LeasePlan announces Q2 2020 results

AMSTERDAM, the Netherlands, 12 August 2020 – LeasePlan Corporation N.V. ("LeasePlan"; the "Company"), one of the world's leading Car-as-a-Service ("CaaS") companies and a leading pan-European used-car market place, today reports its Q2 results.

Q2 2020 financial highlights

- Net result of EUR 87 million, up EUR 55 million versus prior year[1]
- Underlying net result of EUR 92 million, generated through the peak of COVID-19 pandemic in Europe and including further strategic investments in CarNext.com, underscoring the resilience of LeasePlan's business model
- Car-as-a-Service:
  - Underlying Lease and Additional Services gross profit of EUR 339 million down by 11%, as a strong Damage Services and Insurance result helped to partially offset lower business activity due to COVID-19 and increasing provisions for expected credit losses impacted by COVID-19
  - PLDV and End of Contract Fees gross profit of EUR –9 million due to lower used-car sales proceeds in Q2 as a result of COVID-19, with June showing recovery in used-car pricing back to pre-COVID levels on an average basis
  - Operating expenses down 5.2% due to continued tight cost control
- CarNext.com:
  - B2C retail sales down 12% to 8,000 vehicles due to COVID-19-related temporary store closures and decreased business activity, particularly in April and May
  - Underlying net result of EUR –16 million, after EUR 8 million further strategic investments to accelerate future growth
- Diversified funding platform fully operational raising EUR 2.5 billion in the quarter across retail, ABS and a EUR 500 million Green Bond leading to a record high liquidity buffer of EUR 8.6 billion

Key numbers[2]

	Q2 2020	Q2 2019	% YoY Growth	6M 2020	6M 2019	% YoY Growth
VOLUME						
Serviced fleet (thousands), as at 30 June				1,840.4	1,856.6	–0.9%
Numbers of vehicles sold (thousands)	57.8	69.3	–16.7%	132.6	141.6	–6.4%
PROFITABILITY						
Underlying net result (EUR Million)	92.2	141.1	–34.7%	206.9	290.7	–28.8%
- Car-as-a-Service	108.2	152.7	–29.1%	246.0	311.7	–21.1%
- CarNext.com	–16.0	–11.6	–37.7%	–39.2	–21.1	–86.1%
Net result (EUR Million)	86.7	31.8	172.7%	106.6	163.8	–34.9%
Underlying return on equity				12.3%[3]	15.8%	

[1] Q2 2019 included a EUR 92 million pre-tax impairment on a Core Leasing System, EUR 12 million market-to-market derivatives impact and EUR 31 million restructuring and consultancy expenses mainly related to CarNext.com BU set-up.

[2] Due to rounding, numbers throughout this release might not add up precisely to the totals provided. Percentages are calculated based on un-rounded numbers.

[3] RoE is based on equity excluding the additional Tier 1 instrument. Including the AT1, RoE is 11.7%.

Commenting on the second quarter's results, Tex Gunning, CEO of LeasePlan, said:

"LeasePlan delivered a solid performance in both of our businesses this quarter, demonstrating once again the resilience of our business model and the stability of our income streams, even amid unprecedented circumstances. Contract extensions were approximately 50% above average as LeasePlan continued to protect the mobility of our customers in the face of OEM factory closures. Orders for new vehicles began to rebound in June, highlighting the underlying health of the business.

CarNext.com, our disruptive, digital, used-car marketplace, also experienced a significant rebound in B2C retail sales towards the end of the quarter as lockdowns were lifted and following the launch of contactless delivery measures, which enabled customers' to safely and easily purchase the car of their choice online. This was accompanied by a recovery in used-car pricing to pre-COVID levels on an average basis compared to April and May.

I am also especially proud that, despite the challenging economic circumstances, LeasePlan secured a liquidity buffer of EUR 8.6 billion – the strongest liquidity position in our history – having raised a total of EUR 2.5 billion during the period across retail, ABS and Green Bond funding sources. This record liquidity level highlights the robustness of our diversified funding platform, and puts LeasePlan in an excellent position to finance our long-term growth and to navigate the challenges ahead of ongoing market uncertainty.

Overall, while it is clear that COVID-19 continues to have a major impact on the global economy, the plan we set out in March is working well and LeasePlan finished the quarter in good shape. We remain confident in our long-term growth potential due to the ownership to subscription megatrend that is driving the structural growth of our industry. This megatrend will only be reinforced in the current circumstances, which will see a boom in demand for safe, private transportation in our core market segments, as well as the expansion of LCV fleets required for online shopping deliveries."

COVID-19 update

LeasePlan has delivered profitable growth throughout many different economic and business cycles for more than 50 years. The resilience and predictability of the business model is once again evidenced during these exceptional times as the business navigates through the COVID-19 challenges while minimising the impact on our business, our customers and our employees. Key actions include assisting customers through dedicated helpdesks in every country, offering a range of advice and support services, as well as the launch of innovative new services such as CarNext.com's contactless delivery solution. We also continued to support LeasePlan employees around the world, the majority of whom are now working remotely, by increasing internal communication, enhancing our digital learning and development opportunities, and offering online interactive health and wellbeing classes via Instagram. In addition, LeasePlan successfully raised EUR 2.5 billion funding in the quarter, increasing its liquidity buffer to a record EUR 8.6 billion. LeasePlan is therefore well positioned to navigate the challenges ahead of ongoing macro-economic uncertainty.

- **Resilient core leasing business** – In Q2, we continued to successfully support our customers in safeguarding their mobility needs in the face of global OEM supply chain issues by actively facilitating contract extensions, enabling lower monthly instalments while reducing residual value risk and funding requirements. In April and May, the continuing disruption to the OEM supply chain led to a postponement in new vehicle procurement, slowing down our serviced fleet growth and reducing rebates & bonuses on new vehicle purchases. In June, we saw a recovery in new vehicle deliveries as dealers and factories opened-up and expect the long-term growth potential to remain strong in our core segments, especially SME/Private, as customers continue to opt for safe personal vehicle subscriptions over other mobility options. Looking ahead, the reduced demand for leasing in Q2 combined with limited new car supply from OEMs will most likely lead to a slight decrease of our serviced fleet in 2020.
- **Customer credit portfolio** – In Q2 LeasePlan increased its provisions for expected credit losses by EUR 17 million (vs Q2 2019) for its lease portfolio due to COVID-19. LeasePlan has received customer payment deferral requests, all of which have been assessed on a case-by-case basis. The number of requests increased during Q2 with one-third of the requests being granted. The total amount of deferred cash is approximately EUR 58 million since March. Our updated assessment on the allowance for expected credit losses as of 30 June 2020 and related sensitivities is included in note 8 of the interim financial statements.
- **Used-car market recovering in June to pre-COVID levels** – The pandemic caused high levels of disruption to the functioning of used-car markets across Europe from March to May, as many markets were effectively shut and others experienced abruptly reduced levels of demand and dislocations to used-car prices. In June, we have seen the used-car market recover to pre-COVID levels on an average basis as B2B and B2C business activities resumed. Our updated assessment of the development of used-car prices underlying the valuation of cars in stock and impairments on operating leases assets as of 30 June 2020 and related sensitivities is included in note 7 and note 9 of the interim financial statements.

Group performance

In millions of euros, unless otherwise stated	Q2 2020	Q2 2019	% YoY Growth	6M 2020	6M 2019	% YoY Growth
Lease & Additional Services income	1,637.8	1,691.5	−3.2%	3,403.3	3,365.7	1.1%
Vehicle Sales and End of contract fees	648.9	824.2	−21.3%	1,537.2	1,663.0	−7.6%
Revenues	**2,286.7**	**2,515.7**	**−9.1%**	**4,940.5**	**5,028.7**	**−1.8%**
Underlying cost of revenues	**1,945.2**	**2,110.6**	**−7.8%**	**4,222.8**	**4,213.9**	**0.2%**
Lease Services	130.9	155.9	−16.0%	283.0	311.1	−9.0%
Fleet Management & other Services	45.5	68.6	−33.6%	115.9	143.4	−19.2%
Repair & Maintenance Services	68.0	84.2	−19.3%	144.5	172.2	−16.1%
Damage Services and Insurance	95.0	72.7	30.7%	176.5	145.3	21.5%
Underlying Lease and Additional Services	**339.4**	**381.3**	**−11.0%**	**720.0**	**772.1**	**−6.7%**
End of contract fees	29.0	36.4	−20.3%	68.9	68.3	0.8%
Profit/Loss on disposal of vehicles	−26.9	−12.6	114.3%	−71.2	−25.7	176.6%
Profit/Loss on disposal of vehicles and End of contract fees	**2.1**	**23.8**	**−91.3%**	**−2.3**	**42.6**	**−105.3%**
Underlying gross profit	**341.5**	**405.2**	**−15.7%**	**717.7**	**814.7**	**−11.9%**
Underlying operating expenses	231.5	234.3	−1.2%	473.7	464.5	2.0%
Share of profit of investments accounted for using the equity method	0.8	1.3		1.8	2.2	
Underlying profit before tax	**110.9**	**172.1**	**−35.6%**	**245.9**	**352.4**	**−30.2%**
Underlying tax	18.7	31.0	−39.7%	39.0	61.7	−36.8%
Underlying net result	**92.2**	**141.1**	**−34.7%**	**206.9**	**290.7**	**−28.8%**
Underlying adjustments	−5.5	−109.3		−100.3	−126.9	
Reported net result	**86.7**	**31.8**	**172.7%**	**106.6**	**163.8**	**−34.9%**
Staff (FTE's at period end)				8,165	7,831	4.3%

Financial Performance Q2

Revenues decreased by 9.1% to EUR 2,287 million. **Lease and Additional Services income** stood at EUR 1,638 million, driven by relatively stable fleet, fleet mix and lower business activity. **Vehicle Sales and End of contract fees** were down 21.3% to EUR 649 million, driven by 16.7% lower sales volumes and 12.1% lower B2C retail sales due to COVID-19-related lockdowns and temporary store closures in April and May.

Underlying Lease and Additional Services gross profit was down 11.0% to EUR 339 million, mainly driven by lower rebates & bonuses due to lower business activity in Q2 and a EUR 17 million provision for expected credit losses on our lease portfolio impacted by COVID-19, partially offset by continued strong Damage Services & Insurance result. **PLDV and EOCF gross profit** was down to EUR 2 million due to lower sales volume and declining used-car proceeds in April and May as a result of COVID-19. EUR 37 million of PLDV losses were booked against the inventory valuation allowance and fleet impairments.

Underlying operating expenses were down 1.2% to EUR 231 million, due to continued tight cost control and despite further strategic investments in CarNext.com. In scaling-up CarNext.com, we increased operating expenses for the business by EUR 8 million in the quarter, mainly in our data-driven platform and our leading technology, taking total CarNext.com operating expenses to EUR 32 million.

The underlying tax rate was down 1.2 percentage points to 16.9%.

Underlying net result was down 34.7% to EUR 92 million, due to COVID-19-related reduced gross profit margin and higher operating expenses for CarNext.com.

Reported net result was up EUR 55 million to EUR 87 million as Q2 2019 included a EUR 92 million pre-tax impairment on a Core Leasing System, EUR 12 million market-to-market derivatives impact and EUR 31 million restructuring and consultancy expenses mainly related to CarNext.com BU set-up

Year-on-year **Staff** increases reflect hiring to support our long-term strategic initiatives: CarNext.com and Digital LeasePlan.

