has given careful consideration to indicators that the Group's customers may be experiencing financial difficulty, such as later than normal payments or partial payments and recognise impairment losses or make realistic provisions based on the losses expected. As in the previous financial year, mainly due to continued government support programmes, the Group has not yet seen any significant deterioration in the recoverability of customer receivables in 2021. The ageing profile of the sound trade and lease receivables has improved during this period and as a result, although there has been no change in methodology, the provision has decreased by EUR 9.9 million. The Group considers that the initial assessment criteria used to calculate IFRS 9 forward-looking provision are still relevant in 2021 and the provision booked remains adequate until countries' governments remove their pandemic economic support programmes. Please refer to Note 22 for further details on change in provision and maturity of receivables.

Expected credit losses are reassessed at each reporting date and reflect all reasonable information that is available at the reporting date. Other than potential changes in the credit terms granted to its customers, given the potential changes in the debtors' risk profiles as a result of the disruptions caused by the Covid-19 outbreak, management has reviewed the Group's provision matrix used in determining the expected credit losses, including the revision of the expected loss rates and assessed the potential impairment or write-off of receivables. The Group continues monitoring economic conditions and other various factors and stresses in determining loss rates.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all sound trade and lease receivables. These losses are measured based on a provision matrix for receivables associated with sound customers, as described below. Probability of Default (PD) rates are based on observed default rates over the life of the receivables (the average contract length in each entity). Specific PD rates are calculated for each entity. This process results in Probability of Default (PD) rates for each age of past-due receivables. The PD rates are applied to the aged receivables of the reporting period to arrive at a total provision. The final impairment allowance is also adjusted to consider Loss Given Default (LGD) specific to the entity.

### **Expected Credit Losses**

In 2020 in light of the negative economic outlook and potential cash flow difficulties experienced by customers as a result of Covid-19, the Group booked the forward looking element as it was considered to have a material impact on the Group financial statements. The increase in the provision in 2020 reflected the greater probability of customer defaults and the higher magnitude of loss given default. In 2021 the main considerations in the forward looking provision calculation, which were used in December 2020, have been reviewed in the context of the latest economic environment. Due to the improvement in

the ageing profile of sound trade and lease receivables, the forward looking provision has decreased by EUR 6.2 million including foreign exchange impact in 2021 (EUR 6.5 million release in profit or loss).

The main considerations in the forward looking provision calculation are:

-Analysis of customer portfolio to identify individual customers or sectors which are likely to be more significantly impacted by Covid-19. This resulted in the inclusion of small and medium entities, partnerships and private customers in the provision. The analysis was initially considered for the financial statements in 2020 and has been updated for the full year 2021 with the latest available data on customer activity and individual country economic situations.

- Adjustments to the PD rates defined in the model described above reflect various stress impacts which can be classified as light, average or severe. These stress impacts have been applied by factoring in an additional uplift to PD rates. The range of the uplift factors applied were between 0% and 30% based on the individual country economic environment. Baseline scenario applied by the Group has a mixture of average and severe stress impacts and an additional global stress of a 20% uplift which has been applied to the PD rate for all other remaining sound customer balances. Adverse scenario has only severe stresses with the same additional uplift rate as the baseline scenario.

As at December 31, 2021 the forward looking provision booked is EUR 9.2 million (EUR 15.4 million as at December 31, 2020) based on the baseline scenario. The impact of various other scenarios is shown in the table below. If the adverse scenario was applied to all countries plus a 30% uplift was applied to all other sound balances the forward looking provision would increase by EUR 1.2 million to EUR 10.4 million. In the baseline scenario exclusion of the 20% uplift on all other sound customer balances would have decreased the provision by EUR 1.7 million; increase of the uplift on all other sound receivables to 30% would have increased the provision by EUR 0.9 million.

## 2021

(in EUR million)	Baseline Scenario incl. +20% uplift
Total IFRS 9 provision	(24.7)
-of which forward looking provision	(9.2)

## 2020

(in EUR million)	Baseline Scenario incl. +20% uplift
Total IFRS 9 provision	(34.6)
-of which forward looking provision	(15.4)

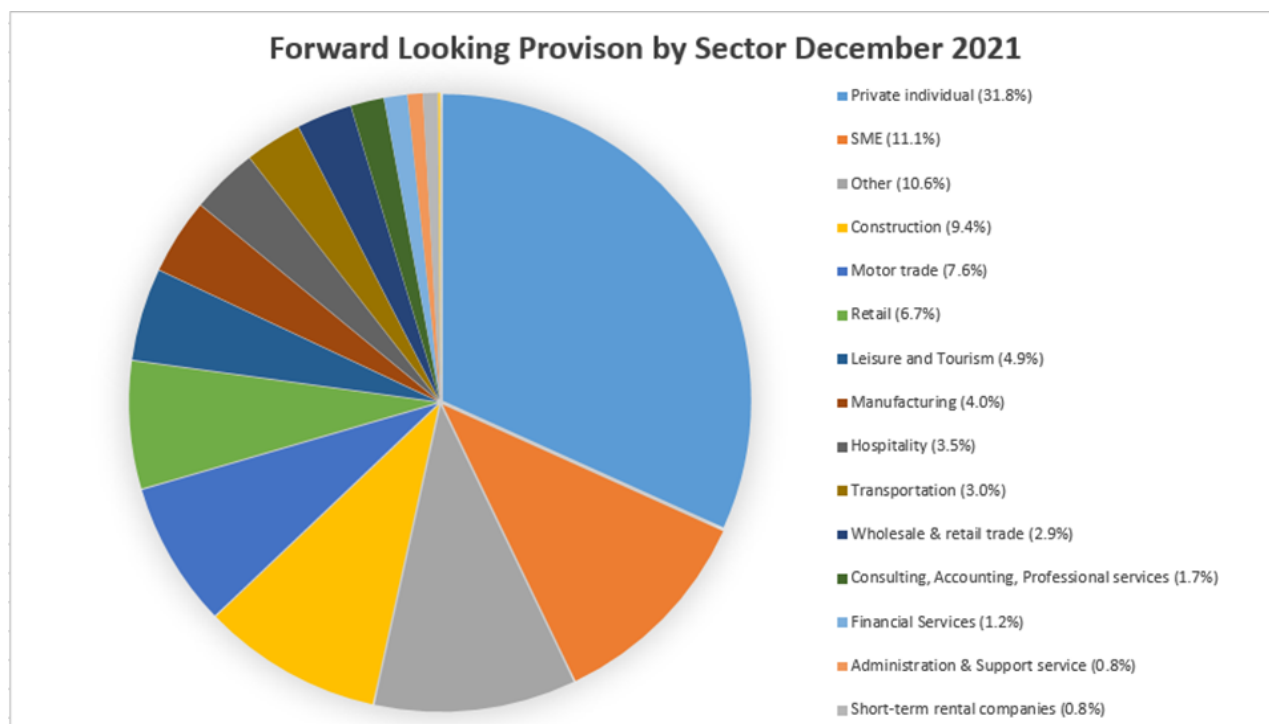
## 2021

Scenario	Sensitivity Impact				
	Baseline	Baseline	Adverse	Adverse	Adverse
Change in uplift	-20%	+10%	0%	-20%	+10%
Impact on Income statement (in EUR million)	+1.7	-0.9	-0.2	+1.4	-1.2

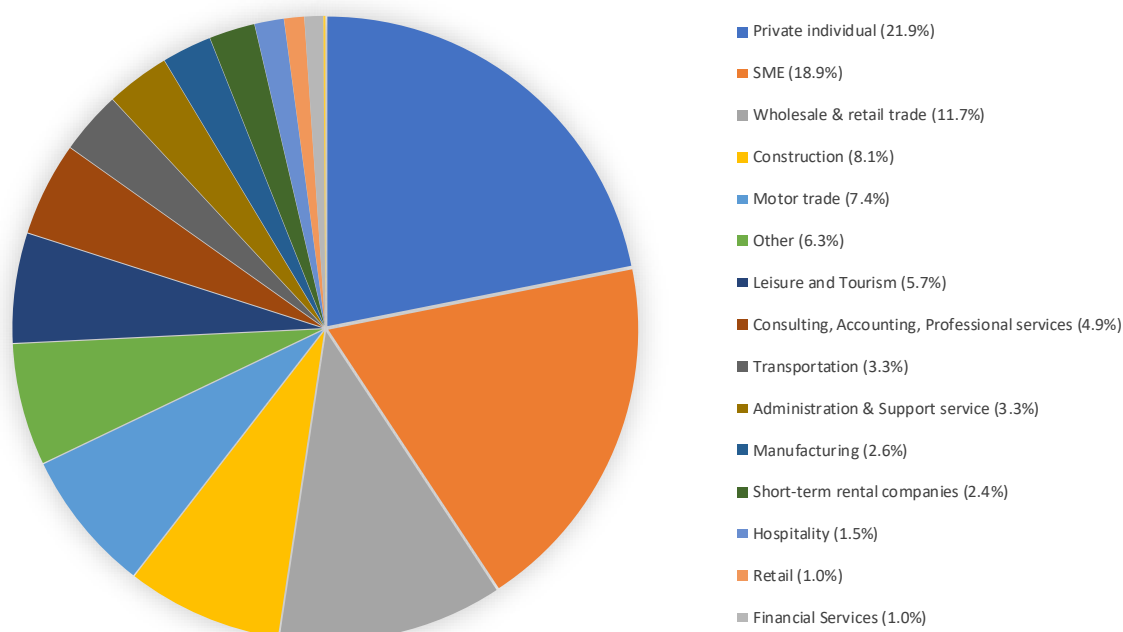
2020

Scenario	Sensitivity Impact				
	Baseline	Baseline	Adverse	Adverse	Adverse
Change in uplift	-20%	+10%	0%	-20%	+10%
Impact on Income statement (in EUR million)	+1.4	-0.7	-0.5	+0.9	-1.2

The graph below shows a breakdown of the forward looking provision by sector as at December 31, 2021



### Forward Looking Provision by Sector December 2020



On average 20% (December 2020: 19%) of the total customer portfolio has been identified as at risk.

The evolution of the cost of risk (including the forward looking element) and the cost of risk as a percentage of the average net earning assets (NEA)<sup>(1)</sup> over the last two years is shown in the table below.

(in EUR million)	2021	2020		
	December YTD	June YTD	December YTD	June YTD
Cost of Risk - income statement charge / (release)	24.8	16.6	71.1	47.6
- of which forward looking provision movement	(6.5)	(3.5)	15.4	13.4
Average NEA	21,657	21,205	21,004	20,831
Cost of Risk as % of average NEA (bps)	11	16	34	46

In 2021 there has been no deterioration in the Cost of Risk. Management consider the current level of provisions to be adequate. The Group will continue to monitor the provision parameters, including the relevance of the uplift factors, according to the pandemic evolution.

Detailed information regarding the receivables which are in and out of scope of the simplified approach of IFRS9 for sound customers and the loss provision matrix are shown in Note 22 Receivables from clients and financial institutions

### Residual Value Risk

As a general rule, the Group retains the residual value risk on its leased vehicles and sells vehicles returned by its clients at the end of the lease, at a profit or loss.

The Group is exposed to a potential loss in a financial year from (i) resale of vehicles related to leases which expire during the period whose resale value is lower than their net carrying amount and (ii) additional impairment during the lease period if residual value drops below contractual residual value. Profit from future sales and estimated losses are impacted by external factors such as macroeconomic conditions, government policies, tax and environmental regulations, consumer choices, new vehicle prices, technological changes, etc.

Despite several countries going into recession simultaneously because of the Covid-19 crisis, the demand for used vehicles and the resale values have been exceptionally strong, mainly driven by shortage of new vehicles and scarcity of used vehicles in the market.

According to the Group policies, a revaluation of the fleet residual values has been performed in the second semester of 2021 on a country by country basis to identify and calculate any impacts of changes in the estimated residual value of the vehicles under operating leases. Any potential risks are provided for prospectively over the remaining estimated useful life and then released upon disposal. Given the market trend in the first semester of 2021 the Covid-19 stress of EUR 171 per vehicle embedded in 2020 fleet revaluation was removed. In addition, in the second semester further increases in used car sales prices due to impact of semi-conductor shortages and increase in demand of used vehicles have contributed to a net release of EUR 49.8 million booked in the Depreciation costs in profit or loss (December 30, 2020: EUR 39 million net charge).

### **Impairment of used car stock**

The Group continues to state its inventories at the lower of cost and net realisable value where net realisable value is the estimated selling price less applicable variable selling expenses. The provision is calculated on a vehicle by vehicle basis.

Strong demand for used vehicles, fading of lockdowns and minimal impact on the used cars resale process resulted in the Group net release of EUR 15.4 million in stock provision (additional EUR 3.2 million charge in December 31, 2020). As of December 31, 2021 the residual used car stock provision is not material

### **Liquidity Risk**

ALD Group is exposed to liquidity risk which is the risk of not being able to meet cash flow requirements when they fall due and at a reasonable price. A structural liquidity position is derived from the maturities of all outstanding balance sheet or off balance sheet positions according to their liquidity profile.

The risk of not finding financing in sufficient quantity or at a satisfactory price is increasing as a result of the tensions in the financial markets generated by the Covid-19 crisis. However, the Group remains supported by Société Générale for the financing of its development.

ALD Group limits its exposure to liquidity risks by financing the underlying asset over the same duration as the corresponding lease contract. The residual liquidity gap of each entity is measured on a monthly basis by assessing the matching of the run off of the existing leased assets with remaining liabilities. Any deviation from the sensitivity threshold is corrected under the supervision of the Group Central Treasury.

The funding arrangements have been regularly reviewed by the Group and there have been no significant impacts on the assessment of the liquidity risk.

## **2.2. SUPPLY OF SEMICONDUCTORS**

2021 has been affected by a growing shortage in the supply of semiconductors which has limited the production capacity of new cars. As global demand has increased, this shortage has caused delays in the delivery of new cars, including by ALD. The recovery of the used car market, already started in the second semester of 2020 due to strong demand, and in 2021 supply disruption caused by the semiconductor shortage strengthened the used car market even further, altogether contributing to a record used car sales result of EUR 437.7 million in 2021 (December 30, 2020: EUR 61.1 million)

## **2.3. MAJOR ACQUISITIONS IN 2021**

### **Bansabadell Renting acquisition and strategic partnership in Spain**

On 29 April 2021, ALD signed an agreement to acquire Bansabadell Renting, the renting arm of Banco Sabadell in Spain, totalling c. 20,000 vehicles. The acquisition also includes the entry into a white label distribution agreement whereby Banco Sabadell will make available to its SME and Private Lease customers in Spain a full service leasing solution managed by ALD.

This transaction forms part of ALD's development strategy and is an example of ALD's focus on value accretive bolt-on acquisitions. This acquisition is expected to strengthen ALD's offering in Spain, positioning the company as the 2nd largest player in the market, while expanding the commercial reach of its solutions.

The completion of this transaction was authorized by the Spanish Competition Authority in November 2021. Bansabadell Renting has not been consolidated within the Group financial statements as at December 31, 2021 due to the timing of the acquisition and is presented as an investment of EUR 59 million in Other Non-current Financial Assets. Net income for one month of ownership of Bansabadell Renting in 2021 was not included in the consolidated income statement as at December 31, 2021 and is deemed to be not material. This entity will form part of the Group consolidated financial statements as at June 30, 2022.

### **Fleetpool acquisition to develop digital subscription services in Europe**

In October 2021, ALD signed an agreement to acquire Fleetpool, a leading German car subscription company, and its portfolio of c. 10,000 vehicles. The acquisition will enable ALD to rapidly develop digital car subscription services for partners, employees and private individuals and expand the commercial reach of its mobility solutions across Europe.

This acquisition will allow ALD to grow its mobility offering with Fleetpool's car subscription expertise for private individuals and companies, as well as OEM partners looking to diversify their distribution models and service offerings. Expansion is envisaged in over 10 European countries by 2026.

This transaction is an example of ALD’s focus on targeted and value accretive bolt-on acquisitions and forms part of ALD’s growth strategy to deliver flexible, value-added mobility solutions.

The completion of this transaction was authorized by the German Competition Authority in November 2021. Fleetpool has not been consolidated within the Group financial statements as at December 31, 2021 due to the timing of the acquisition and is presented as an investment of EUR 55 million in Other Non-current Financial Assets. Net income for one month of ownership of Fleetpool in 2021 was not included in the consolidated income statement as at December 31, 2021 and is deemed to be not material. This entity will form part of the Group consolidated financial statements as at June 30, 2022.

### NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. All valuation methods are defined in the Notes describing the relevant categories. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 3.1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The standards comprise IFRS 1 to 16 and International Accounting Standards (IAS) 1 to 41, as well as the interpretations of these standards adopted by the European Union as at December 31, 2021.

#### 3.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

##### New and amended standards and Interpretations applicable as January 1, 2021

The Group has adopted the following new standards, amendments and interpretations to published standards for the first time for the financial year January 1, 2021:

Accounting standards, amendments or Interpretations	Note	Adoption dates by The European Union
Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	3.3.1	January 01, 2021
Extension of Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16	3.3.2	April 01, 2021

##### 3.2.1. Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group.

### **3.2.2. Amendments to IFRS 16 – Covid-19 Rent Concessions**

#### The lessee perspective

On 28 May 2020, the IASB issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendment has been adopted by the Group from June 1, 2020. The amendment was intended to apply until 30 June 2021, but as impact of the Covid-19 pandemic is continuing, on March 2021, The IASB extended the period of application of the practical expedient to 30 June 2022.

Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the Covid-19 pandemic, IASB has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications.

Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the Covid-19 pandemic and if all of the following criteria are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to the other terms and conditions of the lease.

The Group has applied the practical expedient for rent concessions that meet the above criteria by derecognising a portion of the lease liability and recognising a negative variable lease payment in the profit or loss. Right-of-use asset continues to be depreciated without any changes and interest on the lease liability is accrued at the unchanged incremental borrowing rate.

A change in the scope of a lease, or the consideration of a lease, that was not part of the original terms and conditions meets the standard of a lease modification and the Group continues to apply IFRS 16 for accounting for such modifications.

The Group has assessed that the impacts of all rent concessions as at December 31, 2021 do not present material amounts in any of its subsidiaries.

#### The lessor perspective

The amendments do not include a practical expedient for lessors. Lessors are still required to assess whether a rent concession granted is a lease modification. If a lessor concludes that a rent concession is a lease modification, then it applies the specific guidance in the standard on accounting for both finance and operating lease modifications.

The Group already adheres to the standard concerning lease modifications and no changes are required in the financial statements.

### **3.3. STANDARDS AND INTERPRETATIONS ADOPTED BY IASB BUT NOT YET APPLICABLE AT DECEMBER 31, 2021**

IASB publishes accounting standards, amendments and interpretations, some of which have not been adopted by the European Union as at December 31, 2021. They are required to be applied from annual periods beginning on 1 January 2022 at the earliest or on the date of their adoption by the European Union. They were therefore not applied by the Group as at December 31, 2021.

#### **IFRS 17 Insurance contracts**

The Group will implement IFRS 17 ‘Insurance Contracts’ including Amendments to IFRS 17 once it becomes effective after 1 January 2023. This new standard will replace IFRS 4 “Insurance Contracts” that was issued in 2004 and which currently allows entities to use national requirements for the accounting of insurance contracts.

IFRS 17 provides new rules for the recognition, measurement, presentation and disclosure of insurance contracts that belong to its application scope (insurance contracts issued, reinsurance contracts held and investment contracts issued with discretionary participation features). The underwriting reserves currently recognised among liabilities in the balance sheet will be replaced by a current value measurement of insurance contracts.

The general model provided for the measurement of insurance contracts in the balance sheet will be based on a building-blocks approach: a current estimate of future cash flows, a risk adjustment, and a contractual service margin.

