Press Release

Q4 and Full Year 2019 results

LeasePlan announces Q4 and Full Year 2019 results

AMSTERDAM, the Netherlands, 12 February 2020 – LeasePlan Corporation N.V. (LeasePlan; the "Company"), one of the world's leading Car-as-a-Service ("CaaS") companies and pan-European used-car marketplaces, today reports its fourth quarter and full year 2019 results.

Financial highlights[1]

- Net result Q4 up 62.7%[2] to EUR 115 million (full year down 4.9% to EUR 403 million)
- Underlying net result Q4 up 17.2% to EUR 126 million (full year down 3.4% to EUR 557 million) characterized by solid CaaS performance, cost discipline and continued opex increases related to strategic investment in CarNext.com
- Serviced fleet up 2.4% for the full year; Q4 underlying Lease and additional services gross profit up 7.1% to EUR 391 million (full year up 3.3% to EUR 1,538 million) due to fleet growth and strong Damage Services and Insurance growth
- PLDV and EOCF gross profit for Q4 down to EUR 8 million (full year down to EUR 71 million)
- CarNext.com: B2C[3] Q4 volumes up 36% to approximately 18,600 vehicles (full year up 31% to 65,300 vehicles), of which sales to retail up 50% in Q4 (full year also up 50%); B2C penetration runrate at 26%

	Q4 2019	Q4 2018	% YoY Growth	2019	2018	% YoY Growth
VOLUME						
Serviced fleet (thousands), as at 31 December				1,865.2	1,822.2	2.4%
# of vehicles sold (thousands)	72.8	65.6	11.0%	283.8	260.2	9.1%
PROFITABILITY						
Underlying net result (EUR Million)	125.9	107.5	17.2%	556.5	576.2	-3.4%
Net result (EUR Million)	115.2	70.8	62.7%	403.0	423.6	-4.9%
Underlying return on equity				15.2%[4]	17.3%	

Tex Gunning CEO of LeasePlan

"LeasePlan delivered a solid underlying net result of EUR 557 million, while making significant strategic investments in our operations, particularly in our fast growing CarNext.com platform and digital transformation. The results are a proofpoint of our strategy to position our business for the shift from car ownership to car subscription services, and will ensure we are well placed to benefit from the accelerated growth in the market in the years ahead.

Our Car-as-a-Service business for new cars, where we focused on disciplined profitable growth, grew steadily across all customer segments. The SME segment performed particularly well, supported by the rollout of our fully online SME showroom in eight countries, as did our insurance business, where we saw sales penetration increase to nearly half our serviced fleet.

With time running out to tackle the climate emergency, LeasePlan is playing an active role in driving the transition to electric vehicles, which have an important role to play in cutting global emissions. Take up of our innovative EV solution, which includes charging infrastructure, was up sharply, especially in the corporate segment. The transition of our fleet to electric vehicles was supported by the launch of our inaugural Green Bond.

CarNext.com, our disruptive digital platform for high-quality used cars, also had a good year. Now available in 23 countries with 45 delivery stores, CarNext.com saw impressive growth in the B2C segment, as savvy customers continue to be attracted to its disruptive product offering. Volumes on the platform were also up, as its trusted network of third-party suppliers grew substantially over the year.

[1] This press release has not been audited. In addition to IFRS financial measures, LeasePlan 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, results related to the acquisition or sale of subsidiaries, restructuring expenses and other special items (like consultancy costs) which arise from events or transactions that management considers distinct from regular operating activities. See Note 2, Non-GAAP measures.
[2] Due to impairments in Germany Q4 2018 of EUR 12 million net and unrealized results on financial instruments as well as release in Q4 2019 of part of the impairments of our Turkish fleet in 2018.
[3] CarNext.com B2C volumes include retail sales volumes, Used Car as a Service (UCaaS) sales and other sales such as driver sales.
[4] RoE is based on equity excluding the Additional Tier 1 instrument. Including the AT1, RoE is 14.6%.

Looking ahead, by focusing on the disciplined execution of our strategy, we are well positioned for what's next in both of our exciting and growing markets."

