CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022,

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CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Consolidated income statement

(In EUR million)	Notes	Year ended December 31, 2022	2021
Leasing contract revenues	9a,9d	4,803.9	4,477.6
Leasing contract costs - depreciation	9a	(3,433.1)	(3,592.3)
Leasing contract costs - financing	9a	(244.1)	(132.7)
Unrealised gains/losses on financial instruments and other	9a	54.4	(19.8)
Leasing contract margin		**1,181.1**	**732.8**
Services revenues	9a,9d	2,461.3	2,138.3
Cost of services revenues	9b	(1,758.1)	(1,488.3)
Services margin		**703.2**	**650.0**
Proceeds of cars sold	9c,9d	3,953.6	3,863.7
Cost of cars sold	9c	(3,205.9)	(3,426.0)
Used car sales result		**747.6**	**437.7**
GROSS OPERATING INCOME		**2,631.8**	**1,820.6**
Staff expenses	11	(518.9)	(433.7)
General and administrative expenses	12	(298.6)	(176.3)
Depreciation and amortisation	13	(66.7)	(65.1)
Total operating expenses		**(884.3)**	**(675.1)**
Impairment charges on receivables	10	(46.1)	(24.8)
Non-recurring income/(expense)	8	(50.6)	0.0
OPERATING RESULT		**1,650.8**	**1,120.6**
Share of profit of associates and jointly controlled entities		1.7	(1.9)
Profit before tax		**1,652.5**	**1,118.7**
Income tax expense	14	(444.6)	(238.6)
Profit for the period from continuing operations		**1,207.9**	**880.1**
Net income		**1,207.9**	**880.1**
Net income attributable to:			
Owners of the Company		**1,203.2**	**873.0**
Non-controlling interests		4.7	7.1

Earnings per share for net income attributable to the owners of the parent:		**2022**	**2021 restated[1]**
Basic earnings per share (in EUR)	35	**2.66**	**1.98**
Diluted earnings per share (in EUR)	35	**2.66**	**1.97**

[1] *At the end of 2022 ALD completed a share rights issue including bonus element which requires a retrospective restatement of the earnings per share. For further details see note 2.6 and note 35.*

Consolidated statement of comprehensive income

(in EUR million)	Notes	Year ended December 31, 2022	2021
Net income		**1,207.9**	**880.1**
Items that will not be reclassified subsequently to profit or loss		**2.2**	**4.2**
Changes in actuarial gain/(loss) on retirement benefit, before tax		2.7	5.5
Deferred tax on actuarial gain/(loss) on retirement benefit		(0.4)	(1.3)
Items that may be reclassified subsequently to profit or loss		**73.1**	**24.6**
Changes in cash flow hedges, before tax[(1)]	**20**	59.5	21.6
Deferred tax on cash flow hedges		(14.1)	(6.3)
Net gain on debt instruments at fair value through other comprehensive income[(2)]		(15.2)	–
Currency translation differences[(3)]		43.0	9.3
Other comprehensive income for the year, net of tax		**75.3**	**28.8**
Total comprehensive income for the period		**1,283.2**	**908.9**
Attributable to			
Owners of the Company		1,279.1	902.0
Non-controlling interests		4.1	6.9

[(1)] Level 2 valuation of derivatives obtained from third parties (see Note 20 for further details)

[(2)] Net gain on debt instruments at fair value through other comprehensive income relates to the corporate bond in Ireland Re DAC subsidiary

[(3)] Currency translation reserves have been positively impacted by the application of hyperinflation accounting in the Group's subsidiary in Turkey (EUR + 59.3 million).

Total comprehensive income attributable to owners of the parent arises from:		
- Continuing operations	1,279.1	902.0

CONSOLIDATED BALANCE SHEET

(in EUR million)	Notes	Year ended December 31, 2022	2021
ASSETS			
Rental fleet	15	23,227.4	21,711.3
Other property and equipment	16	96.9	85.0
Right-of-use assets	17	132.2	117.3
Goodwill	18	618.6	576.0
Other intangible assets	16	126.6	88.7
Investments in associates and jointly controlled entities	19	7.9	7.9
Derivative financial instruments	20	118.9	21.1
Deferred tax assets	14	119.5	195.1
Other non-current financial assets	21	206.0	402.5
Non-current assets		**24,654.2**	**23,205.0**
Inventories	22	395.3	296.4
Receivables from clients and financial institutions	23	3,157.9	1,827.6
Current income tax receivable		109.2	76.9
Other receivables and prepayments	24	1,354.7	1,034.6
Derivative financial instruments	20	10.0	17.5
Other current financial assets	21	331.6	380.7
Cash and cash equivalents	25	253.1	152.7
Current assets		**5,611.9**	**3,786.4**
Assets of disposal group classified as held-for-sale	8	1,085.0	–
Total assets		**31,351.0**	**26,991.4**
EQUITY AND LIABILITIES			
Share capital		848.6	606.2
Share premium		1,327.9	367.0
Other equity		(16.1)	(13.2)
Retained earnings and other reserves		3,492.9	2,978.8
Net income		1,203.2	873.0
Equity attributable to owners of the parent		**6,856.6**	**4,811.8**
Non-controlling interests		36.8	33.8
Total equity	28	**6,893.4**	**4,845.6**
Borrowings from financial institutions	30	10,613.1	9,407.1
Bonds and notes issued	30	3,573.4	3,228.8
Derivative financial instruments	20	78.1	10.3
Deferred tax liabilities	14	665.9	518.0
Lease liabilities	17	74.9	97.4
Retirement benefit obligations and long-term benefits	31	13.9	18.7
Provisions	32	139.8	129.4
Non-current liabilities		**15,159.1**	**13,409.9**
Borrowings from financial institutions	30	3,958.0	4,441.5
Bonds and notes issued	30	1,729.9	1,439.9
Trade and other payables	33	2,989.8	2,573.3
Lease liabilities	17	42.3	23.9
Derivative financial instruments	20	10.9	0.8
Current income tax liabilities		172.0	104.3
Provisions	32	168.5	152.3
Current liabilities		**9,071.5**	**8,736.0**
Liabilities of disposal group classified as held-for-sale	8	227.1	–
Total liabilities		**24,457.6**	**22,145.8**
Total equity and liabilities		**31,351.0**	**26,991.4**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in EUR million)	Attributable to equity holders of the company											
	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	Total equity
Balance as at 1 January 2021	**606.2**	**367.0**	**(12.9)**	**(193.4)**	**(24.2)**	**(5.4)**	**13.8**	**2,903.4**	**509.8**	**4,164.3**	**30.9**	**4,195.2**
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**
Other comprehensive income	**0.0**	**(0.0)**	**–**	**9.4**	**15.3**	**4.2**	**–**	**(0.0)**	**(0.0)**	**29.0**	**(0.2)**	**28.8**
Net income	–	–	–	–	–	–	–	–	873.0	**873.0**	7.1	**880.1**
Total comprehensive income for the period	**0.0**	**(0.0)**	**–**	**9.4**	**15.3**	**4.2**	**–**	**(0.0)**	**873.0**	**902.0**	**6.9**	**908.9**
Acquisition of treasury shares	0.0	–	(3.2)	–	–	–	–	0.0	–	**(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	**0.0**
Balance as at 31 December 2021	**606.2**	**367.0**	**(13.2)**	**(183.9)**	**(8.9)**	**(1.2)**	**13.4**	**3,159.3**	**873.0**	**4,811.8**	**33.8**	**4,845.6**
Changes in cash flow hedges	–	–	–	–	45.4	–	–	–	–	**45.4**	0.0	**45.4**
Changes in fair value of debt instruments	–	–	–	–	(15.2)	–	–	–	–	**(15.2)**	0.0	**(15.2)**
Actuarial gain/(loss) on post employment benefit obligations	–	–	–	–	–	2.2	–	–	–	**2.2**	0.0	**2.2**
Currency translation differences[1]	0.0	(0.0)	–	43.6	–	–	–	0.0	(0.0)	**43.6**	(0.6)	**43.0**
Other comprehensive income	**0.0**	**(0.0)**	**–**	**43.6**	**30.2**	**2.2**	**–**	**0.0**	**(0.0)**	**75.9**	**(0.6)**	**75.3**
Net income	–	–	–	–	–	–	–	–	1,203.2	**1,203.2**	4.7	**1,207.9**
Total comprehensive income for the period	**0.0**	**(0.0)**	**–**	**43.6**	**30.2**	**2.2**	**–**	**0.0**	**1,203.2**	**1,279.1**	**4.1**	**1,283.2**
Proceeds from shares issued	242.5	960.9	–	–	–	–	–	–	–	**1,203.4**	–	**1,203.4**
Acquisition of treasury shares	–	–	(5.4)	–	–	–	–	–	–	**(5.4)**	–	**(5.4)**
Share-based payments	–	–	–	–	–	–	2.9	–	–	**2.9**	–	**2.9**
Issue of treasury shares to employees	–	–	2.4	–	–	–	(2.4)	–	–	**–**	–	**–**
Dividends	–	–	–	–	–	–	–	(435.2)	–	**(435.2)**	(9.9)	**(445.1)**
Scope changes	–	–	–	–	–	–	–	(0.1)	–	**(0.1)**	8.9	**8.8**
Appropriation of net income	–	–	–	–	–	–	–	873.0	(873.0)	**0.0**	(0.0)	**0.0**
Other[2]	–	–	–	–	8.7	(0.0)	(8.9)	0.3	–	**(0.0)**	–	**(0.0)**
Balance as at 31 December 2022	**848.6**	**1,327.9**	**(16.1)**	**(140.4)**	**30.0**	**1.0**	**5.1**	**3,597.3**	**1,203.2**	**6,856.6**	**36.8**	**6,893.4**

[1] Currency translation reserves have been positively impacted by the application of hyperinflation accounting in the Group's subsidiary in Turkey (EUR +59.3 million).
[2] Reclassification between equity components

CONSOLIDATED STATEMENT OF CASH FLOWS

(in EUR million)	Notes	For the twelve months period ended 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax excluding discontinued operations		1,652.5	1,118.7
Profit before tax		**1,652.5**	**1,118.7**
Adjustments for:			
- Rental Fleet	15	3,573.6	3,708.5
-Other property, equipment and right-of-use assets		73.5	42.8
-Intangible assets		25.5	27.3
-Regulated prov., contingency and expenses provisions		23.0	37.8
-Non-current assets held for sale - impairment	8	50.6	–
Depreciation and provision		**3,746.2**	**3,816.4**
(Profit)/loss on disposal of property and equipment		13.3	12.5
(Profit)/loss on disposal of intangible assets		16.0	18.1
Profit and losses on disposal of assets		**29.3**	**30.6**
Fair value of derivative financial instruments		1.8	8.4
Interest charges	*9a*	*244.1*	*132.7*
Interest income		*(919.6)*	*(850.5)*
Net interest income		(675.5)	(717.8)
Other		1.2	5.2
Amounts received for disposal of rental fleet	15	3,916.6	3,530.5
Amounts paid for acquisition of rental fleet	15	(9,554.0)	(8,767.8)
Change in working capital		(316.4)	168.8
Interest paid		*(196.2)*	*(137.5)*
Interest received		*955.7*	*882.6*
Net interest paid		759.5	745.1
Income taxes paid		(195.5)	(96.5)
Effect of hyperinflation adjustments		(52.4)	–
Net cash inflow/(outflow) from operating activities		**(686.7)**	**(158.4)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of other property and equipment		(40.9)	(34.6)
Acquisition of intangible assets		(68.3)	(55.0)
Acquisition of financial assets (non-consolidated securities)		(0.0)	(117.9)
Effect of change in group structure		35.4	1.0
Long-term investment		79.1	108.8
Loans and receivables from related parties		(1,017.9)	(206.0)
Other financial investment		28.7	(31.0)
Net cash inflow/(outflow) from investing activities		**(983.8)**	**(334.7)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of borrowings from financial institutions		7,383.9	9,925.7
Repayment of borrowings from financial institutions		(6,731.3)	(8,823.6)
Proceeds from issued bonds		1,990.8	1,304.6
Repayment of issued bonds		(1,351.4)	(1,579.6)
Payment of lease liabilities	17	(71.1)	(26.9)
Dividends paid to company's shareholders	34	(435.2)	(253.9)
Dividends paid to minority interest		(9.9)	(5.2)
Increase/decrease in capital	28	1,203.4	0.0
Increase/decrease in treasury shares	28	(5.4)	(3.2)
Net cash inflow/(outflow) from financing activities		**1,973.8**	**537.9**
Exchange gains/(losses) on cash and cash equivalents		**(11.2)**	**0.4**
Net increase/(decrease) in cash and cash equivalents		**292.1**	**45.3**
Cash & cash equivalents at the beginning of the period	25	**(75.7)**	**(121.0)**
Cash & cash equivalents at the end of the period	25	**216.4**	**(75.7)**

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 1,806,500 vehicles (1,749,000 excluding disposal groups held for sale, see Note 8). 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 Societe Generale 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 Societe Generale group (75.9% 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 audited consolidated financial statements as at 31 December 2022, were examined by the Board of Directors on March 23, 2023.