Positive contractual service margins will be recognised as income over the duration of the insurance service, whereas negative margins will be immediately recognised as expense, as soon as the insurance contract is identified as onerous.

The general model will be the default measurement model for all insurance contracts.

However, IFRS 17 also provides a mandatory alternative model for insurance contracts with direct participation features. Under this model, called “variable fee approach”, the measurement of the insurance contract liability shall take into account the obligation to pay to policyholders a substantial

share of the fair value returns on the underlying items, less a fee for future services provided by the insurance contract (changes in the fair value of underlying items due to policyholders are then recognised as an adjustment of the contractual service margin).

A simplified measurement (premium allocation approach) is also allowed by the standard under conditions for short-term contracts (12 months or less) and contracts for which the result of premium allocation approach is closed to the general approach.

These measurement models will have to be applied to homogeneous portfolios of insurance contracts. The level of aggregation of these portfolios will be assessed considering:

- contracts that are subject to similar risks and managed together;
- the year during which contracts are issued; and
- at initial recognition, contracts that are onerous, contracts that have no significant possibility of becoming onerous subsequently, and the remaining contracts.

The Group is currently assessing the impact of IFRS 17 and will conclude on its materiality in 2022.

#### **Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

#### **Reference to the Conceptual Framework – Amendments to IFRS 3**

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. IASB also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, IASB decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

#### **Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have an impact on the Group.

### **Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

### **IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities**

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

### **Definition of Accounting Estimates - Amendments to IAS 8**

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

### **Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality

Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

## **3.4. CONSOLIDATION**

Group entities described in Note 37 Scope of consolidation are included within the scope. Changes to the scope are presented in Note 7 Changes in the scope of consolidation in the year ended December 31, 2021.

### **3.4.1. Subsidiaries**

Subsidiaries are all entities over which the Group has a controlling interest. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the company acquired and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or

liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date in accordance with IFRS 3. The Group recognises any non-controlling interest in the company acquired on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net income and comprehensive income is recognised directly in equity. Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

#### **3.4.2. Associates**

Associates are all entities over which the company has significant influence, but not control. The company accounts for its investment in associates using the equity method. The company's share of profits or losses of associates is recognised in the consolidated statement of income and its share of other comprehensive income (loss) of associates is included in other comprehensive income.

Unrealised gains on transactions between the company and an associate are eliminated to the extent of the company's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in associates are recognised in the consolidated statement of income.

Further details are provided in Note 18 Investments in associates.

#### **3.4.3. Joint arrangements**

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the

joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures are modified where necessary to ensure consistency with the policies adopted by the Group.

#### **3.4.4. Special purpose companies**

The asset-backed securitisation programme (described in Note 4 - Financial Risk Management) involved the sale of future lease receivables and related residual value receivables to special purpose companies. Special purpose companies are companies created to accomplish a narrow and well-defined objective, such as the securitisation of leased assets.

The financial statements of special purpose companies are included in the Group's consolidated financial statements where the substance of the relationship is that the Group continues to be exposed to risks and rewards from the securitised leased assets. The Group uses various legal entities, which have been incorporated specifically for the Group's securitisation transactions, and these companies are therefore regarded as subsidiaries and included in the consolidated financial statements of the Group.

### **3.5. FOREIGN CURRENCY TRANSLATION**

#### **3.5.1. Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in millions of Euros, which is the Group's presentation currency and it has been rounded to the nearest million, unless otherwise indicated. In certain cases, rounding may cause non-material discrepancies in the lines and columns showing totals.

#### **3.5.2. Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "Interest income or charges". All other foreign exchange gains and losses are presented in the income statement within "Leasing contract margin".

#### **3.5.3. Group companies**

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at weighted-average annual exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in comprehensive income.

The main exchange rates used in the consolidated financial statements for the years ended December 31, 2021 and December 31, 2020 are based on Paris stock exchange rates and are as follows:

	December 31, 2021		December 31, 2020	
	Period-end Rate	Average Rate	Period-end Rate	Average Rate
EUR / UK Pound:	0.8403	0.8600	0.8990	0.8892
EUR / Turkish Lira:	15.2335	10.4670	9.1131	8.0436
EUR / Swedish Krona:	10.2503	10.1449	10.0343	10.4881
EUR / Russia Ruble:	85.3004	87.2321	91.4671	82.6454
EUR / Norwegian Krona:	9.9888	10.1634	10.4703	10.7248
EUR / Brazilian Real:	6.3101	6.3814	6.3735	5.8900
EUR / Ukrainian Hryvnia:	30.8765	32.2531	34.7501	31.2476

### 3.6. LEASE OPERATIONS

The Group classifies its leases as operating leases or finance leases under IFRS 16. The classification is based on the extent to which the lease transfers the risks and rewards resulting from ownership of an underlying asset. A lease is classified as a finance lease if it transfers substantially all the risks and rewards from ownership of an asset. Conversely, an operating lease is a lease that does not transfer substantially all the risks and rewards from ownership of an asset.

#### 3.6.1. Operating lease portfolio

The Group's operating lease portfolio comprises cars leased under operating lease contracts.

The operating lease instalments are fully recognised on a straight-line basis over the lease term, normally 3 to 4 years duration, with the exception of that portion of the instalment that is considered to be services income. Services income is identified as a non-lease component and the Group applies IFRS 15 to allocate the consideration in the contract. The instalments are classified and presented in the following categories in the income statement: (i) Leasing contract revenues; and (ii) Services revenues.

The cost of the operating lease cars comprises of their purchase price and any incremental and directly attributable costs of bringing the assets held for use in operating leases to working condition for its intended use. Import duties and non-refundable purchase taxes are included in the purchase price and any trade discounts are deducted when calculating the purchase price. Furthermore, lease incentives

and volume bonuses are also taken into account and depreciated over the expected lease term. The carrying amount of the Operating lease portfolio is presented in the category 'Rental Fleet' on the balance sheet. The depreciation policy relating to these assets is detailed in section 3.8.2 - Property and equipment under operating lease and rental fleet.

### **3.6.2. Finance lease portfolio**

Finance leases are recognised as financial assets at an amount equal to the present value of the minimum lease payments (including guaranteed residual value) and the unguaranteed residual value accruing to the Group, after deduction of provisions deemed necessary in respect of bad and doubtful debts and any accumulated impairment losses. Initial direct costs are included in the initial measurement of the finance lease receivables. The assets are presented within the category 'Receivables from clients and financial institutions' on the balance sheet (See Note 22 for further details).

The finance lease instalments can comprise various components each having its own revenue recognition. The instalments are classified and presented in the following categories in the income statement: (i) interest income from finance lease (the difference between the gross receivable and the present value of the receivable is unearned finance income and is recognised over the term of the lease using the effective interest method); and (ii) revenues (to the extent that services are included in the lease).

Revenue recognition for operating and finance leases is disclosed in more detail in Note 3.24.

### **3.6.3. Fleet management services**

These services include arranging for vehicle delivery and administration of the title and registration process, as well as tax and insurance requirements, ensuring maintenance of the vehicle, pursuing warranty claims, providing fleet policy analysis and recommendations, benchmarking, and providing vehicle recommendations. Vehicles classified under this category are featured within the Off-Balance Sheet fleet and their related revenue is recognised within the Services revenue line.

## **3.7. PROPERTY AND EQUIPMENT**

### **3.7.1. Other property and equipment**

Other property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be measured reliably. Repairs and maintenance costs are charged to the statement of income during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Property: 30 - 50 years
- Furniture and fixtures: 3 - 12 years
- Hardware: 3 - 5 years
- Company cars: 3 - 4 years

The company allocates the amount initially recognised in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced part is derecognised when replaced. Residual values, method of amortisation and useful lives of the assets are reviewed annually and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

### **3.7.2. Property and equipment under operating lease and rental fleet**

This asset category includes mainly vehicles leased to third parties, but also include other properties owned by the Group (although not significant).

Property and equipment under operating lease and rental fleet are measured at cost less accumulated depreciation and impairment losses. Vehicles are capitalised based on (i) the acquisition price, (ii) all expenditures for items owned by the company and considered a permanent addition to the vehicle (e.g. radios, anti-theft devices, etc.) at the time of contract commencement, (iii) initial external direct costs including commissions and legal fees and (iv) delivery cost where material.

The assets subject to operating leases are presented in the balance sheet according to the nature of the asset. The leased assets are depreciated on a straight-line basis over its contract period to its residual value. The contract period ranges on average between 3 to 5 years.

The assets' residual values are reviewed and adjusted, if appropriate, at each balance sheet date.

Upon termination of the lease or rental contract the relevant assets are reclassified to the caption "Inventories" at their carrying amount, as per IAS 16 paragraph 68A recommendations. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

### **3.8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (WHERE THE GROUP IS A LESSEE)**

#### Scope

IFRS 16 concerns any contract meeting the definition of a lease. There are exceptions in the standard which are not applicable to the Group. Lessees are not required to apply this standard to intangible assets leases (software for example). In preparing the application of the standard, the Group uses this option. All of the Group's right-of-use assets relate to building leases contracted for the lease of commercial and office space.

### Lease term

The lease period to be applied in determining the rental payments to be discounted will match the non-cancellable period of the lease adjusted for:

- options to extend the contract that the lessee is reasonably certain to exercise,
- and early termination options that the lessee is reasonably certain not to exercise.

The measurement of the reasonable certainty of exercising or not exercising the extension or early termination options shall take into account all the facts and circumstances that may create an economic incentive to exercise or not to exercise these options.

### Changing the lease term

In the event of a change of circumstances of the lessee which has an impact on the certainty of exercise of an option that the lessee has or has not included in its calculation of the lease term, the term must be re-estimated.

Following a change in the lease term (re-estimate or revision), the lease obligation must be reassessed to reflect those changes. The revised rate is the interest rate implicit in the lease for the remaining term of the contract if it is possible to calculate this rate, otherwise the lessee must use its incremental borrowing rate on the date of modification of the lease term.

### Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Depreciation expense is recorded in Depreciation and amortisation in the statement of profit or loss. The asset value may be adjusted later if the lease is amended, the lease period is re-estimated or to account for contractual changes in the rental payments related to application of indices or rates. Under IFRS 16, the cost of a right-of-use asset also includes an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

### Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and variable lease payments that depend on an index or a rate. The lease payments also include payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Variable lease

payments that are indexed based on the use of the leased asset (indexed to revenue or mileage, for example) are excluded from the measurement of lease liability. This variable portion of the rental payments is recorded in the net income over time according to fluctuations in contractual indexing. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to Leasing contract costs – financing in the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

### Discount rates

The implicit contract rates are not generally known, nor can be easily determined. Therefore, the Group has decided to use the lessees' incremental borrowing rate to discount rental payments as well as amount of lease liabilities.

The incremental borrowing rate is set by the lessee entity, not by the Group, in consideration of the borrowing terms and that entity's credit risk and the economic environment.

The discount rates used by the Group are then adjusted according to the currency and country of the location of the lessee entities.

The discount rate represents a risk free borrowing rate and liquidity spread by currency. The discount rate is also based on the duration of the lease term, where the duration of the lease is divided by two. Duration of the lease is the total lease term as described in section "Lease term" or remaining lease term for the first time application of the standard as at January 1, 2019.

### Short-term leases and low-value assets

Lessees may choose not to apply the new lease treatment to contracts with a term of less than one year (including renewal options), nor to contracts on low-value items. This last simplification applies specifically to small equipment such as personal computers, tablets, telephones, and small items of office furniture.

Lease payments on short-term leases (less than one year) and leases of low-value assets are recognised as expense on a straight-line basis over the lease term and are disclosed in General and administrative expenses.

### Income Taxes

Deferred tax will be recorded on the basis of the net amount of taxable and deductible temporary differences. On the date of the initial recording of the right-of-use and the lease liability, no deferred tax is recorded as the asset value is equal to the liability value. The net temporary differences that may result from subsequent changes in the right-to-use and lease liability will result in the recognition of deferred tax.

Further details are provided in Note 16 Right-of-use Assets and Lease Liabilities.

### 3.9. INTANGIBLE ASSETS

#### 3.9.1. Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquirer. Goodwill is measured at cost less any accumulated impairment losses. When the excess is negative (negative goodwill), it is recognised immediately in the statement of income.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, which is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored as follows:

- at a subsidiary level for all significant and independent countries; In these countries, the activity of the subsidiary is driven independently, either because the market is specific or because the organization has been built in order to drive the business on a standalone basis, helped with the technical support of the central functions of the headquarter; this is the case for most of the large subsidiaries in Europe (such as France, UK and Germany) and some medium and small subsidiaries in Asia;
- at an aggregated level ("hubs") when internal management reporting is organised to measure performance (and prepare business plans) at a higher level (group of CGUs). The Group identified the 7 following hubs:
  - Benelux Hub: Belgium, Luxembourg, Netherlands
  - Nordics Hub: Denmark, Finland, Norway, Sweden
  - Central Europe Hub: Austria, Croatia, Czech Republic, Hungary, Serbia, Slovenia, Slovakia, Switzerland
  - North Eastern Europe Hub: Estonia, Latvia, Lithuania, Poland, Russia, Belarus, Ukraine
  - South Eastern Europe Hub: Bulgaria, Greece, Romania, Turkey,
  - Mediterranean Hub: Algeria, Morocco, Portugal
  - South America, Africa and Asia: Brazil, Mexico, Chile, Peru, Colombia

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Further details are provided in Note 5.1 Estimated impairment of goodwill.

### **3.9.2. Other intangible assets**

Internal software development costs are capitalised during the application development stage. The costs capitalised relate to external direct costs of materials and services and employee costs related to the time spent on the project during the capitalisation period. Capitalised software is evaluated for impairment annually or when changing circumstances indicate that amounts capitalised may be impaired. Impaired items are written down to their estimated fair values at the date of evaluation. Internally developed software is normally depreciated over its useful life, generally 3 to 5 years; however in some instances this can be longer.

### **3.10. IMPAIRMENT OF NON-FINANCIAL ASSETS**

Assets that have an indefinite useful life – for example, goodwill or intangible assets – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill, that suffered impairment, are reviewed for possible reversal of the impairment at each reporting date.

Further details are presented in Note 14 Rental fleet.

### **3.11. NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE AND DISCONTINUED OPERATIONS**

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal groups is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated balance sheet.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

Or

- Is a subsidiary acquired exclusively with a view to resale

The results of discontinued operations are presented separately in the statement of profit or loss.

Additional disclosures relating to the Group's Discontinued Operations are provided in Note 7 Changes in the Scope of Consolidation.

### **3.12.FINANCIAL ASSETS**

#### **Classification**

Following the adoption of IFRS 9, the Group classifies its financial assets in the following measuring categories

- a) Those to be measured subsequently at fair value through profit or loss
- b) Those to be measured subsequently at fair value through other comprehensive income, and
- c) Those to be measured at amortised cost

By default, derivative financial instruments will be classified as subsequently measured at fair value through profit or loss.

#### **Recognition and measurement**

Regular way purchases and sales of financial assets are recognised on a trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Debt instruments (loans, receivables and bonds) will be measured at amortised cost only if the objective of the entity (business model) is to collect the contractual cash-flows and if these cash flows consist solely of payments of principal and interest. Debt instruments will be measured at fair value through other comprehensive income (with cumulative gain or loss reclassified in profit or loss when the instruments are derecognised) if the objective of the entity (business model) is to collect the contractual cash-flows or to sell the instruments and if these contractual cash-flows consist solely of payments of principal and interest (SPPI).

Equity instruments will be measured at fair value through profit or loss except in case of irrevocable election made at initial recognition for measurement at fair value through other comprehensive income (provided these financial assets are not held for trading purposes and not classified as such in financial assets measured at fair value through profit or loss) without subsequent reclassification in income.

Embedded derivatives will no longer be recognised separately when their host contracts are financial assets and the hybrid instrument in its entirety in most cases will then be measured at fair value through profit or loss.

### **Impairment of financial assets**

The Group assesses expected credit losses (ECL) associated with its assets carried at amortised cost. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment when the impact of those factors is material to the financial statements.

Further disclosure relating to impairment of financial assets is also provided in Note 22 Receivables from Clients and Financial Institutions.

## **3.13. FINANCIAL LIABILITIES**

### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

### **Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- a) Financial liabilities at fair value through profit or loss
- b) Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss only include derivative financial instruments in the Group's financial statements. For further disclosures see Note 3.15 Derivative financial instruments and hedging activities and Note 19 Derivative financial instruments.

Financial liabilities at amortised cost (loans, borrowings, funds entrusted and bonds issued) is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Any difference between cost and redemption value is recognised in the income statement over the term of the loans and borrowings.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

For more information, refer to Note 28 Borrowings from financial institutions, bonds and notes issued.

### 3.14. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 25. Movements on the hedging reserve in other comprehensive income are shown in consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The Group designates certain derivatives as either:

(a) Fair value hedge: hedges of the fair value of recognised assets or liabilities or a firm commitment.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to fair value hedges is recognised in the income statement within “unrealised gains/losses on financial instruments”.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

No fair value hedge instruments have been recorded by the Group for the year ended December 31, 2021.

(b) Cash flow hedge: hedges of a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective

portion is recognised immediately in the income statement within “unrealised gains/losses on financial instruments”.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(c) Derivatives: Changes in the fair value of derivatives that are not designated as a hedging instrument are recognised immediately in the income statement in the caption “Unrealised gains/ (losses) on financial instruments”.

The types of risks that the Group is exposed to and derivatives used to hedge these risks can be found in section 4.1.2 Treasury Risk and Note 19 Derivative financial instruments.

### **3.15. INVENTORIES**

Inventories are stated at the lower of cost and net realisable value. Upon termination of the lease or rental contract the relevant assets are reclassified from the caption “Rental fleet” to the caption “Inventories” at their carrying amount. At this point no further depreciation is charged. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### **3.16. RECEIVABLES FROM CLIENTS AND FINANCIAL INSTITUTIONS**

This caption includes:

- lease instalments receivable from the finance and operating lease portfolio, from the rental portfolio and receivables arising from other business activities;
- amounts receivable from French and foreign credit institutions with fixed or determinable payments.

These receivable balances are shown after any accumulated impairment losses and are initially measured at fair value and subsequently at amortised cost using the effective interest method.

### **3.17. OTHER RECEIVABLES AND PREPAYMENTS**

Other receivables and prepayments include prepayments in respect of expenses attributable to a subsequent period plus amounts still to be received.

### **3.18. CASH AND CASH EQUIVALENTS**

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The short-term characteristic of a cash equivalent is generally taken as a term of three months or less from the date of acquisition.

### **3.19. EMPLOYEE BENEFITS**

The group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

#### **3.19.1. Pension obligations**

Group companies operate various pension' schemes. The Group has both defined benefit plans and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income statement.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Further details are provided in Note 29 Retirement benefit obligations and long term benefits.

### 3.19.2. Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

### 3.19.3. Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

## 3.20. PROVISIONS

Provisions for restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### Damage risk provision

The Group provides customers with an own damage and repair cover in exchange of the payment of a monthly premium. Own damage revenues are recorded in the caption "Revenues". Further details are provided in Note 8 Revenues and cost of revenues.

In parallel, the Group calculates the own damage reserve based on two elements:

- (i) Open claims reserve: this reserve corresponds to the amount required to meet the costs of future claims, net of recoverable amounts, which have already occurred and been reported. This

reserve is determined as follows: an average cost is calculated on the basis of the incident type and past experience.

- (ii) Allowance for losses incurred but not yet reported (IBNR): the IBNR is determined based on the average delay between an incident occurring and the claim being reported, average claim frequency and the average cost per claim for the 12 previous months.