LeasePlan Corporation financial performance

In millions of euros, unless otherwise stated	Q4 2019	Q4 2018	% YoY Growth	2019	2018	% YoY Growth
Lease and Additional Services income	1,738.4	1,639.3	6.0%	6,815.1	6,528.1	4.4%
Vehicle Sales and End of contract fees	819.0	686.5	19.3%	3,303.2	2,990.3	10.5%
Revenues	**2,557.4**	**2,325.8**	**10.0%**	**10,118.3**	**9,518.4**	**6.3%**
Underlying cost of revenues	**2,158.4**	**1,945.0**	**11.0%**	**8,509.7**	**7,920.8**	**7.4%**
Lease Services	157.8	155.3	1.6%	622.5	617.0	0.9%
Fleet Management and other Services	71.0	63.0	12.7%	288.6	280.2	3.0%
Repair and Maintenance Services	82.2	81.3	1.1%	329.7	322.4	2.2%
Damage Services and Insurance	79.9	65.2	22.5%	297.4	269.4	10.4%
Underlying lease and additional Services gross profit	**390.9**	**364.8**	**7.1%**	**1,538.2**	**1,489.0**	**3.3%**
End of contract fees	38.9	29.4	32.3%	143.6	123.5	16.3%
Profit/Loss on disposal of vehicles	-30.8	-13.5	128.3%	-73.1	-14.9	390.6%
Profit/Loss on disposal of vehicles and End of contract fees gross profit	**8.1**	**15.9**	**-49.2%**	**70.5**	**108.6**	**-35.1%**
Underlying gross profit	**399.0**	**380.7**	**4.8%**	**1,608.7**	**1,597.6**	**0.7%**
Underlying operating expenses	**250.6**	**253.3**	**-1.1%**	**944.3**	**887.5**	**6.4%**
Share of profit of investments accounted for using the equity method	1.0	0.7		4.5	3.3	
Underlying profit before tax	**149.4**	**128.1**	**16.6%**	**668.8**	**713.5**	**-6.3%**
Underlying tax	23.5	20.6	13.9%	112.3	137.3	-18.2%
Underlying net result	**125.9**	**107.5**	**17.2%**	**556.5**	**576.2**	**-3.4%**
Underlying adjustments	-10.7	-36.7		-153.5	-152.6	
Reported net result	**115.2**	**70.8**	**62.7%**	**403.0**	**423.6**	**-4.9%**
Staff (FTE's at period end)				7,956	7,508	6.0%

Serviced fleet grew 2.4% versus last year with continued growth in our core European markets which were up 3.7% offset by Rest of World, down 2.5% as a result of some service-only contract losses.

Revenues over Q4 increased by 10% to EUR 2,557 million (full year by 6.3% to EUR 10,118 million). **Lease & Additional Services income** for Q4 was up 6.0% to EUR 1,738 million (full year up 4.4% to EUR 6,815 million) driven by solid fleet growth. **Vehicle Sales & End-of contract fees** for Q4 increased by 19.3% to EUR 819 million (full year up 10.5% to EUR 3,303 million) driven by higher volumes and increased B2C penetration.

Underlying gross profit rose 4.8% to EUR 399 million over Q4 (full year up 0.7% to EUR 1,609 million). **Underlying Lease and Additional Services gross profit** was up 7.1% for Q4 to EUR 391 million (full year 3.3% to EUR 1,538 million) mainly driven by fleet growth and strong growth in **Damages Services and Insurance**. **PLDV and EOCF gross profit** for Q4 was down to EUR 8 million (full year down to EUR 71 million) due in part to predictable normalisation of net sales results as described in previous quarters.

Underlying operating expenses over Q4 were down 1.1% to EUR 251 million as a result of cost-discipline, allowing for increased opex related to strategic investment into CarNext.com while realising an overall reduction for the quarter. Underlying operating expenses for the year were up 6.4% to EUR 944 million, due primarily to strategic investment in Carnext.com. In scaling-up CarNext.com, we increased our operating expenses over the year by approximately EUR 50 million, mainly driven by marketing, our data-driven platform and our leading technology, for a total of approximately EUR 100 million in CarNext.com-related operating expenses in 2019.

The **underlying tax rate** over Q4 was down 0.4 percentage points to 15.7% (full year down 2.4 percentage points to 16.8%) driven by lower headline tax rates in various countries and the continued favourable impact of the Italian super-depreciation facility.

Underlying net result for Q4 was up 17.2% to EUR 126 million (full year down 3.4% to EUR 557 million) reflecting solid growth in the Car-as-a-Service business and cost discipline.

Reported net result over Q4 was up 62.7% for the quarter compared to the prior year due to impairments, unrealized results on financial instruments in Q4 2018 as well as the release in Q4 2019 of a part of an impairment taken on the Turkish fleet in 2018. Reported net result for the full year was down 4.9%. For **Underlying adjustments**, see Note 2, Non-GAAP measures.

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

Operational Highlights

Car-as-a-Service

In our Car-as-a-Service business, LeasePlan again delivered a solid performance across all customer segments as we focused on disciplined profitable growth. The SME segment performed particularly well, supported by the rollout of our fully online SME showroom in 8 countries. Damage and Insurance Services showed especially strong performance, with gross profit up 22.5% over the quarter. As of year-end 2019, LeasePlan insured approximately 889,000 vehicles worldwide. This result has been achieved through the continued roll-out of LeasePlan's insurance strategy, which focuses on providing a comprehensive and integrated insurance solution as part of our fleet management proposition, harmonizing value propositions across countries (especially attractive to our international corporate customers), and increasing the proportion of risk and claims managed in-house. In Repair & Maintenance Services (RMT), we continued to strengthen our partnerships with our network of official and independent service providers, and automate our processes and customer journeys through digital technology. For example, we were able to significantly lower costs on damage repair cases by using digitally enabled reverse auction, and began using smart data to enable predictive maintenance for drivers and fleet managers.