NOTE 2. MAJOR EVENTS OF THE PERIOD

2.1. MACROECONOMIC ENVIRONMENT

With the impact of Covid-19 and Russian Federation's invasion of Ukraine in February 2022, the world economy faces a series of significant challenges such as global effects on commodity markets, supply chains, inflation and slowing down of global growth.

Global inflation has risen sharply over the last year with high global demand, supply shortages and soaring food and energy prices, especially since Russia's invasion of Ukraine, and remains elevated whilst monetary policies have been tightened further. Taking account high levels of inflation in its main markets, ALD continues to develop strategies which protect its margins by revising its pricing parameters more frequently, reinforcing customer advisory on more sustainable and innovative products and by maintaining its strict funding policy by hedging its liquidity, interest rates and foreign exchange risks at contract origination.

2.2. THE GROUP'S CURRENT SITUATION IN UKRAINE

Despite the war, ALD continues its business operations and servicing its clients in Ukraine where the Group currently has *circa* 4,500 funded vehicles under leasing contracts. As to date, *circa* 150 vehicles are either have been or are at risk of being damaged, or located in the occupied territories. The rest of the fleet remains operational.

Although the situation in Ukraine remains critical, current business operations of the subsidiary have resumed and have been assessed as stable. Local management have provided a detailed analysis of the business activities which has resulted in a revised level of the provision. The provision as at 31 December 2022, is EUR 4.9 million. It is aimed to cover expected losses for vehicles damaged or at risk and for potential customer payment defaults. As a reminder, at the end of June 30, 2022 ALD booked a provision charge of EUR 29.2 million in the income statement, of which EUR 24.3 million was reversed at the year-end. This provision represented a conservative position and reflected a high level of uncertainty in the initial stages of the war. ALD continues to review and monitor the situation with the local management.

After booking the provision, total assets of ALD Ukraine as at 31 December 2022 amount to EUR 67.6 million (31 December 2021: EUR 70.6 million).

2.3. USED CAR SALES

The used car sector has been positively impacted by the limited production capacity of new cars due to ongoing shortage in the supply of semiconductors as well as shortages of other materials used in car manufacturing as a result of the war in Ukraine. As global demand has increased, these supply-chain issues caused delays in the delivery of new cars, including deliveries by ALD to its customers.

Used car sales continue to remain exceptionally strong in 2022, with a record result of EUR 747.6 million (31 December 2021: EUR 437.7 million).

2.4. HYPERINFLATION IN TURKEY

On March 16, 2022, the International Practices Task Force of the Centre for Audit Quality, a standard reference for identifying countries with hyperinflation, published a working paper including Turkey in the list of hyperinflationary economies. Consequently, from January 1, 2022 onwards, the Group has been applying the provisions of the IAS 29 standard ("Financial Reporting in Hyperinflationary Economies") to prepare the separate financial statements in Turkish lira of the ALD entity located in Turkey (before their conversion into euros as part of the consolidation process).

Adjustments are made to the non-monetary assets and liabilities (with biggest impacts in Rental Fleet, and the Group Consolidated Reserves pertaining to the subsidiary in Turkey). The carrying amounts of Rental fleet are adjusted to reflect the change in the consumer price index from the date of acquisition to the end of the reporting period. The Turkish consumer price index has been used to calculate the adjustments relating to the inflation.

The development of the CPI index in the current and previous reporting periods is as follows:

	2019.12	2020.12	2021.12	2022.12
Conversion coefficient	386.95	443.34	603.28	990.91
CPI index (12 months)	11.84	14.60	36.08	64.27

The financial statements of the Turkish subsidiary are based on a historic cost. Non-monetary items in the financial statements are restated for the change in CPI from the date of their acquisition or initial recognition to the end of the reporting period.

On initial application of hyperinflation at 1st January 2022 the total consolidated equity was increased by EUR 41.3 million, including a reduction in consolidated reserves of EUR -4.9 million after tax for the various adjustments and the reclassification of translation differences recorded on that date.

Gains or losses on all subsequent hyperinflation adjustments, such as restatement of non-monetary assets and liabilities, restatement of incomes and expenses at transaction date and the counterpart of restatement all components of equity from the beginning of the period, are recognised in the income statement in “Unrealised gains and losses on financial instruments and other”. An impairment loss will be recognised in the income statement if the restated amount of the book value of vehicles exceeds their estimated recoverable amount, although no such loss was identified in the second semester of 2022.

All items in the statement of cash flows which relate to the Turkish subsidiary of ALD are expressed in terms of the consumer price index at the end of the reporting period.

As at 31 December 2022, gains from all hyperinflation adjustments in the Leasing Contract Margin amount to EUR 59.9 million, including a reclassification of EUR 14.5 million to the Used Car Sales to measure the impact of restatement for the change in CPI of the vehicles sold during the period. The total net gain recorded in the “Net Income” (including impact of deferred taxation) is EUR 37.6 million.

2.5. PROPOSED ACQUISITION OF LEASEPLAN

On 6 January 2022, the Group announced in a 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. After closing, Societe Generale 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.

On 22 April 2022, another major milestone was reached with the signing of the framework agreement, which is a binding agreement confirming the terms of the transaction. It is a key step allowing the parties to prepare for the completion of the transaction.

On 20 December 2022, ALD successfully completed its capital increase in order to finance cash component of the acquisition. For further information, see note 2.6 “Rights Issue”.

As at 31 December 2022, main regulatory and all expected anti-trust conditions precedent have been completed. The acquisition is expected to close on 28 April 2023, subject to remaining regulatory approvals and other customary closing conditions. For further information, refer to Note 8.

As at 31 December 2022, the Group has incurred EUR 128 million of costs related to the preparation of the LeasePlan acquisition recorded in “Total operating expenses”.

2.6. RIGHTS ISSUE

On 16 December 2022, ALD successfully completed its capital increase with preferential subscription rights for an amount (including issue premium) of approximately EUR 1.2 billion, achieving an important milestone in the proposed strategic acquisition of LeasePlan.

The final gross proceeds of the rights issue, including the issue premium, amount to approximately EUR 1.2 billion, corresponding to the issuance of 161,641,456 new shares with a par value of EUR 1.50 at a subscription price of EUR 7.50 per share.

Following the settlement and delivery of the rights issue, the share capital of ALD will amount to EUR 848,617,644, comprised of 565,745,096 shares with a nominal value of EUR 1.50 each. The share capital is allocated as per the table below:

Shareholders	Number of shares	% of capital	% of voting rights [1]
Societe Generale	429,649,292	75.9%	75.9%
Treasury Shares	1,173,902	0.2%	0.2%
Free Float	134,921,902	23.8%	23.8%
Total	**565,745,096**	**100.0%**	**100.0%**

[1] % of the voting rights = gross voting rights, including those related to treasury shares.
The treasury shares are deprived of voting rights exercisable at the shareholders' general meeting.

As a result of Societe Generale’s subscription to the transaction being below its pro-rata share in ALD and due to the fact that its underwriting was not exercised, ALD free float has increased from 19.9% to 23.8% of its share capital.

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 31 December 2022,.

Presentation of consolidated income statement and statement of cash flows have been changed in 2022 due to application of hyperinflation accounting (IAS 29) by the Group.

In the income statement, caption "Unrealised gains and losses on financial instruments" has been renamed to "Unrealised gains and losses on financial instruments and other" due to inclusion of hyperinflation adjustments in it.

Statement of cash flows contains a new caption "Effects of hyperinflation adjustments".

For further information see Note 2.4 Hyperinflation in Turkey.

3.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and Interpretations applicable as January 1, 2022

The Group has adopted the following new standards, amendments and interpretations to published standards for the first time for the financial year starting on January 1, 2022:

Accounting standards, amendments or Interpretations	Note	Adoption dates by The European Union
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	3.2.1	January 01, 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	3.2.2	January 01, 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	3.2.3	January 01, 2022
IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	3.2.4	January 01, 2022

3.2.1. Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (*e.g.*, the costs of direct labour and materials) and an allocation of costs directly related to contract activities (*e.g.*, depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). 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. This amendment had no impact on the consolidated financial statements of the Group.

3.2.2. Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations 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 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

3.2.3. Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of 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.

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

3.2.4. IFRS 9 Financial Instruments – Fees in the “10 per cent” test for derecognition of financial liabilities

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. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These amendments had no impact on the condensed consolidated financial statements of the Group as there were no modifications of the Group’s financial instruments during the period.

3.3. STANDARDS AND INTERPRETATIONS ADOPTED BY IASB BUT NOT YET APPLICABLE AT 31 DECEMBER 2022,

IASB publishes accounting standards, amendments and interpretations, some of which have not been adopted by the European Union as at 31 December 2022,. They are required to be applied from annual periods beginning on 1 January 2023 at the earliest or on the date of their adoption by the European Union. They were therefore not applied by the Group as at 31 December 2022,.

3.3.1. 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.

Grouping of Contracts

Under IFRS 17, the measurement of Insurance Contracts issued are required to be aggregated into homogeneous portfolios, where the contracts are subject to similar risks and managed together. Each portfolio is then required to be disaggregated into groups where the groups are segregated according to three levels of profitability:

- Onerous Contracts
- Profitable with no significant risk of becoming onerous; and
- Other profitable contracts.

The groups are determined upon initial recognition of the insurance contracts issued and each group must only contain contracts that are issued within the same 12-month period.

Similar requirements apply for Reinsurance Contracts held in terms of establishing portfolios and groups. However, the key difference is the Groups are segregated according to two levels of profitability:

- reinsurance contracts held that are in a net gain position; and
- reinsurance contracts held that are in a net loss position.

Measurement Model

The General Model provided for the measurement of insurance contracts on the balance sheet will be based on a building-block approach: a discounted best estimate of future cash flows, a risk adjustment and a contractual service margin.

The risk adjustment represents a margin for uncertainties in the estimated future cash flows with respect to non-financial risks. The contractual service margin represents the unearned profit in the insurance contract.

A positive contractual service margin will result in the profit being recognised over the duration of the contract as the insurance service is provided. However, in the case of expected loss-making contracts (Onerous Contracts), the loss will be immediately recognised in the income statement as soon as the insurance contract has been identified as being onerous.

At each valuation date, the liability for insurance contracts on the balance sheet is measured using current assumptions as the sum of two components:

1) Liability for Remaining Coverage: relates to insured events that have not yet occurred under existing insurance contracts (i.e. unexpired risk or future service); and
2) Liability for Incurred Claims: relates to insured events that have already occurred (i.e. expired risk or past service).

Premium Allocation Approach

A simplified measurement approach called the Premium Allocation Approach (PAA) is permitted under the IFRS 17 standard where certain eligibility criteria are met:

a) short-term contracts (12 months coverage or less);
b) contracts where the coverage is greater than 12 months but the measurement of the liability for remaining coverage under the PAA would not differ materially to that measured using the General Model.

All contracts with 12 months coverage or less are automatically eligible whereas eligibility testing is required for contracts with coverage or greater than 12 months to support the justification outlined in (b) above.

ALD Re DAC, a reinsurance subsidiary of the ALD Group, intends to apply the PAA at the first adoption of IFRS 17 in 2023 and in subsequent reporting periods. The majority of ALD Re DAC's insurance contracts are for 12 months of coverage.

The PAA provides a simplified approach for measuring the liability for remaining coverage only. The liability for incurred claims will still be measured using the General Model (however, only using the discounted best estimate of future cash flows and the risk adjustment building blocks).

Accounting treatment under the PAA

The following accounting treatments apply under the PAA approach:

- the insurance revenue is recognised on a straight line basis over the duration of the insurance contract (unless the expected release of risk differs materially from a straight line basis).
- losses on groups of insurance contracts that are onerous at initial recognition are recognised immediately in the income statement. The loss is calculated as the difference between the measurement of the liability for remaining coverage under the General Model and the PAA.
- for contracts with a coverage period of one year or less, insurers can choose whether to effectively defer acquisition or recognise immediately as an expense.
- discounting of the liability for remaining coverage is not required under the PAA where there is no significant financing component (i.e. the time between providing the coverage and receiving the premium is 12 months or less).
- discounting of the liability for incurred claims is required for all claims (where the time between incurring and settling the claim is expected to be longer than 12 months). The discount rates to be used are not prescribed and instead are derived by the Company.