At the end of each month, the Group performs an adequacy test in respect of the level of the own damage reserve. In the event that the level of the reserve falls below the amount of open claims reserve plus IBNR, as determined above, then an immediate adjustment is made to adjust the reserve at this level. Open claims remain open so long as it is reasonably considered that the claim will be payable.

Where there is a stop-loss policy in place, limiting the risk of losses above a set level, open claims plus IBNR are booked only up to the level of the stop-loss. Beyond that level, all claims are debited to the reinsurance provider of the stop-loss cover. Any stop-loss cover on individual incidents is also taken into account in evaluation of claims plus IBNR. Gross claim costs are reduced to the level of cap per incident. Even where stop-loss cover is in place, if total claims are anticipated to be below the level of premium and stop-loss cover, then profit is booked in the normal way.

### **3.21. TRADE AND OTHER PAYABLES**

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **3.22. CURRENT INCOME AND DEFERRED TAX**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or

liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### **3.23. REVENUE RECOGNITION**

Revenue is recognised in accordance with the following standards:

- IFRS 16 “Leases”
- IFRS 15 “Revenue from contracts with customers”

The combined effect of the leases (IFRS 16) and revenues (IFRS 15) standards focus on the identification of lease and non-lease components in order to assess separate performance obligations. Both lessees and lessors consider the right to use an asset as a separate lease component if it meets the following criteria:

- the lessee can benefit from using that underlying asset either on its own or together with other resources that are readily available; and
- the asset is neither highly dependent on, nor highly inter-related with, the other assets in the contract.

Activities or costs that transfer a good or service to the lessee are identified as non-lease components.

Amounts payable for activities and costs that do not transfer a good or service are part of the total consideration and are allocated to the lease and non-lease components identified in the contract.

If a contract contains a lease component and one or additional lease or non-lease components, then IFRS 16 requires a lessor always to allocate the consideration in a contract following the approach in IFRS 15 Revenue recognition.

The 5 steps process required by IFRS 15 is summarised as follows:

**Step 1: Identify the contract with customers**

Each contract between the Group and the lessee is clearly identified.

**Step 2: Identify the performance obligations in the contract**

Identifying separate lease components in a lease contract under IFRS 16 is consistent with identifying performance obligations in a revenue contract under IFRS 15.

Revenues also include the various non-lease components of the lease instalment, such as repair, maintenance and tyres, damage risk retention, replacement vehicle etc. Revenues relating to lease components are described in sections (a) and (b) below.

The different services offered by the Group are considered as distinct as they are sold separately and they are separately disclosed in the contract (non-lease components). Each service is priced separately and each contract is built with a basic service and additional options which could be elected by the customer.

**Step 3: Determination of transaction price**

Transaction price is easily determined as there the Group has no variable consideration at closing of the contract.

**Step 4: Allocation of transaction price**

A lessor allocates consideration in a contract to the separate lease and non-lease components by applying IFRS 15. The Group allocates transaction prices by estimating standalone selling prices of each performance obligation as each service rendered to the customer has a separate price.

**Step 5: Recognise revenue when (or as) a performance obligation is satisfied**

All services provided by the Group are considered as performance obligations satisfied over time as customers simultaneously receive and consume all of the benefits provided by the company.

**a) Operating leases**

On operating leases, lease rental revenue (depreciation and interest) is recognised in accordance with IFRS 16 on a straight-line basis over the lease term based on the total of the contractual payments divided by the number of months of the lease term.

**b) Finance leases**

Regarding finance leases, IFRS 16 standard is applied and the earnings are allocated between the capital amount and finance income. The capital amount is used to reduce the receivable balance and the income is recognised in the profit and loss in each period so as to give a constant periodic rate of return on the net investment in the lease. The Group uses the net investment method to allocate gross

earnings, which excludes the effect of cash flows arising from taxes and financing relating to a lease transaction. In addition:

- (i) The amount due from the lessee under a finance lease is recognised in the balance sheet as a receivable at an amount equal to the net investment in the lease. Over the lease term, rentals are apportioned between a reduction in the net investment in the lease and finance income. The net investment in a lease is equivalent to the gross investment discounted at the interest rate implicit in the lease.
- (ii) At any point in time during the lease term, the net investment is represented by the remaining minimum lease payments, less that part of the minimum lease payments that is attributable to interest.

Amounts receivable from finance lease contracts are disclosed in Note 22.

### c) Other operating revenue for services

- (i) *Proceeds of cars sold*: Revenues also include the proceeds of the sale of vehicles from terminated lease contracts and rental revenues from end of contract billing such as repair costs recharged to the customer. The proceeds from the sale of vehicles are recognised when the vehicles are sold.
- (ii) *Intermediation fees*: In some instances of service provision, an entity of the Group may be acting as an intermediary between a customer and a third party. Examples of such services include the provision of fuel cards, road taxes, the re-bill of maintenance charges to customers who have chosen not to include maintenance in their leasing contracts, etc. Since no value is added by the Group, they are therefore not presented as revenues.
- (iii) *Informal extensions*: where a customer retains the car for a period beyond the normal return date (informal extension), the rent continues to be charged to the customer and the related contractual depreciation will continue to be recognised.
- (iv) *Up Front payments*: Regarding operating leases, where significant up front (“balloon”) payments (greater than 10% of list price of vehicle) are made by customers at the beginning of the lease agreement, the payments are recognised in the balance sheet and amortised on a straight-line basis over the period of the lease agreement. Regarding finance leases, upfront payments and initial direct costs are taken into consideration in calculating the implicit interest rate in the lease and recognised evenly over the life of the lease as an adjustment of yield.
- (v) *Lease incentives*: where incentives are provided to the lessee when negotiating a new or renewed lease (e.g. upfront cash payments to the lessee, reimbursement or absorption of costs by the lessor or free or reduced rents given at the beginning of the lease term), such incentives are recognised as a reduction of rental income over the lease term on a straight line basis.
- (vi) *Interest on Late Payment*: Where interest on late payment is billed to customers, the related revenue is only recognised when settlements are made by customers.
- (vii) *Lease Deposits*: Lease payment advances received in the form of deposits are held on the Balance Sheet and released in accordance with the relevant contractual agreements.
- (viii) *Maintenance*: In order to recognize revenue in a pattern that reflects the transfer of control of the services provided, maintenance and tyre income is recognised in line with the normal maintenance cost profile; the resulting ‘cost curves’ are reviewed periodically in order to match local actual historical maintenance expenditures with the expected cost profiles. As a result of application of this policy, the deferred maintenance revenue is recognised in a maintenance

income reserve during the early part of the contract, and released from this reserve during the latter part. Maintenance profit or loss on the contract will be recognised during the life of the contract. The monthly profit and loss result will be the difference between the profiled revenue and actual costs.

### **3.24. COST OF SERVICES REVENUES**

Cost of revenues comprises the cost associated with providing the above-mentioned service components of the lease instalment (including: vehicle maintenance, replacement and winter tyres, insurance premiums, accident repair and the provision of short term replacement vehicles).

### **3.25. INTEREST INCOME AND INTEREST CHARGES**

Interest income, interest charges and similar charges for all interest-bearing assets and liabilities are recognised in the income statement on an accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability.

The interest income component in operating lease instalments, which is charged on a straight-line basis to the client, is recognised in the “Leasing contract revenue – operating lease” based on the effective interest method in interest income using the interest rate included in the lease contract and based on the net investment value of the leased asset.

Interest income on finance lease contracts is recognised in the income statement on the basis of accruing interest income on the net investment (using the effective interest method). The receipts under the lease are allocated by the lessor between reducing the net investment and recognising interest income, so as to produce a constant rate of return on the net investment.

### **3.26. GENERAL AND ADMINISTRATIVE EXPENSES**

This item includes office overheads, automation costs, advertising costs, professional fees and other general expenses.

### **3.27. SHARE-BASED PAYMENTS**

Share-based compensation benefits are provided to employees via the ALD long-term incentive plans, employee share schemes. Information relating to these schemes is set out in Note 27.

The fair value of shares granted under the ALD long-term incentive plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the shares granted. The total expense is recognised over the vesting period, which is the period when all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of shares that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

## **NOTE 4. FINANCIAL RISK MANAGEMENT**

### **4.1. FINANCIAL RISK FACTORS**

#### **4.1.1. Credit risk**

The credit risk is the risk of losses arising from the inability of the Group's customers to meet their financial commitments. Credit risk includes the counterparty risk. In addition, credit risk may be further amplified by concentration risk, which arises from a large exposure to a given risk, to one or a few counterparties.

#### **Credit risk management policy**

Credit risk is the risk that a customer is not able to fulfil its financial obligations towards ALD. All ALD entities have to comply with risk procedures issued centrally which define the way credit requests have to be studied and validated, as well as the roles and responsibilities of all staff involved in the credit vetting process. Each subsidiary has a specific credit authority approved by ALD General Management and the Risk Department of Société Générale Group, and determined according to the size of the fleet, the maturity of the subsidiary and the type of customer concerned (corporate, retail, financial institution etc.). Within its credit limit, each subsidiary can decide directly on its counterparty risk. Above this threshold, credit acceptance is made at central level jointly with the Risk Department of Société Générale.

Regular risk committees are held by ALD in order to review all potential risk issues and to ensure the credit risk procedures are properly applied. All standard risk indicators (arrears / default / cost of risk) are also monitored centrally. All ALD entities are applying the same process locally.

The primary responsibility for debt collection remains under the direct responsibility of ALD's subsidiaries with dedicated teams in charge of recovering unpaid invoices in compliance with local regulations and market practices. Local processes need, however, to be compliant with the corporate instructions and guidelines distributed to the whole network. Central monitoring of all ageing balances is performed on a monthly basis as part of the regular risk reviews, and actions plans are set up whenever necessary under the supervision of the Country Manager.

Impairment charges on receivables (cost of risk) has historically remained very low due to the nature of the products proposed by ALD, a strict control of the risk assessment process and a very diversified customer portfolio.

#### **Credit risk measurement**

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all sound trade and lease receivables.

For not in default trade receivables and finance lease receivables, the Group does not track changes in credit risk, but instead recognises a loss allowance based on expected lifetime losses from initial recognition of the receivables. These losses are measured based on a provision matrix for receivables associated with sound customers, as described below. Probability of Default (PD) rates are based on

observed default rates over the life of the receivables (the average contract length in each entity). Specific PD rates are calculated for each entity and each customer type. This process results in Probability of Default (PD) rates for each age of past-due receivables. The PD rates are applied to the aged receivables of the reporting period to arrive at a total provision. The final impairment allowance is also adjusted to consider Loss Given Default (LGD) specific to the entity.

The historical loss rates are adjusted to reflect current and forward looking information on specific local economies affecting the ability of the customers to settle the receivables.

Expected credit losses and provision matrix are disclosed in Note 22 “Receivables from clients and financial institutions”.

There is no change in the definition or policy for provisions on doubtful exposure under IFRS 9. The definition of default exposure remains unchanged.

The Group considers that a customer is in default as soon as one of the three following conditions applies:

- Legal proceedings (or a similar event in accordance to local legislation) are in progress which has resulted in the customer being placed either in bankruptcy or legal liquidation or receivership;
- One or several overdue invoices for more than 90 days (270 days in the case of public or sovereign counterparties) have been recorded and a settlement procedure has been initiated;
- A significant degradation of the customer’s financial situation has taken place, making it likely that the customer will be unable to fulfil its overall commitments and there is therefore a high probability of losses.

When a credit risk emerges, the following processes take place:

- Reclassification of the sound outstanding as a doubtful debt;
- Impairment made for probable credit loss.

Where the customer is in default, the whole of the customer balance is classified as doubtful as a result of the “contagion principle”. The application of this principle leads to the classification as doubtful of all outstanding amounts relating to a customer that is deemed to be in default regardless of the age of the invoice (i.e. a customer is either solvent or not).

If the customer belongs to a group of companies, or in cases where the parent company has been classified as being in default, a case-by-case study is undertaken to establish whether it is necessary to apply the same treatment to all the legal entities included in that group. This “contagion principle” does not apply, however, in the following cases:

- Receivables subject to a risk of non-recovery which are affected by isolated legal disputes not related to the solvency of the counterparty;
- Credit risk dependent on the solvency of a third party and not the counterparty.

Impairment is only made in respect of customer receivables where the customer is considered to be in default (receivable is impaired). The impairment made for risk of default is consistent with the credit

rating of each customer. The impairment must be sufficient to cover the entire probable loss in total or partial non-recovery of the loan.

The impairment is based upon the full amount outstanding for the customer in default.

Generally, ALD remains the owner of the vehicle and impairment is made against the recorded receivables relating to issued invoices. In addition, where it is considered likely that the vehicles will be returned, a further provision is required for the amount of the likely shortfall from the sale of the asset.

Where there are guarantees from the customer providing the right of offset in the event of a default, these amounts are taken into account in assessing the impairment on a customer by customer basis.

### **Derivative financial instruments**

In addition to its natural exposure to credit risk in the leasing of vehicles, the Group is also exposed to credit risk because of its use of derivative financial instruments and because of excess cash being deposited with banks. The Group controls this risk by requiring minimum external rating grades that such external counterparties are assigned.

#### **4.1.2. Treasury risk**

Treasury risk entails 3 types of risk: liquidity risk, interest rate risk and foreign exchange risk.

- Interest rate risk is the risk that the profitability of the Group is affected by movements in interest rates.
- Foreign exchange risk is the risk that the profitability is affected by currency fluctuations.
- Liquidity risk is the risk that the Group is not able to meet its cash outflow obligations when they fall due, because of a mismatch between its assets and liabilities.

Group Treasury risk management policy consists in matching assets and liabilities in terms of maturities, currencies, and interest rate exposure. Group procedures defining the sensitivity measurement of such risks and tolerance levels are applied across the group to allow a close monitoring of the treasury risk. These risks are monitored on a group level by the Group's central Treasury, which reports on a quarterly basis to the management team of ALD during a dedicated committee. This committee is informed about all relevant developments with regards to the Group's treasury risk profile and decides any action to mitigate the risks when necessary.

#### **Interest rate risk**

ALD policy consists of financing the underlying assets with fixed rate loans as lease contracts are mostly priced at fixed rates, in order to avoid any interest rate mismatch between assets and liabilities. Structural interest rate risk arises from the residual gap (surplus or deficit) in each entity's fixed-rate forecast position. To this end, any residual interest rate risk exposure must comply with the sensitivity limits set for each entity. The sensitivity is defined as the variation in the net present value of the future residual fixed-rate positions (surplus or deficit) for non-stressed shocks of +100 bps and -100 bps in the yield curve.

The ALD Group Central Treasury monitors the Group's interest rate risk exposure and advises subsidiaries to implement adequate hedging operations. A monthly report measuring interest risk exposure is produced by each entity to be reviewed and consolidated by the ALD Group Central Treasury department.

Each entity and the Group as a whole are subject to sensitivity thresholds and limits validated by the ALM committee (ALCO). The Group structural risks are discussed on a quarterly basis during ALCO meetings.

Thanks to this close follow up of the interest rate risk exposure by subsidiaries and the supervision of asset and liability monitoring performed at central level, ALD Group interest rate sensitivity has always remained limited.

Measurement of the Group sensitivity to an interest rate shift

<b>Range Movement</b>	<b>Income Statement Impact (in EUR million)</b>
+100 bps	- 11.1
-100 bps	+ 11.2

### **Foreign exchange risk**

ALD Group is present in 26 countries outside the Euro zone and is therefore exposed to foreign exchange risks related to cash inflows and outflows from daily business activities as well as participations in subsidiaries outside the Euro zone.

Currency risks related to the current business activities are very limited as there are no cross-border leasing activities. ALD Group policy consists of financing the underlying asset in the same currency as the corresponding lease contract.

The residual foreign exchange risk is managed in order to minimise the impact to the Group due to fluctuations in the currencies it operates.

To achieve this goal, ALD quantifies its exposure to structural exchange rate risks for each subsidiary by analysing all assets and liabilities arising from commercial operations and proprietary transactions. The risk sensitivity is measured by quantifying the impact of a variation of 10% of the exchange rate (hard currencies against local currency) and a threshold is defined for each subsidiary. ALD Group Treasury department is responsible for monitoring structural foreign exchange risk positions and manages the impact on profitability due to foreign exchange rate fluctuations.

Currency risks related to equity invested in foreign currencies are not hedged at a group level, as the risk exposure has been considered insignificant.

### **Liquidity risk**

ALD Group is exposed to liquidity risk which is the risk of not being able to meet cash flow requirements when they fall due. A structural liquidity position is defined as resulting from the maturities of all balance sheet or off-balance sheet outstanding positions according to their liquidity profile.

ALD Group's exposure to liquidity risk is limited as the group policy consists of financing the underlying asset over the same duration as the corresponding lease contract. A residual liquidity gap is measured on a monthly basis, under the supervision of ALD Group Treasury department, by assessing the matching of the run-off of the existing leased assets with the remaining liabilities.

The liquidity position measured is then reviewed and consolidated at a group level. Any deviation from the sensitivity threshold is corrected under the supervision of the Group central Treasury.

Most of the funding provided by the SG group is granted through Société Générale Luxembourg and Société Générale Paris. SG Luxembourg and SG Paris fund ALD Group Central Treasury which then grants loans in different currencies to 20 ALD subsidiaries as well as to the holding companies. The total amount of loans granted by SG Luxembourg and Société Générale Paris amounted to EUR 10,876 million at December 31, 2021 with an average maturity of 2 years.

The remaining SG funding is provided either by local SG branches or subsidiaries. As at December 31, 2021 the total amount of loans granted to the Group by Société Générale, including local branches and subsidiaries, was EUR 13,125 million.

29.1% of fiscal year 2021 funding is provided from local external banks or third parties, representing EUR 5,392 million at December 31, 2021.

As part of the funding plan the ALD Group raises external funds through both asset-backed securitisation programmes and the EMTN bonds programme described below.

The following funding arrangements concluded by the Group impacted the assessment of liquidity risk:

### **Securitisation**

As at December 31, 2021, the Group has asset-backed securitisation programmes in five European countries.

These transactions involve the sale of future lease receivables and (for only three of them) related residual value receivables to securitisation special purpose companies. Debt securities were issued by those special purpose companies and sold to external investors. The special purpose companies are responsible for making interest and principal payments to the note-holders. The note-holders do not have any recourse on the Group in case of default of the originating ALD entity or default of the Group.

These funds were all raised with a floating-to-fixed rate hedge (UK, Belgium, Netherlands, France and Germany).

For further details on the transactions reference is made to Note 28.

### **Corporate bond**

The Group is also engaged in a Euro Medium Term Notes (EMTN) programme. The EMTN programme limit is set at EUR 6 billion for the aggregate nominal amount of notes outstanding at any one time. An application has been filed with the Luxembourg Stock Exchange in order for the notes issued under the programme to be listed on the official list and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange. The programme is rated BBB by Standard & Poor's and BBB+ by Fitch Ratings.

## Other bonds

In 2018 ALD SA issued an inaugural Positive Impact Bond (Green Bond) demonstrating its commitment to implementing innovative financial solutions to fund clean transportation and promote the transition to a low carbon future. The proceeds of the bond are exclusively used to finance or refinance eligible vehicles.

The presentation of financial borrowings by maturity and further information on bonds issued by the Group is provided in Note 28.

## Capital Management

ALD is a commercial company and as such does not have any regulatory capital requirement.

The Group's objectives when managing capital are to:

- safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to minimise the cost of capital.

To achieve these objectives the Group carefully monitors its leverage ratio, defined as the ratio of Total Equity to Total Assets, for which it has set a target range in its public communications to investors and rating agencies.