LeasePlan also continued working towards its ambition to achieve net zero tailpipe emission from its total fleet by 2030, with 10% of new orders being for EV powertrains[5] in Q4. Within the corporate segment, take up of our full package EV solution, which is now available in 12 countries, increased as we continued to encourage our customers to make the switch to electric vehicles. The transition of our fleet in 2019 was also supported by the launch of our inaugural Green Bond, which is being used to help finance and refinance our growing portfolio of zero emission vehicles. New orders for diesel passenger vehicles continued a sharp decline, representing less than 50% of new registrations in Q4 2019, down from 59% in Q4 of 2018 (and 70% in Q4 2017). All new diesel passenger cars ordered are the latest and cleanest Euro 6 models. LeasePlan published its first Sustainability Report in 2019, providing detailed disclosure around our sustainability strategy and plans to support the transition to a low carbon economy.

Looking ahead, LeasePlan's ambition is to deliver best-in-class services to our customers through digital platforms at digital cost levels. In 2019, we continued to make progress in digitizing our daily fleet operations and customer journeys, with the rollout of our online customer onboarding tool, which offers fully digital car selection, to five countries; the launch of the MyFleet solution (which provides corporate fleet managers with real-time overviews of vehicles' on-road status and predictive maintenance alerts) in a total of eight countries; and the introduction of the MyLeasePlan driver self-service app in three markets. Our digital priorities for the next 12 to 24 months will be our global infrastructure, the development of a governance and control framework, as well as on designing the future global processes to be supported by and implemented through our Next Generation Digital Architecture (NGDA).

CarNext.com

CarNext.com continued to deliver on its mission to become the most trusted pan-European platform for high-quality used cars, showing strong customer satisfaction ending 2019 with an average NPS of 73. B2C volumes were up 36% in Q4 to approximately 18,600 vehicles driven by new store openings as well as the increased supply of vehicles from trusted third parties on the CarNext.com platform (full year up 31% to 65,300 vehicles). Of this, Q4 retail sales volumes were up 50% to 11,800 vehicles (full year up 50% to 39,600 vehicles). This was supported by CarNext.com's fully online car purchasing solution, which is now available in 21 countries, as well as its growing network of Delivery Stores and pick-up points (2019: 45 locations throughout Europe versus 32 locations at year-end 2018), with recent store openings in major cities including Stockholm, Verona, Bucharest and Valencia. CarNext.com also took action to increase its brand awareness by signing a partnership with Formula 1 driver Max Verstappen in November 2019. In B2B, CarNext.com continued to build on its leading position thanks to its pan-European B2B trader app

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

and increased satisfaction across its international trader base. In 2019, CarNext.com saw a steep increase in trusted third-party suppliers, another step closer to delivering any car, anytime, anywhere. Both CarNext.com sales channels are supported by data driven pricing capabilities and algorithms to seamlessly connect demand and supply.

We intend to set up CarNext.com as a separate business unit structure within LeasePlan. In addition, we continue to review various strategic alternatives for CarNext.com, including a potential full or partial separation of CarNext.com from the Group whereby LeasePlan would continue to sell its used cars through the CarNext.com B2B and B2C platforms.

Funding & Capital

LeasePlan rounded out a very successful year on funding and capital, adding further diversification to its investor base in Q4 courtesy of a return to the US$144a market with a 5 year senior unsecured USD 750 million public benchmark transaction. The secured funding franchise was also active in Q4, closing a new German transaction via the public placement of EUR 544 million of ABS notes from its Bumper programme. LeasePlan Bank also finished a strong year with outstanding retail deposits totalling EUR 7.7 billion.

Liquidity and capital positions remain strong with a liquidity buffer of EUR 6.7 billon consisting of cash balances as well as access to its EUR 1.5 billion committed revolving credit facility and a CET1 capital ratio as per 31st December of 17.4%[6]. This CET1 ratio is calculated at the regulatory sub-consolidated level (LeasePlan Corporation N.V. consolidated). At this sub-consolidated level, the Total Capital ratio is 20.1% which is equal to the Tier 1 capital ratio.[7]

In Q4 2019 LeasePlan Corporation N.V. paid an interim dividend in the amount of EUR 68.9 million or 60% of its reported net result[8] for Q3 2019.

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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, any time, anywhere and is supplied with vehicles from LeasePlan's own fleet as well as third-party partners. LeasePlan has 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.

[6] CET1 ratio at the regulatory Consolidated level (LP Group BV consolidated) is 17.3% and CET1 ratio at the regulatory Solo level (LeasePlan Corporation N.V.) is 15.9% as per 31st December 2019.

[7] These CET1 and Total capital ratios take into account the Q4 2019 net results (adjusted for a dividend accrual). These results (adjusted for a dividend accrual), will only formally be included as part of the CET1 capital upon approval of the 2019 financial statements. Excluding these results, at the regulatory Sub-consolidated level, the CET1 ratio is 17.2% and the Total Capital ratio is 19.9 %, at the regulatory Consolidated level the CET1 ratio is 17.1% and at the regulatory Solo level the CET1 ratio is 14.8%.

[8] 60% of reported result after taking into account the accrued interest expenses related to the AT1 instrument.