Segment reporting CaaS and CarNext.com

In order to better reflect how LeasePlan manages these two businesses, we are reporting CaaS and CarNext.com separately.

Financial Performance Car-as-a-Service

In thousands	Q2 2020	Q2 2019	% YoY Growth	6M 2020	6M 2019	% YoY Growth
Serviced fleet, as at 30 June				1,840.4	1,856.6	–0.9%
Numbers of vehicles sold, as at 30 June	57.8	69.3	–16.7%	132.6	141.6	–6.4%
of which through CarNext.com	48.6	61.7	–21.2%	117.4	126.1	–6.9%

in millions of euros	Q2 2020	Q2 2019	% YoY Growth	6M 2020	6M 2019	% YoY Growth
Lease and Additional Services income	1,637.8	1,691.5	–3.2%	3,403.4	3,365.7	1.1%
Vehicle sales and End of contract fees	646.9	822.5	–21.3%	1,532.1	1,659.8	–7.7%
Revenues	**2,284.8**	**2,514.0**	**–9.1%**	**4,935.4**	**5,025.5**	**–1.8%**
Underlying cost of revenues	**1,954.5**	**2,117.6**	**–7.7%**	**4,236.6**	**4,228.8**	**0.2%**
Underlying Lease and Additional Services gross profit	339.4	380.0	–10.7%	719.0	769.8	–6.6%
Profit/Loss on disposal of vehicles and End of contract fees gross profit	–9.1	16.4	–155.3%	–20.2	26.9	–175.2%
Underlying gross profit	**330.3**	**396.4**	**–16.7%**	**698.8**	**796.7**	**–12.3%**
Underlying operating expenses	199.1	210.1	–5.2%	402.7	418.4	–3.7%
Share of profit in equity accounted investments	0.8	1.3	–33.4%	1.8	2.2	–16.5%
Underlying profit before tax	**132.0**	**187.6**	**–29.6%**	**297.9**	**380.6**	**–21.7%**
Underlying tax	23.8	34.9	–31.7%	51.9	68.8	–24.6%
Underlying net result	**108.2**	**152.7**	**–29.1%**	**246.0**	**311.7**	**–21.1%**

Serviced fleet was relatively stable at 1.84 million vehicles despite lower fleet orders related to COVID-19 in April and May. Continued growth in core European markets was partially offset by RoW due to a number of service-only contract losses.

Revenues decreased by 9.1% to EUR 2,285 million. **Lease and Additional Services income** stood at EUR 1,638 million driven by relatively stable fleet, fleet mix and lower business activity. **Vehicle Sales and End of contract fees** were down 21% to EUR 647 million, driven by lower sales volumes and B2C retail sales in April and May.

Underlying Lease and Additional Services gross profit was down 10.7% to EUR 339 million, mainly driven by lower rebates & bonuses due to lower business activity in Q2 and an additional EUR 17 million provision for expected credit losses for our lease portfolio impacted by COVID-19, partially offset by continued strong Damage Services & Insurance result. **PLDV and EOCF gross profit** declined to EUR –9 million due to lower sales volume and declining used-car proceeds in April and May as a result of COVID-19. EUR 37 million of PLDV losses were booked against the inventory valuation allowance and fleet impairments.

Underlying operating expenses were again tightly controlled and decreased by 5.2% to EUR 199 million despite further strategic investments in our digital operations.

The underlying tax rate was down 0.6 percentage points to 18.1%.

Underlying net result was down 29.1% to EUR 108 million driven by lower PLDV & EOCF gross profit and a provision for expected credit losses due to COVID-19.

Operational Highlights Car-as-a-Service

LeasePlan's Car-as-a-Service business for new cars delivered a solid performance in Q2 due to the resilient nature of its business model and income streams. Total amount of contract extensions was approximately 50% above average, as LeasePlan continued to protect the mobility of our customers in the face of OEM factory closures. In addition to continuing to support our clients in managing the impact of COVID-19, in Q2 LeasePlan also continued to innovate its product offering with a variety of new digital services across Europe, including the launch of predictive maintenance for customers in France, and enhanced My LeasePlan app functionality in multiple markets, allowing drivers to easily access their vehicle data and submit repair and maintenance requests through an automated self-service environment. New orders for electric vehicles and plug-in hybrids increased to 13.8%[4] in Q2 2020 (Q2 2019: 5.7%), underlying the strength of our strategy to achieve zero tailpipe emissions from our funded fleet by 2030. Our commitment to sustainability was further highlighted as LeasePlan became a founding partner of the UK Electric Fleets Coalition and successfully launched its second Green Bond, which will be used to finance and refinance the growing proportion of electric vehicles in our fleet.

Financial Performance CarNext.com

Sales volume

In thousands	Q2 2020	Q2 2019	% YoY Growth	6M 2020	6M 2019	% YoY Growth
- B2B sales	40.6	52.6	−22.8%	98.0	108.4	−9.6%
- B2C sales	8.0	9.1	−12.1%	19.4	17.7	9.6%
Total	**48.6**	**61.7**	**−21.2%**	**117.4**	**126.1**	**−6.9%**

in millions of euros	Q2 2020	Q2 2019	% YoY Growth	6M 2020	6M 2019	% YoY Growth
Revenues	**28.4**	**28.0**	**1.3%**	**64.3**	**57.3**	**12.3%**
Underlying cost of revenues	**17.2**	**19.3**	**−10.9%**	**45.4**	**39.3**	**15.3%**
Underlying gross profit	**11.2**	**8.7**	**28.1%**	**19.0**	**18.0**	**5.6%**
Underlying operating expenses	32.3	24.3	33.3%	71.1	46.1	54.1%
Underlying profit before tax	**−21.1**	**−15.5**	**−36.2%**	**−52.1**	**−28.2**	**−85.0%**
Underlying tax	−5.1	−3.9	31.9%	−12.9	−7.1	81.7%
Underlying net result	**−16.0**	**−11.6**	**−37.7%**	**−39.2**	**−21.1**	**−86.1%**
Total allocated assets				254.5	139.7	82.2%
Total allocated liabilities				185.1	94.4	96.2%

B2C retail volumes were down 12% to approximately 8,000 vehicles, due to temporary store closures in April and May.

Revenue remained stable at EUR 28 million, with lower volumes compensated by increased optional services income and CarNext-owned vehicle sales. **Gross profit** was up 28.1% to EUR 11 million mainly due to lower de-fleeting costs and retail preparation costs.

[4] New orders of Battery Electric Vehicles and Plug-in Hybrid Electric Vehicles, excluding USA

Underlying operating expenses totalled EUR 32 million, up by EUR 8 million as CarNext.com continued to invest in its data driven platform and leading technology.

The underlying tax rate was down 0.8 percentage points to 24.3% driven by a blend of statutory rates from the 23 countries in which CarNext.com operates.

Underlying net result was down to EUR –16 million, driven by increased strategic investments.

Operational highlights CarNext.com

CarNext.com, LeasePlan's digital pan-European used-car marketplace, continued to deliver on its mission to become the most trusted pan-European marketplace for high-quality used cars. This was reflected in strong customer satisfaction in Q2, with an average NPS score of 66. B2C retail sales, which were down 12% to 8,000 vehicles, largely due COVID-19-related lockdowns, were supported by a number of innovative solutions, including contactless delivery methods. Looking forward, CarNext.com will continue to make it as easy as possible for drivers to quickly buy the car of their choice through a new partnership with solarisBank, announced in June, which will enable customers to secure financing in as little as ten minutes. CarNext.com also successfully launched a commercial with F1 driver Max Verstappen in the quarter as part of a new marketing campaign to increase brand awareness and sales across Europe. CarNext.com's B2B performance remained solid in Q2 2020, with daily auctions being complemented by an increase in trader app downloads across all key markets.

Funding and Capital Position

Despite a challenging market backdrop, LeasePlan demonstrated continued access to funding across all of its platforms. The depth of this access was evidenced by EUR 2.5 billion being raised in the quarter across Retail, ABS and senior unsecured funding as well as the extension of the EUR 1,050 million Term Loan Facility that had otherwise been due to mature in 2021.

Specifically, EUR 966 million was raised via LeasePlan's Retail Bank helped by a campaign in Germany to celebrate the 10-year anniversary of the launch of LeasePlan Bank. A further EUR 1 billion was raised via LeasePlan's Bumper ABS programme comprising an inaugural transaction in Belgium which delivered EUR 500 million via a warehouse facility and a privately placed transaction in the Netherlands for an additional EUR 500 million. Q2 also saw the launch of LeasePlan's second 5-year Green Bond transaction for EUR 500 million which combined with selective private placements over the quarter brought the senior unsecured contribution to EUR 575 million.

A strategic decision in uncertain times to prefund the greater part of our 2020 requirements allowed the company to convert the appetite for LeasePlan exposure into the creation of the strongest liquidity buffer in LeasePlan's history. LeasePlan finished the quarter with a liquidity buffer of EUR 8,550 million consisting of cash balances as well as access to its undrawn EUR 1.5 billion committed revolving credit facility.

The CET1 ratio as per 30 June 2020 is 16.9%[5] calculated at the regulatory sub-consolidated level (LeasePlan Corporation N.V. consolidated). At this sub-consolidated level, the Total Capital ratio is 19.5% which is equal to the Tier 1 capital ratio[6].

On 20 April Fitch affirmed LeasePlan Corporation N.V.'s LT rating at BBB+ and revised the outlook to Negative from Stable. Furthermore, the ST rating was downgraded to F2 from F1. On 24 April S&P affirmed LeasePlan Corporation N.V.'s ratings and outlook at BBB- with a Stable outlook.

[5] CET1 ratio assumes no divided accrual.

[6] CET1 ratio at the regulatory Consolidated level (LP Group BV consolidated) is 16.8% and CET1 ratio at the regulatory Solo level (LeasePlan Corporation N.V.) is 15.5% as of 30 June 2020. The CET1 ratio at the regulatory Solo level is excluding the half year 2020 interim result.

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About LeasePlan

LeasePlan is a leader in two large and growing markets: Car-as-a-Service for new cars, through its LeasePlan business, and the high-quality three-to-four year old used car market, through its CarNext.com business. LeasePlan's Car-as-a-Service business purchases, funds and manages new vehicles for its customers, providing a complete end-to-end service for a typical contract duration of three to four years. CarNext.com is a pan-European digital marketplace for high-quality used cars seamlessly delivering any car, anytime, anywhere and is supplied with vehicles from LeasePlan's own fleet as well as third-party partners. LeasePlan has more than 1.9 million vehicles under management in over 30 countries. With over 50 years' experience, LeasePlan's mission is to provide what's next in sustainable mobility so our customers can focus on what's next for them. Find out more at www.leaseplan.com/corporate.