The ratio as at December 31, 2021 and December 31, 2020 is as follows:

(in EUR million)	As at December 31,	
	2021	2020
Total Equity	4,845.6	4,195.2
Total Assets <sup>(1)</sup>	26,991.4	25,068.7
<b>Leverage ratio</b>	<b>18.0%</b>	<b>16.7%</b>

<sup>(1)</sup> Consolidated balance sheet for the year ended December 31, 2020 has been restated due to reclassification of EUR 19 million from "Current Provisions" to "Receivables from clients and financial institutions" for correct asset and liability presentation. Impact of this reclassification resulted in decrease of EUR 19 million in "Current Assets" and a decrease in "Current Liabilities". Details of this restatement are disclosed in Note 22 "Receivables from clients and financial institutions" and Note 30 "Provisions".

In the management of capital and in its definition the instruments at the Group's disposal are:

- annual dividend pay-out policy
- exceptional dividend returning capital to shareholders

- new share issuance
- new debt issuance, including to replace existing debt with difference characteristics.

In addition, the Group can effect changes to its asset growth rate in order to modify the denominator of this ratio.

#### **4.1.3. Asset risk**

The Group is exposed to asset risk, which can be split into two main underlying risk components: the residual value risk and the risk related to service maintenance.

##### **Residual value risk**

The residual value, defined as the value of the vehicle at the end of the lease as estimated by ALD at inception of the lease, may differ from the future market value of the car at the end of the contract. This difference is a part of the global risk on used car sales and is managed in ALD Group through robust internal procedures applied to all ALD subsidiaries in order to set, control and reevaluate the residual values on the running fleet. The residual value setting procedure defines the processes, roles and responsibilities involved in the definition of residual values that will be used for the quotation of future contracts. Residual value setting is performed locally as the expertise in used car market is local and controlled and approved centrally. Calculation is based on refined market segmentation and on a statistical model using internal used car sales data for each market segment as well as Trade Guides references and country specific factors (inflation, market sector adjustments, life cycle etc.). As part of this process, current external issues are analysed in order to apply a stress factor to the valuation of the current fleet. Residual value setting is reviewed by local general management during a local pricing committee held at least twice a year (quarterly for larger subsidiaries), and then controlled and validated at an ALD Group level.

Residual values of the current running fleet are reviewed at least yearly (twice a year for the entities with more than 5,000 vehicles, one in each semester). It is performed at a local level through a revaluation process which is reviewed and approved at ALD level. The current residual value embedded in the contract is compared with the expected market value on a car by car basis.

Revaluation adjustments are accounted for on a portfolio basis whenever necessary, in order to match the expected market value at contract ending and mitigate any market risk.

In accordance with IAS 8, a residual value is treated as an accounting estimate. The residual value of the total lease portfolio at December 31, 2021 amounts to EUR 15,275 million.

Further details on the residual value risk management and fleet revaluation are disclosed in Note 5.1.

##### **Risk related to services maintenance and tyres**

The maintenance risk is the risk that the actual costs of maintenance incurred during the contract life are greater than the costs forecasted and included in the quotation at the beginning of the contract. Maintenance pricing setting is done locally using local historical statistics, under the supervision of ALD

Group. A global review of the maintenance margins is done for each country on a regular basis in order to back test the pricing assumptions in terms of costs and frequencies.

#### **4.1.4. Insurance risk**

The Group is exposed to the risk of damage to vehicles within its fleet and also to liability to third parties arising from accidents involving vehicles in its fleet. This risk can take the form of third party liability (TPL), legal defence, material damage or passenger indemnity. Where the Group decides not to retain this risk or is legally obliged to buy insurance, this risk is placed through local insurance companies. However, for some local ALD entities, the Group has selectively decided that the entity should retain the material damage risk to its own vehicles, where it is justified by the fleet size, the fleet risk profile and local market conditions. The entity managing this material damage risk must comply with strict internal procedures in terms of pricing setting, risk selection, and reserve setting. Material own damages reserves are a combination of the estimated amount required to meet the costs of future claims plus an estimation of future claims costs which have been incurred but not reported (IBNR). This IBNR is based on statistical analysis of damage frequency and amounts.

The Group also selectively retains some motor risks (material damages, passenger insurance and TPL risks) within its own reinsurance company, ALD Re DAC (ALD Re). ALD Re is based in Ireland and is regulated by the Central Bank of Ireland. The company reinsures TPL, material damages and related ancillary covers for approximately 500,000 vehicles and has reinsurance liabilities covering 25 entities within the Group. ALD Re strictly monitors its risk universe, including underwriting, market, credit and operational risk, via a strong corporate governance structure, a clearly defined risk appetite and a developed risk monitoring process. In addition, in order to minimize the financial impact of a single event, ALD Re purchases reinsurance protection for claims above a specified amount. This reinsurance strategy is reviewed at least annually.

In addition, every year, an external independent actuary must opine on whether the level of technical reserves held by ALD Re are considered adequate to meet its future obligations as determined by that independent actuary.

## **4.2. FAIRVALUE ESTIMATION**

The Group analyses financial assets and liabilities by various valuation methods. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial assets and liabilities is measured at amortised cost, except for

- receivables for which fair value is deemed to be the nominal amount
- other current financial assets which have quoted market prices
- over-the-counter derivatives

### **Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily of corporate bonds and investment in equities.

### **Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Refer to Note 25 "Financial assets and liabilities by category".

## **NOTE 5. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In preparing the Group's consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were largely the same as those that applied to the consolidated financial statements for the year ended December 31, 2020. However, as a result of the uncertainty associated with the unprecedented nature of the Covid-19 pandemic, the Group has continually reviewed its selection of appropriate assumptions

and development of reliable estimates that underlie various accounting conclusions. The main assumptions concerning expected credit losses have remained the same as those at December 31, 2020. Estimates relating to residual value risk management have undergone significant revision due to buoyant used car market conditions. Further details can be found in Note 2.1 Covid-19 Pandemic.

### **5.1. FLEET REVALUATION**

Residual values of the current running fleet are reviewed at least yearly (twice a year for the entities with more than 5,000 vehicles, one in each semester). It is performed at a local level through a revaluation process which is reviewed and approved at ALD Group level. The process is based on a statistical analysis of the car sales results covering a reference period of 24 months. The local sales force/market analysts also include additional scenarios in the calculation to take into account elements that are not captured by the statistics. These scenarios include assumptions such as possible decreases of diesel vehicles prices, concentration mix of vehicles and other local factors.

The current residual value embedded in the contract is compared with the expected market value on a car-by-car basis taking into account concentration mix of vehicle makes and models, fuel type and other local market specificities. Revaluation adjustments are accounted for on a portfolio basis whenever necessary in order to match the expected market value at contract ending and mitigate any market risk. In accordance with IAS 8, a residual value is treated as an accounting estimate.

In 2021 the Group also considered centrally two further assumptions which could affect future sales proceeds such as

- the semiconductor shortage which resulted in a positive impact on the expected sales proceeds and
- lack of market data on used electric vehicle sales which resulted in management applying a risk buffer on the expected sales proceeds.

The net impact to the 2021 income statement of these two additional assumptions is a positive EUR 10.2 million.

### **5.2. ESTIMATED IMPAIRMENT OF GOODWILL**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated presented in Note 3.10.1 of these consolidated financial statements. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. The key assumptions calculating the value in use are those regarding discount rates, growth rates and other expected changes in cash flows. The Group uses a five-year business plan for each of the CGUs or group of CGUs identified. The business plans used incorporated assumptions relevant to the current economic climate such as fleet growth, used car market and credit risk.

Based on all the assumptions made by the Group, no need for impairment on goodwill has been identified.

Sensitivity tests are carried out to measure the impact on each CGU's recoverable value based on certain assumptions. At December 31, 2021, sensitivities to variations in the cash flows and discount rates were measured.

According to the results in these tests:

- a decrease in operating cash flows by 10% compared to management's estimates would lead to a decrease of 10% in recoverable value and would not generate any additional impairment
- an increase of 50 basis points applied to all discount rates estimated by management would lead to a decrease of 6.4% in recoverable value and would not generate any additional impairment.

Further details are provided in Note 17 Goodwill.

### **5.3. IMPAIRMENT OF RENTAL FLEET**

In the annual assessment of whether there is any indication that an asset may be impaired, the Group considers both external as well as internal sources of information. If such indication for impairment exists, an analysis is performed to assess whether the carrying value of the asset or cash generating unit under an operating lease exceeds the recoverable amount, being the higher of the fair value less costs to sell and the value in use. The value in use is determined at the present value of the future cash flows expected to be derived from the object or cash generating unit. The management closely monitors residual values, which are reviewed internally at least each financial year, in accordance with internal procedures. The original residual values within internal systems will be compared to the revised residual values expected at contract termination, following a review. The results of this exercise will be used to assess the level of exposure, reserves held and potential impairment required. To prevent impairment on residual values, each country completes a minimum of one annual review of pricing under the supervision of the Group to ensure that assumptions used in pricing reflect expected future market conditions, thus ensuring residual values are predicted with a reasonable degree of accuracy and on a consistent basis going forward.

At the end of 2021, no provision for impairment on rental fleet was required.

### **5.4. FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS**

The fair value of certain financial instruments is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for various available-for-sale financial assets that are not traded in active markets. Such assets do not present material amounts in the financial statements.

### **5.5. PENSION BENEFITS**

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/ (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

If the discount rate used were to differ by +0.5 % from management's estimates, the carrying amount of pension obligations would be an estimated EUR 1.4 million lower.

Further details are provided in Note 29 Retirement benefit obligations and long term benefits.

## **5.6. INCOME TAXES**

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

## **5.7. OWN DAMAGE RESERVE**

The own damage reserve is based on assumptions such as technical damage risk principles, policyholder behaviour, inflation and court decisions. The assumptions may differ from the actual data as a result of changes in economic and market conditions.

## **NOTE 6. SEGMENT INFORMATION**

Geographically, management considers the performance in Western Europe, Continental and Eastern Europe, Nordic and South America, Africa, Asia and rest of the world.

The central treasury function based in Luxembourg provides funding to 20 ALD entities located in 13 countries. The total loans in place to these entities amounts to EUR 13.9 billion.

Loans by the central treasury to ALD entities are at arm's length according to OECD guidelines and supported by relevant transfer pricing documentation.

This department is responsible for monitoring the funding requirements and structural risks of the Group. Furthermore, it provides technical advice on financial instruments, including derivatives and on the various securitisations and bond issue program of the Group.

The Group's Management assesses the performance of the operating segments based on a measure of revenue and profit before tax as presented in consolidated financial statements. They also check to ensure that no customer represents more than 10 % of the total revenue.

## Revenue and Profit before tax

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the income statement.

(in EUR million)	Year ended December 31, 2021		Year ended December 31, 2020	
	Profit before tax	Revenue from external customers	Profit before tax	Revenue from external customers <sup>(1) (2)</sup>
Western Europe	797.0	8,033.7	364.9	7,568.4
Nordic	104.0	1,050.6	73.8	952.9
Continental & Eastern Europe	168.8	1,032.5	135.2	1,022.4
LatAm, Africa, Asia & Rest of world	49.0	362.7	40.8	358.9
<b>TOTAL</b>	<b>1,118.7</b>	<b>10,479.6</b>	<b>614.6</b>	<b>9,902.5</b>

(in EUR million)	Year ended December 31, 2021	Year ended December 31, 2020
	Revenue from external customers	Revenue from external customers <sup>(1) (2)</sup>
Leasing contract revenues <sup>(1) (2)</sup>	4,477.6	4,396.3
Service revenues	2,138.3	2,127.9
Proceeds of cars sold	3,863.7	3,378.3
<b>TOTAL</b>	<b>10,479.6</b>	<b>9,902.5</b>

## Other disclosures

(in EUR million)	Year ended December 31, 2021		
	Rental fleet	Total assets	Net financial debt <sup>(3)</sup>
Western Europe	17,226.5	22,047.3	16,340.7
Nordic	1,885.7	2,061.5	78.3
Continental & Eastern Europe	1,917.0	2,025.9	1,289.1
LatAm, Africa, Asia & Rest of world	682.1	856.8	656.4
<b>TOTAL</b>	<b>21,711.3</b>	<b>26,991.4</b>	<b>18,364.6</b>

(in EUR million)	Year ended December 31, 2020		
	Rental fleet	Total assets <sup>(4)</sup>	Net financial debt <sup>(3)</sup>
Western Europe	15,871.9	20,385.7	15,509.4
Nordic	1,817.7	1,981.6	85.5
Continental & Eastern Europe	1,797.0	1,932.8	1,235.7
LatAm, Africa, Asia & Rest of world	590.4	768.6	620.3
<b>TOTAL</b>	<b>20,077.0</b>	<b>25,068.7</b>	<b>17,451.0</b>

Revenue from external customers and Rental Fleet by countries with Revenues in excess of €500 million are detailed below:

	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2020
	Revenue from external customers (EUR million)	Revenue from external customers (EUR million) <sup>(1) (2)</sup>	Rental Fleet (EUR million)	Rental Fleet (EUR million)
France	2,241.7	2,039.5	4,977.0	4,630.6
Italy	1,374.8	1,521.6	2,224.9	2,397.7
UK	1,074.7	894.0	2,238.8	1,677.4
Germany	921.8	788.6	2,292.1	1,972.4
Spain	724.1	715.8	1,764.2	1,700.1
Netherlands	679.4	661.0	1,466.8	1,374.3
Belgium	622.9	586.7	1,455.3	1,340.3
Other Countries	2,840.2	2,695.3	5,292.2	4,984.2
	<b>10,479.6</b>	<b>9,902.5</b>	<b>21,711.3</b>	<b>20,077.0</b>

<sup>(1)</sup> For the year ended December 31, 2020 reclassification of EUR 21.7 million between “Cost of services revenues” and “Leasing contract revenues – operating leases” was required to present revenues from operating leases correctly. Volume rebates paid to customers, previously reported in the “Cost of services revenues”, were reclassified to “Leasing contract revenues” as those rebates are driven by the levels of leasing revenues generated from customers and not services revenues. This reclassification has resulted in the reduction of “Leasing contract revenues” and subsequently “Leasing contract margin”.

<sup>(2)</sup> For the year ended December 31, 2020 reclassification of EUR 10 million between “Other Interest Income” and “Other Interest Charges” was required to present interest charges correctly. Interest Income received from financial instruments has been presented on a net basis with interest costs on financial instruments where these instruments are embedded in the same structured funding transaction and are designed to remove market risk from this transaction.

<sup>(3)</sup> Net financial debt is defined as the sum of Borrowings from financial institutions (non-current and current) minus cash and cash equivalents, as presented in the Group's consolidated balance sheet.

<sup>(4)</sup> Consolidated balance sheet for the year ended December 31, 2020 has been restated due to reclassification of EUR 18.9 million from “Current Provisions” to “Receivables from clients and financial institutions” for correct asset and liability presentation. Impact of this reclassification resulted in decrease of EUR 18.9 million in “Current Assets” and a decrease in “Current Liabilities”. Details of this restatement are disclosed in Note 22 “Receivables from clients and financial institutions” and Note 30 “Provisions”.

## **NOTE 7. CHANGES IN THE SCOPE OF CONSOLIDATION IN THE YEAR ENDED DECEMBER 31, 2021**

At December 31, 2021, all companies are fully consolidated, except 2 companies accounted using the equity method (Note 18). Changes in the scope of consolidation compared to December 2020 are as follows:

- In the first semester of 2021 ALD MHC Mobility Services Malaysia Sdn Bhd entity has been added to the scope where ALD holds 60% of shares and 40% are held by external shareholder Mitsubishi HC Capital Inc. The impact of including this subsidiary in the scope of consolidation is not material.
- In 2021 ALD Belarus activity has been transferred from Representative office reported under ALD Russia to local legal entity (now reported as a subsidiary on standalone basis).
- ALD Automotive Russie SAS has been merged with parent company ALD International SA from January 1, 2021 and no longer exists as a separate consolidated entity under global integration.

#### Discontinued operation – ALD Fortune Auto Leasing & Renting (Shanghai) Co. Ltd.

On February 28, 2020 ALD disposed of its 50% equity stake in ALD Fortune Auto Leasing & Renting (Shanghai) Co. Ltd. in China, which was sold along with the 50% equity stake held by its joint venture partner. The entity was deconsolidated from the Group’s financial statements from January 1, 2020. ALD recorded an after tax gain on sale of this discontinued operation of EUR 10 million in its financial statements ended December 31, 2020.

### NOTE 8. REVENUES AND COST OF REVENUES

#### 8a. Leasing contract margin

(in EUR million)	Year ended December 31,	
	2021	2020 <sup>(1) (2)</sup>
<b>Leasing contract revenue -operating leases<sup>(1) (2)</sup></b>	<b>4,439.2</b>	<b>4,354.9</b>
Interest income from finance lease	35.7	39.0
Other interest income <sup>(2)</sup>	2.7	2.4
<b>Leasing contract revenues<sup>(1)</sup></b>	<b>4,477.6</b>	<b>4,396.3</b>
<b>Leasing contract costs - depreciation</b>	<b>(3,592.3)</b>	<b>(3,612.8)</b>
Leasing contract costs - financing:		
Interest charges on loans from financial institutions	(119.5)	(141.1)
Interest charges on issued bonds	(16.0)	(14.5)
Other interest charges <sup>(2)</sup>	2.9	(13.9)
<b>Total interest charges</b>	<b>(132.7)</b>	<b>(169.5)</b>
<b>Leasing contract costs - depreciation and financing</b>	<b>(3,725.0)</b>	<b>(3,782.3)</b>
Trading derivatives	(7.4)	4.7
Imperfectness of derivatives at fair value hedges	0.3	-
Imperfectness of derivatives at cash flow hedges	(1.3)	(1.2)
<b>Unrealised gains/losses on derivative financial instruments</b>	<b>(8.4)</b>	<b>3.5</b>
<b>Unrealised Foreign Exchange Gains or Losses</b>	<b>(11.3)</b>	<b>(13.1)</b>
<b>Total Unrealised gains/losses on financial instruments</b>	<b>(19.8)</b>	<b>(9.6)</b>
<b>Leasing contract margin<sup>(1)</sup></b>	<b>732.8</b>	<b>604.4</b>

<sup>(1)</sup> For the year ended December 31, 2020 reclassification of EUR 21.7 million between “Cost of services revenues” and “Leasing contract revenues – operating leases” was required to present revenues from operating leases correctly. Volume rebates paid to customers, previously reported in the “Cost of services revenues”, were reclassified to “Leasing contract revenues” as those rebates are driven by the levels of leasing revenues generated from customers and not services revenues. This reclassification has resulted in the reduction of “Leasing contract revenues” and subsequently “Leasing contract margin”.

<sup>(2)</sup> For the year ended December 31, 2020 reclassification of EUR 10 million between “Other Interest Income” and “Other Interest Charges” was required to present interest charges correctly. Interest Income received from financial instruments has been presented on a net basis with interest costs on financial instruments where these instruments are embedded in the same structured funding transaction and are designed to remove market risk from this transaction.

“Other interest income” mainly comprises of income received for cash deposits with third party counterparts.

Leasing contract costs - depreciation is comprised of both regular depreciation costs and it also includes movement in the provision for excess depreciation which is booked in each entity following the fleet revaluation process which detailed in Note 4.1.3 Asset Risk.

On a periodic basis, the Group performs fleet revaluations to identify and calculate any impacts of changes in the estimated residual value of the vehicles under operating leases. Any potential risks are provided for prospectively over the remaining estimated useful life and then released upon disposal. The net impact of this provisioning is included within the Depreciation cost. In 2021 the impact of the movement in excess depreciation was a net release of EUR 49.8 million (2020: EUR 39 million net cost).

## 8b. Service margin

Revenues and costs are derived from the various service components included within the contractual lease instalments, such as maintenance and tyres, damage risk retention and replacement vehicles.