Condensed Consolidated financial statements

Consolidated statement of profit or loss

For the year ended 31 December

In thousands of euros	Q4 2019	Q4 2018	2019	2018
Operating lease income	1,067,104	1,015,878	4,155,570	3,973,110
Finance lease and Other interest income	32,264	34,296	134,669	132,542
Additional services income	639,037	589,130	2,524,832	2,422,469
Vehicle sales and End of contract fees	818,979	686,457	3,303,244	2,990,322
Revenues	**2,557,384**	**2,325,762**	**10,118,314**	**9,518,443**
Depreciation cars	830,970	823,942	3,288,083	3,288,215
Finance cost	90,075	80,235	346,911	303,769
Unrealised (gains)/losses on financial instruments	−20,917	10,107	14,623	11,409
Impairment charges on loans and receivables	9,202	8,678	31,065	28,705
Lease cost	909,330	922,962	3,680,683	3,632,097
Additional services cost	419,641	379,635	1,622,832	1,550,420
Vehicle and Disposal cost	810,889	670,537	3,232,765	2,881,696
Direct cost of revenues	**2,139,861**	**1,973,134**	**8,536,280**	**8,064,213**
Lease services	190,038	127,213	609,556	473,555
Additional services	219,395	209,495	901,999	872,049
Profit/Loss on disposal of vehicles and End of contract fees	8,090	15,920	70,479	108,626
Gross profit	**417,523**	**352,628**	**1,582,035**	**1,454,230**
Staff expenses	166,480	159,893	614,540	571,241
Other operating expenses	89,461	103,674	316,080	318,288
Other depreciation and amortisation	26,062	12,448	183,544	45,104
Total operating expenses	**282,003**	**276,014**	**1,114,164**	**934,634**
Share of profit of investments accounted for using the equity method	1,019	696	4,466	3,284
Other income	–	–	–	128
Profit before tax	**136,539**	**77,310**	**472,337**	**523,008**
Income tax expenses	21,333	6,518	69,356	99,381
Net result for the period	**115,206**	**70,792**	**402,981**	**423,627**
Attributable to:				
Equity holders of parent	105,948	70,792	381,197	423,627
Holders of AT1 capital securities	9,258	–	21,784	–

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

Consolidated statement of comprehensive income

For the year ended 31 December

In thousands of euros	2019	2018
Net result	**402,981**	**423,627**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement of post-employment benefit reserve, before tax	–5,991	2,301
Income tax on post-employment benefit reserve	1,778	–654
Subtotal changes post-employment benefit reserve, net of income tax	**–4,213**	**1,647**
Items that may be subsequently reclassified to profit or loss		
Changes in cash flow hedges, before tax	683	–4,778
Income tax on cash flow hedges	–187	1,195
Subtotal changes in cash flow hedges, net of income tax	**496**	**–3,584**
Exchange rate differences	28,352	–14,676
Other comprehensive income, net of income tax	**24,635**	**–16,614**
Total comprehensive income for the year	**427,616**	**407,014**
Comprehensive income attributable to:		
Owners of the parent	405,832	407,014
Holders of AT1 capital securities	21,784	–

Consolidated statement of financial position

As at 31 December

In thousands of euros	2019	2018
Assets		
Cash and balances at central banks	4,828,356	3,167,831
Investments in debt securities	24,663	24,709
Receivables from financial institutions	638,579	518,318
Derivative financial instruments	102,636	98,517
Other receivables and prepayments	1,242,624	1,150,155
Inventories *	644,721	505,554
Corporate income tax receivable	70,796	48,096
Loans to equity accounted investments	163,500	151,300
Lease receivables from clients	3,388,054	3,279,487
Property and equipment under operating lease & Rental fleet	19,340,074	17,818,976
Other property and equipment	392,935	102,882
Equity accounted investments	18,778	15,874
Intangible assets	203,387	256,128
Deferred tax asset	229,150	141,135
Assets classified as held-for-sale *	–	776
Total assets	**31,288,252**	**27,279,736**

(*) Prior year presentation of comparatives for Inventories and Assets held for sale have been restated. Please refer to the Basis of preparation for further details.

Consolidated statement of financial position - *continued*

As at 31 December

In thousands of euros	2019	2018
Liabilities		
Funds entrusted	7,763,597	6,490,204
Derivative financial instruments	136,770	112,656
Trade and other payables and Deferred income	2,437,616	2,290,482
Corporate income tax payable	65,377	24,462
Borrowings from financial institutions	4,078,817	3,788,873
Lease liabilities	296,289	–
Debt securities issued	11,582,171	10,449,447
Provisions	522,353	495,672
Deferred tax liabilities	344,623	292,347
Total liabilities	**27,227,613**	**23,944,143**
Equity		
Share capital	71,586	71,586
Share premium	506,398	506,398
Other reserves	−43,125	−67,760
Retained earnings	3,027,862	2,825,370
Equity of owners of the parent	**3,562,720**	**3,335,594**
AT1 capital securities	497,919	–
Total equity	**4,060,639**	**3,335,594**
Total equity & liabilities	**31,288,252**	**27,279,736**