- no explicit risk adjustment is required for the liability for remaining coverage, however, this is still required for the liability for incurred claims.

Risk adjustment

Under IFRS 17, the risk adjustment is the compensation that the entity requires for bearing uncertainty about the amount and timing of cash flows that arise from non-financial risk. The risk adjustment is an entity specific measurement. The calculation must be explicit (separate from best estimate cash flows and discounting) and disclosure of the confidence level in the financial statements is required. The release of the risk adjustment over time (over the settlement period of claims) results in a recognition of profit.

Presentation of the financial performance

On the consolidated income statement, the profits and losses related to the insurance contracts issued and the reinsurance contracts held are presented under Services Margin. The IFRS 17 income statement distinguishes between:

- Insurance revenue (income) from the insurance and reinsurance contracts issued;
- Insurance service expenses from the insurance and reinsurance contracts issued;
- Income and expenses related to the reinsurance contracts held;
- Financial income and expenses of the insurance and reinsurance contracts issued; and
- Financial income and expenses of the reinsurance contracts held.

The expenses for the services relating to the insurance and reinsurance contracts issued will then include a share of Operating Expenses that are considered directly attributable to the execution of the contracts which will thus be deducted from the Services Margin.

Application of the IFRS 17 standard

The initial application of IFRS 17 as at 1 January 2023 will be retrospective and the comparative figures on the 2022 financial year will be restated.

The differences in measurement of the insurance assets and liabilities resulting from the retrospective application of IFRS 17 as at 1 January 2022 will be presented directly under "Equity". The retrospective measurement of these assets and liabilities may be subject to a simplified approach where historical data necessary is not available.

Transition

At this stage of the project aiming at implementing the IFRS 17 standard by the Group's insurance entity, the consequences of its application in terms of amounts in the consolidated financial statements have been reasonably estimated and they do not present material amounts for the Group.

3.3.2. Preparation for the first-time application of IFRS 9 “Financial instruments” to the legal entities operating in the insurance sector

On January 1, 2023, the Group subsidiary ALD Ireland Re DAC operating in the insurance sector will, for the first time, apply the IFRS 9 “Financial instruments” standard the application of which was deferred for this entity according to the possibilities offered by the amendments to the IFRS 17 and IFRS 4 standards published by the IASB on 25 June 2020 and extended by regulations (EU) 2017/1988 and (EU) 2020/2097 of the European Commission.

The initial application of IFRS 9 by the insurance entities of the Group as at January 1, 2023 will be retrospective.

For consistency purpose with the IFRS 17 transition arrangements, and in order to provide more relevant information, the Group intends to restate the comparative figures for the 2022 financial year relating to the financial instruments concerned of its insurance entities.

The application of IFRS 9 in the insurance entity is not expected to have a material impact on the Group financial statements at the time of the first adoption.

3.4. CONSOLIDATION

Group entities described in Note 38 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 31 December 2022,.

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 19 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 hyperinflationary 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 subsidiary in Turkey which operates in a hyperinflationary economy has been translated wholly at the closing rate.

The main exchange rates used in the consolidated financial statements for the years ended 31 December 2022, and 31 December 2021 are based on Paris stock exchange rates and are as follows:

	31 December 2022,		31 December 2021	
	Period-end Rate	Average Rate	Period-end Rate	Average Rate
EUR/ Russian ruble	76.8600	73.9748	85.3004	87.2321
EUR/ Ukrainian hryvnia	36.9170	34.4424	30.8765	32.2531
EUR/ Brazilian real	5.6386	5.4432	6.3101	6.3814
EUR / UK pound	0.8869	0.8526	0.8403	0.8600
EUR / Swedish krona	11.1218	10.6274	10.2503	10.1449
EUR / Norwegian krone	10.5138	10.1015	9.9888	10.1634

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.

Various criteria are used to determine the lease classification of which the two most important are:

- whether the lease term is for the major part of the economic life of the asset; and
- whether the present value of minimum lease payments amounts to at least substantially all of the fair value of the 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.

Measurement

Assets under operating lease are measured at cost less accumulated depreciation and impairment losses. 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 3.7.1 - Property and equipment under operating lease and rental fleet.

For the fleet revaluation process, refer to note 5.1 Fleet revaluation.

For the impairment accounting policy refer to Note 5.3 – Impairment of rental fleet. Upon termination of the lease or rental contract the relevant assets are reclassified to the caption “Inventories” at their carrying amount.

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 23 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 3.23.

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 and vehicles.

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, defined as the non-cancellable period for which the lessee has the right to use an underlying asset including optional periods when an entity is reasonably certain to exercise an option to extend (or not to terminate) a lease. Depreciation expense is recorded in Depreciation and amortisation in the income statement. 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. 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 discounted using an incremental borrowing rate which varies per country within the Group. 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 income statement 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 income statement 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 recognition 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".

Short-term leases and low-value assets

Lessees may choose not to recognise a right-of-use asset and lease liability 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. Generally, 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 17 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 organisation 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 5.2 Estimated impairment of goodwill.

3.9.2. Software 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 15 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 coordinated 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).

Financial assets measured at amortised cost

Financial assets are initially measured at fair value and subsequent measured at amortised cost using the effective interest method less any impairment losses. Transaction costs (including qualifying fees and commissions) are part of the amortised cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

The following financial assets are classified at amortised cost: cash and cash equivalents, receivables from financial institutions, investments in debt securities and other receivables.

Financial assets measured at fair value

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.

Derecognition

A financial asset is derecognised when and only when the contractual rights to receive cash flows expire or when the financial asset, together with all the risks and rewards of ownership, has been transferred.

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 23 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 3.14 Derivative financial instruments and hedging activities and Note 20 Derivative financial instruments.

Financial liabilities measured at amortised cost

Financial liabilities are initially recognised at fair value incurred and are subsequently measured at amortised cost. Any difference between the proceeds (transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the financial liability using the effective interest method. Transaction costs are included in amortised cost using the effective interest method.

Financial liabilities at amortised cost (loans, borrowings and debt securities 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 30 Borrowings from financial institutions, bonds and notes issued.

Derecognition

Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

<u>Offsetting</u>

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and liability simultaneously.

Income and expenses are presented on a net basis only when permitted by IFRS.

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 26. 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 31 December 2022,.

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 20 “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. Valuation allowances on inventories are included in “Cost of cars sold”.

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 without recycling to the statement of profit or loss. Past-service costs are recognised immediately in income statement.

Settlements and curtailments invoke immediate recognition in the income statement of the relevant change in the present value of the defined benefit obligations and in the market value of the plan assets. A settlement is an early termination of all or part of the defined benefit obligation. A curtailment occurs when the company is demonstrably committed to materially reducing the number of employees in the defined benefit plan or the pension benefits for future services.

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 31 “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 “Services Revenues”. Further details are provided in Note 9 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-step process required by IFRS 15 is summarised as follows:

- Identify the contract with customers. Each contract between the Group and the lessee is clearly identified.
- 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.
- Determination of transaction price. Transaction price is easily determined as there the Group has no variable consideration at closing of the contract.
- 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.
- 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 23.

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 recognise 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 29.

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 Societe Generale 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 Societe Generale.

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 are reassessed at each reporting date and reflect all reasonable information that is available at the reporting date.

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 in determining loss rates.

In 2022, the main considerations in the forward-looking provision calculation, which were used in 2020 and 2021, have been reviewed in the context of the latest economic environment.

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 impacted by current macroeconomic environment. Initial analysis was performed in 2020 and further in 2021 considering Covid-19 impacts. Analysis is now based on consideration of such macroeconomic aspects as country growth prospects, inflation, interest rates, unemployment as well as Russia and Ukraine war impact.
- Central uplift factors between 0% to 30% applied to the PD rates defined in the previous model have been removed and replaced by local uplift factors defined by each individual country based on latest available data on customer activity and individual country economic situations.

The forward-looking provision has increased to EUR 10.8 million (31 December 2021: EUR 9.2 million).

As in the previous financial year, the Group has not yet seen significant deterioration in the recoverability of customer receivables in 2022. The provision on sound receivables has increased to EUR 28.5 million (31 December 2021: EUR 24.8 million).

	2022		2021	
(in EUR million)	**December YTD**	**June YTD**	**December YTD**	**June YTD**
Cost of Risk	46.1	18.9	24.8	16.6
- of which forward looking provision charge / (release) in the income statement	*1.7*	*0.8*	*(6.5)*	*(3.5)*
Average NEA[1]	23,643	23,070	21,657	21,205
Cost of risk as % of average NEA (bps)	20	16	11	16

[1] the arithmetic average of earning assets at the beginning and end of the period including disposal groups held for sale (note 8).

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

Management considers the current level of provisions to be adequate. The Group will continue to monitor the provision parameters, including the relevance of the local uplift factors, according to the macroeconomic situation.

Expected credit losses and provision matrix are disclosed in Note 23 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 three 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.

Range movement	NPV sensitivity impact (in EUR million)(1)(2)
+100 bps	+ 38.4
-100 bps	- 38.7

(1) The NPV (Net Present Value) sensitivity aims at measuring the potential deterioration/enhancement of value of the balance sheet in static view (no new production) by considering all discounted cash inflows (e.g. mainly remaining cash flows from rental contracts) and cash outflows over the time (e.g. mainly remaining cash flows from financial debts)
(2) Includes the impact of the capital increase

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.

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.

Most of the funding provided by SG Group is granted through Societe Generale Luxembourg and Societe Generale Paris. SG Luxembourg and SG Paris funds ALD Group Central Treasury which then grants loans in different currencies to 27 ALD subsidiaries (including funding provided for disposal groups held for sale) as well as to the holding companies. The total amount of loans granted by SG Luxembourg and SG Paris amounted to EUR 12,158 million (EUR 12,165 million including funding provided for disposal groups held for sale) at 31 December 2022, for an average maturity of 2 years.

The remaining SG funding is provided either by local SG branches or subsidiaries. As at 31 December 2022, the total amount of loans granted to the group by Societe Generale, including local branches and subsidiaries, was EUR 13,711 million (EUR 13,718 million including loans granted to disposal groups held for sale).

31% of fiscal year 2022 funding is provided from local external banks or third parties, representing EUR 6,164 million (EUR 6,220 million including loans granted to disposal groups held for sale) at 31 December 2022,.

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

Securitisation

As at 31 December 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 30.

Corporate bond

The Group is also engaged in a Euro Medium Term Notes (EMTN) programme. The EMTN programme limit is set at EUR 15 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.

Positive Impact Bond (Green Bond) was issued in July 2022 for an amount of EUR 500 million maturing in July 2027.

The presentation of financial borrowings by maturity and further information on bonds issued by the Group is provided in Note 30.

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 31 December 2022 and 31 December 2021 is as follows:

	As at December 31,	
(in EUR million)	**2022**	**2021**
Total equity	6,893.4	4,845.6
Total assets	31,351.0	26,991.4
Leverage ratio	**22.0%**	**18.0%**

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 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 revaluate 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; as such, all potential car sales losses are recognised on a straight-line basis between the date of the revaluation and the end of the contract; where the revaluation in a country produces an overall profit, no adjustment is made. The residual value of the total lease portfolio at 31 December 2022, amounts to EUR 15,869 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 27 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 minimise 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.

An independent review of the level of technical reserves held by ALD Re is conducted as an exercise to validate that reserves held are adequate to meet future obligations.

4.2. FAIR VALUE 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.

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 cash and cash equivalents and long-term investments (please refer to Note 21 "Other non-current and current financial assets").

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 26 “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 of uncertainty were largely the same as those that were applied to the consolidated financial statements for the year ended 31 December 2021. However, the main assumptions concerning expected credit losses applied during the Covid 19 pandemic have been reviewed to reflect the current economic environment. Further details can be found in Note 4 Financial risk management.

Estimates relating to residual value risk management have also undergone significant revision due to buoyant used car market conditions. Further details can be found in Note 5.1 below.

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 local factors.

In 2021 and 2022, the Group also considered 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 in 2022 and 2023; and
- lack of market data on used electric vehicle sales which resulted in management applying a risk buffer on the expected sales proceeds.

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.

In accordance with IAS 8, a residual value is treated as an accounting estimate. Revision of the expected residual values can result in one of three outcomes for the prospective depreciation over the remaining life of the contract:

- all potential car sales losses are recognised as an additional depreciation charge and are booked on a straight-line basis between the date of the revaluation and the end of the contract;
- where the sales proceeds of the vehicle are forecast to be higher than the previously estimated proceeds but lower than the current net book value, the prospective depreciation is adjusted to the latest expected sales proceeds;
- where the sale proceeds of the vehicles are forecast to be in excess of their net book value, depreciation of those vehicles is stopped.