Condensed consolidated interim financial statements

Condensed consolidated statement of profit or loss

For the period ended 30 June

In thousands of euros	Note	Q2 2020	Q2 2019	6M 2020	6M 2019
Operating lease income		1,026,128	1,026,715	2,091,505	2,048,358
Finance lease and Other interest income		27,379	36,500	58,854	72,248
Additional services income		584,274	628,290	1,252,943	1,245,078
Vehicle sales and End of contract fees		648,916	824,198	1,537,217	1,662,968
Revenues	2	**2,286,697**	**2,515,702**	**4,940,519**	**5,028,653**
Depreciation cars		811,605	818,789	1,708,496	1,636,022
Finance cost		84,294	85,033	170,628	167,042
Unrealised (gains)/losses on financial instruments		−3,166	12,082	8,522	28,424
Impairment charges on loans and receivables		26,122	8,661	37,623	15,642
Lease cost		918,856	924,566	1,925,269	1,847,130
Additional services cost		381,352	402,893	831,646	784,093
Vehicle and Disposal cost		646,836	800,384	1,576,115	1,620,359
Direct cost of revenues	2	**1,947,044**	**2,127,843**	**4,333,029**	**4,251,582**
Lease services		134,651	138,649	225,090	273,476
Additional services		202,922	225,397	421,297	460,986
Profit/Loss on disposal of vehicles and End of contract fees		2,081	23,813	−38,898	42,609
Gross profit	2	**339,654**	**387,859**	**607,490**	**777,071**
Staff expenses		143,630	152,744	291,135	295,547
Other operating expenses		68,704	90,287	153,316	159,643
Other depreciation and amortisation	3	25,668	114,059	51,373	134,913
Total operating expenses		**238,003**	**357,090**	**495,824**	**590,103**
Share of profit of investments accounted for using the equity method		846	1,271	1,837	2,200
Profit before tax		**102,496**	**32,039**	**113,503**	**189,168**
Income tax expenses		15,778	239	6,951	25,390
Net result for the period		**86,718**	**31,801**	**106,551**	**163,778**
Attributable to:					
Equity holders of parent		77,692	28,494	88,305	160,472
Holders of AT1 capital securities		9,184	3,307	18,404	3,307
Non-controlling interest		−157	–	−157	–

The notes to the condensed consolidated interim financial statements are an integral part of these statements.

Condensed consolidated statement of comprehensive income

For the period ended 30 June

In thousands of euros	Q2 2020	Q2 2019	6M 2020	6M 2019
Net result	86,718	31,801	106,551	163,778
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Changes in cash flow hedges, before tax	819	−2,425	1,381	−3,136
Income tax on cash flow hedges	63	606	−451	784
Subtotal changes in cash flow hedges, net of income tax	**881**	**−1,819**	**930**	**−2,352**
Exchange rate differences	3,115	−18,737	−79,175	6,383
Other comprehensive income, net of income tax	**3,996**	**−20,556**	**−78,245**	**4,031**
Total comprehensive income for the year	**90,714**	**11,245**	**28,306**	**167,810**
Comprehensive income attributable to:				
Owners of the parent	81,688	7,938	10,060	164,503
Holders of AT1 capital securities	9,184	3,307	18,404	3,307
Non-controlling interest	−157	–	−157	–

Condensed consolidated statement of financial position

In thousands of euros	Note	**30 June 2020**	**31 December 2019**
Assets			
Cash and balances at central banks	4	6,513,609	4,828,356
Investments in debt securities		24,588	24,663
Receivables from financial institutions	5	762,341	638,579
Derivative financial instruments	6	190,317	102,636
Other receivables and prepayments		1,045,672	1,242,624
Inventories	7	469,164	644,721
Corporate income tax receivable		53,305	70,796
Loans to equity accounted investments		164,500	163,500
Lease receivables from clients	8	3,134,929	3,388,054
Property and equipment under operating lease and rental fleet	9	18,585,451	19,340,074
Other property and equipment	10	410,567	392,935
Equity accounted investments		20,612	18,778
Intangible assets		232,887	203,387
Deferred tax asset		257,287	229,150
Total assets		**31,865,230**	**31,288,252**

Condensed consolidated statement of financial position - *continued*

In thousands of euros	Note	**30 June 2020**	**31 December 2019**
Liabilities			
Funds entrusted	11	8,937,623	7,763,597
Derivative financial instruments	6	153,576	136,770
Trade and other payables and Deferred income		2,265,872	2,437,634
Corporate income tax payable		57,939	65,377
Borrowings from financial institutions	12	3,632,148	4,078,817
Lease liabilities	10	320,402	296,289
Debt securities issued	13	11,564,364	11,582,171
Provisions		524,478	522,335
Deferred tax liabilities		338,114	344,623
Total liabilities		**27,794,515**	**27,227,613**
Equity			
Share capital		71,586	71,586
Share premium		506,398	506,398
Other reserves		−121,370	−43,125
Retained earnings		3,116,167	3,027,862
Equity of owners of the parent		**3,572,780**	**3,562,720**
AT1 capital securities		497,882	497,919
Non-controlling interest		53	–
Total equity		**4,070,715**	**4,060,639**
Total equity and liabilities		**31,865,230**	**31,288,252**

Condensed consolidated statement of changes in equity

In thousands of euros	Share capital	Share premium	Other reserves	Retained earnings	Equity of owners of the parent	AT1 capital securities	Non-controlling interest	Total equity
Balance as at 1 January 2019	**71,586**	**506,398**	**–67,761**	**2,811,834**	**3,322,058**	**–**	**–**	**3,322,058**
Net result	–	–	–	163,778	163,778	–	–	163,778
Transfer - accrued interest on AT1 capital securities	–	–	–	–3,307	–3,307	3,307	–	–
Other comprehensive income	–	–	4,031	–	4,031	–	–	4,031
Total comprehensive income	**–**	**–**	**4,031**	**160,472**	**164,503**	**3,307**	**–**	**167,809**
Proceeds AT1 capital securities	–	–	–	–	–	500,000	–	500,000
Issuance costs AT1 capital securities	–	–	–	–	–	–5,425	–	–5,425
Balance as at 30 June 2019	**71,586**	**506,398**	**–63,729**	**2,972,306**	**3,486,561**	**497,882**	**–**	**3,984,442**
Balance as at 1 January 2020	**71,586**	**506,398**	**–43,125**	**3,027,862**	**3,562,720**	**497,919**	**–**	**4,060,639**
Net result	–	–	–	106,709	106,709	–	–157	106,551
Transfer - accrued interest on AT1 capital securities	–	–	–	–18,404	–18,404	18,404	–	–
Other comprehensive income	–	–	–78,245	–	–78,245	–	–	–78,245
Total comprehensive income	**–**	**–**	**–78,245**	**88,305**	**10,060**	**18,404**	**–157**	**28,306**
Incorporation of subsidiary with NCI	–	–	–	–	–	–	210	210
Interest coupon paid on AT1	–	–	–	–	–	–18,440	–	–18,440
Balance as at 30 June 2020	**71,586**	**506,398**	**–121,370**	**3,116,167**	**3,572,780**	**497,882**	**53**	**4,070,715**

In May 2019 LeasePlan Corporation N.V. (fully owned by LP Group B.V.) issued EUR 500 million in capital securities, including transaction costs in the amount of EUR 5 million. The capital securities qualify as Additional Tier 1 capital (AT1) and are undated, deeply subordinated, resettable and callable. There is a fixed interest coupon of 7.375 % per annum, payable semi-annually starting from November 2019. Interest is non-cumulative and fully at the discretion of LeasePlan Corporation N.V.
In 2020 LeasePlan accrued interest on AT1 capital securities for EUR 18.4 million. In May an amount of EUR 18.4 million has been paid related to the six months period November 2019 - May 2020, including EUR 3.3 million accrued in 2019. The remaining part of EUR 3.3 million is payable in November 2020, therefore as at the reporting date this amount does not yet represent a liability.

During the second quarter of 2020 LeasePlan and Faraday Keys Holding B.V. ('FK') incorporated PowerD B.V., in line with our strategy to achieve zero emissions from total fleet by 2030. The share distribution is 72.8% and 27.2% respectively and the investment in equity is EUR 0.6 million. Minority shares of FK are shown under Non-controlling interests.

Condensed consolidated statement of cash flows

For the period ended 30 June

In thousands of euros	Note	**2020**	**2019**
Operating activities			
Net result		**106,551**	**163,778**
Adjustments			
Interest income and expense *		111,774	94,794
Impairment charges on receivables		37,623	15,642
Valuation allowance on inventory *		8,727	−9,002
Depreciation and impairment operating lease portfolio and rental fleet	9	1,769,095	1,688,942
Insurance expense		168,486	188,317
Depreciation other property plant and equipment		34,177	33,560
Amortisation and impairment on intangibles		17,196	101,353
Share of profit in equity accounted investments		−1,837	−2,200
Financial instruments at fair value through profit and loss		8,522	28,424
Income tax expense		6,951	25,390
Changes in			
Provisions *		−165,095	−179,211
Derivative financial instruments		−18,977	−14,887
Trade and other payables and other receivables		341,133	−50,257
Inventories *		325,977	383,256
Amounts received disposing objects under operating lease	9	1,055,783	1,107,107
Amounts paid acquiring objects under operating lease	9	−2,672,758	−3,642,851
Acquired new finance leases		−523,490	−788,054
Repayment finance leases		603,902	726,514
Income taxes received		14,135	10,652
Income taxes paid		−39,532	−47,341
Interest received *		60,209	67,571
Interest paid		−191,990	−185,919
Net cash inflow/(outflow) from operating activities		**1,056,564**	**−284,423**

*Prior year comparatives have been restated. Please refer to the Basis of preparation for further details.

Condensed consolidated statement of cash flows – *continued*

For the period ended 30 June

In thousands of euros	Note	2020	2019
Investing activities			
Net investment in debt securities		75	–80
Loans to equity accounted investments		–45,000	–36,500
Redemption on loans to equity accounted investments		44,000	34,800
Dividend received from ass. and jointly controlled entities		–	1,819
Changes in held-for-sale investments *		–	776
Proceeds from sale of other property and equipment		10,756	17,166
Acquisition of other property and equipment		–19,078	–54,400
Acquisition of intangibles assets		–47,445	–27,365
Net cash outflow from investing activities *		**–56,692**	**–63,784**
Financing activities			
Receipt from receivables from financial institutions		583,030	303,355
Balances deposited to financial institutions		–566,751	–314,355
Receipt of borrowings from financial institutions		2,291,071	3,569,297
Repayment of borrowings from financial institutions		–2,518,068	–3,313,729
Receipt of funds entrusted		2,402,153	2,097,048
Repayment of funds entrusted		–1,228,141	–865,317
Receipt of debt securities		1,637,998	1,570,990
Repayment of debt securities		–1,596,861	–1,743,958
Payment of lease liabilities		–22,771	–19,142
Receipt AT1 Capital securities		–	494,575
Interest paid AT1 capital securities		–18,440	–
Net cash inflow from financing activities		**963,221**	**1,778,765**
Cash and balances with banks as at 1 January		**5,093,290**	**3,351,570**
Net movement in cash and balances with banks		1,963,093	1,430,558
Exchange gains/(losses) on cash and balances at banks		–384	–338
Cash and balances with banks as at 30 June	4	**7,056,000**	**4,781,790**

*Prior year comparatives have been restated. Please refer to the Basis of preparation for further details.

General notes

General information

LeasePlan Corporation N.V.
LeasePlan Corporation N.V. (the “Company”) is a company domiciled in Amsterdam, the Netherlands, where its statutory seat is located. The address of its registered office is Gustav Mahlerlaan 360, 1082 ME Amsterdam. The condensed consolidated interim financial statements of the Company as at 30 June 2020 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in investments accounted for using the equity method. The Group consists of an international network of companies engaged in fleet management and mobility services, mainly through operating leasing, and car remarketing through CarNext. At 30 June 2020, the Group employed over 8,000 people worldwide and had offices in over 30 countries. There were no major changes in the Groups’ composition during the reporting period.