(in EUR million)	Year ended December 31,	
	2021	2020 <sup>(1)</sup>
Services revenue	2,138.3	2,127.9
Cost of services revenues <sup>(1)</sup>	(1,488.3)	(1,475.9)
<b>Services margin</b>	<b>650.0</b>	<b>652.0</b>

(1) See 8a.

## 8c. Car sales result

(in EUR million)	Year ended December 31,	
	2021	2020
Proceeds of cars sold	3,863.7	3,378.3
Cost of cars sold	(3,426.0)	(3,317.1)
<b>Used car sales result</b>	<b>437.7</b>	<b>61.1</b>

For details in relation to Proceeds of cars sold, refer to note 3.24 (c)(i).

Cost of cars sold represents the written down value of the vehicle and any additional disposal costs.

The significant increase in used car sales result is driven by exceptionally favourable conditions in used car markets due to semiconductor shortages which have impacted availability of new cars and extended delays in their delivery and due to cars being a preferred mode of public transportation for pandemic reasons.

#### 8d. Revenues

Revenues that are included within the margins analysed in 8a, 8b and 8c are shown in the following table. They are analysed into Revenues derived from the Rental activity and Proceeds of Cars sold at the end of the leasing period.

(in EUR million)	Year ended December 31,	
	2021	2020 <sup>(1) (2)</sup>
<b>Services Revenues</b>	<b>2,138.3</b>	<b>2,127.9</b>
Leasing contract revenue - operating leases <sup>(1)</sup>	4,439.2	4,354.9
Interest revenue <sup>(2)</sup>	38.4	41.5
<b>Leasing contract revenues<sup>(1)</sup></b>	<b>4,477.6</b>	<b>4,396.3</b>
<b>Sub-Total - Revenues from Rental Activity<sup>(1)</sup></b>	<b>6,615.9</b>	<b>6,524.2</b>
Proceeds of Cars Sold	3,863.7	3,378.3
<b>Total Revenues<sup>(1)</sup></b>	<b>10,479.6</b>	<b>9,902.5</b>
<b>Total Revenues excluding Interest Income<sup>(1)</sup></b>	<b>9,629.1</b>	<b>9,077.0</b>

<sup>(1) and (2)</sup> See 8a.

#### NOTE 9. IMPAIRMENT CHARGES ON RECEIVABLES

(in EUR million)	Note	Year ended December 31,	
		2021	2020
Impairment		(104.2)	(142.0)
Reversal of impairment <sup>(1)</sup>		79.4	70.9
<b>Impairment charges on receivables</b>	<b>2.1, 22</b>	<b>(24.8)</b>	<b>(71.1)</b>

<sup>(1)</sup> Reversal of impairment represents doubtful receivables recovered in the year and the movement in IFRS9 provision.

#### NOTE 10. STAFF EXPENSES

(in EUR million)	Year ended December 31,	
	2021	2020
Wages and salaries	(333.6)	(316.7)
Social security charges	(69.7)	(65.0)
Defined benefit post-employment costs	(2.5)	(2.3)
Other staff costs	(27.9)	(24.4)
<b>Total</b>	<b>(433.7)</b>	<b>(408.4)</b>

The average number of staff employed (including temporary staff) by the Group during the year was 6,748 (2020: 6,543). At year-end, the full time equivalent number of staff employed by the Group was 6,893 (2020: 6,606).

#### NOTE 11. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses mainly include IT costs, professional fees and marketing. ALD continues to accelerate the IT investment programme as part of the Group's commitment to be the preferred choice for mobility solutions within the market. There has been a specific focus on digital solutions in order to further enhance customer experience, including fleet manager and driver web portals as well as investment in the development of new flexible products for our customers.

#### NOTE 12. DEPRECIATION AND AMORTISATION

(in EUR million)	Notes	Year ended December 31,	
		2021	2020
Depreciation of other property and equipment	15	(18.2)	(25.7)
Depreciation of intangible assets	15	(27.3)	(16.0)
Depreciation of right of use asset	16	(19.7)	(21.1)
<b>Total</b>		<b>(65.1)</b>	<b>(62.9)</b>

#### NOTE 13. INCOME TAX EXPENSE

(in EUR million)	Year ended December 31,	
	2021	2020
Current tax	(167.6)	(64.6)
Deferred tax	(71.1)	(44.3)
<b>Income tax expense</b>	<b>(238.6)</b>	<b>(108.9)</b>

In 2021 there was a EUR 11.1 million benefit (EUR 37 million in 2020) in the current tax due to the 2016 and 2017 Stability Law introduced in Italy which provides a tax benefit to encourage the purchase of new tangible assets. This benefit allows an additional 40% increase of depreciation that can be deducted from the taxable base and is only available to businesses receiving income and not individuals.

ALD Automotive Italia s.r.l (Italy) had joined Société Générale tax consolidation group in Italy in 2016. This regime allows the determination of a single IRES taxable base comprised of the taxable income and losses of each of the participating entities. Payment for group relief is made equal to the tax benefit and amounts are included in current tax.

#### Effective tax rate reconciliation

(in € million)	Year ended December 31,	
	2021	2020
Profit before tax	1,118.7	614.6
Standard tax rate in France	28.41%	32.02%

<b>Tax expense at standard rate</b>	<b>(317.8)</b>	<b>(196.8)</b>
Tax calculated at domestic tax rates applicable to profits in the respective countries	65.5	62.0
Tax effects of:		–
Associates' results reported net of tax	(0.6)	0.6
Income not subject to tax	(7.3)	(12.3)
Expenses not deductible for tax purposes	5.0	23.4
Utilisation of previously unrecognised tax losses	–	0.3
Tax losses for which no deferred income tax asset was recognised	–	(1.5)
Re-measurement of deferred tax	19.3	22.6
Adjustment in respect of prior years	7.7	(0.7)
Other <sup>(1)</sup>	(10.5)	(6.6)
<b>Total</b>	<b>(238.6)</b>	<b>(108.9)</b>
Effective rate of income tax	21.33%	17.73%

<sup>(1)</sup>Mainly regional taxes based on the productive activities

The positive impact in expenses not deductible for tax purposes continues to be driven by the benefit of the Stability Law in Italy, although in a lower amount than in prior years as the vehicles eligible for this tax benefit are gradually running off.

Adjustment in respect of prior years is related mostly to Luxembourg where additional EUR 8.3 million corresponds to tax benefit that can be deducted from corporate income tax due in an amount of 13% of the additional investment carried out during the tax year in qualifying assets as per article 152 bis of Luxembourg Income Tax Law.

Of the tax calculated at domestic rates applicable to profits in the respective countries in 2021, the major contributors are UK, Ireland, Luxembourg, Italy, Russia, Finland and Spain where effective tax rates are lower than in France (with applicable tax rates of 19%, 12.5%, 18.9%, 24%, 20%, 20% and 25% respectively).

### Net deferred tax variation

The gross movement on the net deferred tax account is as follows:

<b>(in € million)</b>	<b>As at December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Net deferred tax liabilities at 1 January</b>	<b>(257.6)</b>	<b>(220.0)</b>
Income statement charge	(71.1)	(44.3)
Tax charged/(credited) directly to equity	(7.5)	(0.3)
Exchange differences	13.3	9.0
Scope changes	–	(2.0)
<b>Net deferred tax liabilities at 31 December</b>	<b>(322.9)</b>	<b>(257.6)</b>

## Deferred income tax by nature

(in € million)	As at December 31,	
	2021	2020
Accelerated tax depreciation	(604.1)	(511.0)
Provisions	156.9	143.9
Tax losses	67.3	76.0
Fair value gains	3.6	(1.6)
Retirement benefit obligation	3.2	4.1
Other timing differences	50.1	30.7
Other	0.1	0.3
<b>Net deferred tax asset/(liability)</b>	<b>(322.9)</b>	<b>(257.6)</b>

Due to the current adverse challenges caused by Covid-19 the Group has considered the effect of changes to the projections and probability of future taxable profits on the recognition and subsequent recoverability of deferred tax assets. There have been no indicators to suggest that availability of qualifying taxable temporary differences, as well as future taxable profits, have been impacted and deferred tax assets will not be recoverable in the future.

The Group's subsidiaries locally monitor developments in the income tax law introduced as part of a government's measures in response to Covid-19 – e.g. tax reliefs for certain types of income, additional tax deductions, a reduced tax rate or an extended period to use tax losses carried forward. As at December 31, 2021 there has been no substantively enacted changes which had material impacts on the Group's statements.

### Tax losses

The majority of the 2021 tax losses EUR 67.3 million (2020: EUR 76 million) are attributable to Norway EUR 16.9 million (2020: EUR 23 million), France EUR 28.5 million (2020: EUR 40.1 million) and Belgium EUR 13.9 million (2020: EUR 9.7 million). These entities utilised the strategy of accelerated depreciation which lead to the recognition of fiscal losses and deferral of tax liabilities. No significant unrecognised accumulated tax losses have been incurred over the last two financial years.

## NOTE 14. RENTAL FLEET

(in EUR million)	Rental fleet
<b>At January 1, 2020</b>	
Cost	27,563.4
Accumulated depreciation & impairment	(7,226.7)
<b>Carrying amount as at January 1, 2020</b>	<b>20,336.7</b>
<b>Year ended December 31, 2020</b>	
Opening net book amount	20,336.7
Additions	7,195.6
Disposals	(3,231.9)
Depreciation charge	(3,824.3)
Transfer to assets qualified as held-for-sale	0.9
Currency translation differences	(400.1)
<b>Closing net book amount as at December 31, 2020</b>	<b>20,077.0</b>
<b>At December 31, 2020</b>	

Cost	27,749.3
Accumulated depreciation & impairment	(7,672.3)
<b>Carrying amount as at December 31, 2020</b>	<b>20,077.0</b>
<b>Year ended December 31, 2021</b>	
Opening net book amount	20,077.0
Additions	8,767.8
Disposals	(3,530.5)
Depreciation charge	(3,708.5)
Currency translation differences	105.5
<b>Closing net book amount as at December 31, 2021</b>	<b>21,711.3</b>
<b>At December 31, 2021</b>	
Cost	29,917.0
Accumulated depreciation & impairment	(8,205.7)
<b>Carrying amount as at December 31, 2021</b>	<b>21,711.3</b>

At the December 31, 2021 and December 31, 2020 there were no impairments on the “Rental fleet”.

The Group concluded a number of asset-backed securitisation programmes which involve the sale of future lease instalment receivables and, in some cases, related residual value receivables originated by various ALD subsidiaries to special purpose companies which are included in the consolidated financial statements of the Group.

As a result of this sale net book value of securitised operating lease assets amount to EUR 2,466 million at December 31, 2021 (EUR 1,801 million at December 31, 2020). The transferred lease receivables cannot be sold.

For further details on the securitisation transactions and transferred assets reference is made to the Note 28.

## NOTE 15. OTHER PROPERTY AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

### Other property and equipment:

(in EUR million)	Note	Land	Property	Equipment	Total
<b>At January 1, 2020</b>					
Cost		4.5	72.7	144.2	221.4
Accumulated depreciation & impairment			(26.6)	(76.6)	(103.2)
<b>Carrying amount As at January 1, 2020</b>		<b>4.5</b>	<b>46.1</b>	<b>67.6</b>	<b>118.2</b>
<b>Year ended December 31, 2020</b>					
Opening net book amount		4.5	46.1	67.6	118.2
Additions		–	18.1	33.5	51.7
Disposals		–	(7.3)	(11.7)	(18.9)
Depreciation charge	12	–	(6.3)	(19.4)	(25.7)
Transfer to intangible assets <sup>(1)</sup>		–	(16.6)	(25.7)	(42.3)
Currency translation differences		–	(0.6)	(1.9)	(2.4)
<b>Closing Net book amount As at December 31, 2020<sup>(1)</sup></b>		<b>4.5</b>	<b>33.5</b>	<b>42.5</b>	<b>80.5</b>
<b>At December 31, 2020</b>					
Cost		4.5	64.2	90.5	159.2
Accumulated depreciation & impairment			(30.8)	(48.0)	(78.8)
<b>Carrying amount As at December 31, 2020<sup>(1)</sup></b>		<b>4.5</b>	<b>33.5</b>	<b>42.5</b>	<b>80.5</b>
Opening net book amount		4.5	33.5	42.5	80.5
Additions		–	3.2	31.4	34.6

Disposals		–	(0.7)	(11.7)	(12.5)
Depreciation charge	12	–	(5.9)	(12.2)	(18.2)
Currency translation differences		–	0.2	0.3	0.5
<b>Closing Net book amount As at December 31, 2021</b>		<b>4.5</b>	<b>30.2</b>	<b>50.3</b>	<b>85.0</b>
<b>At December 31, 2021</b>					
Cost		4.5	66.0	103.3	173.8
Accumulated depreciation & impairment			(35.8)	(53.0)	(88.8)
<b>Carrying amount As at December 31, 2021</b>		<b>4.5</b>	<b>30.2</b>	<b>50.3</b>	<b>85.0</b>

### Other intangible assets:

(in EUR million)	Note	Software	Other	Total
<b>At January 1, 2020</b>				
Cost		77.3	12.7	90.0
Accumulated amortisation and impairment		(48.4)	(1.2)	(49.6)
<b>Carrying amount As at December 31, 2020<sup>(1)</sup></b>		<b>28.8</b>	<b>11.5</b>	<b>40.4</b>
<b>Year ended December 31, 2020</b>				
Opening net book amount		28.8	11.5	40.4
Additions		10.3	3.7	14.0
Divestments		(0.3)	(2.2)	(2.5)
Amortization	12	(14.6)	(1.5)	(16.0)
Transfer from goodwill			0.8	0.8
Transfer from other property and equipment <sup>(1)</sup>		–	42.3	42.3
Currency translation differences		(0.1)	(0.0)	(0.1)
<b>Closing net book amount As at December 31, 2020<sup>(1)</sup></b>		<b>24.1</b>	<b>54.7</b>	<b>78.8</b>
<b>At December 31, 2020</b>				
Cost		85.3	93.4	178.8
Accumulated amortisation and impairment		(61.2)	(38.8)	(100.0)
<b>Carrying amount As at December 31, 2020<sup>(1)</sup></b>		<b>24.1</b>	<b>54.7</b>	<b>78.8</b>
<b>Year ended December 31, 2020</b>				
Opening net book amount		24.1	54.7	78.8
Additions		9.6	45.4	55.0
Divestments		(0.0)	(18.1)	(18.1)
Amortization	12	(14.7)	(12.6)	(27.3)
Currency translation differences		0.1	0.3	0.3
<b>Closing net book amount As at December 31, 2021</b>		<b>19.1</b>	<b>69.6</b>	<b>88.7</b>
<b>At December 31, 2021</b>				
Cost		90.3	113.3	203.6
Accumulated amortisation and impairment		(71.2)	(43.6)	(114.8)
<b>Carrying amount As at December 31, 2021</b>		<b>19.1</b>	<b>69.6</b>	<b>88.7</b>

<sup>(1)</sup> EUR 42.3 million was reclassified from Property, Plant and Equipment to Other Intangible Assets in order to correct asset presentation. Majority of this reclassification relates to capitalised workforce and work-in-progress on the IT projects.

**NOTE 16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

(in EUR million)	Right-of-use assets (property leases)	Lease liabilities
<b>As at January 1, 2020</b>	<b>131.4</b>	<b>135.9</b>
Additions	30.1	30.7
Disposals	(8.5)	(8.5)
Accumulated depreciation	(24.9)	-
Interest	-	1.8
Payments	-	(27.2)
<b>As at December 31, 2020</b>	<b>128.0</b>	<b>132.7</b>
<b>As at January 1, 2021</b>	<b>128.0</b>	<b>132.7</b>
Additions	21.9	21.6
Disposals	(7.4)	(7.6)
Accumulated depreciation	(25.0)	-
Interest	-	1.6
Payments	-	(26.9)
<b>As at December 31, 2021</b>	<b>117.3</b>	<b>121.4</b>

**NOTE 17. GOODWILL**

(in EUR million)	Goodwill
<b>At January 1, 2020</b>	
Cost	575.7
Accumulated impairment	-
<b>Carrying amount As at January 1, 2020</b>	<b>575.7</b>
<b>Year ended December 31, 2020</b>	
Opening net book amount	575.7
Additions	2.0
Transfer to rental fleet	(0.9)
Transfer to other intangibles	(0.8)
<b>Closing net book amount As at December 31, 2020</b>	<b>576.0</b>
<b>At December 31, 2020</b>	
Cost	576.0
Accumulated impairment	-
<b>Carrying amount As at December 31, 2020</b>	<b>576.0</b>
<b>Year ended December 31, 2021</b>	
Opening net book amount	576.0
<b>Closing net book amount As at December 31, 2021</b>	<b>576.0</b>
<b>At December 31, 2021</b>	
Cost	576.0
Accumulated impairment	-
<b>Carrying amount As at December 31, 2021</b>	<b>576.0</b>

**Goodwill by cash-generating units:**

(in EUR million)	As at January 1, 2021	Addition	Decrease	Scope changes	As at December 31, 2021
France	212.0	-	-	-	212.0
Germany	35.2	-	-	-	35.2

Italy	50.2	-	-	-	50.2
Spain	109.1	-	-	-	109.1
UK	22.6	-	-	-	22.6
Benelux	56.9	-	-	-	56.9
Ireland	24.1	-	-	-	24.1
Mediterranean Hub	2.5	-	-	-	2.5
Nordics Hub	18.3	-	-	-	18.3
South Eastern Europe Hub	9.5	-	-	-	9.5
North Eastern Europe Hub	4.1	-	-	-	4.1
Central Europe Hub	31.5	-	-	-	31.5
<b>Total</b>	<b>576.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>576.0</b>

(in EUR million)	As at January 1, 2020	Addition	Decrease	Scope changes	As at December 31, 2020
France	212.0	-	-	-	212.0
Germany	37.9	-	-	(2.7)	35.2
Italy	50.2	-	-	-	50.2
Spain	109.1	-	-	-	109.1
UK	22.6	-	-	-	22.6
Benelux	54.9	2.0	-	-	56.9
Ireland	24.1	-	-	-	24.1
Mediterranean Hub	4.2	-	(1.7)	-	2.5
Nordics Hub	18.3	-	-	-	18.3
South Eastern Europe Hub	9.5	-	-	-	9.5
North Eastern Europe Hub	1.4	-	-	2.7	4.1
Central Europe Hub	31.5	-	-	-	31.5
<b>Total</b>	<b>575.7</b>	<b>2.0</b>	<b>(1.7)</b>	<b>-</b>	<b>576.0</b>

On an annual basis, ALD performs an impairment test for each cash-generating unit (CGU) to which goodwill has been allocated.

An impairment loss is recognised in the income statement if the carrying amount of CGU, including its allocated goodwill, is higher than its recoverable amount. This impairment loss is then allocated first to reduce the carrying amount of goodwill.

The recoverable amount of cash-generating unit is calculated using the most appropriate method, generally the discounted cash flow (DCF). Cash flows were projected on actual financial results and the 5-year business plans, for which Management has assessed and approved the reasonableness of its assumptions by examining the causes of differences between past cash flow projections and actual cash flows.

A discount rate was applied which is built up of a risk-free interest, a market premium multiplied by a market specific beta.

Due to uncertainties related to Covid-19 pandemic the Group has performed additional “stressed” scenario for the future cashflow projections. The scenario had the following stresses:

- 10% decrease in expected fleet growth in 2022-2026
- 10% reduction in proceeds from used car sales in 2022 and 2023

Historically, the greatest reduction in our sales proceeds on a per vehicle basis was just over 7% in the 2009 financial crisis compared to the pre-crisis levels.

Based on the assumptions made by the Group, even with these severe stresses, no need for impairment of goodwill has been identified in 2021. There was no impairment recognised in 2020.

