03 AUGUST 2022

HALF-YEARLY FINANCIAL INFORMATION ALD reports first half 2022 results (1)

- **RECORD NET INCOME (GROUP SHARE): EUR 606.1 MILLION, UP 72.2% VS H1 2021**
- **STRONG COMMERCIAL PERFORMANCE IN A DISRUPTED ENVIRONMENT: FUNDED FLEET AT 1.45 MILLION, UP 5.4% VS END JUNE 2021**
- **NON-OPERATING CONTRIBUTIONS TO LEASING CONTRACT MARGIN (FLEET REVALUATION AND DEPRECIATION ADJUSTEMENTS, IMPACT OF HYPER-INFLATION IN TURKEY, PROVISION IN UKRAINE) TOTALLING EUR +115.9 MILLION IN H1 2022 VS EUR +12.7 MILLION IN H1 2021**
- **RAMP-UP OF LEASEPLAN PREPARATION COSTS: EUR 41.3 MILLION INCURRED IN H1 2022**
- **EXCEEDINGLY FAVOURABLE USED CAR MARKET: USED CAR SALES RESULT PER UNIT[2] AT EUR 3,212 VS EUR 740 IN H1 2021**

H1 2022 results highlights

- **Leasing Contract and Services Margins** at EUR 805.2 million, up 4.6% vs H1 2021 when adjusted for fleet revaluation and depreciation adjustments (EUR +103.2 million), the impact of hyperinflation accounting rules in Turkey (EUR +39.5 million) and a provision in Ukraine (EUR -26.8 million)
- **Used Car Sales result** at EUR 432.7 million, vs EUR 125.3 million in H1 2021
- **Operating expenses** at EUR 404.3 million, incorporating EUR 41.3 million preparation costs for the acquisition of LeasePlan
- **Cost of Risk**[3] at 16bps, stable compared to H1 2021
- **Total Equity / Asset ratio** at 17.8%, vs 16.7% at end June 2021

Outlook for 2022

After the sharp rebound of economies observed in 2021, the environment became more uncertain in 2022, as the conflict between Russia and Ukraine exacerbated worldwide geopolitical tensions. The surge of commodities prices pushed inflation further up, prompting a rapid increase in interest rates by Central banks. While the global health situation stabilized towards the end of H1 2022, disruptions in supply chains continued, thus intensifying the shortage of new cars in Europe and pushing used car prices to high levels.

Against this backdrop, ALD recorded strong commercial dynamics and an exceptional financial performance in H1 2022. ALD expects the shortage of new cars as well as the highly favourable supply/demand situation in used car markets to continue into H2 2022. In this context, ALD is maintaining its previously announced guidance for 2022:

- **Funded fleet** growth between 2% and 4%;

- **Used Car Sales result per vehicle** above EUR 2,000 on average in 2022;
- **Dividend payout ratio** between 50% and 60%.

ALD continued to prepare for the acquisition of LeasePlan, with a closing planned for end 2022[4]. Preparation costs linked to the upcoming transition to regulatory status and the finalization of a smooth and efficient integration plan ramped-up during H1 2022 as indicated at the beginning of the year. ALD estimates the full-year 2022 impact of these costs at c. EUR 100 million.

On 3 August 2022, Tim Albertsen, ALD CEO, commenting on the H1 2022 Group Results, stated: *"In the context of a more challenging geopolitical and macroeconomic environment with persistent disruptions of supply chains, ALD fared strongly, thanks to the solidity of its business model and its capacity to adjust promptly to unprecedented situations. Our constant focus on clients' needs, together with our efforts to shape the world of mobility have borne fruit. I am proud that more and more clients are relying on ALD to design their mobility journey, and in particular their fleet electrification strategy, where ALD has a strong competitive edge. Thanks to our agility, our best-in-class operational efficiency and the seamless commitment of our employees, I am confident that ALD can successfully navigate through the current fast-changing environment.*

In this regard, the acquisition of LeasePlan makes even more sense as it will open up new growth opportunities and strengthen our resilience through the cycle. Since our Integration Management Office (IMO) was set up in April 2022, we have stepped up our efforts, with 1,600 contributors from both organizations sharing the same enthusiasm about the combination of our groups and working hard to finalize the integration plans. Our regulatory filings are on track with our initial plans and we expect to close the transaction by the end of 2022, subject to closing conditions[5]."

Navigating through a fast-changing environment

To mitigate the impacts of the changing environment and seize potential opportunities, ALD launched a tactical plan articulated around 4 objectives: i) securing car supplies; ii) maintaining the highest standards of service to customers; iii) preserving its margins and iv) reducing its risks.

With supply chains further disrupted by geopolitical tensions and lockdowns in China, ALD is securing its car supplies by increasing bulk purchases and anticipating orders, leveraging on its strong and long-standing partnerships with OEMs[6]. In parallel, the company continues to accompany its clients by extending existing contracts and promoting its flexible product offering as an alternative mobility solution in the current car shortage situation (ALD Flex, Used Car Lease). The aim is to further reinforce the relationship with clients, while contributing to the reduction of residual value risk.