Consolidated statement of changes in equity

For the year ended 31 December

In thousands of euros	Share capital	Share premium	Other reserves	Retained earnings	Equity of owners of the parent	AT1 capital securities	Total equity
Balance as at 1 January 2018	**71,586**	**506,398**	**–51,147**	**2,693,243**	**3,220,080**	**–**	**3,220,080**
Net result	–	–	–	423,627	423,627	–	423,627
Other comprehensive income	–	–	–16,614	–	–16,614	–	–16,614
Total comprehensive income	**–**	**–**	**–16,614**	**423,627**	**407,013**	**–**	**407,013**
Interim dividend	–	–	–	–171,400	–171,400	–	–171,400
Final dividend	–	–	–	–120,100	–120,100	–	–120,100
Balance as at 31 December 2018	**71,586**	**506,398**	**–67,761**	**2,825,370**	**3,335,594**	**–**	**3,335,594**
Balance as at 31 December 2018	**71,586**	**506,398**	**–67,761**	**2,825,370**	**3,335,594**	**–**	**3,335,594**
Adoption of IFRIC 23	–	–	–	–13,536	–13,536	–	–13,536
Balance as at 1 January 2019	**71,586**	**506,398**	**–67,761**	**2,811,834**	**3,322,058**	**–**	**3,322,058**
Net result	–	–	–	402,981	402,981	–	402,981
Transfer - accrued interest on AT1 capital securities	–	–	–	–21,784	–21,784	21,784	–
Other comprehensive income	–	–	24,635	–	24,635	–	24,635
Total comprehensive income	**–**	**–**	**24,635**	**381,197**	**405,832**	**21,784**	**427,616**
Interim dividend	–	–	–	–165,170	–165,170	–	–165,170
Proceeds AT1 capital securities	–	–	–	–	–	500,000	500,000
Issuance costs AT1 capital securities	–	–	–	–	–	–5,425	–5,425
Interest coupon paid on AT1	–	–	–	–	–	–18,440	–18,440
Balance as at 31 December 2019	**71,586**	**506,398**	**–43,125**	**3,027,862**	**3,562,720**	**497,919**	**4,060,639**

Consolidated statement of cash flows

for the year ended 31 December

In thousands of euros	2019	2018
Operating activities		
Net result	402,981	423,627
Adjustments		
Interest income and expense	212,242	171,227
Impairment charges on receivables	31,065	28,705
Valuation allowance on inventory *	−5,410	5,327
Depreciation operating lease portfolio and rental fleet	3,398,932	3,362,673
Insurance expense *	370,134	341,115
Depreciation other property plant and equipment	70,000	26,570
Amortisation and impairment on intangibles	113,544	18,534
Share of profit in equity accounted investments	−4,466	−3,284
Gain on sale of subsidiaries / associates	–	−128
Financial instruments at fair value through profit and loss	14,623	11,409
Income tax expense	69,356	99,381
Changes in		
Provisions *	−350,384	−297,843
Derivative financial instruments	9,858	36,716
Trade and other payables and other receivables	−145,673	−124,057
Inventories *	207,291	234,927
Amounts received disposing objects under operating lease	2,599,174	2,285,950
Amounts paid acquiring objects under operating lease	−7,736,560	−7,187,078
Acquired new finance leases	−1,421,412	−1,470,827
Repayment finance leases	1,421,501	1,503,728
Income taxes received	10,954	6,798
Income taxes paid	−109,906	−134,774
Interest received	134,575	132,388
Interest paid	−343,866	−308,016
Net cash inflow/(outflow) from operating activities	**−1,051,447**	**−836,933**

See continuation of this table on the next page.

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

Consolidated statement of cash flows - continued

for the year ended 31 December

In thousands of euros	2019	2018
Investing activities		
Investments in debt securities	46	–24,709
Acquisition of subsidiary, net of cash acquired	–11,954	–
Loans to equity accounted investments	–83,000	–71,800
Redemption on loans to equity accounted investments	70,800	61,000
Dividend received from ass. and jointly controlled entities	–	1,031
Changes in held-for-sale investments *	776	–
Proceeds from disposal of subsidiaries	–	280
Proceeds from sale of other property and equipment	28,226	26,323
Acquisition of other property and equipment	–62,013	–62,651
Acquisition of intangibles assets	–48,868	–89,039
Net cash inflow/(outflow) from investing activities	**–105,987**	**–159,564**
Financing activities		
Receipt from receivables from financial institutions	777,561	429,427
Balances deposited to financial institutions	–773,221	–381,250
Receipt of borrowings from financial institutions	7,441,475	5,061,224
Repayment of borrowings from financial institutions	–7,197,782	–4,532,691
Receipt of funds entrusted	3,386,137	2,358,245
Repayment of funds entrusted	–2,112,775	–1,870,579
Receipt of debt securities	3,826,245	3,302,332
Repayment of debt securities	–2,718,472	–2,208,649
Payment of lease liabilities	–39,692	–
Dividends paid to Company's shareholders	–165,170	–291,500
Receipts from capital securities	494,575	–
Interest paid AT1 capital securities	–18,440	–
Net cash inflow/outflow from financing activities	**2,900,442**	**1,866,560**
Cash and balances with banks as at 1 January	**3,351,570**	**2,481,998**
Net movement in cash and balances with banks	1,743,008	870,063
Exchange gains/(losses) on cash and balances at banks	–1,288	–492
Cash and balances with banks as at 31 December	**5,093,290**	**3,351,570**