The Company has held a banking licence in the Netherlands since 1993 and is regulated by the Dutch Central Bank.

The condensed consolidated interim financial statements have been reviewed, not audited.

Ownership of the Company

LP Group B.V. holds 100% of the Company’s shares. LP Group B.V. represents a group of long-term investors. None of these investors alone has a direct or indirect controlling interest in the Company:

- ADIA: Since 1976, the Abu Dhabi Investment Authority (ADIA) has been prudently investing funds on behalf of the Government of Abu Dhabi, with a focus on long-term value creation. ADIA manages a global investment portfolio that is diversified across more than two dozen asset classes and sub categories, including quoted equities, fixed income, real estate, private equity, alternatives and infrastructure.
- ATP: ATP was established in 1964 and is Denmark’s, and one of Europe’s, largest pension funds.
- Broad Street Investments: A Singapore based Holding company.
- GIC: GIC is a leading global investment firm with well over US$100 billion in assets under management. Established in 1981, the firm manages Singapore’s foreign reserves and is positioned for long-term and flexible investments across a wide range of asset classes, including public equities, fixed income, real estate, and private equity. In private equity, GIC invests through funds as well as directly in companies, partnering with fund managers and management teams to help businesses achieve their objectives. GIC employs more than 1,300 people.
- PGGM: PGGM is a cooperative Dutch pension fund service provider. Institutional clients are offered asset management, pension fund management, policy advice and management support either alone or together with strategic partners, PGGM develops innovative future provisions by linking together pension, care, housing and work.
- TDR Capital: TDR Capital LLP is a highly selective private equity firm with a track record of investing in businesses. TDR Capital LLP was founded in 2002 and currently manages funds totalling over EUR 8.0 billion on behalf of a range of sophisticated investors.

Basis of preparation

The condensed consolidated interim financial statements for the period ended 30 June 2020 have been prepared in accordance with IAS 34, “Interim financial reporting” as adopted by the European Union (EU). The condensed consolidated interim financial statements have been prepared on the same basis as, and should be read in conjunction with, the annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRS and its interpretations as adopted by the European Union. These condensed consolidated interim financial statements do not include the “company financial statements”. The annual company financial statements are included in the Group’s Annual report for the year ended 31 December 2019.

The condensed consolidated interim financial statements for the period ended 30 June 2020 of the Group have been prepared on a going concern basis.

Due to rounding, numbers presented throughout these interim financial statements may not add up precisely to the totals provided.

Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the previous financial year. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual profit or loss.

Reclassification of Asset held for sale in the presentation on the statement of financial position

Assets held for sale have been reclassified to inventories during Q4 2019 as a result of the Group’s assessment of the assets included in this position. The category that was reclassified mainly includes operating leases the Group’s entered into in the United states with the aim to sell onwards to debt investors as part of the Group’s ongoing business.

Payment deferral due to COVID-19 pandemic

LeasePlan has granted payment relief to customers that have difficulties meeting the payment terms due to COVID-19. The changes in lease and service contracts are accounted for as a change in estimate with prospective adjustment of revenue. When terms of a contract are substantially modified the original contract is derecognised and a new contract is recognised. A modification in service contracts is recognised as an adjustment to revenue as from the date of the contract modification. Prospective revenue and related service income accruals are adjusted. Non substantial modifications in finance lease contracts are recognised as change in net present value of the finance lease receivable

Adoption of new and amended accounting standards effective as per 1 January 2020

The following new standards and amendments to existing standards and interpretations, all endorsed by the EU, have been adopted by the Group as from 1 January 2020.

Interest Rate Benchmark Reform

As a result of phase 1 of the interest rate benchmark reform in September 2019 the amendments to IFRS 9 and IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures” are effective as per 1 January 2020. Those amendments provide a number of reliefs, which are applied to all hedging relationships that are directly affected by interest rate benchmark reform.

A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The relief does not apply to other sources of uncertainties of cash flows.

The Group is in the process of the transition from the IBOR-based instruments to alternative reference rate's (ARR) instruments, which will be finalised at the end of 2021. An implementation team is set up sponsored by the CFO and is led by senior representatives from functions amongst the Group including Strategic Finance, Legal, Finance, Risk and Operations. The implementation team performs periodic updates to the Managing Board.
The Group monitors further developments in these rates and determines the implications to the Group considering the impact on amongst others financial instruments, issued notes and the lease portfolio.

The Group is investigating and adapting to new regulations with respect to, but not limited to:
• The impact on financial instruments, derivatives, issued notes and the potential impact on future cash flows and discounting;
• Engaging with external financial institutions and counterparts to assess and source ARRs to its current contracts term sheets;
• Potential impact of the IBOR reform to collateral agreements;
• Investigation of local contracts in all countries;
• A legal review of all contracts in terms of contractual triggers, such as fallback events and their impact.

The extent of the risk exposure directly affected by the interest rate benchmark reform did not change materially since 31 December 2019. For the nominal amount of the hedging instruments and the fair value of derivatives please refer to the Derivative financial instruments note. As of and for the period ended 30 June 2020 these amendments had no impact on the consolidated financial statements.

The IASB has started work on phase 2 commencing October 2019. The second phase of its project focuses on financial reporting issues that may arise when IBOR are either reformed or replaced. An exposure draft for IBOR phase 2 was issued on 9 April 2020. The IASB plans to issue final amendments in Q3 2020 and the proposed effective date is 1 January 2021.

Other changes

The following other changes that became effective in 2020 do not have any significant impact on shareholders' equity nor comprehensive income or are not relevant to the condensed consolidated financial statements of the Group. Those changes relate to the following standards.

Standards endorsed by the EU and effective as per 1 January 2020:

- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018).
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Definition of Material (issued on 31 October 2018).
- Amendment to IFRS 3 Business Combinations (issued on 22 October 2018).

Standards not yet endorsed by the EU and effective in 2020:

- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (issued on 28 May 2020) – endorsement expected in Q3/Q4 2020.

New and amended relevant accounting standards effective after 1 January 2021

IFRS 17 – 'Insurance contracts'

The Group will implement IFRS 17 'Insurance Contracts' (as issued by the IASB on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020). The standards has not yet been EU endorsed and will be effective after 1 January 2023.

IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts, which was issued in 2005.

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows).
- A Contractual Service Margin (CSM) that is deferring any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contracts to be recognised in profit or loss over the service period (i.e. coverage period).

- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period.
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
- A simplified premium allocation approach (PAA) may be applied for contracts that meet specific conditions. An important condition is that the coverage of the contracts does not exceed one year. The PAA is quite similar to current accounting under IFRS 4 for non-life products.
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income is based on the concept of services provided during the period;
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.
- Extensive disclosures will provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The Group is currently assessing the impact on shareholder's equity and comprehensive income of IFRS 17, and as such is not able to quantify its impact yet, nor specify any policy choice that will be made.

Other changes

The following amendments to standards are not yet endorsed by the EU and become effective after 1 January 2021. Those changes relate to:

- Amendments to IAS 1 Classification of Liabilities as Current or Non-Current (issued on 23 January 2020). The IASB has issued an exposure draft to defer the effective date from 1 January 2022 to 1 January 2023.
- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements (issued 14 May 2020)

These changes are not expected to have a significant impact on shareholders' equity nor comprehensive income of the Group.

Use of judgements and estimates

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were based on those applied to the consolidated financial statements for the year ended 31 December 2019 and have been updated due to the COVID-19 pandemic.
This includes key sources of estimation uncertainty in respect of expected credit loss on lease receivables from clients, impairment testing of goodwill, the value and impairment of property and equipment under operating lease and the valuation allowance for inventory, which were investigated in more depth as disclosed in the specific notes to the statement of financial position.

Seasonality and cyclicality

As the Group leases assets to its clients for durations that normally range between 3-4 years, the impact of seasonality and cyclicality is relatively limited.

Financial risk management

All amounts are in thousands of euros, unless stated otherwise

Recent developments (COVID-19)

The COVID-19 pandemic has and currently still is causing significant disruption in the global economy. In response to this outbreak, numerous governments imposed various levels of restrictions on personal movement and closed sections of the economy. This crisis impacts LeasePlan through the disruption of the global vehicle and parts supply chain, financial strain on our customers and suppliers, decreased demand for new vehicles, decreasing asset values, increasing credit losses, potential impact on our employees' health and productivity, and disruption of capital markets. The implementation of 100% work-from-home policy creates increased concurrent usage on the IT infrastructure and introduces additional cyber-security complexity.

In response, LeasePlan continued executing its business continuity plan as commenced in Q2 with the vast majority of its employees working safely from home across all its markets, supported by the global digital infrastructure. LeasePlan customers and drivers are receiving the best service possible during this period.

To mitigate risks, LeasePlan minimised cash expenditures and maximized the use of existing assets through vehicle extensions, reducing used vehicles inventory, delaying certain non-critical investment and expenditure minimising working capital and foregoing a portion of 2019 dividend payout. In addition, on top of the EUR 6.7 billion liquidity buffer in Q1 2020, LeasePlan successfully raised EUR 2.5 billion funding in Q2 of which partially was utilised for fleet growth, increasing LeasePlan's total liquidity buffer to EUR 8.6 billion in Q2 2020. LeasePlan is therefore well positioned to navigate the challenges ahead and withstand ongoing macro-economic uncertainty. Further, we are carefully monitoring customer payment behaviour.

- **Core leasing business** – We continued to successfully support our customers in safeguarding their mobility needs in the face of global OEM supply chain issues by actively facilitating contract extensions, enabling lower monthly instalments while reducing residual value risk and funding requirements. In April and May, the continuing disruption to the OEM supply chain led to a postponement in new vehicle procurement, slowing down our Serviced fleet growth and reducing rebates & bonuses on new vehicle purchases. In June, we saw a recovery in new vehicle deliveries as dealers and factories opened-up and expect the long-term growth potential to remain strong in our core segments, especially SME/Private, as customers continue to opt for safe personal vehicle subscriptions over other mobility options. Looking ahead, the reduced demand for leasing in Q2 combined with limited new car supply from OEMs will most likely lead to a slight decrease of our serviced fleet in 2020.
- **Customer credit portfolio** – In the first half of 2020 LeasePlan increased its provision for expected credit losses by EUR 37.6 million for its lease portfolio due to COVID-19 (of which in Q2: EUR 26 million). LeasePlan has received customer payment deferral requests, all of which have been assessed on a case-by-case basis. The number of requests in the first half year of 2020 increased during Q2 with one-third of the requests being granted. Further, the expected credit loss allowance for non-credit impaired lease receivables increased by EUR 6 million and for credit impaired lease receivables increased by EUR 14 million compared to 31 December 2019. The updated assessment on forward looking scenario's we have adopted as of 30 June 2020 to determine the expected credit loss allowance, including critical assumptions and parameters and sensitivities, are disclosed in note 8 Lease receivables from clients.
- **Used-car market** – The pandemic caused high levels of disruption to the functioning of used-car markets across Europe from March to May, as many markets were effectively shut and others experienced abruptly reduced levels of demand and dislocations to used-car prices. In June, we have seen the used-car market recover to pre-COVID levels across most of our core markets as B2B and B2C business activities resumed. The updated assessment on forward looking scenario's we have adopted as of 30 June 2020 to determine the valuation of cars on stock, the valuation of operating lease assets and related impairments, including critical assumptions and sensitivities, are disclosed in note 7 Inventories and note 9 Property and equipment under operating lease and rental fleet.