As major economies are slowing down, ALD is developing its multicycle lease offering while also closely monitoring its riskier client segments. In a less favourable macroeconomic context, the fundamental shift from ownership to usership remains a strong driving force for business development, mitigating the potential effects of a recession.

By systematically hedging its liquidity, interest rates and foreign exchange rates risk at contract origination, ALD continues to protect its margins. In the current context of rapid interest rates hikes, ALD's wide access to funding is a clear competitive advantage in the car leasing industry.

Taking account of rapidly rising inflation in its main markets, ALD is adjusting pricing parameters in new contracts more frequently. At the same time, in a context of higher fuel prices, ALD has reinforced customer advisory on more sustainable and innovative products, such as Electric Vehicles and multimodal mobility, in line with its Move 2025 strategic plan. ALD is well positioned to capture the opportunities arising from the powertrain transition to EV.

Finally, acknowledging the impact of the uncertain geopolitical environment, ALD announced on 11 April 2022 that it is no longer concluding any new commercial transactions in Russia, Kazakhstan and Belarus.

Shaping the world of mobility

ALD's commitment to innovative and sustainable mobility and to shaping the future of the industry is further evidenced by the launch of ALD Move in France, which targets the

Business to Business to Employees (BtBtE) channel. A cutting-edge mobile application allowing users to plan, book and pay multimodal transports, ALD Move's functionalities have been enriched thanks to Skipr, the Belgian Mobility-as-a-Service (MaaS) startup in which ALD acquired a 17% stake last year. ALD Move's potential customer base is much larger than that of traditional car leasing, as it targets all of its corporate clients' employees, including those not eligible for company cars. Providing users with a high number of flexible and adapted travel options, it leverages on multimodality, contributing to the reduction of the carbon footprint, within a dedicated budget. Highly suited to changing mobility needs and preferences, this product has had a promising start since it was launched in May 2022.
Meanwhile, ALD Flex, available in 32 countries, continues to be the perfect response to corporates' changing needs in a more uncertain environment. This is reflected in the size of the fleet, which reached more than 52 thousand vehicles at end June 2022, an 18%-increase compared to end December 2021. To service an increasing range of clients, the ALD Flex offering will be further rolled out in Sweden and Serbia by the end of the year.
Fleetpool, the #1 subscription company in Germany, which ALD acquired last year, operated 13 thousand vehicles at end June 2022. Operating through the 'like 2 drive' and 'eazycars' brands, it addresses private customers through a simple all-inclusive and fully digital subscription product. To leverage on its strong growth potential, it will be progressively rolled out across Europe.
Driven by more stringent environmental regulations as well as corporates' and individuals' rising interest in reducing their carbon footprint, the future of mobility is inevitably shifting towards electrification. Rising fuel prices also contribute to this movement. With a 27% EV share in its new car registrations[7] over the past 12 months, compared to the overall market which recorded less than 22%[8] over the same period, ALD positions itself as a leader in electrification. Demonstrating the strength of its commercial franchise, ALD was appointed in H1 2022 sole EV solution provider (advisory, fleet, charging) by a number of large corporate clients, among which Thales in Europe and Bayer in more than 10 of its markets. ALD is stepping up its expansion by deploying its ALD Electric offer, which includes charging, in 12 additional countries to reach a total of 34 markets by the end of the year.

In June 2022, ALD successfully issued a EUR 500 million green and positive impact bond which, in accordance with its recently updated framework, will be exclusively dedicated to the financing of Battery Electric Vehicles (BEV), a powertrain at the forefront of sustainability with zero gram of CO_2 tailpipe emissions. ALD thus confirms its commitment to the highest standards of sustainable development.

Strong commercial and exceptional financial performance

Funded fleet[9] grew by 5.4% compared to end June 2021, to 1,448 thousand vehicles at end June 2022, underpinned by strong organic growth of +3.1% despite continuing supply chain constraints. Total contracts stood at 1,761 thousand at end June 2022, up by 2.0% compared to end 2021.

The order book continued to edge higher in Q2 2022, due to continued disruptions in supply chains which are causing long delays in deliveries of new cars and greater anticipation of orders by clients. Supported by solid commercial dynamics, ALD's funded fleet grew by 1.5% since the beginning of the year, putting ALD on track to achieve its guidance of 2% to 4% funded fleet growth in 2022.