Notes regarding financial information presented in this press release

Presentation
All amounts are in thousands of euros unless otherwise stated. Due to rounding, amounts may not add up precisely to totals provided. All reported data is unaudited. Financial reporting is in accordance with the accounting policies as stated in the Annual Financial Statements 2018, unless otherwise stated.
These condensed consolidated financial statements are not a complete set of financial statements. The Group's Annual Financial Statements for 2019 are scheduled for publication on March 25th and may be subject to adjustments resulting from subsequent events.

New and amended standards adopted by the Group effective as from 1 January 2019
The following new or revised standards, amendments and interpretations to published standards became effective as per 1 January 2019 (and are endorsed by the EU). The impacts of those standards and new accounting policies implemented by the Group are disclosed below.

IFRS 16 – Leases

The Group has implemented IFRS 16 on the required effective date of 1 January 2019.

IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset, and a lease liability representing its obligation to make lease payments. Previous off-balance sheet operating leases are now included in the consolidated statement of financial position and resulted in an increase in non-current assets and financial liabilities.
Lessor accounting remains similar to previous accounting policies.

These right-of-use assets are initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses over the contractual term. The right-of-use asset is adjusted for certain re-measurements of the lease liabilities. The lease liabilities are initially measured at the present value of lease payments not yet paid at commencement date and are discounted using an incremental borrowing rate which varies per country within the Group. The liability is subsequently increased by the interest accretion to the lease liability and decreased by lease payments made. The lease liability is remeasured when there is a change in future lease payments or based on changes in assessment of execution of certain extension or termination options in the contracts. The Group applies judgement to determine the lease term for lease contracts that contain renewal options. The depreciation charges and financial charges replace previous operating lease expenses.

The Group applies the recognition exemption for short-term and for low-value leases and reassessed the classification of sub-leases in which the Group is a lessor.

Transition

The Group grandfathered the definition of a lease in IAS 17 on transition for both lessee and lessor accounting. Therefore, the definition of a lease under IFRS 16 is only applied to contracts entered into or changed on or after 1 January 2019.

The Group applies the modified retrospective approach with no restatement of comparative information. The effect of applying the standard is recognised in the opening balance sheet as at 1 January 2019 resulting in an increase in "Other property and equipment" (EUR 287 million) and "Lease liabilities" (EUR 292 million). There is no corresponding impact to the opening balance of retained earnings.

Right-of-use assets are measured at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payment.

The Group has adopted the following practical expedients:

- Initial direct costs are excluded from the measurement of the right-of-use asset at the date of initial application.
- Use of hindsight is applied in determining the lease term where leases contain extension, renewal or termination options.
- The incremental borrowing rate per country as of 1 January 2019 are applied on a single discount rate basis to a portfolio of leases with reasonably similar characteristics such as the property asset class.

The table below presents a reconciliation of the operating lease commitments as at 31 December 2018 to the lease liability recognised as at 1 January 2019.

In thousands of euros	
Operating lease commitments disclosed as at 31 December 2018	**278,344**
Less short-term leases recognised on a straight-line basis as expense	3,814
Less low-value leases recognised on a straight-line basis as expense	653
Add extension and termination options reasonably certain to be exercised	51,956
Total notional lease liabilities at 1 January 2019	**325,832**
Discounting using the Group's incremental borrowing rate of 1.95% (weighted-average rate) at 1 January 2019	-33,889
Lease liability recognised as at 1 January 2019	**291,943**

IFRIC 23 – Uncertainty over income tax treatments

IFRIC 23 (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019) provides a framework and specific guidance to consider, recognise and measure the accounting impact of tax uncertainties that was not included in IAS 12.

IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

Based on IFRIC 23, an entity shall assume that a taxation authority will examine amounts which has a right to examine and have full knowledge of all related information when making those examination. In the past the Group did a best estimate based on actual examination of local tax authorities.

For this reason, the impact of IFRIC 23 determined by the Group is an additional tax provision of EUR 13,5 million, which is recognised as an adjustment in the opening balance of retained earnings.

Other changes

The following other changes that became effective as per 1 January 2019 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:

- Amendments to IFRS 9 'Prepayment features with negative compensation' (issued on 12 October 2017).
- Amendments to IAS 28 'Long term interests in Associates and Joint Ventures' (issued on 12 October 2017).
- Amendments to IAS 19 'Employee Benefits': Plan Amendment, Curtailment or Settlement (issued on 7 February 2018).
- Annual improvements cycle 2015 – 2017: Amendments to IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements', IAS 12 'Income Taxes', IAS 23 'Borrowing Costs' (issued on 12 December 2017).