The key assumptions used for value-in-use calculations in 2021 and 2020 are as follows:

#### Assumptions in 2021 and 2020:

	Discount Factor 2021	Discount Factor 2020	Perpetuity rate (2021 and 2020)
France	9.40%	9.30%	2.00%
Germany	9.40%	9.30%	2.00%
Italy	9.40%	9.30%	2.00%
Spain	9.40%	9.30%	2.00%
UK	9.40%	9.30%	2.00%
Ireland	10.99%	10.39%	2.00%
Benelux	9.40%	9.30%	2.00%
Mediterranean Hub	9.40%	9.30%	2.00%
Nordics Hub	9.40%	9.30%	2.00%
South Eastern Europe Hub	17.30%	16.90%	2.00%
North Eastern Europe Hub	9.40%	9.60%	2.00%
Central Europe Hub	9.55%	11.92%	2.00%

#### NOTE 18. INVESTMENTS IN ASSOCIATES

(in EUR million)	Year ended December 31,	
	2021	2020
Balance as at 1 January	10.2	9.0
Share of results	(2.6)	1.2
Currency translation differences	0.3	(0.1)
<b>Balance as at 31 December,</b>	<b>7.9</b>	<b>10.2</b>

Name	Country of incorporation	Assets	Liabilities <sup>(1)</sup>	Revenues	Profit/ (Loss)	% interest held
<b>As at January 1, 2020</b>						
ALD Automotive SA Morocco	MOROCCO	58.3	50.5	21.5	1.8	35%
Nedderfeld 95 Immobilien Gmbh & Co.	GERMANY	1.2	0.0	–	–	35%
<b>Total</b>		<b>59.5</b>	<b>50.5</b>	<b>21.5</b>	<b>1.8</b>	
<b>As at December 31, 2020</b>						
ALD Automotive SA Morocco	MOROCCO	53.2	44.2	22.3	1.9	35%
Nedderfeld 95 Immobilien Gmbh & Co.	GERMANY	1.2	0.0	–	–	35%
<b>Total</b>		<b>54.4</b>	<b>44.3</b>	<b>22.3</b>	<b>1.9</b>	
<b>As at December 31, 2021</b>						
ALD Automotive SA Morocco	MOROCCO	52.2	45.5	19.1	(1.9)	35%
Nedderfeld 95 Immobilien Gmbh & Co.	GERMANY	1.2	0.0	–	–	35%
<b>Total</b>		<b>53.4</b>	<b>45.5</b>	<b>19.1</b>	<b>(1.9)</b>	

<sup>(1)</sup> Excluding net equity

## NOTE 19. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative instruments are used as part of the overall strategy to manage exposure to market risks primarily associated with fluctuations in interest rates and foreign exchange rates through interest rate and currency swaps respectively. As a matter of policy, derivatives are not used for speculative purposes. Derivative instruments that are measured at fair value on a recurring basis are included in the caption “Derivative financial instruments” in the consolidated balance sheet.

(in EUR million)	Year ended December 31, 2021		Year ended December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps - cash flow hedge	3.9	0.1	0.5	10.2
Interest rate swaps - fair value hedge	–	–	–	–
Foreign Exchange swaps	23.5	4.9	47.4	4.1
Trading derivatives	11.2	6.1	16.9	9.4
<b>Total</b>	<b>38.6</b>	<b>11.2</b>	<b>64.7</b>	<b>23.7</b>
<b>Less non-current portion:</b>				
Interest rate swaps - cash flow hedge	3.9	0.1	0.1	7.3
Interest rate swaps - fair value hedge	–	–	–	–
Foreign Exchange swaps	12.4	4.7	24.4	2.8
Trading derivatives	4.8	5.5	8.6	2.4
<b>Total non-current portion</b>	<b>21.1</b>	<b>10.3</b>	<b>33.1</b>	<b>12.4</b>
<b>Current portion</b>	<b>17.5</b>	<b>0.8</b>	<b>31.6</b>	<b>11.3</b>

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

### Foreign exchange swaps

Foreign exchange swaps are used as hedging instruments for financial debt.

The notional principal amounts of the foreign exchange swaps contracts at December 31, 2021 were EUR 361.7 million (2020: EUR 320.8 million).

The hedged, highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of December 31, 2021 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement. This is generally within 12 months of the end of the reporting period.

### Interest rate swaps

Interest rate swaps are concluded to cover cash-flows or fair value of its main borrowings.

The notional principal amounts of the outstanding interest rate swap contracts at December 31, 2021 were EUR 1,962 million (2020: EUR 2,294 million).

At December 31, 2021, the main floating rates used are EURIBOR and SONIA (UK). Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of December 31, 2021 will be continuously released to the income statement within finance charges until the repayment of the financial debt.

## NOTE 20. OTHER NON-CURRENT AND CURRENT FINANCIAL ASSETS

(in EUR million)	Year ended December 31,	
	2021	2020
Long-term investments (10 years)	279.9	386.9
Other current financial assets	380.7	350.4
Other	122.6	4.7
<b>Total</b>	<b>783.2</b>	<b>742.0</b>

Long-term investments are a resource resulting from the policy of the Group and of its main shareholder, Société Générale, to monitor the Group's interest rate risk through the matching of assets and liabilities by maturity. Available equity is considered as a long term resource which needs to be matched with long-term assets (refer to Interest rate risks management in financial risk management section above). Equity reinvestments are made in long term amortising deposits within Société Générale in order to remain within the interest rate sensitivity limit set for each entity (variation in the net present value of the future residual fixed rate positions, surplus or deficit, for a 1% parallel increase in the yield curve). These deposits will roll-out in approximately 5 years' time and will not be renewed.

The movement in other non-current financial assets is driven by the investment of EUR 59 million in Bansabadell Renting and EUR 55 million in Fleetpool (see Note 2.2).

## NOTE 21. INVENTORIES

(in EUR million)	As at December 31,	
	2021	2020
Inventories - gross value	304.9	348.4

Valuation allowance	(8.5)	(23.9)
<b>Inventories net</b>	<b>296.4</b>	<b>324.6</b>

Inventories are stated at the lower of cost or net realisable value.

## NOTE 22. RECEIVABLES FROM CLIENTS AND FINANCIAL INSTITUTIONS

This item includes amounts receivable under lease contracts and trade receivables, after deduction of allowances for debtor risks, where necessary.

(in EUR million)	As at December 31,	
	2021	2020
Amounts receivable under finance lease contracts	790.3	762.5
Provision for impairment of Finance lease receivables	(13.0)	(14.2)
-Of which		
provision for doubtful receivables	(8.0)	(6.8)
provision for sound receivables	(4.0)	(4.7)
provision for sound receivables (forward looking)	(1.0)	(2.7)
Amounts receivable from credit institutions and related parties <sup>(1)</sup>	240.7	35.3
Trade receivables	1,012.0	977.2
Provision for impairment of trade receivables	(171.8)	(178.1)
-Of which		
provision for doubtful receivables	(152.0)	(150.8)
provision for sound receivables	(11.6)	(14.5)
provision for sound receivables (forward looking)	(8.2)	(12.7)
Provision for customer disputes <sup>(2)</sup>	(30.6)	(18.9)
<b>Total receivables</b>	<b>1,827.6</b>	<b>1,563.7</b>

<sup>(1)</sup> Mainly towards Société Générale – no impairment provision has been calculated on these receivables due to their inter-group nature. Increase in these receivables relates to excess cash from current accounts deposited with Société Générale as at year end and loan receivable from Fleetpool subsidiary not yet consolidated in the financial statements as at December 31, 2021. See Note 2.3

<sup>(2)</sup> EUR 18.9 million as at December 31, 2020 was reclassified from Current provisions to Receivables from clients and financial institutions in order to correct asset/liability presentation. Provision for receivables disputed by customers is now presented as a reduction of receivables rather than a liability. It is also considered separately to impairment of receivables and does not represent a credit risk.

The fair value of receivables is equivalent to the carrying value.

### Expected Credit Losses

The below table presents analysis of receivables which are in and out of scope of the simplified approach of IFRS 9 for sound customers.

ALD considers some specific receivable types as out of scope. These receivables have zero or almost no history of credit risk and include receivables on used car sales and insurance, which have been reviewed for credit losses and found to be of a different risk nature to the Group's main lease receivables.

(in EUR million)	December 31, 2021			December 31, 2020		
	In scope	Out of scope	Total	In scope	Out of scope	Total
Amounts receivable under finance lease contracts	771.9 <sup>(1)</sup>	18.5 <sup>(2)</sup>	790.3	749.3 <sup>(1)</sup>	13.2 <sup>(2)</sup>	762.5
Provision for impairment of receivables under finance lease contracts	(4.0)	(8.0)	(12.0)	(4.7)	(6.7)	(11.4)
Provision for impairment of receivables under finance lease contracts - forward looking	(1.0)		(1.0)	(2.7)	-	(2.7)
Amounts receivable from credit institutions		240.7	240.7	-	35.3	35.3
Trade receivables	598.9	413.2 <sup>(2)</sup>	1,012.0	580.4	396.7 <sup>(2)</sup>	977.2
Provision for impairment of trade receivables	(11.6)	(152.1)	(163.6)	(14.5)	(150.9)	(165.4)
Provision for impairment of trade receivables - forward looking	(8.2)	-	(8.2)	(12.7)	-	(12.7)
Provision for customer disputes <sup>(3)</sup>		(30.6)	(30.6)		(18.9)	(18.9)
<b>Total receivables</b>	<b>1,346.0</b>	<b>481.6</b>	<b>1,827.6</b>	<b>1,295.1</b>	<b>268.6</b>	<b>1,563.8</b>

<sup>(1)</sup> Including remaining capital

<sup>(2)</sup> These amounts represent doubtful and non-lease receivables

<sup>(3)</sup> EUR 18.9 million as at December 31, 2020 was reclassified from Current provisions to Receivables from clients and financial institutions in order to correct asset/liability presentation. Provision for receivables disputed by customers is now presented as a reduction of receivables rather than a liability. It is also considered separately to impairment of receivables and does not represent a credit risk.

Based on the receivables which are in the scope, the loss allowance as at December 31, 2021 and December 31, 2020 was determined as follows for both trade and finance lease receivables:

#### Provision Matrix December 31, 2021

(in EUR million)	Not past due	0 -30 days past due	31 - 60 days past due	61 - 90 days past due	> 90 days past due	Total
Loss rate	1%	3%	8%	12%	14%	
Gross carrying amount of receivables in IFRS 9 scope	1,194.0	106.1	29.5	8.1	33.0	1,370.7
Loss Allowance	(13.3)	(3.5)	(2.3)	(1.0)	(4.6)	(24.7)
<b>Net carrying amount of receivables in IFRS 9 scope</b>	<b>1,180.7</b>	<b>102.7</b>	<b>27.2</b>	<b>7.1</b>	<b>28.4</b>	<b>1,346.0</b>

#### Provision Matrix December 31, 2020

(in EUR million)	Not past due	0 -30 days past due	31 - 60 days past due	61 - 90 days past due	> 90 days past due	Total
Loss rate	1%	5%	11%	17%	21%	
Gross carrying amount of receivables in IFRS 9 scope	1,139.5	98.3	33.0	14.3	44.6	1,329.7
Loss Allowance	(14.7)	(4.5)	(3.5)	(2.4)	(9.6)	(34.6)
<b>Net carrying amount of receivables in IFRS 9 scope</b>	<b>1,124.8</b>	<b>93.8</b>	<b>29.5</b>	<b>12.0</b>	<b>35.1</b>	<b>1,295.1</b>

The decrease in the provision for impairment of receivables under finance lease contracts and trade receivables is due to the improvement of the aged receivable balances. For further details see Note 2.1 Covid-19 Pandemic.

### Information on past due and impaired finance lease receivables

The amounts presented in the tables below include loans and finance receivables by Basel II portfolio that are not past due and that are past due but not individually impaired.

#### Year ended December 31, 2021 Loans and receivables to customers

(in EUR million)	Banks	Corporates	Small and medium enterprises	Credit to individuals	Very small companies	Total
Amounts not past due	9.0	371.1	65.4	82.2	192.4	720.1
Amounts including past due between 1 to 30 days	0.3	5.1	10.8	0.2	5.1	21.5
Amounts including past due between 31 to 60 days	0.0	5.3	2.4	0.0	1.6	9.3
Amounts including past due between 61 to 90 days	–	0.1	0.5	0.0	0.8	1.5
Amounts including past due between 91 to 180 days	0.5	7.3	0.1	0.2	2.8	10.9
Amounts including past due between 181 days to 1 year	0.0	4.5	0.5	0.0	2.3	7.3
Amounts including past due over 1 year		0.3	0.2	0.0	0.7	1.2
<b>Total</b>	<b>9.7</b>	<b>393.8</b>	<b>79.9</b>	<b>82.8</b>	<b>205.7</b>	<b>771.9</b>

#### Year ended December 31, 2020 Loans and receivables to customers

(in EUR million)	Banks	Corporates	Small and medium enterprises <sup>(1)</sup>	Credit to individuals	Very small companies	Total
Amounts not past due	3.6	300.7	64.3	106.4	214.6	689.5
Amounts including past due between 1 to 30 days	0.1	11.0	8.6	0.1	4.4	24.1
Amounts including past due between 31 to 60 days	–	2.5	2.5	0.0	5.3	10.4
Amounts including past due between 61 to 90 days	–	1.7	3.5	0.1	1.6	6.9

Amounts including past due between 91 to 180 days	0.3	4.3	1.0	0.1	1.0	6.8
Amounts including past due between 181 days to 1 year	0.8	4.6	0.7	0.2	2.7	9.0
Amounts including past due over 1 year		2.2	0.1	0.0	0.2	2.6
<b>Total</b>	<b>4.8</b>	<b>327.0</b>	<b>80.7</b>	<b>107.0</b>	<b>229.7</b>	<b>749.3</b>

<sup>(1)</sup> There has been a reclassification between portfolios in 2020

The increase in amounts not past due is related to fleet increase.

A full description of the impairment policy is contained in the Credit Risk Measurement section of the Financial Risk Factors.

The movement in impairment of trade lease receivables is as follows:

(in EUR million)	Note	As at December 31,	
		2021	2020
Balance at January 1		(178.1)	(136.5)
Net Impairment charges	9	(24.8)	(71.1)
Receivables written off		33.1	20.7
Movement in Finance Lease Provision		(1.2)	3.5
Other and currency translation differences		(0.7)	5.4
<b>Balance at December 31</b>		<b>(171.8)</b>	<b>(178.1)</b>

The maturity analysis is as follows:

(in EUR million)	As at December 31,	
	2021	2020
Trade receivables not overdue	670.2	623.3
Past due up to 90 days	144.1	160.8
Past due between 90 - 180 days	23.9	41.5
Past due over 180 days	173.8	151.6
<b>Total</b>	<b>1,012.0</b>	<b>977.2</b>

The deterioration in the past due over 180 days maturity profile in 2021 is due to the impact of the Covid-19 pandemic and the associated economic decline. The main impact on customer payments has been in the private individual, sole trader and small and medium enterprise sectors. In response to this situation entities have mitigated the impact by focusing on collection procedures, outsourcing of payment collections and direct debit payments. The result of these methods is seen in the reduction of past due up to 180 days categories.

**NOTE 23. OTHER RECEIVABLES AND PREPAYMENTS**

(in EUR million)	As at December 31,	
	2021	2020
VAT and other taxes	276.8	237.1
Prepaid motor vehicle tax and insurance premiums	95.4	108.1
Reclaimable damages	8.2	8.5
Prepaid expenses	346.6	296.4
Other	307.6	263.7
<b>Other receivables and prepayments</b>	<b>1,034.6</b>	<b>913.9</b>

The majority of the other receivables and prepayments have a maturity of less than one year.

The other receivables balance includes EUR 193.3 million (2020: EUR 105.8 million) relating to rebates receivable from dealers and manufacturers.

**NOTE 24. CASH AND CASH EQUIVALENTS**

(in EUR million)	As at December 31,	
	2021	2020
Cash at bank and on hand	112.2	122.6
Short-term bank deposits	40.5	72.1
<b>Cash and cash equivalents excl. bank overdrafts</b>	<b>152.7</b>	<b>194.7</b>
Bank overdrafts	(228.4)	(315.7)
<b>Cash and cash equivalents, net of bank overdrafts</b>	<b>(75.7)</b>	<b>(121.0)</b>

As ALD operates its own re-insurance program the cash balance includes funds required for this business.

**NOTE 25. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY**

The company's financial assets and liabilities are categorised as follows:

**Financial assets**

As at December 31, 2021 (EUR million)	Carrying Value	Fair Value		Total
		Level 1	Level 2	
<b>Financial assets measured at fair value</b>				
Derivative financial instruments in hedge	27.4		27.4	27.4
Derivative financial instruments not in hedge	11.2		11.2	11.2
Other current financial assets	260.3	260.3		260.3
<b>Financial assets not measured at fair value</b>				
Receivables from clients and from financial institutions	1,827.6		1,827.6	1,827.6
Investment in associates	7.9			7.9
Other non current and current financial assets	522.9			522.9
Cash and cash equivalents	152.7			152.7
<b>Total</b>	<b>2,810.0</b>	<b>260.3</b>	<b>1,866.2</b>	<b>2,126.6</b>

As at December 31, 2020 (EUR million)	Carrying Value	Fair Value		Total
		Level 1	Level 2	
<b>Financial assets measured at fair value</b>				
Derivative financial instruments in hedge	47.8		47.8	47.8
Derivative financial instruments not in hedge	16.9		16.9	16.9
Other current financial assets	249.0	249.0		-
<b>Financial assets not measured at fair value</b>				
Receivables from clients and from financial institutions <sup>(1)</sup>	1,563.8		1,563.8	1,563.8
Investment in associates	10.2			
Other non current and current financial assets	492.9			
Cash and cash equivalents	194.7			
<b>Total</b>	<b>2,575.3</b>	<b>249.0</b>	<b>1,628.4</b>	<b>1,628.4</b>

<sup>(1)</sup> EUR 18.9 million as at December 31, 2020 was reclassified from Current provisions to Receivables from clients and financial institutions. See Note 22.

## Financial liabilities

As at December 31, 2021 (EUR million)	Carrying Value	Fair Value		Total
		Level 1	Level 2	
<b>Financial liabilities measured at fair value</b>				
Derivative financial instruments in hedge	5.0		5.0	5.0
Derivative financial instruments not in hedge	6.1		6.1	6.1
<b>Financial liabilities not measured at fair value</b>				
Bank borrowings	13,848.6		13,848.6	13,848.6
Bonds issued	4,668.7	2,720.0	1,963.6	4,683.6
Trade payables	828.7		828.7	828.7
<b>Total</b>	<b>19,357.2</b>	<b>2,720.0</b>	<b>16,652.1</b>	<b>19,372.1</b>

As at December 31, 2020 (EUR million)	Carrying Value	Fair Value		Total
		Level 1	Level 2	
<b>Financial liabilities measured at fair value</b>				
Derivative financial instruments in hedge	14.3		14.3	14.3
Derivative financial instruments not in hedge	9.4		9.4	9.4
<b>Financial liabilities not measured at fair value</b>				
Bank borrowings	12,734.1		12,734.1	12,734.1
Bonds issued <sup>(2)</sup>	4,911.6	3,534.6	1,406.4	4,941.0
Trade payables	757.2		757.2	757.2
<b>Total</b>	<b>18,426.6</b>		<b>14,921.5</b>	<b>18,456.0</b>

<sup>(2)</sup> Fair value of corporate bonds (EMTN programme) was previously disclosed under level 2. Transfer to level 1 is required as these financial instruments are traded in active markets and their fair value is based on quoted market prices as at the balance sheet date.

## NOTE 26. SHAREHOLDERS' EQUITY

### Share Capital and Share Premium

At December 31, 2021, the authorised capital amounted to EUR 606.2 million (2020: EUR 606.2 million), divided into 404,103,640 ordinary shares with a nominal value of EUR 1.5 each.