"Leasing contract costs – depreciation" is comprised of both regular depreciation costs and movement in the calculation for fleet depreciation which is analysed in each entity during the fleet revaluation process.

Used vehicles prices have continued to drive exceptionally high profit from the used car sales activity throughout 2022. In the first semester fleet revaluation, used car market was anticipated to normalise in 2023. However, in the second semester's fleet revaluation, this normalisation is now expected to take place from 2024 onwards for most countries.

This assessment has now resulted in a reduction in depreciation costs of EUR 422.4 million and represents partial recognition of estimated future used car profits.

Due to decrease in depreciation mentioned above, the used car sales margin has been impacted by the increase in net book value of the vehicles. The impact for the vehicles sold in 2022 was EUR 110.9 million.

Sensitivity analysis on expected sales proceeds

+Increase/-decrease in expected sales proceeds per vehicle	Income statement net Impact (in EUR million)
- EUR 1,000	-110.2
+EUR 1,000	90.9

The impacts of the sensitivity analysis are not linear.

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 3.9.1 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 31 December 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 5.5% in recoverable value and would not generate any additional impairment.

Further details are provided in Note 18 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 2022, 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 judgement 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 1.0 million lower.

Further details are provided in note 31 "Retirement benefit obligations and long-term benefits".

5.6. INCOME TAXES

The Group is subject to income taxes in numerous jurisdictions. Significant judgement 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 26 ALD entities located in 20 countries. The total loans in place to these entities amounts to EUR 16.1 billion (EUR 15.6 billion excluding balances of disposal groups classified as held for sale).

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 31 December 2022, Profit before tax	Year ended 31 December 2022, Revenue from external customers	Year ended 31 December 2021 Profit before tax	Year ended 31 December 2021 Revenue from external customers
Western Europe	1,249.2	8,588.2	797.0	8,033.7
Nordic	108.4	1,015.4	104.0	1,050.6
Continental & Eastern Europe	229.6	1,148.4	168.8	1,032.5
LatAm, Africa, Asia & Rest of world	65.3	466.8	49.0	362.7
TOTAL	**1,652.5**	**11,218.8**	**1,118.7**	**10,479.6**

(in EUR million)	Year ended 31 December 2022, Revenue from external customers	Year ended 31 December 2021 Revenue from external customers
Leasing contract revenues	4,803.9	4,477.6
Service revenues	2,461.3	2,138.3
Proceeds of cars sold	3,953.6	3,863.7
TOTAL	**11,218.8**	**10,479.6**

Other disclosures

(in EUR million)	Year ended 31 December 2022, Rental fleet(1)	Year ended 31 December 2022, Total assets	Year ended 31 December 2022, Net financial debt(1)(2)
Western Europe(1)	19,040.2	25,637.4	17,278.7
Nordic(1)	1,863.1	2,080.6	101.6
Continental & Eastern Europe(1)	2,235.8	2,472.7	1,379.7
LatAm, Africa, Asia & Rest of world	940.5	1,160.4	831.8
TOTAL	**24,079.6**	**31,351.0**	**19,591.8**

(in EUR million)	Year ended 31 December 2021 Rental fleet	Year ended 31 December 2021 Total assets	Year ended 31 December 2021 Net financial debt(2)
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
TOTAL	**21,711.3**	**26,991.4**	**18,364.6**

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

	Year ended 31 December 2022, Revenue from external customers (EUR million)	Year ended 31 December 2021 Revenue from external customers (EUR million)	Year ended 31 December 2022, Rental Fleet (EUR million)[1]	Year ended 31 December 2021 Rental Fleet (EUR million)
France	2,260.4	2,241.7	5,495.9	4,977.0
Italy	1,257.6	1,374.8	2,532.1	2,224.9
UK	1,116.4	1,074.7	2,326.7	2,238.8
Germany	1,092.4	921.8	2,282.1	2,292.1
Spain	820.1	724.1	1,959.8	1,764.2
Netherlands	686.0	679.4	1,528.4	1,466.8
Belgium	680.6	622.9	1,604.6	1,455.3
Other countries[1]	3,305.2	2,840.2	6,350.1	5,292.2
	11,218.8	**10,479.6**	**24,079.6**	**21,711.3**

[1] Including balances of disposal groups classified as held for sale (see note 8 for further details)

[2] Net financial debt is defined as the sum of borrowings from financial institutions (non-current and current), together with any related derivatives and obligations under finance leases, minus cash and cash equivalents, as presented in the Group's consolidated balance sheet.

NOTE 7. CHANGES IN THE SCOPE OF CONSOLIDATION IN THE YEAR ENDED 31 DECEMBER 2022,

At 31 December 2022,, all companies are fully consolidated. Changes in the scope of consolidation compared to December 2021 are as follows:

- On 29 April 2021, ALD signed an agreement to acquire Bansabadell Renting, the rental arm of Banco Sabadell in Spain for EUR 70.6 million. The completion of this acquisition was authorised by the Spanish Competition Authority in November 2021. Bansabadell Renting was not consolidated within the Group financial statements as at 31 December 2021, due to the timing of the acquisition and was presented as an investment in “Other non-current financial assets”. As at 31 December 2022, Bansabadell Renting has been included in the consolidation scope as a consolidated subsidiary.
- In October 2021, ALD signed an agreement to acquire Fleetpool, a leading German car subscription company, for EUR 67.6 million. The completion of this acquisition was authorised by the German Competition Authority in November 2021. Fleetpool was not consolidated within the Group financial statements as at 31 December 2021, due to the timing of the acquisition and was presented as an investment in “Other non-current financial assets”. As at 31 December 2022, Fleetpool has been included in the consolidation scope as a consolidated subsidiary.
- In the first semester of 2022, ALD Automotive Euro Leasing B.V has been added to the scope, where ALD holds 50.1% of shares and 49.9% are held by external shareholder FCLH Ltd.
- Also in the first semester of 2022, Ford Fleet Management UK Limited has been added to the consolidation scope. This entity is wholly owned by ALD Automotive Euro Leasing B.V.
- On October 1, 2022, ALD signed an agreement to acquire the remaining shares in Nedderfeld 95 Immobilien GmbH & Co., such that it became a 100% subsidiary and has been consolidated within

the Group financial statements as at 31 December 2022,. Nedderfeld 95 Immobilien Gmbh & Co. had previously been a 35% associate of ALD accounted for using equity accounting, details of which can be found in Note 19.

- ALD International Participations SAS has been merged with parent company ALD International SA as at 31 December 2022, and no longer exists as a separate consolidated entity under global integration.

The above-mentioned changes in the consolidation scope impact mainly rental fleet and trade receivables for the amount of EUR 742 million and goodwill for the amount of EUR 71.9 million.

NOTE 8. ASSETS HELD FOR SALE (DISPOSAL GROUPS)

8.1. ANTITRUST REMEDIES FOR ACQUISITION OF LEASEPLAN

In the context of the LeasePlan acquisition which is aimed to be completed in the first quarter of 2023, ALD has obtained all merger control clearances conditioning the completion of this acquisition. The last clearance was obtained from the European Commission on 25 November 2022. The European Commission's approval is conditional on the divestiture of the subsidiaries carrying on the full-service leasing and fleet management business of ALD in Portugal, in Ireland and in Norway, with the exception, in the latter country, of NF Fleet Norway, a company jointly owned by ALD and Nordea. On 22 March 2023, ALD has entered into a share purchase agreement to sell these subsidiaries as we as LeasePlan's subsidiaries in the Czech Republic, Luxembourg and Finland to Credit Agricole Consumer Finance and Stellantis.

The Group considered these subsidiaries to meet the criteria to be classified as held for sale for the following reasons:

- all three subsidiaries are available for immediate sale and will be sold to the buyers in their current condition;
- the actions to complete the sale were initiated and are expected to be completed within one year from the date of classification;
- the shareholders approved the plan to sell;
- the buyers have been identified.

The major classes of assets and liabilities of ALD Automotive AS – Norway, SG ALD Automotive Sociedade Geral de Comercio e Aluguer de Benz SA – Portugal and Merrion Fleet Management Limited are measured at their carrying amount and are as follows:

(in EUR million)	2022
Assets	
Rental fleet	688.3
Receivables from clients	31.6
Cash and cash equivalents	2.6
Other	130.0
Assets of disposal group classified as held for sale	**852.5**
Liabilities	
Borrowings from financial institutions and intragroup debt(1)	542.7

Other	123.7
Liabilities of disposal group classified as held for sale	**666.4**
Net assets directly associated with disposal group	**186.1**

(1) Including EUR 536 million of intragroup debt with ALD Luxembourg

The subsidiaries are not classified as a discontinued operation as at 31 December 2022, as they do not meet the criteria of being a major line of business or geographical area of operations.

All disclosures relating to the Group's assets and liabilities exclude assets and liabilities of the disposal Group unless stated otherwise.

8.2. ALD AUTOMOTIVE RUSSIA AND ALD BELARUS LLC – DISPOSAL GROUP

ALD is engaged in a process to sell its entire stake in ALD Automotive OOO, which operates in Russia and through its branch in Kazakhstan, and ALD Belarus LLC.

These operations together represented a funded fleet of 14,600 vehicles as at 31 December 2022 (1% of ALD Group's total funded fleet).

The disposal, which is subject to the approval of the relevant regulatory authorities, will be conducted in full compliance with applicable legal and regulatory requirements.

These events had the following impacts on the Group financial statements:

- Russia and Belarus met the criteria to be classified as held for sale
- They did not meet the criteria of a discontinued operation as these subsidiaries do not represent a significant geographic area or a major line of business for the Group
- Purchase price is considered to be the fair value of the disposal group which is below its net book value in the Group's financial statements, therefore an impairment of EUR -50.6 million was booked in 2022 in its income statement under the caption Non-recurring expenses.
- Upon classification as held for sale assets of the disposal group have not been depreciated and any subsequent differences between the fair value and net book value of the disposal group will be booked in the income statement in future periods and up until the close of the transaction
- Accumulated translation reserves of the disposal group will be reclassified into the income statement at the closing of the transaction with no impact to the shareholders' equity. As at 31 December 2022, translation reserves attributable to the disposal group are EUR -54.3 million
- The major classes of assets and liabilities of ALD Automotive Russia and ALD Belarus LLC are as follows:

(in EUR million)	2022
Assets	
Rental fleet	164.0
Receivables from clients	10.1
Cash and cash equivalents	90.2
Other[2]	(31.8)
Assets of disposal group classified as held for sale	**232.5**

Liabilities	
Borrowings from financial institutions	57.0
Other	39.4
Liabilities of disposal group classified as held for sale	**96.5**
Net assets directly associated with disposal group	**136.0**

(2) Including EUR 50.6 million of impairment of disposal group in Russia

NOTE 9. REVENUES AND COST OF REVENUES

9a. Leasing contract margin

	Year ended December 31,	
(in EUR million)	**2022**	**2021**
Leasing contract revenue -operating leases	**4,757.2**	**4,439.2**
Interest income from finance lease	36.1	35.7
Other interest income	10.6	2.7
Leasing contract revenues	**4,803.9**	**4,477.6**
Leasing contract costs - depreciation	(3,433.1)	(3,592.3)
Leasing contract costs - financing:		
Interest charges on loans from financial institutions	(177.6)	(119.5)
Interest charges on issued bonds	(38.2)	(16.0)
Other interest charges	(28.3)	2.9
Total interest charges	**(244.1)**	**(132.7)**
Leasing contract costs - depreciation and financing	**(3,677.2)**	**(3,725.0)**
Trading derivatives	(1.6)	(7.4)
Imperfectness of derivatives at fair value hedges	–	0.3
Imperfectness of derivatives at cash flow hedges	(0.2)	(1.3)
Unrealised gains/losses on derivative financial instruments	**(1.8)**	**(8.4)**
Unrealised foreign exchange gains or losses	(3.7)	(11.3)
Hyperinflation - net monetary gain	59.9	–
Total Unrealised gains/losses on financial instruments and other	**54.4**	**(19.8)**
Leasing contract margin	**1,181.1**	**732.8**

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

“Other interest charges” mainly comprise of interest charges incurred from asset-backed borrowings, net interest costs on financial instruments, where these instruments are embedded in the same structured funding transaction designed to remove market risk from this transaction, realised gains or losses on translation of financial liabilities and interest expense on lease liabilities.

“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 5.1 “Fleet Revaluation”.

Used vehicles prices have continued to drive exceptionally high profit from the used car sales activity throughout 2022. In the first semester fleet revaluation, used car market was anticipated to normalise in 2023. However, in the second semester’s fleet revaluation this normalisation is now expected to take place from 2024 onwards.