New and amended standards issued that become effective as per 1 January 2020

The following amendments to standards are not yet endorsed by the EU and become effective as per 1 January 2020. Those changes relate to:

- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018).
- Amendment to IFRS 3 Business Combinations (issued on 22 October 2018).
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Definition of Material (issued on 31 October 2018).
- 'Interest Rate Benchmark Reform' (Amendments to IFRS 9, IAS 39 and IFRS 7) (issued on 26 May 2019).
- These changes are not expected to have a significant impact on shareholders' equity nor comprehensive income of the Group.

Interest Rate Benchmark Reform

The IASB recently published its interest rate benchmark reform amendments to IFRS 9, IAS 39 and IFRS 7, which is the first phase of the process leading to a transition away from IBOR. The final amendments were issued in September 2019, which specifically addresses certain provisions for hedge accounting, to include:

- Entities can apply the accounting requirements under IAS 39 (still adopted in LeasePlan) on the assumption that the interest rate benchmark on which the hedged cashflows and cashflows from the hedging instrument are based will not be altered, as a result of the interest rate benchmark reform;
- Make the amendments mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;
- Should not provide relief from any other consequences arising from interest rate benchmark reform;
- Will require disclosures about the extent to which entities hedging relationships are affected by the amendments.

The amendments above, are effective for period beginning on or after 1 January 2020, with early adoption permitted. At the end of 2021 the transition to ARRs will be completed and banks will no longer submit rates.

Most relevant new and amended standards issued that become effective after 2020

IFRS 17 - Insurance Contracts

The Group will implement IFRS 17 'Insurance Contracts' (as issued by the IASB in May 2017 but not yet endorsed by the EU) by the expected effective date. The IASB issued an Exposure Draft (ED) 'Amendments to IFRS 17' on 26 June 2019 and based on comments received the IASB is planning to complete re-deliberations of targeted amendments to IFRS 17 by February 2020. Deferral of the effective date with one year to 1 January 2022 is one of the proposed re-deliberations.

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.

Reclassification of Asset held for sale in the presentation on the statement of financial position
Assets held for sale have been reclassified to inventories 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 groups entered into in the United states with the aim to sell onwards to debt investors as part of the Group's ongoing business.

Explanatory notes to the condensed consolidated financial statements

All amounts are in thousands of euros unless otherwise stated.

1 Revenues and direct cost of revenues

Revenues (lease income, additional services and vehicle sales)

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	Q4 2019	Q4 2018	2019	2018
Operating lease income	1,067,104	1,015,878	4,155,570	3,973,110
Finance lease and Other interest income	32,264	34,296	134,669	132,542
Additional services income	639,037	589,130	2,524,832	2,422,469
Vehicle sales and End of contract fees	818,979	686,457	3,303,244	2,990,322
Revenues	**2,557,384**	**2,325,762**	**10,118,314**	**9,518,443**

Finance lease and Other interest income for 2019 includes an amount of EUR 9.8 million (2018: EUR 8.5 million) related to Other interest income.

Operating lease income for 2019 includes an amount of EUR 709.8 million (2018: EUR 663.8 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	Q4 2019	Q4 2018	2019	2018
Depreciation cars	842,308	805,942	3,289,761	3,156,214
Impairment on assets *	-11,338	18,000	-1,678	132,000
Finance cost	90,075	80,235	346,911	303,769
Unrealised (gains)/losses on financial instruments	-20,917	10,107	14,623	11,409
Impairment charges on loans and receivables	9,202	8,678	31,065	28,705
Lease cost	**909,330**	**922,962**	**3,680,683**	**3,632,097**
Additional services cost	419,641	379,635	1,622,832	1,550,420
Vehicle and Disposal costs	810,889	670,537	3,232,765	2,881,696
Direct cost of revenues	**2,139,861**	**1,973,134**	**8,536,280**	**8,064,213**

(*) Impairment on assets is included in line-item Depreciation cars in the consolidated statement of profit or loss. The impairment recognised in Turkey during 2018 was partially reversed in2019. The reversal in the amount of EUR 40.9 million was due to the positive impact of fluctuation of the forward rates in Turkey. The remaining impairment amount on the balance sheet is EUR 9.9 million as of 31 December 2019.

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	Q4 2019	Q4 2018	2019	2018
Lease services	157,784	155,319	622,501	616,964
Impairment on assets *	11,338	−18,000	1,678	−132,000
Unrealised gains/(losses) on financial instruments	20,917	−10,107	−14,623	−11,409
Lease	**190,038**	**127,213**	**609,556**	**473,555**
Fleet management & other services	70,987	62,974	288,636	280,222
Repair and maintenance Services	68,508	81,292	315,972	322,443
Damage services and Insurance	79,900	65,229	297,391	269,385
Additional services	**219,395**	**209,495**	**901,999**	**872,049**
End of contract fees	38,923	29,424	143,619	123,535
Profit/(loss) on disposed vehicles (PLDV)	−30,834	−13,504	−73,140	−14,909
Profit/(loss) on disposed vehicles and End of contract fees	**8,090**	**15,920**	**70,479**	**108,626**
Gross profit	**417,523**	**352,628**	**1,582,035**	**1,454,230**

(*) Impairment on assets is included in line-item Depreciation cars in the consolidated statement of profit or loss. The impairment recognised in Turkey during 2018 was partially reversed in2019. The reversal in the amount of EUR 40.9 million was due to the positive impact of fluctuation of the forward rates in Turkey. The remaining impairment amount on the balance sheet is EUR 9.9 million as of 31 December 2019.