At December 31, 2021, share premium amounted to EUR 367 million (2020: EUR 367 million).

All shares issued by ALD S.A. were fully paid.

The holders of the shares are entitled to receive dividend as declared at Annual General Meetings and are entitled to vote per share at meetings of the Company.

### Other Equity – Treasury Shares

Following the combined General Meeting held in 2021, 2020, 2019 and 2018, ALD SA was authorised to purchase its own shares for the purposes of attributing, covering and paying off any scheme for the allocation of free shares, employee savings scheme and any other form of allocation to employees and executive directors of the Company or of companies related to it under the conditions set out in applicable legislative and regulatory provisions, in particular in terms of sharing in the benefits of the Company's expansion, the allocation of free shares, all schemes for employee shareholding and to carry out all hedging operations relating to the said employee shareholding schemes.

	Number of shares	EUR million
<b>Opening balance January 1, 2020</b>	<b>650,584</b>	<b>(9.0)</b>
Acquisition of treasury shares employee share schemes	383,314	(3.6)
Employee share scheme issue	(12,907)	0.1
Liquidity contracts	41,914	(0.5)
<b>Balance at December 31, 2020</b>	<b>1,062,905</b>	<b>(12.9)</b>
<b>Opening balance January 1, 2021</b>	<b>1,062,905</b>	<b>(12.9)</b>
Acquisition of treasury shares employee share schemes	214,044	(2.9)
Employee share scheme issue	(261,610)	2.9
Liquidity contracts	(14,310)	(0.3)
<b>Balance at December 31, 2021</b>	<b>1,001,029</b>	<b>(13.2)</b>

### Retained earnings and other reserves

Movements in retained earnings and other reserves are presented in the Statement of changes in equity.

### NOTE 27. SHARE-BASED PAYMENTS

In 2021 three new equity-settled share-based payment plans were approved by the ALD Board of Directors. The plans are designed to provide long-term incentives for selected employees across the Group to deliver long-term shareholder returns. Under the plans, participants are granted free shares in the parent company ALD SA which will only vest if certain performance and service conditions are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Shares are granted under the plans for no consideration and carry no dividend or voting rights. Prior to approval of the plans ALD SA did not hold any shares bound to be distributed to own employees, therefore ALD SA can either issue new shares or acquire its own shares on the market between the grant date and vesting date in order to settle the obligation to its employees.

**Summary of 2021 long-term incentives plans approved by ALD Board of Directors**

	<b>Plan 7</b>	<b>Plan 8.A</b>	<b>Plan 8.B</b>
Date of Board meeting	March 26, 2021	March 26, 2021	March 26, 2021
Total number of shares granted	264,223	9,913	9,914
Vesting date	March 31, 2024	March 31, 2023	March 31, 2024
Holding period end date	no holding period	September 30, 2023	September 30, 2024
Fair value (in EUR)	10.72	11.44	10.72
Number of employees in the plan	280	5	5

**Summary of 2020 long-term incentives plans approved by ALD Board of Directors**

	<b>Plan 5</b>	<b>Plan 6.A</b>	<b>Plan 6.B</b>
Date of Board meeting	March 27, 2020	March 27, 2020	March 27, 2020
Total number of shares granted	353,281	17,316	17,319
Vesting date	March 31, 2023	March 31, 2022	March 31, 2023
Holding period end date	no holding period	September 30, 2022	September 30, 2023
Fair value (in EUR)	7.25	7.75	7.25
Number of employees in the plan	264	5	5

**Summary of 2019 long-term incentives plans approved by ALD Board of Directors**

	<b>Plan 3</b>	<b>Plan 4.A</b>	<b>Plan 4.B</b>
Date of Board meeting	March 28, 2019	March 28, 2019	March 28, 2019
Total number of shares granted	235,475	16,614	16,617
Vesting date	March 31, 2022	March 31, 2021	March 31, 2022
Holding period end date	no holding period	September 30, 2021	September 30, 2022
Fair value (in EUR)	10.16	10.16	10.16
Number of employees in the plan	229	6	6

**Summary of 2018 long-term incentives plans approved by ALD Board of Directors**

	<b>Plan 1</b>	<b>Plan 2.A</b>	<b>Plan 2.B</b>
Date of Board meeting	March 29, 2018	March 29, 2018	March 29, 2018
Total number of shares granted	276,980	12,907	12,907
Vesting date	March 31, 2021	March 31, 2020	March 31, 2021
Holding period end date	no holding period	September 30, 2020	September 30, 2021
Fair value (in EUR)	11.31	11.31	11.31
Number of employees in the plan	195	4	4

Vesting conditions are based on ALD's profitability, as measured by the average Group Net Income over the 3 or 2 years of the vesting period. The ALD Group Net Income corresponds to the published ALD Group Net Income.

At December 31, 2021 524 employees (403 employees as at December 31, 2020) benefit from the long-term incentives plans.

The following table shows the shares granted and outstanding at the beginning and end of the reporting period.

	<b>Number of shares</b>
<b>As at January 1, 2020</b>	<b>555,228</b>
Granted during the year	387,916
Vested during the year	(12,907)
Forfeited during the year	(58,674)

<b>As at December 31, 2020</b>	<b>871,563</b>
<b>As at January 1, 2021</b>	<b>871,563</b>
Granted during the year	284,050
Vested during the year	(261,610)
Forfeited during the year	(27,030)
<b>As at December 31, 2021</b>	<b>866,973</b>

For equity settled share-based payments, the fair value of these instruments, measured at the grant date, is spread over the vesting period and recorded in shareholders' equity under Retained earnings and other reserves. At each accounting date, the number of these instruments is revised in order to take into account vesting conditions and adjust the overall cost of the plan as originally determined. Expenses recognised under Staff expenses from the start of the plan are then adjusted accordingly.

The Group was involved in another free share plan granted by the parent company Société Générale ("AGA"). Free shares plan ("AGA") was granted to a limited number of managers, subject to attendance conditions. All shares in these plans have vested in March 2020 and no new plans have been issued.

#### Expenses recorded in the income statement

(in EUR Million)	December 31, 2021	December 31, 2020
Net expenses from free share ALD plans	(2.2)	(2.3)
Net expenses from free share Societe Generale plan	–	(0.0)
<b>Total Expense</b>	<b>(2.2)</b>	<b>(2.3)</b>

#### NOTE 28. BORROWINGS FROM FINANCIAL INSTITUTIONS, BONDS AND NOTES ISSUED

(in EUR million)	As at December 31,	
	2021	2020
Bank borrowings	9,407.1	7,763.5
<b>Non-current borrowings from financial institutions</b>	<b>9,407.1</b>	<b>7,763.5</b>
Bank overdrafts	228.4	315.7
Bank borrowings	4,213.1	4,655.0
Current borrowings from financial institutions	4,441.5	4,970.6
<b>Total borrowings from financial institutions</b>	<b>13,848.6</b>	<b>12,734.1</b>
Bonds and notes-originated from securitisation transactions	1,628.8	1,267.8
Bonds and notes-originated from EMTN programme	1,600.0	2,200.0
Other non-current bonds issued	–	–
<b>Non-current bonds and notes issued</b>	<b>3,228.8</b>	<b>3,467.8</b>
Bonds and notes-originated from securitisation transactions	334.8	138.7
Bonds and notes-originated from EMTN programme	1,105.1	1,305.2
Other current bonds issued	–	–
<b>Current bonds and notes issued</b>	<b>1,439.9</b>	<b>1,443.9</b>
<b>Total bonds and notes issued</b>	<b>4,668.7</b>	<b>4,911.6</b>
<b>Total borrowings from financial institutions and bonds</b>	<b>18,517.3</b>	<b>17,645.7</b>

There are no non-cash items from all outstanding sources of borrowings.

#### Maturity of borrowings and bonds

As at December 31,

(in EUR million)	2021	2020
Less than 1 year	5,881.4	6,414.5
1-5 years	12,581.1	11,106.8
Over 5 years	54.8	124.4
<b>Total borrowings and bonds</b>	<b>18,517.3</b>	<b>17,645.7</b>

## Currencies

The carrying amounts of the Group's borrowings are denominated in the following currencies:

(in EUR million)	As at December 31,	
	2021	2020
Euro	13,684.7	13,268.0
UK Pound	2,543.3	2,052.7
Danish Krone	376.9	363.3
Swedish Kronor	388.5	424.6
Other currencies	1,523.9	1,537.1
<b>Total borrowings and bonds</b>	<b>18,517.3</b>	<b>17,645.7</b>

## External funding

Local external banks and third parties provide 29.1% of total funding, representing EUR 5,392 million at December 31, 2021 (32.2% and EUR 5,675 million at December 31, 2020).

An amount of EUR 723 million or 4% of total funding is provided by external banks. The residual external funding (EUR 4,669 million) has been raised through asset-backed securitisations and unsecured bonds.

Included within this amount is loan of EUR 250 million granted by the European Investment Bank in September 2019. This will enable the Group to develop its range of hybrid and electric vehicles across the EU, particularly in France, Germany, Italy, Spain, Belgium and the Netherlands.

## Asset-backed securitisation programme

In June 2015 a private securitisation deal was set up in Belgium for EUR 300 million. This deal was renewed and increased by EUR 60 million in June 2018. In June 2020 this EUR 360 million deal was renewed for two additional years.

The private securitisation deal set up in December 2013 in the Netherlands was renewed for EUR 236 million in December 2020 for 6 additional months. In June 2021 this deal was renewed and increased by EUR 164 million (reaching an outstanding amount EUR 400 million) for two additional years.

A private securitisation deal was set up in the UK in December 2018 for GBP 414 million with a revolving period of 1 year. The deal has been renewed in December 2019 for two additional years and again in December 2021 for a 14 month period.

A public securitisation deal has been set up in Germany in October 2020 for EUR 350 million with a revolving period of 1 year. The transaction entered the amortisation phase in November 2021.

A public securitisation deal has been set up in France in October 2021 for EUR 400 million with a revolving period of 1 year.

The following debt securities are currently issued:

Programme and special purpose company	Originator	Country	Currency	Amount <sup>(1)</sup>
ALD Funding Limited	ALD	UK	GBP	414 million
Axus Finance NL B	ALD	Netherlands	EUR	400 million
Axus Finance SPRL	ALD	Belgium	EUR	360 million
Red & Black Auto Lease Germany SA, compartment 3	ALD	Germany	EUR	306.8 million
FCT Red & Black Auto Lease France 1	ALD	France	EUR	400 million

<sup>(1)</sup> Transaction outstanding amount at 31 December 2021

The maturity of the asset-backed securitisation programmes is as follows:

(in EUR million)	December 31, 2021	December 31, 2020
Less than 1 year	334.8	138.7
1-5 years	1,628.8	1,267.8
Over 5 years	–	–
<b>Total securitisation programme</b>	<b>1,963.6</b>	<b>1,406.4</b>

### Transferred assets and associated liabilities

Securitisation programmes involve the sale of future lease instalment receivables and, in some cases, related residual value receivables originated by various ALD subsidiaries to special purpose companies which are included in the consolidated financial statements of the Group. ALD continues to retain substantially all of the risks and rewards of the lease receivables as in all asset-backed securitisation programmes they subscribed to the first class of notes which will result in ALD bearing any realised losses. Therefore, ALD continues to recognise the transferred lease assets in their entirety.

(in EUR million)	Receivables from clients (finance and operating leases)	Cash collateral deposited	Total
<b>At December 31, 2021</b>			
Carrying amount of transferred assets	2,489.6	36.0	2,398.6
Carrying amount of associated liabilities <sup>(1)</sup>			(1,963.6)
<b>Net carrying amount position</b>			<b>435.0</b>
Fair value of transferred assets	2,543.4	36.0	2,586.9
Fair value of associated liabilities <sup>(1)</sup>			(1,963.6)
<b>Net fair value position as at December 31, 2021</b>			<b>623.3</b>
<b>At December 31, 2020</b>			

Carrying amount of transferred assets	1,800.9	45.0	1,758.4
Carrying amount of associated liabilities <sup>(1)</sup>			(1,406.4)
<b>Net carrying amount position</b>			<b>352.0</b>
Fair value of transferred assets	1,851.7	45.0	1,896.7
Fair value of associated liabilities <sup>(1)</sup>			(1,406.4)
<b>Net fair value position as at December 31, 2020</b>			<b>490.3</b>

<sup>(1)</sup> Bonds and notes originated from asset-backed securitisation transactions

## EMTN programme

Within this programme, the Group has the following outstanding bonds issued as at December 31, 2021:

- a bond in July 2017 for an amount of EUR 600 million maturing in July 2022 at a fixed rate of 0.875%
- a bond in October 2018 for an amount of EUR 500 million maturing in October 2022 at a fixed rate of 1.25%
- a bond in July 2019 for an amount of EUR 500 million maturing in July 2023 at a fixed rate of 0.375%
- a bond in October 2020 for an amount of EUR 600 million maturing in October 2023 at a fixed rate of 0.375%
- a bond in February 2021 for an amount of EUR 500 million maturing in February 2024 at a fixed rate of 0%

The bond issued in October 2018 was an inaugural Positive Impact Bond (Green Bond), a EUR 500m 4-years senior note at a fixed rate of 1.250%.

## Société Générale funding

Following the external funding raised in recent years, the funding raised through Société Générale has remained stable at 71 % as at December 31, 2021.

Most of the funding provided by the SG group is granted through Société Générale Luxembourg and Société Générale Paris. SG Luxembourg and SG Paris fund ALD Group Central Treasury which then grants loans in different currencies to 20 ALD subsidiaries as well as to the holding companies. The total amount of loans granted by SG Luxembourg and Société Générale Paris amounted to EUR 10,876 million at December 31, 2021 (EUR 9,877 million at December 31, 2020) with an average maturity of 2 years.

The remaining SG funding is provided either by local SG branches or subsidiaries. As at December 31, 2021 the total amount of loans granted to the Group by Société Générale, including local branches and subsidiaries, was EUR 13,125 million (EUR 11,970 million as at December 31, 2020).

At December 31, 2021 the Group has undrawn borrowing facilities of EUR 2,4 billion (EUR 3,7 billion at December 31, 2020) of which EUR 515 million are committed undrawn borrowing facilities. Providing there is a market liquidity, these facilities are readily available to ALD entities.

## Guarantees given

A first demand guarantee has been granted to an English Financial institution for an amount of GBP 120 million on behalf of ALD Automotive UK, under the conditions negotiated in the frame of the distribution agreement concluded with this financial institution.

A first demand guarantee has been granted to ING Luxembourg for an amount of EUR 52 million on behalf of Axus Luxembourg SA, under the condition negotiated in the frame of the distribution agreement concluded with this financial institution.

A first demand guarantee has been granted to a landlord for an amount of EUR 6,5 million on behalf of ALD RE DAC Ireland, under the conditions negotiated in the frame of the premises rental agreement concluded with this landlord.

## NOTE 29. RETIREMENT BENEFIT OBLIGATIONS AND LONG TERM BENEFITS

### Defined contribution plans

Defined contribution plans limit ALD's liability to contributions paid to the plan but do not commit ALD to a specific level of future benefits.

Main defined contribution plans provided to employees of the Group are located in France. They include state pension plans and other national pension plans such as ARRCO and AGIRC, as well as pension schemes put in place by some entities of the Group for which the only commitment is to pay annual contributions (PERCO).

### Post-employment benefit plans (Defined benefit plans)

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Main defined benefit plans provided to employees of the Group are located in France, Belgium, Germany, Italy and Switzerland.

### **Reconciliation of assets and liabilities recorded in the balance sheet**

The amount recognised in the balance sheet is determined as follows:

(In EUR million)	December 31, 2021	December 31, 2020
A - Present value of defined benefit obligations	21.0	24.7
B - Fair Value of plan assets	(14.6)	(13.5)
C - Fair value of separate assets	-	-
D - Change in asset ceiling	-	-
<b>A + B - C + D = Net balance recorded in the balance sheet</b>	<b>6.4</b>	<b>11.2</b>

Post-employment benefit plans include annuity payments, end-of-career indemnities as well as mixed plans (cash balance). Annuity payments are added to pension plans paid by state and mandatory benefit plans.

The present values of defined benefit obligations have been valued by independent qualified actuaries.

### Components of the cost of the defined benefits

(In EUR million)	2021	2020
Current service cost including social security contributions	1.0	1.1
Employee contributions	(0.1)	(0.2)
Past service cost / curtailments	–	–
Transfer via the expense	–	–
Net interest	–	0.1
<i>Components recognised in income statement</i>	0.9	1.0
Actuarial gains and losses due to assets (*)	(1.2)	0.1
Actuarial gains and losses due to changes in demographic assumptions	(0.1)	–
Actuarial gains and losses due to changes in economical and financial assumptions	(2.5)	1.3
Actuarial gains and losses due to experience	(1.7)	(0.7)
Change in asset ceiling	–	–
<i>Components recognised in unrealised or deferred gains and losses</i>	(5.5)	0.7
<b>Total components of the cost of the defined benefits</b>	<b>(4.6)</b>	<b>1.7</b>

(\*) Actuarial gains and losses due to assets from which the actuarial gains and losses due to assets included in the net interest cost is deducted

### Changes in net liabilities of post-employment benefit plans recorded in the balance sheet

Changes in the present value of defined benefit obligations:

(In EUR million)	2021	2020
<b>Balance at January 1,</b>	24.7	23.5
Current service cost including social security contributions	1.0	1.1
Employee contributions	–	–
Past service cost / curtailments	–	–
Settlement	–	–
Net interest	0.1	0.2
Actuarial gains and losses due to changes in demographic assumptions	(0.1)	–
Actuarial gains and losses due to changes in economical and financial assumptions	(2.5)	1.3
Actuarial gains and losses due to experience	(1.7)	(0.7)
Foreign exchange adjustment	0.1	–
Benefit payments	(1.0)	(0.7)
Acquisition/(Sale) of subsidiaries	–	–
Transfers and others	0.5	–
<b>Balance at December 31,</b>	<b>21.0</b>	<b>24.7</b>

Changes in fair value of plan assets and separate assets:

(In EUR million)	2021	2020
<b>Balance at January 1,</b>	13.5	13.3
Expected return on plan assets	0.0	0.1
Expected return on separate assets	–	–
Actuarial gains and losses due to assets	1.2	(0.1)
Foreign exchange adjustment	0.1	–

Employee contributions	0.2	0.2
Employer contributions to plan assets	0.5	0.6
Benefit payments	(0.8)	(0.5)
Acquisition/(Sale) of subsidiaries	–	–
Transfers and others	–	–
<b>Balance at December 31,</b>	<b>14.6</b>	<b>13.5</b>

### Information regarding funding assets (for all benefits and future contribution)

The breakdown of the fair value of plan assets is as follows: 37 % bonds, 45 % equities, 3 % money market instruments and 14 % others.

Employer contributions to be paid to post-employment defined benefit plans for 2022 are estimated at EUR 0.6 million.

### Actual returns on funding assets

The actual returns on plan and separate assets were:

(In EUR million)	2021	2020
Plan assets	1.2	0.0
Separate assets	–	–

The assumptions on return on assets are presented in the following section.

### Main assumptions detailed by geographical area

The significant actuarial assumptions used to determine the pension benefit obligation amount are as follows:

	2021	2020
Discount rate		
Europe	0.8%	0.3%
Long-term inflation		
Europe	2.0%	1.2%
Future salary increase		
Europe	1.4%	1.4%
Average remaining working lifetime of employees (in years)		
Europe	14.1	14.5
Duration (in years)		
Europe	11.7	12.0

The assumptions by geographical area are averages weighted by the present value of the liabilities (DBO).