This assessment has now resulted in a reduction in depreciation costs of EUR 422.4 million and represents partial recognition of estimated future used car profits.

9b. 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.

	Year ended December 31,	
(in EUR million)	**2022**	**2021**
Services revenue	2,461.3	2,138.3
Cost of services revenues	(1,758.1)	(1,488.3)
Services margin	**703.2**	**650.0**

9c. Used car sales result

	Year ended December 31,	
(in EUR million)	**2022**	**2021**
Proceeds of cars sold	3,953.6	3,863.7
Cost of cars sold[1]	(3,205.9)	(3,426.0)
Used car sales result	**747.6**	**437.7**

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

The used car sector has been positively impacted by the limited production capacity of new cars due to ongoing shortage in the supply of semiconductors as well as shortages of other materials used in car manufacturing as a result of the war in Ukraine. As global demand has increased, these supply-chain issues caused delays in the delivery of new cars, including by ALD.

9d. Revenues

Revenues that are included within the margins analysed in 9a, 9b and 9c 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.

	Year ended December 31,	
(in EUR million)	**2022**	**2021**
Services revenues	**2,461.3**	**2,138.3**

Leasing contract revenue - operating leases	4,757.2	4,439.2
Interest revenue	46.7	38.4
Leasing contract revenues	**4,803.9**	**4,477.6**
Sub-total - revenues from rental activity	**7,265.2**	**6,615.9**
Proceeds of cars sold	3,953.6	3,863.7
Total revenues	**11,218.8**	**10,479.6**
Total revenues excluding interest income	**10,299.2**	**9,629.1**

NOTE 10. IMPAIRMENT CHARGES ON RECEIVABLES

		Year ended December 31,	
(in EUR million)	**Note**	**2022**	**2021**
Impairment		(125.2)	(104.2)
Reversal of impairment [1]		79.1	79.4
Impairment charges on receivables	**4.1.1, 23**	**(46.1)**	**(24.8)**

[1] Reversal of impairment represents doubtful receivables recovered in the year and the movement in IFRS9 provision.

NOTE 11. STAFF EXPENSES

	Year ended December 31,	
(in EUR million)	**2022**	**2021**
Wages and salaries	(419.6)	(333.6)
Social security charges	(76.0)	(69.7)
Defined benefit post-employment costs	(0.8)	(2.5)
Other staff costs	(22.5)	(27.9)
Total	**(518.9)**	**(433.7)**

The average number of staff employed (including temporary staff) by the Group during the year was 7,154 (2021: 6,748). At year-end, the full time equivalent number of staff employed by the Group was 7,529 (2021: 6,893).

The breakdown of the components of the defined benefit pension cost is identified in Note 31.

NOTE 12. 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.

As at 31 December 2022, the Group has incurred EUR 128 million of preparation costs associated with this transaction recorded in “Total operating expenses”.

NOTE 13. DEPRECIATION AND AMORTISATION

(in EUR million)	Notes	Year ended December 31, 2022	2021
Depreciation of other property and equipment	16	(20.2)	(18.2)
Depreciation of intangible assets	16	(25.5)	(27.3)
Depreciation of right of use asset	17	(21.0)	(19.7)
Total		**(66.7)**	**(65.1)**

NOTE 14. INCOME TAX EXPENSE

(in EUR million)	Year ended December 31, 2022	2021
Current tax	(223.9)	(167.6)
Deferred tax	(220.7)	(71.1)
Income tax expense	**(444.6)**	**(238.6)**

Effective tax rate reconciliation

(in € million)	Year ended December 31, 2022	2021
Profit before tax	**1,652.5**	**1,118.7**
Standard tax rate in France	**25.83%**	**28.41%**
Tax expense at standard rate	**(426.8)**	**(317.8)**
Tax calculated at domestic tax rates applicable to profits in the respective countries	46.4	65.5
Tax effects of:		–
Associates' results reported net of tax	0.5	(0.6)
Income not subject to tax	(11.8)	(7.3)
Expenses not deductible for tax purposes	(30.2)	5.0
Utilisation of previously unrecognised tax losses	–	–
Tax losses for which no deferred income tax asset was recognised	(1.4)	–
Re-measurement of deferred tax	0.7	19.3
Adjustment in respect of prior years	(6.9)	7.7
Other(1)	(15.1)	(10.5)
Total	**(444.6)**	**(238.6)**
Effective rate of income tax	26.91%	21.33%

(1) *Mainly regional taxes based on the productive activities*

Effective tax rate has been negatively impacted by increase in Expenses not deductible for tax purposes due to:

- A significant reduction in the positive impact of Italian Stability Law in 2022
- Hyperinflation adjustments in profit before tax in Turkey associated with application of Consumer price index to equity components
- Various preparation costs associated with future acquisition of LeasePlan not deductible for tax purposes

Year on year change in the re-measurement of deferred tax is mainly attributable to a decrease in future tax rate in France in 2021.

Adjustment in respect of prior years in 2021 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 2022, the major contributors are UK, Ireland, Luxembourg, Italy, Turkey, Hungary, Czech Republic and Finland where effective tax rates are lower than in France (with applicable tax rates of 19%, 12.5%, 18.9%, 24%, 23%, 9%, 19% and 20% respectively).

The tax charge/credit relating to components of other comprehensive income is as follows:

	Year ended December 31,	
(in EUR million)	**2022**	**2021**
Deferred tax on cash flow hedges	(14.1)	(6.3)
Deferred tax on debt instruments at fair value through OCI	2.2	–
Deferred tax on actuarial gain/(loss) on retirement benefit	(0.4)	(1.3)
Deferred tax charged to OCI	**(12.4)**	**(7.6)**

Net deferred tax variation

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

(in € million)	As at December 31, 2022	2021
Net deferred tax liabilities at 1 January	**(322.9)**	**(257.6)**
Income statement charge	(220.7)	(71.1)
Tax charged/(credited) directly to equity	(12.4)	(7.5)
Hyperinflation adjustment (FTA) charged directly to equity(2)	(9.4)	–
Exchange differences	2.5	13.3
Scope changes	(8.0)	–
Transfer to assets held for sale	24.6	–
Other	0.0	
Net deferred tax liabilities at 31 December	**(546.3)**	**(322.9)**

(2) *First time application of IAS29*

Deferred income tax by nature

(in € million)	As at December 31, 2022	2021
Accelerated tax depreciation	(777.5)	(604.1)
Provisions	130.9	156.9
Tax losses	55.7	67.3
Fair value gains	(8.8)	3.6
Retirement benefit obligation	2.2	3.2
Other timing differences	51.2	50.1
Other	(0.0)	0.1
Net deferred tax asset/(liability)	**(546.3)**	**(322.9)**

Tax losses

The majority of the 2022 tax losses EUR 55.7 million (2021: EUR 67.3 million) are attributable to France EUR 24.6 million (2021: EUR 28.5 million), Chile EUR 10 million (2021 EUR 4.2 million) Belgium EUR 8.7 million (2021: EUR 13.9 million) and Norway EUR 5.7 million (2021: EUR 16.9 million). These entities utilised the strategy of accelerated depreciation which lead to the recognition of fiscal losses and deferment of tax liabilities. No significant unrecognised accumulated tax losses have been incurred over the last two financial years.

The expiration profile of the losses carried forward can be illustrated as follows:

(in EUR million)	Year ended December 31, 2022	2021
Expiry within 1 year	10.0	–
Expiry within 1-5 years	1.2	2.1
Expiry <5 years	–	
Without expiry	44.4	65.2
Total	**55.7**	**67.3**

The total tax value of losses carried forward is presented before offsetting the corresponding deferred tax liabilities (which are reflected in the offset of deferred tax assets and liabilities in the Group balance sheet).

The deferred tax liability relating to operating leases reverses over the remaining term of the operating lease contracts, which ranges from three to five years.

NOTE 15. RENTAL FLEET

(in EUR million)	Rental fleet
At 1 January 2021	
Cost	27,749.3
Accumulated depreciation & impairment	(7,672.3)
Carrying amount as at 1 January 2021	**20,077.0**
Year ended 31 December 2021	
Opening net book amount	20,077.0
Additions	8,767.8
Disposals	(3,530.5)
Depreciation charge	(3,708.5)
Transfer to assets qualified as held-for-sale	–
Currency translation differences	105.5
Closing net book amount as at 31 December 2021	**21,711.3**
At 31 December 2021	
Cost	29,917.0
Accumulated depreciation & impairment	(8,205.7)
Carrying amount as at 31 December 2021	**21,711.3**
Year ended 31 December 2022,	
Opening net book amount	21,711.3
Additions	9,554.0
Disposals	(3,916.6)
Acquisition of a subsidiary	340.8
Depreciation charge	(3,573.6)
Transfer to assets qualified as held-for-sale	(852.3)
Hyperinflation adjustment	121.1
Currency translation differences	(157.4)
Closing net book amount as at 31 December 2022	**23,227.4**
At 31 December 2022,	
Cost	31,771.7
Accumulated depreciation & impairment	(8,544.4)
Carrying amount as at 31 December 2022	**23,227.4**

Minimum undiscounted lease payments receivable on operating leases are as follows:

	Year ended December 31,	
(in EUR million)	2022	2021
Within 1 year	766.1	998.9
Between 1 and 2 years	1,768.3	1,673.1
Between 2 and 3 years	2,557.0	2,599.0
Between 3 and 4 years	2,003.8	1,875.9
Between 4 and 5 years	531.1	496.1
Later than 5 years	27.2	37.5
Total	**7,653.5**	**7,680.3**

Asset-backed securitisation transactions

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 2,173 million at 31 December 2022, (EUR 2,466 million at 31 December 2021) and present value of transferred lease receivables derived from these assets is EUR 2,313 million (EUR 2,517 million at 31 December 2021). The transferred lease receivables cannot be sold.

For further details on the securitisation transactions and transferred assets reference is made to the Note 30.

NOTE 16. OTHER PROPERTY AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

Other property and equipment

(in EUR million)	Note	Land	Property	Equipment	Total
At 1 January 2021					
Cost		4.5	64.2	90.5	159.2
Accumulated depreciation & impairment			(30.8)	(48.0)	(78.8)
Carrying amount as at 1 January 2021		**4.5**	**33.5**	**42.5**	**80.5**
Year ended 31 December 2021					
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	13	–	(5.9)	(12.2)	(18.2)
Currency translation differences		–	0.2	0.3	0.5
Closing net book amount as at 31 December 2021		**4.5**	**30.2**	**50.3**	**85.0**
At 31 December 2021					
Cost		4.5	66.0	103.3	173.8
Accumulated depreciation & impairment			(35.8)	(53.0)	(88.8)
Carrying amount as at 31 December 2021		**4.5**	**30.2**	**50.3**	**85.0**
Opening net book amount		4.5	30.2	50.3	85.0
Additions		–	5.9	34.9	40.9
Disposals		(0.0)	(0.9)	(12.4)	(13.3)
Depreciation charge	13	–	(5.8)	(14.4)	(20.2)
Transfer to assets qualified as held-for-sale		(0.0)	(2.6)	(1.5)	(4.1)
Scope changes		7.0	1.5	0.9	9.4
Currency translation differences		–	(0.0)	(0.6)	(0.7)
Closing net book amount as at 31 December 2022		**11.4**	**28.3**	**57.2**	**96.9**
At 31 December 2022					
Cost		11.4	67.9	114.4	193.7
Accumulated depreciation & impairment			(39.5)	(57.3)	(96.8)
Carrying amount as at 31 December 2022		**11.4**	**28.3**	**57.2**	**96.9**

Other intangible assets

(in EUR million)	Note	Software	Other	Total
At 1 January 2021				
Cost		85.3	93.4	178.8
Accumulated amortisation and impairment		(61.2)	(38.8)	(100.0)
Carrying amount as at 31 December 2021		**24.1**	**54.7**	**78.8**
Year ended 31 December 2021				
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	13	(14.7)	(12.6)	(27.3)
Currency translation differences		0.1	0.3	0.4
Closing net book amount as at 31 December 2021		**19.1**	**69.6**	**88.7**
At 31 December 2021				
Cost		90.3	113.3	203.6
Accumulated amortisation and impairment		(71.2)	(43.6)	(114.8)
Carrying amount as at 31 December 2021		**19.1**	**69.6**	**88.7**
Year ended 31 December 2021				
Opening net book amount		19.1	69.6	88.7
Additions		12.9	55.4	68.3
Divestments		(4.2)	(11.8)	(16.0)
Amortization	13	(10.2)	(15.3)	(25.5)
Transfer to assets qualified as held-for-sale		(0.2)	(0.4)	(0.6)
Scope changes		0.4	12.0	12.4
Currency translation differences		0.0	(0.8)	(0.8)
Closing net book amount as at 31 December 2022		**17.9**	**108.8**	**126.6**
At 31 December 2022				
Cost		84.6	160.4	245.0
Accumulated amortisation and impairment		(66.7)	(51.7)	(118.4)
Carrying amount as at 31 December 2022		**17.9**	**108.8**	**126.6**