Risks and uncertainties

The Group recognises ten risk management areas, being asset risk, credit risk, operational risk, treasury risk, motor insurance risk, Information risk, legal risk, compliance risk, reputation risk and strategic risk. Of the ten risk management areas, asset risk, credit risk, operational risk and liquidity risk (which is part of treasury risk) are considered to be primary risks. The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required for the annual financial statements; these disclosures should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2019.

The COVID-19 health crisis is causing significant disruption in the global economy. Our high-quality customer base, the long-term nature of our contracts, recurring income, solid balance sheet and diversified funding platform will help us during this period of challenges with ongoing macro-economic uncertainty. The risks that are most relevant in light of the current pandemic are further described below. As a result of the COVID-19 health crisis, the Group increased the monitoring activities regarding these risks.

A. Asset risk

The term asset risk is used within LeasePlan as a combination of residual value risks and risks on RMT services. Residual value risk is considered the main risk and is defined as LeasePlan's exposure to potential losses due to the resale value of assets declining below the estimates made at lease inception minus risk mitigation. The risk related to RMT is LeasePlan's exposure to potential loss due to the actual costs of the services, repair and maintenance and tires (over the entire contractual period) exceeding the estimates made at lease inception.

The effects of the vehicle's characteristics on the resale value of the vehicle are managed by correctly pricing the vehicle at vehicle inception. The effects of the used car market on the resale value of the vehicle cannot fully be managed by LeasePlan. The state of the used car market is influenced by factors that reside outside LeasePlan's sphere of control and is therefore considered to be part of the inherent market risk of the used car market. The effects of the used car market can partially be mitigated by the adoption of an omni channel approach, which allows further optimisation of the revenues generated from the sale of second hand cars. The exposure to residual values as at the end of June 2020 amounted to EUR 13.2 billion (year-end 2019: EUR 13.5 billion).

B. Liquidity risk

Liquidity risk is the risk that the Group is not able to meet its obligations for (re)payments, due to a mismatch between the run-off of its assets and liabilities.

Liquidity risk is managed by pursuing a diversified funding strategy, seeking to conclude funding that matches the estimated run-off profile of the leased assets and maintaining an adequate liquidity buffer. The matched funding principle is applied both at a consolidated group and at subsidiary level taking into account specific mismatch tolerance levels. The Group maintains a liquidity buffer that includes cash balances and a committed (standby) credit facility to safeguard its ability to continue to write new business also when under stress temporarily no new funding could be obtained from the financial markets. The overall liquidity buffer is intended to be sufficient to ensure that under management assumption-based stress at least 9 months can be survived and under regulatory assumption based stress at least 6 months can be survived.

C. Credit risk

As a result of its normal business activities, the Group is exposed to credit risk, which is the risk that a counterparty will not be able to fulfil its financial obligations when due. In the Group's core business, this credit risk mainly relates to lease receivables from clients. Lease receivables from clients consist of trade receivables and amounts receivable under finance lease contracts. For amounts receivable under finance lease contracts credit risk is mitigated by the underlying value of the available collateral (i.e. leased object). To intensify the control of receivables a program was set up aimed at structural prevention of overdues, while realizing quick wins and mitigating COVID-19 consequences at the same time. This program is governed by a senior level SteerCo.

In addition, the Group is exposed to credit risk originating from its banking and treasury activities, which includes deposits placed with financial institutions and hedging instruments, such as derivatives and reinsurance activities. Finally, the Group is exposed to credit risk because of insurance activities as well as to rebates and bonuses to be received from vehicle manufacturers and other suppliers.

Weekly default reporting is in place. Next to this, the limits for financial counterparties are monitored weekly and the Group monitors on a daily basis several market developments as Early Warning Indicators to advise on any adjustments of these limits.

D. Operational risk

In December 2019, LeasePlan received approval from DNB regarding the shift from AMA to the standardized (STD) approach. As of January 2020, LeasePlan has applied the STD approach to determine the own funds requirement for operational risk. Due to the change to STD approach from AMA, the Risk Weighted Assets (RWA) for Operational Risk has increased to EUR 2.5 billion (year-end 2019 EUR 1.5 billion). The STD approach, including the increase in RWAs, was taken into account by the DNB when setting the new minimum capital requirements as of 24 February 2020.

Specific notes

All amounts are in thousands of euros, unless stated otherwise

1 Segment information

LeasePlan's core business activity consist of providing leasing and fleet management services, including the purchase, financing, insurance, maintenance and remarketing of vehicles, to external customers. The Group offers a mono-line product through all its LeasePlan subsidiaries allowing for some differentiation based on the maturity of local markets. The Group's key management is responsible for allocating resources to the segments and assesses its performance.

Primary segments
The Group identified Europe and Rest of the world as reportable segments. Operating segments are reported in accordance with the internal reporting provided to the Group's key management.

- Europe

Geographies in this segment are all European countries where the Group operates including Turkey, Russia and United Arab Emirates.

- Rest of the world

Geographies in this segment are Australia, Brazil, India, Mexico, New Zealand and the United States.

The performance of the segments is measured based on the combination of IFRS and Alternative Performance measures, such as serviced fleet, revenue and underlying net result. The Alternative Performance measures are obtained from the internal system of management accounting. This provides management with a comprehensive view of the performance of the segments. Inter-segment transactions are at arm's length and not presented separately given their insignificance. All revenues are from external customers.

	Europe		Rest of the world		Total	
In millions of euros	6M 2020	6M 2019	6M 2020	6M 2019	6M 2020	6M 2019
Serviced fleet (in thousands) at period end	**1,439**	**1,436**	**401**	**420**	**1,840**	**1,857**
Revenues	**4,397**	**4,475**	**543**	**554**	**4,941**	**5,029**
Finance lease and Other interest income	26	28	32	45	59	72
Finance cost	126	112	45	55	171	167
Car and other depreciation and amortisation	1,578	1,537	130	132	1,708	1,669
Underlying taxes	33	53	6	9	39	62
Underlying net result	**174**	**251**	**33**	**40**	**207**	**291**
Total assets	28,028	25,809	3,837	3,851	31,865	29,661
Total liabilities	24,501	22,326	3,294	3,350	27,795	25,676

The table below presents information about the main countries in which the Group is active. The Netherlands is the domicile country of the Group.

	FTE's (average)		Underlying Revenues		Lease Contracts	
	In Units		In millions of euros		In millions of euros	
Country of activity	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Netherlands	1,538	1,293	649	602	2,745	2,567
Italy	527	531	536	577	1,843	1,891
United Kingdom	547	539	519	602	2,695	2,607
Other	5,465	5,252	3,236	3,247	13,832	13,982
As at 30 June	**8,077**	**7,614**	**4,941**	**5,029**	**21,116**	**21,047**

Secondary segments

The Group identified two secondary reportable segments, Car-as-a-Service (CaaS) and CarNext.com.

	CaaS		CarNext.com		I/C eliminations		Total	
In millions of euros	6M 2020	6M 2019*	6M 2020	6M 2019*	6M 2020	6M 2019*	6M 2020	6M 2019
Revenues	**4,935**	**5,025**	**64**	**57**	**–59**	**–54**	**4,941**	**5,029**
Underlying cost of revenues	**–4,237**	**–4,229**	**–45**	**–39**	**59**	**54**	**–4,223**	**–4,214**
Underlying lease and additional services gross profit	719	770	–	–	1	2	720	772
Profit/loss on disposal of vehicles and End of contract fees gross profit	–20	27	19	18	–1	–2	–2	43
Underlying gross profit	**699**	**797**	**19**	**18**	**–**	**–**	**718**	**815**
Underlying operating expenses	–403	–418	–71	–46	–	–	–474	–465
Share of profit of investments accounted for using the equity method	2	2	–	–	–	–	2	2
Underlying profit before tax	**298**	**381**	**–52**	**–28**	**–**	**–**	**246**	**352**
Underlying tax	–52	–69	13	7	–	–	–39	–62
Underlying net result	**246**	**312**	**–39**	**–21**	**–**	**–**	**207**	**291**
Underlying adjustments	–92	–125	–9	–1	–	–	–100	–127
Reported net result	**154**	**186**	**–48**	**–22**	**–**	**–**	**107**	**164**
Total allocated assets *	31,617	29,528	255	140	–7	–7	31,865	29,661
Total allocated liabilities *	27,616	25,589	185	94	–7	–7	27,795	25,676

* Proforma and not reviewed.

The segment reporting is based on a commission model, whereby CarNext.com acts as a sales agent for LeasePlan CaaS in 23 countries for the sales of used cars that are coming off lease contracts. CarNext.com generates revenues through commissions on cars-sold, used-car lease (UCaaS) and ancillary services. For B2C, commissions are dependent upon the additional value realised versus B2B trader pricing. Commission rates are set at market rates on an arms-length basis. The vehicles CarNext.com sells on behalf of LeasePlan's CaaS business remain the property of LeasePlan CaaS until sold by CarNext.com.

Identified assets and directly attributable costs in cost of sales (e.g. defleeting cost and car preparation cost) and operating expenses (e.g. cost related to staff, facilities, digital/IT and marketing) are allocated to CarNext.com. Costs of the central managed activities, like borrowings, treasury, insurance, information services, supply services and holding activities are allocated to the CaaS segment only.

Income tax is allocated based on a blend of statutory rates from the 23 countries in which Carnext.com has operations. The CarNext.com and CaaS segments are integral parts of the Group's legal and fiscal entities and as such the losses in CarNext.com segment can be compensated by the profits in the CaaS segment.

LeasePlan CaaS continues to report the full revenue of the used cars sold by CarNext.com. The commission paid to CarNext.com is reported in cost of sales.

In the operating expenses of CarNext.com an amount of EUR 16.1 million is included related to set-up costs. These costs are excluded from the Underlying net result as they are considered distinct from regular operating activities.

All intercompany transactions between LeasePlan CaaS and CarNext.com are eliminated for consolidated purpose.

Balance sheet of CarNext.com includes directly attributable assets and liabilities of CarNext B.V, IFRS 16 leases (buildings, compounds and equipment), IT equipment, other fixed assets and allocated working capital.
Total allocated assets include EUR 108 million for IFRS 16 leases (2019: EUR 72 million), EUR 22 million for other fixed assets (2019: EUR 23 million), EUR 35 million intangible assets (2019: EUR 19 million). Total allocated liabilities consist of EUR 110 million IFRS 16 lease liabilities (2019: EUR 73 million) and working capital.

Alternative Performance measures

In addition to IFRS financial measures, the Group uses certain Alternative Performance Measures to present and discuss our underlying performance and value creation. To arrive at Underlying net result, Net result is adjusted for impacts related to unrealised results on financial instruments, asset impairments and valuation allowance, restructuring expenses and other special items (like consultancy costs) which arise from events or transactions that management considers distinct from regular operating activities.
The reconciliation from IFRS measures to Alternative Performance measures for the six months ended June 30, 2020 and 2019 is included in the tables below:

In thousands of euros	**IFRS results 30 June 2020**	**Underlying adjustments**			**Underlying results 30 June 2020**
		Restructuring and other special items *	**Unrealised results on financial instruments**	**Assets impairments and valuation allowance****	
Revenues	**4,940,519**				**4,940,519**
Direct cost of revenues	4,333,029	–	−24,240	−85,998	4,222,791
Gross profit	**607,490**	**–**	**24,240**	**85,998**	**717,728**
Total operating expenses	495,824	−20,016	–	−2,104	473,704
Share of profit of investments accounted for using the equity method	1,837				1,837
Profit before tax	**113,503**	**20,016**	**24,240**	**88,101**	**245,861**
Income tax expenses	6,951	3,783	6,143	22,124	39,001
Net result attributable to owners of the parent	**106,551**	**16,234**	**18,097**	**65,977**	**206,859**

*Includes professional consultancy costs related to CarNext (EUR 16.1 million) and other consulting (EUR 3.9 million) for a total of EUR 20.0 million before tax (EUR 16.2 million after tax).