Total margins reached EUR 805.2 million in H1 2022, an increase of 19.9% compared to H1 2021. This number includes EUR +115.9 million of non-operating items impacting the Leasing contract margin, vs EUR +12.7 million in H1 2021:

- Depreciation adjustments: EUR +103.2 million vs EUR +12.7 million in H1 2021, reflecting the continued rising used car prices in H1 2022 and ALD's expectations that the highly favourable market conditions will last at least for the rest of the year. Two types of impacts were registered in H1 2022:
    - An income of EUR 40.5 million (vs EUR 12.7 million in H1 2021) based on the expected roll-off of the fleet portfolio and deriving from the usual fleet revaluation exercise,
    - A reduction in depreciation costs of EUR 62.7 million, driven by a change in the depreciation

curve, reflecting exceptionally high used car prices in H2 2022. As a result, depreciation has been adjusted or stopped for those vehicles whose sales proceeds are forecast to be in excess of their net book value.

The reduction in depreciation costs is the difference between the contractual amortization costs and the revised amortization cost. It anticipates in Q2 2022 some Used car sales results which would otherwise be recorded later this year.

- Application of hyperinflation accounting rules[10] in Turkey: EUR +39.5 million, booked in Q2 2022;
- Provision in Ukraine: EUR -26.8 million booked in Q1 2022[11].

When adjusted for these items, Total Margins increased by 4.6% compared to H1 2021, with growth in Leasing contract margin underpinned by the shift to higher-value vehicles.

The contribution from Used Car Sales result reached EUR 432.7 million in H1 2022 vs EUR 125.3m in H1 2021. This record result is driven by exceedingly favorable conditions in used car markets, which continued to benefit from unprecedented supply shortages generating exceptional profits. Average sales margin on used vehicles[12] came in at EUR 3,212 per unit in H1 2022 vs EUR 740 per unit in H1 2021, reaching EUR 3,330 per unit in Q2 2022. ALD sold 135 thousand units[13] in H1 2022 vs 169 thousand in H1 2021. This decrease is explained by a higher number of contract extensions and Used Car Leases. The used car stock was at a low level at the end of the semester.

As a consequence, ALD's Gross Operating Income reached EUR 1,237.9 million in H1 2022, up 55.3% vs. H1 2021.

Operating Expenses amounted to EUR 404.3 million in H1 2022, including preparation costs for the acquisition of LeasePlan for EUR 41.3 million, the entry of Sabadell Renting and FFM UK in the consolidation perimeter for EUR 7.9 million and the rise in variable compensation accrual reflecting record Used Car Sales results. The Cost/Income Ratio (excl. UCS result) was 50.2% in H1 2022.

Impairment charges on receivables came in at EUR 18.9 million in H1 2022, including a EUR 2 million charge recorded in Ukraine in Q1 2022. The cost of risk[14] was stable compared to H1 2021 at 16 bps, a continued low default rate.

Income tax expense increased to EUR 207.9 million in H1 2022, up from EUR 95.6 million in H1 2021, outpacing the rise in profit before tax, due to the end of the benefit of the Italian Stability Law, the provision in Ukraine and hyperinflation in Turkey.

ALD's Net Income (Group Share) reached a record level of EUR 606.1 million in H1 2022, up 72.2% from EUR 352.0 million in H1 2021. The impact of hyperinflation in Turkey accounted for EUR 27.5m in H1 2022.

Diluted Earnings per share[15] amounted to EUR 1.50 in H1 2022, vs EUR 0.87 in H1 2021.

Earning Assets increased by 5.2% at the end of June 2022 vs. the end of 2021, reaching EUR 23.7 billion, driven by funded fleet growth and the increasing share of higher value vehicles (EV) in new deliveries.

Total funding at the end of June 2022 stood at EUR 19.5 billion (up from EUR 18.5 billion at the end of 2021) of which 68% consisted of loans from Societe Generale.

As part of its active liquidity management strategy, ALD further diversified its funding through a EUR 700 million senior unsecured bond issuance in February 2022. In June 2022, ALD successfully issued a EUR 500m green and positive impact senior unsecured bond, which settled early July 2022. Both bond issues confirmed the market's solid appetite for ALD debt instruments.

The Group's Total Equity to Total Assets ratio stood at 17.8% at the end of June 2022, up from 16.6% net of dividend end 2021, reflecting record earnings.

Read the PR

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[1] The Group's unaudited consolidated results as at 30 June 2022 were examined by the Board of Directors, chaired by Diony Lebot, on 2 August 2022. The audit procedures carried out by the Statutory Auditors on the consolidated financial statements are in progress

[2] Management information

[3] Annualized Cost of Risk as a % of Average Earning Assets

[4] Cf ALD press release dated 6 January 2022

[5] Cf ALD press release dated 6 January 2022

[6] Original equipment manufacturer

[7] In the European Union, UK, Norway and Switzerland; management information

[8] Source: ACEA

[9] Including ALD Flex and Used Car Lease

[10] As per IAS 29 "Financial Reporting in Hyperinflationary Economies"

[11] Provisions representing 50% of rental fleet and customer receivables. Total assets net of provisions in Ukraine were EUR 44.9 million at end June 2022

[12] Management information

[13] Management information

[14] Annualized Cost of Risk as a % of average of Earning Assets**.**

[15] Calculated according to IAS 33. Basic EPS for H1 2022 also at EUR 1.50.