NOTE 17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(in EUR million)	Right-of-use assets (vehicles)	Right-of-use assets (property leases)	Lease liabilities
As at 1 January 2021		**128.0**	**132.7**
Additions		20.8	20.8
Disposals		(7.6)	(7.6)
Accumulated depreciation		(24.6)	–
Transfer to assets held for sale		–	–
Transfer from trade and other payables		–	–
Interest		–	1.6
Payments		–	(26.9)
Currency translation differences		0.7	0.8
As at 31 December 2021	–	**117.3**	**121.4**
As at 1 January 2022		**117.3**	**121.4**
Additions	40.9	21.3	63.5
Disposals	(1.0)	(11.6)	(12.6)
Accumulated depreciation	(27.6)	(25.7)	

Transfer to assets held for sale	–	(2.8)	(2.8)
Scope changes	17.1	5.2	18.4
Interest	–	–	1.3
Payments	–	–	(71.1)
Currency translation differences		(0.9)	(0.9)
As at 31 December 2022	**29.4**	**102.8**	**117.2**

The maturity analysis of the discounted lease liabilities is shown below:

	Year ended December 31,	
(in EUR million)	**2022**	**2021**
Not later than one year	42.3	23.9
Later than one year	74.9	97.4
Total	**117.2**	**121.4**

NOTE 18. GOODWILL

(in EUR million)	**Goodwill**
At 1 January 2021	
Cost	576.0
Accumulated impairment	–
Carrying amount as at 1 January 2021	**576.0**
Year ended 31 December 2021	
Closing net book amount as at 31 December 2021	**576.0**
At 31 December 2021	
Cost	576.0
Accumulated impairment	–
Carrying amount as at 31 December 2021	**576.0**
Year ended 31 December 2022	
Opening net book amount	576.0
Impairment	(2.7)
Transfer to assets qualified as held-for-sale	(26.6)
Scope changes	71.9
Closing net book amount as at 31 December 2022	**618.6**
At 31 December 2022	
Cost	621.3
Accumulated impairment	(2.7)
Carrying amount as at 31 December 2022	**618.6**

Goodwill by cash-generating units:

(in EUR million)	As at 1 January 2022	Addition	Impairment	Transfer to assets held-for-sale	As at 31 December 2022
France	212.0	–	–	–	212.0
Germany	35.2	–	–	–	35.2
Germany (Fleetpool)	–	53.0	–	–	53.0
Italy	50.2	–	–	–	50.2
Spain	109.1	18.9	–	–	128.0
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	–	(2.7)	–	1.4
Central Europe Hub	31.5	–	–	–	31.5
Total	**576.0**	**71.9**	**(2.7)**	**(26.6)**	**618.6**

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.

In 2022, the Group booked an impairment of goodwill in North Eastern Europe Hub which relates to the Russian subsidiary that was classified as a disposal group held for sale. Impairment was identified due to the net book value of the disposal group being higher than its fair value less costs to sell. For further detail see note 8 "Assets held for sale". No other impairment of goodwill was identified during the reporting period.

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 2023-2027
- 10% reduction in proceeds from used car sales in 2023 and 2024

Historically, the greatest reduction in the Group's 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 2022. There was no impairment recognised in 2021.

The key assumptions used for value-in-use calculations in 2022 and 2021 are as follows:

Assumptions in 2022 and 2021:

	Discount Factor 2022	Discount Factor 2021	Perpetuity rate (2022 and 2021)
France	10.0%	9.4%	2.0%
Germany	10.0%	9.4%	2.0%
Italy	12.1%	9.4%	2.0%

Spain	10.6%	9.4%	2.0%
UK	10.0%	9.4%	2.0%
Fleetpool[1]	10.0%		2.0%
Benelux	10.0%	9.4%	2.0%
Nordics Hub	13.6%	9.4%	2.0%
South Eastern Europe Hub	21.8%	17.3%	2.0%
North Eastern Europe Hub	10.0%	9.4%	2.0%
Central Europe Hub	19.2%	9.6%	2.0%

[1] *Newly consolidated in 2022*

Climate-related matters – The Group constantly monitors the latest government legislation in relation to climate related matters. At the current time, no legislation has been passed that will impact the Group. The Group will adjust the key assumptions used in value-in-use calculations and sensitivity to changes in assumptions should a change be required.

NOTE 19. INVESTMENTS IN ASSOCIATES

	Year ended December 31,	
(in EUR million)	**2022**	**2021**
Balance as at 1 January	**7.9**	**10.2**
Share of results	1.7	(2.6)
Currency translation differences	(0.4)	0.3
Scope changes	(1.2)	–
Balance as at 31 December,	**7.9**	**7.9**

On October 1, 2022, ALD signed an agreement to acquire the remaining shares in Nedderfeld 95 Immobilien GmbH & Co.KG, such that it became a 100% subsidiary and has been subconsolidated within the Group's German subsidiary's financial statements as at 31 December 2022,. Nedderfeld 95 Immobilien GmbH & Co. had previously been a 35% associate of ALD accounted for using equity method.

Name	**Country of incorporation**	**Assets**	**Liabilities[1]**	**Revenues**	**Profit/ (loss)**	**% interest held**
As at 1 January 2021						
ALD Automotive SA Morocco	Morocco	53.2	44.3	22.3	1.9	35%
Nedderfeld 95 Immobilien GmbH & Co. KG	Germany	1.2	0.0	–	–	35%
Total		**54.4**	**44.3**	**22.3**	**1.9**	
As at 31 December 2021						
ALD Automotive SA Morocco	Morocco	52.2	45.5	19.1	(1.9)	35%
Nedderfeld 95 Immobilien GmbH & Co. KG	Germany	1.2	0.0	–	–	35%
Total		**53.4**	**45.5**	**19.1**	**(1.9)**	
As at 31 December 2022						
ALD Automotive SA Morocco	Morocco	49.3	41.4	18.2	1.7	35%
Total		**49.3**	**41.4**	**18.2**	**1.7**	

[1] *Excluding net equity*

NOTE 20. 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.

	Year ended 31 December 2022,		Year ended 31 December 2021	
(in EUR million)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps - cash flow hedge	61.6	0.0	3.9	0.1
Foreign exchange swaps	20.8	44.5	23.5	4.9
Interest rate swaps (not in hedge)	46.6	44.5	11.2	6.1
Total	**128.9**	**89.0**	**38.6**	**11.2**
Less non-current portion:				
Interest rate swaps - cash flow hedge	61.6	0.0	3.9	0.1
Foreign exchange swaps	13.1	34.3	12.4	4.7
Interest rate swaps (not in hedge)	44.3	43.8	4.8	5.5
Total non-current portion	**118.9**	**78.1**	**21.1**	**10.3**
Current portion	**10.0**	**10.9**	**17.5**	**0.8**

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 31 December 2022, were EUR 491.0 million (2021: EUR 361.7 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 31 December 2022, 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 – cash flow hedge

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 designated as cash flow hedges at 31 December 2022, were EUR 1,634 million (2021: EUR 1,962 million).

At 31 December 2022,, 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 31 December 2022, will be continuously released to the income statement within finance charges until the repayment of the financial debt.

NOTE 21. OTHER NON-CURRENT AND CURRENT FINANCIAL ASSETS

	Year ended December 31,	
(in EUR million)	**2022**	**2021**
Long-term investments (10 years)	200.5	279.9
Other current financial assets	331.6	380.7
Other	5.6	122.6
Total	**537.7**	**783.2**

Long-term investments are a resource resulting from the policy of the Group and of its main shareholder, Societe Generale, 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 Societe Generale 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 4 years' time and will not be renewed.

In 2021, Bansabadell Renting and Fleetpool subsidiaries were reported as investments under caption "Other" due to the timing of the acquisitions. These subsidiaries are included in the scope of consolidation as at 31 December 2022,. See note 7 for further detail.

NOTE 22. INVENTORIES

	As at December 31,	
(in EUR million)	**2022**	**2021**
Inventories - gross value	407.3	304.9
Valuation allowance	(11.9)	(8.5)
Inventories net	**395.3**	**296.4**

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

NOTE 23. 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.

	As at December 31,	
(in EUR million)	**2022**	**2021**
Amounts receivable under finance lease contracts	727.2	790.3
Provision for impairment of Finance lease receivables	(11.6)	(13.0)
of which		
- provision for doubtful receivables	*(6.0)*	*(8.0)*
- provision for sound receivables	*(4.3)*	*(4.0)*
- provision for sound receivables (forward looking)	*(1.3)*	*(1.0)*

Amounts receivable from credit institutions and related parties[1]	1,256.8	240.7
Trade receivables	1,379.8	1,012.0
Provision for impairment of trade receivables	(174.6)	(171.8)
-of which		
- provision for doubtful receivables	*(151.7)*	*(152.0)*
- provision for sound receivables	*(13.4)*	*(11.6)*
- provision for sound receivables (forward-looking)	*(9.5)*	*(8.2)*
Provision for customer disputes	(19.6)	(30.6)
Total receivables	**3,157.9**	**1,827.6**

[1] Mainly towards Societe Generale – no impairment provision has been calculated on these receivables due to their inter-group nature. Increase in these receivables represents cash generated from the share rights issue which has been placed on a short-term deposit with Societe Generale.

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.

		31 December 2022,			31 December 2021	
(in EUR million)	**In scope**	**Out of scope**	**Total**	**In scope**	**Out of scope**	**Total**
Amounts receivable under finance lease contracts	714.3[1]	12.8[2]	727.2	771.9[1]	18.5[2]	790.3
Provision for impairment of receivables under finance lease contracts	(4.3)	(6.0)	(10.3)	(4.0)	(8.0)	(12.0)
Provision for impairment of receivables under finance lease contracts – forward-looking	(1.3)		(1.3)	(1.0)		(1.0)
Amounts receivable from credit institutions		1,256.8	1,256.8		240.7	240.7
Trade receivables	651.5	728.3[2]	1,379.8	598.9	413.2[2]	1,012.0
Provision for impairment of trade receivables	(13.4)	(151.7)	(165.2)	(11.6)	(152.1)	(163.6)
Provision for impairment of trade receivables – forward-looking	(9.5)	–	(9.5)	(8.2)	–	(8.2)
Provision for customer disputes		(19.6)	(19.6)		(30.6)	(30.6)
Total receivables	**1,337.4**	**1,820.5**	**3,157.9**	**1,346.0**	**481.6**	**1,827.6**

[1] Including remaining capital
[2] These amounts represent doubtful and non-lease receivables

Based on the receivables which are in the scope, the loss allowance as at 31 December 2022, and 31 December 2021 was determined as follows for both trade and finance lease receivables:

Provision Matrix 31 December 2022,

(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%	4%	8%	16%	22%	
Gross carrying amount of receivables in IFRS 9 scope	1,187.7	120.3	30.6	5.6	21.6	1,365.8
Loss allowance	(16.2)	(4.4)	(2.3)	(0.9)	(4.7)	(28.5)
Net carrying amount of receivables in IFRS 9 scope	**1,171.6**	**115.9**	**28.3**	**4.7**	**16.9**	**1,337.4**

Provision Matrix 31 December 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)
Net carrying amount of receivables in IFRS 9 scope	**1,180.7**	**102.7**	**27.2**	**7.1**	**28.4**	**1,346.0**

Information on maturity of sound 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 31 December 2022. 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	7.1	385.0	30.9	55.4	170.8	649.2
Amounts including past due between 1 to 30 days	0.3	16.2	13.0	0.1	5.0	34.7
Amounts including past due between 31 to 60 days	0.0	1.3	1.8	0.0	1.5	4.6
Amounts including past due between 61 to 90 days	0.1	0.8	2.1	0.0	0.5	3.5
Amounts including past due between 91 to 180 days	0.3	6.6	1.1	0.1	3.4	11.4

Amounts including past due between 181 days to 1 year	0.1	0.3	0.5	0.0	2.1	3.0
Amounts including past due over 1 year	0.2	5.0	0.7	0.0	2.0	7.9
Total	**8.1**	**415.1**	**50.1**	**55.8**	**185.3**	**714.3**

			Year ended 31 December 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	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
Total	**9.7**	**393.8**	**79.9**	**82.8**	**205.7**	**771.9**

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

A full description of the impairment policy is contained in the Credit risk measurement section of the note 4.1 “Financial risk factors”.