**Includes lease contracts impairment (EUR 49.4 million), additional valuation allowance of inventory (EUR 36.6 million) as this amount significantly increased due to the COVID-19 market disruption which is clearly distinct from the regular operating performance (Comparatives have not been restated) and IT projects impairment (EUR 2.1 million) for a total of EUR 88.1 million before tax (EUR 65.9 million after tax).

In thousands of euros	IFRS results 30 June 2019	Underlying adjustments			Underlying results 30 June 2019
		Restructuring and other special items *	Unrealised results on financial instruments	Assets impairments and valuation allowance**	
Revenues	**5,028,653**				**5,028,653**
Direct cost of revenues	4,251,582	–	−28,424	−9,209	4,213,949
Gross profit	**777,071**	**–**	**28,424**	**9,209**	**814,704**
Total operating expenses	590,103	−33,601		−92,000	464,502
Share of profit of investments accounted for using the equity method	2,200				2,200
Profit before tax	**189,168**	**33,601**	**28,424**	**101,209**	**352,402**
Income tax expenses	25,390	8,204	7,034	21,102	61,729
Net result attributable to owners of the parent	**163,778**	**25,397**	**21,390**	**80,107**	**290,673**

*Includes restructuring and consultancy costs related to the CLS restructuring and other consultancy costs for a total of EUR 33.6 million before tax (EUR 25.3 million after tax).

**Includes lease contracts impairments (EUR 9.2 million) and CLS impairment (EUR 92 million) for a total of EUR 101.2 before tax (EUR 80.1 million after tax).

2 Revenues and direct cost of revenues

Revenues

Revenues comprise the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

In thousands of euros	Q2 2020	Q2 2019	6M 2020	6M 2019
Operating lease income	1,026,128	1,026,715	2,091,505	2,048,358
Finance lease and Other interest income	27,379	36,500	58,854	72,248
Additional services income	584,274	628,290	1,252,943	1,245,078
Vehicle sales and End of contract fees	648,916	824,198	1,537,217	1,662,968
Revenues	**2,286,697**	**2,515,702**	**4,940,519**	**5,028,653**

Finance lease and Other interest income for the six months period ended 30 June 2020, includes an amount of EUR 4.9 million (6M 2019: EUR 4.1 million) related to Other interest income.

Operating lease income for the six months period ended 30 June 2020, includes an amount of EUR 362.9 million (6M 2019: EUR 344.5 million) related to interest income.

Direct cost of revenues

Direct cost of revenues comprises the costs associated with providing the above-mentioned lease and additional services, the sale of vehicles and related finance cost and impairment charges.

In thousands of euros	Note	Q2 2020	Q2 2019	6M 2020	6M 2019
Depreciation cars		812,146	813,580	1,659,137	1,626,813
Impairment on assets *	9	−541	5,209	49,359	9,209
Finance cost		84,294	85,033	170,628	167,042
Unrealised (gains)/losses on financial instruments		−3,166	12,082	8,522	28,424
Impairment charges on loans and receivables		26,122	8,661	37,623	15,642
Lease cost		918,856	924,566	1,925,269	1,847,130
Additional services cost		381,352	402,893	831,646	784,093
Vehicle and Disposal costs	7	646,836	800,384	1,576,115	1,620,359
Direct cost of revenues		**1,947,044**	**2,127,843**	**4,333,029**	**4,251,582**

(*) Impairment on assets is included in line-item Depreciation cars in the consolidated statement of profit or loss.

Gross profit (net lease income and vehicles sales income)

The gross profit (revenues less cost of revenues) can be shown as follows:

In thousands of euros	Note	Q2 2020	Q2 2019	6M 2020	6M 2019
Lease services		130,945	155,941	282,971	311,109
Impairment on assets *	9	541	−5,209	−49,359	−9,209
Unrealised gains/(losses) on financial instruments		3,166	−12,082	−8,522	−28,424
Lease		**134,651**	**138,649**	**225,090**	**273,476**
Fleet management and other services		39,951	68,562	100,216	143,419
Repair and maintenance services		67,960	84,164	144,533	172,249
Damage services and Insurance		95,010	72,671	176,548	145,318
Additional services		**202,922**	**225,397**	**421,297**	**460,986**
End of contract fees		29,009	36,380	68,905	68,341
Profit/(loss) on disposed vehicles (PLDV)	7	−26,928	−12,567	−107,803	−25,732
Profit/(loss) on disposed vehicles and End of contract fees		**2,081**	**23,813**	**−38,898**	**42,609**
Gross profit		**339,654**	**387,859**	**607,490**	**777,071**

(*) Impairment on assets is included in line-item Depreciation cars in the consolidated statement of profit or loss.

Net finance income

As part of the analysis of the revenues and direct cost of revenues LeasePlan also considers the net finance income as relevant metric for financial reporting purposes. The net finance income is presented below:

In thousands of euros	**Q2 2020**	**Q2 2019**	**6M 2020**	**6M 2019**
Operating lease - interest income	177,779	174,193	362,910	344,479
Finance lease and Other interest income	27,379	36,500	58,854	72,248
Finance cost	−84,294	−85,033	−170,628	−167,042
Net interest income	**120,864**	**125,659**	**251,136**	**249,685**
Unrealised gains/(losses) on financial instruments	3,166	−12,082	−8,522	−28,424
Impairment charges on loans and receivables	−26,122	−8,661	−37,623	−15,642
Net finance income	**97,908**	**104,916**	**204,991**	**205,619**

3 Other depreciation and amortisation

The breakdown of other depreciation and amortisation expenses is as follows:

In thousands of euros	**Q2 2020**	**Q2 2019**	**6M 2020**	**6M 2019**
Depreciation other property and equipment	17,552	17,140	34,177	33,560
Amortisation intangible assets	8,116	4,919	15,093	9,353
Impairment charges intangible assets	–	92,000	2,104	92,000
Other depreciation and amortisation	**25,668**	**114,059**	**51,373**	**134,913**

During the second quarter of 2019, LeasePlan determined that its main IT system development project, the Core Leasing System (CLS), did not fit for purpose in the emerging digital world in which the Company operates. As a consequence, CLS was restructured and existing CLS initiatives were ceased. An impairment loss of EUR 92 million was recognised for the related intangible assets.
During the first quarter of 2020 LeasePlan abandoned two IT projects. An impairment loss of EUR 2.1 million has been recognised for the related intangible assets.

4 Cashflow statement – cash and cash equivalents

In thousands of euros	**30 June 2020**	**30 June 2019**
Cash and balances at central banks	6,513,609	4,486,215
Deposits with banks	375,686	294,758
Call money, cash at banks	244,121	155,658
Bank overdrafts	−77,416	−154,841
Balance for the purpose of the statement of cash flows	**7,056,000**	**4,781,790**

All cash and balances at (central) banks are available at call except for the mandatory reserve deposits at the Dutch Central Bank. The mandatory reserve deposits amounting to EUR 81.8 million (30 June 2019: EUR 74.6 million) are not used in the Group's day-to-day operations and form part of the 'Cash and balances at central banks'.
The Cash and balances at central banks increased over the period 30 June 2019 to 30 June 2020, mainly as a consequence of the Group's pre-funding activities given the strength of debt capital markets during 2019 and the activities of securing the liquidity position during 2020.

5 Receivables from financial institutions

This caption includes amounts receivable from Dutch and foreign banks. Amounts receivable from financial institutions includes call money and current account bank balances that form part of the cash and balances with banks in the cash flow statement.

In thousands of euros	30 June 2020	31 December 2019
Deposits with banks	375,686	310,116
Call money, cash at banks	244,121	164,787
Cash collaterals deposited for securitisation transactions	86,828	79,492
Cash collaterals deposited for derivative financial instruments	52,038	80,421
Other cash collateral deposited	3,668	3,763
Total	**762,341**	**638,579**

The maturity analysis is as follows:

In thousands of euros	30 June 2020	31 December 2019
Three months or less	708,779	566,447
Longer than three months, less than a year	7,606	38,904
Longer than a year, less than five years	45,732	33,000
Longer than five years	224	228
Total	**762,341**	**638,579**

The gross carrying amount as well as the expected credit loss allowance all reside in Stage 1. There is no significant increase in credit risk. The allowance measured for the 12-months period ended at 30 June 2020 amounted to EUR 0.4 million (30 June 2019: EUR 0.4 million).

6 Derivative financial instruments

Derivative financial instruments are measured at fair value and are made up as follows:

	30 June 2020			31 December 2019		
	Notional amounts	Fair value		Notional amounts	Fair value	
In thousands of euros		Assets	Liabilities		Assets	Liabilities
Fair value hedge						
Interest rate swaps	5,839,386	119,667	8,089	6,222,934	73,867	18,810
Cross currency swaps	248,288	–	17,608	316,602	–	20,411
Cash flow hedges						
Interest rate swaps	1,212,400	31	4,261	1,333,783	195	6,456
Total Derivatives in hedge	**7,300,074**	**119,698**	**29,958**	**7,873,319**	**74,062**	**45,677**
Interest rate swaps	22,388,349	18,732	90,574	22,231,224	13,475	52,570
Cross currency swaps/forwards	3,983,862	51,887	33,044	4,234,730	15,099	38,522
Derivatives not in hedge	**26,372,211**	**70,618**	**123,618**	**26,465,954**	**28,574**	**91,092**
Total	**33,672,285**	**190,317**	**153,576**	**34,339,274**	**102,636**	**136,770**

The fair value is based on the price including accrued interest (dirty price). The unrealised gains/losses on financial instruments recognised in the statement of profit or loss are as follows:

In thousands of euros	**Q2 2020**	**Q2 2019**	**6M 2020**	**6M 2019**
Derivatives not in hedges	2,147	−12,820	−12,186	−32,208
Derivatives fair value hedging instruments	14,009	26,717	63,676	44,653
Financial liabilities fair value hedged items	−12,991	−25,979	−60,012	−40,868
Hedge ineffectiveness fair value hedges	1,019	738	3,664	3,785
Unrealised gains/(losses) on financial instruments	**3,166**	**−12,082**	**−8,522**	**−28,424**

7 Inventories

In thousands of euros	Note	**30 June 2020**	**31 December 2019**
Cars and trucks from terminated lease contracts		337,373	427,877
Valuation allowance	2	−16,755	−8,117
Carrying amount cars and trucks from terminated lease contracts		**320,618**	**419,760**
New cars and trucks in stock		134,623	168,028
Other inventories		13,923	56,932
Total		**469,164**	**644,721**

The COVID-19 pandemic has caused high levels of disruption to the functioning of used-car markets across Europe, with many markets effectively shut and others experiencing abruptly reduced levels of demand and dislocations to used-car prices. Compared to 31 December 2019 the valuation allowance for inventory increased by EUR 8.6 million to EUR 16.7 million, or 5 % of the gross book value of

Cars and trucks from terminated lease contracts. The allowance represents the impact of the lower net realisable value of the existing stock.