The yield curves used to discount the liabilities are corporate AA yield curves (source: Merrill Lynch) observed in the end of October for GBP and EUR, and corrected at the end of December if the decrease in discount rates had a significant impact.

Inflation rates used are the long-term targets of the central banks of the monetary areas above.

The average remaining working lifetime of employees is calculated taking into account withdrawal assumptions.

The assumptions described above have been applied on post-employment benefit plans.

### Obligations sensitivities to main assumptions ranges

(Percentage of item measured)	December 31, 2021 (*)	December 31, 2020 (*)
<b>Variation of +1% in discount rate</b>		
Impact on the present value of defined benefit obligations at December 31, N	(6.7)%	(6.9)%
<b>Variation of +1% in long terme inflation</b>		
Impact on the present value of defined benefit obligations at December 31 N	3.1%	3.0%
<b>Variation of +1% in future salary increases</b>		
Impact on the present value of defined benefit obligations at December 31 N	7.1%	7.4%

(\*) Variation of +0.5% in the measured item

The disclosed sensitivities are averages of the variations weighted by the present value of defined benefit obligations.

### Breakdown of future payments

(In EUR million)	2021	2020
N+1	0.4	0.5
N+2	0.4	0.4
N+3	0.4	0.4
N+4	1.1	1.0
N+5	0.8	1.2
N+6 to N+10	5.8	5.7

### Other long-term benefits

Some entities of ALD may award their employees other long-term benefits, like long-term deferred variable remunerations, time saving accounts (French Term) “Comptes Epargne Temps” or long service awards. They are different from post-employment benefits and termination benefits, which are not fully due within twelve months following the financial year during which the services are rendered by the employees.

The net balance of other long-term benefits is EUR 12.3 million. The total amount of charges for other long-term benefits is EUR 1.6 million.

**NOTE 30. PROVISIONS**

(in EUR million)	Damage risk retention	Other	Total
<b>At January 1, 2020</b>	<b>209.7</b>	<b>52.9</b>	<b>262.6</b>
Additions	82.4	7.3	89.7
Reversal (utilisation)	(84.9)	(4.1)	(89.0)
Transfer to Receivables from Clients and Financial Institutions <sup>(1)</sup>	–	(18.9)	(18.9)
Currency translation differences	(0.1)	(1.2)	(1.3)
<b>At December 31, 2020<sup>(1)</sup></b>	<b>207.2</b>	<b>36.0</b>	<b>243.1</b>
<b>Of which current<sup>(1)</sup></b>	<b>97.6</b>	<b>20.3</b>	<b>117.9</b>
<b>As at January 1, 2021<sup>(1)</sup></b>	<b>207.2</b>	<b>36.0</b>	<b>243.1</b>
Additions	38.8	27.2	66.0
Reversal (utilisation)	(25.5)	(3.4)	(29.0)
Currency translation differences	0.1	1.6	1.7
<b>As at December 31, 2021</b>	<b>220.5</b>	<b>61.3</b>	<b>281.7</b>
<b>Of which current</b>	<b>105.3</b>	<b>47.0</b>	<b>152.3</b>

<sup>(1)</sup> EUR 18.9 million was reclassified from “Current provisions (Other)” to “Receivables from clients and financial institutions” in order to correct asset/liability presentation. Provision for receivables disputed by customers is now presented as a reduction of receivables rather than a liability.

**NOTE 31. TRADE AND OTHER PAYABLES**

(in EUR million)	As at December 31,	
	2021	2020
Trade payables	828.7	757.2
Deferred leasing income <sup>(1)</sup>	389.9	404.5
Other accruals and other deferred income	582.7	429.1
Advance lease instalments received	325.5	336.4
Accruals for contract settlements	191.2	132.8
VAT and other taxes	254.6	215.9
Other	0.5	0.2
<b>Trade and other payables<sup>(2)</sup></b>	<b>2,573.3</b>	<b>2,276.3</b>

<sup>(1)</sup> Deferred leasing income relates to maintenance and tyre revenue which is profiled in line with historical maintenance expenditure in order to match revenue and costs. This policy is explained further in Note 4 Financial Risk Management.

<sup>(2)</sup> Increase in trade and other payables is due to a larger amount of vehicle orders as at December 31, 2021 as well as due to an increase in customer lease deposits and rentals invoiced in advance.

**NOTE 32. DIVIDENDS**

A dividend related to the period ended December 31, 2020 for an amount of EUR 253.9 million (EUR 0.63 per share) was paid to ALD shareholders on June 1st, 2021 of which dividend paid to Société Générale is EUR 203.2 million (a dividend related to the period ended December 31, 2019 for an amount of EUR 253.9 million (EUR 0.63 per share) was paid to ALD shareholders on June 3rd, 2020 of which dividend paid to Société Générale was EUR 203.2 million).

**NOTE 33. EARNINGS PER SHARE**
**Basic earnings per share**

	As at December 31,	
	2021	2020
Net income attributable to owners of the parent (in EUR million) <sup>(1)</sup>	873.0	509.8
Weighted average number of ordinary shares with voting rights (in thousands)	403,072	403,247
<b>Total basic earnings per share (in EUR)</b>	<b>2.17</b>	<b>1.26</b>

<sup>(1)</sup> Net income includes continuing and discontinued operations

	As at December 31,	
	2021	2020
Profit for the period from continuing operations attributable to the owners of the parent (in EUR million)	873.0	499.9
Weighted average number of ordinary shares with voting rights (in thousands)	403,072	403,247
<b>Total basic earnings per share from continuing operations (in EUR)</b>	<b>2.17</b>	<b>1.24</b>

Following the combined General Meetings held in 2021, 2020, 2019 and 2018, ALD SA was authorised to purchase its own shares for the purposes of attributing, covering and paying off any scheme for the allocation of free shares, employee savings scheme and any other form of allocation to employees and executive directors of the Company or of companies related to it under the conditions set out in applicable legislative and regulatory provisions. Total number of shares making up current share capital 404,103,640. As at December 31, 2021 total number of shares to which voting rights are attached, excluding shares without voting rights (treasury shares, etc.) is 403,102,611. Weighted average number of ordinary shares with voting rights is 403,071,673.

**Diluted earnings per share**

	As at December 31,	
	2021	2020
Net income attributable to owners of the parent (in EUR million) <sup>(1)</sup>	873.0	509.8
Weighted average number of ordinary shares (in thousands)	404,104	404,104
<b>Total diluted earnings per share (in EUR)</b>	<b>2.16</b>	<b>1.26</b>

<sup>(1)</sup> Net income includes continuing and discontinued operations

	As at December 31,	
	2021	2020
Profit for the period from continuing operations attributable to the owners of the parent (in EUR million)	873.0	499.9
Weighted average number of ordinary shares (in thousands)	404,104	404,104
<b>Total diluted earnings per share from continuing operations (in EUR)</b>	<b>2.16</b>	<b>1.24</b>

Rights to free shares granted to employees will be settled with treasury shares under the long-term incentives employee plans. Treasury shares are included in the calculation of diluted earnings per share assuming all outstanding rights will vest.

**NOTE 34. RELATED PARTIES**
**Identity of related parties**

The Group is controlled by Société Générale Group. Transactions with Société Générale and its subsidiaries have been identified as related party transactions. All business relations with Société Générale Group are handled at normal market conditions.

In addition, one member of ALD board of Directors was also a Non-Executive Director at the Supervisory Board of a company based in the US, MT Americas (Virginia, US) until March 2020. The company operates within the recycling industry in the US and South America. There is no business relationship between MT Americas and ALD Group.

### Key management compensation

Key management includes the following members of the Executive Committee: Chief Executive Officer, two Deputy Chief Executive Officers, Chairman of the Board and the Board directors.

The compensation paid or payable to key management for employee services is shown below:

(in EUR million)	As at December 31,	
	2021	2020
Salaries and other short-term employment benefits	2.2	2.5
Post employment benefits	0.6	1.2
Attendance fees for the Board members	0.2	0.2
Other long-term benefits	0.6	0.7
<b>Total</b>	<b>3.7</b>	<b>4.6</b>

Since the listing of the company in June 2017, ALD S.A. is supervised by a new Board Committee which has been implemented according to the AFEP-MEDEF rules. The board is composed of employees and Executive Directors of ALD S.A. and Société Générale as well as independent board members who benefit from a compensation.

### Sales of goods and services

Société Générale (“SG”) and its subsidiaries are customers of ALD Group. Total fleet leased to SG and its subsidiaries amounts to 7,070 cars in 21 countries. Rentals have been priced at normal market conditions. More than 50% of the total fleet leased to SG Group is leased by ALD France. Rental paid by SG Group to ALD France accounts for EUR 17.2 million and EUR 17 million in the years ended December 31, 2021 and December 31, 2020, respectively.

### Purchases of goods and services

#### Information Technology (“IT”) Services

ALD Group has a contract with SG Global Services centre (India), with which ALD subcontracted IT services including development, maintenance and support of international applications. The main advantage is to facilitate the roll out of common tools to all subsidiaries while ALD IT teams at a Group level still keep the knowledge of each project, train users and follow up the set-up, usage and evolution locally. ALD has also subcontracted some technical infrastructure services to SG, mainly in France.

Overall amount of IT services subcontracted to SG and its subsidiaries amounts to EUR 21.56 million in fiscal year 2021 (2020: EUR 20.55 million).

### Premises

Some Group entities share premises with SG or with SG business divisions in some countries (mainly ALD France and ALD Denmark which represent around 90 % of the total rentals paid to SG). Rentals have been priced at arm's length and amounted to EUR 0.5 million in fiscal year 2021 (2020: EUR 0.7 million) for ALD France and ALD Denmark.

### Brokerage

Société Générale retail and corporate banking network sells long term rental contracts to customers on behalf of ALD against a commission for each contract sourced. In year 2021, around 14,500 contracts have been signed through Société Générale distribution network in 3 different countries. 81% of contracts originated through this channel come from the French banking networks of SG Group. The commission paid to SG by ALD France represented EUR 3 million for the year ended December 31, 2021 (2020: EUR 3 million).

### **Third Party Liabilities (TPL) Insurance policy**

ALD Italy has subscribed to a TPL insurance policy for part of their fleet through Sogessur, the Car insurance company of Société Générale Group. Sogessur acts as a frontier and is reinsured through ALD Re, the reinsurance company of ALD Group. Insurance premiums have been fixed at arm's length. The overall amount of insurance premium paid by ALD Italy to Sogessur amount EUR 59.2 million in fiscal year 2021 (2020: EUR 66.5 million).

### Corporate services

Société Générale Group, as a shareholder, provides ALD Group with the following intercompany corporate services:

- Providing support and advice regarding general secretary, tax or compliance matters at a holding level;
- Performing periodical audits in order to verify the effectiveness of governance, risk management, and permanent control;
- Supervising the Human Resources departments of the subsidiaries.

These Corporate services provided by Société Générale have been subject to compensation of EUR 9.5 million (estimated) in fiscal year 2021 (2020 Actual: EUR 8.3 million (9.5 million disclosed in Financial Statements for the Year Ended December 31, 2020 was estimated)).

In addition, in fiscal year 2021, there were 51 employees coming from SG (59 in 2020) with a temporary detachment contract in ALD Group with duration of 3 to 5 years; they are part of the local management teams and most of them are included in ALD payroll during the detachment period and are therefore not re-billed to SG. Only the employees based in ALD France and ALD S.A. are still paid by SG and re-billed to ALD; the amount re-billed by SG was EUR 11.7 million in 2021 and 13.9 million in 2020.

## Loans with related parties

Société Générale and its affiliates provide ALD Group with funding either through ALD Treasury centre or directly to ALD subsidiaries at a market rate. 71 % of the Group's funding was provided through SG in fiscal year 2021, i.e. EUR 13,126 million.

Société Générale provides also bank guarantees on behalf of ALD and its subsidiaries in case of external funding. Overall guarantees released by SG Group amounted up to EUR 1,079.1 million as of December 31, 2021 (2020: EUR 1015.5 million).

Société Générale also provides ALD Group with derivatives instruments which have a nominal amount of EUR 1,877.4 million, and are represented on the balance sheet for a total amount of EUR 17.7 million in assets and EUR 4.4 million in liabilities.

In compliance with the Asset Liability Management policies of Société Générale, ALD Group reinvested its equity in long term assets in the form of deposits with the central treasury of Société Générale. These deposits will roll-out in approximately 5 years' time from now on and will not be renewed. At December 31, 2021 the total amount of these long term deposits was EUR 387.4 million (2020: EUR 475.0<sup>(1)</sup> million).

<sup>(1)</sup>Amount disclosed in 2020 for EUR 455 million has been restated in 2021 to EUR 475 million due to erroneous exclusion of the deposits in German subsidiary.

## Tax consolidation agreement

Several ALD entities have entered into tax consolidation agreements or group relief with Société Générale entities:

- ALD Automotive A/S (Denmark) had signed a tax consolidation agreement with SG Group in 2005 (ALD Automotive A/S Denmark and SG Finans), with Denmark NF Fleet joining in 2006. Danish companies, regarded as separate taxable entities, are covered by the rules of national joint taxation which implies that the loss in one company can be set off against the taxable income in another company. SG Finans has been sold in October 2020.
- ALD Automotive Italia s.r.l had joined SG tax consolidation group in Italy in 2016. This regime allows the determination of a single IRES taxable base comprised of the taxable income and losses of each of the participating entities.
- ALD Automotive Group PLC (UK) had joined SG Group relief in 2001, allowing members of the group of companies to transfer certain Corporate Tax losses to other members of the Group.
- Merrion Fleet Management Ltd and Merrion Fleet Finance Ltd (Ireland) had joined SG group relief in 2017, allowing members of the group of companies to transfer certain Corporate Tax losses to other members of the Group. Merrion Fleet Finance Ltd has been merged in Merrion Fleet Management Ltd in December 2020.

## NOTE 35. AUDITORS' FEES

The total fees of the Company's auditors, as charged to the consolidated income statement for the year ended December 31, 2021, amounted to:

- For Deloitte & Associés: EUR 1.6 million for the certification of the accounts
- For Ernst & Young & Associés: EUR 1.9 million for the certification of the accounts

Services other than the certification of the accounts mainly consisted of compliance assignments related to regulatory requirements as well as services specifically and exclusively assigned to Statutory auditors. Fees for such services amounted to:

- For Deloitte & Associés: EUR 0.1 million
- For Ernst & Young & Associés: EUR 0.1 million

## **NOTE 36. EVENTS AFTER THE REPORTING PERIOD**

### **36.1. PROPOSED ACQUISITION OF LEASEPLAN**

On January 6, 2022, the Group has announced in the press release the signing of a memorandum of understanding to acquire 100% of LeasePlan from a consortium led by TDR Capital. Total consideration is estimated at EUR 4.9 billion and would be made through a combination of cash and shares. At expected closing by end of 2022, Société Générale would own around 53% of the Group and LeasePlan shareholders would hold 30.75%. This strategic operation would generate significant value for shareholders through scale effects and synergies.

### **36.2. THE GROUP'S CURRENT SITUATION IN UKRAINE AND RUSSIA**

ALD Group is following with the utmost attention the development of the situation in Ukraine and Russia, and it is committed to supporting its clients and all its employees. ALD complies rigorously with legislation in force and diligently applies all necessary measures to strictly observe international sanctions as soon as they become public.

As at December 31, 2021 the Group has 20,270 funded vehicles in Russia, Belarus and Kazakhstan and a combined total assets of EUR 231.9 million. In Ukraine, the Group has 4,980 funded vehicles and total assets of EUR 70.6 million.

On April 11, 2022 ALD announced that ALD Automotive OOO, which operates in Russia and through its branch in Kazakhstan, and [in](#) ALD Belarus LLC, will no longer enter into any new commercial transactions in these countries.

**NOTE 37. SCOPE OF CONSOLIDATION**

(in %)	As at December 31,	
	2021	2020
<b>ALD International SA</b>	<b>Parent company</b>	<b>Parent company</b>
<b>Consolidated companies under global integration</b>	<b>interest %</b>	<b>interest %</b>
ALD Autoleasing D GmbH - GERMANY (*)	100.00	100.00
ALD Automotive OOO - RUSSIA	100.00	100.00
ALD Automotive A/S - DENMARK	100.00	100.00
ALD Automotive AB - SWEDEN	100.00	100.00
ALD Automotive AG - SWITZERLAND	100.00	100.00
ALD Automotive AS - NORWAY	100.00	100.00
ALD Automotive D.O.O. BEOGRAD - SERBIA	100.00	100.00
ALD Automotive D.O.O. ZA. Operativni i Financijski Leasing - CROATIA (*)	100.00	100.00
ALD Automotive for Cars Rental and Fleet Management S.A.E. - EGYPT	100.00	100.00
ALD Automotive Fuhrparkmanagement und Leasing GmbH - AUSTRIA	100.00	100.00
ALD Automotive Group Limited - UK (*)	100.00	100.00
ALD Automotive S.A. - BRAZIL	100.00	100.00
ALD Automotive Magyarorszag Autopark - kezezo es Finanszirozo KFT - HUNGARY (*)	100.00	100.00
ALD Automotive Operational Leasing DOO - SLOVENIA	100.00	100.00
ALD Automotive Polska Sp z o.o. - POLAND	100.00	100.00
ALD Automotive Private Limited - INDIA	100.00	100.00
ALD Automotive Russie SAS	-	100.00
ALD Automotive S.A. de C.V. - MEXICO	100.00	100.00
ALD Automotive S.A. Lease of Cars - GREECE	100.00	100.00
ALD Automotive S.A.U - SPAIN (*)	100.00	100.00
ALD Automotive SRO - CZECH REPUBLIC	100.00	100.00
ALD Automotive Turizm Ticaret Anonim Sirketi - TURKEY	100.00	100.00
ALD Fleet SA de CV SOFOM ENR	100.00	100.00
ALD International Participations SAS	100.00	100.00
ALD International SAS & CO KG (*)	100.00	100.00
ALD Re Designated Activity Company - IRELAND	100.00	100.00
Axus Finland OY	100.00	100.00
ALD Automotive Italia s.r.l	100.00	100.00
Axus Luxembourg SA	100.00	100.00
Axus Nederland BV (*)	100.00	100.00
AXUS SA NV - BELGIUM (*)	100.00	100.00
ALD Automotive Ukraine Limited Liability Company	100.00	100.00
SG ALD Automotive Sociedade Geral de Comercio e Aluguer de Benz sa - PORTUGAL	100.00	100.00
TEMSYS - France (*)	100.00	100.00
ALD Automotive Algerie SPA	99.99	99.99
ALD Automotive SRL - ROMANIA	80.00	80.00
NF Fleet A/S - DENMARK	80.00	80.00
NF Fleet OY - FINLAND	80.00	80.00
NF fleet AB - SWEDEN	80.00	80.00
NF Fleet AS - NORWAY	80.00	80.00
ALD Automotive Eesti AS - ESTONIA	75.01	75.01
ALD Automotive SIA - LATVIA	75.00	75.00
UAB ALD Automotive - LITHUANIA	75.00	75.00
ALD Automotive EOOD - BULGARIA	100.00	100.00
ALD Automotive Limitada - CHILE	100.00	100.00
ALD Automotive Peru S.A.C.	100.00	100.00
ALD Mul Mobility Services Malaysia SND. BHD. - MALAYSIA	60.00	-
ALD Automotive LLC (Belarus)	100.00	-
ALD Automotive S.A.S - COLOMBIA	100.00	100.00
Merrion Fleet Management Limited	100.00	100.00
ALD Automotive Slovakia S.R.O	100.00	100.00
<b>Consolidated companies under equity method</b>		
ALD Automotive SA Maroc	35.00	35.00
Nedderfeld 95 Immobilien GmbH & Co. KG	35.00	35.00
(*) Including subsidiaries		