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	Q4 2019	Q4 2018	2019	2018
Operating lease - interest income	183,981	170,128	709,781	663,837
Finance lease and Other interest income	32,264	34,296	134,669	132,542
Finance cost	−90,075	−80,235	−346,911	−303,769
Net interest income	**126,170**	**124,189**	**497,538**	**492,610**
Unrealised gains/(losses) on financial instruments	20,917	−10,107	−14,623	−11,409
Impairment charges on loans and receivables	−9,202	−8,678	−31,065	−28,705
Net finance income	**137,885**	**105,404**	**451,850**	**452,496**

2 Non-GAAP measures

In addition to IFRS financial measures, LeasePlan 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, results related to the acquisition or sale of subsidiaries, 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 non GAAP measures for 2019 and 2018 is included in the tables below:

	IFRS results 31 December 2019	Underlying adjustments			Underlying results 31 December 2019
		Restructuring and other underlying adjustments*	Unrealised results on financial instruments	Impairment**	
Revenues	10,118,314				10,118,314
Direct cost of revenues	8,536,280	-13,683	-14,623	1,678	8,509,651
Gross profit	**1,582,035**	**13,683**	**14,623**	**-1,678**	**1,608,663**
Total operating expenses	1,114,164	-77,828		-92,000	944,335
Share of profit of investments accounted for using the equity method	4,466				4,466
Profit before tax	**472,337**	**91,511**	**14,623**	**90,322**	**668,794**
Income tax expenses	69,356	21,849	3,083	18,001	112,289
Net result attributable to owners of the parent	**402,981**	**69,662**	**11,541**	**72,321**	**556,505**

	IFRS results Q4 2019	Underlying adjustments			Underlying results Q4 2019
		Restructuring and other underlying adjustments	Unrealised results on financial instruments	Impairment	
Revenues	2,557,384				2,557,384
Direct cost of revenues	2,139,861	-13,683	20,917	11,338	2,158,433
Gross profit	**417,523**	**13,683**	**-20,917**	**-11,338**	**398,951**
Total operating expenses	282,003	-31,429		-	250,574
Share of profit of investments accounted for using the equity method	1,019				1,019
Profit before tax	**136,539**	**45,112**	**-20,917**	**-11,338**	**149,396**
Income tax expenses	21,333	10,494	-5,711	-2,646	23,471
Net result attributable to owners of the parent	**115,206**	**34,618**	**-15,206**	**-8,692**	**125,926**

*Includes a RMT contract cost adjustment in LPUK, restructuring and consultancy costs related to the CLS restructuring and CarNext BU set up programs for a total of EUR 91.5 million before tax (EUR 69.7 million after tax).
** The impairment recognised in Direct cost of revenues in Turkey during 2018 was partially reversed in2019. The reversal in the amount of EUR 40.9 million was due to the positive impact of fluctuation of the forward rates in Turkey. The remaining impairment amount on the balance sheet is EUR 9.9 million as of 31 December 2019.

	IFRS results 31 December 2018	Underlying adjustments			Underlying results 31 December 2018
		Restructuring and other underlying adjustments	Unrealised results on financial instruments	Impairment	
Revenues	9,518,443				9,518,443
Direct cost of revenues	8,064,213		−11,409	−132,000	7,920,804
Gross profit	**1,454,230**		**11,409**	**132,000**	**1,597,639**
Total operating expenses	934,634	−47,089			887,545
Other income	128				128
Share of profit of investments accounted for using the equity method	3,284				3,284
Profit before tax	**523,008**	**47,089**	**11,409**	**132,000**	**713,506**
Income tax expenses	99,381	13,845	989	23,094	137,309
Net result attributable to owners of the parent	**423,627**	**33,244**	**10,420**	**108,906**	**576,197**

	IFRS results Q4 2018	Underlying adjustments			Underlying results Q4 2018
		Restructuring and other underlying adjustments	Unrealised results on financial instruments	Impairment	
Revenues	2,325,762				2,325,762
Direct cost of revenues	1,973,134		−10,107	−18,000	1,945,027
Gross profit	**352,628**		**10,107**	**18,000**	**380,735**
Total operating expenses	276,014	−22,675			253,339
Share of profit of investments accounted for using the equity method	696				696
Profit before tax	**77,310**	**22,675**	**10,107**	**18,000**	**128,091**
Income tax expenses	6,518	7,778	608	5,706	20,610
Net result attributable to owners of the parent	**70,792**	**14,897**	**9,499**	**12,294**	**107,482**