The valuation allowance of EUR 16.7 million is lower than the EUR 44.7 million position as reported at 31 March 2020 because, in June, the used-car market recovered to pre-COVID levels in most of our core markets and inventory decreased due to cars sold.

The sensitivity of an additional 1 % decline in used-car prices will translate into EUR 1.5 million additional valuation allowance for inventory. The write down is booked on the Vehicle and Disposal costs report line in the Direct cost of revenues.

LeasePlan will re-assess its expectations on the valuation allowance for inventory in future quarters as we continue to learn more about the full economic impact of the COVID-19 crisis.

8 Lease receivables from clients

This item includes amounts receivable under finance lease contracts and trade receivables mainly related to operating lease, after deduction of allowances for impairment.
Trade receivables represent unpaid, current lease receivables under existing operating lease contracts or receivables related to inventory sales.

In thousands of euros	**30 June 2020**	**31 December 2019**
Amounts receivable under finance lease	2,550,390	2,662,336
Trade receivables	650,944	771,704
Impairment	−66,405	−45,986
Total	**3,134,929**	**3,388,054**

The impairment allowance of EUR 66.4 million (year-end 2019: EUR 46.0 million) includes EUR 6.6 million (year-end 2019: EUR 6.2 million) related to invoices under commercial disputes and EUR 59.8 million (year-end 2019: EUR 39.8 million) of expected credit losses (ECL) recognised under IFRS 9.

The ECL allowances include lifetime expected credit losses amounting to EUR 18.2 million (year-end 2019: EUR 12.0 million) for non credit impaired lease receivables and EUR 41.6 million (year-end 2019: EUR 27.8 million) for credit impaired lease receivables. In 2020, changes in the ECL allowance mainly relate to net remeasurements on existing contracts and ECL on new contracts recognised during the period, offset by write-offs. The increase in the ECL allowance for credit impaired lease receivables is caused by an increased number of customers defaulting impacted by COVID-19.

As a result of the COVID-19 pandemic, LeasePlan has updated the ECL calculations for non credit impaired lease receivables with revised macro-economic projections of Gross Domestic Product, unemployment rates and central bank interest rates for each relevant country. LeasePlan uses the macroeconomic information and forecasts from data provider IHS Markit as input to its expected credit loss models, next to developments in parameters such as defaults and amounts overdue.

For determining the ECL impairment allowance, as reported in the first quarter, we assumed that the situation due to COVID-19 would gradually reverse to previous levels as per 2021. Compared to the weighting determined at country level and applied in previous years Lease Plan assumed a 100% weight of the adverse scenario in the calculation of the expected credit loss provision resulting in an additional impairment of EUR 2.5 million. The provision according to the adverse scenario disclosed as per 31 December 2019 was expected to be EUR 1.3 million higher compared to the base case.
In the second quarter, the Group applied a weighting of 50% base scenario, 25% optimistic scenario and 25% pessimistic scenario in each country, deviating from a gradual recovery to previous levels as per 2021 to a second shutdown. The base scenario however now assumes a full global recovery in 2022, the optimistic scenario assumes a quick rebound and the pessimistic scenario assumes a second set of shutdowns. These updated calculations resulted in an additional ECL allowance for non credit impaired lease receivables of EUR 6.2 million compared to the calculations based on the assumptions applied as at 31 December 2019.
If a 100% optimistic scenario is applied, the ECL allowance for non credit impaired lease receivables is EUR 3 million lower. If the pessimistic scenario is applied, the allowance for non credit impaired lease receivables is EUR 2 million higher.

The sensitivity of credit impaired lease receivables to a decline in value of collateral is not material as the allowance is covering almost the total exposure and collateral values are insignificant.

LeasePlan will re-assess its expectations on the ECL allowances in future quarters as we continue to learn more about the full economic impact of the COVID-19 crisis.

The maturity analysis is as follows:

In thousands of euros	**30 June 2020**	**31 December 2019**
Three months or less	1,036,596	1,161,452
Longer than three months, less than a year	801,166	814,808
Longer than a year, less than five years	1,346,892	1,443,030
Longer than five years	16,680	14,750
Impairment	−66,405	−45,986
Total	**3,134,929**	**3,388,054**

A part of the receivables under finance lease contracts is encumbered as a result of the asset backed securitisation transactions concluded by the Group. The total value of the securitised financial leased assets amounts to EUR 490 million (year-end 2019: EUR 472 million) (see note 9).

9 Property and equipment under operating lease and rental fleet

In thousands of euros	Operating lease	Rental fleet	Total
Carrying amount as at 1 January 2019	**17,625,566**	**193,410**	**17,818,976**
Purchases/additions	3,580,190	62,661	3,642,851
Disposals	−1,083,273	−23,834	−1,107,107
Transfer from inventories	52,883	–	52,883
Transfer to inventories	−371,492	–	−371,492
Depreciation	−1,661,755	−17,978	−1,679,733
Impairment charge	−15,209	–	−15,209
Impairment reversal	6,000	–	6,000
Currency translation adjustments	29,852	148	29,999
Carrying amount as at 30 June 2019	**18,162,762**	**214,406**	**18,377,168**
Cost	24,868,050	261,351	25,129,400
Accumulated depreciation	−6,705,288	−46,944	−6,752,232
Carrying amount as at 30 June 2019	**18,162,762**	**214,406**	**18,377,168**
Purchases/additions	4,031,756	61,954	4,093,709
Disposals	−1,451,985	−40,083	−1,492,067
Transfer to inventories	−56,385	–	−56,385
Depreciation	−1,701,247	−19,630	−1,720,877
Impairment charge	−24,040	–	−24,040
Impairment reversal	34,927	–	34,927
Currency translation adjustments	126,712	926	127,638
Carrying amount as at 31 December 2019	**19,122,501**	**217,573**	**19,340,074**
Cost	25,955,566	268,803	26,224,369
Accumulated depreciation	−6,833,066	−51,230	−6,884,296
Carrying amount as at 31 December 2019	**19,122,501**	**217,573**	**19,340,074**
Purchases/additions	2,639,704	33,054	2,672,758
Disposals	−1,008,686	−47,097	−1,055,783
Transfer from inventories	168,028	–	168,028
Transfer to inventories	−337,373	–	−337,373
Depreciation	−1,700,400	−19,337	−1,719,737
Impairment charge	−52,779	–	−52,779
Impairment reversal	3,420	–	3,420
Currency translation adjustments	−429,083	−4,075	−433,158
Carrying amount as at 30 June 2020	**18,405,333**	**180,118**	**18,585,451**
Cost	25,382,226	228,610	25,610,835
Accumulated depreciation	−6,976,893	−48,492	−7,025,385
Carrying amount as at 30 June 2020	**18,405,333**	**180,118**	**18,585,451**

The depreciation of the rental fleet is presented in the consolidated statement of profit or loss in the line-item “Additional services cost”.

Impairment

The COVID-19 pandemic has caused high levels of disruption to the functioning of used-car markets across Europe from March to May, with many markets effectively shut and others experiencing abruptly reduced levels of demand and dislocations to used-car prices. In June, we have seen the used-car market recover to pre-COVID levels across most of our core markets as B2B and B2C business activities resumed. This goes broadly in line with our earlier expectations underlying the fleet impairment assessment in Q1.

The impairment charge in the first half of 2020 amounted to EUR 52.7 million, compared to EUR 15.2 million in the first half of 2019. In Q1 the impairment charge amounted to EUR 49.9 million of which EUR 10.8 million was used related to terminated contracts in Q2. The impairment charge for Q2 amounted to EUR 2.8 million.

The impairment analysis is based on an assessment of the value in use of all lease contracts. For our projections of cash flows, including the cash flows from residual values upon termination of the lease contract, we have considered second hand car sales prices to gradually recover to pre-COVID price levels towards the end of 2020 and stabilise for the period thereafter.

The sensitivity of an additional 1% decline in used-car prices over the remaining useful life of lease contracts on the valuation of non-impaired lease contracts is not linear as it is also dependent on other contractual cash flows such as Service Income as well as the ability to mitigate losses for example through fleet extensions and optimisation of the channel mix (B2B, B2C, driver sales) over time.

The sensitivity of an additional 1% decline in used-car prices of the impaired lease contracts will translate into EUR 7.6 million additional impairment for the total remaining duration.

LeasePlan will re-assess its expectations on fleet asset impairment in future quarters as we continue to learn more about the full economic impact of the COVID-19 crisis.

Asset backed securitisation transactions

The Group concluded a number of asset backed securitisation transactions hereinafter identified as the Bumper transactions. These transactions involve the sale of future lease instalment receivables and related residual value receivables originated by various LeasePlan subsidiaries to special purpose companies (which are included in the consolidated financial statements of the Company). As a result of this sale this caption includes encumbered (securitised) operating lease assets amounting to EUR 3.4 billion (year-end 2019: EUR 3.0 billion).

10 Other property and equipment

The composition between owned and leased assets is presented in the following table:

In thousands of euros	30 June 2020	31 December 2019
Owned	105,356	110,422
Leased	305,211	282,512
Total	**410,567**	**392,935**

The leased assets mainly include property such as buildings and IT and other equipment.

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

In thousands of euros	30 June 2020	31 December 2019
Short-term	42,247	39,569
Long-term	278,155	256,719
Total	**320,402**	**296,289**

11 Funds entrusted

This item includes non-subordinated loans from banks and savings deposits. The maturity analysis of these deposits is as follows:

In thousands of euros	30 June 2020	31 December 2019
Three months or less	5,663,431	5,372,188
Longer than three months, less than a year	2,253,677	1,455,887
Longer than a year, less than five years	1,020,421	935,395
Longer than five years	93	127
Total	**8,937,623**	**7,763,597**

Savings deposits raised by LeasePlan Bank amounts to EUR 8.8 billion (year-end 2019: EUR 7.7 billion) of which 42.5% (year-end 2019: 43.1%) is deposited for a fixed term. LeasePlan Bank is the brand name under which savings deposits are raised by LeasePlan Corporation N.V. which holds a banking licence in the Netherlands. LeasePlan Bank also operates on the German savings deposit market with a cross border offering from the Netherlands.

The average interest rates on the outstanding balances of the fixed term savings deposits in original maturity terms are as follow:

In thousands of euros	30 June 2020	31 December 2019
Three months or less	0.11%	0.20%
Longer than three months, less than a year	0.61%	0.65%
Longer than a year, less than five years	0.93%	1.02%

The interest of the on-demand accounts is set monthly.

12 Borrowings from financial institutions

This item includes amounts owed to banks under government supervision. The maturity analysis of these loans is as follows:

In thousands of euros	30 June 2020	31 December 2019
On demand	77,416	209,969
Three months or less	394,967	487,210
Longer than three months, less than a year	1,015,041	889,192
Longer than a year, less than five years	2,144,724	2,492,445
Total	**3,632,148**	**4,078,817**

13 Debt securities issued

This item includes negotiable, interest bearing securities.