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

		As at December 31,	
(in EUR million)	Note	2022	2021
Balance at January 1		(171.8)	(178.1)
Net Impairment charges	10	(46.1)	(24.8)
Receivables written off		49.3	33.1
Movement in finance lease provision		(1.4)	(1.2)
Transfer of disposal groups to assets held for sale		5.6	–
Scope changes		(10.6)	–
Other and currency translation differences		0.3	(0.7)
Balance at December 31		**(174.6)**	**(171.8)**

The maturity analysis is as follows:

(in EUR million)	2022	As at December 31, 2021
Trade receivables not overdue	968.0	670.2
Past due up to 90 days	226.4	144.1
Past due between 90 - 180 days	27.6	23.9
Past due over 180 days	157.8	173.8
Total	**1,379.8**	**1,012.0**

The improvement in the past due over 180 days maturity profile in 2022 is due to higher focus on collection procedures, outsourcing of payment collections and direct debit payments implemented by Group entities.

NOTE 24. OTHER RECEIVABLES AND PREPAYMENTS

(in EUR million)	2022	As at December 31, 2021
VAT and other taxes	388.1	276.8
Prepaid motor vehicle tax and insurance premiums	117.4	95.4
Reclaimable damages	10.1	8.2
Prepaid expenses	424.4	346.6
Other	414.8	307.6
Other receivables and prepayments	**1,354.7**	**1,034.6**

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

The other receivables balance includes EUR 249.8 million (2021: EUR 193.3 million) relating to rebates receivable from dealers and manufacturers.

NOTE 25. CASH AND CASH EQUIVALENTS

(in EUR million)	2022	As at December 31, 2021
Cash at bank and on hand	195.9	112.2
Short-term bank deposits	57.3	40.5
Cash at bank and short-term bank deposits attributable to disposal groups held for sale	92.8	–
Cash and cash equivalents excl. bank overdrafts	**346.0**	**152.7**
Bank overdrafts	(129.5)	(228.4)
Cash and cash equivalents, net of bank overdrafts	**216.4**	**(75.7)**

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

NOTE 26. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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

The table below summarises the Group's financial assets and financial liabilities, of which the derivatives and corporate bonds are measured at fair value and the other financial assets and other financial liabilities are measured at amortised cost on the balance sheet as at 31 December 2022. For all other financial assets and liabilities, the carrying amount is a reasonable approximation of fair value.

Financial assets

	Carrying value	Fair value		
As at 31 December 2022 (EUR million)		**Level 1**	**Level 2**	**Total**
Financial assets measured at fair value				
Derivative financial instruments in hedge	82.3		82.3	82.3
Derivative financial instruments not in hedge	46.6		46.6	46.6
Other current financial assets	237.8	237.8		237.8
Financial assets not measured at fair value				
Receivables from clients and from financial institutions	3,157.9		3,157.9	3,157.9
Investment in associates	7.9			
Other non-current and current financial assets	299.9			
Cash and cash equivalents	253.1			
Total	**4,085.5**	**237.8**	**3,286.8**	**3,524.6**

	Carrying value	Fair value		
As at 31 December 2021 (EUR million)		**Level 1**	**Level 2**	**Total**
Financial assets measured at fair value				
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
Financial assets not measured at fair value				
Receivables from clients and from financial institutions	1,827.6		1,827.6	1,827.6
Investment in associates	7.9			
Other non-current and current financial assets	522.9			
Cash and cash equivalents	152.7			
Total	**2,810.0**	**260.3**	**1,866.2**	**2,126.6**

Financial liabilities

As at 31 December 2022 (EUR million)	Carrying value	Fair value Level 1	Fair value Level 2	Fair value Total
Financial liabilities measured at fair value				
Derivative financial instruments in hedge	44.5		44.5	44.5
Derivative financial instruments not in hedge	44.5		44.5	44.5
Financial liabilities not measured at fair value				
Bank borrowings	14,571.1		14,571.1	14,571.1
Bonds issued	5,303.4	3,460.9	1,727.1	5,188.0
Trade payables	1,105.9		1,105.9	1,105.9
Total	**21,069.5**	**3,460.9**	**17,493.2**	**20,954.1**

As at 31 December 2021 (EUR million)	Carrying value	Fair value Level 1	Fair value Level 2	Fair value Total
Financial liabilities measured at fair value				
Derivative financial instruments in hedge	5.0		5.0	5.0
Derivative financial instruments not in hedge	6.1		6.1	6.1
Financial liabilities not measured at fair value				
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
Total	**19,357.2**	**2,720.0**	**16,652.1**	**19,372.1**

Recognised fair value measurements

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

NOTE 27. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in liabilities arising from financing activities are shown in the table below.

(in EUR million)	Balance as at 1 January 2022	Financing cash flows	Foreign exchange adjustment	Scope changes	Other non-cash movements	Balance as at 31 December 2022
Overdraft	228.4	(97.3)	(1.6)	–	–	129.5
Borrowings from financial institutions excl. overdraft	13,620.2	652.6	(65.1)	291.9	(58.0)	14,441.6
Bonds and notes issued	4,668.7	639.4	(25.9)	–	21.2	5,303.4
Lease liabilities	121.4	(71.1)	(0.9)	19.7	48.1	117.2

(in EUR million)	Balance as at 1 January 2021	Financing cash flows	Foreign exchange adjustment	Scope changes	Other non-cash movements	Balance as at 31 December 2021
Overdraft	315.7	(90.8)	3.5	–	–	228.4
Borrowings from financial institutions excl. overdraft	12,418.4	1,102.1	101.8	–	(2.1)	13,620.2
Bonds and notes issued	4,911.6	(275.0)	32.2	–	(0.1)	4,668.7
Lease liabilities	132.7	(26.9)	0.8	–	14.8	121.4

NOTE 28. SHAREHOLDERS' EQUITY

Share capital and share premium

On December 16, 2022 ALD successfully completed its capital increase in order to finance cash component of the LeasePlan acquisition in the first quarter of 2023. For further information, see Note 2.6. Rights Issue.

At 31 December 2022,, the authorised capital amounted to EUR 848.6 million (2021: EUR 606.2 million), divided into 565,745,096 ordinary shares with a nominal value of EUR 1.5 each.

At 31 December 2022,, share premium amounted to EUR 1,328 million (2021: EUR 367 million).

All shares issued by ALD S.A. were fully paid. See Note 35 for further information.

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
Opening balance January 1, 2021	**1,062,905**	**(12.9)**
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)
Balance at 31 December 2021	**1,001,029**	**(13.2)**
Opening balance January 1, 2022	**1,001,029**	**(13.2)**
Acquisition of treasury shares employee share schemes	400,705	(5.4)
Employee share scheme issue	(240,996)	2.4
Liquidity contracts	13,164	(0.0)
Balance at 31 December 2022,	**1,173,902**	**(16.1)**

Retained earnings and other reserves

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

NOTE 29. SHARE-BASED PAYMENTS

In 2022, 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 2022 long-term incentives plans approved by ALD Board of Directors

	Plan 9	Plan 10.A	Plan 10.B
Date of Board meeting	March 29, 2022	March 29, 2022	March 29, 2022
Total number of shares granted	409,602	12,720	12,723
Vesting date	March 31, 2025	March 31, 2025	March 31, 2026
Holding period end date	no holding period	September 30, 2025	September 30, 2026
Fair value (in EUR)	9.5	9.5	9.5
Number of employees in the plan	374	6	6

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

	Plan 7	Plan 8.A	Plan 8.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

	Plan 5	Plan 6.A	Plan 6.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

	Plan 3	Plan 4.A	Plan 4.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

Vesting conditions are based on ALD's profitability, as measured by the average Group Net Income over the 4, 3 or 2 years of the vesting period. The ALD Group Net Income corresponds to the published ALD Group Net Income.

At 31 December 2022, 600 employees (524 employees as at 31 December 2021) 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.

	Number of shares
As at 1 January 2021	**871,563**
Granted during the year	284,050
Vested during the year	(261,610)
Forfeited during the year	(27,030)
As at 31 December 2021	**866,973**
As at January 1, 2022	**866,973**
Granted during the year	435,045
Vested during the year	(240,996)
Forfeited during the year	(32,255)
As at 31 December 2022	**1,028,767**

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.

Expenses recorded in the income statement

(in EUR Million)	31 December 2022,	31 December 2021
Net expenses from free share ALD plans	(2.9)	(2.6)

NOTE 30. BORROWINGS FROM FINANCIAL INSTITUTIONS, BONDS AND NOTES ISSUED

	As at December 31,	
(in EUR million)	**2022**	**2021**
Bank borrowings	10,613.1	9,407.1
Non-current borrowings from financial institutions	**10,613.1**	**9,407.1**
Bank overdrafts	129.5	228.4
Bank borrowings	3,828.5	4,213.1
Current borrowings from financial institutions	3,958.0	4,441.5
Total borrowings from financial institutions	**14,571.1**	**13,848.6**
Bonds and notes originated from securitisation transactions	1,123.4	1,628.8
Bonds and notes originated from EMTN programme	2,450.0	1,600.0
Other non-current bonds issued	–	–
Non-current bonds and notes issued	**3,573.4**	**3,228.8**
Bonds and notes originated from securitisation transactions	603.7	334.8
Bonds and notes originated from EMTN programme	1,126.3	1,105.1
Other current bonds issued	–	–
Current bonds and notes issued	**1,729.9**	**1,439.9**
Total bonds and notes issued	**5,303.4**	**4,668.7**
Total borrowings from financial institutions and bonds	**19,874.5**	**18,517.3**

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

Maturity of borrowings and bonds

(in EUR million)	As at December 31, 2022	2021
Less than 1 year	5,688.0	5,881.4
1-5 years	13,985.5	12,581.1
Over 5 years	201.0	54.8
Total borrowings and bonds	**19,874.5**	**18,517.3**

Currencies

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

(in EUR million)	As at December 31, 2022	2021
Euro	14,689.2	13,684.7
UK pound	2,619.7	2,543.3
Danish krone	455.8	376.9
Swedish kronor	349.7	388.5
Other currencies	1,760.0	1,523.9
Total borrowings and bonds	**19,874.5**	**18,517.3**

External funding

Local external banks and third parties provide 31.0% of total funding, representing EUR 6,164 million (EUR 6,220 million including loans granted to disposal groups held for sale) at 31 December 2022, (29.1% and EUR 5,392 million at 31 December 2021).

An amount of EUR 860 million or 4.3% of total funding (EUR 917 million including loans granted to disposal groups held for sale) is provided by external banks. The residual external funding (EUR 5,303 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. In June 2022, this deal was renewed for 3 additional years and increased by EUR 40 million.

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 [1]
ALD Funding Limited	ALD	UK	GBP	414 million
Axus Finance NL B	ALD	Netherlands	EUR	400 million
Axus Finance SPRL	ALD	Belgium	EUR	400 million
Red & Black Auto Lease Germany SA, compartment 3	ALD	Germany	EUR	108.3 million
FCT Red & Black Auto Lease France 1	ALD	France	EUR	351.3 million

[1] *Transaction outstanding amount at 31 December 2022*

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

(in EUR million)	31 December 2022,	31 December 2021
Less than 1 year	603.7	334.8
1-5 years	1,079.2	1,628.8
Over 5 years	44.2	–
Total securitisation programme	**1,727.1**	**1,963.6**

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
At 31 December 2022			
Carrying amount of transferred assets	2,182.6	23.3	2,205.9
Carrying amount of associated liabilities[1]			(1,727.1)
Net carrying amount position			**478.8**

Fair value of transferred assets	2,334.3	23.3	2,357.6
Fair value of associated liabilities[1]			(1,727.1)
Net fair value position as at 31 December 2022			**630.5**
At 31 December 2021			
Carrying amount of transferred assets	2,489.6	36.0	2,525.6
Carrying amount of associated liabilities(1)			(1,963.6)
Net carrying amount position			**562.0**
Fair value of transferred assets	2,543.4	36.0	2,579.4
Fair value of associated liabilities(1)			(1,963.6)
Net fair value position as at 31 December 2021			**615.8**

[1]*Bonds and notes originated from asset-backed securitisation transactions*

EMTN programme

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

- 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%
- a bond in February 2022 for an amount of EUR 700 million maturing in March 2026 at a fixed rate of 1.25%
- a Positive Impact Bond (Green Bond) in July 2022 for an amount of EUR 500 million maturing in July 2027 at a fixed rate of 4%
- a bond in October 2022 for an amount of EUR 750 million maturing in October 2025 at a fixed rate of 4.75%

Societe Generale funding

Following the external funding raised in recent years, the funding raised through Societe Generale has remained stable at 69.0 % as at 31 December 2022,.

Most of the funding provided by SG Group is granted through Societe Generale Luxembourg and Societe Generale Paris. SG Luxembourg and SG Paris funds ALD Group Central Treasury which then grants loans in different currencies to 27 ALD subsidiaries as well as to the holding companies. The total amount of loans granted by SG Luxembourg and SG Paris amounted to EUR 12,158 million at 31 December 2022, (EUR 12,165 million including loans granted to disposal groups held for sale) for an average maturity of 2.01 years.

The remaining SG funding is provided either by local SG branches or subsidiaries. As at 31 December 2022,, the total amount of loans granted to the group by Societe Generale, including local branches and subsidiaries was EUR 13,711 million (EUR 13,718 million including loans granted to disposal groups held for sale).

At 31 December 2022,, the Group has undrawn borrowing facilities of EUR 2,6 billion (EUR 2,4 billion at 31 December 2021) of which EUR 506 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 108 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 31. 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)	31 December 2022,	31 December 2021
A - Present value of defined benefit obligations	17.3	21.0
B - Fair Value of plan assets	(13.8)	(14.6)
C- Fair value of separate assets	–	–
D - Change in asset ceiling	–	–
A + B - C + D = Net balance recorded in the balance sheet	**3.6**	**6.4**

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)	2022	2021
Current service cost including social security contributions	0.6	1.0
Employee contributions	(0.2)	(0.1)
Past service cost / curtailments	–	–
Transfer via the expense	–	–
Net interest	0.0	–
Components recognised in income statement	*0.5*	*0.9*
Actuarial gains and losses due to assets [1]	1.6	(1.2)
Actuarial gains and losses due to changes in demographic assumptions	–	(0.1)
Actuarial gains and losses due to changes in economical and financial assumptions	(6.3)	(2.5)
Actuarial gains and losses due to experience	1.9	(1.7)
Change in asset ceiling	–	–
Components recognised in unrealised or deferred gains and losses	*(2.7)*	*(5.5)*
Total components of the cost of the defined benefits	**(2.2)**	**(4.6)**

[1] 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)	2022	2021
Balance at 1 January	21.0	24.7
Current service cost including social security contributions	0.6	1.0
Employee contributions	–	–
Past service cost / curtailments	–	–
Settlement	–	–
Net interest	0.2	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	(6.3)	(2.5)
Actuarial gains and losses due to experience	1.9	(1.7)
Foreign exchange adjustment	–	0.1
Benefit payments	(0.2)	(1.0)
Acquisition/(sale) of subsidiaries	–	–
Transfers and others	0.1	0.5
Balance at December 31	**17.3**	**21.0**

Changes in fair value of plan assets and separate assets:

(In EUR million)	2022	2021
Balance at 1 January	14.6	13.5
Expected return on plan assets	0.1	0.0
Expected return on separate assets	–	–
Actuarial gains and losses due to assets	(1.6)	1.2
Foreign exchange adjustment	–	0.1
Employee contributions	0.2	0.2
Employer contributions to plan assets	0.6	0.5
Benefit payments	(0.1)	(0.8)
Acquisition/(sale) of subsidiaries	–	–
Transfers and others	–	–
Balance at December 31	**13.8**	**14.6**

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

The breakdown of the fair value of plan assets is as follows: 34% bonds, 41% equities, 4% money market instruments and 21% others.

Employer contributions to be paid to post-employment defined benefit plans for 2023 are estimated at EUR 0.7 million.

Actual returns on funding assets

The actual returns on plan and separate assets were:

(In EUR million)	2022	2021
Plan assets	(1.5)	1.2
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:

	2022	2021
Discount rate		
Europe	3.5%	0.8%
Long-term inflation		
Europe	2.3%	2.0%
Future salary increase		
Europe	1.5%	1.4%
Average remaining working lifetime of employees (in years)		
Europe	12.3	14.1
Duration (in years)		
Europe	9.5	11.7

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)	**31 December 2022,**	**31 December 2021**
Variation of +0.5% in discount rate Impact on the present value of defined benefit obligations at December 31, N	(5.7)%	(6.7)%
Variation of +0.5% in long-term inflation Impact on the present value of defined benefit obligations at December 31 N	2.3%	3.1%
Variation of +0.5% in future salary increases Impact on the present value of defined benefit obligations at December 31 N	9.3%	7.1%

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

Breakdown of future payments

(In EUR million)	2022	2021
N+1	0.4	0.4
N+2	0.5	0.4
N+3	1.2	0.4
N+4	0.8	1.1
N+5	0.9	0.8
N+6 to N+10	8.3	5.8

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 10.3 million. The total amount of charges for other long-term benefits is EUR 1.1 million.

NOTE 32. PROVISIONS

(in EUR million)	Damage risk retention	Other	Total
At 1 January 2021	**207.2**	**36.0**	**243.1**
Additions	38.8	27.2	66.0
Reversal (utilisation)	(25.5)	(3.4)	(29.0)
Transfer to receivables from clients and financial institutions	–	(0.1)	(0.1)
Currency translation differences	0.1	1.6	1.7
At 31 December 2021	**220.5**	**61.3**	**281.7**
of which current	***105.2***	***47.0***	***152.2***
As at 1 January 2022	**220.5**	**61.3**	**281.7**
Additions	44.7	4.1	48.8
Reversal (utilisation)	(16.3)	(7.4)	(23.7)
Transfer to liabilities qualified as held-for-sale	(0.8)	(0.1)	(1.0)
Currency translation differences	0.2	(1.4)	(1.2)
Scope changes	3.6	–	3.6
As at 31 December 2022	**251.9**	**56.5**	**308.2**
of which current	***125.5***	***43.0***	***168.4***

NOTE 33. TRADE AND OTHER PAYABLES

	As at December 31,	
(in EUR million)	2022	2021
Trade payables[1]	1,105.9	828.7

Deferred leasing income[2]	363.7	389.9
Other accruals and other deferred income	612.5	582.7
Advance lease instalments received	448.3	325.5
Accruals for contract settlements	214.9	191.2
VAT and other taxes	243.6	254.6
Other	0.7	0.6
Trade and other payables	**2,989.8**	**2,573.3**

[1]Increase in trade and other payables is due to a larger amount of vehicle orders as at 31 December 2022, as well as scope changes related to consolidation of new subsidiaries.
[2]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.

NOTE 34. DIVIDENDS

A dividend related to the period ended 31 December 2021 for an amount of EUR 435.2 million (EUR 1.08 per share) was paid to ALD shareholders on June 2nd, 2022 of which dividend paid to Societe Generale is EUR 348.3 million (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 Societe Generale was EUR 203.2 million).

NOTE 35. EARNINGS PER SHARE

On December 16, 2022, ALD successfully completed its capital increase with preferential subscription rights for an amount (including issue premium) of approximately EUR 1.2 billion.

The final gross proceeds of the rights issue, including the issue premium, amount to approximately EUR 1.2 billion, corresponding to the issuance of 161,641,456 new shares with a par value of EUR 1.50 at a subscription price of EUR 7.50 per share.

Following the settlement and delivery of the rights issue, the share capital of ALD comprised of 565,745,096 shares with a nominal value of EUR 1.50 each.

After the rights issue weighted average number of shares' calculation for the current year includes:

- fair value element which represents the number of shares in the rights issue deemed to be issued at the fair value with reference to the theoretical ex-rights price and included in the earnings per share calculation from the date of the rights issue
- bonus element which represents number of shares in the rights issued deemed to be issued without consideration.

Weighted average number of shares for the year 2021 has been restated to include effect of the bonus element as though the bonus shares had been issued before the earliest period presented.

Basic earnings per share

	2022	As at December 31, 2021 restated	2021
Net income attributable to owners of the parent (in EUR million)	1,203.2	873.0	873.0
Weighted average number of ordinary shares with voting rights (in thousands)	452,168	441,872	403,072
Total basic earnings per share (in EUR)	**2.66**	**1.98**	**2.17**

Diluted earnings per share

	2022	As at December 31, 2021 restated	2021
Net income attributable to owners of the parent (in EUR million)	1,203.2	873.0	873.0
Weighted average number of ordinary shares (in thousands)	453,169	442,935	404,104
Total diluted earnings per share (in EUR)	**2.66**	**1.97**	**2.16**

Following the combined General Meetings held in 2021, 2020 and 2019 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 565,745,096. As at 31 December 2022, total number of shares to which voting rights are attached, excluding shares without voting rights (treasury shares, etc.) is 564,571,194.

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 36. RELATED PARTIES

Identity of related parties

The Group is controlled by Societe Generale Group. Transactions with Societe Generale and its subsidiaries have been identified as related party transactions. All business relations with Societe Generale 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)	2022	As at December 31, 2021
Salaries and other short-term employment benefits	2.8	2.2
Post employment benefits	0.4	0.6
Attendance fees for the Board members	0.3	0.2
Other long-term benefits	1.1	0.6
Total	**4.6**	**3.7**

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 Societe Generale as well as independent board members who benefit from a compensation.

Sales of goods and services

Societe Generale ("SG") and its subsidiaries are customers of ALD Group. Total fleet leased to SG and its subsidiaries amounts to 7,240 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 19.8 million and EUR 17.2 million in the years ended 31 December 2022, and 31 December 2021, 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 23.01 million in fiscal year 2022 (2021: EUR 21.56 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 0.6 million in fiscal year 2022 (2021: EUR 0.5 million) for ALD France and ALD Denmark.

Brokerage

Societe Generale 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 2022, around 19,000 contracts have been signed through Societe Generale distribution network in three different countries. 85% 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 3.3 million for the year ended 31 December 2022, (2021: 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 Societe Generale 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 55.4 million in fiscal year 2022 (2021: EUR 59.2 million).

Corporate services

Societe Generale 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 Societe Generale have been subject to compensation of EUR 9.5 million (estimated) in fiscal year 2022 (2021 Actual: EUR 8.5 million (9.5 million disclosed in Financial Statements for the year ended 31 December 2021 was estimated)) .

In addition, in fiscal year 2022, there were 57 employees coming from SG (51 in 2021) 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 14.9 million in 2022 and 11.7 million in 2021.

Loans with related parties

Societe Generale and its affiliates provide ALD Group with funding either through ALD Treasury centre or directly to ALD subsidiaries at a market rate. 69% of the Group's funding was provided through SG in fiscal year 2021, i.e. EUR 13,711 million.

Societe Generale 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 1,569.5 million as of 31 December 2022, (2021: EUR 1,079.1 million).

Societe Generale also provides ALD Group with derivatives instruments which have a nominal amount of EUR 1,336.3 million, and are represented on the balance sheet for a total amount of EUR 45.0 million in assets and EUR 1.5 million in liabilities.

In compliance with the Asset Liability Management policies of Societe Generale, ALD Group reinvested its equity in long-term assets in the form of deposits with the central treasury of Societe Generale. These deposits will roll out in approximately 4 years' time from now on and will not be renewed. At 31 December 2022, the total amount of these long term deposits was EUR 269.6 million (2021: EUR 387.4 million).

The proceeds of the rights issue, described in Note 2.6, for an amount of EUR 1,205 million, recorded in the Receivables from clients and financial institutions, have been placed on a short-term deposit with SG Paris until the acquisition of LeasePlan which is expected to close in the first quarter of 2023.

Tax consolidation agreement

Several ALD entities have entered into tax consolidation agreements or group relief with Societe Generale 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 37. AUDITORS' FEES

The total fees of the Company's auditors, as charged to the consolidated income statement for the year ended 31 December 2022,, amounted to:

- For Deloitte & Associés: EUR 1.9 million for the certification of the accounts
- For Ernst & Young et Autres: EUR 2.2 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 the certification of the accounts
- For Ernst & Young et Autres: EUR 0.1 million for the certification of the accounts

NOTE 38. SCOPE OF CONSOLIDATION

(in %)	As at December 31, 2022	2021
ALD International SA	**Parent company**	**Parent company**
Consolidated companies under global integration	**interest %**	**interest %**
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 - kezelo 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 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 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	60.00
UK FFM	50.10	–
ALD Automotive LLC (Belarus)	100.00	100.00
ALD Automotive Euro Leasing B.V.	50.10	–
Soluciones De Renting Movilidad S.L.	100.00	–
Fleetpool Holding GmbH	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
ALD International Participations SAS	–	100.00

Consolidated companies under equity method		
ALD Automotive SA Maroc	35.00	35.00
Nedderfeld 95 Immobilien GmbH & Co. KG	–	35.00

(*) Including subsidiaries