In thousands of euros	30 June 2020	31 December 2019
Bond and notes - originated from securitisation transactions	2,769,925	2,133,462
Bonds and notes - other	8,687,115	9,401,398
Bonds and notes - other (AC) fair value adjustments	107,324	47,312
Balance as at reporting date	**11,564,364**	**11,582,171**

There is no pledge nor security for these debt securities except for the bonds and notes which are originating from securitisation transactions. The average interest rate applicable to the outstanding bonds and notes is 1.2% as of 30 June 2020 (year-end 2019: 1.1%).

The maturity analysis of these debt securities issued is as follows:

In thousands of euros	30 June 2020	31 December 2019
Three months or less	365,191	264,072
Longer than three months, less than a year	3,401,586	2,824,177
Longer than a year, less than five years	7,680,152	8,271,787
Longer than five years	117,434	222,135
Total	**11,564,364**	**11,582,171**

The caption ‘Bonds and notes – originated from securitisation transactions’ include notes from Bumper 10 France FCT, Bumper 9 (NL) Finance B.V., Bumper 8 (UK) Finance plc, Bumper UK 2019-I, Bumper Australia Trust No1, Bumper DE S.A. 2019-I, Bumper BE 2020-I and Bumper NL 2020-1 B.V..

Bumper BE 2020-I and Bumper NL 2020-1 B.V. were concluded in June 2020 for a total of EUR 450 million of ABS notes and for a total of EUR 500 million of ABS notes respectively.

14 Commitments

The Group has entered into commitments in connection with the forward purchase of property and equipment under operating lease and rental fleet amounting to EUR 2.6 billion as at the balance sheet date (year-end 2019: EUR 2.5 billion). These commitments are entered into in the ordinary course of business and the majority is back-to-back matched with lease contracts entered into with customers.

The Group has issued guarantees to the total value of EUR 406 million (year-end 2019: EUR 381 million) of which EUR 404 million (year-end 2019: EUR 379 million) is related to residual value guarantees issued to clients.

Credit facilities have been concluded with investments accounted for using the equity method amounting to EUR 180 million (year-end 2019: EUR 165 million) of which EUR 164.5 million (year-end 2019: EUR 163.5 million) is drawn as at 30 June 2020.

15 Related parties

Identity of related parties

Related parties and enterprises as defined by IAS 24, are parties and enterprises which can be influenced by the company or which can influence the company.

LP Group B.V. is the shareholder of the company. LP Group B.V. represents a group of long-term investors and includes ADIA, ATP, Broad Street Investments, GIC, PGGM and TDR Capital. None of these investors alone has a direct or indirect controlling interest in the company. The business relations between the company, LP Group B.V. and their (indirect) shareholders are handled on normal market terms.

In 2019 TDR Capital obtained a controlling interest in British Car Auction (BCA). LeasePlan Corporation N.V. has been doing business with BCA in the ordinary course of the business for a longer period of time all on arm's length basis. Result of the transactions with BCA for the six months period ended 30 June 2020 is not material at the Group's level.

All business relations with investments accounted for using the equity method are in the ordinary course of business and handled on normal market terms. As of 30 June 2020, an amount of EUR 164.5 million (year-end 2019: EUR 163.5 million) is provided as loans to investments accounted for using the equity method.

16 Fair value of financial instruments

The table below summarises the Group's financial assets and financial liabilities, of which the derivatives 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 30 June 2020. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Fair value of financial instruments

As at 30 June 2020	**Carrying value**		**Fair value**	
In thousands of euros		**Level 1**	**Level 2**	**Total**
Financial assets measured at fair value				
Derivatives financial instruments in hedge	119,698	–	119,698	119,698
Derivatives financial instruments not in hedge	70,618	–	70,618	70,618
Financial assets not measured at fair value				
Cash and balances at central banks	6,513,609			
Investments in debt securities	24,588	24,776	–	24,776
Receivables from financial institutions	762,341			
Lease receivables from clients	3,134,929	–	3,169,273	3,169,273
Loans to investments using the equity method	164,500	–	165,629	165,629
Investments in equity accounted investments	20,612			
Other receivables and prepayments	317,788	–	317,788	317,788
Total financial assets	**11,128,685**	**24,776**	**3,843,007**	**3,867,783**
Financial liabilities measured at fair value				
Derivatives financial instruments in hedge	29,958	–	29,958	29,958
Derivatives financial instruments not in hedge	123,618	–	123,618	123,618
Financial liabilities not measured at fair value				
Funds entrusted	8,937,623	–	8,889,748	8,889,748
Trade and other payables and deferred income	761,002			
Borrowings from financial institutions	3,632,148	–	3,633,113	3,633,113
Debt securities issued	11,564,364	–	11,533,413	11,533,413
Total financial liabilities	**25,048,712**	**–**	**24,209,850**	**24,209,850**

Fair value of financial instruments

As at 31 December 2019	Carrying value	Fair value		
In thousands of euros		**Level 1**	**Level 2**	**Total**
Financial assets measured at fair value				
Derivatives financial instruments in hedge	74,062	–	74,062	74,062
Derivatives financial instruments not in hedge	28,574	–	28,574	28,574
Financial assets not measured at fair value				
Cash and balances at central banks	4,828,356			
Investments in debt securities	24,663	24,966	–	24,966
Receivables from financial institutions	638,579			
Lease receivables from clients	3,388,054	–	3,465,321	3,465,321
Loans to investments using the equity method	163,500	–	166,714	166,714
Investments in equity accounted investments	18,778			
Other receivables and prepayments	412,965	–	413,031	413,031
Total financial assets	**9,577,532**	**24,966**	**4,147,703**	**4,172,669**
Financial liabilities measured at fair value				
Derivatives financial instruments in hedge	45,677	–	45,677	45,677
Derivatives financial instruments not in hedge	91,092	–	91,092	91,092
Financial liabilities not measured at fair value				
Funds entrusted	7,763,597	–	7,814,879	7,814,879
Trade and other payables and deferred income	933,608			
Borrowings from financial institutions	4,078,817	–	4,128,474	4,128,474
Debt securities issued	11,582,171	2,141,104	9,579,733	11,720,837
Total financial liabilities	**24,494,963**	**2,141,104**	**21,659,857**	**23,800,960**

Financial instruments in level 1

The fair value of financial instruments that are 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. Cash and balances with central banks and Investments in debt securities are the only financial instruments held that are included in level 1.

In December 2019 Debt securities issued (securitised bonds) were shown in level 1. In Q2 bond markets were open and active, although there was a significant decrease in volume and level of activity compared to normal market activity due to uncertainty around the COVID-19 crisis. Therefore, the Group has now shown the related amounts in level 2.

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques that maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of the interest rate swaps and cross currency swaps calculated as the present value of the estimated future cash flows based on observable yield curves at commonly quoted intervals, while taking into account the current creditworthiness of the counterparties.
- The yield curve for all collateralised derivatives is based on the overnight index swap (OIS) rate (the vast majority of the Group's derivatives is collateralised and therefore the necessity for other observable market inputs such as CVA, DVA, FVA adjustments is negated).
- The valuation methodology of the cross currency swaps includes a liquidity premium (which swaps less liquid currencies into those that are considered more liquid in the market and vice versa).
- The counterparty's probability of default is estimated using market CDS spreads resulting in credit valuation adjustments.
- The Group's own creditworthiness and probability of default is estimated using input such as secondary spreads and cost of funding curve as well as information from counterparties resulting in a debit valuation adjustment.
- Other techniques such as discounted cash flow analysis based on observable yield curves at commonly quoted intervals, are used to determine the fair value for the remaining financial instruments.
- For certain other receivables (Rebates and bonuses and commissions receivable, Reclaimable damages and Interest to be received) and payables (Trade payables and Interest payable) with a remaining term well below one year, the carrying value is deemed to reflect the fair value.

The derivative financial instruments not in hedge are derivatives that mitigate interest rate risk and currency risk from an economic perspective but do not qualify for hedge accounting from an accounting perspective. The Group is not involved in active trading of derivatives.

Financial instruments in level 3

This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model) for which more than an insignificant part of the inputs in terms of the overall valuation are not market observable.
Unobservable in this context means that there is little or no current market data available from which to derive a price that an unrelated, informed buyer would purchase the asset or liability at. No financial instruments are included in this category.

17 Contingent assets and liabilities

As at 30 June 2020, guarantees had been provided on behalf of the consolidated direct and indirect subsidiaries in respect of commitments entered into by those companies with an equivalent value of EUR 1.7 billion (year-end 2019 EUR 2.0 billion). The Company charges a guarantee fee to the respective direct and indirect subsidiaries based on normal market terms.

18 Events occurring after balance sheet date

No other material events occurred after 30 June 2020, that require disclosure in accordance with IFRS, nor events affecting the financial position of the Group as at 30 June 2020 or the result for the six months period ended 30 June 2020.

Responsibility statement

Managing Board's responsibility for financial reporting

The Managing Board is responsible for maintaining proper accounting records, for safeguarding assets and for taking reasonable steps to prevent and detect fraud and other irregularities. It is responsible for selecting suitable accounting policies and applying them on a consistent basis, making judgements and estimates that are prudent and responsible. It is also responsible for establishing and maintaining internal procedures which ensure that all major financial information is known to the Managing Board, so that timeliness, completeness and correctness of external financial reporting are assured.

Each member of the Managing Board hereby confirms that to the best of their knowledge:

The company's 30 June 2020 condensed consolidated interim financial statements, which have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and results of the Company and the subsidiaries included in the consolidation as a whole.

Amsterdam, 12 August 2020

Tex Gunning - Chairman of the Managing Board and CEO
Jochen Sutor – CFO

Independent review report

Review report

To: the Shareholder and the Supervisory Board of LeasePlan Corporation N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements ('the interim financial statements') as at 30 June 2020 of LeasePlan Corporation N.V., Amsterdam, as set out on pages 8 to 40 which comprise:

- the condensed consolidated statement of financial position as at 30 June 2020;
- the condensed statements of profit or loss and comprehensive income for the three-month period and six-month period then ended;
- the condensed statements of changes in equity, and cash flows for the six-month period then ended; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The Managing Board of the Company is responsible for the preparation and presentation of the interim financial statements in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on the interim financial statements based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Dutch Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements as at 30 June 2020 are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 12 August 2020

KPMG Accountants N.V.

D. Korf RA

Glossary

AFM

The Dutch Authority for the Financial Markets (AFM) has been responsible for supervising the operation of the financial markets since 1 March 2002.

AT1

Additional Tier 1 capital securities.

B2C runrate

Vehicles sold B2C as a share of total marketable vehicles over the latest reporting period.

CaaS

LeasePlan purchases, funds and manages vehicles for its customers, providing a complete end-to-end service through its Car-as-a-Service (CaaS) business for a typical contract duration of three to four years.

DNB

The Dutch Central Bank (De Nederlandsche Bank N.V.)

Digital LeasePlan

This programme aims to move the Group towards becoming a data driven company delivering digital car services steered by the latest digital technology of data analytics, artificial intelligence and algorithms.

EOCF

End of contract fees.

EV

Electric vehicle.

LCV

Light commercial vehicles.

LeasePlan Bank

The online retail deposit bank operated by LeasePlan Corporation N.V. under a banking licence from DNB.

NCI

Non-controlling interests.

PLDV

Profit-and-loss on Disposal of Vehicles.

RMT

Repair, maintenance and tyres.

RoW

Rest of the world.

RV

Residual value of a vehicle.

UCaaS

CarNext.com has the option to re-lease used vehicles in the Used Car-as-a-Service (UCaaS) market.